



Laxmi Bank

2019/20
Annual Report

Board of Directors



Mr. Raman Nepal
CHAIRMAN



Mr. Dinesh Poudel
DIRECTOR, REPRESENTING
PROMOTER GROUP



Dr. Manish Thapa
DIRECTOR, REPRESENTING
PROMOTER GROUP



Ms. Swati Roongta
DIRECTOR, REPRESENTING
GENERAL PUBLIC



Mr. Vishwa Karan Jain
DIRECTOR, REPRESENTING
GENERAL PUBLIC



Ms. Bidya Basnyat
INDEPENDENT DIRECTOR

Executive Committee Members



Front: From Left to Right

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

Back: From Left to Right

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

Heads of Departments



Amit Sharma
HEAD - HUMAN RESOURCES



Anup Shrestha
HEAD - RETAIL ASSETS



Chandnee Jha
HEAD - TRADE AND
INTERNATIONAL BUSINESS



Kaemy Gorkhali
HEAD-DEVELOPMENT ORGANIZATIONS
& PAYROLL SERVICE



Manohar Raj Uprety
HEAD - INTERNAL AUDIT



Pooja Shah
HEAD - PRIVATE BANKING
AND RETAIL BRANCHES



Rabin Shrestha
HEAD - MID MARKET



Rajit Paudel
HEAD - RECOVERY AND COLLECTION



Sanjiv Shrestha
HEAD - CENTRAL OPERATION



Shishu Joshi
HEAD - BUSINESS
DEVELOPMENT AND RETAIL
BRANCHES



Sugat Manandhar
HEAD - CREDIT, CORPORATE



Umesh Raj Newa
HEAD - CREDIT-RETAIL
FINANCIAL SERVICES

J . B . Rajbhandary & DiBins

CHARTERED ACCOUNTANTS

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Laxmi Bank Limited (LBL) and its subsidiaries (collectively referred to as the "Group"), which comprise of the Consolidated Statement of Financial Position as at 31st Ashad 2077 (15th July 2020) and the Consolidated Statement of Profit or Loss (including Statement of Other Comprehensive Income), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as at 31st Ashad 2077 (15th July 2020), its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis for Opinion

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

Emphasis of Matter

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

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

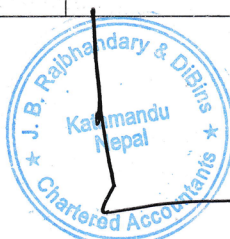
Key Audit Matters

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

S.N.	Description of Key Audit Matters	How the matter was addressed in our audit
1.	Interest Income Recognition Interest income of the bank is recognized on accrual basis subject to the Interest Income Recognition Guidelines 2019 issued by NRB. The guidelines requires suspension of interest income recognition on accrual basis for loans and advances which are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest and for	Our audit approach included: 1. Obtaining clear understanding of the process of accrual calculations of interest income on loans and advances in the Core Banking Software (CBS) of the bank. 2. For net realizable value of collateral on the sample loan files, we relied on the latest available engineer's valuation of the



	<p>loans and advances where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral; In absence of system capability to suspend recognition of income on the basis of overdue status of loans and net realizable value of collateral, manual calculations is required to suspend interest income recognition. This creates risk of improper application of the guidelines and determination of the Net Realizable Value of the collateral. This may, in turn, have effect on recognition of interest income of the bank. Thus, we have considered it as a key audit matter.</p>	<p>collateral.</p> <p>3. Test check of the interest income accrued in the CBS and booked in the financial statements in line with the Guidelines issued by NRB.</p> <p>Our Results: We considered the interest income recognition to be acceptable.</p>
2.	<p>Valuation of investments at amortized cost and measured at fair value</p> <p>Investment of the bank comprises of investment in government bonds, T- bills, development bonds and investment in quoted and unquoted equity instruments.</p> <p>Valuation of the aforesaid securities has been done in accordance with NAS 39 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills is recognized at Amortized cost whereas investments in equity instruments, other than those held for trading, is valued at Fair Value through Other Comprehensive Income on the reporting date.</p> <p>The classification of the investments is based on business model adopted by the management, nature of cash flows, complexity of calculations and significance of amount involved in such investments. Thus, we have considered it as a Key Audit Matter in our audit.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> 1. Review of investments of the bank and its valuation in accordance with related NFRS and NRB Directives. 2. Assessment of the business model adopted by the management and the nature of expected cash flow of the investments on the basis of available evidences/circumstances and ensured that classification of investment commensurate with nature of cash flows and management intention of holding the investments. 3. For the valuation of investments at amortized cost, we reviewed the Accrued Interest yet to be collected. 4. For investments valued through OCI, we reviewed the fair value considering the closing price in NEPSE as on the reporting date. <p>Our Results: We considered the valuation of investments at amortized cost and measured at fair value to be acceptable.</p>
3.	<p>Impairment of Loans and Advances</p> <p>Bank measures impairment allowance on loans and advances at the higher of:</p> <ul style="list-style-type: none"> • Amount derived as per the provisions set forth in the Unified Directives issued by Nepal Rastra Bank along with circulars issued for loan loss provisioning; and • Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model. 	<p>Our audit approach included:</p> <ol style="list-style-type: none"> 1. Review of the overdue status of loans and advances based on data extracted from the system and reports submitted to NRB. 2. Sample credit files were reviewed in regards to utilization of loans and advances for intended purpose by way of scrutiny of financial statements, accounts movement, account turnover and so on.



	<p>NRB Directives set provision on loans and advances at prescribed rates based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts and so on.</p> <p><i>As per NAS 39, impairment allowance is made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for groups of loans that are not considered individually significant.</i></p> <p>Hence impairment of loans and advances under incurred loss model requires assessment of future cash flows as well as historical loss experiences of portfolios whereas impairment of loans and advances under NRB norms require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as a key audit matter.</p>	<p><i>3. Grouping of homogeneous groups of loans were reviewed on the basis of nature and purpose of loans and data of historical loss experience in portfolios were assessed on the basis of loan loss provisions of the defined group in the past.</i></p> <p>Our Results: We considered the impairment of loans and advances to be acceptable.</p>
4.	<p>Information Technology Controls</p> <p>IT controls include recording of transactions, generating reports in compliance with NRB directives and guidelines and other applicable regulations. Hence, the bank's financial and reporting processes are highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as a key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in incorrect reporting to the management, shareholders, regulators and stakeholders.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> 1. Understanding the CBS and other allied systems used by the bank for accounting and reporting purposes. 2. Understanding the process of feeding data in the system and conducting a walkthrough of the extraction of the financial information and statements from the IT systems existing in the bank. 3. Checking of the user requirements for any changes in the regulations/ policy of the bank. 4. Reviewing the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS. 5. We have reviewed the IS audit report provided by an independent IS Auditor. <p>Our Results: We considered the controls in the information technology to be acceptable.</p>



Other Matters

As explained in Note 2, the financial statements of the subsidiary company – Laxmi Laghubitta Bittiya Sanstha (LLBS) considered in the consolidated financial statements are certified by the Management, and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of the subsidiary is based solely on such management certified financial statements.

