



Laxmi Bank

INDEPENDENT AUDITOR'S REPORT**The Shareholders of Laxmi Bank Limited****Report on the Consolidated and Separate Financial Statements**

We have audited the accompanying consolidated and separate financial statements of Laxmi Bank Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statements of financial position as at 32 Ashad 2075 (16 July 2018), the statements of profit or loss, the statements of other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Nepal Financial Reporting Standards (NFRSs), and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated and separate financial statements.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 32 Ashad 2075 (16 July 2018), and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Report on the Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the consolidated and separate statements of financial position, profit or loss, other comprehensive income, changes in equity and cash flows, prepared in accordance with the requirements of the Companies Act, 2063 and format prescribed by Nepal Rastra Bank are in agreement with the books of account maintained by the Group and the Bank; and proper books of account as required by law have been maintained by the Group and the Bank including relevant records relating to preparation of the aforesaid consolidated and separate financial statements have been kept so far as it appears from our examination of those books and records of the Bank and the Group.

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

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

Shashi Satyal

Shashi Satyal
Partner



T R Upadhyaya & Co.
Chartered Accountants

Kathmandu
9 January 2019

Consolidated Statement of Financial Position

As on 32 Ashadh 2075 (16 July 2018)

PARTICULARS	NOTE	GROUP			BANK		
		32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Assets							
Cash and cash equivalent	4.1	6,378,030,428	4,805,153,172	4,093,866,084	6,324,171,312	4,747,585,534	4,060,734,726
Due from Nepal Rastra Bank	4.2	3,467,163,806	4,104,772,856	3,765,764,493	3,454,930,806	4,095,239,856	3,759,561,493
Placement with Bank and Financial Institutions	4.3	220,000,000	85,000,000	80,000,000	-	-	-
Derivative financial instruments	4.4	35,075,835	28,558,641	26,819,728	35,075,835	28,558,641	26,819,728
Other trading assets	4.5	23,520,000	20,320,000	-	23,520,000	20,320,000	-
Loan and advances to B/FIs	4.6	420,928,083	444,545,765	601,973,175	1,656,124,928	1,665,073,664	1,527,553,407
Loans and advances to customers	4.7	62,504,970,253	52,783,558,293	39,737,761,712	59,834,776,145	50,595,585,690	38,353,240,176
Investment securities	4.8	7,448,062,831	7,787,349,655	6,077,850,797	7,411,389,086	7,761,003,722	6,047,929,287
Current tax assets	4.9	58,322,782	52,282,953	-	53,883,185	51,604,531	-
Investment in subsidiaries	4.10	-	-	-	287,000,000	248,500,000	170,000,000
Investment in associates	4.11	-	-	-	-	-	-
Investment property	4.12	37,488,869	-	49,084,000	37,488,869	-	49,084,000
Property and equipment	4.13	1,292,398,411	1,196,248,492	954,504,512	1,241,935,417	1,156,150,747	1,023,771,420
Goodwill and Intangible assets	4.14	36,563,284	43,763,985	44,768,075	35,069,376	42,053,406	42,883,071
Deferred tax assets	4.15	-	-	-	-	-	-
Other assets	4.16	651,914,741	1,258,817,415	882,314,854	564,910,646	1,182,552,077	821,872,094
Total Assets		82,574,439,323	72,610,371,227	56,314,707,430	80,960,275,605	71,594,227,868	55,883,449,402

PARTICULARS	NOTE	GROUP			BANK		
		32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Liabilities							
Due to Bank and Financial Institutions	4.17	2,730,163,459	1,431,207,771	2,465,968,455	2,472,826,645	1,347,948,767	2,465,968,455
Due to Nepal Rastra Bank	4.18	677,795,125	-	-	677,795,125	-	-
Derivative financial instruments	4.19	-	-	-	-	-	-
Deposits from customers	4.20	66,435,184,380	58,455,987,306	46,207,417,586	65,561,507,919	58,585,445,285	45,815,026,273
Borrowing	4.21	-	-	-	-	-	-
Current Tax Liabilities	4.9	-	-	11,736,333	-	-	11,670,963
Provisions	4.22	-	-	-	-	-	-
Deferred tax liabilities	4.15	142,566,660	358,244,506	346,848,137	142,157,461	358,954,559	347,132,104
Other liabilities	4.23	686,135,279	1,166,106,192	352,773,808	546,572,406	382,426,363	311,036,121
Debt securities issued	4.24	401,402,740	401,315,069	401,311,475	401,402,740	401,315,069	401,311,475
Subordinated Liabilities	4.25	-	-	-	-	-	-
Total liabilities		71,073,247,643	61,812,860,844	49,786,055,794	69,802,262,296	61,076,090,043	49,352,145,391
Equity							
Share capital	4.26	8,221,666,951	7,472,412,000	3,644,982,850	8,221,666,951	7,472,412,000	3,644,982,850
Share premium		-	10,304,224	-	-	-	-
Retained earnings		919,659,963	1,138,162,486	1,204,994,698	760,753,700	1,020,259,811	1,277,104,306
Reserves	4.27	2,224,369,240	2,056,618,191	1,621,250,456	2,175,592,658	2,025,466,014	1,609,216,855
Total equity attributable to equity holders		11,365,696,154	10,677,496,901	6,471,228,004	11,158,013,309	0,518,137,825	6,531,304,011
Non-controlling interest		135,495,526	120,013,482	57,423,632	-	-	-
Total equity		11,501,191,680	10,797,510,383	6,528,651,636	11,158,013,309	10,518,137,825	6,531,304,011
Total liabilities and equity		82,574,439,323	72,610,371,227	56,314,707,430	80,960,275,605	71,594,227,868	55,883,449,402
Contingent liabilities and commitment	4.28	44,349,823,137	37,514,307,395	26,112,384,487	44,349,823,137	7,514,307,395	26,112,384,487
Net assets value per share		138.24	142.89	177.54	135.71	140.76	179.19

PIYUSH RAJ ARYAL
CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

SHAMBHU PRASAD ACHARYA
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DATE: 2075/09/25
PLACE - KATHMANDU

DIRECTORS
DINESH POU DYAL
SUSHIL KUMAR ARYAL
SWATI ROONGTA
VISHWA KARAN JAIN

SHASHI SATYAL
MANAGING PARTNER
FOR T.R. UPADHYA & CO.
CHARTERED ACCOUNTANTS

Consolidated Statement of Profit or Loss

For the year ended 32 Ashadh 2075 (16 July 2018)

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	7,397,632,686	5,061,408,342	7,063,780,555	4,757,976,523
Interest expense	4.30	4,830,140,184	3,094,528,032	4,731,488,622	3,028,184,250
Net interest income		2,567,492,502	1,966,880,310	2,332,291,933	1,729,792,273
Fee and commission income	4.31	690,907,634	555,342,156	585,971,561	488,780,540
Fee and commission expense	4.32	60,275,422	51,597,068	60,241,462	51,597,068
Net fee and commission income		630,632,212	503,745,088	525,730,099	437,183,472
Net interest, fee and commission income		3,198,124,714	2,470,625,398	2,858,022,032	2,166,975,745
Net trading income	4.33	288,437,597	192,775,545	288,437,597	192,775,545
Other operating income	4.34	112,686,534	145,543,498	153,976,637	168,669,542
Total operating income		3,599,248,845	2,808,944,441	3,300,436,266	2,528,420,832
Impairment charge/(reversal) for loans and other losses	4.35	331,014,484	111,285,470	314,881,742	99,733,114
Net operating income		3,268,234,361	2,697,658,971	2,985,554,524	2,428,687,718
Operating expense					
Personnel expenses	4.36	914,855,697	724,624,740	771,585,009	609,890,426
Other operating expenses	4.37	456,774,956	381,215,295	419,583,488	349,918,143
Depreciation & Amortisation	4.38	118,776,670	90,219,609	111,309,529	84,401,255
Operating Profit		1,777,827,038	1,501,599,327	1,683,076,498	1,384,477,894
Non operating income	4.39	11,071,857	10,089,300	5,715,781	7,069,458
Non operating expense	4.40	43,807,383	6,890,497	43,807,383	6,890,497
Profit before income tax		1,745,091,512	1,504,798,130	1,644,984,896	1,384,656,855
Income tax expense	4.41	512,928,883	470,839,126	463,893,971	416,952,987
Current Tax		531,055,296	466,499,658	483,139,637	412,050,630
Deferred Tax		(18,126,413)	4,339,468	(19,245,666)	4,902,357
Profit for the period		1,232,162,629	1,033,959,004	1,181,090,925	967,703,868
Profit attributable to:					
Equity holders of the Bank		1,205,912,164	1,001,837,881	1,181,090,925	967,703,868
Non-controlling interest		26,250,466	32,121,123	-	-
Profit for the period		1,232,162,629	1,033,959,004	1,181,090,925	967,703,868
Earnings per share					
Basic earnings per share		14.99	23.26	14.37	21.77
Diluted earnings per share		14.99	23.26	14.37	21.77

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MANAGING PARTNER
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CHARTERED ACCOUNTANTS

Consolidated Statement of Other Comprehensive Income

For the year ended 32 Ashadh 2075 (16 July 2018)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,232,162,629	1,033,959,004	1,181,090,925	967,703,868
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		(638,311,794)	25,445,765	(638,311,794)	25,445,765
Gains/ (losses) on revaluation					
Actuarial gains/ (losses) on defined benefit plans		(20,192,980)	(2,378,770)	(20,192,980)	(2,378,770)
Income Tax relating to above items		197,551,432	(6,920,098)	197,551,432	(6,920,098)
Net other comprehensive income that will not be reclassified to profit or loss		(460,953,342)	16,146,896	(460,953,342)	16,146,896
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		(460,953,342)	16,146,896	(460,953,342)	16,146,896
Total comprehensive income for the period		771,209,287	1,050,105,900	720,137,583	983,850,764
Total comprehensive income attributable to:					
Equity holders of the Bank		744,958,822	1,017,984,778	720,137,583	983,850,764
Non-controlling interest		26,250,466	32,121,123	-	-
Total comprehensive income for the period		771,209,287	1,050,105,900	720,137,583	983,850,764

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OF EVEN DATE

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Consolidated Statement of changes in equity

For the year ended 32 Ashadh 2075

GROUP

PARTICULARS	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, 2073	4,799,889,946	-	710,305,201	29,518,255	-	-	-	55,552,592	116,971,224	5,712,237,217	57,423,632	5,769,660,849
Adjustment/Restatement	(1,154,907,096)	-	-	-	-	754,439,918	-	1,149,442,108	10,015,859	758,990,789	-	758,990,789
Adjusted/Restated balance at Shrawan 1, 2073	3,644,982,850	-	710,305,201	29,518,255	-	754,439,918	-	1,204,994,700	126,987,083	6,471,228,006	57,423,632	6,528,651,638
Comprehensive income for the year	-	-	-	-	-	-	-	1,033,959,004	-	1,033,959,004	32,121,123	1,066,080,126
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	(1,665,139)	(1,665,139)	-	(1,665,139)
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	17,812,035	-	-	-	17,812,035	-	17,812,035
Net change in fair value	-	-	-	-	-	17,812,035	-	-	-	17,812,035	-	17,812,035
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	-	-	-	-	-	17,812,035	-	1,033,959,004	(1,665,139)	1,050,105,900	32,121,123	1,082,227,023
Transfer to reserve during the year	-	-	216,314,691	33,460	-	-	-	(391,871,615)	171,905,042	(3,618,421)	-	(3,618,421)
Transfer from reserve during the year	-	(127,703,048)	-	-	-	-	-	243,087,780	(4,843,000)	110,541,732	-	110,541,732
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Right share issued	2,552,720,954	138,007,272	-	-	-	-	-	-	555,696	2,691,283,922	37,416,096	2,728,700,018
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of Professional Diyalo Bikas Bank Ltd	119,801,100	-	34,781,196	-	-	-	-	166,947,302	473,754	322,003,352	-	322,003,352
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,154,907,096	-	-	-	-	-	-	(1,154,907,096)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	35,952,410	-	35,952,410	(6,947,368)	29,005,042
Total contributions by and distributions	3,827,429,150	10,304,224	251,095,887	33,460	-	17,812,035	-	(66,832,214)	166,426,353	4,206,268,895	62,589,850	4,268,858,745
Balance at Ashadh end 2074	7,472,412,000	10,304,224	961,401,088	29,551,715	-	772,251,953	-	1,138,162,486	293,413,436	10,677,496,902	120,013,482	10,797,510,384

Consolidated Statement of changes in equity

For the year ended 32 Ashadh 2075

PARTICULARS	GROUP										NON-CONTROLLING INTEREST	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL		
Balance at Shrawan 1, 2074	7,472,412,000	10,304,224	961,401,088	29,551,715	-	772,251,953	-	1,138,162,486	293,413,436	10,677,496,902	120,013,482	10,797,510,384
Adjustment/Restatement								(29,351,985)	555,696	(28,796,289)		(28,796,289)
Adjusted/Restated balance at Shrawan 1, 2074	7,472,412,000	10,304,224	961,401,088	29,551,715	-	772,251,953	-	1,108,810,501	293,969,132	10,648,700,612	120,013,482	10,768,714,094
Comprehensive income for the year								1,205,912,164		1,205,912,164	26,250,466	1,232,162,629
Profit for the year												
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)									(14,135,086)	(14,135,086)		(14,135,086)
Fair value reserve (Investment in equity instrument):												
Net change in fair value						(446,818,256)				(446,818,256)		(446,818,256)
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	-	-	-	-	-	(446,818,256)	-	1,205,912,164	(14,135,086)	744,958,822	26,250,466	771,209,287
Transfer to reserve during the year			248,468,402		185,090,113			(641,478,256)	209,586,686	1,666,945		1,666,945
Transfer from reserve during the year		(10,304,224)						13,839,224	(12,982,755)	(9,447,755)		(9,447,755)
Transactions with owners, directly recognised in equity												
Right share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued	749,254,951							(747,241,200)	(2,013,751)			
Cash dividend paid								(20,182,469)		(20,182,469)	(10,768,421)	(30,950,890)
Total contributions by and distributions	749,254,951	(10,304,224)	248,468,402	-	185,090,113	(446,818,256)	-	(189,150,538)	180,455,094	716,995,542	15,482,045	732,477,587
Balance at Ashadh end 2075	8,221,666,951	-	1,209,869,490	29,551,715	185,090,113	325,433,697	-	919,659,963	474,424,226	11,365,696,155	135,495,527	11,501,191,681

Consolidated Statement of changes in equity

For the year ended 31 Ashadh 2075

PARTICULARS	BANK										TOTAL
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE		
Balance at Shrawan 1, 2073	4,799,889,946	-	698,907,505	29,518,255	-	-	-	4,817,743	116,335,318	5,649,468,767	
Adjustment/Restatement	(1,154,907,096)	-	-	-	-	-	-	1,272,286,563	10,015,859	881,835,243	
Adjusted/Restated balance at Shrawan 1, 2073	3,644,982,850	-	698,907,505	29,518,255	-	754,439,918	-	1,277,104,306	126,351,177	6,531,304,011	
Comprehensive income for the year	-	-	-	-	-	-	-	967,703,868	-	967,703,868	
Profit for the year	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	(1,665,139)	(1,665,139)	
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	-	-	-	-	-	
Net change in fair value	-	-	-	-	-	17,812,035	-	-	-	17,812,035	
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	-	-	-	-	-	17,812,035	-	967,703,868	(1,665,139)	983,850,764	
Transfer to reserve during the year	-	-	201,324,834	33,460	-	-	-	(369,134,617)	167,776,323	-	
Transfer from reserve during the year	-	(127,703,048)	-	-	-	-	-	132,546,048.00	(4,843,000)	-	
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	
Right share issued	2,552,720,954	127,703,048	-	-	-	-	-	-	555,696	2,680,979,698	
Share based payments	-	-	-	-	-	-	-	-	-	-	
Acquisition of Professional Diyalo Bikas Bank Ltd	119,801,100	-	34,781,196	-	-	-	-	166,947,302	473,754	322,003,352	
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	
Bonus shares issued	1,154,907,096	-	-	-	-	-	-	(1,154,907,096)	-	-	
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	
Total contributions by and distributions	3,827,429,150	-	236,106,030	33,460	-	17,812,035	-	(256,844,495)	162,297,634	3,986,833,815	
Balance at Ashadh end 2074	7,472,412,000	-	935,013,535	29,551,715	-	772,251,953	-	1,020,259,811	288,648,811	10,518,137,826	

