



ANNUAL
REPORT

2020/21

#BLOOM



Laxmi Bank

Board of Directors



Mr. Raman Nepal
CHAIRMAN



Mr. Dinesh Poudel
DIRECTOR, REPRESENTING
PROMOTER GROUP



Dr. Manish Thapa
DIRECTOR, REPRESENTING
PROMOTER GROUP



Ms. Swati Roongta
DIRECTOR, REPRESENTING
GENERAL PUBLIC



Mr. Vishwa Karan Jain
DIRECTOR, REPRESENTING
GENERAL PUBLIC



Ms. Bidya Basnyat
INDEPENDENT DIRECTOR

Executive Committee Members



Front: From Left to Right

Abhaya Raj Sharma – Head - Risk Management Unit
Sumed Bhattarai – Deputy Chief Executive Officer
Ajaya Bikram Shah – Chief Executive Officer
Bharti Pande – Head - Strategy & Marketing
Amit Singh Karki – Head - Infrastructure and Projects
Anita Upadhyay – Head - Compliance
Sanjeev Raj Joshi – Head - General Sourcing and Property Management

Back: From Left to Right

Piyush Raj Aryal – Chief Financial Officer
Rajiv Sapkota – Chief - Institutional Banking and Business Development
Dipesh Amatya – Chief-Retail Financial Services
Bhubal Rai – Chief Operating Officer
Manish Raj Kunwar – Head - Corporate Banking
Suman Prasad Gelal – Head - Cards & Digital Channel Operations
Jiwan Prakash Limbu – Chief Technology Officer

Heads of Departments



Amit Sharma
HEAD - HUMAN RESOURCES



Anup Shrestha
HEAD - RETAIL ASSETS



Chandnee Jha
HEAD - TRADE AND
INTERNATIONAL BUSINESS



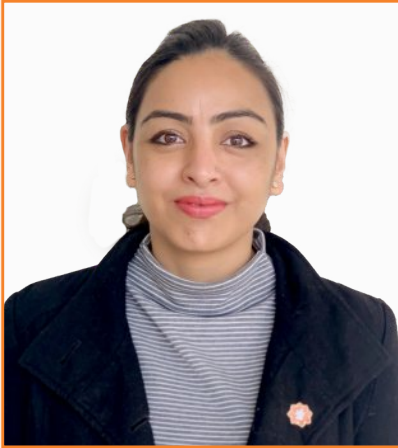
Deependra Bharati
HEAD-SECURITY



Kaemy Gorkhali
HEAD-DEVELOPMENT
ORGANIZATIONS & PAYROLL SERVICE



Manohar Raj Uprety
HEAD - INTERNAL AUDIT



Parikshya KC
HEAD - CREDIT, MID MARKET



Pooja Shah
HEAD - PRIVATE BANKING
AND RETAIL BRANCHES



Rabin Shrestha
HEAD - MID MARKET



Rajit Paudel
HEAD - RECOVERY AND
COLLECTION



Sanjiv Shrestha
HEAD - CENTRAL OPERATION



Shishu Joshi
HEAD - BUSINESS
DEVELOPMENT AND RETAIL
BRANCHES



Sugat Manandhar
HEAD - CREDIT, CORPORATE



Umesh Raj Newa
HEAD - CREDIT-RETAIL
FINANCIAL SERVICES

J . B . Rajbhandary & DiBins

CHARTERED ACCOUNTANTS

2nd Floor (North Wing), Sherpa Mall, Durbar Marg
Kathmandu, Nepal, P.O.Box: 23725
Tel: (01) 4247177, (01) 4244971
E-mail : info@jbrdibins.com.np
web : www.jbrdibins.com.np

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAXMI BANK LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Laxmi Bank Limited (LBL) and its subsidiaries (collectively referred to as the "Group"), which comprise of the Consolidated Statement of Financial Position as at 31st Ashad 2078 (15th July 2021) and the Consolidated Statement of Profit or Loss (including Statement of Other Comprehensive Income), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as at 31st Ashad 2078 (15th July 2021), its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis for Opinion

We conducted our audit in accordance with Nepal Standard on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our audit report. We are independent of the Group in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the uncertainties as a result of the pandemic Covid-19 which has made a significant impact on the business and financial results of LBL. The management is evaluating the effect of the uncertainties on an ongoing basis with compliance of the circulars and guidelines issued by Nepal Rastra Bank.

Our opinion is not modified in respect of the aforementioned matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S.N.	Description of Key Audit Matters	How the matter was addressed in our audit
1.	<p>Interest Income Recognition</p> <p>Interest income of LBL is recognized on accrual basis subject to the Interest Income Recognition Guidelines 2019 issued by NRB. The guidelines requires suspension of interest income recognition on accrual basis for loans and advances which are more than 3</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> Obtaining clear understanding of the process of accrual calculations of interest income on loans and advances in the Core Banking Software (CBS) of LBL.



	<p>months in arrears and where the “net realizable value” of security is insufficient to cover payment of principal and accrued interest and for loans and advances where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral; In absence of system capability to suspend recognition of income on the basis of overdue status of loans and net realizable value of collateral, manual calculations is required to suspend interest income recognition. This creates risk of improper application of the guidelines and determination of the Net Realizable Value of the collateral. This may, in turn, have effect on recognition of interest income of LBL. Thus, we have considered it as a key audit matter.</p>	<p>2. For net realizable value of collateral on the sample loan files, we relied on the latest available engineer's valuation of the collateral.</p> <p>3. Test check of the interest income accrued in the CBS and booked in the financial statements in line with the Guidelines issued by NRB.</p> <p>Our Results: We considered the interest income recognition to be acceptable.</p>
<p>2.</p>	<p>Valuation of investments at amortized cost and measured at fair value</p> <p>Investment of LBL comprises of investment in government bonds, T- bills, development bonds and investment in quoted and unquoted equity instruments.</p> <p>Valuation of the aforesaid securities has been done in accordance with NAS 39 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills is recognized at Amortized cost whereas investments in equity instruments, other than those held for trading, is valued at Fair Value through Other Comprehensive Income on the reporting date.</p> <p>The classification of the investments is based on business model adopted by the management, nature of cash flows, complexity of calculations and significance of amount involved in such investments. Thus, we have considered it as a Key Audit Matter in our audit.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> 1. Review of investments of LBL and its valuation in accordance with related NFRS and NRB Directives. 2. Assessment of the business model adopted by the management and the nature of expected cash flow of the investments on the basis of available evidences/circumstances and ensured that classification of investment commensurate with nature of cash flows and management intention of holding the investments. 3. For the valuation of investments at amortized cost, we reviewed the Accrued Interest yet to be collected. 4. For investments valued through OCI, we reviewed the fair value considering the closing price in NEPSE as on the reporting date. <p>Our Results: We considered the valuation of investments at amortized cost and measured at fair value to be acceptable.</p>
<p>3.</p>	<p>Impairment of Loans and Advances</p> <p>LBL measures impairment allowance on loans and advances at the higher of:</p> <ul style="list-style-type: none"> • Amount derived as per the provisions set forth in the Unified Directives issued by Nepal Rastra Bank along with circulars issued for loan loss 	<p>Our audit approach included:</p> <ol style="list-style-type: none"> 1. Review of the overdue status of loans and advances based on data extracted from the system and reports submitted to NRB. 2. Sample credit files were reviewed in regards to utilization of loans and advances for



	<p>provisioning; and</p> <ul style="list-style-type: none"> Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model. <p>NRB directives sets provision on loans and advances at prescribed rates based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts and so on.</p> <p>As per NAS 39, impairment allowance is made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for groups of loans that are not considered individually significant.</p> <p>Hence impairment of loans and advances under incurred loss model requires assessment of future cash flows as well as historical loss experiences of portfolios whereas impairment of loans and advances under NRB norms requires assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as a key audit matter.</p>	<p>intended purpose by way of scrutiny of financial statements, accounts movement, account turnover and so on.</p> <p>3. Grouping of homogeneous groups of loans was reviewed on the basis of nature and purpose of loans and data of historical loss experience in portfolios were assessed on the basis of loan loss provisions of the defined group in the past.</p> <p>Our Results: We considered the impairment of loans and advances to be acceptable.</p>
<p>4.</p>	<p>Information Technology Controls</p> <p>IT controls include recording of transactions, generating reports in compliance with NRB directives and guidelines and other applicable regulations. Hence, LBL's financial and reporting processes are highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as a key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in incorrect reporting to the management, shareholders, regulators and stakeholders.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> Understanding the CBS and other allied systems used by LBL for accounting and reporting purposes. Understanding the process of feeding data in the system and conducting a walkthrough of the extraction of the financial information and statements from the IT systems existing in LBL. Checking of the user requirements for any changes in the regulations/ policy of LBL. Reviewing the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS. We have reviewed the IS audit report provided by an independent IS Auditor.



		<p>6. We verified the provisioning of the loan and advances based on ageing on the test check basis as on the reporting date.</p> <p>Our Results: We considered the controls in the information technology to be acceptable.</p>
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Information other than the Consolidated Financial Statements and Auditor’s Report Thereon

Management is responsible for the presentation of the other information. The other information comprises the information included in LBL’s Annual Report, including Report of Board of Directors but does not include the financial statements and our auditor’s report thereon. We have not received the Annual Report prior to the date of this Auditor’s Report but is expected to be received for review after the date of this Auditor’s Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the Annual Report and if we conclude that there is a material misstatement therein, we are required to communicate the matter with those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with Nepal Financial Reporting Standard (NFRS), and for such internal control as management determines is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:



- i. Identify and assess the risks of material misstatement of the Consolidated Financial Statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirement regarding independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

To the best of our knowledge and according to explanations given to us and from our examination of the books of account of the Group and LBL necessary for the purpose of our audit to the extent for the scope of our audit:

- a. We have obtained all the information and explanations along with replies to our queries, which to the best of our knowledge and understanding, were necessary for the purpose of the audit.
- b. In our opinion, the consolidated and separate financial statements comprising of Statements of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash flows, prepared in accordance with the requirements of Company Act, 2063 and format prescribed by Nepal Rastra Bank are in agreements with the Books of Accounts.



- c. In our opinion, books of accounts, records, books and ledgers have been maintained accurately in accordance with prevailing laws.
- d. To the best of our information and according to the explanations provided to us and as so far appeared from the examination of the books of accounts, we have not come across cases where board of directors or any official has committed any act contrary to the prevailing laws or committed any irregularity or caused any loss or damage to the Group and/or violated directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Group, its depositors, clients and investors.
- e. In our opinion, loans written off are in line with the Loan Write-Off Bye laws of LBL and the directives issued by NRB.
- f. In our opinion, transactions of LBL have been carried on in a satisfactory manner as prescribed by Nepal Rastra Bank.




CA Jitendra B. Rajbhandary
Senior Partner

Place: Kathmandu

Date: 25th Kartik 2078 (11th November 2021)

UDIN: 211111CA00014fyI98

Consolidated Statement of Financial Position

As on 31 Ashadh 2078 (15 July 2021)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Assets					
Cash and cash equivalent	4.1	11,020,224,312	9,564,439,879	10,940,569,805	9,423,975,107
Due from Nepal Rastra Bank	4.2	7,285,870,629	9,463,991,974	7,256,232,629	9,443,373,975
Placement with Bank and Financial Institutions	4.3	236,850,000	281,584,647	-	-
Derivative financial instruments	4.4	6,073,905,068	6,224,513,904	6,073,905,068	6,224,513,904
Other trading assets	4.5	-	16,120,000	-	16,120,000
Loan and advances to B/FIs	4.6	960,879,364	490,169,988	3,272,947,502	1,590,267,541
Loans and advances to customers	4.7	111,582,347,547	92,835,959,655	105,213,372,497	88,452,549,821
Investment securities	4.8	13,104,976,047	9,217,042,605	13,004,405,992	9,029,218,784
Current tax assets	4.9	72,556,408	134,162,008	72,556,408	114,154,504
Investment in subsidiaries	4.10	-	-	417,000,000	417,000,000
Investment in associates	4.11	2,838,544,564	2,361,733,856	2,818,220,996	1,396,407,356
Investment property	4.12	105,942,899	108,976,899	105,942,899	108,976,899
Property and equipment	4.13	1,395,355,719	1,455,792,623	1,335,673,598	1,391,833,688
Goodwill and Intangible assets	4.14	91,422,480	92,104,461	76,489,936	90,186,774
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	1,702,873,277	1,227,476,168	1,653,542,560	1,199,995,504
Total Assets		156,471,748,314	133,474,068,667	152,240,859,890	128,898,573,855
Liabilities					
Due to Bank and Financial Institutions	4.17	4,190,280,105	4,350,049,908	2,826,267,786	2,979,386,290
Due to Nepal Rastra Bank	4.18	4,364,945,380	500,460,639	4,364,945,380	500,460,639
Derivative financial instruments	4.19	6,050,417,580	6,181,977,248	6,050,417,580	6,181,977,248
Deposits from customers	4.20	116,490,857,382	99,625,266,512	114,605,491,739	98,370,756,811
Borrowing	4.21	3,591,572,535	3,634,800,001	3,591,572,535	3,634,800,001
Current Tax Liabilities	4.9	8,655,831	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	171,046,612	233,856,845	888,955,079	235,547,823
Other liabilities	4.23	1,342,591,245	1,586,168,935	1,008,229,478	1,012,385,968
Debt securities issued	4.24	2,008,219,178	2,008,196,721	2,008,219,178	2,008,196,721
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		138,218,585,848	118,120,776,809	135,344,098,756	114,923,511,501
Equity					
Share capital	4.26	10,695,689,862	9,812,559,506	10,695,689,862	9,812,559,506
Share premium		-	-	-	-
Retained earnings		3,951,074,534	2,453,221,364	1,262,938,329	1,310,243,616
Reserves	4.27	3,398,744,669	2,927,966,763	4,938,132,943	2,852,259,232
Total equity attributable to equity holders		18,045,509,066	15,193,747,634	16,896,761,134	13,975,062,354
Non-controlling interest		207,653,400	159,544,225	-	-
Total equity		18,253,162,466	15,353,291,859	16,896,761,134	13,975,062,354
Total liabilities and equity		156,471,748,314	133,474,068,667	152,240,859,890	128,898,573,855
Contingent liabilities and commitment	4.28	64,468,294,596	60,801,572,890	64,467,354,072	60,800,632,366
Net assets value per share		168.72	154.84	157.98	142.42

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

As per our report of even date

Directors

Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Vishwa Karan Jain
Bidya Basnyat

CA Jitendra B. Rajbhandary
Senior Partner
for J.B.Rajbhandary & Dibins
Chartered Accountants

Date : 11 November 2021
Place : Kathmandu

Consolidated Statement of Profit or Loss

For the year ended 31 Ashadh 2078 (15 July 2021)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	10,107,779,867	10,771,858,803	9,377,431,133	10,182,241,701
Interest expense	4.30	6,122,745,890	6,933,775,664	5,920,591,338	6,720,074,895
Net interest income		3,985,033,977	3,838,083,139	3,456,839,795	3,462,166,806
Fee and commission income	4.31	1,176,787,854	927,121,009	979,859,357	809,230,324
Fee and commission expense	4.32	104,297,183	101,152,181	104,297,183	101,132,961
Net fee and commission income		1,072,490,671	825,968,828	875,562,175	708,097,363
Net interest, fee and commission income		5,057,524,648	4,664,051,967	4,332,401,970	4,170,264,169
Net trading income	4.33	340,541,914	332,897,263	340,541,914	332,897,263
Other operating income	4.34	972,801,716	56,877,702	500,367,776	103,178,107
Total operating income		6,370,868,278	5,053,826,933	5,173,311,660	4,606,339,540
Impairment charge/(reversal) for loans and other losses	4.35	538,687,663	578,312,720	492,214,064	475,241,852
Net operating income		5,832,180,615	4,475,514,212	4,681,097,597	4,131,097,688
Operating expense					
Personnel expenses	4.36	1,840,709,864	1,437,964,796	1,573,586,056	1,232,792,436
Other operating expenses	4.37	741,071,420	754,054,229	682,481,684	706,640,902
Depreciation & Amortisation	4.38	201,106,450	177,116,402	188,940,946	166,909,683
Operating Profit		3,049,292,881	2,106,378,785	2,236,088,911	2,024,754,667
Non operating income	4.39	4,451,670	16,534,824	4,451,670	15,628,975
Non operating expense	4.40	11,447,250	47,943,060	11,447,250	47,943,060
Profit before income tax		3,042,297,301	2,074,970,549	2,229,093,330	1,992,440,582
Income tax expense	4.41	758,706,965	620,802,503	653,332,810	580,891,202
Current Tax		782,526,687	638,434,197	674,671,883	598,325,891
Deferred Tax		(23,819,722)	(17,631,694)	(21,339,073)	(17,434,689)
Profit for the period		2,283,590,335	1,454,168,046	1,575,760,520	1,411,549,380
Profit attributable to:					
Equity holders of the Bank		2,225,726,210	1,432,885,550	1,575,760,520	1,411,549,380
Non-controlling interest		57,864,125	21,282,496	-	-
Profit for the period		2,283,590,335	1,454,168,046	1,575,760,520	1,411,549,380
Earnings per share					
Basic earnings per share		21.35	14.82	14.73	14.39
Diluted earnings per share		21.35	14.82	14.73	14.39

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

As per our report of even date

Directors

Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Vishwa Karan Jain
Bidya Basnyat

CA Jitendra B. Rajbhandary
Senior Partner
for J.B.Rajbhandary & Dibins
Chartered Accountants

Date : 11 November 2021
Place : Kathmandu

Consolidated Statement of Other Comprehensive Income

For the year ended 31 Ashadh 2078 (15 July 2021)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		2,283,590,335	1,454,168,046	1,575,760,520	1,411,549,380
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		1,222,608,876	511,111,560	2,217,878,424	511,111,560
Gains/ (losses) on revaluation					
Actuarial gains/ (losses) on defined benefit plans		31,276,008	2,465,150	31,276,008	2,465,150
Income Tax relating to above items		(376,165,465)	(154,073,013)	(674,746,330)	(154,073,013)
Net other comprehensive income that will not be reclassified to profit or loss		877,719,419	359,503,697	1,574,408,103	359,503,697
b) Items that are or may be reclassified to profit or loss					
Gains/ (losses) on cash flow hedge		-	-	-	-
Exchange gains/ (losses) (arising from translating 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		877,719,419	359,503,697	1,574,408,103	359,503,697
Total comprehensive income for the period		3,161,309,754	1,813,671,743	3,150,168,623	1,771,053,077
Total comprehensive income attributable to:					
Equity holders of the Bank		3,103,445,629	1,792,389,247	3,150,168,623	1,771,053,077
Non-controlling interest		57,864,125	21,282,496	-	-
Total comprehensive in Total comprehensive income for the period		3,161,309,754	1,813,671,743	3,150,168,623	1,771,053,077

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

As per our report of even date

Directors
Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Vishwa Karan Jain
Bidya Basnyat

CA Jitendra B. Rajbhandary
Senior Partner
for J.B.Rajbhandary & Dibins
Chartered Accountants

Date : 11 November 2021
Place : Kathmandu

Consolidated Statement of changes in equity

For the year ended 31st Ashadh 2078

PARTICULARS	GROUP										AMOUNT IN NPR	
	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, 2076	8,920,508,642	-	1,543,226,787	29,861,471	159,561,657	268,629,247	-	1,625,682,214	340,990,618	12,888,460,636	148,087,294	13,036,547,930
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2076	8,920,508,642	-	1,543,226,787	29,861,471	159,561,657	68,629,247	-	1,625,682,214	40,990,618	12,888,460,636	148,087,294	13,036,547,930
Comprehensive income for the year												
Profit for the year												
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)										1,725,605		1,725,605
Fair value reserve (Investment in equity instrument):												
Net change in fair value												
Net amount transferred to profit or loss						357,778,092				357,778,092		357,778,092
Net gain (loss) on revaluation												
Cash flow hedges:												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year	-	-	-	-	-	357,778,092	-	1,432,885,550	1,725,605	1,792,389,247	21,282,496	1,813,671,743
Transfer to reserve during the year			294,393,678	1,880,478	259,843,051			(571,502,575)	15,385,369			
Transfer from reserve during the year								341,551,920	(345,309,289)	(3,757,370)	(1,610,301)	(5,367,671)
Transactions with owners, directly recognised in equity												
Right share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued	892,050,864							(892,050,864)				
Cash dividend paid								(448,671,379)		(448,671,379)	(8215,263)	(456,886,643)
Total contributions by and distributions	892,050,864	-	294,393,678	1,880,478	259,843,051	357,778,092	-	(137,787,350)	(328,198,316)	1,339,960,497	11,456,931	1,351,417,429
Balance at Ashadh end 2077	9,812,559,506	-	1,837,620,465	31,741,949	419,404,708	626,407,339	-	1,487,894,864	12,792,302	14,228,421,134	159,544,225	14,387,965,359