Our opinion on the consolidated financial statements is not modified in respect of the above matters with respect to the management certified financial statements.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

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

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

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

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

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

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

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

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



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

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

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

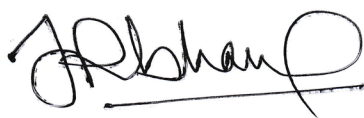
Report on Other Legal and Regulatory Requirements

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

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



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



CA Jitendra B. Rajbhandary
Senior Partner



Place: Kathmandu

Date: 29th Mangsir 2077 (14th December 2020)

UDIN: 201215CA00014m86GW

Consolidated Statement of Financial Position

As on 31 Ashadh 2077 (15 July 2020)

Amount in NPR

		GROUP		BANK	
PARTICULARS	NOTE	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Assets					
Cash and cash equivalent	4.1	9,564,439,879	10,509,370,164	9,423,975,107	10,425,001,270
Due from Nepal Rastra Bank	4.2	9,463,991,975	4,821,330,591	9,443,373,975	4,805,692,591
Placement with Bank and Financial Institutions	4.3	281,584,647	47,300,000	-	-
Derivative financial instruments	4.4	6,224,513,904	5,122,319,778	6,224,513,904	5,122,319,778
Other trading assets	4.5	16,120,000	67,520,000	16,120,000	16,120,000
Loan and advances to B/FIs	4.6	490,169,988	730,815,838	1,590,267,541	1,935,601,100
Loans and advances to customers	4.7	92,835,959,655	78,178,794,526	88,452,549,821	74,615,899,677
Investment securities	4.8	10,613,449,961	7,091,364,595	10,425,626,140	7,025,464,950
Current tax assets	4.9	134,162,008	14,455,585	114,154,504	14,203,142
Investment in susidiaries	4.10	-	-	417,000,000	417,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	108,976,899	37,329,666	108,976,899	37,329,666
Property and equipment	4.13	1,455,792,623	1,396,668,050	1,391,833,688	1,345,863,066
Goodwill and Intangible assets	4.14	92,104,461	56,351,439	90,186,774	54,657,319
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	1,227,476,168	1,224,123,747	1,199,995,504	1,129,168,954
Total Assets		132,508,742,167	109,297,743,979	128,898,573,855	106,995,721,513
Liabilities					
Due to Bank and Financial Instituions	4.17	4,350,049,908	7,258,067,137	2,979,386,290	6,554,761,146
Due to Nepal Rastra Bank	4.18	500,460,639	1,229,861,829	500,460,639	1,229,861,829
Derivative financial instruments	4.19	6,181,977,248	5,046,111,546	6,181,977,248	5,046,111,546
Deposits from customers	4.20	99,625,266,512	81,374,377,362	98,370,756,811	80,324,633,243
Borrowing	4.21	3,634,800,001	-	3,634,800,001	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	233,856,845	97,415,525	235,547,823	98,909,498
Other liabilities	4.23	1,586,168,935	853,959,910	1,012,385,968	690,006,801
Debt securities issued	4.24	2,008,196,721	401,402,740	2,008,196,721	401,402,740
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		118,120,776,809	96,261,196,048	114,923,511,501	94,345,686,804

		GROUP		BANK	
PARTICULARS	NOTE	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Equity					
Share capital	4.26	9,812,559,506	8,920,508,642	9,812,559,506	8,920,508,642
Share premium		-	-	-	-
Retained earnings		1,487,894,864	1,625,682,214	1,310,243,616	1,453,367,510
Reserves	4.27	2,927,966,763	2,342,269,781	2,852,259,232	2,276,158,556
Total equity attributable to equity holders		14,228,421,134	12,888,460,637	13,975,062,354	12,650,034,708
Non-controlling interest		159,544,225	148,087,294	-	-
Total equity		14,387,965,359	13,036,547,931	13,975,062,354	12,650,034,708
Total liabilities and equity		132,508,742,167	109,297,743,979	128,898,573,855	106,995,721,513
Contingent liabilities and commitment	4.28	60,801,572,890	54,814,769,491	60,800,632,366	54,814,769,491
Net assets value per share		145.00	144.48	142.42	141.81

PIYUSH RAJ ARYAL
CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

RAMAN NEPAL
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DATE: DECEMBER 14, 2020
PLACE - KATHMANDU

DIRECTORS
DINESH POUDYAL
SWATI ROONGTA
VISHWA KARAN JAIN
BIDYA BASNYAT

CA JITENDRA B. RAJBHANDARY
SENIOR PARTNER
FOR J.B.RAJBHANDARY & DIBINS
CHARTERED ACCOUNTANTS

Consolidated Statement of Profit or Loss

For the year ended 31 Ashadh 2077 (15 July 2020)

Amount in NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	10,771,858,803	9,401,633,070	10,182,241,701	8,942,671,047
Interest expense	4.30	6,933,775,664	5,915,939,221	6,720,074,895	5,772,996,490
Net interest income		3,838,083,139	3,485,693,848	3,462,166,806	3,169,674,557
Fee and commission income	4.31	927,121,009	873,756,884	809,230,324	740,714,152
Fee and commission expense	4.32	101,152,181	76,212,024	101,132,961	78,425,153
Net fee and commission income		825,968,828	797,544,860	708,097,363	662,288,998
Net interest, fee and commission income		4,664,051,967	4,283,238,708	4,170,264,169	3,831,963,555
Net trading income	4.33	332,897,263	360,976,588	332,897,263	360,976,588
Other operating income	4.34	56,877,702	132,270,754	103,178,107	112,881,554
Total operating income		5,053,826,933	4,776,486,050	4,606,339,540	4,305,821,697
Impairment charge/(reversal) for loans and other losses	4.35	578,312,720	153,095,482	475,241,852	127,515,035
Net operating income		4,475,514,212	4,623,390,568	4,131,097,688	4,178,306,662
Operating expense					
Personnel expenses	4.36	1,437,964,796	1,323,374,107	1,232,792,436	1,133,814,344
Other operating expenses	4.37	754,054,229	666,061,270	706,640,902	618,332,975
Depreciation & Amortisation	4.38	177,116,402	142,681,507	166,909,683	133,824,652
Operating Profit		2,106,378,785	2,491,273,683	2,024,754,667	2,292,334,691
Non operating income	4.39	16,534,824	11,603,665	15,628,975	10,623,754
Non operating expense	4.40	47,943,060	61,814,345	47,943,060	61,814,345
Profit before income tax		2,074,970,549	2,441,063,003	1,992,440,582	2,241,144,100
Income tax expense	4.41	620,802,503	710,133,268	580,891,202	651,069,825
Current Tax		638,434,197	718,071,116	598,325,891	657,104,500
Deferred Tax		(17,631,694)	(7,937,848)	(17,434,689)	(6,034,675)
Profit for the period		1,454,168,046	1,730,929,735	1,411,549,380	1,590,074,275
Profit attributable to:					
Equity holders of the Bank		1,432,885,550	1,698,053,074	1,411,549,380	1,590,074,275
Non-controlling interest		21,282,496	32,876,661	-	-
Profit for the period		1,454,168,046	1,730,929,735	1,411,549,380	1,590,074,275
Earnings per share					
Basic earnings per share		14.82	19.40	14.39	17.82
Diluted earnings per share		14.82	19.40	14.39	17.82