BANK

PARTICULARS	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL
Balance at 1 Shrawan 2074	7,472,412,000	-	935,013,535	29,551,715	-	772,251,953	-	1,020,259,811	288,648,811	10,518,137,825
Adjustment/Restatement	-	-	-	-	-	-	-	(32,041,557)	555,696	(31,485,861)
Adjusted/Restated balance at 1 Shrawan 2074	7,472,412,000	-	935,013,535	29,551,715	-	772,251,953	-	988,218,254	289,204,507	10,486,651,964
Comprehensive income for the year	-	-	-	-	-	-	-	1,181,090,926	-	1,181,090,925
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	(14,135,086)	(14,135,086)
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	-	-	-	-	-
Net change in fair value	-	-	-	-	-	(446,818,256)	-	-	-	(446,818,256)
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	-	-	-	-	-	(446,818,256)	-	1,181,090,926	(14,135,086)	720,137,584
Transfer to reserve during the year	-	-	236,218,185	-	185,090,113	-	-	(625,520,797)	204,212,499	-
Transfer from reserve during the year	-	-	-	-	-	-	-	3,535,000	(12,982,755)	(9,447,755)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-
Right share issued	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	749,254,951	-	-	-	-	-	-	(747,241,200)	(2,013,751)	-
Cash dividend paid	-	-	-	-	-	-	-	(39,328,483)	-	(39,328,483)
Total contributions by and distributions	749,254,951	-	236,218,185	-	185,090,113	(446,818,256)	-	(227,464,554)	175,080,907	671,361,345
Balance at Ashadh end 2075	8,221,666,951	-	1,171,231,721	29,551,715	185,090,113	325,433,697	-	760,753,700	464,285,414	11,158,013,310

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CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

SHAMBHU PRASAD ACHARYA
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DATE: 2075/09/25
PLACE - KATHMANDU

DIRECTORS
DINESH POU DYAL
SUSHIL KUMAR ARYAL
SWATI ROONGTA
VISHWA KARAN JAIN

SHASHI SATYAL
MANAGING PARTNER
FOR T.R. UPADHYA & CO.
CHARTERED ACCOUNTANTS

Consolidated Statement of cash flows

For the year ended 32 Ashadh 2075 (16 July 2018)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	7,223,147,650	4,993,849,537	6,771,308,771	4,640,411,274
Fees and other income received	639,820,279	533,554,377	585,971,561	488,780,540
Dividend received	-	-	-	-
Receipts from other operating activities	1,024,513,477	230,859,364	1,019,157,400	227,839,522
Interest paid	(4,934,168,419)	(3,130,257,136)	(4,730,836,614)	(3,031,777,158)
Commission and fees paid	(60,241,462)	(51,597,068)	(60,241,462)	(51,597,068)
Cash payment to employees	(923,149,755)	(738,756,960)	(812,042,690)	(653,000,735)
Other expense paid	(1,356,137,912)	(1,187,986,656)	(1,328,618,610)	(1,163,953,383)
Operating cash flows before changes in operating assets and liabilities	1,613,783,857	649,665,458	1,444,698,355	456,702,992
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	640,309,050	(335,678,363)	640,309,050	(335,678,363)
Placement with bank and financial institutions	-	25,486,527	-	-
Other trading assets	(3,200,000)	(20,320,000)	(3,200,000)	(20,320,000)
Loan and advances to bank and financial institutions	9,039,127	(138,909,351)	9,039,127	(138,909,351)
Loans and advances to customers	(10,004,958,354)	(13,111,037,204)	(9,506,604,107)	(12,296,033,781)
Other assets	529,595,471	631,455,223	477,674,492	(112,989,043)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	1,313,772,805	(736,833,747)	1,124,877,878	(1,118,019,688)
Due to Nepal Rastra Bank	677,795,125	-	677,795,125	-
Deposit from customers	7,285,790,529	13,034,015,758	6,976,062,633	12,770,419,012
Borrowings	-	-	-	-
Other liabilities	345,561,807	362,105,084	388,841,420	1,041,376,302
Net cash flow from operating activities before tax paid	2,407,489,418	359,949,384	2,229,493,974	246,548,080
Income taxes paid	(534,393,461)	(539,718,233)	(485,418,291)	(481,992,496)
Net cash flow from operating activities	1,873,095,957	(179,768,849)	1,744,075,683	(235,444,416)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(5,182,941,655)	(3,830,528,162)	(5,086,441,655)	(3,825,028,162)
Receipts from sale of investment securities	4,785,378,148	2,197,276,195	4,785,378,148	2,197,276,195
Purchase of property and equipment	(198,620,261)	(216,067,898)	(177,331,648)	(200,550,923)
Receipt from the sale of property and equipment	31,786,292	14,896,764	31,786,292	14,896,764
Purchase of intangible assets	(20,518,178)	(18,215,153)	(20,461,678)	(18,215,153)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	(37,488,869)	-	(37,488,869)	-
Receipt from the sale of investment properties	-	49,084,000	-	49,084,000
Interest received	250,221,993	75,399,045	244,805,675	72,621,358
Dividend received	111,204,642	66,486,598	131,504,642	79,486,598
Net cash used in investing activities	(260,977,888)	(1,661,668,611)	(128,249,092)	(1,630,429,323)

CONT...

Consolidated Statement of cash flows

For the year ended 32 Ashadh 2075 (16 July 2018)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	87,671	3,593	87,671	3,593
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	2,552,720,954	-	2,552,720,954
Dividends paid	(39,328,484)	-	(39,328,484)	-
Interest paid	-	-	-	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	(39,240,813)	2,552,724,547	(39,240,813)	2,552,724,547
Net increase (decrease) in cash and cash equivalents	1,572,877,257	711,287,087	1,576,585,778	686,850,808
Cash and cash equivalents at Shrawan 1, 2074	4,805,153,172	4,093,866,084	4,747,585,534	4,060,734,726
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Ashadh end 2075	6,378,030,428	4,805,153,172	6,324,171,312	4,747,585,533

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CHARTERED ACCOUNTANTS

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.

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.

- 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.
- 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 16 July 2018 (32 Ashad 2075).

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, 2075.

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.

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) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075.

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 with effect from fiscal year 2074/75. To comply the NFRS provisions following dates have been considered, in terms of first-time adoption.

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR	ENGLISH CALENDAR
Opening NFRS SFP* date	1 Shrawan 2073	16 July 2016
Comparative SFP* Date	31 Ashad 2074	15 July 2017
Comparative reporting period	1 Shrawan 2073-31 Ashad 2074	16 July 2016 -15 July 2017
First NFRS SFP* Date	32 Ashad 2075	16 July 2018
First NFRS reporting period	1 Shrawan 2074-32 Ashad 2075	16 July 2017-16 July 2018

*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 September 13, 2013. 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 NFRS 10: Consolidated Financial Statements

In para 19 of NFRS 10, a parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so.

The carve out is optional and has been provided for the FY 2017-18 to 2019-20. Accordingly, the bank has opted the carve out.

2.6.2 NAS 17: Lease

In para 33, 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.

The carve out is optional and provided for FY 2017-18 only. Accordingly, the bank has opted the carve out. 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.

2.6.3 NAS 34: Interim Financial Reporting

In para 2, if an entity's interim financial report is described as complying with NFRSs, it must comply with all of the requirements of this Standard. Paragraph 19 requires certain disclosures in that regard. However, an entity shall not require to restate its corresponding previous interim period balance if it is impracticable to restate.

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the bank has opted the carve out.

2.6.4 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 has been provided for the FY 2017-18 to 2019-20.

b) Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

In para 9, The effective interest rate is the rate that exactly 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, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the bank has opted the carve out.

c) Impracticability to determine interest income on amortized cost

In para AG 93, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the bank has opted the carve out.

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 2018 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 recognised 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 has not yet been adopted by the Accounting Standard Board of Nepal.

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 recognised 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 recognise 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 has not yet been adopted by the Accounting Standard Board of Nepal.

2.9 Discounting

Discounting has been applied where assets and liabilities are non-

current, and the impact of the discounting is material.

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 profit or loss 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.

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 acquire 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

I. 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;

- 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.

- 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. For the purpose of collective assessment of impairment bank has categorized assets in to six broad products as follows:

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% 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 upto 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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 customer.

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, bancassurance commission, 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 100,000 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.

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.

4.1 Cash and cash equivalent

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Cash in hand	1,623,065,488	1,371,229,531	1,032,453,251	1,619,077,758	1,368,870,073	1,031,802,431
Balances with B/FIs	1,121,134,329	686,750,131	666,500,155	1,071,262,942	675,169,349	659,506,142
Money at call and short notice	841,535,590	161,317,579	59,195,672	841,535,590	117,690,181	33,709,145
Other	2,792,295,022	2,585,855,931	2,335,717,007	2,792,295,022	2,585,855,931	2,335,717,007
Total	6,378,030,428	4,805,153,172	4,093,866,084	6,324,171,312	4,747,585,534	4,060,734,726

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Statutory balances with NRB	3,461,716,032	4,101,703,464	3,765,764,493	3,449,483,032	4,092,170,464	3,759,561,493
Securities purchased under resale agreement	-	-	-	-	-	-
Other deposit and receivable from NRB	5,447,774	3,069,392	-	5,447,774	3,069,392	-
Total	3,467,163,806	4,104,772,856	3,765,764,493	3,454,930,806	4,095,239,856	3,759,561,493

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Placement with domestic B/FIs	220,000,000	85,000,000	80,000,000	-	-	-
Placement with foreign B/FIs	-	-	-	-	-	-
Less: Allowances for impairment	-	-	-	-	-	-
Total	220,000,000	85,000,000	80,000,000	-	-	-

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Held for trading	-	-	-	-	-	-
Interest rate swap	-	-	-	-	-	-
Currency swap	-	-	-	-	-	-
Forward exchange contract	-	-	-	-	-	-
Others	-	-	-	-	-	-
Held for risk management	35,075,835	28,558,641	26,819,728	35,075,835	28,558,641	26,819,728
Interest rate swap	-	-	-	-	-	-
Currency swap	-	-	-	-	-	-
Forward exchange contract	35,075,835	28,558,641	26,819,728	35,075,835	28,558,641	26,819,728
Other	-	-	-	-	-	-
Total	35,075,835	28,558,641	26,819,728	35,075,835	28,558,641	26,819,728

4.5 Other trading assets

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Treasury bills	-	-	-	-	-	-
Government bonds	23,520,000	20,320,000	-	23,520,000	20,320,000	-
NRB Bonds	-	-	-	-	-	-
Domestic Corporate bonds	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	23,520,000	20,320,000	-	23,520,000.00	20,320,000	-
Pledged				-		
Non-pledged	23,520,000	20,320,000	-	23,520,000	20,320,000	-

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Loans to microfinance institutions	425,179,882	449,036,126	608,053,712	1,672,853,463	1,681,892,590	1,542,983,240
Other	-	-	-	-	-	-
Less: Allowances for impairment	(4,251,799)	(4,490,361)	(6,080,537)	(16,728,535)	(16,818,926)	(15,429,832)
Total	420,928,083	444,545,765	601,973,175	1,656,124,928	1,665,073,664	1,527,553,407

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Balance at the end of Previous Year	4,490,361	6,080,537	4,981,565	16,818,926	15,429,832	10,112,738
Impairment loss for the year:	(238,562)	(1,590,176)	1,098,972	(90,391)	1,389,094	5,317,094
<i>Charge for the year</i>	(238,562)	(1,590,176)	1,098,972	-	1,389,094	5,317,094
<i>Recoveries/reversal</i>	-	-	-	(90,391)	-	-
Amount written off	-	-	-	-	-	-
Balance at the end of this year	4,251,799	4,490,361	6,080,537	16,728,535	16,818,926	15,429,832

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Loan and advances measured at amortized cost	63,698,236,939	53,645,720,103	40,464,251,885	60,983,754,776	51,429,592,187	39,063,127,392
Less: Impairment allowances	(1,193,266,686)	(862,161,810)	(726,490,173)	(1,148,978,631)	(834,006,498)	(709,887,216)
<i>Collective impairment</i>	(658,256,513)	(552,836,648)	(443,301,387)	(631,373,625)	(530,783,318)	(429,333,172)
<i>Individual impairment</i>	(535,010,173)	(309,325,162)	(283,188,786)	(517,605,006)	(303,223,179)	(280,554,044)
Net amount	62,504,970,253	52,783,558,293	39,737,761,712	59,834,776,145	50,595,585,690	38,353,240,176
Loan and advances measured at FVTPL	-	-	-	-	-	-
Total	62,504,970,253	52,783,558,293	39,737,761,712	59,834,776,145	50,595,585,690	38,353,240,176

“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 626,664,520, NPR 394,856,000, and NPR 338,195,272 as of the end of FY 2074-75, FY 2073-74 and FY 2072-73 respectively.”

4.7.1: Analysis of loan and advances - By Product

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Product						
Term loans	14,222,145,538	10,530,262,432	6,821,127,686	14,222,145,538	10,530,262,432	6,821,127,686
Overdraft	4,787,338,219	4,117,123,101	3,096,894,709	4,787,338,219	4,117,123,101	3,096,894,709
Trust receipt/Import loans	4,915,450,959	1,998,742,994	3,020,619,496	4,915,450,959	1,998,742,994	3,020,619,496
Demand and other working capital loans	13,345,210,987	10,772,365,364	10,373,950,796	13,345,210,987	10,772,365,364	10,373,950,796
Personal residential loans	3,065,806,860	2,503,983,730	1,887,653,030	3,065,806,860	2,503,983,730	1,887,653,030
Real estate loans	1,716,652,781	2,165,409,609	1,262,786,744	1,716,652,781	2,165,409,609	1,262,786,744
Margin lending loans	1,308,064,213	1,797,930,919	957,593,063	1,308,064,213	1,797,930,919	957,593,063
Hire purchase loans	3,521,177,506	3,902,103,801	3,050,491,696	3,521,177,506	3,902,103,801	3,050,491,696
Deprived sector loans	4,370,623,653	3,124,068,384	1,720,952,202	1,656,141,491	907,940,468	319,827,709
Bills purchased	2,284,777	2,060,342,743	1,502,351,883	2,284,777	2,060,342,743	1,502,351,883
Staff loans	462,081,242	389,960,604	261,177,540	462,081,242	389,960,604	261,177,540
Other	11,783,813,782	10,133,398,481	6,403,280,851	11,783,813,782	10,133,398,481	6,403,280,851
Sub total	63,500,650,516	53,495,692,162	40,358,879,697	60,786,168,353	51,279,564,246	38,957,755,204
Interest receivable	197,586,423	150,027,941	105,372,188	197,586,423	150,027,941	105,372,188
Grand total	63,698,236,939	53,645,720,103	40,464,251,885	60,983,754,776	51,429,592,187	39,063,127,392

4.7.2: Analysis of loan and advances - By Currency

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Nepalese rupee	60,554,606,163	53,194,717,247	40,106,054,584	57,840,124,000	50,978,589,331	38,704,930,092
Indian rupee	-	-	-	-	-	-
United State dollar	3,143,630,776	451,002,856	358,197,300	3,143,630,776	451,002,856	358,197,300
Great Britain pound	-	-	-	-	-	-
Euro	-	-	-	-	-	-
Japanese yen	-	-	-	-	-	-
Chinese yuan	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	63,698,236,939	53,645,720,103	40,464,251,885	60,983,754,776	51,429,592,187	39,063,127,392