PARTICULARS	GROUP										AMOUNT IN NPR	
	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, 2077	9,812,559,506	-	1,837,620,465	31,741,949	419,404,708	626,407,339	-	1,487,894,864	12,792,302	14,228,421,134	159,544,225	14,387,965,359
Adjustment/Restatement	-	-	(794,778)	-	-	-	-	1,911,485,115	2,996,470	1,913,686,806	(1,703,096)	1,911,983,710
Adjusted/Restated balance at Shrawan 1, 2077	9,812,559,506	-	1,836,825,687	31,741,949	419,404,708	626,407,339	-	3,399,379,979	15,788,772	16,142,107,940	157,841,129	16,299,949,068
Comprehensive income for the year	-	-	-	-	-	-	-	2,225,726,210	-	2,225,726,210	57,864,125	2,283,590,335
Profit for the year												
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	21,893,206	21,893,206	-	21,893,206
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fair value	-	-	-	-	-	(112,871,063)	-	-	-	(112,871,063)	-	(112,871,063)
Net amount transferred to profit or loss	-	-	-	-	-	-	-	13,475,316	-	13,475,316	-	13,475,316
Net gain (loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges:												
Effective portion of changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-
Net Amount reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(112,871,063)	-	2,239,201,526	21,893,206	2,148,223,668	57,864,125	2,206,087,793
Transfer to reserve during the year	-	-	358,907,350	208,924	(32,785,861)	-	-	(571,738,723)	245,681,875	273,564	-	273,564
Transfer from reserve during the year	-	-	-	-	-	-	-	12,458,215	(12,458,215)	-	(1,240,828)	(1,240,828)
Transactions with owners, directly recognised in equity												
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	883,130,356	-	-	-	-	-	-	(883,130,356)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	(245,096,107)	-	-	(245,096,107)	(6811,026)	(251,907,134)
Total contributions by and distributions	883,130,356	-	358,907,350	208,924	(32,785,861)	(112,871,063)	-	551,694,555	255,116,865	1,903,401,125	49,812,271	1,953,213,396
Balance at Ashadh end 2078	10,695,689,862	-	2,195,733,036	31,950,873	386,618,847	513,536,275	-	3,951,074,534	270,905,637	18,045,509,065	207,653,400	18,253,162,465

PARTICULARS	BANK										AMOUNT IN NPR	
	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, 2076	8,920,508,642	-	1,489,246,575	29,861,471	159,561,657	268,629,247	-	1,453,367,509	328,859,606	12,650,034,708	-	-
Adjustment/Restatement												
Adjusted/Restated balance at Shrawan 1, 2076	8,920,508,642	-	1,489,246,575	29,861,471	159,561,657	268,629,247	-	1,453,367,509	328,859,606	12,650,034,708	-	-
Comprehensive income for the year												
Profit for the year										1,411,549,380		1,411,549,380
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)									1,725,605			1,725,605
Fair value reserve (Investment in equity instrument):												
Net change in fair value						357,778,092						357,778,092
Net amount transferred to profit or loss												
Net gain (loss) on revaluation												
Cash flow hedges:												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year										1,411,549,380		1,771,053,077
Transfer to reserve during the year			282,309,876	1,880,478	259,843,051			(558,148,898)	14,115,494			
Transfer from reserve during the year								341,551,920	(341,551,920)			
Transactions with owners, directly recognised in equity												
Share based payments												
Dividends to equity holders												
Bonus shares issued	892,050,864									(892,050,864)		
Cash dividend paid										(446,025,432)		(446,025,432)
Total contributions by and distributions	892,050,864		282,309,876	1,880,478	259,843,051	357,778,092		(143,123,893)	(325,710,821)			1,325,027,645
Balance at Ashadh end 2077	9,812,559,506		1,771,556,451	31,741,949	419,404,708	626,407,339		1,310,243,616	3,148,785			13,975,062,353

PARTICULARS	BANK										AMOUNT IN NPR	
	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, 2077	9,812,559,506	-	1,771,556,451	31,741,949	419,404,708	626,407,339	-	1,310,243,616	3,148,785	13,975,062,353	-	-
Adjustment/Restatement												
Adjusted/Restated balance at Shrawan 1, 2077	9,812,559,506	-	1,771,556,451	31,741,949	419,404,708	626,407,339	-	1,310,243,616	3,148,785	13,975,062,353		
Comprehensive income for the year								1,575,760,520		1,575,760,520		
Profit for the year												
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)									21,893,206	21,893,206		
Fair value reserve (Investment in equity instrument):												
Net change in fair value						1,552,514,897		13,475,316		1,552,514,897		
Net amount transferred to profit or loss												
Net gain (loss) on revaluation												
Cash flow hedges:												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year						1,552,514,897		1,589,235,836	21,893,206	3,163,643,939		
Transfer to reserve during the year			318,520,933	208,924	(32,785,861)			(520,554,995)	237,979,827	3,368,829		
Transfer from reserve during the year								12,458,215	(12,458,215)			
Transactions with owners, directly recognised in equity												
Share based payments												
Dividends to equity holders												
Bonus shares issued	883,130,356							(883,130,356)				
Cash dividend paid								(245,313,988)		(245,313,988)		
Total contributions by and distributions	883,130,356		318,520,933	208,924	(32,785,861)	1,552,514,897		(47,305,286)	247,414,818	2,921,698,780		
Balance at Ashadh end 2078	10,695,689,862		2,090,077,384	31,950,873	386,618,847	2,178,922,236		1,262,938,329	250,563,603	16,896,761,133		

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

Directors
Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Vishwa Karan Jain
Bidya Basnyat

As per our report of even date

CA Jitendra B. Rajbhandary
Senior Partner
for J.B.Rajbhandary & Dibbins
Chartered Accountants

Consolidated Statement of cash flows

For the year ended 31 Ashadh 2078 (15 July 2021)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	BANK	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	9,831,255,637	9,728,523,816	9,117,967,196	9,194,721,458
Fees and other income received	1,176,787,854	927,121,009	979,859,357	809,230,324
Dividend received	-	-	-	-
Receipts from other operating activities	52,263,955	419,299,344	(726,545,753)	432,020,560
Interest paid	(5,923,003,415)	(6,730,348,004)	(5,720,848,863)	(6,561,076,581)
Commission and fees paid	(104,297,183)	(101,152,181)	(104,297,183)	(101,132,961)
Cash payment to employees	(1,891,135,234)	(1,402,791,802)	(1,599,880,806)	(1,205,158,712)
Other expense paid	(1,381,594,081)	(1,445,929,369)	(1,220,832,781)	(1,357,461,744)
Operating cash flows before changes in operating assets and liabilities	1,760,277,534	1,394,722,813	725,421,167	1,211,142,343
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	2,178,121,345	(4,642,661,384)	2,187,141,346	(4,637,681,383)
Placement with bank and financial institutions	44,734,647	(234,284,647)	-	-
Other trading assets	16,120,000	51,400,000	16,120,000	51,400,000
Loan and advances to bank and financial institutions	(478,388,076)	243,076,855	(1,709,703,225)	348,820,969
Loans and advances to customers	(19,468,295,778)	(14,483,685,822)	(17,429,189,855)	(13,635,992,518)
Other assets	64,300,639	(1,383,158,422)	66,172,559	(1,441,653,525)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(159,769,804)	(2,908,017,228)	(153,118,504)	(3,575,374,856)
Due to Nepal Rastra Bank	3,864,484,741	(729,401,190)	3,864,484,741	(729,401,190)
Deposit from customers	16,865,590,869	18,250,889,151	16,234,734,928	18,046,123,568
Borrowings	(43,227,466)	3,616,500,000	(43,227,466)	3,616,500,000
Other liabilities	312,825,319	2,615,637,788	1,181,600,063	2,244,690,276
Net cash flow from operating activities before tax paid	4,956,773,971	1,791,017,913	4,940,435,754	1,498,573,684
Income taxes paid	(700,330,959)	(744,898,528)	(633,073,787)	(698,277,253)
Net cash flow from operating activities	4,256,443,011	1,046,119,385	4,307,361,968	800,296,431
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(3,142,135,275)	(3,193,308,928)	(3,179,122,424)	(3,071,384,752)
Receipts from sale of investment securities	391,099,906	176,595,312	362,677,982	175,166,711
Purchase of property and equipment	(113,536,054)	(215,114,146)	(106,858,458)	(191,796,250)
Receipt from the sale of property and equipment	258,461	2,291,790	256,661	1,227,078
Purchase of intangible assets	(28,584,537)	(57,680,260)	(12,246,405)	(56,849,878)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	3,034,000	(71,647,232)	3,034,000	(71,647,232)
Receipt from the sale of investment properties	-	-	-	-
Interest received	467,849,828	313,210,733	462,987,792	308,483,044
Dividend received	66,198,188	53,379,508	123,564,558	101,609,186
Net cash used in investing activities	(2,355,815,484)	(2,992,273,224)	(2,345,706,294)	(2,805,192,095)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	2,000,000,000	-	2,000,000,000
Repayment of debt securities	-	(400,000,000)	-	(400,000,000)
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(245,096,107)	(448,671,379)	(245,313,988)	(446,025,432)
Interest paid	(199,746,987)	(150,105,068)	(199,746,987)	(150,105,068)
Other receipt/payment	-	-	-	-
Net cash from financing activities	(444,843,095)	1,001,223,553	(445,060,975)	1,003,869,500
Net increase (decrease) in cash and cash equivalents	1,455,784,433	(944,930,286)	1,516,594,699	(1,001,026,163)
Cash and cash equivalents at Shrawan 1, 2077	9,564,439,879	10,509,370,164	9,423,975,107	10,425,001,270
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Ashadh end 2078	11,020,224,312	9,564,439,879	10,940,569,805	9,423,975,107

Piyush Raj Aryal
Chief Financial OfficerAjaya Bikram Shah
Chief Executive OfficerRaman Nepal
Chairman

As per our report of even date

Directors
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Dr. Manish Thapa
Swati Roongta
Vishwa Karan Jain
Bidya BasnyatCA Jitendra B. Rajbhandary
Senior Partner
for J.B.Rajbhandary & Dibins
Chartered AccountantsDate : 11 November 2021
Place : Kathmandu

1. Reporting Entity

Laxmi Bank Limited (“the Bank”) is a limited liability company domiciled in Nepal, incorporated in April 2002 as the 16th commercial bank in Nepal. The address of its registered office is Hattisar, Nepal. The bank is a Class “A” financial institution licensed by Nepal Rastra Bank. Laxmi Bank network now includes 137 branches across 49 districts, 5 hospital service counters, 7 extension counters, 167 ATM’s, over 2,500 remittance agents and 63 branchless banking agents spread across the country.

The Bank has a primary listing on the Nepal Stock Exchange Limited as “LBL”.

1.1 Subsidiaries

The Bank has two subsidiaries namely Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha Limited.

- a. Laxmi Capital Market Limited (LCML) is a wholly owned subsidiary of the Bank and was incorporated on 21 May 2009 as a public limited company as per the Companies Act 2063 and licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.
- b. Laxmi Laghubitta Bittiya Sanstha Limited (LLBS) is a microfinance subsidiary of the Bank and was incorporated on 30 November 2010 as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” class financial institution having registered office at Kathmandu, Nepal. The principle activities involved extending banking products and services to the deprived sectors/communities. Laxmi Bank holds 70% shares of the company while the remaining 30% is held by public. The shares of LLBS are listed on the Nepal Stock Exchange Limited as “LLBS”.

The financial year of both of the subsidiaries is same as that of the Bank ending on 15 July 2021 (31 Ashad 2078).

1.2 “The group” represents the Bank and its subsidiaries.

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown differently, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

Group financial statements have been prepared by consolidating the standalone financial statements of the Bank along with audited financial statements of Laxmi Capital Market Ltd (LCML) and Laxmi Laghubitta Bittiya Sanstha Ltd (LLBS).

2.1 Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB), Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) subject to the notices dated 20 September 2018, 19 August 2020 and 10 November 2020 regarding the Carve-outs in NFRS with Alternative Treatment and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Reporting period and approval of financial statements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB during the fiscal year 2077/78. To comply the NFRS provisions following dates have been considered for the reporting time period.

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR	ENGLISH CALENDAR
Comparative SFP* Date	31 Ashad 2077	15 July 2020
Comparative reporting period	1 Shrawan 2076 -31 Ashad 2077	17 July 2019 -15 July 2020
NFRS SFP* Date	31 Ashad 2078	15 July 2021
NFRS reporting period	1 Shrawan 2077- 31 Ashad 2078	16 July 2020-15 July 2021

*SFP- Statement of Financial Position

The Board of Directors may decide to amend the annual accounts as long as these are not adopted by the general meeting of the shareholders. The general meeting of shareholders may decide not to adopt the annual accounts but may not amend these.

2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Bank’s functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4 Use of Estimates, Assumptions and Judgments

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities,

and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4.1 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5 Changes in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with Nepal Financial Reporting Framework (NFRS). The accounting policies are applied consistently with changes, if any and are disclosed with the financial impact to the extent possible. When policies are not guided by the reporting framework, NFRS, other reporting standards and generally accounting principles are followed.

2.6 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on 13 September, 2013, 19 August 2020 and 10 November 2020. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 September 2018 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). Details of carve out provided are as follows.

2.6.1 NAS 39: Financial Instruments: Recognition and Measurement

a. Impairment

In para 58, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss *unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount*

derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63; and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

The carve out is not optional and Bank and Financial institutions shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63; and shall apply paragraph 63 to measure the impairment loss on financial assets and other assets other than loan and advances. The Bank and Financial institutions shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63. This carve out has been provided for the FY 2017-18 to 2020-21.

2.6.2 NFRS 3: Business Combination

- a. As per para 18, the acquirer shall account for and integrate into its books of account on announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of acquiree at the value determined by applying same basis considered for determining restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as fair value of the acquiree.
- b. As per para 37, where purchase consideration is settled through issue of share (ordinary equity or other shares) of acquirer, fair value of such ordinary equity share to be issued by acquirer shall be the value determined by applying the various parameters as per the NRB Merger and Acquisition Bylaws for the purpose of swap ratio. Accordingly, acquirer will issue required number of its ordinary equity shares (or other shares) to the shareholders of acquiree as per swap ratio so determined/approved by regulatory authority. Ordinary equity shares so issued are valued at the fair value (as determined for the purpose of swap ratio) where the face value shall be accounted for as cent percent paid up ordinary equity shares in the books of account of acquirer and the balance being difference between the fair value of share (considered for swap ratio) and face value of such ordinary equity shares shall be accounted for as other component of equity (share premium/discount).
- c. As per para 34, where acquirer's total value of assets less all liabilities so taken over on acquisition date is more than the fair value (sum up of face value of ordinary equity share and other component of equity-share premium/discount) of shares issued by the acquirer, same shall be treated as gain on bargain purchase attributable to the acquirer and will be routed through Profit or Loss Statement.
- d. As per para 32, where acquiree's total assets less all liabilities so taken over on acquisition

date is less than the fair value (sum up of face value ordinary equity share issued and other component of equity-share premium/discount) of shares issued by the acquirer, same shall be treated as goodwill.

The above carve-out is applicable only for banks and financial institution and not optional.

2.7 New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.8 New Standards and Interpretations Not adapted

The following amendments are not mandatory for 2020-21 and have not been early adopted by the group. The Bank is still currently assessing the detailed impact of these amendments –

2.8.1 IFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of IFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

The Expected Credit Loss (ECL) model is a forward-looking model. The ECL estimates are unbiased, probability-weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the general approach, IFRS 9 recognizes three stage approach to measure expected credit losses and recognized interest income.

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of

the financial instrument (lifetime ECL).

Interest income will continue to be recognized on a gross basis.

Stage 3: Lifetime ECL – Defaulted Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a lifetime provision. Interest income will be calculated based on the gross carrying amount of the financial asset less ECL

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

2.8.2 IFRS-15: Revenue from contract with customers:

The IASB issued a new standard for revenue recognition which overhauls the existing revenue recognition standards. The standard requires the following five step model framework to be followed for revenue recognition:

- Identification of the contracts with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- Recognition of revenue when the entity satisfies a performance obligation.

The new standard would be effective for annual periods starting from 1 January 2018 and early application is allowed. The management is assessing the potential impact on its financial statements resulting from application of IFRS 15.

IFRS 15 Revenue from contract with customers is effective for annual reporting periods beginning on or after 16 July 2021.

2.8.3 IFRS 16 'Leases'

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019. IFRS 16 is the new accounting standard for leases and will replace IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. The new standard removes the distinction between operating or finance leases for lessee accounting, resulting in all leases being treated as finance leases. All leases will be recognized on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee

to choose either a full retrospective or a modified retrospective transition approach.

IFRS 16 Leases is effective for annual reporting periods beginning on or after 16 July 2021.

2.9 Discounting

Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is immaterial.

2.10 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to develop the, such exception to NFRS implementation has been noted and disclosed in respective sections.

3. Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value.
- financial instruments at fair value through OCI are measured at fair value
- investment property is measured at fair value.
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

3.2 Basis of Consolidation

a. Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Bank. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Bank measures goodwill at the acquisition date as;

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquire, plus
- if the business combination is achieved in stages, the fair value of the preexisting equity interest in the acquire, less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.
- The consideration transferred does not include

amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

- Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.
- Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The following carve outs are not optional as per the notice of ICAN issued on 2020 November 10 and have been provided for the FY 2019-20 to 2021-22.

- As per Para 18 of NFRS 3, the acquirer shall account for and integrate into its books of account on announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of acquiree of the value determined by applying some basis considered for determining restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as fair value of the acquire.
- As per Para 37 of NFRS 3, where purchase consideration is settled through issue of share (ordinary equity or other shares) of acquirer, fair value of such ordinary equity share to be issued by acquirer shall be the value determined by applying the various parameters as per the NRB Merger and acquisition Bylaws for the purpose of swap ratio. Accordingly, acquirer will issue required number of its ordinary equity shares (or other shares) to the shareholders of acquiree as per swap ratio so determined/approved by regulatory authority. Ordinary equity shares so issued are valued at the fair value (as determined for the purpose of swap ratio) where the face value shall be accounted for as cent percent paid up ordinary equity shares in the books of account of acquirer and the balance being difference between the fair value of share (considered for swap ratio) and face value of such ordinary equity shares shall be accounted for as other component of equity (share premium/diskont).

b. Non-Controlling Interest (NCI)

For each business combination, the Bank elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree identifiable net assets, which are generally at fair value.

Changes in the Bank's interest in a subsidiary that

do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c. Subsidiaries

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. The carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary are eliminated in full. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (such as interest income and technical fee) are eliminated in full while preparing the consolidated financial statements.

d. Loss of Control

Upon the loss of control, the Bank derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

e. Special Purpose Entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, the Bank concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Bank controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Bank according to its specific business needs so that the Bank obtains benefits from the SPE's operation.

- The Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Bank has delegated these decision-making powers.
- The Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

f. Transaction Elimination on Consolidation

All intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.3 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.4 Financial Assets and Financial Liabilities

A. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognizes loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

B. Classification

1. Financial Assets

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows;

a. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at

amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

• Financial assets at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

• Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

II. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

• Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss

• Financial Liabilities measured at amortized cost

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

C. Measurement

I. Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

II. Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

3.4.1 Derecognition

Derecognition of Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement,

determined by the extent to which it is exposed to changes in the value of the transferred asset.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.2 Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk

The fair values are determined according to the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in

profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

3.4.3 Impairment

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the

probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

a. Impairment losses on assets measured at amortized cost

As per NAS 39

Financial assets carried at amortized cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Loans and advances to customers with significant value (Top 50 borrowers and borrowers classified as bad as per Nepal Rastra Bank Directive) are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the other reserves and funds (impairment reserve) in other comprehensive income and statement of changes in equity. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

As per Loan Loss Provision of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1.3% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted

As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per

norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

b. Impairment of investment in equity instrument classified as fair value through other comprehensive income

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is reclassified from equity and recognized in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

3.5 Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit & loss account.

3.6 Derivatives Assets and Derivative Liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Considering the requirement of NAS 39 for qualification of hedge accounting and cost benefits along with materiality, Bank has not adopted hedge accounting for certain derivatives held for risk management.

3.7 Property and Equipment

a. Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment is measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Assets with a value of less than NPR 10,000 are charged off to revenue irrespective of their useful life in the year of purchase.

b. Capital Work in Progress

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

c. Depreciation

Depreciation on other assets is calculated using the straight- line method to allocate their cost to their residual values over their estimated useful life as per management judgment as follows:

NATURE OF ASSETS	USEFUL LIFE (YEARS)
Furniture	5
Equipment	5
Vehicles*	5
Computers	5
Building	40
Leasehold	Lower of 5 years or lease period

* Residual Value of Vehicles is expected to remain at 30% of Cost at the end of estimated useful life.