PIYUSH RAJ ARYAL
CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

RAMAN NEPAL
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DATE: DECEMBER 14, 2020
PLACE - KATHMANDU

DIRECTORS
DINESH POUDYAL
SWATI ROONGTA
VISHWA KARAN JAIN
BIDYA BASNYAT

CA JITENDRA B. RAJBHANDARY
SENIOR PARTNER
FOR J.B.RAJBHANDARY & DIBINS
CHARTERED ACCOUNTANTS

Consolidated Statement of Other Comprehensive Income

For the year ended 31 Ashadh 2077 (15 July 2020)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,454,168,046	1,730,929,735	1,411,549,380	1,590,074,275
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		511,111,560	(81,149,215)	511,111,560	(81,149,215)
Gains/ (losses) on revaluation					
Actuarial gains/ (losses) on defined benefit plans		2,465,150	(540,620)	2,465,150	(5,406,207)
Income Tax relating to above items		(154,073,013)	25,966,627	(154,073,013)	25,966,627
Net other comprehensive income that will not be reclassified to profit or loss		359,503,697	(60,588,795)	359,503,697	(60,588,795)
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		359,503,697	(60,588,795)	359,503,697	(60,588,795)
Total comprehensive income for the period		1,813,671,743	1,670,340,940	1,771,053,077	1,529,485,479
Total comprehensive income attributable to:					
Equity holders of the Bank		1,792,389,247	1,637,464,278	1,771,053,077	1,529,485,479
Non-controlling interest		21,282,496	32,876,661	-	-
Total comprehensive income for the period		1,813,671,743	1,670,340,940	1,771,053,077	1,529,485,479

PIYUSH RAJ ARYAL
CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

RAMAN NEPAL
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DATE: DECEMBER 14, 2020
PLACE - KATHMANDU

DIRECTORS
DINESH POUDYAL
SWATI ROONGTA
VISHWA KARAN JAIN
BIDYA BASNYAT

CA JITENDRA B. RAJBHANDARY
SENIOR PARTNER
FOR J.B.RAJBHANDARY & DIBINS
CHARTERED ACCOUNTANTS

Consolidated Statement of changes in equity

For the year ended 31. Ashadh 2077

AMOUNT IN NPR

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		
Balance at Shrawan 1, 2075	8,221,666,951	-	1,209,869,490	29,551,715	185,090,113	325,433,697	-	919,659,963	474,424,226	135,495,527	11,501,191,681
Adjustment/Restatement	(1,154,907,096)	-	-	-	-	-	-	(587,236)	(587,236)	-	(587,236)
Adjusted/Restated balance at Shrawan 1, 2075	8,221,666,951	-	1,209,869,490	29,551,715	185,090,113	325,433,697	-	919,072,727	474,424,226	135,495,527	11,500,604,445
Comprehensive income for the year										-	
Profit for the year								1,698,053,074	1,698,053,074	32,876,661	1,730,929,735
Other comprehensive income, net of tax											
Remeasurements of defined benefit liability (assets)								-	(3,784,345)		(3,784,345)
Fair value reserve (Investment in equity instrument):											
Net change in fair value						(56,804,450)		-	(56,804,450)		(56,804,450)
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	-	-	-	-	-	56,804,450	-	1,698,053,074	(3,784,345)	32,876,661	1,670,340,940
Transfer to reserve during the year			333,357,297	309,757	(25,528,456)	-	-	(408,784,012)	97,892,943	-	(2,752,471)
Transfer from reserve during the year		-			-			227,542,206	(227,542,206)	(1,179,631)	1,179,631
Transactions with owners, directly recognised in equity											
Right share issued											
Share based payments											
Acquisition of Professional Diyalo Bikas Bank Ltd											
Dividends to equity holders	-							(698,841,691)	-		-
Bonus shares issued	698,841,691							(111,360,089)		(19,105,263)	(130,465,353)
Cash dividend paid											
Total contributions by and distributions	698,841,691	-	333,357,297	309,757	(25,528,456)	(56,804,450)	-	706,609,487	(133,433,608)	12,591,767	1,535,943,485
Balance at Ashadh end 2076	8,920,508,642	-	1,543,226,787	29,861,471	159,561,657	268,629,247	-	1,625,682,214	340,990,618	148,087,294	13,036,547,930

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, 2076	8,920,508,642	-	1,543,226,787	29,861,471	159,561,657	268,629,247	-	1,625,682,214	340,990,618	12,888,460,636	148,087,294	13,036,547,930
Adjustment/Restatement												
Adjusted/Restated balance at Shrawan 1, 2076	8,920,508,642	-	1,543,226,787	29,861,471	159,561,657	268,629,247	-	1,625,682,214	340,990,618	12,888,460,636	148,087,294	13,036,547,930
Comprehensive income for the year												
Profit for the year								1,432,885,550		1,432,885,550	21,282,496	1,454,168,046
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)								-	1,725,605	1,725,605		1,725,605
Fair value reserve (Investment in equity instrument):												
Net change in fair value						357,778,092		-		357,778,092		357,778,092
Net amount transferred to profit or loss												
Net gain (loss) on revaluation												
Cash flow hedges:												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year	-	-	-	-	-	357,778,092	-	1,432,885,550	1,725,605	1,792,389,247	21,282,496	1,813,671,743
Transfer to reserve during the year			294,393,678	1,880,478	259,843,051	-	-	(571,502,575)	15,385,369	-	-	-
Transfer from reserve during the year		(10,304,224)			-			341,551,920	(345,309,289)	(3,757,370)	(1,610,301)	(5,367,671)
Transactions with owners, directly recognised in equity												
Right share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued	892,050,864							892,050,864	-	-		-
Cash dividend paid								(448,671,379)		(448,671,379)	(8,215,263)	(456,886,643)
Total contributions by and distributions	892,050,864	-	294,393,678	1,880,478	259,843,051	357,778,092	-	(137,787,350)	(328,198,316)	1,339,960,497	11,456,931	1,351,417,429
Balance at Ashadh end 2077	9,812,559,506	-	1,837,620,465	31,741,949	419,404,708	626,407,339	-	1,487,894,864	12,792,302	14,728,421,134	159,544,225	14,387,965,359

Consolidated Statement of changes in equity

For the year ended 31 Ashadh 2077

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 2075	8,221,666,951		1,171,231,720	29,551,715	185,090,113	325,433,697	-	760,753,699	464,285,414	11,158,013,309
Adjustment/Restatement					-			(682,939)		(682,939)
Adjusted/Restated balance at 1 Shrawan 2075	8,221,666,951	-	1,171,231,720	29,551,715	185,090,113	325,433,697	-	760,070,760	464,285,414	11,157,330,370
Comprehensive income for the year										
Profit for the year								1,590,074,275	-	1,590,074,275
Other comprehensive income, net of tax										
Remeasurements of defined benefit liability (assets)									3,784,345)	(3,784,345)
Fair value reserve (Investment in equity instrument):										
Net change in fair value						(56,804,450)				(56,804,450)
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	-	-	-	-	-	(56,804,450)	-	1,590,074,275	(3,784,345)	1,529,485,479
Transfer to reserve during the year			318,014,855	309,757	(25,528,456)			(388,696,899)	95,900,743	-
Transfer from reserve during the year								227,542,206	(227,542,206)	-
Transactions with owners, directly recognised in equity										
Share based payments										-
Dividends to equity holders										-
Bonus shares issued	698,841,691							(698,841,691)	-	-
Cash dividend paid								(36,781,142)	-	-
Total contributions by and distributions	698,841,691	-	318,014,855	309,757	(25,528,456)	(56,804,450)	-	693,296,749	(135,425,808)	1,492,704,338
Balance at Ashadh end 2076	8,920,508,642	-	1,489,246,575	29,861,471	159,561,657	268,629,247	-	1,453,367,509	328,859,606	12,650,034,708