4.7.3: Analysis of loan and advances - By Collateral

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Secured						
Movable/immovable assets	57,665,066,977	48,613,444,335	36,071,172,536	57,665,066,977	48,613,444,335	36,071,172,536
Gold and silver	482,497,242	254,364,712	262,197,435	482,497,242	254,364,712	262,197,435
Guarantee of domestic B/FIs	-	-	-	-	-	-
Government guarantee	137,116,920	135,022,564	134,996,797	137,116,920	135,022,564	134,996,797
Guarantee of international rated bank	-	-	-	-	-	-
Collateral of export document	-	-	-	-	-	-
Collateral of fixed deposit receipt	636,513,966	382,389,529	105,252,139	636,513,966	382,389,529	105,252,139
Collateral of Government securities	1,121,956	-	-	1,121,956	-	-
Counter guarantee	-	-	-	-	-	-
Personal guarantee	2,714,578,650	2,216,263,160	1,401,259,707	96,487	135,244	135,214
Other collateral	2,159,802,726	2,150,147,013	2,550,931,493	2,159,802,726	2,150,147,013	2,550,931,493
Subtotal	63,796,698,437	53,751,631,313	40,525,810,107	61,082,216,274	51,535,503,397	39,124,685,615
Unsecured	41,212,935	34,780,540	31,719,665	41,212,935	34,780,540	31,719,665
Grant Total	63,837,911,373	53,786,411,853	40,557,529,772	61,123,429,210	51,570,283,937	39,156,405,279

4.7.4 Allowances for Impairment

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Specific allowances for impairment						
Balance at the end of Previous Year	309,325,162	283,188,786	262,507,281	303,223,179	280,554,044	262,420,471
Impairment loss for the year:	225,685,011	19,526,001	20,681,504	214,381,826	16,058,760	18,133,573
<i>Charge for the year</i>	225,685,011	19,526,001	20,681,504	214,381,826	16,058,760	18,133,573
<i>Recoveries/reversal during the year</i>	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-	-	-
Other movement	-	6,610,375	-	-	6,610,375	-
Balance at the end of This Year	535,010,173	309,325,162	283,188,786	17,605,005.66	303,223,179	280,554,044
Collective allowances for impairment						
Balance at the end of Previous Year	552,836,648	443,301,387	321,172,212	530,783,318	429,333,172	314,084,267
Impairment loss for the year:	105,419,865	90,370,376	122,129,175	100,590,307	82,285,261	115,248,905
<i>Charge/(reversal) for the year</i>	105,419,865	90,370,376	122,129,175	100,590,307	82,285,261	115,248,905
Exchange rate variance on foreign currency impairment	-	-	-	-	-	-
Other movement	-	19,164,886	-	-	19,164,886	-
Balance at the end of This Year	658,256,513	552,836,648	443,301,387	631,373,625	530,783,318	429,333,172
Total allowances for impairment	1,193,266,686	862,161,810	726,490,173	1,148,978,631	834,006,498	709,887,216

4.8 Investment securities

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Investment securities measured at amortized cost	5,510,014,113	5,508,756,692	4,385,171,837	5,489,023,113	5,487,765,692	4,356,119,226
Investment in equity measured at FVTOCI	1,938,048,719	2,278,592,963	1,692,678,961	1,922,365,974	2,273,238,030	1,691,810,061
Total	7,448,062,831	7,787,349,655	6,077,850,797	7,411,389,086	7,761,003,722	6,047,929,287

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

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Debt securities	20,991,000	20,991,000	29,052,611	-	-	-
Government bonds	3,336,287,572	3,970,341,950	3,765,995,118	3,336,287,572	3,970,341,950	3,765,995,118
Government treasury bills	1,890,992,369	989,494,639	590,124,108	1,890,992,369	989,494,639	590,124,108
Nepal Rastra Bank bonds	-	-	-	-	-	-
Nepal Rastra Bank deposits instruments	-	167,799,854	-	-	167,799,854	-
Other	261,743,172	360,129,250	-	261,743,172	360,129,250	-
Less: specific allowances for impairment	-	-	-	-	-	-
Total	5,510,014,113	5,508,756,692	4,385,171,837	5,489,023,113	5,487,765,692	4,356,119,226

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

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Equity instruments	1,938,048,719	2,278,592,963	1,692,678,961	1,922,365,974	2,273,238,030	1,691,810,061
Quoted equity securities	1,930,325,219	2,270,868,263	1,687,155,461	1,916,642,474	2,267,514,530	1,686,286,561
Unquoted equity securities	7,723,500	7,724,700	5,523,500	5,723,500	5,723,500	5,523,500
Total	1,938,048,719	2,278,592,963	1,692,678,961	1,922,365,974	2,273,238,030	1,691,810,061

4.8.3: Information relating to investment in equities

PARTICULARS	GROUP				BANK							
	32 ASHADH 2075 COST	FAIR VALUE	31 ASHADH 2074 COST	FAIR VALUE	1 SHRRAWAN 2073 COST	FAIR VALUE	32 ASHADH 2075 COST	FAIR VALUE	31 ASHADH 2074 COST	FAIR VALUE	1 SHRRAWAN 2073 COST	FAIR VALUE
Investment in quoted equity	1,467,548,193	1,930,325,219	1,168,984,026	2,270,868,263	609,384,150	1,687,155,461	1,451,737,192	1,916,642,474	1,164,297,454	2,267,514,530	608,515,250	1,686,286,561
Everest Insurance Company Ltd. 197,671 shares of Rs. 100 each	96,326,696	260,926,142	96,326,696	366,889,950	96,326,696	278,536,860	96,326,696	260,926,142	96,326,696	366,889,950	96,326,696	278,536,860
Soaltee Hotel Ltd. 325,787 shares of Rs. 10 each	93,004,510	79,166,353	79,450,938	80,344,304	58,777,046	79,194,000	93,004,510	79,166,353	79,450,938	80,344,304	58,777,046	79,194,000
Prime Life Insurance Company Ltd. 2,677,253 shares of Rs. 100 each	200,448,000	709,471,913	54,000,000	935,436,600	54,000,000	805,464,000	200,448,000	709,471,913	54,000,000	935,436,600	54,000,000	805,464,000
Nepal Doorsanchar Company Ltd. 102,360 shares of Rs. 100 each	66,854,254	73,801,560	66,854,254	69,093,000	66,854,254	70,526,040	66,854,254	73,801,560	66,854,254	69,093,000	66,854,254	70,526,040
Butwal Power Company Ltd. 139,754 shares of Rs.100 each Group: 161,887 shares of Rs. 100 each	84,784,784	73,982,231	10,860,731	8,887,080	10,860,731	11,976,024	73,696,151	63,867,450	10,860,731	8,887,080	10,860,731	11,976,024
Chilime Hydropower Company Ltd. 91,207 shares of Rs. 100 each Group: 93,822 shares of Rs. 100 each	115,113,047	74,119,285	115,113,047	59,616,441	82,250,888	68,892,480	112,017,209	72,053,435	112,017,209	57,811,908	82,250,888	68,892,480
National Life Insurance Company Ltd. 33,435 shares of Rs. 100 each	69,705,571	26,714,565	69,705,571	61,520,400	-	-	69,705,571	26,714,565	69,705,571	61,520,400	-	-
Hydroelectricity Investment and Development Company Ltd. 144,818 shares of Rs. 100 each Group: 153,507 shares of Rs. 100 each	27,326,881	23,315,690	2,850,700	4,773,046	15,350,700	63,575,094	26,457,981	22,446,790	1,981,800	3,904,146	14,481,800	62,706,194
NMB Sulav Investment Fund I 1,565,998 units of Rs. 10 each	19,351,343	18,087,277	19,351,343	19,574,975	13,049,980	18,400,472	19,351,343	18,087,277	19,351,343	19,574,975	13,049,980	18,400,472
NIBL Samridhhi Fund I 7,384,476 units of Rs. 10 each	77,596,104	74,952,431	77,596,104	87,506,041	17,389,120	22,953,638	77,596,104	74,952,431	77,596,104	87,506,041	17,389,120	22,953,638
Laxmi Value Fund I 7,500,000 units of Rs. 10 each	75,000,000	76,875,000	75,000,000	91,875,000	75,000,000	97,500,000	75,000,000	76,875,000	75,000,000	91,875,000	75,000,000	97,500,000
Global IME Samunnat Yojana -1 8,135,853 units of Rs. 10 each	94,611,895	71,351,431	94,611,895	82,904,342	37,972,680	45,415,325	94,611,895	71,351,431	94,611,895	82,904,342	37,972,680	45,415,325
Siddhartha Equity Oriented Scheme 6,913,870 units of Rs. 10 each	87,983,779	72,941,329	87,983,779	81,998,498	-	-	87,983,779	72,941,329	87,983,779	81,998,498	-	-
NMB Hybrid Fund L-1 1,261,921 units of Rs. 10 each	12,619,210	12,228,014	12,619,210	12,543,495	-	-	12,619,210	12,228,014	12,619,210	12,543,495	-	-
Nabil Equity Fund 1,126,504 units of Rs. 10 each	11,265,040	11,107,329	11,265,040	11,265,040	-	-	11,265,040	11,107,329	11,265,040	11,265,040	-	-
NIBL Pragati Fund 1,027,407 units of Rs. 10 each	10,274,070	9,246,663	10,274,070	10,274,070	-	-	10,274,070	9,246,663	10,274,070	10,274,070	-	-
Laxmi Equity Fund 18,750,000 units of Rs. 10 each	187,500,000	151,875,000	187,500,000	187,500,000	-	-	187,500,000	151,875,000	187,500,000	187,500,000	-	-

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4.8.3: Information relating to investment in equities

PARTICULARS	GROUP						BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRRAWAN 2073		32 ASHADH 2075		31 ASHADH 2074		1 SHRRAWAN 2073	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Sana Kishan Bikas Bank Ltd. 12,500 shares of Rs. .100 each	16,347,587	14,500,000	-	-	5,141,699	15,043,980	16,347,587	14,500,000	-	-	5,141,699	15,043,980
Nirdhan Utthan Bank Ltd. 14,499 shares of Rs. .100 each	18,954,336	14,846,590	-	-	-	-	18,954,336	14,846,590	-	-	-	-
Nepal Life Insurance Company Ltd. 16,772 shares of Rs. .100 each	25,083,958	17,610,201	-	-	-	-	25,083,958	17,610,201	-	-	-	-
Chhimek Laghubitta Bikash Bank Ltd. 14,948 shares of Rs. .100 each	20,645,606	13,109,295	-	-	-	-	20,645,606	13,109,295	-	-	-	-
Mero Microfinance Bittiya Sansstha Ltd. 3,762 shares of Rs. .100 each	6,334,456	4,062,960	-	-	-	-	6,334,456	4,062,960	-	-	-	-
Rural Microfinance Development Centre Ltd. 9,297 shares of Rs. .100 each	7,159,437	6,070,745	-	-	-	-	7,159,437	6,070,745	-	-	-	-
Sanimma Equity Fund 250,000 units of Rs. .10 each	2,500,000	2,390,000	-	-	-	-	2,500,000	2,390,000	-	-	-	-
Citizens Mutual Fund-1 2,000,000 units of Rs. .10 each	20,000,000	18,560,000	-	-	-	-	20,000,000	18,560,000	-	-	-	-
NIC Asia Growth Fund 2,000,000 units of Rs. .10 each	20,000,000	18,380,000	-	-	-	-	20,000,000	18,380,000	-	-	-	-
First Microfinance Development Bank Ltd. 1,091 shares of Rs. .100 each	756,543	589,140	720,143	645,660	-	-	-	-	-	-	-	-
Agriculture Development Bank Ltd. 1 share of Rs. .100 each	-	314	-	-	-	-	-	-	-	-	-	-
National Microfinance Bittiya Sansstha Ltd 12 shares of Rs. .100 each	1,000	26,568	1,000	17,140	-	-	-	-	-	-	-	-
Ridi Hydropower Development Company Ltd 1 share of Rs. .100 each	86	123	86	217	-	-	-	-	-	-	-	-
Century Commercial Bank Ltd 101 shares of Rs. .100 each	-	17,069	-	-	-	-	-	-	-	-	-	-
Siddhartha Investment Growth Scheme	-	-	49,082,550	49,198,380	34,686,669	55,255,200	-	-	49,082,550	49,198,380	34,686,669	55,255,200
Nabil Balance Fund I	-	-	47,816,264	48,987,301	41,723,687	54,422,347	-	-	47,816,264	48,987,301	41,723,687	54,422,347
RSDC Laghubitta Bittiya Sansstha Ltd.	-	-	175	5,900	-	-	-	-	-	-	-	-
NMIB Microfinance Bittiya Sansstha Ltd	-	-	430	11,384	-	-	-	-	-	-	-	-

Cont..

4.8.3: Information relating to investment in equities

PARTICULARS	GROUP						BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRRAWAN 2073		32 ASHADH 2075		31 ASHADH 2074		1 SHRRAWAN 2073	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Investment in unquoted equity	7,723,500	7,723,500	7,724,700	7,724,700	5,523,500	5,523,500	5,723,500	5,723,500	5,723,500	5,723,500	5,523,500	5,523,500
Credit Information Centre Ltd. 77,600 shares of Rs. 100 each	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500
Nepal Clearing House Limited 31,200 shares of Rs. 100 each	2,600,000	2,600,000	2,600,000	2,600,000	2,500,000	2,500,000	2,600,000	2,600,000	2,600,000	2,600,000	2,500,000	2,500,000
National Banking Institute Ltd 12,000 shares of Rs. 100 each	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Prabhu Capital Limited 1,000 shares of Rs. 100 each	100,000	100,000	100,000	100,000	-	-	100,000	100,000	100,000	100,000	-	-
Nepal Finssoft Co. Ltd. 2,000 shares of Rs. 100 each	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-	-	-	-	-	-
Swadeshi Laghubitta Bittiya Sanstha Ltd	-	-	1,200	1,200	-	-	-	-	-	-	-	-
Total	1,475,271,693	,938,048,719	1,176,708,726	2,278,592,963	614,907,650	1,692,678,961	1,457,460,692	1,922,365,974	1,170,020,954	2,273,238,030	614,038,750	1,691,810,061

4.9 Current tax assets

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Current tax assets	2,287,865,601	1,797,823,360	1,305,683,012	2,272,848,775	1,787,430,484	1,305,437,988
Current year income tax assets	490,042,241	488,438,813	1,305,683,012	485,418,291	481,992,496	1,305,437,988
Tax assets of prior periods	1,797,823,360	1,309,384,547	-	1,787,430,484	1,305,437,988	-
Current tax liabilities	2,229,542,819	1,745,540,408	1,317,419,345	2,218,965,590	1,735,825,953	1,317,108,952
Current year income tax liabilities	485,146,358	416,364,186	1,317,419,345	483,139,637	412,050,631	1,317,108,952
Tax liabilities of prior periods	1,744,396,460	1,329,176,222	-	1,735,825,953	1,323,775,322	-
Total	58,322,782	52,282,953	(11,736,333)	53,883,185	51,604,531	(11,670,963)

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

4.10 Investment in subsidiaries

AMOUNT IN NPR

PARTICULARS	BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Investment in quoted subsidiaries	147,000,000	147,000,000	70,000,000
Investment in unquoted subsidiaries	140,000,000	101,500,000	100,000,000
<i>Total investment</i>	<i>287,000,000</i>	<i>248,500,000</i>	<i>170,000,000</i>
Less: Impairment allowances	-	-	-
Net carrying amount	287,000,000	248,500,000	170,000,000

Investment in shares of subsidiary companies are presented at cost.