Depreciation on new assets shall commence from the month subsequent to the month in which the assets is acquired or capitalized. Where assets are disposed off, depreciation shall be calculated up to the month preceding the month of such disposal.

d. Derecognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property and equipment shall be included in profit or loss when the item is derecognized (unless on a sale & lease back). The gain shall not be classified as revenue.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.8 Intangible Assets/ Goodwill

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank and are amortized on the basis of their expected useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 5,000 are charged off on purchases as revenue expenditure.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Investment Property/Non-Current Assets Held for Sale

Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

3.10 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

a. Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.11 Deposits, debts securities issued and subordinated liabilities

a. Deposits

The Bank accepts deposits from its customers under account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customers.

b. Debt Securities Issued

It includes debentures, bonds or other debt securities issued by the Bank. Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. However, debentures issued by the bank are subordinate to the deposits from customer.

c. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

3.12 Provisions

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

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

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.13 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from 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. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, etc. and the bases of incomes recognition are as follows:

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

b. Fees & Commission

Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing fees and commissions on an accrual basis exceeds the benefit in determining

such value, the fees and commissions are charged off during the year.

All the commission incomes are accounted for on accrual basis except for the commission income less than NPR 250,000 or having tenure of less than 1 year which is recognized on cash basis.

c. Dividend Income

Dividend incomes are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

d. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

e. Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

3.14 Interest expense

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

3.15 Employees Benefits

a. Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and
- non-monetary benefits

b. Post-Employment Benefits

Post-employment benefit plan includes the followings;

I. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

II. Defined Benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The Bank recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Bank recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

III. Termination Benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If

benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.16 Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- a. Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- b. The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Majority of lease agreements entered by the Banks are with the clause of normal increment which the management assumes are in line with the lessor's expected inflationary cost increases.

The Bank operates its branches and ATMs in number of leased facilities under operating lease agreements. The payments to the lessors are structured to increase in line with the general inflation rate to compensate for the lessors' expected inflationary cost increment. The Bank from fiscal year 2018-19 has charged operating lease expense on SLM basis.

3.17 Foreign Currency Translation

The financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognized in either the statement of profit or loss or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

3.18 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.19 Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity.

Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The reserves include retained earnings and other statutory reserves such as general reserve, debenture redemption reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, CSR reserve etc.

3.20 Earnings per share including diluted earning per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Investment in associates

The Bank classifies investment in entities over which it has significant influence, as associates which is neither subsidiaries nor joint ventures. Investments in associates are recognized using the equity method for reporting under consolidated financial statement. Under the equity method, investment in associates and joint ventures are initially recognized at cost, including attributable goodwill, and are adjusted thereafter for the post-acquisition change in the group's share of net assets. An investment in an associate is tested for impairment when there is an indication that the investment may be impaired. Profits or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the respective associates.

For standalone financial statement of the bank, the investment in associates have been measured as per para 10 of NAS 27, Separate Financial Statement in accordance with NFRS 9 and shown in fair market value of the financial instrument through other comprehensive income.

4.1 Cash and cash equivalent

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Cash in hand	2,410,993,337	2,237,501,793	2,404,054,094	2,231,591,922
Balances with B/FIs	2,950,161,936	3,032,423,681	2,877,446,672	2,897,868,779
Money at call and short notice	700,000,000	-	700,000,000	-
Other	4,959,069,040	4,294,514,405	4,959,069,040	4,294,514,405
Total	11,020,224,312	9,564,439,879	10,940,569,805	9,423,975,107

The fair value of cash and cash equivalent is the carrying amount. Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the regulatory, liquidity and business requirements. To that extent there are regulatory and liquidity restrictions placed on the cash at vault. Cash held in FCY is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. Balances with B/FIs include amounts held in non-interest bearing accounts in domestic and foreign banks and financial institutions. Money at call and short notice includes interest bearing balances in banks and financial institutions and interbank lending for a period less than seven days. Other assets in Cash and Cash Equivalent includes placement in foreign banks with maturity less than three months. Interest received on these assets is credited to statement of profit or loss under interest income.

4.2 Due from Nepal Rastra Bank

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Statutory balances with NRB	7,249,621,282	9,441,272,783	7,219,983,282	9,420,654,783
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	36,249,346	22,719,192	36,249,346	22,719,192
Total	7,285,870,629	9,463,991,975	7,256,232,629	9,443,373,975

The fair value of balance with Nepal Rastra Bank is the carrying amount. The bank under regulatory requirement is required to maintain level of liquidity in the form of Cash Reserve Ratio (CRR), which includes current account balances maintained with the central bank. Other receivables include receivable from NRB against interest subsidy claims.

4.3 Placements with Bank and Financial Institutions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Placement with domestic B/FIs	236,850,000	281,584,647	-	-
Placement with foreign B/FIs	-	-	-	-
Less: Allowances for impairment	-	-	-	-
Total	236,850,000	281,584,647	-	-

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented above. Interest received on these assets is credited to statement of profit or loss under interest income.

4.4 Derivative financial instruments

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
<i>Held for trading</i>	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
<i>Held for risk management</i>	<i>6,073,905,068</i>	<i>6,224,513,904</i>	<i>6,073,905,068</i>	<i>6,224,513,904</i>
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	6,073,905,068	6,224,513,904	6,073,905,068	6,224,513,904
Other	-	-	-	-
Total	6,073,905,068	6,224,513,904	6,073,905,068	6,224,513,904

A significant part of the derivatives in the portfolio are related to servicing corporate clients in their risk management to hedge, e.g. foreign currency exposures. These products are used by Bank as part of its own regular treasury activities as well.

4.5 Other trading assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Treasury bills	-	-	-	-
Government bonds	-	16,120,000	-	16,120,000
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	-	16,120,000	-	16,120,000
Pledged	-	-	-	-
Non-pledged	-	16,120,000	-	16,120,000

Trading assets are those assets that the licensed institution acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this account head. The trading asset includes derivative assets and non derivative assets. Government bonds in other trading assets includes Citizen Saving Bond held by the bank for market maker purpose.

4.6 Loan and advances to B/FIs

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Loans to microfinance institutions	973,506,133	495,118,057	3,316,031,977	1,606,328,752
Other	-	-	-	-
Less: Allowances for impairment	(12,626,769)	(4,948,069)	(43,084,475)	(16,061,211)
Total	960,879,364	490,169,988	3,272,947,502	1,590,267,541

Loans and advances disbursed to banks and financial institutions are presented above. These assets are measured at amortised cost. All the loans to B/FIs are classified in pass category. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

4.6.1: Allowances for impairment

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Balance at the end of Previous Year	4,948,069	7,379,074	16,061,211	19,548,622
Impairment loss for the year:	7,678,700	(2,431,005)	27,023,264	(3,487,411)
<i>Charge for the year</i>	<i>7,678,700</i>	-	<i>27,023,264</i>	-
<i>Recoveries/reversal</i>	-	<i>(2,431,005)</i>	-	<i>(3,487,411)</i>
Amount written off	-	-	-	-
Balance at the end of this year	12,626,769	4,948,069	43,084,475	16,061,211

Impairment allowance on these loans and advances has been considered as per NRB directives. No individual loans to banks and micro finance has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Bank.

4.7 Loans and advances to customers

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Loan and advances measured at amortized cost	114,045,386,818	94,759,938,273	107,430,966,138	90,204,952,662
Less: Impairment allowances	(2,463,039,271)	(1,923,978,618)	(2,217,593,641)	(1,752,402,841)
<i>Collective impairment</i>	<i>(1,825,097,278)</i>	<i>(1,301,458,572)</i>	<i>(1,647,343,955)</i>	<i>(1,201,149,412)</i>
<i>Individual impairment</i>	<i>(637,941,993)</i>	<i>(622,520,046)</i>	<i>(570,249,685)</i>	<i>(551,253,429)</i>
Net amount	111,582,347,547	92,835,959,655	105,213,372,497	88,452,549,821
Loan and advances measured at FVTPL	-	-	-	-
Total	111,582,347,547	92,835,959,655	105,213,372,497	88,452,549,821

"Loans and advances disbursed to customers other than banks and financial institutions are presented above. These assets are measured at amortised cost. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances are presented net of impairment allowances as per Directive No. 2 issued by Nepal Rastra Bank. Impairment as per NRB directives for each of the above periods is higher than the impairment as per NAS 39. Hence, impairment allowance as per NRB Directives is considered in the Financial Statements in accordance with the carve-out notice published by the Institute of Chartered Accountants of Nepal. Total Impairment on loans and advances as per NAS 39 amounts to NPR 1,183,769,478 and NPR 1,087,664,289 as of the end of FY 2077-78 and FY 2076-77 respectively."

4.7.1: Analysis of loan and advances - By Product

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Product				
Term loans	21,292,322,760	21,102,553,428	21,292,322,760	21,102,553,428
Overdraft	5,929,058,143	3,583,965,824	5,929,058,143	3,583,965,824
Trust receipt/Import loans	8,277,230,287	9,197,575,516	8,277,230,287	9,197,575,516
Demand and other working capital loans	24,789,078,949	19,842,240,401	24,789,078,949	19,842,240,401
Personal residential loans	5,072,491,169	4,786,726,904	5,072,491,169	4,786,726,904
Real estate loans	4,010,726,734	4,142,430,606	4,010,726,734	4,142,430,606
Margin lending loans	3,010,015,755	1,430,104,378	3,010,015,755	1,430,104,378
Hire purchase loans	2,259,689,679	2,744,373,052	2,259,689,679	2,744,373,052
Deprived sector loans	13,107,962,798	8,981,623,769	6,698,856,251	4,561,395,735
Bills purchased	296,622,182	-	296,622,182	-
Staff loans	1,490,466,375	1,041,891,525	1,372,265,841	981,970,090
Other	23,695,509,803	16,901,341,764	23,695,509,803	16,901,341,764
Sub total	113,231,174,634	93,754,827,167	106,703,867,553	89,274,677,698
Interest receivable	814,212,184	1,005,111,106	727,098,584	930,274,963
Grand total	114,045,386,818	94,759,938,273	107,430,966,138	90,204,952,662

4.7.2: Analysis of loan and advances - By Currency

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Nepalese rupee	107,724,957,467	88,600,773,949	101,110,536,787	84,045,788,337
Indian rupee	-	-	-	-
United State dollar	6,320,429,351	6,159,164,324	6,320,429,351	6,159,164,324
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	114,045,386,818	53,495,692,162	107,430,966,138	90,204,952,662

4.7.3: Analysis of loan and advances - By Collateral

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
<i>Secured</i>				
Movable/immovable assets	99,897,098,954	86,248,415,235	99,801,385,538	86,248,415,235
Gold and silver	300,122,989	507,468,843	300,122,989	507,468,843
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	136,673,490	136,673,490	136,673,490	136,673,490
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	657,352,876	533,169,893	657,352,876	533,169,893
Collateral of Government securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	6,496,220,147	4,554,985,612	-	-
Other collateral	6,507,026,266	2,724,162,710	6,484,539,148	2,724,162,710
Subtotal	113,994,494,722	94,704,875,783	107,380,074,041	90,149,890,171
Unsecured	50,892,097	55,062,490	50,892,097	55,062,490
Grant Total	114,045,386,818	94,759,938,273	107,430,966,138	90,204,952,662

4.7.4: Allowances for impairment

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
<i>Specific allowances for impairment</i>				
Balance at the end of Previous Year	622,520,046	506,736,350	551,253,429	472,810,561
<i>Impairment loss for the year:</i>	<i>15,421,947</i>	<i>115,783,696</i>	<i>18,996,256</i>	<i>78,442,868</i>
<i>Charge for the year</i>	<i>15,421,947</i>	<i>115,783,696</i>	<i>18,996,256</i>	<i>78,442,868</i>
Recoveries/reversal during the year				
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at the end of This Year	637,941,993	622,520,046	570,249,685	551,253,429
<i>Collective allowances for impairment</i>				
Balance at the end of Previous Year	1,301,458,572	836,498,543	1,201,149,412	800,863,017
Impairment loss for the year:	523,638,707	464,960,029	446,194,544	400,286,395
<i>Charge/(reversal) for the year</i>	<i>523,638,707</i>	<i>464,960,029</i>	<i>446,194,544</i>	<i>400,286,395</i>
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at the end of This Year	1,825,097,278	1,301,458,572	1,647,343,955	1,201,149,412
Total allowances for impairment	2,463,039,271	1,923,978,618	2,217,593,641	1,752,402,841

4.8 Investment securities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Investment securities measured at amortized cost	9,608,255,902	7,214,825,893	9,561,420,100	7,164,854,197
Investment in equity measured at FVTOCI	3,496,720,145	2,002,216,712	3,442,985,892	1,864,364,587
Total	13,104,976,047	9,217,042,605	13,004,405,992	9,029,218,784

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment.

4.8.1: Investment securities measured at amortized cost

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Debt securities	46,835,802	49,971,696	-	-
Government bonds	8,517,548,507	6,416,818,164	8,517,548,507	6,416,818,164
Government treasury bills	-	748,036,033	-	748,036,033
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	1,043,871,593	-	1,043,871,593	-
Less: specific allowances for impairment	-	-	-	-
Total	9,608,255,902	7,214,825,893	9,561,420,100	7,164,854,197

4.8.2: Investment in equity measured at fair value through other comprehensive income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Equity instruments	3,496,720,145	2,002,216,712	3,442,985,892	1,864,364,587
Quoted equity securities	3,207,911,811	1,713,308,378	3,157,677,558	1,578,956,253
Unquoted equity securities	288,808,334	288,908,334	285,308,334	285,408,334
Total	3,496,720,145	2,002,216,712	3,442,985,892	1,864,364,587

4.8.3: Information relating to investment in equities

Particulars	Group						Bank					
	31 Ashadh 2078		31 Ashadh 2077		31 Ashadh 2078		31 Ashadh 2077		31 Ashadh 2078		31 Ashadh 2077	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity	2,466,314,237	3,207,911,811	1,774,840,242	1,713,308,378	2,424,054,308	3,157,677,558	1,641,397,787	1,578,956,253	1,641,397,787	3,157,677,558	1,641,397,787	1,578,956,253
Laxmi Equity Fund 18,750,000 units of Rs. 10 each	187,500,000	258,750,000	187,500,000	164,437,500	187,500,000	258,750,000	187,500,000	164,437,500	187,500,000	258,750,000	187,500,000	164,437,500
Soalteer Hotel Ltd. 1,085,911 shares of Rs. 10 each	220,233,186	284,508,681	240,979,935	183,140,957	220,233,186	284,508,681	240,979,935	183,140,957	240,979,935	284,508,681	240,979,935	183,140,957
Nepal Doorsanchar Company Ltd. 271,528 shares of Rs. 100 each	244,224,081	356,787,790	85,924,072	83,034,350	244,224,081	356,787,790	85,924,072	83,034,350	85,924,072	356,787,790	85,924,072	83,034,350
Chilime Hydropower Company Ltd. 294,472 shares of Rs. 100 each	195,987,448	205,180,729	115,113,047	53,776,966	192,947,231	202,302,267	112,017,209	52,272,924	112,017,209	202,302,267	112,017,209	52,272,924
Group: 298,662 shares of Rs. 100 each												
Chhimek Laghubitta Bikash Bank Ltd. 46,562 shares of Rs. 100 each	77,858,086	80,924,751	73,871,020	113,534,647	77,858,086	80,924,751	73,871,020	113,534,647	73,871,020	80,924,751	73,871,020	113,534,647
Swabalamban Bikas Bank Limited 343,444 units promoter shares of Rs. 100 each	100,440,952	284,886,800	100,440,952	177,918,312	100,440,952	284,886,800	100,440,952	177,918,312	100,440,952	284,886,800	100,440,952	177,918,312
Sana Kishan Bikas Bank Ltd. 7,868 shares of Rs. 100 each	13,208,594	12,903,524	40,327,090	63,233,586	13,208,594	12,903,524	40,327,090	63,233,586	40,327,090	12,903,524	40,327,090	63,233,586
Nirdhan Urthan Bank Ltd. 6,500 shares of Rs. 100 each	9,416,756	10,400,000	18,954,336	19,866,341	9,416,756	10,400,000	18,954,336	19,866,341	18,954,336	10,400,000	18,954,336	19,866,341
Rural Microfinance Development Centre Ltd. 1,726 shares of Rs. 100 each Group: 3,726 shares of Rs. 100 each	934,028	5,115,798	7,159,437	8,064,304	934,028	5,115,798	7,159,437	8,064,304	7,159,437	8,064,304	7,159,437	8,064,304
National Life Insurance Company Ltd. 51,000 shares of Rs. 100 each	55,467,407	58,701,000	109,765,388	84,514,230	46,199,493	50,068,500	109,765,388	84,514,230	109,765,388	50,068,500	109,765,388	84,514,230
Group: 40,737 shares of Rs. 100 each												
Life Insurance Corporation Nepal Ltd. 33,237 shares of Rs. 100 each	75,936,754	77,841,054	87,090,246	89,414,640	75,936,754	77,841,054	87,090,246	89,414,640	87,090,246	77,841,054	87,090,246	89,414,640
NIBL Samridhhi Fund I 7,384,476 units of Rs. 10 each	77,596,104	106,041,075	77,596,104	73,106,312	77,596,104	106,041,075	77,596,104	73,106,312	77,596,104	106,041,075	77,596,104	73,106,312
Global IIME Samummat Yojana - I 8,135,853 units of Rs. 10 each	94,611,895	164,995,099	94,611,895	69,805,619	94,611,895	164,995,099	94,611,895	69,805,619	94,611,895	164,995,099	94,611,895	69,805,619
NMB Hybrid Fund L-1 1,261,921 units of Rs. 10 each Group: 1,429,801 units of Rs. 10 each	14,357,485	19,516,784	12,619,210	11,988,250	12,619,210	17,225,222	12,619,210	11,988,250	12,619,210	17,225,222	12,619,210	11,988,250
Nabil Equity Fund 1,126,504 units of Rs. 10 each	11,265,040	16,446,958	11,265,040	10,510,282	11,265,040	16,446,958	11,265,040	10,510,282	11,265,040	16,446,958	11,265,040	10,510,282
NIBL Pragati Fund 1,027,407 units of Rs. 10 each	10,274,070	15,256,994	10,274,070	8,373,367	10,274,070	15,256,994	10,274,070	8,373,367	10,274,070	15,256,994	10,274,070	8,373,367
Sanima Equity Fund 250,000 units of Rs. 10 each	2,500,000	4,197,500	2,500,000	2,482,500	2,500,000	4,197,500	2,500,000	2,482,500	2,500,000	4,197,500	2,500,000	2,482,500
Citizens Mutual Fund-1 2,000,000 units of Rs. 10 each	20,000,000	25,160,000	20,000,000	20,120,000	20,000,000	25,160,000	20,000,000	20,120,000	20,000,000	25,160,000	20,000,000	20,120,000
NIC Asia Growth Fund 2,000,000 units of Rs. 10 each	20,000,000	30,000,000	20,000,000	20,380,000	20,000,000	30,000,000	20,000,000	20,380,000	20,000,000	30,000,000	20,000,000	20,380,000