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 2076	8,920,508,642	-	1,489,246,575	29,861,471	159,561,657	268,629,247	-	1,453,367,509	328,859,606	12,650,034,708
Adjustment/Restatement										-
Adjusted/Restated balance at 1 Shrawan 2076	8,920,508,642	-	1,489,246,575	29,861,471	159,561,657	268,629,247	-	1,453,367,509	328,859,606	12,650,034,708
Comprehensive income for the year										
Profit for the year								1,411,549,380		1,411,549,380
Other comprehensive income, net of tax									-	-
Remeasurements of defined benefit liability (assets)									1,725,605	1,725,605
Fair value reserve (Investment in equity instrument):										-
Net change in fair value						357,778,092				357,778,092
Net amount transferred to profit or loss										-
Net gain (loss) on revaluation										-
Cash flow hedges:										-
Effective portion of changes in fair value										-
Net Amount reclassified to profit or loss										-
Total comprehensive income for the year			282,309,876	1,880,478	259,843,051	357,778,092	-	1,411,549,380	1,725,605	1,771,053,077
Transfer to reserve during the year								(558,148,898)	14,115,494	(0)
Transfer from reserve during the year								341,551,920	(341,551,920)	-
Transactions with owners, directly recognised in equity										-
Share based payments										-
Dividends to equity holders										-
Bonus shares issued	892,050,864							(892,050,864)	-	-
Cash dividend paid								(446,025,432)	-	(446,025,432)
Total contributions by and distributions	892,050,864	-	282,309,876	1,880,478	259,843,051	357,778,092	-	(143,123,893)	(325,710,821)	1,325,027,645
Balance at Ashadh end 2077	9,812,559,506	-	1,771,556,451	31,741,949	419,404,708	626,407,339	-	1,310,243,616	3,148,785	13,975,062,353

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RAMAN NEPAL
CHAIRMAN

AS PER OUR REPORT
OF EVEN DATE

DIRECTORS
DINESH PAUDYAL
SWATI ROONGTA
VISHWA KARAN JAIN
BIDYA BASNYAT

DATE: DECEMBER 14, 2020
PLACE - KATHMANDU

CA JITENDRA B. RAJBHANDARY
SENIOR PARTNER
FOR J.B.RAJBHANDARY & DIBINS
CHARTERED ACCOUNTANTS

Consolidated Statement of cash flows

For the year ended 31 Ashadh 2077 (15 July 2020)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	9,728,523,816	9,210,105,524	9,194,721,458	8,622,871,111
Fees and other income received	927,121,009	888,921,640	809,230,324	740,714,152
Dividend received	-	-	-	-
Receipts from other operating activities	419,299,344	90,778,300	432,020,560	90,778,300
Interest paid	(6,730,348,004)	(6,079,506,794)	(6,561,076,581)	(5,809,865,696)
Commission and fees paid	(101,152,181)	(78,425,153)	(101,132,961)	(78,425,153)
Cash payment to employees	(1,402,791,802)	(1,371,912,627)	(1,205,158,712)	(1,200,054,255)
Other expense paid	(1,445,929,369)	(1,636,221,443)	(1,357,461,744)	(1,576,651,742)
Operating cash flows before changes in operating assets and liabilities	1,394,722,813	1,023,739,447	1,211,142,343	789,366,717
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(4,642,661,384)	(1,350,761,785)	(4,637,681,383)	(1,350,761,785)
Placement with bank and financial institutions	(234,284,647)	-	-	-
Other trading assets	51,400,000	(44,000,000)	51,400,000	(44,000,000)
Loan and advances to bank and financial institutions	243,076,855	(282,296,259)	348,820,969	(282,296,259)
Loans and advances to customers	(14,483,685,822)	(15,770,490,829)	(13,635,992,518)	(14,852,516,828)
Other assets	(1,383,158,422)	(1,367,162,263)	(1,441,653,525)	(1,347,055,342)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(2,908,017,228)	4,497,184,907	(3,575,374,856)	4,081,934,501
Due to Nepal Rastra Bank	(729,401,190)	548,661,704	(729,401,190)	552,066,704
Deposit from customers	18,250,889,151	15,100,661,459	18,046,123,568	14,763,125,324
Borrowings	3,616,500,000	-	3,616,500,000	-
Other liabilities	2,615,637,788	1,934,941,083	2,244,690,276	1,992,081,915
Net cash flow from operating activities before tax paid	1,791,017,913	4,290,477,464	1,498,573,684	4,301,944,947
Income taxes paid	(744,898,528)	(679,642,596)	(698,277,253)	(617,424,458)
Net cash flow from operating activities	1,046,119,385	3,610,834,868	800,296,431	3,684,520,489
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(3,010,973,806)	267,474,922	(2,889,049,630)	304,774,922
Receipts from sale of investment securities	(5,739,810)	98,500,000	(7,168,411)	-
Purchase of property and equipment	(215,114,146)	(227,229,692)	(191,796,250)	(217,645,566)
Receipt from the sale of property and equipment	2,291,790	5,045,619	1,227,078	5,023,619
Purchase of intangible assets	(57,680,260)	(44,270,272)	(56,849,878)	(43,904,272)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	(71,647,232)	159,202	(71,647,232)	159,202
Receipt from the sale of investment properties	-	-	-	-
Interest received	313,210,733	282,804,621	308,483,044	266,196,886
Dividend received	53,379,508	106,485,820	101,609,186	106,485,820
Net cash used in investing activities	(2,992,273,224)	488,970,220	(2,805,192,095)	421,090,611

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	2,000,000,000	130,000,000	2,000,000,000	-
Repayment of debt securities	(400,000,000)	-	(400,000,000)	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(448,671,379)	(130,465,352)	(446,025,432)	(36,781,142)
Interest paid	(150,105,068)	32,000,000	(150,105,068)	32,000,000
Other receipt/payment	-	-	-	-
Net cash from financing activities	1,001,223,553	31,534,648	1,003,869,500	(4,781,142)
Net increase (decrease) in cash and cash equivalents	(944,930,286)	4,131,339,736	(1,001,026,163)	4,100,829,959
Cash and cash equivalents at Shrawan 1, 2076	10,509,370,164	6,378,030,429	10,425,001,270	6,324,171,312
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Ashadh end 2077	9,564,439,879	10,509,370,164	9,423,975,107	10,425,001,270

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CHIEF FINANCIAL OFFICER

AJAYA BIKRAM SHAH
CHIEF EXECUTIVE OFFICER

RAMAN NEPAL
CHAIRMAN

**AS PER OUR REPORT
OF EVEN DATE**

DATE: DECEMBER 14, 2020
PLACE - KATHMANDU

DIRECTORS
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SWATI ROONGTA
VISHWA KARAN JAIN
BIDYA BASNYAT

CA JITENDRA B. RAJBHANDARY
SENIOR PARTNER
FOR J.B.RAJBHANDARY & DIBINS
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. Laxmi Bank network now includes 121 branches across 48 districts, 4 hospital service counters, 7 extension counters, 151 ATM's, over 2,500 remittance agents and 61 branchless banking agents spread across the country.

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

1.1. Subsidiaries

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

a. Laxmi Capital Market Limited (LCML) is a wholly owned subsidiary of the Bank and was incorporated on 21 May 2009 as a public limited company as per the Companies Act 2063 and licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.

b. Laxmi Laghubitta Bittiya Sanstha Limited (LLBS) is a microfinance subsidiary of the Bank and was incorporated on 30 November 2010 as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as "D" class financial institution having registered office at Kathmandu, Nepal. The principle activities involved extending banking products and services to the deprived sectors/communities. Laxmi Bank holds 70% shares of the company while the remaining 30% is held by public. The shares of LLBS are listed on the Nepal Stock Exchange Limited as "LLBS".

The financial year of both of the subsidiaries is same as that of the Bank ending on 15 July 2020 (31 Ashad 2077).

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, 2076.