4.10.1: Investment in quoted subsidiaries

PARTICULARS	BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRAWAN 2073	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Laghubitta Bittiya Sanstha Ltd. <i>1,694,000 shares of Rs. 100 each</i>	147,000,000	147,000,000	147,000,000	147,000,000	70,000,000	70,000,000
Total	147,000,000	147,000,000	147,000,000	147,000,000	70,000,000	70,000,000

4.10.2: Investment in unquoted subsidiaries

PARTICULARS	BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRAWAN 2073	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Capital Market Ltd. <i>1,400,000 shares of Rs. 100 each</i>	140,000,000	140,000,000	101,500,000	101,500,000	100,000,000	100,000,000
Total	140,000,000	140,000,000	101,500,000	101,500,000	100,000,000	100,000,000

4.11.2: Investment in unquoted associates

AMOUNT IN NPR

PARTICULARS	GROUP						BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRAWAN 2073		32 ASHADH 2075		31 ASHADH 2074		1 SHRAWAN 2073	
	COST	FAIR VALUE										
.....Ltd.												
.....shares of Rs.each												
.....Ltd.												
.....shares of Rs.each												
.....												
Total												

4.11.3: Information relating to associates of the Bank

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK			PERCENTAGE OF OWNERSHIP HELD BY THE BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
.....Ltd.						
.....Ltd.						
.....Ltd.						
.....Ltd.						
Total						

4.11.4: Equity value of associates

PARTICULARS	GROUP		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
.....Ltd.			
.....Ltd.			
.....			
TOTAL			

4.12 Investment properties

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
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	-	49,084,000	49,084,000	-	49,084,000	49,084,000
Addition/disposal during the year	37,488,869	(49,084,000)	-	37,488,869	(49,084,000)	-
Adjustment/transfer	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Accumulated impairment loss	-	-	-	-	-	-
Net amount	37,488,869	-	49,084,000	37,488,869	-	49,084,000
Total	37,488,869	-	49,084,000	37,488,869	-	49,084,000

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

4.13 Property and Equipment

AMOUNT IN NPR

PARTICULARS	GROUP										TOTAL ASAR END 2074	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASAR END 2075			
Cost												
As on Shrawan 1, 2073	655,207,614	126,900,070	118,127,253	109,072,768	73,201,167	58,143,627	-	160,649,908	1,301,302,407	-	-	-
Addition during the Year	-	272,046	38,622,687	15,850,350	50,922,769	14,337,012	-	43,148,108	163,152,973	-	-	-
Acquisition	-	-	-	15,850,350	50,922,769	14,337,012	-	43,148,108	124,258,240	-	-	-
Capitalization	-	272,046	38,622,687	-	-	-	-	-	38,894,733	-	-	-
Disposal during the year	-	-	-	(3,268,132)	(20,126,223)	(484,505)	-	(3,539,492)	(27,418,352)	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2074	655,207,614	127,172,116	156,749,940	121,654,986	103,997,713	71,996,135	-	200,258,524	1,437,037,028	1,301,302,407	1,301,302,407	1,301,302,407
Addition during the Year	-	120,193,594	52,208,338	32,539,824	29,824,100	9,165,634	-	56,549,629	300,481,119	-	-	163,152,973
Acquisition	-	-	-	32,539,824	29,824,100	9,165,634	-	56,549,629	128,079,186	-	-	124,258,240
Capitalization	-	120,193,594	52,208,338	-	-	-	-	-	172,401,933	-	-	38,894,733
Disposal during the year	(3,702,818)	(337,000)	-	(2,481,626)	(15,325,259)	(551,304)	-	(4,930,827)	(27,328,833)	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2075	651,504,796	247,028,711	208,958,278	151,173,184	118,496,554	80,610,465	-	251,877,326	1,710,189,314	1,464,455,380	1,464,455,380	1,464,455,380
Depreciation and Impairment												
As on Shrawan 1, 2073	-	21,013,526	75,653,085	69,473,137	37,005,355	40,610,667	-	106,048,008	349,803,777	-	-	-
Depreciation charge for the Year	-	3,185,545	14,808,891	13,687,980	12,438,976	6,740,127	-	20,549,828	71,411,346	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(3,263,916)	(17,436,223)	(482,784)	-	(3,420,272)	(24,603,194)	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2074	-	24,199,071	90,461,976	79,897,201	32,008,107	46,868,011	-	123,177,563	396,611,929	349,803,777	349,803,777	349,803,777
Depreciation charge for the Year	-	4,342,085	20,685,936	17,324,361	14,467,983	7,929,979	-	26,614,870	91,365,214	-	-	71,411,346
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(149,544)	-	(2,075,946)	(12,105,345)	(436,309)	-	(4,620,099)	(19,387,243)	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2075	-	28,391,612	111,147,912	95,145,616	34,370,745	54,361,681	-	145,172,335	468,589,901	421,215,124	421,215,124	421,215,124
Capital Work in Progress Net Book Value												
As on 1 Shrawan 2073	655,207,614	108,892,426	42,474,169	39,599,631	36,195,812	17,532,960	-	54,601,900	954,504,512	-	-	-
As on Ashadh end 2074	655,207,614	105,978,928	66,287,964	41,757,785	71,989,606	25,128,124	-	77,080,960	1,196,248,492	-	-	954,504,512
As on Ashadh end 2075	651,504,796	238,225,168	129,021,295	56,567,568	84,125,809	26,248,784	-	106,704,992	1,292,398,411	-	-	1,199,063,650

4.13 Property and Equipment

AMOUNT IN NPR

PARTICULARS	BANK											TOTAL ASHADH END 2073
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASAR END 2075	TOTAL ASAR END 2074		
Cost												
As on Shrawan 1, 2073	648,213,496	126,900,070	114,644,386	107,950,108	66,054,899	57,109,590	-	141,543,644	1,262,416,195	704,365,139		
Addition during the Year	-	272,046	38,607,687	15,286,918	41,183,469	14,223,391	-	38,491,887	148,065,398	561,431,728		-
Acquisition	-	-	-	15,286,918	41,183,469	14,223,391	-	38,491,887	109,185,665	557,776,073		
Capitalization	-	272,046	38,607,687	-	-	-	-	-	38,879,733	3,655,655		
Disposal during the year	-	-	-	(3,268,132)	(20,126,223)	(484,505)	-	(3,539,492)	(27,418,352)	(3,380,671)		
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Ashadh end 2074	648,213,496	127,172,116	153,252,073	119,968,894	87,112,145	70,848,477	-	176,496,039	1,383,063,241	1,262,416,195	704,365,139	
Addition during the Year	-	110,802,828	52,130,504	31,751,514	27,101,600	9,024,158	-	48,539,557	279,350,161	148,065,398	561,431,728	
Acquisition	-	-	-	31,751,514	27,101,600	9,024,158	-	48,539,557	116,416,828	109,185,665	557,776,073	
Capitalization	-	110,802,828	52,130,504	-	-	-	-	-	162,933,332	38,879,733	3,655,655	
Disposal during the year	(3,702,818)	(337,000)	-	(2,481,626)	(15,325,259)	(551,304)	-	(4,370,107)	(26,768,113)	(27,418,352)	(3,380,671)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Ashadh end 2075	644,510,678	237,637,945	205,382,577	149,238,782	98,888,487	79,321,331	-	220,665,489	1,635,645,288	1,383,063,241	1,262,416,195	
Depreciation and Impairment												
As on Shrawan 1, 2073	-	21,013,526	74,828,839	69,026,430	34,486,872	40,207,436	-	99,413,659	338,976,761	290,370,310		
Depreciation charge for the year	-	3,185,545	14,132,205	13,437,358	10,341,315	6,565,372	-	17,694,642	65,356,438	51,423,148		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	-	(3,263,916)	(17,436,223)	(482,784)	-	(3,420,272)	(24,603,194)	(2,816,696)		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Ashadh end 2074	-	24,199,071	88,961,044	79,199,873	27,391,964	46,290,024	-	113,688,029	379,730,005	338,976,761	290,370,310	
Depreciation charge for the year	-	4,031,625	20,055,606	16,992,000	12,143,143	7,718,559	-	22,922,889	83,863,821	65,356,438	51,423,148	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	(149,544)	-	(2,075,946)	(12,105,345)	(436,309)	-	(4,317,813)	(19,084,957)	(24,603,194)	(2,816,696)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2075	-	28,081,152	109,016,650	94,115,927	27,429,762	53,572,274	-	132,293,105	444,508,870	379,730,005	338,976,761	
Capital Work in Progress	-	19,588,069	31,210,929	-	-	-	-	-	50,798,998	152,817,511	100,331,986	
Net Book Value												
As on 1 Shrawan 2073	648,213,496	105,886,544	39,815,548	38,923,678	31,568,027	16,902,155	-	42,129,986	1,023,771,420	413,994,829	-	
As on Ashadh end 2074	648,213,496	102,973,046	64,291,029	40,769,021	59,720,181	24,558,453	-	62,808,010	1,156,150,747	1,023,771,420	413,994,829	
As on Ashadh end 2075	644,510,678	229,144,862	127,576,856	55,122,855	71,458,724	25,749,057	-	88,372,384	1,241,935,417	1,156,150,747	1,023,771,420	

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 to over their estimated useful life as per management judgement.

4.14 Goodwill and Intangible Assets

AMOUNT IN NPR

PARTICULARS	GOODWILL	GROUP			TOTAL ASHADH END 2075	TOTAL ASHADH END 2074
		SOFTWARE		OTHER		
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 2073	-	68,468,360	-	-	68,468,360	-
Addition during the Year	-	16,052,383	-	-	16,052,383	-
<i>Acquisition</i>	-	16,052,383	-	-	16,052,383	-
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2074	-	84,520,743	-	-	84,520,743	68,468,360
Addition during the Year	-	20,120,329	-	-	20,120,329	16,052,383
<i>Acquisition</i>	-	20,120,329	-	-	20,120,329	16,052,383
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2075	-	104,641,071	-	-	104,641,071	84,520,743
Amortization and Impairment						
As on Shrawan 1, 2073	-	23,700,285	-	-	23,700,285	-
Amortization charge for the Year	-	17,056,473	-	-	17,056,473	-
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2074	-	40,756,758	-	-	40,756,758	23,700,285
Amortization charge for the Year	-	27,321,029	-	-	27,321,029	17,056,473
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2075	-	68,077,787	-	-	68,077,787	40,756,758
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
As on 1 Shrawan 2073	-	44,768,075	-	-	44,768,075	-
As on Ashadh end 2074	-	43,763,985	-	-	43,763,985	-
As on Ashadh end 2075	-	36,563,284	-	-	36,563,284	-

4.14 Goodwill and Intangible Assets

AMOUNT IN NPR

PARTICULARS	GOODWILL	BANK			TOTAL ASHADH END 2075	TOTAL ASHADH END 2074	TOTAL ASHADH END 2073
		SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 2073	-	65,281,760	-	-	65,281,760	47,066,811	
Addition during the Year		15,622,983			15,622,983	18,214,949	
<i>Acquisition</i>	-	15,622,983	-	-	15,622,983	18,214,949	
<i>Capitalization</i>	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2074	-	80,904,743	-	-	80,904,743	65,281,760	47,066,811
Addition during the Year		19,690,929			19,690,929	15,622,983	18,214,949
<i>Acquisition</i>		19,690,929			19,690,929	15,622,983	18,214,949
<i>Capitalization</i>	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2075	-	100,595,671	-	-	100,595,671	80,904,743	65,281,760
Amortization and Impairment							
As on Shrawan 1, 2073	-	22,398,689	-	-	22,398,689	3,354,079	
Amortization charge for the Year	-	16,452,647	-	-	16,452,647	19,044,610	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2074	-	38,851,336	-	-	38,851,336	22,398,689	3,354,079
Amortization charge for the Year	-	26,674,958	-	-	26,674,958	16,452,647	19,044,610
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2075	-	65,526,295	-	-	65,526,295	38,851,336	22,398,689
Capital Work in Progress	-	-	-	-	-	-	-
Net Book Value							
As on 1 Shrawan 2073	-	42,883,071	-	-	42,883,071	43,712,731	-
As on Ashadh end 2074	-	42,053,406	-	-	42,053,406	42,883,071	43,712,731
As on Ashadh end 2075	-	35,069,376	-	-	35,069,376	42,053,406	42,883,071

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 an expense as incurred.

4.15 Deferred Tax

AMOUNT IN NPR

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	-	138,939,521	(138,939,521)	-	139,471,584	(139,471,584)
Property & equipment	9,078,535	-	9,078,535	10,714,293	-	10,714,293
Employees' defined benefit plan	2,552,345	-	2,552,345	2,479,014	-	2,479,014
Lease liabilities	-	-	-	-	-	-
Provisions	-	10,625,498	(10,625,498)	-	11,246,661	(11,246,661)
Other temporary differences	4,734,313	9,366,836	(4,632,522)	4,734,313	9,366,836	(4,632,522)
Deferred tax on temporary differences	16,365,194	158,931,854	(142,566,660)	17,927,620	160,085,081	(142,157,461)
Deferred tax on carry forward of unused tax losses				-	-	-
Deferred tax due to changes in tax rate				-	-	-
Net Deferred tax asset/(liabilities) as on 32 Ashadh, 2075			(142,566,660)			(142,157,461)
Deferred tax (asset)/liabilities as on Shrawan 1, 2074			357,812,024			358,954,559
Origination/(Reversal) during the year			215,245,363			216,797,098
Deferred tax expense/(income) recognised in profit or loss			(17,693,931)			(19,245,666)
Deferred tax expense/(income) recognised in other comprehensive income			(197,551,432)			(197,551,432)
Deferred tax expense/(income) recognised in directly in equity			-			-

4.15 Deferred Tax

AMOUNT IN NPR

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	-	330,965,123	(330,965,123)	-	330,965,123	(330,965,123)
Property & equipment	7,229,041	-	7,229,041	7,346,690	-	7,346,690
Employees' defined benefit plan	(3,578,880)	-	(3,578,880)	(3,578,880)	-	(3,578,880)
Lease liabilities	-	-	-	-	-	-
Provisions	827701.87	-	827,702	-	-	-
Other temporary differences	677,278	32,434,524	(31,757,246)	677,278	32,434,524	(31,757,246)
Deferred tax on temporary differences	5,155,141	363,399,646	(358,244,506)	4,445,087	363,399,646	(358,954,559)
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 2074			(358,244,506)			(358,954,559)
Deferred tax (asset)/liabilities as on 1 Shrawan, 2073			346,848,137			347,132,104
Origination/(Reversal) during the year			(11,396,369)			(11,822,455)
Deferred tax expense/(income) recognised in profit or loss			4,476,271			4,902,357
Deferred tax expense/(income) recognised in other comprehensive income			6,920,098			6,920,098
Deferred tax expense/(income) recognised in directly in equity			-			-

4.16 Other assets

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Assets held for sale	2,831,597	3,108,725	168,000	2,831,597	3,108,725	168,000
Other non banking assets	-	-	-	-	-	-
Bills receivable	-	-	-	-	-	-
Accounts receivable	41,354,266	558,577,154	593,602,791	40,759,721	557,477,103	568,246,986
Accrued income	28,658,195	32,261,960	31,107,894	395,764	288,138	-
Prepayments and deposit	118,698,010	308,558,618	33,308,489	115,122,998	306,537,011	31,874,587
Income tax deposit	8,957,421	8,036,415	8,036,415	8,957,421	8,036,415	8,036,415
Deferred employee expenditure	396,228,419	306,773,217	213,284,161	396,228,419	306,773,217	213,284,161
Other	55,186,832	41,501,325	2,807,103	614,725	331,469	261,945
Total	651,914,741	1,258,817,415	882,314,854	564,910,646	1,182,552,077	821,872,094

4.22 Provisions

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Provisions for redundancy	-	-	-	-	-	-
Provision for restructuring	-	-	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-	-	-
Onerous contracts	-	-	-	-	-	-
Other	-	-	-	-	-	-
	-	-	-	-	-	-

4.22.1: Movement in provision

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Balance at Shrawan 1, 2074	-	-	-	-	-	-
Provisions made during the year	-	-	-	-	-	-
Provisions used during the year	-	-	-	-	-	-
Provisions reversed during the year	-	-	-	-	-	-
Unwind of discount	-	-	-	-	-	-
Balance at Ashadh end, 2075	-	-	-	-	-	-