Nabil Balance Fund-2 5,000,000 units of Rs. 10 each Group : 5,254,001 units of Rs. 10 each	52,628,009	74,081,414	50,000,000	49,500,000	50,000,000	70,500,000	50,000,000	49,500,000
Citizens Mutual Fund-2 2,000,000 units of Rs. 10 each	20,000,000	28,300,000	20,000,000	20,000,000	20,000,000	28,300,000	20,000,000	20,000,000
Siddhartha Investment Growth Scheme II 3,000,000 units of Rs. 10 each	30,000,000	42,600,000	30,000,000	30,000,000	30,000,000	42,600,000	30,000,000	30,000,000
NIC ASIA BALANCED FUND 2,000,000 units of Rs. 10 each Group: 3,004,450 units of Rs. 10 each	30,393,210	41,251,099	20,000,000	20,760,000	20,000,000	27,460,000	20,000,000	20,760,000
NMB 50-4,000,000 units of Rs. 10 each	40,000,000	59,800,000	40,000,000	40,000,000	40,000,000	59,800,000	40,000,000	40,000,000
Sunrise First Mutual Fund 3,000,000 units of Rs. 10 each Group: 3,148,100 units of Rs. 10 each	32,311,421	50,369,600	30,000,000	30,000,000	30,000,000	48,000,000	30,000,000	30,000,000
Laxmi Ummati Kosh 12,000,000 units of Rs. 10 each	120,000,000	151,440,000	-	-	120,000,000	151,440,000	-	-
NIBL Samiriddhi Fund I 3,672,123 units of Rs. 10 each	36,721,230	39,695,650	-	-	36,721,230	39,695,650	-	-
Kumari Equity Fund 2,000,000 units of Rs. 10 each	20,000,000	21,000,000	-	-	20,000,000	21,000,000	-	-
Sunrise Blue Chip Fund 1,500,000 units of Rs. 10 each	15,000,000	15,240,000	-	-	15,000,000	15,240,000	-	-
Sanima Large Cap Fund 1,000,000 units of Rs. 10 each	10,000,000	10,500,000	-	-	10,000,000	10,500,000	-	-
Sanjen Jalavidhyut Company Ltd 165,831 shares of Rs. 100 each	62,374,926	74,458,119	-	-	62,374,926	74,458,119	-	-
Rasuwagadhi Hydropower Company Ltd 163,605 shares of Rs. 100 each	67,599,101	77,548,770	-	-	67,599,101	77,548,770	-	-
Deprosc Laghubitta Bittiya Sanstha Limited 31,050 shares of Rs. 100 each	53,533,943	52,350,300	-	-	53,533,943	52,350,300	-	-
Nerude Laghubitta Bikas Bank Limited 20,000 shares of Rs. 100 each	33,016,229	32,000,000	-	-	33,016,229	32,000,000	-	-
Nepal Life Insurance Company Ltd. 55,747 shares of Rs. 100 each	116,239,232	106,978,493	-	-	116,239,232	106,978,493	-	-
Asian Life Insurance Company Ltd 162,683 shares of Rs. 100 each (including 128,790 promoter shares of Rs. 100 each)*	99,559,431	132,492,224	-	-	99,559,431	132,492,224	-	-
Neco Insurance Company Ltd 25,142 shares of Rs. 100 each Group: 26,292 shares of Rs. 100 each	42,917,944	35,441,616	-	-	41,211,539	33,891,416	-	-
Shikhar Insurance Company Ltd 35,446 shares of Rs. 100 each	73,389,655	69,190,598	-	-	73,389,655	69,190,598	-	-
Prabhu Insurance Company Ltd 29,700 shares of Rs. 100 each	27,120,746	28,512,000	-	-	27,120,746	28,512,000	-	-
Nepal Insurance Company Ltd 33,908 shares of Rs. 100 each	40,522,797	34,653,976	-	-	40,522,797	34,653,976	-	-
Butwal Power Company Ltd	-	-	76,512,922	63,149,896	-	-	73,696,151	60,707,619

Mero Microfinance Bittiya Sansstha Ltd. 1 share of Rs. 100 each	100	1,546	6,767,256	7,582,500	6,767,156	7,581,826
NLG Insurance Company Ltd. 1,078 shares of Rs. 100 each	1,342,964	1,315,160	31,580,495	40,954,489	31,580,495	40,903,243
Nepal Bank Limited 7,438 shares of Rs. 100 each	1,617,094	3,295,167	4,379,760	4,479,087	-	-
Ridi Hydropower Development Company Ltd 1 share of Rs. 100 each	86	576	86	84	-	-
First Microfinance Bittiya Sansstha Ltd. 1 share of Rs. 100 each	-	823	-	-	-	-
NMB Microfinance Bittiya Sansstha Ltd. 1 share of Rs. 100 each	-	1,429	-	-	-	-
Global IIME Laghubitta Bittiya Sansstha Ltd. 2 shares of Rs. 100 each	-	5630	-	385	-	-
Agriculture Development Bank Ltd. 1 share of Rs. 100 each	-	479	-	-	-	-
Century Commercial Bank Ltd. 277 shares of Rs. 100 each	-	80,607	-	22,110	-	-
Nabil Bank Limited 1,000 shares of Rs. 100 each	1,270,210	1,359,000	-	3,060	-	-
Nepal Reinsurance Company Ltd 2,000 shares of Rs. 100 each	3,691,836	3,188,000	-	-	-	-
Gramin Bikas Laghubitta Bittiya Sansstha Ltd. 1,000 shares of Rs. 100 each	1,330,132	1,225,000	-	-	-	-
Arun Valley Hydropower Ltd. 4,000 shares of Rs. 100 each	1,922,055	1,920,000	-	-	-	-
Union Hydropower Ltd. Hydroelectricity Investment and Development Company Ltd.	-	-	8432,000	4,300,320	-	-
Himal Dolakha Hydropower Ltd.	-	-	27326,881	24,174,344	26,457,981	23,305,444
Investment in unquoted equity	288,808,334	288,808,334	288,908,334	288,908,334	285,308,334	285,408,334
Credit Information Centre Ltd. 174,960 shares of Rs. 100 each	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500
Nepal Clearing House Limited 37,440 shares of Rs. 100 each	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
National Banking Institute Ltd 24,697 shares of Rs. 100 each	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834
Banking, Finance and Insurance Institute of Nepal 30,000 shares of Rs. 100 each Group: 45,000 shares of Rs. 100 each	4,500,000	4,500,000	4,500,000	4,500,000	3,000,000	3,000,000
Nepal Stock Exchange Ltd. 300,000 shares of Rs. 100 each	275,250,000	275,250,000	275,250,000	275,250,000	275,250,000	275,250,000
Prabhu Capital Limited Nepal Finssoft Co. Ltd. 2,000 shares of Rs. 100 each	-	-	100,000	100,000	-	100,000
Total	2,755,122,570	3,496,720,145	2,063,748,576	2,002,216,712	2,709,362,642	1,864,364,587

Investment in unquoted equity are shown at cost considering networth of invested equity are not less than cost.

4.9 Current tax assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Current tax assets	4,515,238,460	3,814,907,501	4,221,624,272	3,588,550,486
Current year income tax assets	700,330,959	744,898,528	633,073,787	698,277,253
Tax assets of prior periods	3,814,907,501	3,070,008,973	3,588,550,486	2,890,273,233
Current tax liabilities	4,451,337,883	3,680,745,492	4,149,067,865	3,474,395,981
Current year income tax liabilities	770,592,391	625,192,104	674,671,883	598,325,891
Tax liabilities of prior periods	3,680,745,492	3,055,553,388	3,474,395,981	2,876,070,090
TOTAL	63,900,577	134,162,008	72,556,408	114,154,504

Current Tax Assets includes advance income tax paid by the Bank under self assessment tax returns filed as per the Income Tax Act 2058 and tax deducted at source (TDS) on behalf of the Bank. Similarly, the current income tax liabilities includes the tax payable to the Government computed as per the provision of the Income Tax Act 2058.

Net current tax liabilities for subsidiary companies amounting NPR 8,655,831 has been shown under liabilities in the Group's Statement of Financial Position.

4.10 Investment in subsidiaries

AMOUNT IN NPR

PARTICULARS	BANK	
	31 ASHADH 2078	31 ASHADH 2077
Investment in quoted subsidiaries	147,000,000	147,000,000
Investment in unquoted subsidiaries	270,000,000	270,000,000
Total investment	417,000,000	417,000,000
Less: Impairment allowances	-	-
Net carrying amount	417,000,000	417,000,000

Investment in shares of subsidiary companies are presented at cost.

4.10.1: Investment in quoted subsidiaries

AMOUNT IN NPR

PARTICULARS	BANK			
	31 ASHADH 2078		31 ASHADH 2077	
	Cost	Fair Value	Cost	Fair Value
Laxmi Laghubitta Bittiya Sanstha Ltd. 2,240,315 shares of Rs. 100 each (including 770,315 Bonus Shares)	147,000,000	147,000,000	147,000,000	147,000,000
Total	147,000,000	147,000,000	147,000,000	147,000,000

4.10.2: Investment in unquoted subsidiaries

AMOUNT IN NPR

PARTICULARS	BANK			
	31 ASHADH 2078		31 ASHADH 2077	
	Cost	Fair Value	Cost	Fair Value
Laxmi Capital Market Ltd. 2,700,000 shares of Rs. 100 each	270,000,000	270,000,000	270,000,000	270,000,000
Total	270,000,000	270,000,000	270,000,000	270,000,000

4.10.3: Information relating to subsidiaries of the Bank

AMOUNT IN NPR

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	31 ASHADH 2078	31 ASHADH 2077
Laxmi Laghubitta Bittiya Sanstha Ltd.	70%	70%
Laxmi Capital Market Ltd	100%	100%

4.10.4: Non controlling interest of the subsidiaries

AMOUNT IN NPR

PARTICULARS	GROUP	
	CURRENT YEAR	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	LAXMI CAPITAL MARKET LTD
Equity interest held by NCI (%)	30%	0%
Profit/(loss) allocated during the year	57,864,125	-
Accumulated balances of NCI as on Ashadh end 2077	157,841,129	-
Dividend paid to NCI	6,811,026	-
Funds used	1,240,828	-
NCI as on Ashadh end 2078	207,653,400	-

PARTICULARS	PREVIOUS YEAR	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	LAXMI CAPITAL MARKET LTD
Equity interest held by NCI (%)	30%	0%
Profit/(loss) allocated during the year	21,282,496	-
Accumulated balances of NCI as on Ashadh end 2076	148,087,294	-
Dividend paid to NCI	8,215,263	-
Funds used	1,610,301	-
NCI as on Ashadh end 2077	159,544,225	-

4.11 Investment in associates

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Investment in quoted associates	2,838,544,564	2,361,733,856	2,818,220,996	1,396,407,356
Investment in unquoted associates	-	-	-	-
Total investment	2,838,544,564	2,361,733,856	2,818,220,996	1,396,407,356
Less: Impairment allowances	-	-	-	-
Net carrying amount	2,838,544,564	2,361,733,856	2,818,220,996	1,396,407,356

4.11.1: Investment in quoted associates

AMOUNT IN NPR

PARTICULARS	GROUP				BANK			
	31 ASHADH 2078		31 ASHADH 2077		31 ASHADH 2078		31 ASHADH 2077	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Everest Insurance Company Ltd. 1,750,578 shares of Rs. 100 each (including 896,637 units promoter shares of Rs 100 each)	238,650,196	331,259,224	238,650,196	285,528,338	238,650,196	1,088,816,949	238,650,196	496,787,954
Prime Life Insurance Company Ltd. 3,625,585 promoter shares of Rs. 100 each	200,448,000	2,507,285,340	200,448,000	2,076,205,518	200,448,000	1,729,404,047	200,448,000	899,619,402
TOTAL	439,098,196	2,838,544,564	439,098,196	2,361,733,856	439,098,196	2,818,220,996	439,098,196	1,396,407,356

4.11.2: Investment in unquoted associates

AMOUNT IN NPR

PARTICULARS	GROUP				BANK			
	31 ASHADH 2078		31 ASHADH 2077		31 ASHADH 2078		31 ASHADH 2077	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
TOTAL								

4.11.3: Information relating to associates of the Bank

PARTICULARS	GROUP		BANK	
	Percentage of ownership held by the Bank		Percentage of ownership held by the Bank	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Everest Insurance Co. Ltd	14.79%	14.79%	14.79%	14.79%
Prime Life Insurance Co. Ltd.	15.00%	15.00%	15.00%	15.00%

4.11.4: Equity value of associates

AMOUNT IN NPR

PARTICULARS	GROUP	
	31 ASHADH 2078	31 ASHADH 2077
Everest Insurance Co. Ltd	331,259,224	285,528,338
Prime Life Insurance Co. Ltd.	2,507,285,340	2,076,205,518
Total	2,838,544,564	2,361,733,856

4.12 Investment properties

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Investment properties measured at fair value				
Balance as on the end of Previous Year	-	-	-	-
Addition/disposal during the year	-	-	-	-
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	-	-	-	-
Investment properties measured at cost				
Balance as on the end of Previous Year	108,976,899	37,329,666	108,976,899	37,329,666
Addition/disposal during the year	(3,034,000)	71,647,232	(3,034,000)	71,647,232
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	105,942,899	108,976,899	105,942,899	108,976,899
Total	105,942,899	108,976,899	105,942,899	108,976,899

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as Investment Properties.

4.13 Property and Equipment

PARTICULARS	GROUP										AMOUNT IN NPR		
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2078	TOTAL ASHAD END 2077			
Cost													
As on Shrawan 1, 2076	651,504,796	273,375,663	246,427,841	175,868,426	150,075,431	89,731,931	-	313,524,175	1,900,508,262	1,710,189,314			
Addition during the Year	-	4,746,873	65,886,777	61,286,074	21,713,473	20,535,981	-	68,293,161	242,462,338	220,030,461			
Acquisition													
Capitalization	-	4,746,873	65,886,777	61,286,074	21,713,473	20,535,981	-	68,293,161	171,828,689	155,146,548			
Disposal during the year	-	-	(7,092,728)	(12,463,344)	(1,901,288)	(151,592)	-	(15,221,419)	(36,830,370)	(29,711,512)			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-			
Balance as on Ashadh end 2077	651,504,796	278,122,536	305,221,890	224,691,156	169,887,616	110,116,320	-	366,595,917	2,106,140,231	1,900,508,262			
Addition during the Year	-	2,298,273	25,490,076	23,309,376	4,126,000	6,544,819	-	48,380,373	110,148,917	242,462,338			
Acquisition													
Capitalization	-	2,298,273	25,490,076	23,309,376	4,126,000	6,544,819	-	48,380,373	82,360,568	171,828,689			
Disposal during the year	-	-	(2,396,485)	(13,353,379)	-	(1,869,562)	-	(5,045,531)	(22,664,957)	(36,830,370)			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-			
Balance as on Ashadh end 2078	651,504,796	280,420,809	328,315,481	234,647,154	174,013,616	114,791,577	-	409,930,758	2,193,624,191	2,106,140,231			
Depreciation and Impairment													
As on Shrawan 1, 2076	-	35,304,804	138,392,654	114,261,942	48,293,822	64,693,041	-	159,742,209	561,239,542	468,589,901			
Depreciation charge for the Year	-	7,121,285	39,552,874	27,555,923	21,857,614	11,402,578	-	47,698,890	155,189,164	117,600,490			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	(7,051,506)	(12,445,195)	(1,337,248)	(151,592)	-	(15,044,421)	(36,029,962)	(25,501,919)			
Adjustment	-	-	-	-	-	-	-	-	-	-			
As on Ashadh end 2077	-	42,426,090	170,894,023	129,372,669	68,814,188	75,944,027	-	192,396,678	680,398,744	561,239,542			
Depreciation charge for the Year	-	7,135,148	45,302,284	29,990,033	23,328,226	12,287,497	-	55,908,925	173,952,113	155,189,164			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	(2,396,485)	(13,344,762)	-	(1,869,562)	-	(5,033,304)	(22,644,112)	(36,029,962)			
Adjustment	-	-	-	-	-	-	-	-	-	-			
As on Ashadh end 2078	-	49,561,238	213,799,822	146,017,941	92,142,414	86,361,962	-	243,272,299	831,706,746	680,398,744			
Capital Work in Progress													
Net Book Value	-	-	33,438,274	-	-	-	-	-	33,438,274	30,051,137			
As on Ashadh end 2077	651,504,796	235,696,446	164,379,004	95,318,487	101,073,428	34,172,293	-	174,199,239	1,455,792,623	1,396,668,050			
As on Ashadh end 2078	651,504,796	230,859,571	147,953,933	88,629,213	81,871,202	28,429,615	-	166,658,459	1,395,355,719	1,455,792,623			

PARTICULARS	BANK										AMOUNT IN NPR	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2078	TOTAL ASHAD END 2077		
Cost												
As on Shrawan 1, 2076	644,510,678	263,984,897	241,146,353	173,260,524	128,950,564	87,930,832	-	278,441,804	1,818,225,652	1,635,645,288		
Addition during the Year	-	4,746,873	65,707,706	61,245,074	13,501,200	20,520,487	-	53,423,103	219,144,443	211,045,235		
Acquisition	-	-	65,707,706	61,245,074	13,501,200	20,520,487	-	53,423,103	148,689,864	146,161,322		
Capitalization	-	4,746,873	-	-	-	-	-	-	70,454,579	64,883,913		
Disposal during the year	-	-	(7,092,728)	(12,463,344)	-	(151,592)	-	(15,221,419)	(34,929,082)	(28,464,871)		
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Ashadh end 2077	644,510,678	268,731,770	299,761,331	222,042,254	142,451,764	108,299,728	-	316,643,488	2,002,441,012	1,818,225,652		
Addition during the Year	-	2,298,273	25,214,467	22,901,376	428,800	6,501,427	-	46,126,978	103,471,321	219,144,443		
Acquisition	-	-	-	22,901,376	428,800	6,501,427	-	46,126,978	75,958,581	148,689,864		
Capitalization	-	2,298,273	25,214,467	-	-	-	-	27,512,740	70,454,579	70,454,579		
Disposal during the year	-	-	(2,396,485)	(13,353,379)	-	(1,784,164)	-	(5,045,531)	(22,579,559)	(34,929,082)		
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Ashadh end 2078	644,510,678	271,030,043	322,579,312	231,590,252	142,880,564	113,016,991	-	357,724,934	2,083,332,774	2,002,441,012		
Depreciation and Impairment												
As on Shrawan 1, 2076	-	34,540,330	135,537,180	112,037,432	38,948,226	62,392,926	-	146,305,822	529,761,915	444,508,870		
Depreciation charge for the year	-	6,689,971	38,574,212	27,121,059	18,601,790	11,089,731	-	43,512,496	145,589,259	109,508,323		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	(7,051,506)	(12,445,195)	-	(151,592)	-	(15,044,421)	(34,692,714)	(24,255,278)		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Ashadh end 2077	-	41,230,300	167,059,887	126,713,296	57,550,016	73,331,065	-	174,773,897	640,658,461	529,761,915		
Depreciation charge for the year	-	6,725,399	44,722,758	29,615,919	19,944,721	12,058,788	-	49,930,118	162,997,704	145,589,259		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	(2,396,485)	(13,344,762)	-	(1,784,164)	-	(5,033,304)	(22,558,714)	(34,692,714)		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Ashadh end 2078	-	47,955,700	209,386,160	142,984,453	77,494,737	83,605,689	-	219,670,711	761,097,450	640,658,461		
Capital Work in Progress												
Net Book Value												
As on Ashadh end 2077	644,510,678	227,501,469	162,752,581	95,328,959	84,901,747	34,968,663	-	141,869,591	1,391,833,688	1,345,863,066		
As on Ashadh end 2078	644,510,678	223,074,343	146,631,427	88,605,798	65,385,827	29,411,301	-	138,054,223	1,335,673,598	1,391,833,688		

The cost of an item of property and equipment has been recognized as an asset, initially recognized at cost. Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized as other income in profit or loss.

Depreciation on these assets is calculated using the straight-line method to allocate their cost over their estimated useful life as per management judgement.

4.14 Goodwill and Intangible Assets

PARTICULARS	GROUP				AMOUNT IN NPR	
	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2078	TOTAL ASHADH END 2077
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 2076		149,510,243	-	-	149,510,243	104,641,071
Addition during the Year		57,680,261	-	-	57,680,261	44,869,172
<i>Acquisition</i>		57,680,261	-	-	57,680,261	44,869,172
<i>Capitalization</i>		-	-	-	-	-
Disposal during the year		-	-	-	-	-
Adjustment/Revaluation		-	-	-	-	-
Balance as on Ashadh end 2077	-	207,190,504	-	-	207,190,504	149,510,243
Addition during the Year		28,584,537	-	-	28,584,537	57,680,261
<i>Acquisition</i>		28,584,537	-	-	28,584,537	57,680,261
<i>Capitalization</i>		-	-	-	-	-
Disposal during the year		-	-	-	-	-
Adjustment/Revaluation		-	-	-	-	-
Balance as on Ashadh end 2078	-	235,775,041	-	-	235,775,041	207,190,504
Amortization and Impairment						
As on Shrawan 1, 2076		93,158,804	-	-	93,158,804	68,077,787
Amortization charge for the Year		21,927,239	-	-	21,927,239	25,081,017
Impairment for the year		-	-	-	-	-
Disposals		-	-	-	-	-
Adjustment		-	-	-	-	-
As on Ashadh end 2077	-	115,086,042	-	-	115,086,042	93,158,804
Amortization charge for the Year		29,266,518	-	-	29,266,518	21,927,239
Impairment for the year		-	-	-	-	-
Disposals		-	-	-	-	-
Adjustment		-	-	-	-	-
As on Ashadh end 2078	-	144,352,561	-	-	144,352,561	115,086,042
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
As on Ashadh end 2077	-	92,104,461	-	-	92,104,461	56,351,439
As on Ashadh end 2078	-	91,422,480	-	-	91,422,480	92,104,461

PARTICULARS	BANK				AMOUNT IN NPR	
	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2078	TOTAL ASHADH END 2077
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 2076	-	144,499,943	-	-	144,499,943	100,595,671
Addition during the Year	-	56,849,879	-	-	56,849,879	43,904,272
<i>Acquisition</i>		56,849,879			56,849,879	43,904,272
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2077	-	201,349,822	-	-	201,349,822	144,499,943
Addition during the Year	-	12,246,405	-	-	12,246,405	56,849,879
<i>Acquisition</i>		12,246,405			12,246,405	56,849,879
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2078	-	213,596,226	-	-	213,596,226	201,349,822
Amortization and Impairment						
As on Shrawan 1, 2076	-	89,842,624	-	-	89,842,624	65,526,295
Amortization charge for the Year	-	21,320,424	-	-	21,320,424	24,316,329
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2077	-	111,163,048	-	-	111,163,048	89,842,624
Amortization charge for the Year	-	25,943,242	-	-	25,943,242	21,320,424
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2078	-	137,106,290	-	-	137,106,290	111,163,048
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
As on Ashadh end 2077	-	90,186,774	-	-	90,186,774	54,657,319
As on Ashadh end 2078	-	76,489,936	-	-	76,489,936	90,186,774

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of estimated useful life. Costs associated with maintaining software are recognized as expense as incurred.