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

Group financial statements have been prepared by consolidating the standalone financial statements of the Bank along with audited financial statements of Laxmi Capital Market Ltd (LCML) and management certified financial statements of Laxmi Laghubitta Bittiya Sanstha Ltd (LLBS). The management certified financial statements for LLBS are pending approval from regulatory authorities and subject to final opinion from the Auditors. Therefore, the consolidated financial statements may be subject to changes on receipt of Audited Financial Statements of LLBS. However, the management believes that such changes, if any, shall not have any material impact on the consolidated Financial Statements.

2.1 Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB), Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) subject to the notices dated 20 September 2018, 19 August 2020 and 10 November 2020 regarding the Carve-outs in NFRS with Alternative Treatment and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2076.

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

2.2 Reporting period and approval of financial statements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB during the fiscal year 2076/77. To comply the NFRS provisions following dates have been considered for the reporting time period.

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR	ENGLISH CALENDAR
Comparative SFP* Date	31 Ashad 2076	16 July 2019
Comparative reporting period	1 Shrawan 2075-31 Ashad 2076	17 July 2018 -16 July 2019
NFRS SFP* Date	31 Ashad 2077	15 July 2020
NFRS reporting period	1 Shrawan 2076-31 Ashad 2077	17 July 2019-15 July 2020

*SFP- Statement of Financial Position

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates, Assumptions and Judgments

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

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

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

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

2.4.1 Going Concern

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

2.5 Changes in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with Nepal Financial Reporting Framework (NFRS). The accounting policies are applied consistently with changes, if any and

are disclosed with the financial impact to the extent possible. When policies are not guided by the reporting framework, NFRS, other reporting standards and generally accounting principles are followed.

2.6 Reporting Pronouncements

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

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

2.6.1 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 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, 2018-19 and 2019-20. Accordingly, the bank has opted the carve out.

c) Impracticability to determine interest income on amortized cost
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 to 2019-20. 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 adopted

The following amendments are not mandatory for 2019-20 and have not been early adopted by the group. The Bank is still currently assessing the detailed impact of these amendments –

2.8.1 IFRS 9 'Financial Instruments'-Impairment

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

Expected Credit Loss Model (ECL) of Impairment

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

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

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

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

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

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

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

2.8.2 IFRS-15: Revenue from contract with customers:

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

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

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

IFRS 15 Revenue from contract with customers 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 recognized on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

IFRS 16 Leases 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 immaterial.

2.10 Limitation of NFRS Implementation

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

3. Significant Accounting Policies

3.1 Basis of Measurement

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

- derivative financial instruments are measured at fair value.
- financial instruments at fair value through 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.

The following carve outs are not optional and have been provided for the FY 2019-20 to 2021-22.

As per Para 18 of NFRS 3, the acquirer shall account for and integrate into its books of account on announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of acquiree of the value determined by applying some basis considered for determining restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as fair value of the acquire.

As per Para 37 of NFRS 3, where purchase consideration is settled through issue of share (ordinary equity or other shares) of acquirer, fair value of such ordinary equity share to be issued by acquirer shall be the value determined by applying the various parameters as per the NRB Merger and acquisition Bylaws for the purpose of swap ratio. Accordingly, acquirer will issue required number of its ordinary equity shares (or other shares) to the shareholders of acquiree as per swap ratio so determined/approved by regulatory authority. Ordinary equity shares so issued are valued at the fair value (as determined for the purpose of swap ratio) where the face value shall be accounted for as cent percent paid up ordinary equity shares in the books of account of acquirer and the balance being difference between the fair value of share (considered for swap ratio) and face value of such ordinary equity shares shall be accounted for as other component of equity (share premium/discount).

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:

a. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

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

b. Financial asset measured at fair value

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

• Financial assets at fair value through profit or loss.

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

• Financial assets at fair value through other comprehensive income

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

II. Financial Liabilities

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

• Financial Liabilities at Fair Value through Profit or Loss

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

• Financial Liabilities measured at amortized cost

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

C. Measurement

I. Initial Measurement

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

II. Subsequent Measurement

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

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

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

3.4.1 Derecognition

Derecognition of Financial Assets

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

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

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Derecognition of Financial Liabilities

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

3.4.2 Determination of Fair Value

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

The fair values are determined according to the following hierarchy:

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

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

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

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

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

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

3.4.3 Impairment

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

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

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

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

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

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

a) Impairment losses on assets measured at amortized cost

As per NAS 39

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

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

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

As per Loan Loss Provision of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% 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 Employee Benefits

a. Short Term Employee Benefits

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

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

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

b. Post-Employment Benefits

Post-employment benefit plan includes the followings;

I. Defined Contribution Plan

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

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

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

II. Defined Benefit plan

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

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

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

III. Termination Benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.16 Leases

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

(a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or

(b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

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

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

3.17 Foreign Currency Translation

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

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

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

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

3.18 Financial guarantee and loan commitment

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

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

3.19 Share Capital and Reserves

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

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

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

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

3.20 Earnings per share including diluted earning per share

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

4.1 Cash and cash equivalent

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Cash in hand	2,237,501,793	2,012,115,322	2,231,591,922	2,008,175,230
Balances with B/FIs	3,032,423,681	1,935,811,947	2,897,868,779	1,855,383,145
Money at call and short notice	-	-	-	-
Other	4,294,514,405	6,561,442,895	4,294,514,405	6,561,442,895
Total	9,564,439,879	10,509,370,164	9,423,975,107	10,425,001,270

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

4.2 Due from Nepal Rastra Bank

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Statutory balances with NRB	9,441,272,783	4,816,765,910	9,420,654,783	4,801,127,910
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	22,719,192	4,564,681	22,719,192	4,564,681
Total	9,463,991,975	4,821,330,591	9,443,373,975	4,805,692,591

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

4.3 Placements with Bank and Financial Institutions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Placement with domestic B/FIs	281,584,647	47,300,000	-	-
Placement with foreign B/FIs	-	-	-	-
Less: Allowances for impairment	-	-	-	-
Total	281,584,647	47,300,000	-	-

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	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	6,224,513,904	5,122,319,778	6,224,513,904	5,122,319,778
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	6,224,513,904	5,122,319,778	6,224,513,904	5,122,319,778
Other	-	-	-	-
Total	6,224,513,904	5,122,319,778	6,224,513,904	5,122,319,778

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

4.5 Other trading assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Treasury bills	-	-	-	-
Government bonds	16,120,000	67,520,000	16,120,000	67,520,000
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	16,120,000	67,520,000	16,120,000.00	67,520,000
Pledged			-	
Non-pledged	16,120,000	67,520,000	16,120,000	67,520,000

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

4.6 Loan and advances to B/FIs

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Loans to microfinance institutions	495,118,057	738,194,912	1,606,328,752	1,955,149,722
Other	-	-	-	-
Less: Allowances for impairment	(4,948,069)	(7,379,074)	(16,061,211)	(19,548,622)
Total	490,169,988	730,815,838	1,590,267,541	1,935,601,100

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

4.6.1 Allowances for impairment

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Balance at the end of Previous Year	7,379,074	4,251,799	19,548,622	16,728,535
Impairment loss for the year:	(2,431,005)	3,127,275	(3,487,411)	2,820,087
<i>Charge for the year</i>	-	3,127,275	-	2,820,087
<i>Recoveries/reversal</i>	(2,431,005)	-	(3,487,411)	-
Amount written off	-	-	-	-
Balance at the end of this year	4,948,069	7,379,074	16,061,211	19,548,622

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

4.7 Loans and advances to customers

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Loan and advances measured at amortized cost	94,759,938,273	79,522,029,419	90,204,952,662	75,889,573,255
Less: Impairment allowances	(1,923,978,618)	(1,343,234,893)	(1,752,402,841)	(1,273,673,578)
<i>Collective impairment</i>	(1,301,458,572)	(836,498,543)	(1,201,149,412)	(800,863,017)
<i>Individual impairment</i>	(622,520,046)	(506,736,350)	(551,253,429)	(472,810,561)
Net amount	92,835,959,655	78,178,794,526	88,452,549,821	74,615,899,677
Loan and advances measured at FVTPL	-	-	-	-
Total	92,835,959,655	78,178,794,526	88,452,549,821	74,615,899,677

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

Loans and advances are presented net of impairment allowances as per Directive No. 2 issued by Nepal Rastra Bank. Impairment as per NRB directives for each of the above periods is higher than the impairment as per NAS 39. Hence, impairment allowance as per NRB Directives is considered in the Financial Statements in accordance with the carve-out notice published by the Institute of Chartered Accountants of Nepal. Total Impairment on loans and advances as per NAS 39 amounts to NPR 1,087,664,289 and NPR 726,041,989 as of the end of FY 2076-77 and FY 2075-76 respectively.