4.23 Other liabilities

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Liability for employees defined benefit obligations	16,256,455	4,504,385	2,227,177	8,263,380	-	-
Liability for long-service leave	2,339,867	1,663,006	951,166	-	-	-
Short-term employee benefits	-	-	-	-	-	-
Bills payable	13,050,668	53,569,888	11,088,599	13,050,668	53,569,888	11,088,599
Creditors and accruals	-	-	-	-	-	-
Interest payable on deposit	31,899,657	20,345,392	10,094,111	-	-	-
Interest payable on borrowing	4,411,509	4,857,042	1,117,387	4,058,288	4,710,295	1,117,387
Liabilities on deferred grant income	-	-	-	-	-	-
Unpaid Dividend	-	6,960,113	8,047,466	-	6,960,113	8,047,466
Liabilities under Finance Lease	-	-	-	-	-	-
Employee bonus payable	199,979,020	160,922,486	108,118,186	182,776,100	142,318,419	99,208,110
Other	418,198,103	913,283,880	211,129,716	338,423,971	174,867,648	191,574,559
Total	686,135,279	1,166,106,192	352,773,808	546,572,406	382,426,363	311,036,121

4.23.1: Defined benefit obligations

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
The amounts recognised in the statement of financial position are as follows:						
Present value of unfunded obligations	16,256,455	4,504,385	-	-	-	-
Present value of funded obligations	181,930,850	115,866,650	92,903,250.00	181,930,850	115,866,650	92,903,250
Total present value of obligations	198,187,305	120,371,035	92,903,250.00	181,930,850	115,866,650	92,903,250
Fair value of plan assets	181,930,850	115,866,650	92,903,250.00	181,930,850	115,866,650	92,903,250
Present value of net obligations	-	-	-	-	-	-
Recognised liability for defined benefit obligations						

4.23.2: Plan assets

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Equity securities	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Bank deposit	-	-	-	-	-	-
Other	181,930,850	115,866,650	92,903,250	181,930,850	115,866,650	92,903,250
Total	181,930,850	115,866,650	92,903,250	181,930,850	115,866,650	92,903,250

4.23.3: Movement in the present value of defined benefit obligations

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Defined benefit obligations at Shrawan 1, 2074	115,866,650	92,903,250	81,315,500	115,866,650	92,903,250	81,315,500
Actuarial losses	19,969,240	4,109,440	(6,308,210)	19,969,240	4,109,440	(6,308,210)
Benefits paid by the plan	(3,350,020)	(3,211,000)	(2,701,000)	(3,350,020)	(3,211,000)	(2,701,000)
Current service costs and interest	49,444,980	22,064,960	20,596,960	49,444,980	22,064,960	20,596,960
Defined benefit obligations at Ashadh end, 2075	181,930,850	115,866,650	92,903,250	181,930,850	115,866,650	92,903,250

4.23.4: Movement in the fair value of plan assets

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Fair value of plan assets at Shrawan 1, 2074	115,866,650	66,154,230	56,193,420	115,866,650	66,154,230	56,193,420
Contributions paid into the plan	60,925,460	44,549,650	-	60,925,460	44,549,650	-
Benefits paid during the year	(3,350,020)	(3,211,000)	(2,701,000)	(3,350,020)	(3,211,000)	(2,701,000)
Actuarial (losses) gains	(223,740)	1,730,670	8,000,160	(223,740)	1,730,670	8,000,160
Expected return on plan assets	8,712,500	6,643,100	4,661,650	8,712,500	6,643,100	4,661,650
Fair value of plan assets at Ashadh end, 2075	181,930,850	115,866,650	66,154,230	181,930,850	115,866,650	66,154,230

4.26 Share capital

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Ordinary shares	8,221,666,951	7,472,412,000	3,644,982,850	8,221,666,951	7,472,412,000	3,644,982,850
Convertible preference shares (equity component only)	-	-	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-	-	-
Total	8,221,666,951	7,472,412,000	3,644,982,850	8,221,666,951	7,472,412,000	3,644,982,850

4.26.1: Ordinary shares

AMOUNT IN NPR

PARTICULARS	BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Authorized Capital 100,000,000 Ordinary share of Rs. 100 each	10,000,000,000	10,000,000,000	10,000,000,000
Issued capital 82,216,669.51 Ordinary share of Rs. 100 each	8,221,666,951	7,472,412,000	6,078,458,400
Subscribed and paid up capital 82,216,669.51 Ordinary share of Rs. 100 each	8,221,666,951	7,472,412,000	3,644,982,850
Total	8,221,666,951	7,472,412,000	3,644,982,850

4.26.1: Ordinary shares

AMOUNT IN NPR

PARTICULARS	BANK					
	32 ASHADH 2075		31 ASHADH 2074		1 SHRAWAN 2073	
	Percent	Amount	Percent	Amount	Percent	Amount
Domestic ownership	100%	8,221,666,951	100%	7,472,412,000	100%	3,039,229,200
Nepal Government	-	-	-	-	-	-
"A" class licensed institutions	-	-	-	-	-	-
Other licensed intitutions	-	-	-	-	-	-
Other Institutions (Promoters)	29.27%	2,406,756,473	29.28%	2,187,959,900	33.08%	1,005,385,500
Public	36.04%	2,963,308,044	36.03%	2,692,102,100	35.53%	1,079,914,300
Other (Promoters)	34.68%	2,851,602,434	34.69%	2,592,350,000	31.39%	953,929,400
Foreign ownership	-	-	-	-	-	-
Total	100%	8,221,666,951	100%	7,472,412,000	100%	3,039,229,200

4.27 Reserves

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Statutory general reserve	1,209,869,490	961,401,087	710,305,200	1,171,231,720	935,013,535	698,907,505
Exchange equalisation reserve	29,551,715	29,551,715	29,518,255	29,551,715	29,551,715	29,518,255
Corporate social responsibility reserve	13,723,876	10,815,735	-	12,429,396	10,066,242	-
Capital Redemption Reserve	240,000,000	160,000,000	80,000,000	240,000,000	160,000,000	80,000,000
Regulatory reserve	185,090,113	-	-	185,090,113	-	-
Investment adjustment reserve	217,640,384	105,238,794	27,428,713	217,640,384	105,238,794	27,428,713
Capital reserve	-	-	-	-	-	-
Assets revaluation reserve	-	-	-	-	-	-
Fair value reserve	325,433,697	772,251,953	754,439,918	325,433,697	772,251,953	754,439,918
Dividend equalisation reserve	-	-	-	-	-	-
Actuarial gain	-	-	-	-	-	-
Special reserve	-	3,535,000	8,378,000	-	3,535,000	8,378,000
Other reserve	3,059,966	13,823,907	11,180,370	(5,784,366)	9,808,775	10,544,464
Total	2,224,369,240	2,056,618,191	1,621,250,456	2,175,592,658	2,025,466,014	1,609,216,855

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 Nepal Rastra Bank Unified Directive. 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 Nepal Rastra Bank Directive.

4.28 Contingent liabilities and commitments

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Contingent liabilities	33,338,227,897	24,426,545,461	18,867,248,965	3,338,227,897	24,426,545,461	18,867,248,965
Undrawn and undisbursed facilities	10,945,660,214	13,058,100,715	7,218,284,900	10,945,660,214	13,058,100,715	7,218,284,900
Capital commitment	-	-	-	-	-	-
Lease Commitment	-	-	-	-	-	-
Litigation	65,935,026	29,661,219	26,850,622	65,935,026	29,661,219	26,850,622
Total	44,349,823,137	37,514,307,395	26,112,384,487	44,349,823,137	37,514,307,395	26,112,384,487

4.28.1: Contingent liabilities

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Acceptance and documentary credit	15,578,956,919	9,594,502,211	7,861,698,572	15,578,956,919	9,594,502,211	7,861,698,572
Bills for collection	721,955,421	775,506,911	623,669,239	721,955,421	775,506,911	623,669,239
Forward exchange contracts	3,876,007,277	3,042,880,091	2,033,916,180	3,876,007,277	3,042,880,091	2,033,916,180
Guarantees	13,149,519,114	11,008,365,242	8,340,853,687	13,149,519,114	11,008,365,242	8,340,853,687
Underwriting commitment	-	-	-	-	-	-
Other commitments	11,789,166	5,291,006	7,111,286	11,789,166	5,291,006	7,111,286
Total	33,338,227,897	24,426,545,461	18,867,248,965	33,338,227,897	24,426,545,461	18,867,248,965

4.28.2: Undrawn and undisbursed facilities

AMOUNT IN NPR

PARTICULARS	GROUP			BANK		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Undisbursed amount of loans	7,688,329,946	4,837,848,949	-	7,688,329,946	4,837,848,949	-
Undrawn limits of overdrafts	3,257,330,268	8,220,251,766	7,218,284,900	3,257,330,268	8,220,251,766	7,218,284,900
Undrawn limits of credit cards	-	-	-	-	-	-
Undrawn limits of letter of credit	-	-	-	-	-	-
Undrawn limits of guarantee	-	-	-	-	-	-
Total	10,945,660,214	13,058,100,715	7,218,284,900	10,945,660,214	13,058,100,715	7,218,284,900

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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
Capital commitments in relation to Property and Equipment						
Approved and contracted for						
Approved but not contracted for						
Sub total	-	-	-	-	-	-
Capital commitments in relation to Intangible assets						
Approved and contracted for						
Approved but not contracted for						
Sub total	-	-	-	-	-	-
Total	-	-	-	-	-	-

4.28.4 Lease 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		
	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073	32 ASHADH 2075	31 ASHADH 2074	1 SHRAWAN 2073
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	9,265,661	10,498,629	9,265,661	7,519,475
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	89,893,637	74,913,957	70,502,999	60,498,357
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	7,006,547,153	4,820,177,697	6,698,457,321	4,537,474,664
Investment securities	247,028,704	74,844,446	244,805,675	72,621,358
Loan and advances to staff	44,897,531	80,973,613	40,748,899	79,862,670
Other	-	-	-	-
Total interest income	7,397,632,686	5,061,408,342	7,063,780,555	4,757,976,523

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	38,915,637	7,507,083	17,138,150	1,996,722
Due to Nepal Rastra Bank	24,792,017	-	24,792,017	-
Deposits from customers	4,734,344,859	3,055,061,431	4,657,470,784	2,994,228,010
Borrowing	-	-	-	-
Debt securities issued	32,087,671	31,959,518	32,087,671	31,959,518
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	4,830,140,184	3,094,528,032	4,731,488,622	3,028,184,250

4.31 Fees and Commission Income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	162,504,428	132,685,231	162,504,428	132,685,231
Service fees	140,377,817	94,776,191	43,415,619	34,749,920
Consortium fees	-	-	-	-
Commitment fees	17,808,112	7,618,015	17,808,112	7,618,015
DD/TT/Swift fees	17,820,286	14,461,331	17,820,286	14,461,331
Credit card/ATM issuance and renewal fees	83,205,304	68,083,859	83,205,304	68,083,859
Prepayment and swap fees	-	-	-	-
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	28,120,050	18,852,312	28,120,050	18,852,312
Commission on letter of credit	85,686,559	99,704,628	85,686,559	99,704,628
Commission on guarantee contracts issued	119,719,866	94,702,319	119,719,866	94,702,319
Commission on share underwriting/issue	4,659,959	-	4,659,959	-
Locker rental	5,642,628	4,894,304	5,642,628	4,894,304
Other fees and commission income	25,362,625	19,563,965	17,388,749	13,028,620
Total fees and Commission Income	690,907,634	555,342,156	585,971,561	488,780,540

4.32 Fees and commission expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	17,882,554	12,373,990	17,882,554	12,373,990
VISA/Master card fees	20,205,517	25,763,000	20,205,517	25,763,000
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	-	-	-	-
Remittance fees and commission	-	-	-	-
Other fees and commission expense	22,187,352	13,460,077	22,153,392	13,460,077
Total fees and Commission Expense	60,275,422	51,597,068	60,241,462	51,597,068

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	288,437,597	192,775,545	288,437,597	192,775,545
Other	-	-	-	-
Net trading income	288,437,597	192,775,545	288,437,597	192,775,545

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 are presented under this account head. 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	(2,012,584)	133,840	(2,012,584)	133,840
Gain/loss on sale of investment securities	(12,331,023)	64,832,137	(12,366,347)	59,876,703
Fair value gain/loss on investment properties	(795,416)	(1,956,178)	-	-
Dividend on equity instruments	89,587,850	51,755,466	131,504,642	79,486,598
Gain/loss on sale of property and equipment	24,059,946	12,081,606	24,103,135	12,081,606
Gain/loss on sale of investment property	-	13,516,000	-	13,516,000
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	9,781,910	1,177,295	9,781,910	1,177,295
Locker rent	-	-	-	-
Other	4,395,852	4,003,332	2,965,881	2,397,500
Total	112,686,534	145,543,498	153,976,637	168,669,542

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	(90,391)	1,389,094	(90,391)	1,389,094
Impairment charge/(reversal) on loan and advances to customer	331,104,875	109,896,377	314,972,133	98,344,021
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	331,014,484	111,285,470	314,881,742	99,733,114

4.36 Personnel Expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	411,005,170	317,774,229	355,357,311	275,476,238
Allowances	50,698,917	39,266,973	16,307,385	12,979,437
Gratuity expense	23,486,029	17,552,311	19,462,630	15,421,860
Provident fund	25,373,963	18,658,907	20,548,054	15,126,467
Uniform	-	1,040,000	-	-
Training & development expense	17,952,675	12,662,598	14,754,364	10,322,176
Leave encashment	37,577,461	1,483,166	35,103,900	-
Medical	20,697,214	16,349,233	16,289,364	13,344,956
Insurance	13,653,368	9,636,547	13,489,773	9,469,174
Employees incentive	5,228,833	4,004,097	5,070,833	3,367,625
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	2,493,553	55,018,219	2,493,553	55,018,219
Other expenses related to staff	106,709,494	70,255,974	89,931,743	57,045,855
Subtotal	714,876,677	563,702,254	588,808,910	467,572,007
Employees bonus	199,979,020	160,922,486	182,776,100	142,318,419
Grand total	914,855,697	724,624,740	771,585,009	609,890,426

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	1,045,000	762,000	834,000	604,000
Directors' expense	302,406	238,653	210,806	238,653
Auditors' remuneration	1,525,500	1,497,250	1,130,000	1,130,000
Other audit related expense	128,700	90,141	-	-
Professional and legal expense	6,099,269	4,697,405	6,099,269	4,667,405
Office administration expense	356,952,222	290,197,134	332,843,420	270,615,648
Operating lease expense	78,502,252	66,717,699	69,593,166	59,488,437
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	-	-	-	-
Onerous lease provisions	-	-	-	-
Other	12,219,606	17,015,013	8,872,827	13,174,000
Total	456,774,956	381,215,295	419,583,488	349,918,143

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 non 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. Major expenses under office administration include Security expenses of NPR 63 million, IT related expenses of NPR 56 million and Business Development expenses of NPR 63 million.