4.15 Deferred Tax

PARTICULARS	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	221,657,685	(221,657,685)	-	-	(933,823,815)
Property & equipment	9,632,805	-	9,632,805	10,396,143	10,396,143	10,396,143
Employees' defined benefit plan	195,337	-	195,337	(6,021,471)	(6,021,471)	(6,021,471)
Lease liabilities	9,495,237	-	9,495,237	9,206,372	9,206,372	9,206,372
Provisions	31,287,693	-	31,287,693	31,287,693	31,287,693	31,287,693
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	50,611,073	221,657,685	(171,046,612)	44,868,736	44,868,736	(888,955,079)
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on 31 Ashadh, 2078			(171,046,612)			(888,955,079)
Deferred tax (asset)/liabilities as on Shrawan 1, 2077			233,856,845			235,547,823
Origination/(Reversal) during the year			62,810,232			(653,407,256)
Deferred tax expense/(income) recognised in profit or loss			(438,975,697)			(21,339,073)
Deferred tax expense/(income) recognised in other comprehensive income			376,165,465			674,746,330
Deferred tax expense/(income) recognised in directly in equity			-			-
PARTICULARS	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	PREVIOUS YEAR NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX ASSETS	PREVIOUS YEAR NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	268,733,189	(268,733,189)	-	-	(268,460,288)
Property & equipment	4,580,521	-	4,580,521	5,386,186	5,386,186	5,386,186
Employees' defined benefit plan	5,959,876	-	5,959,876	3,361,331	3,361,331	3,361,331
Lease liabilities	7,094,832	-	7,094,832	6,950,683	6,950,683	6,950,683
Provisions	17,241,115	-	17,241,115.32	17,214,265	17,214,265	17,214,265
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	34,876,344	268,733,189	(233,856,845)	32,912,465	32,912,465	(235,547,823)
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on 31 Ashadh 2077			(233,856,845)			(235,547,823)
Deferred tax (asset)/liabilities as on 1 Shrawan, 2076			97,415,525			98,909,498
Origination/(Reversal) during the year			(136,441,320)			(136,638,324)
Deferred tax expense/(income) recognised in profit or loss			(17,631,694)			(17,434,689)
Deferred tax expense/(income) recognised in other comprehensive income			154,073,013			154,073,013
Deferred tax expense/(income) recognised in directly in equity			-			-

4.16 Other assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Assets held for sale	2,122,359	2,495,269	2,122,359	2,495,269
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	581,893,328	150,063,159	533,991,814	123,309,387
Accrued income	31,670	458,346	-	347,476
Prepayments and deposit	212,037,909	169,723,328	210,331,478	169,107,306
Income tax deposit	23,809,437	21,236,032	23,809,437	21,236,032
Deferred employee expenditure	875,067,215	859,322,490	875,067,215	859,322,490
Other	7,911,358	24,177,545	8,220,257	24,177,545
Total	1,702,873,277	1,227,476,168	1,653,542,560	1,199,995,504

4.17 Due to Bank and Financial Institutions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Money market deposits	-	-	-	-
Interbank borrowing	1,364,012,318	1,370,663,618	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	2,826,267,786	2,979,386,290	2,826,267,786	2,979,386,290
Total	4,190,280,105	4,350,049,908	2,826,267,786	2,979,386,290

The balances in accounts maintained with the Bank by other local financial institutions have been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution are also presented under this head.

4.18 Due to Nepal Rastra Bank

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Refinance from NRB	4,364,945,380	500,460,639	4,364,945,380	500,460,639
Standing Liquidity Facility	-	-	-	-
Lender of last resort facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	4,364,945,380	500,460,639	4,364,945,380	500,460,639

The amount payable to NRB includes amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

4.19 Derivative financial instruments

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	6,050,417,580	6,181,977,248	6,050,417,580	6,181,977,248
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	6,050,417,580	6,181,977,248	6,050,417,580	6,181,977,248
Other	-	-	-	-
Total	6,050,417,580	6,181,977,248	6,050,417,580	6,181,977,248

4.20 Deposits from customers

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Institutions customers:				
Term deposits	21,489,036,742	22,645,635,957	21,504,425,509	22,660,635,957
Call deposits	8,160,146,059	8,217,424,195	8,320,015,737	8,462,780,000
Current deposits	7,235,762,778	6,209,090,512	7,244,197,326	6,214,566,724
Other	3,710,817,359	1,920,643,792	3,679,402,576	1,894,381,747
Individual customers:				
Term deposits	33,676,402,845	29,501,409,743	33,676,402,845	29,501,409,743
Saving deposits	41,969,405,166	30,890,666,224	39,931,761,313	29,396,586,551
Current deposits	189,619,961	154,951,821	189,619,961	154,951,821
Other	59,666,472	85,444,269	59,666,472	85,444,269
Total	116,490,857,382	99,625,266,512	114,605,491,739	98,370,756,811

4.20.1: Currency wise analysis of deposit from customers

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Nepalese rupee	112,676,966,618	97,213,677,864	110,791,600,976	95,959,168,163
Indian rupee	-	-	-	-
United State dollar	3,791,399,876	2,395,867,769	3,791,399,876	2,395,867,769
Great Britain pound	2,721,586	1,364,088	2,721,586	1,364,088
Euro	19,769,302	14,356,791	19,769,302	14,356,791
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	116,490,857,382	99,625,266,512	114,605,491,739	98,370,756,811

4.21 Borrowing

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Domestic Borrowing	-	-	-	-
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Foreign Borrowing	3,591,572,535	3,634,800,001	3,591,572,535	3,634,800,001
Foreign Bank and Financial Institutions	3,591,572,535	3,634,800,001	3,591,572,535	3,634,800,001
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Total	3,591,572,535	3,634,800,001	3,591,572,535	3,634,800,001

4.22 Provisions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.22.1: Movement in provision

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Balance at Shrawan 1, 2077	-	-	-	-
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Unwind of discount	-	-	-	-
Balance at Ashadh end, 2078	-	-	-	-

4.23 Other liabilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Liability for employees defined benefit obligations	(3,314,621)	4,614,972	(25,760,199)	4,614,972
Liability for long-service leave	63,660,268	21,794,033	42,937,572	13,132,216
Short-term employee benefits	-	-	-	-
Bills payable	16,296,597	70,225,380	16,296,597	70,225,380
Creditors and accruals	-	-	-	-
Interest payable on deposit	-	-	-	-
Interest payable on borrowing	38,760	34,248	38,760	34,248
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	-	-	-	-
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	286,515,730	236,090,360	247,677,037	221,382,287
Other	979,394,511	1,253,409,942	727,039,710	702,996,865
Total	1,342,591,245	1,586,168,935	1,008,229,478	1,012,385,968

4.23.1: Defined benefit obligations

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	17,177,373	17,747,188	17,177,373	17,747,188
Present value of funded obligations	367,530,018	295,426,613	367,530,018	295,426,613
Total present value of obligations	384,707,391	313,173,801	384,707,391	313,173,801
Fair value of plan assets	367,530,018	295,426,613	367,530,018	295,426,613
Present value of net obligations	17,177,373	17,747,188	17,177,373	17,747,188
Recognised liability for defined benefit obligations	-	-	-	-

4.23.2: Plan assets

AMOUNT IN NPR

PLAN ASSETS COMPRISE	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	-	-	-	-
Other	367,530,018	295,426,613	367,530,018	295,426,613
Total	367,530,018	295,426,613	367,530,018	295,426,613
Actual return on plan assets	25,040,652	18,029,810	25,040,652	18,029,810

4.23.3: Movement in the present value of defined benefit obligations

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Defined benefit obligations at Shrawan 1, 2077	313,085,897	245,263,217	313,085,897	245,263,217
Actuarial Loss/ (Gain)	(33,038,218)	(25,340,184)	(33,038,218)	(25,340,184)
Benefits paid by the plan	(4,344,885)	(2,625,213)	(4,344,885)	(2,625,213)
Current service costs and interest	109,004,597	95,875,981	109,004,597	95,875,981
Defined benefit obligations at Ashadh end, 2078	384,707,391	313,173,801	384,707,391	313,173,801

4.23.4: Movement in the fair value of plan assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Fair value of plan assets at Shrawan 1, 2077	295,426,613	214,792,530	295,426,613	214,792,530
Contributions paid into the plan	51,407,638	58,650,079	51,407,638	58,650,079
Benefits paid during the year	(4,344,885)	(2,623,213)	(4,344,885)	(2,623,213)
Actuarial Gain/(Loss)	(1,958,241)	3,194,555	(1,958,241)	3,194,555
Expected return on plan assets	26,998,893	21,412,662	26,998,893	21,412,662
Fair value of plan assets at Ashadh end, 2078	367,530,018	295,426,613	367,530,018	295,426,613

4.23.5: Amount recognised in profit or loss

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Current service costs	81,113,985	74,031,004	81,113,985	74,031,004
Interest on obligation	891,719	432,315	891,719	432,315
Actuarial (Gain)/loss	977,087	(26,069,589)	977,087	(26,069,589)
Expected return on plan assets	-	-	-	-
Total	82,982,791	48,393,730	82,982,791	48,393,730

4.23.6: Amount recognised in other comprehensive income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Actuarial (Gain)/Loss	(31,276,008)	(2,465,150)	(31,276,008)	(2,465,150)
Total	(31,276,008)	(2,465,150)	(31,276,008)	(2,465,150)

4.23.7: Actuarial assumptions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2078	31 ASHADH 2078	31 ASHADH 2077
Discount rate	9.50%	9.50%	9.50%	9.50%
Expected return on plan asset				
Future salary increase	7.00%	7.00%	7.00%	7.00%
Withdrawal rate	10.00%	10.00%	10.00%	10.00%

4.24 Debt securities issued

AMOUNT IN NPR

Particulars	GROUP		BANK	
	31 Ashadh 2078	31 Ashadh 2077	31 Ashadh 2078	31 Ashadh 2077
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	2,008,219,178	2,008,196,721	2,008,219,178	2,008,196,721
Total	2,008,219,178	2,008,196,721	2,008,219,178	2,008,196,721

4.25 Subordinated Liabilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.26 Share capital

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Ordinary shares	10,695,689,862	9,812,559,506	10,695,689,862	9,812,559,506
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	10,695,689,862	9,812,559,506	10,695,689,862	9,812,559,506

4.26.1: Ordinary shares

PARTICULARS	BANK	
	31 ASHADH 2078	31 ASHADH 2077
Authorized Capital		
120,000,000 Ordinary share of Rs. 100 each	12,000,000,000	10,000,000,000
Issued capital		
106,956,898.62 Ordinary share of Rs. 100 each	10,695,689,862	9,812,559,506
Subscribed and paid up capital		
106,956,898.62 Ordinary share of Rs. 100 each	10,695,689,862	9,812,559,506
Total	10,695,689,862	9,812,559,506

4.26.2: Ordinary share ownership

PARTICULARS	BANK			
	31 ASHADH 2078		31 ASHADH 2077	
	Percent	Amount	Percent	Amount
Domestic ownership	100%	10,695,689,862	100%	9,812,559,506
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions (Promoters)	23.83%	2,548,868,212	23.83%	2,338,411,136
Public	49.00%	5,240,887,792	49.00%	4,808,154,005
Other (Promoters)	27.17%	2,905,933,858	27.17%	2,665,994,365
Foreign ownership	-	-	-	-
Total	100%	10,695,689,862	100%	9,812,559,506

Note: Shareholders holding 0.5% or more Shares

SN	Name of Shareholder	No. of Shares	%
1	Laxmi Corp Nepal Pvt. Ltd.	15,613,396	14.60%
2	Sneha Khetan	12,083,381	11.30%
3	Citizen Investment Trust	9,285,187	8.68%
4	Sarika Khetan	8,367,340	7.82%
5	Ratan Lal Sanghai	5,028,038	4.70%
6	Gopi Krishna Sikaria	4,724,357	4.42%
7	Rajendra Kumar Khetan	4,686,944	4.38%
8	Himalayan Exim Private Ltd	3,947,273	3.69%
9	MTC Investment Pvt. Ltd.	2,568,280	2.40%
10	Puja Agrawal Khetan	1,690,648	1.58%
11	Om Prakash Sikaria	1,524,310	1.43%
12	Rastriya Beema Sansthan (Jiwan Beema)	1,457,198	1.36%
13	Prime Holding Pvt. Ltd.	992,037	0.93%
14	Anjali Sarawogi	835,446	0.78%
15	Deepak Kumar Malhotra	704,658	0.66%
16	Sunil Kumar Bansal	608,691	0.57%

4.27 Reserves

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Statutory general reserve	2,195,733,037	1,837,620,465	2,090,077,384	1,771,556,451
Exchange equalisation reserve	31,950,873	31,741,949	31,950,873	31,741,949
Corporate social responsibility reserve	17,977,010	12,040,646	14,291,281	10,891,891
Capital Redemption Reserve	222,222,222	-	222,222,222	-
Regulatory reserve	386,618,847	419,404,708	386,618,847	419,404,708
Investment adjustment reserve	1,181,416	100,000	-	100,000
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	513,536,275	626,407,339	2,178,922,236	626,407,339
Dividend equalisation reserve	-	-	-	-
Actuarial gain	14,050,100	(7,843,106)	14,050,100	(7,843,106)
Special reserve	-	-	-	-
Other reserve	15,474,889	8,494,762	-	-
Total	3,398,744,669	2,927,966,763	4,938,132,943	2,852,259,232

Statutory General Reserve maintained pertains to the regulatory requirement of the Bank and Financial Institutions Act, 2073. There is a regulatory requirement to set aside 20% of the net profit to the general reserve until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit.

Exchange equalization is maintained as per requirement of Bank and Financial Institutions Act, 2073. There is a regulatory requirement to set aside 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency. The reserve is the accumulation of such gains over the years.

Corporate Social Responsibility reserve of 1% of net profit is maintained as per Nepal Rastra Bank Directive.

Regulatory reserves includes any amount derived as result of NFRS conversion and adoption with effect in retained earning.

Investment Adjustment Reserve is created against quoted and unquoted share investments as per NRB Directives.

4.28 Contingent liabilities and commitments

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Contingent liabilities	48,368,620,798	46,300,637,384	48,368,620,798	46,300,637,384
Undrawn and undisbursed facilities	16,009,465,207	14,433,029,574	16,009,465,207	14,433,029,574
Capital commitment	-	-	-	-
Lease Commitment	-	-	-	-
Litigation	90,208,591	67,905,932	89,268,067	66,965,408
Total	64,468,294,596	60,801,572,890	64,467,354,072	60,800,632,366

4.28.1: Contingent liabilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Acceptance and documentary credit	20,422,220,524	19,804,332,051	20,422,220,524	19,804,332,051
Bills for collection	557,208,936	81,347,250	557,208,936	81,347,250
Forward exchange contracts	6,073,905,068	6,224,513,904	6,073,905,068	6,224,513,904
Guarantees	21,307,719,278	20,181,401,805	21,307,719,278	20,181,401,805
Underwriting commitment	-	-	-	-
Other commitments	7,566,992	9,042,374	7,566,992	9,042,374
Total	48,368,620,798	46,300,637,384	48,368,620,798	46,300,637,384

4.28.2: Undrawn and undisbursed facilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Undisbursed amount of loans	10,600,523,299	9,765,022,784	10,600,523,299	9,765,022,784
Undrawn limits of overdrafts	5,408,941,908	4,668,006,790	5,408,941,908	4,668,006,790
Undrawn limits of credit cards	-	-	-	-
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	16,009,465,207	14,433,029,574	16,009,465,207	14,433,029,574

4.28.3: Capital commitments

Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
<i>Capital commitments in relation to Property and Equipment</i>				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
Sub total	-	-	-	-
<i>Capital commitments in relation to Intangible assets</i>				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
Sub total	-	-	-	-
Total	-	-	-	-

4.28.4: Lease commitments

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Operating lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year				
Later than 1 year but not later than 5 years				
Later than 5 years				
Sub total				
Finance lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year				
Later than 1 year but not later than 5 years				
Later than 5 years				
Sub total				
Grand total				

4.28.5: Litigation

The bank's litigations are generally related to its ordinary course of business pending on various jurisdiction. Litigations are mainly in the nature of income tax which is explained in detail in Note 5.6.1. Other litigations include cases pending in various courts & tribunal in Nepal pertaining to assets recovered from the borrowers.

4.29 Interest income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	31,623,133	136,855,518	31,031,797	133,673,918
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	12,770,423	12,155,915	-	-
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	9,262,527,459	10,178,461,788	8,554,671,923	9,611,722,726
Investment securities	467,849,828	313,210,733	462,987,792	308,483,044
Loan and advances to staff	333,009,024	131,174,849	328,739,620	128,362,013
Other	-	-	-	-
Total interest income	10,107,779,867	10,771,858,803	9,377,431,133	10,182,241,701

Interest income on cash and cash equivalents, loans and advances and investment securities are included under this head. These income are accounted on accrual basis. However, interest on loans and advances to customers due as on the balance sheet date but not recovered is transferred to regulatory reserve from retained earning as per NRB Directives.

4.30 Interest expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	232,918,102	147,682,038	158,072,234	37,133,239
Due to Nepal Rastra Bank	54,622,056	23,427,575	54,622,056	23,427,575
Deposits from customers	5,635,458,745	6,612,560,983	5,508,150,061	6,509,409,013
Borrowing	-	-	-	-
Debt securities issued	199,746,987	150,105,068	199,746,987	150,105,068
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	6,122,745,890	6,933,775,664	5,920,591,338	6,720,074,895

4.31 Fees and Commission Income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	437,216,171	326,564,257	325,823,289	254,172,929
Service fees	193,225,714	113,083,590	110,172,716	69,017,192
Consortium fees	-	-	-	-
Commitment fees	16,100,532	9,990,636	16,100,532	9,990,636
DD/TT/Swift fees	30,634,456	23,532,204	30,634,456	23,532,204
Credit card/ATM issuance and renewal fees	127,831,753	107,471,774	127,831,753	107,471,774
Prepayment and swap fees	-	-	-	-
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	26,499,889	30,967,849	26,499,889	30,967,849
Commission on letter of credit	119,585,470	97,080,275	119,585,470	97,080,275
Commission on guarantee contracts issued	196,248,768	186,665,904	196,248,768	186,665,904
Commission on share underwriting/issue	2,482,618	1,432,960	-	-
Locker rental	7,739,625	7,978,500	7,739,625	7,978,500
Other fees and commission income	19,222,858	22,353,062	19,222,858	22,353,062
Total fees and Commission Income	1,176,787,854	927,121,009	979,859,357	809,230,324

4.32 Fees and commission expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	4,385,430	29,806,822	4,385,430	29,806,822
VISA/Master card fees	39,393,211	29,672,634	39,393,211	29,672,634
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	-	-	-	-
Remittance fees and commission	-	19,220	-	-
Other fees and commission expense	60,518,542	41,653,506	60,518,542	41,653,506
Total fees and Commission Expense	104,297,183	101,152,181	104,297,183	101,132,961

4.33 Net trading income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Changes in fair value of trading assets	-	-	-	-
Gain/loss on disposal of trading assets	-	-	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss on foreign exchange transaction	340,541,914	332,897,263	340,541,914	332,897,263
Other	-	-	-	-
Net trading income	340,541,914	332,897,263	340,541,914	332,897,263

Trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities. Foreign exchange transactions results include gains and losses from spot and forward contracts and translated foreign currency assets and liabilities.