4.7.1 Analysis of loan and advances - By Product

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
<u>Product</u>				
Term loans	21,102,553,428	17,468,350,623	21,102,553,428	17,468,350,623
Overdraft	3,583,965,824	3,587,427,558	3,583,965,824	3,587,427,558
Trust receipt/Import loans	9,197,575,516	6,527,091,160	9,197,575,516	6,527,091,160
Demand and other working capital loans	19,842,240,401	16,791,309,490	19,842,240,401	16,791,309,490
Personal residential loans	4,786,726,904	3,617,538,787	4,786,726,904	3,617,538,787
Real estate loans	4,142,430,606	3,271,428,719	4,142,430,606	3,271,428,719
Margin lending loans	1,430,104,378	1,408,522,564	1,430,104,378	1,408,522,564
Hire purchase loans	2,744,373,052	3,079,724,977	2,744,373,052	3,079,724,977
Deprived sector loans	8,981,623,769	8,237,852,439	4,561,395,735	4,653,783,201
Bills purchased	-	-	-	-
Staff loans	1,041,891,525	859,035,649	981,970,090	810,648,724
Other	16,901,341,764	14,422,859,379	16,901,341,764	14,422,859,379
Sub total	93,754,827,167	93,754,827,167	89,274,677,698	75,638,685,181
Interest receivable	1,005,111,106	250,888,075	930,274,963	250,888,075
Grand total	94,759,938,273	79,522,029,419	90,204,952,662	75,889,573,255

4.7.2 Analysis of loan and advances - By Currency

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Nepalese rupee	88,600,773,949	75,134,199,799	84,045,788,337	71,501,743,635
Indian rupee	-	-	-	-
United State dollar	6,159,164,324	4,387,829,620	6,159,164,324	4,387,829,620
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	94,759,938,273	79,522,029,419	90,204,952,662	75,889,573,255

4.7.3 Analysis of loan and advances - By Collateral

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Secured				
Movable/immovable assets	86,248,415,235	72,332,722,200	86,248,415,235	72,332,722,200
Gold and silver	507,468,843	514,626,467	507,468,843	514,626,467
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	136,673,490	136,673,490	137,116,920	136,673,490
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	533,169,893	557,477,937	533,169,893	557,477,937
Collateral of Governement securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	4,554,985,612	3,632,456,164	-	-
Other collateral	2,724,162,710	2,293,978,724	2,724,162,710	2,293,978,724
Subtotal	94,704,875,783	79,467,934,983	90,149,890,171	75,835,478,818
Unsecured	55,062,490	54,094,437	55,062,490	54,094,437
Grant Total	94,759,938,273	79,522,029,419	90,204,952,662	75,889,573,255

4.7.4 Allowances for Impairment

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Specific allowances for impairment				
Balance at the end of Previous Year	506,736,350	535,010,173	472,810,561	517,605,006
Impairment loss for the year:	115,783,696	(28,273,823)	78,442,868	(44,794,444)
<i>Charge for the year</i>	115,783,696	-	78,442,868	
<i>Recoveries/reversal during the year</i>		(28,273,823)		(44,794,444)
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at the end of This Year	622,520,046	506,736,350	551,253,429	472,810,561
Collective allowances for impairment				
Balance at the end of Previous Year	836,498,543	658,256,513	800,863,017	631,373,625
Impairment loss for the year:	464,960,029	178,242,030	400,286,395	169,489,392
<i>Charge/(reversal) for the year</i>	464,960,029	178,242,030	400,286,395	169,489,392
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	19,164,886	-	19,164,886
Balance at the end of This Year	1,301,458,572	836,498,543	1,201,149,412	800,863,017
Total allowances for impairment	1,923,978,618	1,343,234,893	1,752,402,841	1,273,673,578

4.8 Investment securities

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Investment securities measured at amortized cost	7,214,825,893	4,792,956,956	7,164,854,197	4,756,965,956
Investment in equity measured at FVTOCI	3,398,624,068	2,298,407,638	3,260,771,943	2,268,498,993
Total	10,613,449,961	7,091,364,595	10,425,626,140	7,025,464,950

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	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Debt securities	49,971,696	35,991,000	-	-
Government bonds	6,416,818,164	4,756,965,956	6,416,818,164	4,756,965,956
Government treasury bills	748,036,033	-	748,036,033	-
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	-	-	-	-
Less: specific allowances for impairment	-	-	-	-
Total	7,214,825,893	4,792,956,956	7,164,854,197	4,756,965,956

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

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Equity instruments	3,398,624,068	2,298,407,638	3,260,771,943	2,268,498,993
Quoted equity securities	3,109,715,734	2,286,184,138	2,975,363,609	2,259,775,493
Unquoted equity securities	288,908,334	12,223,500	285,408,334	8,723,500
Total	3,398,624,068	2,298,407,638	3,260,771,943	2,268,498,993