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

4.38 Depreciation & Amortisation

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	90,684,892	70,570,966	83,863,821	65,356,438
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	28,091,779	19,648,643	27,445,708	19,044,817
Total	118,776,670	90,219,609	111,309,529	84,401,255

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	-	143,860	-	143,860
Other income	11,071,857	9,945,440	5,715,781	6,925,598
Total	11,071,857	10,089,300	5,715,781	7,069,458

4.41 Income tax expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	531,055,296	466,499,658	483,139,637	412,050,631
Current year	531,055,296	466,499,658	483,139,637	412,050,631
Adjustments for prior years	-	-	-	-
Deferred tax expense	(18,126,413)	4,339,468	(19,245,666)	4,902,357
Origination and reversal of temporary differences	(18,126,413)	4,339,468	(19,245,666)	4,902,357
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	512,928,883	470,839,126	463,893,971	416,952,987

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	1,945,070,532	1,504,798,130	1,644,984,896	1,384,656,855
Tax amount	567,650,071	469,554,989	493,495,469	415,397,056
Add: Tax effect of expenses that are not deductible for tax purpose	10,080,022	4,349,990	8,397,391	3,545,099
Less: Tax effect on exempt income	(24,066,171)	(14,253,087)	(23,936,737)	(14,248,370)
Add/less: Tax effect on other items	3,369,823	6,847,766	5,183,514	7,356,845
Total income tax expense	557,033,745	466,499,658	483,139,637	412,050,630
Effective tax rate	28.64%	31.00%	29.37%	29.76%

Comparison of Unaudited and Audited Financial Statements as of FY 2074/75

RS. IN '000'

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	3,571,818	6,324,171	(2,752,353)	-77%	Regrouping of items
Due from NRB and placements with BFIs	6,190,067	3,454,931	2,735,136	44%	Regrouping of items
Loan and advances	61,972,032	61,490,901	481,131	1%	Fair Value adjustment of Staff Loans
Investments Securities	7,411,591	7,469,985	(58,394)	-1%	Regrouping of items
Investment in subsidiaries and associates	287,000	287,000	-	0%	
Property and Equipment	1,241,890	1,241,935	(45)	0%	Error rectification
Goodwill and intangible assets	35,069	35,069	-	0%	
Other assets	1,274,255	656,283	617,972	48%	Regrouping of items
Total Assets	81,983,722	80,960,276	1,023,446	1%	
Capital and Liabilities					
Paid up Capital	8,221,667	8,221,667	-	0%	
Reserves and surplus	3,569,218	2,936,346	632,872	18%	Cumulative impact of different adjustments
Deposits	67,735,866	68,034,335	(298,469)	0%	Adjustment of Interest payable
Borrowings	666,917	677,795	(10,878)	-2%	Adjustment of Interest payable
Bond and Debenture	400,000	401,403	(1,403)	0%	Adjustment of Interest payable
Other liabilities and provisions	1,390,054	546,572	843,482	61%	Regrouping of items
Total Capital and Liabilities	81,983,722	80,818,118	1,165,604	1%	
Statement of Profit or Loss					
Interest income	7,075,594	7,063,781	11,814	0%	Fair Value calculation of Interest on Staff Loan
Interest expense	(4,731,489)	(4,731,489)	0	0%	
Net interest income	2,344,106	2,332,292	11,814	1%	
Fee and commission income	586,018	585,972	47	0%	Regrouping of items
Fee and commission expense	(43,633)	(60,241)	16,608	-38%	Regrouping of items
Net fee and commission income	542,385	525,730	16,655	3%	
Other operating income	451,815	442,414	9,400	2%	Regrouping of items
Total operating income	3,338,306	3,300,436	37,869	1%	
Impairment charge/(reversal) for loans and other losses	(231,808)	(314,882)	83,073	-36%	Audit Adjustment
Net operating income	3,106,497	2,985,555	120,943	4%	
Personnel expenses	(779,758)	(771,585)	(8,173)	1%	Fair Value calculation of Interest on Staff Loan
Other operating expenses	(573,134)	(530,893)	(42,241)	7%	Regrouping of items
Operating profit	1,753,605	1,683,076	70,528	4%	
Non operating income/expense	8,682	(38,092)	46,773	539%	Regrouping of items
Profit before tax	1,762,286	1,644,985	117,302	7%	
Income tax	(528,686)	(463,894)	(64,792)	12%	Cumulative tax effect of different adjustments
Profit /(loss) for the period	1,233,601	1,181,091	52,510	4%	
Other comprehensive income	(664,631)	(460,953)	(203,678)	31%	Deferred Tax Adjustment on items of OCI
Total comprehensive income	568,969	720,138	(151,168)	-27%	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,233,601	1,181,091	52,510	4%	
Add/Less: Regulatory adjustment as per NRB Directive	(67,257)	(68,712)	1,455	-2%	
Free profit/(loss) after regulatory adjustments	1,166,344	1,112,379	53,965	5%	

Statement of distributable profit or loss

For the year ended 32 Ashadh 2075
(As per NRB Regulation)

AMOUNT IN NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	1,181,090,925	967,703,868
<u>Appropriations:</u>		
a. General reserve	236,218,185	201,324,834
b. Foreign exchange fluctuation fund	-	33,460
c. Capital redemption reserve	80,000,000	80,000,000
d. Corporate social responsibility fund	11,810,909	10,066,242
e. Employees' training fund	-	-
f. Other	108,866,590	72,867,081
Profit or (loss) before regulatory adjustment	744,195,241	603,412,251
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(139,337,864)	-
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 (-)/reversal (+)	(37,488,869)	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(8,263,380)	-
i. Other (+/-)	-	-
Distributable profit or (loss)	559,105,128	603,412,251

5. Disclosures and Additional Information

5.1. Risk Management

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.

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

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

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

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

Credit Approval Process

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

Post Disbursal Review and Monitoring

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

Distribution of Risk Assets by Industry sector / Concentration Risk

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

i) Maximum exposure to credit risk

The bank has financial assets consisting mainly of loans & advances and investments at amortized cost. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

ii) 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.

AMOUNT IN NPR 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 Amortised Cost						
Cash and cash equivalent	6,324	-	-	-	-	6,324
Due from Nepal Rastra Bank	3,455	-	-	-	-	3,455
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Loans and advances to customers	58,235	871	293	162	274	59,835
Loan and advances to B/FIs	1,656	-	-	-	-	1,656
Fair Value through Profit and Loss (FVTPL)						
Derivative financial instruments.	35	-	-	-	-	35
Fair Value through Other						
Comprehensive Income (FVTOCI)						
Investment securities	7,411	-	-	-	-	7,411
Investment in subsidiaries	287	-	-	-	-	287
Total	77,403	871	293	162	274	79,003

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. Our treasury dealers have gained exposure to international markets as well in addition to having undergone appropriate trainings. The Bank has followed the structure of a Treasury back and Treasury Mid office independent

of Treasury dealing room functions to instill better control over treasury activities through appropriate segregation of duties and responsibilities.

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

OREIGN CURRENCY	CURRENCY CODE	ASSETS	LIABILITIES	NET POSITION
Dhirams	AED	120	-	120
Australian Dollar	AUD	6,317	-	6,317
Canadian Dollar	CAD	291	-	291
Swiss Francs	CHF	37	-	37
Chinese Yuan	CNY	586	-	586
Denmark Kroner	DKK	2,036	-	2,035
Euro	EUR	461,141	451,029	10,112
Great Britain Pound	GBP	4,270	3,771	499
HongKong Dollar	HKD	180	-	179
Indian Rupees	INR	3,260,963	5,665	3,255,297
Japanese Yen	JPY	1,495	13	1,481
Malaysian Ringgit	MYR	325	-	325
Qatar Riyal	QAR	219	-	219
Saudi Arabian Riyal	SAR	608	-	608
Swedish Kroner	SEK	6	-	6
Singapore Dollar	SGD	861	-	861
Thailand Baht	THB	252	-	251
US Dollar	USD	7,192,338	7,181,214	11,124
Korean Won	KRW	11	-	11
Kuwaiti Dinar	KWD	11	-	11
Total		10,932,047	7,641,694	3,290,352

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	28,592	11,755	5,423	4,784	32,266	82,821
Interest Sensitive Liabilities	16,039	8,049	8,940	8,226	26,697	67,951
Gap (1 - 2)	12,553	3,706	(3,517)	(3,442)	5,569	14,870
Cumulative Gap	12,553	16,260	12,743	9,300	14,870	-
Adjusted Interest Rate Change (IRC)	0.25%	0.25%	0.25%	0.26%	1.00%	-
Impact on Quarterly Earnings (Cumulative Gap x IRC)	30.95	40.09	31.42	24.21	148.70	275.37
Accumulated Earnings Impact to date	30.95	71.05	102.47	126.67	275.37	-

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	6,324				6,324
Due from Nepal Rastra Bank	3,455				3,455
Placement with Bank and Financial Institutions	-				-
Derivative financial instruments	35				35
Other trading assets	24				24
Loan and advances to B/FIs	1,656				1,656
Loans and advances to customers	16,277	9,345	5,237	28,975	59,834
Investment securities	5,611	550	1,250		7,411
Investment in subsidiaries	287				287
Other assets	1,933				1,933
Total Assets	35,903	9,895	6,487	28,975	80,960
Liabilities					
Due to Bank and Financial Institutions	2,473				2,473
Due to Nepal Rastra Bank	678				678
Derivative financial instruments	-				-
Deposits from customers	14,920	7,368	15,806	27,467	65,561
Borrowing	-				-
Debt securities issued	-			401	401
Other liabilities	689				689
Total Liabilities	18,760	7,368	15,806	28,267	69,802

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	8,222
b	Share Premium / Capital Reserve	-
c	Proposed Bonus Shares	-
d	Statutory General Reserve	1,171
e	Retained Earnings	761
f	Un-audited Current Year Cumulative Profit	-
g	Capital Redemption Reserve	240
h	Other Free Reserves	-
i	Less: Deferred Tax Assets	-
j	Less: Intangible Assets	(35)
k	Less: Investment in equity of institutions with financial interests	(437)
Core (Tier-1) Capital		9,922

ii. Tier 2 Capital and a breakdown of its components

Amount in NPR Million		
S.N	PARTICULARS	AMOUNT
a	Subordinated Term Debt	80
b	General Loan Loss Provision	648
c	Exchange Equalization Reserve	30
d	Investment Adjustment Reserve	218
Supplementary (Tier-2) Capital		975

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

iv. Deductions from capital

- The intangible assets pertaining to software costs amounting to NPR 35.07 million have been deducted from the core capital.
- The Bank's investment in Laxmi Capital Market Ltd., Everest Insurance Company Limited and Prime Life Insurance Company limited, being institutions with financial interest, amounting NPR 436.77 million has been deducted from the core capital.

v. Total qualifying capital

S. N.	PARTICULARS	AMOUNT (NPR MILLION)
A	Core Capital	9,922
B	Supplementary Capital	975
	Total Qualifying Capital (Total Capital Fund)	10,897

vi. Capital Adequacy Ratio

Capital Adequacy Ratio of the bank as at 16 July 2018 stood at 12.43%.

vii. Summary of Bank'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 Rs. 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 8% Laxmi Bank Debentures 2076 amounting NPR 400 million. 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

		Amount in NPR Million
S.N.	RISK WEIGHTED EXPOSURE	AMOUNT
a	Risk Weighted Exposure for Credit Risk	81,716
b	Risk Weighted Exposure for Operational Risk	2,845
c	Risk Weighted Exposure for Market Risk	109
	Adjustments under Pillar II	
d	3% of gross income to RWE	2,540
e	2% adjustment on Total RWE	471
	Total Risk Weighted Exposure	87,681

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 Financial Entities	1,310
c	Claims on Banks	1680
d	Claims on Corporate and Securities Firm	36,759
e	Claims on Regulatory Retail Portfolio	5,804
f	Claims secured by Residential Properties	2,531
g	Claims secured by Commercial Real Estate	1,197
h	Past due Claims	1138
i	High Risk Claims	12,674
j	Other Assets	1,846
k	Off balance sheet items	16,773
	Total	81,716

C) TOTAL RISK WEIGHTED EXPOSURE CALCULATION TABLE

AMOUNT IN NPR MILLION

A. BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM	NET VALUE (D) (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Cash Balance	1,619	-	-	1,619	0%	-
Balance With Nepal Rastra Bank	3,449	-	-	3,449	0%	-
Gold	2	-	-	2	0%	-
Investment in Nepalese Government Securities	5,241	-	-	5,241	0%	-
All Claims on Government of Nepal	136	-	-	136	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	45	-	-	45	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 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	2,660	-	-	2,660	20%	532
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	865	-	-	865	20%	173
Claims on foreign bank (ECA Rating 2)	1,229	-	-	1,229	50%	614
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	1,802	-	-	1,802	20%	360
Claims on Domestic Corporates	36,774	-	15	36,759	100%	36,759
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)	7,741	-	2	7,739	75%	5,804
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,437	-	22	3,414	60%	2,048
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	171	46	-	124	100%	124
Claims secured by Commercial real estate	1197	-	-	1197	100%	1197
Past due claims (except for claim secured by residential properties)	1513	754	-	759	150%	1,138
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	9,161	-	711	8,449	150%	12,674
Investments in equity and other capital instruments of institutions listed in the stock exchange	1,301	-	-	1,301	100%	1,301
Investments in equity and other capital instruments of institutions not listed in the stock exchange	5,723	-	-	5,723	150%	8,585
Staff Loan secured by residential property	595	-	-	595	60%	357
Interest receivable/claim on government securities	44	-	-	44	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	4,706	2,859	-	1,846	100%	1,846
TOTAL	83,703	3,659	751	79,291		64,943

AMOUNT IN NPR MILLION

B. OFF BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)			
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	404	-	-	404	0%	-
Forward Exchange Contract Liabilities	3,911	-	-	3,911	10%	3,911
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	7,806	-	1,178	6,627	20%	1,325
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)	5,187	-	3,419	1,768	50%	884
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)	4,857	-	301	4,555	50%	2,277
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	2,082	-	-	2,082	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	2,523	-	73	2,450	100%	2,523
Financial Guarantee	8	-	0.2	7.8	100%	7.8
Acceptances and Endorsements	2,511	-	82	2,429	100%	2,429
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	10,945	-	-	10,945	20%	2,189
Irrevocable Credit commitments (long term)	6,029	-	-	6,029	50%	3,014
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	3,678	-	-	3,678	20%	735
Other Contingent Liabilities	26	-	-	26	100%	26
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL	49,973	-	5,055	44,917		16,673
Total RWE for credit Risk (A) +(B)	133,676	3,659	5,806	124,209		81,716
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)	133,676	3,659	5,806	124,209		81,716

D) 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	71,180	59,032	102,393	77,931
Sub Standard Loans	293,160	219,870	71,927	53,945
Doubtful Loans	161,787	80,863	108,050	53,923
Loss	274,060	-	206,652	-
Total NPAs	800,187	359,765	489,022	185,799

5.3. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

AMOUNT IN NPR MILLION

FINANCIAL ASSETS	NOTES	AS AT 16-JUL-18		AS AT 15-JUL-17		AS AT 16-JUL-16	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets							
Assets carried at Amortized Cost							
Cash and cash equivalent	4.1	6,324	6,324	4,747	4,747	4,060	4,060
Due from Nepal Rastra Bank	4.2	3,454	3,454	4,095	4,095	3,759	3,759
Placement with Bank and Financial Institutions	4.3	-	-	-	-	-	-
Loans and advances to customers	4.7	59,834	59,834	50,595	50,595	38,353	38,353
		69,690	69,690	59,438	59,438	46,173	46,173
Fair Value through Profit and Loss (FVTPL)							
Derivative financial instruments.	4.4	35	35	29	29	27	27
Fair Value through Other Comprehensive Income (FVTOCI)							
Investment securities	4.8	7,411	7,411	7,761	7,761	6,048	6,048
Investment in subsidiaries	4.10	287	287	248	248	170	170
		7,698	7,698	8,009	8,009	6,218	6,218
Liabilities							
Liabilities carried at Amortized Cost							
Due to Bank and Financial Institutions	4.17	2,473	2,473	1,348	1,348	2,466	2,466
Due to Nepal Rastra Bank	4.18	678	678	-	-	-	-
Deposits from customers	4.20	65,561	65,561	58,585	58,585	45,815	45,815
Debt securities issued	4.24	401	401	401	401	401	401
		69,113	69,114	60,334	60,334	48,682	48,682
Fair Value through Profit and Loss (FVTPL)							
Derivative financial instruments	4.19	-	-	-	-	-	-

5.3.1. Fair Value of Financial Assets and Financial Liabilities

AMOUNT IN NPR MILLION

PARTICULARS	FAIR VALUE HIERARCHY (LEVEL)	AS AT		
		16 JULY 2018	15 JULY 2017	16 JULY 2016
Fair Value through profit and loss				
Financial Assets				
Forward exchange Contract		36	29	27
Financial Liabilities				
Forward exchange Contract		-	-	-
Fair Value through Other Comprehensive Income				
Financial assets				
Investment securities at OCI				
- Quoted equity securities	1	1,916	2,267	1,686
- Unquoted equity securities	3	5	5	5
Investment in subsidiaries		287	248	170
Total		2,208	2,520	1,861
Financial Instruments held at amortized cost				
Financial assets				
Debt securities	3			
Government bonds	3	3,336	3,970	3,766
Government treasury bills	3	1,891	989	590
Nepal Rastra Bank bonds	3	-	-	-
Nepal Rastra Bank deposit instruments	3	-	168	-
Loan and advances to B/FIs	3	-	-	-
Loans and advances to customers	3	-	-	-
Other		261	360	-
Accounts receivable		-	-	-
Accrued Income		-	-	-
Total		5,489	5,488	4,356
Financial liabilities				
Due to Bank and Financial Institutions	3	2,472	1,348	2,466
Due to Nepal Rastra Bank	3	678	-	-
Deposits from customers	3	65,562	58,585	45,815
Borrowing		-	-	-
Provisions		-	-	-
Other liabilities		688	741	670
Debt securities issued		401	401	401
Subordinated Liabilities				
Total		69,802	61,076	49,352

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. Province 5, Province 6 and Province 7 have been combined into a single segment as the total business/revenue of each taken separately is less than 10% and also considering their proximity to each other.