4.34 Other operating income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	835,696	7,521,911	835,696	7,521,911
Gain/(loss) on sale of investment securities	391,099,906	(5,739,810)	362,677,982	(7,168,411)
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	66,198,188	53,379,508	123,564,558	101,609,186
Gain/loss on sale of property and equipment	237,616	1,491,382	235,816	990,709
Gain/loss on sale of investment property	16,000	180,407	16,000	180,407
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Locker rent	-	-	-	-
Other	514,414,310	44,305	13,037,723	44,305
Total	972,801,716	56,877,702	500,367,776	103,178,107

4.35 Impairment charge/(reversal) for loan and other losses

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Impairment charge/(reversal) on loan and advances to B/FIs	7,678,700	(2,431,005)	27,023,264	(3,487,411)
Impairment charge/(reversal) on loan and advances to customer	531,008,964	580,743,725	465,190,800	478,729,262
Impairment charge/(reversal) on financial investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	538,687,663	578,312,720	492,214,064	475,241,852

4.36 Personnel Expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	829,114,601	751,762,543	738,321,861	668,127,015
Allowances	163,272,557	131,592,380	58,075,695	48,547,546
Gratuity expense	45,595,754	42,120,475	39,327,598	35,324,949
Provident fund	49,912,356	45,688,413	42,630,874	38,439,854
Uniform	-	-	-	-
Training & development expense	9,206,060	23,475,877	7,638,609	19,784,597
Leave encashment	68,118,978	22,045,835	52,709,812	17,454,085
Medical	36,892,033	30,841,069	36,892,033	30,841,069
Insurance	28,467,727	17,584,449	28,054,721	16,976,188
Employees incentive	9,124,431	7,899,704	9,124,431	7,899,704
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	237,598,070	53,571,436	237,598,070	53,571,436
Other expenses related to staff	76,891,567	75,292,257	75,535,314	74,443,705
Subtotal	1,554,194,135	1,201,874,436	1,325,909,019	1,011,410,149
Employees bonus	286,515,729	236,090,360	247,677,037	221,382,287
Grand total	1,840,709,864	1,437,964,796	1,573,586,056	1,232,792,436

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2030. All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, gratuity, contribution to provident fund, training expenses, insurance, staff bonus, finance expense under NFRS etc. Staff Loans are fair valued using the market rates.

4.37 Other operating expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	2,316,000	1,816,500	1,346,000	1,086,000
Directors' expense	340,185	302,511	135,620	179,336
Auditors' remuneration	1,663,925	1,663,925	1,243,000	1,243,000
Other audit related expense	133,059	154,216	-	-
Professional and legal expense	3,857,501	5,200,404	4,832,031	5,976,222
Office administration expense	567,392,715	571,299,938	524,266,360	538,017,524
Operating lease expense	144,338,561	141,341,997	129,655,034	127,864,082
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	12,358,215	21,551,920	12,358,215	21,551,920
Onerous lease provisions	-	-	-	-
Other	8,671,260	10,722,818	8,645,423	10,722,818
Total	741,071,420	754,054,229	682,481,684	706,640,902

All operating expenses other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non financial assets, expense of corporate social responsibility, onerous lease provisions etc.

No individual operating lease has terms and conditions that significantly affect the amount, timing and certainty of the consolidated cash flows of the Bank.

4.37.1 Office administration expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	33,080,103	33,357,293	31,505,080	31,839,829
Repair and maintenance	31,076,366	20,362,838	30,001,946	19,492,197
<i>a) Building</i>	7,520,163	5,581,085	7,520,163	5,581,085
<i>b) Vehicle</i>	3,143,097	2,602,202	2,563,822	2,056,521
<i>c) Computer and accessories</i>	2,427,444	2,961,962	2,427,444	2,961,962
<i>d) Office Equipment and Furniture</i>	17,799,910	9,141,985	17,490,518	8,892,629
<i>e) Others</i>	185,753	75,603	-	-
Insurance	9,631,798	11,008,186	8,090,260	9,604,252
Postage, telex, telephone, fax	12,824,130	12,608,901	9,997,965	10,352,852
Printing and Stationery	27,141,024	24,341,082	23,556,539	21,555,282
Newspaper, books and journals	278,752	337,843	216,592	254,258
Advertisement	37,481,831	62,369,335	35,998,292	60,410,042
Donation	-	-	-	-
Security expenses	123,016,457	119,683,384	121,569,810	118,236,735
Deposit and loan guarantee premium	35,433,964	30,803,513	35,433,964	30,803,513
Travel allowance and expenses	57,167,631	58,499,987	54,072,429	55,252,496
Entertainment	6,623,437	9,705,209	6,530,157	9,505,632
Annual/ special general meeting expense	485,002	1,294,438	316,173	928,968
Other	193,152,220	186,927,929	166,977,153	169,781,469
<i>a) Fixed asset revenue expense</i>	11,587,168	7,403,956	9,499,314	6,071,108
<i>b) IT and other subscriptions</i>	91,847,334	81,872,998	90,335,255	80,129,612
<i>c) Others</i>	89,717,718	97,650,975	67,142,584	83,580,750
Total	567,392,715	571,299,938	524,266,360	538,017,524

4.38 Depreciation & Amortisation

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	171,839,931	155,189,164	162,997,704	145,589,259
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	29,266,518	21,927,238	25,943,242	21,320,424
Total	201,106,450	177,116,402	188,940,946	166,909,683

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRS on property and equipment, and investment properties, and amortization of intangible assets is presented under this head.

4.39 Non operating income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	3,513,770	5,075,146	3,513,770	5,075,146
Other income	937,899	11,459,678	937,899	10,553,829
Total	4,451,670	16,534,824	4,451,670	15,628,975

4.40 Non operating expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	11,447,250	47,943,060	11,447,250	47,943,060
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	-	-	-
Total	11,447,250	47,943,060	11,447,250	47,943,060

4.41 Income tax expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	782,526,687	638,434,197	674,671,883	598,325,891
Current year	782,526,687	638,434,197	674,671,883	598,325,891
Adjustments for prior years	-	-	-	-
Deferred tax expense	(23,819,722)	(17,631,694)	(21,339,073)	(17,434,689)
Origination and reversal of temporary differences	(23,819,722)	(17,631,694)	(21,339,073)	(17,434,689)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	758,706,965	620,802,503	653,332,810	580,891,202

The amount of income tax on net taxable profit is recognized and presented under this account head. This account head includes current tax expense and deferred tax expense/deferred tax income.

4.41.1: Reconciliation of tax expense and accounting profit

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	3,042,297,301	2,074,970,549	2,229,093,330	1,992,440,582
Tax amount	912,689,190	622,491,165	668,727,999	597,732,175
Add: Tax effect of expenses that are not deductible for tax purpose	31,181,882	31,202,747	30,770,526	24,380,433
Less: Tax effect on exempt income	(24,848,754)	(30,429,055)	(24,826,642)	(23,786,717)
Add/less: Tax effect on other items	(160,315,353)	(2,462,353)	(21,339,073)	(17,434,689)
Total income tax expense	758,706,965	620,802,503	653,332,810	580,891,202
Effective tax rate	24.94%	29.92%	29.31%	29.15%

Comparison of Unaudited and Audited Financial Statements as of FY 2077/78

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Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	10,940,598	10,940,570	(28)	0%	Regrouping of items
Due from NRB and placements with BFls	7,256,205	7,256,233	28	0%	Regrouping of items
Loan and advances	109,285,911	108,486,320	(799,591)	-1%	Fair Value adjustment of Staff Loans
Investments Securities	15,822,627	13,004,406	(2,818,221)	-18%	Associate Accounting
Investment in subsidiaries and associates	417,000	3,235,221	2,818,221	676%	Associate Accounting
Property and Equipment	1,336,539	1,335,674	(865)	0%	Audit adjustments
Goodwill and intangible assets	76,490	76,490	-	0%	
Other assets	7,059,047	7,905,947	846,900	12%	Regrouping of items
Total Assets	152,194,416	152,240,860	46,444	0%	
Capital and Liabilities					
Paid up Capital	10,695,690	10,695,690	-	0%	
Reserves and surplus	6,130,908	6,201,071	70,163	1%	Cumulative impact of different adjustments
Deposits	117,429,385	117,431,760	2,375	0%	Regrouping of items
Borrowings	7,956,518	7,956,518	-	0%	
Bond and Debenture	2,008,219	2,008,219	-	0%	
Other liabilities and provisions	7,973,697	7,947,602	(26,094)	0%	Regrouping of items
Total Capital and Liabilities	152,194,416	152,240,860	46,444	0%	
Statement of Profit or Loss					
Interest income	9,139,962	9,377,431	237,469	3%	Amortization of Staff Loan Benefit
Interest expense	(5,920,591)	(5,920,591)	(0)	0%	
Net interest income	3,219,371	3,456,840	237,469	7%	
Fee and commission income	979,859	979,859	-	0%	
Fee and commission expense	(104,297)	(104,297)	-	0%	
Net fee and commission income	875,562	875,562	-	0%	
Other operating income	857,754	840,910	(16,844)	-2%	Adjustment of Gain on sale of investment
Total operating income	4,952,687	5,173,312	220,625	4%	
Impairment charge/(reversal) for loans and other losses	(567,692)	(492,214)	75,478	-13%	Adjustment as per NRB circular
Net operating income	4,384,995	4,681,098	296,103	7%	
Personnel expenses	(1,331,076)	(1,573,586)	(242,510)	18%	Amortization of Staff Loan Benefit
Other operating expenses	(874,145)	(871,423)	2,723	0%	Adjustment of operating lease amortization
Operating profit	2,179,774	2,236,089	56,315	3%	
Non operating income/expense	(6,996)	(6,996)	-	0%	
Profit before tax	2,172,778	2,229,093	56,315	3%	
Income tax	(631,385)	(653,333)	(21,948)	3%	Cumulative tax effect of different adjustments
Profit/(loss) for the period	1,541,393	1,575,761	34,367	2%	
Other comprehensive income	1,552,515	1,574,408	21,893	1%	Cumulative tax effect of different adjustments
Total comprehensive income	3,093,908	3,150,169	56,260	2%	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,541,393	1,575,761	34,367	2%	
Add/Less: Regulatory adjustment as per NRB Directive	23,723	46,261	22,538	95%	Adjustment of interest recovered till Bhadra 15
Free profit/(loss) after regulatory adjustments	1,565,116	1,622,022	56,905	4%	

Statement of distributable profit or lossFor the year ended 31 Ashadh 2078 (15 July 2021)
(As per NRB Regulation)

AMOUNT IN NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Opening Retained Earnings	181,799,272	115,291,213
Net profit or (loss) as per statement of profit or loss	1,575,760,520	1,411,549,380
<u>Appropriations:</u>		
a. General reserve	315,152,104	282,309,876
b. Foreign exchange fluctuation fund	208,924	1,880,478
c. Capital redemption reserve	222,222,222	(320,000,000)
d. Corporate social responsibility fund	3,399,390	(7,436,426)
e. Employees' training fund	-	-
f. Other	(100,000)	-
Profit or (loss) before regulatory adjustment	1,034,877,880	1,454,795,452
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	19,670,004	(230,982,421)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	1,911,420	(31,325,780)
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	11,204,437	2,465,150
i. Other (+/-)	13,475,316	-
Total Distributable Profit /(loss) as on year end	1,262,938,329	1,310,243,614

5. Disclosures and Additional Information

5.1 Risk Management

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Risk Management Committee with clear terms of reference. The Risk Management Committee has 5 members altogether, with 3 directors, Chief Operating Officer and Head Risk Management Unit. The Committee met four times in FY2020/21. The Committee oversees and reviews the fundamental prudential risks including credit, market, reputational, capital and liquidity, operational and information and cyber security risk, etc. The Risk Committee receives periodic reports on risk management, including portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and are authorized to seek and review any information relating to an activity within its terms of reference. Risk Management structure of the Bank has set clear separation between Businesses function and risk management function. Accordingly, the Bank has set up a separate Risk Management unit. The Risk Management Unit develops the mechanism for assessing and reviewing its risk management policies, processes and procedures for individual risk elements, at a regular interval, based on the main findings of the monitoring reports and the results of analysis of developments from external market changes and other environmental factors.

Laxmi Bank's objective to risk management goes beyond mitigation and control. We believe that our risk management approach is a Strategic Differentiator and a key driver for our sustained and quality growth. Our approach to risk managements is built around:

- formal governance processes that is constantly reviewed and updated
- top level commitment & development of risk framework through close alignment of risk capabilities to business objectives
- ensuring that responsibility for risk resides at all levels – from the Board down through all individual employees
- continuous research and development of new and improved risk management processes and tools supported by effective Management Information Systems
- all businesses are accountable for managing risk in their own area, assisted, where appropriate, by independent risk specialists
- by embedding this approach to measure and understand key risks to ensure the viability of all processes and transactions

In the past years we have continued to make significant progress in enhancing our risk management capabilities including identifying, measuring and monitoring of risk activities that we undertake in our normal course of business.

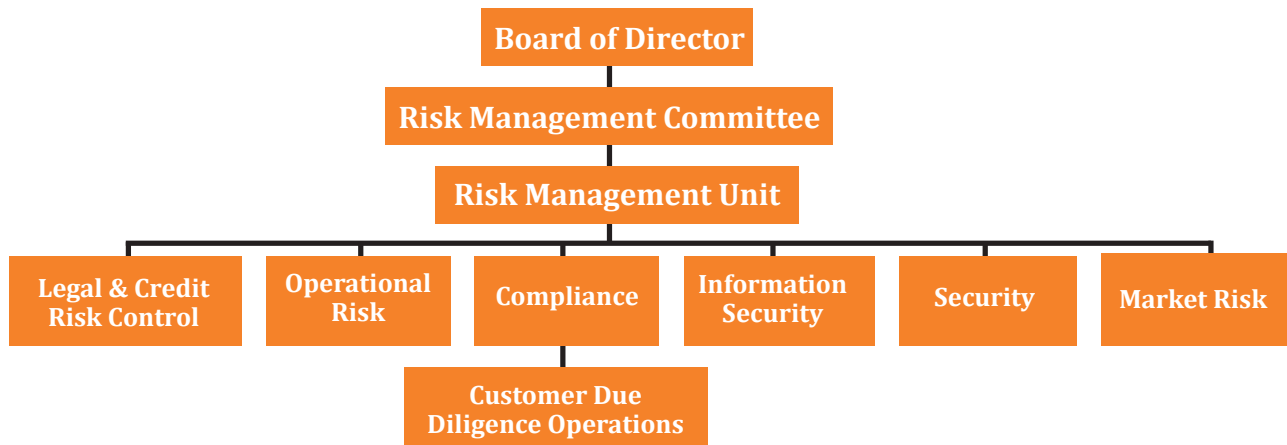
Risk Management Framework and Organization

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

Risk Governance

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities, environment for speaking up and inhabiting good ethical culture. Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks that arise directly through the Bank's commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking. The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to management risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure. The bank's risk governance structure is such that the responsibility for reducing risk within the banks risk tolerance limit is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

The risk management structure of the bank is given below:



Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audit observations are reported to the Chief Executive Officer and Department/ Unit/ Branch Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

5.1.1 Credit Risk

Credit risk is the probability of loss of principle and reward associated with it due to failure of counterparty to meet its contractual obligations to pay the Bank in accordance with agreed terms. Credit Risk Management is ultimately the responsibility of the Board of Directors. Hence overall strategy as well as significant policies have to be reviewed by the board regularly. Further, Senior Management is

responsible for implementing the bank's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

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.

Management of Credit Risk

The board of directors assumes overall responsibility for the oversight of credit risk. The credit disbursement is controlled through assigned Credit Approval Discretion (CAD) limit for various level of management hierarchy. Senior management, Risk Management Committee and the Board review credit portfolio and industry concentration aspects regularly and make decisions / strategies based on the need of the hour. A separate Credit department is established for overall monitoring of the credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Management committee, Credit Department, the board of directors as appropriate.

- c. Reviewing and assessing credit risk: Bank assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- d. Limiting concentrations of exposure to counterparties and industries: For loans and advances, financial guarantees and similar exposures, centrally a limit is established.
- e. The risk grading system assign risk for each credit based on industry risk, business risk, management risk and financial risk. The current risk grading reflects varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews.
- f. Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of local portfolios are provided to Credit Department and the Management Committee which may require appropriate corrective action to be taken.
- g. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement bank's credit policies and procedures, with credit approval authorities delegated from the Credit Department/ Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and credit processes are undertaken by Internal Audit Department.

h. Credit quality of neither past due nor impaired and past due or impaired

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

NPR in Million

PARTICULARS	NEITHER PAST DUE NOR IMPAIRED	PAST DUE LESS 90 DAYS	PAST DUE 91 TO 180 DAYS	PAST DUE MORE THAN 180 DAYS	INDIVIDUALLY IMPAIRED	TOTAL
Financial Assets						
Assets carried at Amortized Cost						
Cash and cash equivalent	10,941	-	-	-	-	10,941
Due from Nepal Rastra Bank	7,256	-	-	-	-	7,256
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Loans and advances to customers	95,622	8,993	-	123	475	105,213
Loan and advances to B/FIs	3,273	-	-	-	-	3,273
Fair Value through Profit and Loss (FVTPL)						
Derivative financial instruments.	6,074	-	-	-	-	6,074
Fair Value through Other						
Comprehensive Income (FVTOCI)						
Investment securities	13,005	-	-	-	-	13,005
Investment in Associates	2,818	-	-	-	-	2,818
Investment in subsidiaries	417	-	-	-	-	417
Total	139,406	8,993	-	123	475	148,997

5.1.2 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. The bank treasury dealers have gained exposure to international markets as well in addition to having undergone appropriate trainings. The Bank has followed the structure of a Treasury back and Treasury Mid office independent of Treasury dealing room functions to instill better control over treasury activities through appropriate segregation of duties and responsibilities.

I. Currency Risk:

Foreign exchange risk is the potential for the Bank to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency.

The Bank has following foreign currency as receivables/payables as at the balance sheet date:

					Amount in NPR '000
FOREIGN CURRENCY	CURRENCY CODE	ASSETS	LIABILITIES	NET POSITION	
Dirhams	AED	501	-	501	
Australian Dollar	AUD	2,187	-	2,187	
Canadian Dollar	CAD	147	-	147	
Swiss Francs	CHF	20	-	20	
Chinese Yuan	CNY	277	-	277	
Denmark Kroner	DKK	388	-	388	
Euro	EUR	23,378	19,765	3,613	
Great Britain Pound	GBP	7,435	3,221	4,214	
Hong Kong Dollar	HKD	403	-	403	
Indian Rupees	INR	859,850	2,611	857,239	
Japanese Yen	JPY	6,817	16	6,801	
Malaysian Ringgit	MYR	312	-	312	
Qatar Riyal	QAR	324	-	324	
Saudi Arabian Riyal	SAR	882	-	882	
Singapore Dollar	SGD	512	-	512	
Thailand Baht	THB	44	-	44	
US Dollar	USD	13,542,156	13,567,539	25,383	
Korean Won	KRW	35	-	35	
Kuwaiti Dinar	KWD	150	-	150	
Total		14,445,818	13,593,152	903,431	

II. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate risk monitoring table is provided below:

							Amount in NPR Million
PARTICULARS	1 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	OVER 1 YEAR	TOTAL	
Interest Sensitive Assets	49,058	18,116	8,923	5,602	68,448	150,146	
Interest Sensitive Liabilities	33,881	19,522	19,630	12,447	56,385	141,864	
Gap (1 - 2)	15,177	(1,406)	(10,707)	(6,845)	12,063	8,282	
Cumulative Gap	15,177	13,771	3,064	(3,781)	8,282		
Adjusted Interest Rate Change (IRC)	0.25%	0.25%	0.25%	0.26%	1.00%		
Impact on Quarterly Earnings (Cumulative Gap x IRC)	37	34	8	(10)	83	152	
Accumulated Earnings Impact to date	37	71	79	69	152		

III. Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial investment held at FVTOCI, whose values fluctuate as a result of changes in market prices.

5.1.3 Liquidity Risk

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

The following table depicts the maturity profile of the investment portfolio on an undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

Amount in NPR Million					
PARTICULARS	1-90 DAYS	91-180 DAYS	181-365 DAYS	OVER 1 YEAR	TOTAL
Assets					
Cash and cash equivalent	10,941	-	-	-	10,941
Due from Nepal Rastra Bank	7,256	-	-	-	7,256
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments	6,074	-	-	-	6,074
Other trading assets	-	-	-	-	-
Loan and advances to B/FIs	3,273	-	-	-	3,273
Loans and advances to customers	21,586	15,302	9,966	58,359	105,213
Investment securities	-	-	-	13,005	13,005
Investment in associates	-	-	-	2,818	2,818
Investment in subsidiaries	-	-	-	417	417
Other assets	3,244	-	-	-	3,244
Total Assets	52,374	15,302	9,966	74,598	152,240
Liabilities					
Due to Bank and Financial Institutions	2,826	-	-	-	2,826
Due to Nepal Rastra Bank	4,365	-	-	-	4,365
Derivative financial instruments	6,050	-	-	-	6,050
Deposits from customers	24,188	12,708	22,090	55,619	114,605
Borrowing	-	-	-	3,592	3,592
Debt securities issued	-	-	-	2,008	2,008
Other liabilities	1,898	-	-	-	1,898
Total Liabilities	39,327	12,708	22,090	61,219	135,344

IV. Operational risk

Operational risk is inherent in all business activities. Whilst risks can never be eliminated, at Laxmi Bank we follow a number of procedures and practices like Business Continuity Plan, Whistle Blowing – A Culture of Speaking Up to manage and mitigate preserve and create value of our business.