4.8.3 Information relating to investment in equities

4.8.3 Information relating to investment in equities

PARTICULARS	GROUP				BANK				AMOUNT IN NPR
	31.ASHADH 2077		31.ASHADH 2076		31.ASHADH 2077		31.ASHADH 2076		
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	
Investment in quoted equity	2,213,938,438	3,109,715,734	1,903,138,287	2,286,184,138	2,080,495,983	2,975,363,609	1,876,019,427	2,259,775,493	
Everest Insurance Company Ltd. 1,620,906 shares of Rs. 100 each (including 830,220 units promoter shares of Rs 100 each)	238,650,196	496,787,954	238,650,196	440,114,810	238,650,196	496,787,954	238,650,196	440,114,810	
Soaltee Hotel Ltd. 1,189,227 shares of Rs. 10 each	240,979,935	183,140,957	191,830,734	198,015,027	240,979,935	183,140,957	191,830,734	198,015,027	
Prime Life Insurance Company Ltd. 3,388,397 shares of Rs. 100 each	200,448,000	899,619,402	200,448,000	587,656,814	200,448,000	899,619,402	200,448,000	587,656,814	
Nepal Doorsanchar Company Ltd. 126,770 shares of Rs. 100 each	85,924,072	83,034,350	85,924,072	87,851,610	85,924,072	83,034,350	85,924,072	87,851,610	
Butwal Power Company Ltd. 169,102 shares of Rs. 100 each	76,512,922	63,149,896	83,281,784	71,482,976	73,696,151	60,707,619	73,696,151	62,875,162	
Chilime Hydropower Company Ltd. 131,339 shares of Rs. 100 each Group: 135,118 shares of Rs. 100 each	115,113,047	53,776,966	115,113,047	58,663,556	112,017,209	52,272,924	112,017,209	57,022,927	
National Life Insurance Company Ltd. 127,665 shares of Rs. 100 each	109,765,388	84,514,230	91,779,781	53,950,455	109,765,388	84,514,230	91,779,781	53,950,455	
Hydroelectricity Investment and Development Company Ltd. 175,229 shares of Rs. 100 each Group: 184,786 shares of Rs. 100 each	27,326,881	24,174,344	27,326,881	26,516,039	26,457,981	23,305,444	26,457,981	25,647,139	
Sana Kishan Bikas Bank Ltd. 48,604 shares of Rs. 100 each	40,327,090	63,233,586	21,264,028	19,801,824	40,327,090	63,233,586	21,264,028	19,801,824	
Nirdhan Utthan Bank Ltd. 19,573 shares of Rs. 100 each	18,954,336	19,866,341	18,954,336	14,631,718	18,954,336	19,866,341	18,954,336	14,631,718	
Nepal Life Insurance Company Ltd. 70,964 shares of Rs. 100 each	87,090,246	89,414,640	25,083,958	18,888,339	87,090,246	89,414,640	25,083,958	18,888,339	
Chhimek Laghubitta Bikash Bank Ltd. 104,160 shares of Rs. 100 each	73,871,020	113,534,647	55,704,453	60,352,079	73,871,020	113,534,647	55,704,453	60,352,079	
Mero Microfinance Bittiya Sanstha Ltd. 11,249 shares of Rs. 100 each Group : 11,250 shares of Rs. 100 each	6,767,256	7,582,500	6,767,256	4,603,928	6,767,156	7,581,826	6,767,156	4,603,396	
Rural Microfinance Development Centre Ltd. 11,504 shares of Rs. 100 each	7,159,437	8,064,304	7,159,437	6,759,386	7,159,437	8,064,304	7,159,437	6,759,386	
NIG Insurance Company Ltd. 62,258 shares of Rs. 100 each Group : 62,336 shares of Rs. 100 each	31,580,495	40,954,489	31,580,495	29,663,136	31,580,495	40,903,243	31,580,495	29,650,182	
Swabalamban Bikas Bank Limited 288,594 units Promoter shares of Rs. 100 each	100,440,952	177,918,312	-	-	100,440,952	177,918,312	-	-	
NIBL Samridhhi Fund I 7,384,476 units of Rs. 10 each	77,596,104	73,106,312	77,596,104	68,380,248	77,596,104	73,106,312	77,596,104	68,380,248	

PARTICULARS	GROUP				BANK			
	31 ASHADH 2077		31 ASHADH 2076		31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Global IME Samunnat Yojana -1 8,135,853 units of Rs. 10 each	94,611,895	69,805,619	94,611,895	68,178,448	94,611,895	69,805,619	94,611,895	68,178,448
NMB Hybrid Fund L-1 1,261,921 units of Rs. 10 each	12,619,210	11,988,250	12,619,210	12,657,068	12,619,210	11,988,250	12,619,210	12,657,068
Nabil Equity Fund 1,126,504 units of Rs. 10 each	11,265,040	10,510,282	11,265,040	10,510,282	11,265,040	10,510,282	11,265,040	10,510,282
NIBL Pragati Fund 1,027,407 units of Rs. 10 each	10,274,070	8,373,367	10,274,070	7,643,908	10,274,070	8,373,367	10,274,070	7,643,908
Laxmi Equity Fund 18,750,000 units of Rs. 10 each	187,500,000	164,437,500	187,500,000	143,062,500	187,500,000	164,437,500	187,500,000	143,062,500
Saniima Equity Fund 250,000 units of Rs. 10 each	2,500,000	2,482,500	2,500,000	2,350,000	2,500,000	2,482,500	2,500,000	2,350,000
Citizens Mutual Fund-1 2,000,000 units of Rs. 10 each	20,000,000	20,120,000	20,000,000	20,360,000	20,000,000	20,120,000	20,000,000	20,360,000
Siddhartha Investment Growth Scheme II 300,000 units of Rs. 10 each	30,000,000	30,000,000	-	-	30,000,000	30,000,000	-	-
NIC ASIA BALANCED FUND 2,000,000 units of Rs. 10 each	20,000,000	20,760,000	-	-	20,000,000	20,760,000	-	-
NMB 50 4,000,000 units of Rs. 10 each	40,000,000	40,000,000	-	-	40,000,000	40,000,000	-	-
Sunrise First Mutual Fund 3,000,000 units of Rs. 10 each	30,000,000	30,000,000	-	-	30,000,000	30,000,000	-	-
Nepal Bank Limited 17,988 shares of Rs. 100 each	4,379,760	4,479,087	4,379,760	5,255,712	-	-	-	-
Ridi Hydropower Development Company Ltd 1 share of Rs. 100 each	86	84	86	90	-	-	-	-
Union Hydropower Ltd. 84,320 shares of Rs. 100 each	8,432,000	4,300,320	8,432,000	9,612,480	-	-	-	-
Agriculture Development Bank Ltd. 1 share of Rs. 100 each	-	385	-	409	-	-	-	-
Century Commercial Bank Ltd. 134 shares of Rs. 100 each	-	22,110	-	-	-	-	-	-
Nabil Bank Limited 4 shares of Rs. 100 each	-	3,060	-	-	-	-	-	-
Himal Dolakha Hydropower Ltd. 1,138,490 shares of Rs. 100 each	113,849,000	120,679,940	-	-	-	-	-	-
NMB Sulav Investment Fund I	-	-	19,351,343	16,944,098	-	-	19,351,343	16,944,098
Siddhartha Equity Oriented Scheme	-	-	87,983,779	74,808,073	-	-	87,983,779	87,983,779

PARTICULARS	GROUP				BANK			
	31 ASHADH 2077		31 ASHADH 2076		31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Value Fund I	-	-	75,000,000	76,500,000	-	-	000	76,500,000
First Microfinance Development Bank Ltd.	-	-	756,543	409,125	-	-	-	-
Investment in unquoted equity	288,908,334	288,908,334	12,223,500	12,223,500	285,408,334	285,408,334	8,723,500	8,723,500
Credit Information Centre Ltd. 174,960 shares of Rs. 100 each	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	1,823,500	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	2,600,000	2,600,000	2,600,000	2,600,000
National Banking Institute Ltd 24,697 shares of Rs. 100 each	2,634,834	2,634,834	1,200,000	1,200,000	2,634,834	2,634,834	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
Banking, Finance and Insurance Institute of Nepal 30,000 shares of Rs 100 each Group: 45,000 shares of Rs 100 each	4,500,000	4,500,000	4,500,000	4,500,000	3,000,000	3,000,000	3,000,000	3,000,000
Nepal Stock Exchange Ltd. 250,000 shares of Rs. 100 each	275,250,000	275,250,000			275,250,000	275,250,000		
Nepal Finsoft Co. Ltd. 2,000 shares of Rs. 100 each	2,000,000	2,000,000	2,000,000	2,000,000				
Total	2,502,846,772	3,398,624,068	1,915,361,787	2,298,407,638	2,365,904,316	3,260,771,943	1,884,742,927	2,268,498,993

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

4.9 Current tax assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Current tax assets	3,814,907,501	3,070,008,973	3,588,550,486	2,890,273,233
Current year income tax assets	744,898,528	797,160,198	698,277,253	617,424,458
Tax assets of prior periods	3,070,008,973	2,272,848,775	2,890,273,233	2,272,848,775
Current tax liabilities	3,680,745,492	3,055,553,388	3,474,395,981	2,876,070,090
Current year income tax liabilities	625,192,104	836,587,798	598,325,891	657,104,500
Tax liabilities of prior periods	3,055,553,388	2,218,965,590	2,876,070,090	2,218,965,590
Total	134,162,008	14,455,585	114,154,504	14,203,142

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	
	31 ASHADH 2077	31 ASHADH 2076
Investment in quoted subsidiaries	147,000,000	147,000,000
Investment in unquoted subsidiaries	270,000,000	270,000,000
<i>Total investment</i>	<i>417,000,000</i>	<i>417,000,000</i>
Less: Impairment allowances	-	-
Net carrying amount	417,000,000	417,000,000

Investment in shares of subsidiary companies are presented at cost.