5.4.2 Information about profit or loss, assets and liabilities

AMOUNT IN NPR '000

PARTICULARS	PROVINCE 1	PROVINCE 2	PROVINCE 3	PROVINCE 4	OTHERS	TOTAL
Segment Assets	10,577,519	6,853,412	54,386,236	3,972,862	5,170,247	80,960,276
Segment Liabilities	4,451,570	2,000,592	56,614,151	2,622,491	4,113,458	69,802,262
Operating Income	749,085	440,438	1,276,402	231,990	287,640	2,985,555
Operating Expenses	(149,705)	(76,097)	(872,670)	(69,790)	(134,216)	(1,302,478)
Net Operating Income	599,380	364,342	403,733	162,200	153,423	1,683,076
Non Operating Income	(50)	8	(38,063)	0	14	(38,092)
Profit Before Tax	599,329	364,349	365,670	162,200	153,437	1,644,985
Income Taxes	(179,799)	(109,305)	(80,100)	(48,660)	(46,031)	(463,894)
Profit after Tax	419,530	255,044	285,571	113,540	107,406	1,181,091

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, forex 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

AMOUNT IN NPR MILLION

TOTAL REVENUE FOR REPORTABLE SEGMENTS	2,986
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenue	2,986

PROFIT OR LOSS

AMOUNT IN NPR MILLION

TOTAL PROFIT OR LOSS FOR REPORTABLE SEGMENTS	1,181
Other profit or loss	-
Elimination of intersegment profits	-
Profit before income tax	1,181

ASSETS

AMOUNT IN NPR MILLION

TOTAL ASSETS FOR REPORTABLE SEGMENTS	80,960
Other assets	-
Total assets	80,960
Profit before income tax	1,181

LIABILITIES

AMOUNT IN NPR MILLION

TOTAL LIABILITIES FOR REPORTABLE SEGMENTS	69,802
Other assets	-
Total liabilities	69,802
Profit before income tax	1,181

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. Province 5, Province 6 and Province 7 have been combined into a single segment as the total business/revenue of each taken separately is less than 10% and also considering their proximity to each other.

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 and NPR 36,273,807 from LTO relating to tax returns for the FY 2066/67, 2067/68, 2068/69, 2069/70 and 2070/71 respectively. The Bank disputed the demand as not tenable and has applied for appeal to appropriate authorities. The assessment order for FY 2066/67 is currently under review at the Revenue Tribunal while those for FY 2067/68, 2068/69, 2069/70 and 2070/71 are under administrative review by the IRD. The amount of claim is shown as contingent liability on income tax under schedule 4.28. The Bank has paid NPR 8,957,421 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 2073/74 under self-assessment procedures.

Tax returns filed under self assessment for the FY 2071/72, FY 2072/73 and 2073/74 are yet to be assessed by LTO.

5.6.2 Contingent Liability

AMT IN NPR MILLION

PARTICULARS	AS AT	AS AT	AS AT
	16-JUL-18	15-JUL-17	16-JUL-16
Claims on Bank but not Accepted by the Bank			
Letter of Credit (Full Amount)			
a. Letter of Credit With Maturity Less than 6 Months	8,197	7,252	6,655
b. Letter of Credit With Maturity More than 6 Months	5,187	1,035	195
Rediscounted Bills			
Unmatured Guarantees/Bonds			
a. Bid Bonds	1,199	1,088	617
b. Performance Bonds	3,658	2,914	1,964
c. Other Guarantee/Bonds			
Unpaid Shares in Investment			
Forward Exchange Contract Liabilities	3,876	3,043	2,034
Bills under Collection	417	519	414
Acceptances and Endorsements	2,512	1,569	1,228
Underwriting Commitments			
Irrevocable Loan Commitments	16,975	13,058	7,218
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	5,761	5,368	4,708
Advance Payment Guarantees	1,563	1,630	1,043
Financial Guarantees	8	9	10
Contingent Liabilities on Income Tax	66	30	27
Unpaid Guarantee Claims			
Total	49,419	37,514	26,112

5.7. RELATED PARTY DISCLOSURES

The Bank identifies its Board of Directors, Key Management Personnel comprising of the CEO and other executive officials and its Subsidiary 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
Shambhu Prasad Acharya	Director
Dinesh Poudel	Director
Sushil Kumar Aryal	Director
Swati Roongta	Director
Vishwa Karan Jain	Director
Sudesh Khaling, 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	502,000	448,000
Audit Committee Fee	136,000	78,000
Risk Management Committee fee	96,000	60,000
Money Laundering Prevention Committee	52,000	-
Human Resource Committee Fee	16,000	18,000
Special Committee Fee	32,000	-
Other meeting expenses	210,806	238,653

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.

PARTICULARS	THIS YEAR (NPR '000)	PREVIOUS YEAR (NPR '000)
Salary and Allowances		
CEO	12,116	10,534
Other Key Management Personnel	45,053	40,437
Total	57,169	50,971
Other Benefits*		
CEO	3,599	3,204
Other Key Management Personnel	11,968	10,028
Total	15,567	13,232
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 company and its subsidiary companies during the year are presented below

PARTICULARS	AMOUNT IN NPR '000			
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Interest Expense	-	-	12,480	18,706
Interest Income	128,921	61,240	-	-
Sale of Services	-	-	600	300
Purchase of Services	-	-	1,840	1,600
Dividend received	23,100	15,400	19,285	12,350

Details of outstanding balances between the company and its subsidiaries as on 15th July 2017 are presented below

PARTICULARS	AMOUNT IN NPR '000			
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Equity Investment	147,000	147,000	140,000	101,500
Deposit Liabilities	4,043	8,957	93,261	781,753
Loans to Subsidiaries	1,247,673	1,232,856	-	-

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.

During the previous financial year 2073-74 (2016-17), the bank acquired Professional Diyalo Bikas Bank Ltd (PDBBL), a "B" Class licensed financial institution operating in 10 districts during the FY 2016/17 and started joint operations after transfer of all assets and liabilities of PDBBL on 14th January 2017. The existing shareholders of erstwhile PDBBL were issued ordinary equity shares of the bank at the approved share swap ratio of 50%.

The changes in equity of the bank due to the acquisition is summarized below:

AMOUNT IN NPR '000

PARTICULARS	SHARE CAPITAL	GENERAL RESERVE	RETAINED EARNINGS	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	TOTAL
Equity before acquisition	240,350	34,781	45,298	1,474	100	322,003
Transferred to:						
Share Capital	119,801	-	-	-	-	119,801
General Reserve	-	34,781	-	-	-	34,781
Retained Earning	120,175	-	45,298	1,474	-	166,947
Investment Adjustment Reserve	-	-	-	-	100	100
Other Reserves	374	-	-	-	-	374

The details of assets and liabilities acquired from Professional Diyalo Bikas Bank Ltd are as follows:

PARTICULARS	AMOUNT (NPR '000)
Assets Acquired	
Cash and Bank Balances	536,776
Investment	200
Loans and Advances	1,663,938
Fixed Assets	15,138
Other Assets	11,027
Total	2,227,076
Liabilities Acquired	
Deposit Liabilities	1,896,204
Other Liabilities	10,869
Total	1,905,073
Net Assets Acquired	322,003

5.9. DISCLOSURE OF MATERIAL NON-CONTROLLING INTEREST

AMOUNT IN NPR '000

PARTICULARS	YEAR ENDED 32 ASHADH 2075	YEAR ENDED 31 ASHADH 2074
Opening Balance	57,424	120,013
Profit for the year	32,121	26,250
Right Share issued	33,000	-
Premium on Share	4,416	-
Cash Dividend Paid	(6,947)	(10,768)
Closing NCI	120,013	135,496

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	
		32 ASHADH 2075	31 ASHADH 2074	32 ASHADH 2075	31 ASHADH 2074
Laxmi Capital Market Limited	Nepal	-	-	-	-
Laxmi Laghubitta Bittiya Sanstha Ltd	Nepal	30%	30%	120,013	135,496

5.10. ADDITIONAL DISCLOSURES OF NON-CONSOLIDATED ENTITIES

The Bank has two subsidiaries as at 16 July 2018, Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha, which are consolidated for the year ended 16 July 2018. 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.

There are no material events that have occurred subsequent to 16 July 2018 till the signing of this financial statement.

5.12. DISCLOSURE EFFECT OF TRANSITION FROM PREVIOUS GAAP TO NFRS

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

The Bank has prepared the opening Statement of Financial Position as per NFRS as of 1 Shrawan, 2073 (16 July 2016) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

5.12.1 Significant changes from the policies adopted in the past

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards and directives issued by Nepal Rastra Bank) and the adoption of NFRS has been disclosed in the respective segments, including the impact. The detailed impact disclosure is given below.

5.12.2 Reconciliation of equity

AMOUNT IN NPR '000

PARTICULARS	EXPLANATORY NOTE	AS AT 1 SHRAWAN 2073 (DATE OF TRANSITION)	AS AT 31 ASHADH 2074 (END OF LAST PERIOD PRESENTED UNDER PREVIOUS GAAP)
Total Equity under previous GAAP		5,649,469	9,590,485
Adjustments under NFRS		-	-
Impairment on Loan and Advances		-	-
Fair Value and Employee Benefit accounting of Staff Loan		-	-
Lease Accounting		-	-
Measurement of Investment Securities at Fair Value	c	754,440	772,252
Revaluation of Property and Equipment		-	-
Recognition of Investment Property	d	49,084	-
Amortization of Debt Securities Issued		-	-
Deferred Tax		-	(393)
Defined Benefit Obligation of Employees	e	10,016	8,351
Goodwill/ Bargain Purchase Gain		-	-
Interest Income	b	97,558	108,115
Other		-	-
Proposed Cash Dividend		-	39,328
Restatement of Retained Earning under previous GAAP		(29,263)	-
Total Adjustments to Equity		881,835	927,653
Total Equity as per NFRS		6,531,304	10,518,138

5.12.3 Reconciliation of profit or loss

AMOUNT IN NPR '000

PARTICULARS	EXPLANATORY NOTE	FOR THE YEAR ENDED 31 ASHADH 2074 (LATEST PERIOD PRESENTED UNDER PREVIOUS GAAP)
Previous GAAP		1,006,624
Adjustments under NFRS		
Interest Income	b	10,557
Impairment of Loans and Advances		-
Employees Benefit Amortization under Staff Loan		-
Defined Benefit Obligation of Employee		-
Operating lease expense		-
Amortization expense of debt securities		-
Other Operating Income		-
Interest Expense		-
Depreciation and Amortization		-
Other :		-
Deferred Tax Adjustment		(393)
Provision for NBA written back during the year	d	(49,084)
Total Adjustments to Profit or Loss		(38,920)
Profit or Loss under GAAP		967,704
Other Comprehensive Income		16,147
Total Comprehensive Income under NFRS		983,851

5.12.4 Effect of NFRS adoption for the Statement of Financial Position

AMOUNT IN NPR '000

PARTICULARS	NOTE	AS AT 31 ASHADH 2073 (DATE OF TRANSITION)			AS AT 31 ASHADH 2074 (END OF LAST PERIOD PRESENTED UNDER PREVIOUS GAAP)		
		PREVIOUS GAAP	EFFECT OF TRANSITION TO NFRS	OPENING NFRS STATEMENT OF FINANCIAL POSITION	PREVIOUS GAAP	CUMULATIVE EFFECT OF TRANSITION TO NFRS	AMOUNT AS PER NFRS
Assets							
Cash and cash equivalent		4,060,735	-	4,060,735	4,747,586	-	4,747,586
Due from Nepal Rastra Bank		3,759,561	-	3,759,561	4,095,240	-	4,095,240
Placement with Bank and Financial Institutions		-	-	-	-	-	-
Derivative financial instruments		26,820	-	26,820	28,559	-	28,559
Other trading assets		-	-	-	20,320	-	20,320
Loan and advances to B/FIs		1,527,553	-	1,527,553	1,665,074	-	1,665,074
Loans and advances to customers	f	38,468,966	(115,726)	38,353,240	50,794,244	(198,658)	50,595,586
Investment securities	c	5,293,489	754,440	6,047,929	6,988,752	772,252	7,761,004
Current tax assets		-	-	-	51,605	-	51,605
Investment in subsidiaries		170,000	-	170,000	248,500	-	248,500
Investment in associates		-	-	-	-	-	-
Investment property	d	-	49,084	49,084	-	-	-
Property and equipment		1,023,771	-	1,023,771	1,156,151	-	1,156,151
Goodwill and Intangible assets		42,883	-	42,883	42,053	-	42,053
Deferred tax assets		-	-	-	-	-	-
Other assets	f	608,588	213,284	821,872	875,779	306,773	1,182,552
Total Assets		54,982,267	901,082	55,883,449	73,713,861	880,367	71,594,228
Liabilities							
Due to Bank and Financial Institutions		2,465,968	-	2,465,968	1,347,949	-	1,347,949
Due to Nepal Rastra Bank		-	-	-	-	-	-
Derivative financial instruments		-	-	-	-	-	-
Deposits from customers		45,815,026	-	45,815,026	58,585,445	-	58,585,445
Borrowing		-	-	-	-	-	-
Current Tax Liabilities		11,671	-	11,671	-	-	-
Provisions		-	-	-	-	-	-
Deferred tax liabilities		-	347,132	347,132	-	358,955	358,955
Other liabilities		638,921	(327,885)	311,036	788,667	(406,241)	382,426
Debt securities issued		401,311	-	401,311	401,315	-	401,315
Subordinated Liabilities		-	-	-	-	-	-
Total liabilities		49,332,898	19,247	49,352,145	61,123,376	(47,286)	61,076,090
Equity							
Share capital		3,644,983	-	3,644,983	7,472,412	-	7,472,412
Share premium		-	-	-	-	-	-
Retained earnings		1,159,725	(29,263)	1,130,462	873,209	43,838	917,047
Reserves		844,761	911,098	1,755,859	1,244,863	888,718	2,133,581
Total equity		5,649,469	881,835	6,531,304	9,590,485	927,653	10,518,138
Total liabilities and equity		54,982,367	901,082	55,883,449	70,713,861	880,367	71,594,228

5.12.5 Effect of NFRS adoption for statement of profit or loss and other comprehensive income

AMOUNT IN NPR '000

PARTICULARS	NOTE	FOR THE PERIOD ENDED ASHADH 31, 2074 (LATEST PERIOD PRESENTED UNDER PREVIOUS GAAP)		
		PREVIOUS GAAP	EFFECT OF TRANSITION TO NFRS	AMOUNT AS PER NFRS
Interest income	b	4,692,402	65,575	4,757,977
Interest expense		3,028,184	-	3,028,184
Net interest income		1,664,217	65,575	1,729,792
Fee and commission income		488,781	-	488,781
Fee and commission expense		51,597	-	51,597
Net fee and commission income		437,183	-	437,183
Net interest, fee and commission income		2,101,401	65,575	2,166,976
Net trading income		192,776	-	192,776
Other operating income		168,670	-	168,670
Total operating income		2,462,846	65,575	2,528,421
Impairment charge/(reversal) for loans and other losses	d	50,649	49,084	99,733
Net operating income		2,412,197	(16,491)	2,428,688
Operating expense				
Personnel expenses	b	554,872	55,018	609,890
Other operating expenses		349,918	-	349,918
Depreciation & Amortisation		84,401	-	84,401
Operating Profit		1,423,005	(38,527)	1,384,478
Non operating income		7,069	-	7,069
Non operating expense		6,890	-	6,890
Profit before income tax		1,423,184	(38,527)	1,384,657
Income tax expense		416,560	393	416,953
Current Tax		412,051	-	412,051
Deferred Tax		4,509	393	4,902
Profit for the period		1,006,624	(38,920)	967,704

5.12.6 Effect of NFRS adoption for statement of cash flows

AMOUNT IN NPR '000

PARTICULARS	FOR THE PERIOD ENDED ASHADH 31, 2074 (LATEST PERIOD PRESENTED UNDER PREVIOUS GAAP)		
	PREVIOUS GAAP	EFFECT OF TRANSITION TO NFRS	AMOUNT AS PER NFRS
Net cash flow from operating activities	(963,211)	727,767	(235,444)
Net cash used in investing activities	(1,296,785)	(333,645)	(1,630,429)
Net cash from financing activities	2,945,336	(392,611)	2,552,725
Net increase (decrease) in cash and cash equivalents	685,340	1,511	686,851
Cash and cash equivalents at the beginning of the year	5,450,870	(1,390,135)	4,060,735
Cash and cash equivalents at the end of the year	6,136,210	(1,388,624)	4,747,586

There is no any cash inflow due to NFRS. However due to reclassification major adjustments are observed mainly due to reclassification of Balance of BFIs from cash and cash equivalent to operating activities. Further investment was bifurcated into long term investment and short-term investment which has now been classified into investing activities.