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

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

Compliance and Assurance / Operations Risk Unit

Recognizing the importance of Operations Risk in terms of managing day-to-day business, we have a full fledged Operational Risk under the Risk Management Unit.

5.2 Capital Management

5.2.1 Qualitative disclosures

The Bank has formulated and implemented the "Internal Capital Adequacy Assessment Process (ICAAP) which has been approved by the Board of Directors. The ICAAP is a system of sound, effective, and complete strategies and processes that allows the Bank to assess and maintain, ongoing basis, the amounts, types and distribution of internal capital that the Bank considers adequate to cover the nature and level of risk to which the Bank is or might be exposed to.

Internal Capital Adequacy Assessment Process (ICAAP) shall also include requirement to have robust governance arrangements, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate and economic capital at the Bank where economic capital (economically needed capital) refers to the amount of capital required for the Bank's business operations and for financing the associated risks.

ICAAP provides policy and procedural guidelines for the calculation of internal capital adequacy by prescribing appropriate methodologies, techniques and procedures to assess the capital adequacy requirements in relation to the Bank's risk profile and effectiveness of its risk management, control environment and strategic planning.

The Board shall be primarily responsible for ensuring the current and future capital needs of the bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the bank is confronting in the course of different business activities and how this risk relates to capital levels and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

5.2.2 Quantitative disclosures

a. Capital Structure and Capital Adequacy

I. Tier 1 capital and a breakdown of its components

Amount in NPR Million		
S.N	PARTICULARS	AMOUNT
a	Paid up Capital	10,696
b	Share Premium / Capital Reserve	-
c	Proposed Bonus Shares	-
d	Statutory General Reserve	2,091
e	Retained Earnings	1,263
f	Un-audited Current Year Cumulative Profit	-
g	Capital Redemption Reserve	222
h	Other Free Reserves	-
i	Less: Deferred Tax Assets	-
j	Less: Intangible Assets	(76)
k	Less: Investment in equity of institutions with financial interests	(897)
Core (Tier-1) Capital		13,297

II. Tier 2 capital and a breakdown of its components

Amount in NPR Million		
S.N	PARTICULARS	AMOUNT
a	Subordinated Term Debt	2,000
b	General Loan Loss Provision	1,690
c	Exchange Equalization Reserve	32
d	Investment Adjustment Reserve	-
Supplementary (Tier-2) Capital		3,722

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

NAME	LAXMI BANK DEBENTURE – 2086
Amount	NPR 2,000,000,000 (Two Billion Only)
Interest Rate	10% per annum (before tax) payable half yearly
Type	Unsecured and Redeemable at Maturity. No call / convertible feature.
No. of Debentures	2,000,000 (Two Million Only)
Face Value	NPR 1,000.00
Maturity Period	10 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors
Listing	Listed with Nepal Stock Exchange

IV. Deductions from capital

- The intangible assets pertaining to software costs amounting to NPR 76.49 million have been deducted from the core capital.
- The Bank's investment in Laxmi Capital Market Ltd., Everest Insurance Company Limited, Prime Life Insurance Company limited being institutions with financial interest and investment in "D" class license institution as per NRB directive amounting to NPR 897.06 million has been deducted from the core capital.

V. Total qualifying capital

S. N.	PARTICULARS	AMOUNT (NPR MILLIONS)
A	Core Capital	13,297
B	Supplementary Capital	3,722
Total Qualifying Capital (Total Capital Fund)		17,019

VI. Capital Adequacy Ratio

Capital Adequacy Ratio of the bank as at 15 July 2021 stood at 12.15%.

VII. Summary of Ban k's internal approach to assess the adequacy of capital to support current and future activities, if applicable

The Bank formulates an annual business plan, with prescribed plan for every business functions including deposits, lending, product developments and customer service. These plans are made in consideration of the competitive environment and business sustainability as well as overall risk inherent in banking business.

Capital Plan is a part of the bank's business plan. Capital Plan is formulated so as to fund the planned business growth and to meet regulatory requirements on minimum capital and capital adequacy.

Result of the scenario-based approach is used as input to the capital contingency plan. The financial consequences following various scenarios and potential events/actions are estimated and adequacy of capital in those scenarios is tested. The results are discussed broadly at senior management level and in board meetings.

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

Ordinary share capital: The Bank has only one class of equity shares having a par value of NPR 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

Debentures: The bank has issued 10% Laxmi Bank Debentures 2086 amounting NPR 2 Billion. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the bank.

b. Risk Exposures

I. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

c. Total risk weighted exposure calculation table

Amount in NPR Million

S.N.	RISK WEIGHTED EXPOSURE	AMOUNT
a	Risk Weighted Exposure for Credit Risk	128,829
b	Risk Weighted Exposure for Operational Risk	5,551
c	Risk Weighted Exposure for Market Risk	410
Adjustments under Pillar II		
d	3% of gross income to RWE	4,044
e	3% adjustment on Total RWE	1,256
Total Risk Weighted Exposure		140,090

II. Risk Weighted Exposures under each of 11 categories of Credit Risk

Amount in NPR Million

S.N.	RISK CLASSIFICATION	RWE
a	Claims on Govt. and Central Bank	-
b	Claims on other official entities	500
c	Claims on Banks	3,990
d	Claims on Corporate and Securities Firm	65,708
e	Claims on Regulatory Retail Portfolio	15,715
f	Claims secured by Residential Properties	3,695
g	Claims secured by Commercial Real Estate	1,999
h	Past due Claims	1,740
i	High Risk Claims	7,628
j	Other Assets	9,211
k	Off balance sheet items	18,643
Total		128,829

Amount in NPR Million

A. BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC PROVISION & VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D)= (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Cash Balance	2,404	-	-	2,404	0%	-
Balance With Nepal Rastra Bank	7,220	-	-	7,220	0%	-
Gold	428	-	-	428	0%	-
Investment in Nepalese Government Securities	8,413	-	-	8,413	0%	-
All Claims on Government of Nepal	137	-	-	137	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	23	-	-	23	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank(ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank(ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank(ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	500	-	-	500	100%	500
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-

Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	4,972	-	-	4,972	20%	994
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	1,464	-	-	1,464	20%	293
Claims on foreign bank (ECA Rating 2)	5,055	-	-	5,055	50%	2,527
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	880	-	-	880	20%	176
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	453	-	-	453	90%	408
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	19,096	-	-	19,096	100%	19,096
Claims on Domestic Corporates (Unrated)	46,226	-	23	46,203	100%	46,203
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA-2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	20,955	-	2	20,953	75%	15,715
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	5,907	-	1	5,906	60%	3,544
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	170	18	-	151	100%	151
Claims secured by Commercial real estate	1,999	-	-	1,999	100%	1,999
Past due claims (except for claim secured by residential properties)	1,712	552	-	1,160	150%	1,740
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	5,678	-	593	5,085	150%	7,628
Lending against securities (bonds & shares)	3,005	-	-	3,005	100%	3,005
Investments in equity and other capital instruments of institutions listed in the stock exchange	2,383	-	-	2,383	100%	2,383
Investments in equity and other capital instruments of institutions not listed in the stock exchange	285	-	-	285	150%	428
Staff Loan secured by residential property	1,730	-	-	1,730	50%	865
Interest receivable/claim on government securities	105	-	-	105	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	8,132	5,603	-	2,528	100%	2,528
TOTAL	149,334	6,173	619	142,541		110,186

Amount in NPR Million

B. OFF BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC PROVISION & VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D)= (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	565	-	-	565	0%	-
Forward Exchange Contract Liabilities	6,074	-	-	6,074	10%	607
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	17,070	-	3,377	13,692	20%	2,738
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating- 2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating-7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months (domestic counterparty)	823	-	558	265	50%	132
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating-7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee (domestic counter party)	9,877	-	521	9,356	40%	3,742
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating -7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	4,334	-	104	4,230	100%	4,230
Financial Guarantee	2	-	0	2	100%	2
Acceptances and Endorsements	2,529	-	128	2,401	100%	2,401
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	16,728	-	-	16,728	20%	3,346
Irrevocable Credit commitments (long term)	266	-	-	266	50%	133
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	6,110	-	-	6,110	20%	1,222
Other Contingent Liabilities	89	-	-	89	100%	89
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL	64,467	-	4,690	59,778		18,643
Total RWE for credit Risk (A) +(B)	213,801	6,173	5,309	202,318		128,829
Adjustments under Pillar II						
Add: 10% of the loan and facilities in excess of Single Obligor Limits(6.4 a 3)						-
Add: 1% of the contract(sale) value in case of the sale of credit with recourse (6.4 a 4)						-
Total RWE for credit Risk (After Bank's adjustments of Pillar II)	213,801	6,173	5,309	202,318		128,829

d. Forbearance/Relaxation related to reduction of impact of COVID-19

Amount in NPR Million

PARTICULARS	AS OF ASHAD END 2078	
	NO. OF CUSTOMERS	AMOUNT (NRS. IN MIO)
Accrued Interest Received after Ashad end 2078 till 15 Bhadra 2078	-	62.44
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	NA	272.03
Extension of moratorium period of loan provided to Industry or Project under construction	10	961.62
Restructured/Rescheduled Loan with 5% Loan Loss Provision	1185	6,382.19
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	11	167.27
Enhancement of Term Loan by 10% to COVID affected borrowers	9	24.69
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for up to 1 year with 5% provisioning	-	-
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for up to 1 year with 5% provisioning	-	-
Time Extension provided for repayment of Principal and Interest for up to two years as per clause 41 of NRB Directives 2	19	1,659.55

PARTICULARS	AS OF ASHAD END 2078	
	NO. OF CUSTOMERS	AMOUNT (NRS. IN MIO)
Refinance Loan	1,713	4,311
Business Continuity Loan	-	-

PARTICULARS	AS OF ASHAD END 2078	
	NO. OF CUSTOMERS	AMOUNT (NRS. IN MIO)
Subsidized Loan	5,932	2,873

e. Amount of NPAs (both Gross and Net)

Amount in NPR'000

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	GROSS NPAS	NET NPAS	GROSS NPAS	NET NPAS
Restructured / Reschedule Loans	253,640	209,304	228,470	187,784
Sub Standard Loans	-	-	-	-
Doubtful Loans	123,479	66,308	361,919	189,018
Loss	475,771	7,029	343,264	5,599
Total NPAs	852,890	282,641	933,653	382,400

5.3 Classification of financial assets and financial liabilities

Amount in NPR Million

FINANCIAL ASSETS	NOTES	AS AT 15-JUL-21		AS AT 15-JUL-20	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets					
Assets carried at Amortized Cost					
Cash and cash equivalent	4.1	10,941	10,941	9,423	9,423
Due from Nepal Rastra Bank	4.2	7,256	7,256	9,443	9,443
Placement with Bank and Financial Institutions	4.3	-	-	-	-
Loans and advances to customers	4.7	105,213	105,213	88,452	88,452
		123,410	123,410	107,320	107,320
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments.	4.4	6,074	6,074	6,224	6,224
Investment securities	4.8	12,271	13,005	9,092	9,029
Investment in subsidiaries	4.10	417	417	417	417
Investment in Associates	4.11	439	2,818	439	1,396
		13,127	16,240	9,948	10,842
Liabilities					
Liabilities carried at Amortized Cost					
Due to Bank and Financial Institutions	4.17	2,826	2,826	2,979	2,979
Due to Nepal Rastra Bank	4.18	4,365	4,365	500	500
Deposits from customers	4.20	114,605	114,605	98,370	98,370
Debt securities issued	4.24	2,008	2,008	2,008	2,008
		123,805	123,805	103,858	103,858
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments	4.19	6,050	6,050	6,182	6,182

5.3.1 Fair Value of Financial Assets and Financial Liabilities

Amount in NPR Million

	FAIR VALUE HIERARCHY (LEVEL)	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Fair Value through profit and loss			
Financial Assets			
Forward exchange Contract		6,074	6,224
Financial Liabilities			
Forward exchange Contract		6,050	6,182
Fair Value through Other Comprehensive Income			
Financial assets			
Investment securities at OCI			
- Quoted equity securities	1	3,157	1,578
- Unquoted equity securities	3	285	285
Investment in subsidiaries		417	417
Investment in associates		2,818	1,396
Total		6,407	3,677
Financial Instruments held at amortized cost			
Financial assets			
Debt securities	3	-	-
Government bonds	3	8,516	6,417
Government treasury bills	3	-	748
Nepal Rastra Bank bonds	3	-	-
Nepal Rastra Bank deposit instruments	3	-	-
Loan and advances to B/FIs	3	-	-
Loans and advances to customers	3	-	-
Other		1,044	-
Accounts receivable		-	-
Accrued Income		-	-
Total		9,561	7,165
Financial liabilities			
Due to Bank and Financial Institutions	3	2,826	2,979
Due to Nepal Rastra Bank	3	4,365	500
Deposits from customers	3	114,605	98,371
Borrowing		3,592	3,635
Provisions		-	-
Other liabilities		1,898	1,248
Debt securities issued		2,008	2,008
Subordinated Liabilities		-	-
Total		129,294	108,741

5.4 Operating Segment Information

5.4.1 General Information

The bank has identified its segments on the basis of its geographical business presence in seven provinces of the country. Lumbini Province, Karnali Province and Sudurpaschim Province have been combined into a single segment as the total business/revenue of each taken separately is not significant enough and also considering their proximity to each other.

5.4.2 Information about profit or loss, assets and liabilities

Amount in NPR '000

PARTICULARS	PROVINCE 1	PROVINCE 2	BAGMATI PROVINCE	GANDAKI PROVINCE	OTHERS	TOTAL
Revenues from external customers	978,540	473,604	2,803,615	384,308	533,245	5,173,312
Intersegment revenues	(361,293)	(225,244)	552,257	(87,411)	121,691	0
Net revenues	617,247	248,361	3,355,871	296,897	654,936	5,173,312
Interest revenue	1,364,971	599,818	6,108,338	532,309	771,994	9,377,431
Interest expense	398,081	196,936	4,835,477	179,120	310,978	5,920,591
Net interest revenue (b)	966,890	402,883	1,272,862	353,189	461,016	3,456,840
Depreciation and amortization	20,282	9,067	118,876	9,987	30,729	188,941
Segment profit / (loss) before tax	732,073	134,323	891,448	263,737	207,512	2,229,093
Impairment of assets	18,606	211,154	244,277	5,077	13,101	492,214
Segment assets	20,584,982	10,922,961	101,943,070	7,508,350	1,281,497	152,240,860
Segment liabilities	11,030,339	6,380,468	101,417,009	4,877,635	1,638,647	135,344,099

5.4.3 Measurement of operating segment profit or loss, assets and liabilities

The bank has identified the key segments of business on the basis of nature of operations that assists the Management Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the operating segments. The segment has been identified on the basis of geographic location of the branches. Investment balances, NRB balance, income from investment, foreign exchange income are reported in Head office under Province 3. Intra segment revenue and costs are accounted as per the policy of the bank and eliminated in the Head Office.

5.4.4 Reconciliation of reportable, segment revenues, profit or loss, assets and liabilities

Revenue

	Amt in Rs Million
Total revenue for reportable segments	5,173
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenue	5,173

Profit or Loss

	Amt in Rs Million
Total profit or loss for reportable segments	1,575
Other profit or loss	-
Elimination of intersegment profits	-
Profit before income tax	1,575

Assets

Amt in Rs Million

Total assets for reportable segments	152,240
Other assets	-
Total assets	152,240

Liabilities

Amt in Rs Million

Total liabilities for reportable segments	135,344
Other liabilities	-
Total liabilities	135,344

5.4.5 Information about product and services

The bank offers different ranges of banking products and services across all operating segments. All branches in each segment are equipped to provide services of each type to customers through themselves or through other branch/ central units under same or different segment. However, some branches may be operated to provide specialized banking service based on management's assessment of the market niche.

5.4.6 Information about geographical areas

The operating segments identified above are based on geographical presence of the branches in seven provinces of the country. Lumbini Province, Karnali Province and Sudurpaschim Province have been combined into a single segment as the total business/revenue of each taken separately is not significant enough and also considering their proximity to each other.

5.4.7 Information about major customers

Revenue from single customer doesn't exceed 10% of total revenue.

5.5 Share Options and Share based Payment

The Bank does not have a policy for share options to its employees. Similarly, during the year the Bank has not made any payments or settlements by issuing new shares.

5.6 Contingent Liabilities and Commitment

5.6.1 Income Tax Liability

On the assessment of the Income Tax Returns of the Bank for the FY 2060/61, Large Taxpayers' Office (LTO) has raised an additional demand of NPR 5,153,916.55. The Bank has filed an appeal with the Supreme Court against the order. The amount of demand has been disclosed as contingent liability on income tax under schedule 4.28. The Bank has paid NPR 1,020,252 as deposits against above claim.

The Bank has received an additional demand of NPR 847,545, NPR 19,242,794, NPR 1,606,366, NPR 2,810,598, NPR 36,273,807, NPR 1,030,382, NPR 5,207,265 and NPR 17,095,394 from LTO relating to tax returns for the FYs 2066/67, 2067/68, 2068/69, 2069/70, 2070/71, 2071/72, 2072/73 and 2073/74 respectively. The Bank disputed the demand as not tenable and has applied for appeal to appropriate authorities. The assessment order for FYs 2066/67, 2067/68, 2068/69, 2069/70, 2070/71, 2071/72 and 2072/73 are currently under review at the Revenue Tribunal while that for FY 2073/74 is under Administrative Review at the Inland Revenue Department. The total claim amount of NPR 89,268,067 is shown as contingent liability on income tax under schedule 4.28. The Bank has paid NPR 22,789,184 as deposit against above claims.

Pending decision, no provisions have been made against these additional demands. The Bank has filed tax returns to the LTO up to the financial years 2076/77 under self-assessment procedures.

Tax returns filed under self-assessment for the FYs 2074/75, 2075/76 and 2076/77 are yet to be assessed by LTO.

5.6.2 Contingent Liability

Amount in NPR Million

	AS AT 15-JUL-21	AS AT 15-JUL-20
Claims on Bank but not Accepted by the Bank		
Letter of Credit (Full Amount)		
a. Letter of Credit With Maturity Less than 6 Months	17,070	16,446
b. Letter of Credit With Maturity More than 6 Months	823	1,329
Rediscounted Bills	-	-
Unmatured Guarantees/Bonds		
a. Bid Bonds	1,505	2,134
b. Performance Bonds	8,372	6,319
c. Other Guarantee/Bonds	985	457
Unpaid Shares in Investment	-	-
Forward Exchange Contract Liabilities	6,074	6,224
Bills under Collection	565	90
Acceptances and Endorsements	2,529	2,029
Underwriting Commitments	-	-
Irrevocable Loan Commitments	16,009	14,433
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	6,110	7,439
Advance Payment Guarantees	4,334	3,831
Financial Guarantees	2	2
Contingent Liabilities on Income Tax	89	67
Unpaid Guarantee Claims	-	-
Total	64,467	60,800

5.7 Related Party Disclosures

The Bank identifies its Board of Directors, Key Management Personnel comprising of the CEO and other executive officials, its Subsidiary companies and Associate companies as the related parties under the requirements of NAS 24. The related parties of the Bank are listed below:

PARTICULARS	RELATIONSHIP
Laxmi Capital Market Limited	Subsidiary
Laxmi Laghubitta Bittiya Sanstha Limited	Subsidiary
Everest Insurance Company Ltd.	Associate
Prime Life Insurance Company Ltd.	Associate
Raman Nepal	Chairman/ Director
Dinesh Paudyal	Director
Dr. Manish Thapa	Director
Swati Roongta	Director
Vishwa Karan Jain	Director
Bidya Basnyat	Director
Ajay Bikram Shah, CEO	Key Management Personnel
Executive Committee Members (ECM)	Key Management Personnel

5.7.1 Board Member Allowances and Facilities

All members of the Board of Directors are non-executive directors and no executive compensation is paid to the directors. The directors are paid Meeting Fees for their attendances in meeting of the Board of Directors and other Board Level Committees. The Chairman of the Board of Directors is paid NPR 12,000 per meeting attended while other members of the board receive NPR 10,000 per meeting attended. In addition, the directors are reimbursed with telephone expenses of NPR 2,000 per month. Travelling expenses incurred for attending the meetings of the Board of Directors and other Board Level Committees are also reimbursed to the directors other than those based in Kathmandu.