EXPLANATORY NOTES TO FIRST TIME ADOPTION

- a) Under previous GAAP, cash dividends on equity shares recommended by the board of directors after the end of the reporting period but before the financial statements were approved for issue were recognized in the financial statements as a liability. Under NFRS, such cash dividends are recognized when declared by the members in a general meeting. The effect of this change is an increase in total equity, but this does not affect profit before tax and total profit for the respective years.
- b) Under previous GAAP, Interest income on Loans and Advances was recognized on cash basis as per Directive 4 of Nepal Rastra Bank (NRB). Under NFRS, Interest income is recognized on accrual basis using Effective Interest Rate (EIR) Method and interest on staff loan has been amortized at fair value.

AMOUNT IN NPR '000

PARTICULARS	31 ASHADH 2073	31 ASHADH 2074
Interest Suspense required by NFRS	-	-
Interest Suspense recognized by previous GAAP reversed	97,558	108,115
Net Increase in Equity	97,558	108,115
Net Movement in Profit & Loss during the year		10,557
Amortisation of Staff Loan Interest		55,018
Net Impact on Loans and Advances		65,575

- c) Under previous GAAP, investments were measured at cost less diminution in value. Under NFRS, these financial assets have been classified as financial assets carried at Fair Value through Other Comprehensive Income (FVTOCI). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. These changes do not affect profit before tax or total profit for the year ended 15 July 2017 and 16 July 2016 because the changes in fair value have been recognized under Other Comprehensive Income (OCI).

AMOUNT IN NPR '000

PARTICULARS	31 ASHADH 2073	31 ASHADH 2074
Increase/ (Decrease) in Carrying Amount due to fair value adjustment	1,077,771	1,103,217
Deferred Tax Impact	(323,331)	(330,965)
Writeback of loss provision created under GAAP	-	-
Net Increase in Equity	754,440	772,252
Net Movement in OCI		17,812

- d) Under previous GAAP, Non Banking Assets (NBA) were recognized as per Directives of Nepal Rastra Bank and 100% provision were made. Under NFRS, these NBA have been classified as Non Current Assets held for sale and measured at lower of their carrying amount and fair value less cost to sell. On the date of transition to NFRS, provision as per the Directives of NRB had been reversed, resulting in an increase in the carrying amount as explained in the table below

AMOUNT IN NPR '000

PARTICULARS	31 ASHADH 2073	31 ASHADH 2074
Increase in carrying amount due to reversal of provision for NBA	-	(49,084)
Net increase in Equity		(49,084)
Net movement in Profit and Loss		(49,084)

e) Under NFRS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability /asset which is recognized in Other Comprehensive income (OCI). Consequently, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS instead of profit or loss.

There is re-measurement of Gratuity and leave Liability as per the actuarial valuation report

PARTICULARS	AMOUNT IN NPR '000	
	31 ASHADH 2073	31 ASHADH 2074
(Increase)/Decrease in Gratuity Liability due to Actuarial Valuation	(26,749)	(44,550)
Liability as per Local GAAP	26,749	44,550
Actuarial Liability as per NFRS (A)	-	-
Actuarial Gain/ (loss) on Gratuity	14,308	(2,379)
Deferred Tax Impact on Actuarial Gain/(loss)	(4,293)	714
Net Increment in total Equity	10,016	8,351
Net Movement in OCI during the year	10,016	8,351
Net Movement in PnL during the year	-	-

f) Under NFRS, accrued interest on loans and advances to customer has been shown along with loans and advances to customer which is carried at amortised cost. Similarly, the prepayment component on fair value of staff loan has reduced the staff loan amount. Such prepayment has been shown under other assets.

PARTICULARS	AMOUNT IN NPR '000	
	31 ASHADH 2073	31 ASHADH 2074
Total Loans and Advances as per Local GAAP	38,468,966	50,794,244
Adjustments:		
Accrued Interest on Loans and Advances	97,558	108,115
Prepayment component on fair value of staff loan	(213,284)	(306,773)
Total Adjustments	(115,726)	(198,658)
Net Loans and Advances under NFRS	38,353,240	50,595,586

5.13. NON-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.

BORROWER NAME	DATE OF ASSUMING NBA	AMOUNT IN NPR '000		
		32 ASHADH 2075	31 ASHADH 2074	31 ASHADH 2073
Balchandra/ Biva Poudel	2074-04-29	2,920	-	-
Kalpana Sitaula	2074-12-15	8,238	-	-
Shanker Nath Upreti	2074-12-19	7,290	-	-
Shyam Sundar Chyau Kheti Udhyog	2075-03-06	3,349	-	-
Rewati Raman/ Dirgha Kumari	2075-03-12	3,034	-	-
Pathivara Saw Mill	2075-03-19	6,618	-	-
Jyoti Jewellery	2075-03-19	6,040	-	-
Temple Art Exposition	2071-03-05	-	-	49,084
Total		37,489	-	49,084

5.14. INTEREST INCOME

Entire interest receivable on loans and advances as of year end has been transferred to regulatory reserve as per NRB Directives. However, interest accrued as of 32 Ashad 2075 and collected after year end up to 15 Shrawan 2075 amounting to NPR 25,010,142 has been deducted from the amount transferred to regulatory reserve during the FY 2017-18 as per NRB Directives

5.15. 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 16-JUL-18	YEAR ENDED 15-JUL-17
Profit attributable to equity shareholders (a)	NPR '000	1,181,091	967,704
Weighted average of number of equity shares used in computing basic earnings per share (b)		82,216,670	44,447,576
Basic and diluted earnings per equity share of Rs 100 each (a/b)	NPR	14.37	21.77

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.

5.16. PROPOSED DISTRIBUTIONS (DIVIDENDS AND BONUS SHARES)

The Board of directors in its meeting dated January 9, 2019 has passed a resolution recommending for distribution of bonus shares (stock dividend) at 8.50% and cash dividend equivalent to tax on stock dividend at 0.45% of paid up capital as at July 16, 2018. The Bank's paid up equity capital shall increase by NPR 698,841,691 upon approval of the resolution from Annual General Meeting.

5.17. UNPAID DIVIDENDS

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

PARTICULARS	AS AT 16 JULY 2018	AS AT 15 JULY 2017	AMOUNT IN NPR '000	
			YEAR ENDED 15-JUL-17	
Not collected for more than 5 years	-	3,909	2,420	
Not collected up to 5 years	-	3,051	5,627	
Total	-	6,960	8,047	

5.18. NON-PERFORMING ASSETS

The Bank's non-performing assets ratio stood at 1.29% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 800,187,208 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 440,421,761 which is 55.04% of NPA. Also, the total loan loss provision to NPA is 136.06%.

LOAN CATEGORY	THIS YEAR	PY	CHANGE	
			AMOUNT	%
Performing Loan	61,196,753	52,248,554	8,948,199	17.13%
Pass Loans	60,243,781	51,623,123	8,620,658	16.70%
Watchlist Loans	952,973	625,431	327,541	52.37%
Non-performing Loans	800,187	489,023	311,164	63.63%
Restructured/ Rescheduled Loans	71,180	102,394	(31,214)	-30.48%
Substandard Loans	293,160	71,927	221,233	307.58%
Doubtful Loans	161,787	108,050	53,737	49.73%
Loss Loans	274,060	206,652	67,408	32.62%
Gross Loans and Advances	61,996,941	52,737,578	9,259,363	17.56%

5.19. LOANS WRITTEN OFF

The Bank has written off loans amounting total NPR 43,807,383 during the year FY 2018-19. 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:

BORROWER	AMOUNT (NPR)
Temple Art Exposition	12,711,456
Utsav /Prakriti Karmacharya	60,823
MSK Automobiles	31,035,104
Total	43,807,383

5.20. 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	60,983	51,429	67,735	59,320	44,349	37,514
Highest Exposure of a Single Unit	1,740	1,692	2,079	1,666	2,699	2,399
Concentration of exposure	2.85%	3.29%	3.06%	2.81%	6.08%	6.39

* 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.

5.21. PRINCIPAL FINANCIAL INDICATORS

PARTICULARS	INDICATORS	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2070/2071*	2071/2072*	2072/2073*	2073/2074	2074/2075
1. Percentage of Net Profit/Gross Income	%	38.26%	28.76%	36.62%	38.27%	35.79%
2. Earnings Per Share	NPR	26.07	19.42	27.15	21.77	14.37
3. Market Value per Share	NPR	588.00	400.00	876.00	390.00	258.00
4. Price Earning Ratio	Ratio	22.55	20.60	32.26	17.91	17.96
5. Dividend on share capital (Bonus share + Cash dividend)	%	21.05%	0.00%	38.00%	10.00%	8.50%
6. Cash Dividend on share capital	%	1.05%	0.00%	0.00%	0.53%	0.45%
7. Interest Income/Loans & Advances and Investments	%	9.34%	7.83%	7.16%	8.98%	10.95%
8. Employee Expenses/Total Operating Expenses	%	47.46%	45.84%	47.33%	44.78%	45.21%
9. Interest Expenses on Total Deposits and Borrowings	%	6.08%	4.83%	4.25%	5.56%	7.31%
10. Exchange Fluctuation Gain/Total Income	%	9.68%	8.32%	7.85%	7.63%	8.68%
11. Staff Bonus/ Total Staff Expenses	%	21.93%	17.75%	23.28%	30.44%	31.04%
12. Net Profit/Loans & Advances	%	2.20%	1.52%	1.88%	2.10%	2.08%
13. Net Profit/ Total Assets	%	1.47%	1.04%	1.35%	1.52%	1.55%
14. Total Credit/Deposit	%	75.50%	78.91%	83.81%	89.20%	93.79%
15. Total Operating Expenses/Total Assets	%	1.56%	1.48%	1.38%	1.64%	1.71%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	9.62%	9.17%	9.79%	12.43%	11.32%
b. Supplementary Capital	%	2.29%	1.65%	1.36%	1.15%	1.11%
c. Total Capital Fund	%	11.91%	10.81%	11.15%	13.58%	12.43%
17. Liquidity (CRR)	%	18.28%	12.59%	7.17%	7.32%	6.57%
18. Non Performing Loans/Total Loans	%	1.15%	1.30%	0.80%	0.93%	1.29%
19. Weighted Average Interest Rate Spread	%	3.26%	3.00%	2.91%	2.49%	3.64%
20. Base Rate	%		7.90%	6.77%	10.33%	11.48%
21. LCY Interest Spread (Calculated as per NRB Directive)	%		4.08%	3.84%	3.39%	4.13%
22. Net Worth Per Share	NPR	162.96	177.36	185.88	140.76	135.71
23. Total Employees	Number	410	466	531	693	750

5.22. SHAREHOLDERS HOLDING MORE THAN 0.5% SHARES

SN	NAME OF SHAREHOLDER	NO OF SHARES	%
1	Laxmi Corp Nepal Pvt. Ltd.	11,725,003.90	14.26%
2	Sarika Khetan	8,128,763.20	9.89%
3	Citizen Investment Trust	7,134,029.95	8.68%
4	Sneha Khetan	4,606,193.60	5.60%
5	Rajendra Kumar Khetan	4,203,381.33	5.11%
6	Ratan Lal Sanghai	4,196,660.11	5.10%
7	Himalayan Exim Private Ltd	3,757,073.15	4.57%
8	Gopi Krishna Sikaria	3,712,572.96	4.52%
9	MTC Investment Pvt. Ltd.	2,444,527.42	2.97%
10	Puja Agrawal Khetan	1,641,962.76	2.00%
11	Om Prakash Sikaria	1,171,721.55	1.43%
12	Rastriya Beema Sansathan(Jiwan Beema)	1,120,132.93	1.36%
13	Anjali Sarawogi	1,119,679.18	1.36%
14	Prime Holding Pvt.Ltd.	762,568.43	0.93%
15	Sunil Kumar Bansal	554,911.41	0.67%
16	Deepak Kumar Malhotra	543,200.57	0.66%
17	Ravi kumar Gupta	456,297.70	0.55%

5.23. RESERVES

5.23.1. General Reserve

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

	AMOUNT IN NPR '000
Opening Balance	935,013
Transfer as per BAFIA	236,218
Closing balance	1,171,231

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 236,218,185 (Previous Year NPR 201,324,834) has been transferred to General Reserve.

5.23.2. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act 2006, Bank is required to transfer 25% of revaluation gain to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account. Since the bank incurred net revaluation loss during the year, no further appropriation has been done to the Reserve.

5.23.3. Debenture Redemption Reserve

As per the Clause 5 of NRB directive 6, licensed institutions are required to maintain a capital redemption reserve in respect of debenture liability.

As the Bank has debenture outstanding of NPR 400 million namely "8% Laxmi Bank Debentures, 2076" having maturity period of seven years.

	AMOUNT IN NPR '000
Opening Balance	160,000
Add: Transfer during the period	80,000
Closing Balance	240,000

5.23.4. Investment Adjustment Reserve

Investment Adjustment Reserve as at 32 Ashadh 2075 (16 July 2018) stands at NPR 217,640,384 containing NPR 100,000 towards investment in unlisted shares of Prabhu Capital Limited and NPR 217,540,384 against difference between cost and market price of investment available for sale in case of the investment whose market value is less than cost. AFS investments are marked to market on a regular basis and the difference is adjusted through reserves. During the year, NPR 112,301,590 is transferred from Retained Earning to Investment Adjustment Reserve.

5.23.5. 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.

	AMOUNT IN NPR '000
Opening Balance	10,066
Transfer to Reserve	11,810
Expense during the year	9,447
Closing balance	12,429

5.23.6. 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. During the year ended 32 Ashadh 2075, the bank has incurred NPR 14,754,364 towards training and development of its employees which is more than 3% of total personnel expenses for FY 2073-74. Hence, no transfer is required to Employees Training Fund for the year.



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