The details of the compensations paid to the directors are as under:

PARTICULARS	THIS YEAR (NPR)	PREVIOUS YEAR (NPR)
Board Meeting Fee	1,016,000	656,000
Audit Committee Fee	180,000	160,000
Risk Management Committee fee	70,000	180,000
Money Laundering Prevention Committee	60,000	80,000
Human Resource Committee Fee	20,000	10,000
Other meeting expenses	135,620	179,336

5.7.2 Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

5.7.3 Compensation Details for Key Management Personnel

Compensations paid to Key Management Personnel (which includes CEO and other executive officials) during the fiscal year is presented below. In addition, other non-monetary perquisites are provided to the Key Management Personnel as per the bank's Human Resource Policy and employment terms and conditions.

Amount in NPR'000

PARTICULARS	THIS YEAR (NPR '000)	PREVIOUS YEAR (NPR '000)
Salary and Allowances		
CEO	11,515	10,980
Other Key Management Personnel	67,292	57,541
Total	78,807	68,521
Other Benefits*		
CEO	2,956	3,323
Other Key Management Personnel	13,935	17,433
Total	16,891	20,766
Post Employment Benefits**	-	-

*Other Benefits include Staff Bonus paid out of profit for previous year.

**Post employment benefits are actuarially determined on overall basis for all employees.

5.7.4 Transaction with Subsidiaries

Details of transactions between the bank and its subsidiary companies during the year are presented below.

Amount in NPR'000

PARTICULARS	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Interest Expense	-	-	6,908	12,993
Interest Income	114,660	130,370	-	-
Purchase of Services	-	-	3,110	3,014
Sale of Services	493	892	-	-
Dividend received	13,636	19,169	19,237	33,750

Details of outstanding balances between the company and its subsidiaries as on 15th July 2021 are presented below:

Amount in NPR'000

PARTICULARS	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Equity Investment	147,000	147,000	270,000	270,000
Deposit Liabilities	8,434	5,476	175,258	260,356
Loans to Subsidiaries	2,342,526	1,111,314	-	-

Subsidiaries include Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha Limited.

The bank has deputed its staff as Chief Executive Officer of its subsidiary Laxmi Capital Market Limited.

5.8 Merger and Acquisition

There are no merger or acquisitions transaction during the year.

5.9 Disclosure of material non-controlling interest

Amount in Rs'000

PARTICULARS	YEAR ENDED 31 ASHADH 2078	YEAR ENDED 31 ASHADH 2077
	Opening Balance	159,544
Profit for the year	57,864	21,282
Right Share issued	-	-
Premium on Share	-	-
Cash Dividend Paid	(6,811)	(8,215)
Fund used	(2,944)	(1,610)
Closing NCI	207,653	159,544

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Amount in NPR '000

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
		31 ASHADH 2078	31 ASHADH 2077	31 ASHADH 2078	31 ASHADH 2077
Laxmi Capital Market Limited	Nepal	-	-	-	-
Laxmi Laghubitta Bittiya Sanstha Ltd	Nepal	30%	30%	207,653	159,544

5.10 Additional Disclosures of non-consolidated entities

The Bank has two subsidiaries as at 15 July 2021, Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha, which are consolidated for the year ended 15 July 2021. There are no such entities which are required to be consolidated but not done during the year.

5.11 Events after reporting date

The Bank monitors and assesses events that may have potential impact to qualify as adjusting and/or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

The bank has issued 8.5% Laxmi Bank Debentures, 2088 amounting NPR 2 Billion for a period of 10 years on 11th Shrawan, 2078 (26 July, 2021).

There are no other material events that have occurred subsequent to 15 July 2021 till the signing of this financial statement.

5.12 Banking Assets

Non-Banking Assets (NBA) has been shown under investment property. It has been recognized at lower of fair value or amount due at the time of assumption of NBA.

Amount in NPR '000

BORROWER NAME	DATE OF ASSUMING NBA	31 ASHADH 2078	31 ASHADH 2077
Shyam Sundar Chyau Kheti Udhyog	2075-03-06	3,349	3,349
Rewati Raman/ Dirgha Kumari	2075-03-12	-	3,034
New Jay Laxmi Gahana Griha	2075-08-04	12,248	12,248
R & D Traders	2075-09-05	2,406	2,406
New B.M Impex	2075-11-19	7,332	7,332
Alliance Management Service	2076-05-25	35,407	35,407
Zeal Enterprises P. Ltd.	2076-08-16	45,200	45,200
Total		105,942	108,977

5.13 Interest Income

Entire interest receivable on loans and advances as of yearend has been transferred to regulatory reserve as per NRB Directives. However, interest accrued as of 31 Ashad 2078 and collected after year end up to 15 Bhadra 2078 as per the NRB Circular amounting to NPR 62,437,852 has been deducted from the amount transferred to regulatory reserve during the FY 2020-21 after adjustment of staff bonus and taxes. Interest income excludes NPR 22,637,190 on overdue loans and advances as per Guidelines on Recognition of Interest Income, 2019 issued by NRB.

5.14 Earnings per share

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

PARTICULARS	UNITS	YEAR ENDED	YEAR ENDED
		15-JUL-21	15-JUL-20
Profit attributable to equity shareholders (a)	NPR'000	1,575,760	1,411,549
Weighted average of number of equity shares used in computing basic earnings per share (b)		10,695,689	9,812,559
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	14.73	14.39
Revised basis earning per share	Rs.	16.05	15.82

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented. Revised basis earning per share has been adjusted retrospectively calculated based on para 64 of NAS 33.

5.15 Unpaid Dividends

As at the reporting date, unpaid dividend over five years amounts to as follows.

NPR '000

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Not collected for more than 5 years	-	-	-
Not collected up to 5 years	39,760	29,022	-
Total	39,760	29,022	-

5.16 Non-performing assets

The Bank's non-performing assets ratio stood at 0.75% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 812,694,986 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 570,249,685 which is 70.17% of NPA. Also, the total loan loss provision to NPA is 278%.

Amount in NPR'000

LOAN CATEGORY	CURRENT YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	107,802,024	88,965,285	18,836,739	21.17%
Pass Loans	106,285,822	85,876,053	20,409,769	23.77%
Watch list Loans	1,516,202	3,089,232	(1,573,030)	-50.92%
Non-performing Loans	852,890	933,654	(80,764)	-8.65%
Restructured/ Rescheduled Loans	253,640	228,470	25,170	11.02%
Substandard Loans	-	-	-	-
Doubtful Loans	123,479	361,919	(238,440)	-65.88%
Loss Loans	475,771	343,264	132,507	38.60%
Gross Loans and Advances	108,654,914	89,898,939	18,755,975	20.86%

5.17 Loans Written Off

The Bank has written off loans amounting total NPR 11,447,250 during the year FY 2077-78. The amount has been presented as non-operating expense under schedule 4.40 in Statement of Profit of Loss. The details of loans written off during the year are as follows:

S.N.	NAME OF BORROWER	WRITTEN OFF AMOUNT (NPR)	DESIGNATION OF LOAN APPROVER	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	RECOVERY ACTION	REASON FOR WRITE OFF
1	Laxman Pokhrel	104,662.73	Manager - Credit	Hypothecation over stocks	National Mobile Hub	35 days notice published Blacklisted	Client out of contact
2	A.R.J. Enterprises Pvt. Ltd	577,189.00	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
3	Belisi Readymade	726,181.81	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
4	Bipin Store	663,945.64	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
5	Brosis Collection	361,626.57	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
6	Dragon Craft	190,254.84	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
7	G Armani Impex	614,984.09	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
8	J.B. Traders And Suppliers	360,528.44	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
9	Koseli Production	710,632.39	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
10	Kumari Bakery Udhog	307,980.30	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Non repayment capability

11	Mahankal Store	696,512.62	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
12	Moon Light Flower And Gift Shop Pvt. Ltd	259,285.39	H- SBFS	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
13	N.S. Collection	655,756.91	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
14	New Bottoms Up	844,245.70	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
15	Original Foods	518,987.88	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
16	Panda Trade Link	703,766.40	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
17	Pink Fashion	198,046.37	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Non repayment capability
18	Pitstop Moto Accessories Traders	675,349.54	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
19	R And R Store	2,000.00	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
20	S & S Collection	293,692.60	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
21	Suprol Nepal	4,962.86	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
22	Eastern Shoe Centre	428,083.34	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
23	Google Gift Shop	300,128.69	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
24	K & M Garments	417,457.71	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
25	Mahila Shreejansheel Hastakala Tatha	230,999.61	A-CEO	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
26	R.A Store	381,964.59	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
27	R.B Shoes And Cosmetic Readymade Centre	285.40	Manager - Credit	Hypothecation over stocks	As per internal evaluation	35 days notice published Blacklisted	Client out of contact
28	Tul Bahadur Rana Magar	537.83	BM - Birgunj	Livestock	Insurance Company		Low value account
29	Ramila Majhi	263.03	BM - Birgunj	Livestock	Insurance Company		Low value account
30	Hari Maya Bhandari	129.57	BM - Birgunj	Livestock	Insurance Company		Low value account
31	Masini Laitel	151.46	BM - Birgunj	Livestock	Insurance Company		Low value account
32	Shiv Prasad Nepal	15.36	BM - Birgunj	Livestock	Insurance Company		Low value account
33	Hari Bahadur Bhandari	25.44	BM - Birgunj	Livestock	Insurance Company		Low value account

34	Sita Devi Nepal	23.23	BM - Birgunj	Livestock	Insurance Company		Low value account
35	Rupa Kumari Ahir	563.40	BM - Birgunj	Livestock	Insurance Company		Low value account
36	Bhawani Mainali	88.72	BM - Birgunj	Livestock	Insurance Company		Low value account
37	Deepak Ojha	729.89	Manager Credit-RFS	Hypothecation over stocks	Tax Invoice by Vendor		Low value account
38	Shivam Emporium	144.73	Manager - Credit	Hypothecation over stocks	As per internal evaluation		Low value account
39	Bells Marketing	367.79	Manager - Credit	Hypothecation over stocks	As per internal evaluation		Low value account
40	Laxmi Lama	29.43	BM - Birgunj	Livestock	Insurance Company		Low value account
41	Suna Muktan	29.43	BM - Birgunj	Livestock	Insurance Company		Low value account
42	Nanda Maya Moktan	29.43	BM - Birgunj	Livestock	Insurance Company		Low value account
43	Sanumaya Bomjan	29.43	BM - Birgunj	Livestock	Insurance Company		Low value account
44	Dhan Maya Tamang	5.94	BM - Birgunj	Livestock	Insurance Company		Low value account
45	Shiv Charan Mandal	24.43	RM-Micro Finance	E-Rickshaw	M/s. J. B. S. Auto Mobiles (Dealer)		Low value account
46	Bechni Khatun	24.29	RM-Micro Finance	E-Rickshaw	M/s. J. B. S. Auto Mobiles (Dealer)		Low value account
47	Siyaram Prasad Yadav	332.71	BM - Birgunj	E Rickshaw	Pashupati E Auto		Low value account
48	Shyam Babu Sah Turha	477.88	BM - Birgunj	E Rickshaw	Pashupati E Auto		Low value account
49	Narayan Kuwar	443.47	M-MFS	Vehicle (E rickshaw)	Green Siddharthanagar Enterprises		Low value account
50	Suk Bahadur Nepali	133.61	BM-Bhairahawa	Vehicle (E rickshaw)	Green Siddharthanagar Enterprises		Low value account
51	Bir Bahadur Mahara	357.52	BM-Dhangadhi	E-Rickshaw/ Corporate Guarantee of Dealer	As per internal evaluation		Low value account
52	Sujita Shrestha	212,780.52	MC-RFS	Tata Sumo Gold	A.D Engineering Consultancy	35 days notice published Blacklisted	Non settlement of entire outstanding amount by disposal of vehicle through auction process
Total Loan		11,447,250					

5.18 Concentration of Deposits, Loans & Advances and Contingents

Amount in NPR Million

PARTICULARS	LOANS & ADVANCES AND BILLS PURCHASED		DEPOSITS & BORROWINGS		NON-FUNDED	
	CY	PY	CY	PY	CY	PY
Total Amount Outstanding	108,654	89,899	117,013	100,766	64,460	60,801
Highest Exposure of a Single Unit	2,342	2,160	2,143	3,204	2,073	2,570
Concentration of exposure	2.16%	2.40%	1.83%	3.18%	3.22%	4.23%

* CY= Current Year, PY = Previous Year

For the calculation of concentration, loans and advances is total loans extended to the customers except staff loans and interest accruals on loans and the deposits is total deposits from the customers excluding interest payables.

Single Obligor Limit and Sector-wise Limit (Directive No. 3) for both funded and non-funded are within the limit as prescribed by NRB directives.

5.19 Principal Financial Indicators

PARTICULARS	INDICATORS	F.Y.	F.Y.	F.Y.	F.Y.	F.Y.
		2073/2074	2074/2075	2075/2076	2076/2077	2077/2078
1. Percentage of Net Profit/Gross Income	%	38.27%	35.79%	36.93%	30.64%	30.46%
2. Earnings Per Share	NPR	21.77	14.37	17.82	14.39	14.73
3. Market Value per Share	NPR	390.00	258.00	226.00	209.00	395.00
4. Price Earning Ratio	Ratio	17.91	17.96	12.68	14.53	26.81
5. Dividend on share capital (Bonus share + Cash dividend)	%	10.00%	8.50%	15.00%	11.50%	11.50%
6. Cash Dividend on share capital	%	0.53%	0.45%	5.00%	2.50%	3.50%
7. Interest Income/Loans & Advances and Investments	%	8.98%	10.95%	11.72%	11.06%	8.50%
8. Employee Expenses/Total Operating Expenses	%	44.78%	45.21%	46.91%	48.02%	54.23%
9. Interest Expenses on Total Deposits and Borrowings	%	5.56%	7.31%	7.33%	6.99%	5.20%
10. Exchange Fluctuation Gain/Total Income	%	7.63%	8.68%	8.41%	7.39%	6.60%
11. Staff Bonus/ Total Staff Expenses	%	30.44%	31.04%	28.14%	21.89%	18.68%
12. Net Profit/Loans & Advances	%	2.10%	2.08%	2.30%	1.69%	1.59%
13. Net Profit/Total Assets	%	1.52%	1.55%	1.66%	1.20%	1.12%
14. Total Credit/Deposit	%	89.20%	93.79%	95.30%	91.53%	94.66%
15. Total Operating Expenses/Total Assets	%	1.64%	1.71%	1.97%	1.79%	1.74%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	12.43%	11.32%	11.01%	10.26%	9.49%
b. Supplementary Capital	%	1.15%	1.11%	0.82%	2.76%	2.66%
c. Total Capital Fund	%	13.58%	12.43%	11.83%	13.02%	12.15%
17. Liquidity (CRR)	%	7.32%	6.57%	5.59%	8.29%	8.29%
18. Non-Performing Loans/Total Loans	%	0.93%	1.29%	1.11%	1.04%	0.75%
19. Weighted Average Interest Rate Spread	%	2.49%	3.64%	4.40%	4.07%	2.60%
20. Base Rate	%	10.33%	11.48%	10.31%	9.23%	7.08%
21. LCY Interest Spread (Calculated as per NRB Directive)	%	3.39%	4.13%	4.37%	3.94%	3.42%
22. Net Worth Per Share	NPR	140.76	135.71	141.81	142.42	157.98
23. Total Employees	Number	693	750	1,018	1,101	1,283

5.20 Reserve

5.20.1 General Reserve

The movement in general reserve during the year is as follows:

Amount in NPR'000

OPENING BALANCE	1,771,556
Transfer as per BAFIA from Net Profit	315,152
Transfer from OCI	3,369
Closing balance	2,090,077

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 315,152,104 (Previous Year NPR 282,309,876) has been transferred to General Reserve. As per the circular 4/078/79 issued by NRB, 20% of the gain accounted in OCI amounting to NPR 3,368,829 has been transferred to General reserve.

5.20.2 Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act 2073, a bank or financial institution carrying on foreign exchange business shall make necessary accounts adjustments in the profit and loss account of the revaluation profits earned as a result of fluctuations in the exchange rates of foreign currencies, other than the Indian currency, every year at the end of the same fiscal year. While making such accounts adjustment in the profit and loss account, if revaluation earning has been made in any fiscal year, at 25% per cent of such profits shall be credited to the exchange equalization fund. The bank during the FY has transferred NPR 208,924 to the exchange equalization reserve. The movement during FY in the exchange equalization reserve is as follows:

Amount in NPR'000

OPENING BALANCE	31,741
Add: Transfer during the period	209
Closing Balance	31,950

5.20.3 Debenture Redemption Reserve

As per the Clause 5 of NRB directive 16, licensed institutions are required to maintain a capital redemption reserve in respect of debenture liability. Accordingly, the Bank has transferred NPR 222.22 Million to Debenture Redemption Reserve for 10% Laxmi Bank Debentures, 2086. The movement during FY in the debenture redemption reserve is as follows:

Amount in NPR'000

OPENING BALANCE	-
Add: Transfer during the period	222,222
Closing Balance	222,222

The Bank has issued 8.5% Laxmi Bank Debentures, 2088 during FY 2078-79. The Bank will transfer proportionate amount to Debenture Redemption Reserve towards such debentures from FY 2079-80 onwards as per NRB Directives.

5.20.4 Regulatory Reserve

The Bank has transferred NPR 19,670,004 for interest receivable, NPR 1,911,420 for loan loss provision on Non-Banking Assets and NPR 11,204,437 for actuarial gain from regulatory reserve to retained earning during the FY 2077-78. The closing balance of Regularity reserve as on Ashad end 2078 is NPR 386,618,847.

NPR in million

FY	INTEREST RECEIVABLE	SHORT LOAN LOSS PROVISION	SHORT PROVISION FOR POSSIBLE LOSSES ON INVESTMENT	SHORT PROVISION ON NBA	DEFERRED TAX ASSETS	GOODWILL	GAIN ON BARGAIN PURCHASE	ACTUARIAL LOSS RECOGNIZED	FAIR VALUE LOSS RECOGNIZED IN OCI	OTHER	TOTAL
2074/75	139.34	-	-	37.49	-	-	-	8.26	-	-	185.09
2075/76	(30.78)	-	-	(0.16)	-	-	-	5.41	-	-	(25.53)
2076/77	230.98	-	-	31.33	-	-	-	(2.47)	-	-	259.84
2077/78	(19.67)	-	-	(1.91)	-	-	-	11.20	-	-	(32.79)
Balance as on Ashad end 2078											386.62

5.20.5 Investment Adjustment Reserve

The Bank has written back NPR 100,000 from Investment Adjustment Reserve and transferred to Retained Earnings towards investment in unlisted shares of Prabhu Capital Market Limited, which has been disposed off during the year 2077-78.

During the year, AFS investments are marked to market on a regular basis and the difference is adjusted through profit and loss and OCI reserve.

5.20.6 Corporate Social Responsibility

As per the NRB directive no. 6.16 on the Corporate Social Responsibility, the Bank has allocated 1% of the net profit of current fiscal year for CSR activities. CSR expenses NPR 12,358,215 incurred during the year has been charged to Statement of Profit and Loss Account and the corresponding amount has been transferred from CSR Reserve to Retained Earnings.

Amount in NPR'000

OPENING BALANCE	10,891
Transfer to Reserve	15,758
Expense during the year	(12,358)
Closing balance	14,291

5.20.7 Employees Training Fund

As per NRB Directive No. 6, the Bank is required to spend at least 3% of total personnel expenses in training and skills development of its employees. Any deficit expenses on the minimum amount as above should be transferred to Employees Training Fund. However, this provision is not mandatory for FY 2077-78 as per NRB Circular.

During the year ended 31 Ashad 2078, the Bank has incurred NPR 7,638,609 towards training and development of its employees.

5.21 Proposed Distributions (Dividends and Bonus Shares)

The Board of directors in its meeting dated November 11, 2021 has passed a resolution recommending for distribution of bonus shares (stock dividend) at 8% and cash dividend at 3.5% of paid up capital as at July 15, 2021. The Bank's paid up equity capital shall increase by NPR 855,655,189 upon approval of the resolution from Annual General Meeting.



Laxmi Bank

Hattisar, Kathmandu, Nepal

Tel: 014444684/685

Fax: 01 4444640/743

Email: info@laxmibank.com

Web: www.laxmibank.com