4.10.1 Investment in quoted subsidiaries

PARTICULARS	BANK			
	31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE
<i>Laxmi Laghubitta Bittiya Sanstha Ltd. 1,948,100 shares of Rs. 100 each (including 478,100 Bonus Shares)</i>	147,000,000	147,000,000	147,000,000	147,000,000
Total	147,000,000	147,000,000	147,000,000	147,000,000

4.10.2 Investment in unquoted subsidiaries

PARTICULARS	BANK			
	31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE
<i>Laxmi Capital Market Ltd. 2,700,000 shares of Rs. 100 each</i>	270,000,000	270,000,000	270,000,000	270,000,000
Total	270,000,000	270,000,000	270,000,000	270,000,000

4.10.3 Information relating to subsidiaries of the Bank

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	31 ASHADH 2077	31 ASHADH 2076
Laxmi Laghubitta Bittiya Sanstha Ltd.	70%	70%
Laxmi Capital Market Ltd	100%	100%

4.10.4: Non controlling interest of the subsidiaries

PARTICULARS	GROUP	
	CURRENT YEAR	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	LAXMI CAPITAL MARKET LTD
Equity interest held by NCI (%)	30%	0%
Profit/(loss) allocated during the year	26,250,466	-
Accumulated balances of NCI as on Ashadh end 2076	148,087,294	-
Dividend paid to NCI	8,215,263	-
Funds used	1,610,301	-
NCI as on Ashadh end 2077	159,544,225	-
PARTICULARS	PREVIOUS YEAR	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	LAXMI CAPITAL MARKET LTD
Equity interest held by NCI (%)	30%	0%
Profit/(loss) allocated during the year	32,876,661	-
Accumulated balances of NCI as on Ashadh end 2075	135,495,526	-
Dividend paid to NCI	19,105,263	-
Funds used	1,179,631	-
NCI as on Ashadh end 2076	148,087,293	-

4.11 Investment in associates

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total investment	-	-	-	-
Less: Impairment allowances	-	-	-	-
Net carrying amount	-	-	-	-

4.11.1 Investment in quoted associates

AMOUNT IN NPR

PARTICULARS	GROUP				BANK			
	31 ASHADH 2077		31 ASHADH 2076		31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.								
.....shares of Rs.each								
.....Ltd.								
.....shares of Rs.each								
.....								
Total								

4.11.2 Investment in unquoted associates

AMOUNT IN NPR

PARTICULARS	GROUP				BANK			
	31 ASHADH 2077		31 ASHADH 2076		31 ASHADH 2077		31 ASHADH 2076	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	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	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
.....Ltd.				
.....Ltd.				
.....Ltd.				
.....Ltd.				
Total				

4.11.4 Equity value of associates

GROUP		
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076
.....Ltd.		
.....Ltd.		
.....		
TOTAL		

4.12 Investment properties

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
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	37,329,666	37,488,869	37,329,666	37,488,869
Addition/disposal during the year	71,647,232	(159,202)	71,647,232	(159,202)
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	108,976,899	37,329,666	108,976,899	37,329,666
Total	108,976,899	37,329,666	108,976,899	37,329,666

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 2076
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASAR END 2077		
Cost											
As on Shrawan 1, 2075	651,504,796	247,028,711	208,958,278	151,713,184	118,496,554	80,610,465	-	251,877,326	1,710,189,314	1,437,037,028	
Addition during the Year	-	26,346,952	40,242,748	26,487,395	39,578,877	9,497,914	-	77,876,575	220,030,461	300,481,119	
Acquisition	-	-	1,705,787	26,487,395	39,578,877	9,497,914	-	77,876,575	155,146,548	128,079,186	
Capitalization	-	26,346,952	38,536,961	-	-	-	-	-	64,883,913	172,401,933	
Disposal during the year	-	-	(2,773,185)	(2,332,153)	(8,000,000)	(376,449)	-	(16,229,726)	(29,711,512)	(27,328,833)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashadh end 2076	651,504,796	273,375,663	246,427,841	175,868,426	150,075,431	89,731,931	-	313,524,175	1,900,508,262	1,710,189,314	
Addition during the Year	-	4,746,873	65,886,777	61,286,074	21,713,473	20,535,981	-	68,293,161	242,462,338	220,030,461	
Acquisition	-	-	-	61,286,074	21,713,473	20,535,981	-	68,293,161	171,828,689	155,146,548	
Capitalization	-	120,193,594	52,208,338	-	-	-	-	-	172,401,933	38,894,733	
Disposal during the year	-	-	(7,092,728)	(12,463,344)	(1,901,288)	(151,592)	-	(15,221,419)	(36,830,370)	(29,711,512)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashadh end 2077	651,504,796	278,122,536	305,221,890	224,691,156	169,887,616	110,116,320	-	366,595,917	2,106,140,231	1,900,508,262	
Depreciation and Impairment											
As on Shrawan 1, 2075	-	28,391,612	111,147,912	95,145,616	34,370,745	54,361,681	-	145,172,335	468,589,901	396,611,929	
Depreciation charge for the Year	-	6,913,193	30,018,342	21,448,478	18,081,172	10,758,496	-	30,380,810	117,600,490	91,365,214	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	(2,773,600)	(2,332,153)	(4,158,095)	(427,135)	-	(15,810,936)	(25,501,919)	(19,387,243)	
Adjustment	-	-	-	-	-	-	-	-	-	-	
As on Ashadh end 2076	-	35,304,804	138,392,654	114,261,942	48,293,822	64,693,041	-	159,742,209	561,239,542	468,589,901	
Depreciation charge for the Year	-	7,121,285	39,552,874	27,555,923	21,857,614	11,402,578	-	47,698,890	155,189,164	117,600,490	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	7,051,506)	(12,445,195)	(1,337,248)	(151,592)	-	(15,044,421)	(36,029,962)	(25,501,919)	
Adjustment	-	-	-	-	-	-	-	-	-	-	
As on Ashadh end 2077	-	42,426,090	170,894,023	129,372,669	68,814,188	75,944,027	-	192,396,678	680,398,744	561,239,542	
Capital Work in Progress	-	-	30,051,137	-	-	-	-	-	30,051,137	57,399,329	
Net Book Value											
As on Ashadh end 2076	651,504,796	295,470,188	108,035,186	61,606,484	101,781,609	25,038,889	-	153,781,967	1,396,668,050	1,292,398,411	
As on Ashadh end 2077	651,504,796	235,696,446	164,379,004	95,318,487	101,073,428	34,172,293	-	174,199,239	1,455,792,623	1,396,668,050	

BANK										
PARTICULARS	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASAR END 2077	TOTAL ASAR END 2076
Cost										
As on Shrawan 1, 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
Addition during the Year	-	26,346,952	38,536,961	26,323,395	38,062,077	8,810,164	-	72,965,686	211,045,235	279,350,161
Acquisition	-	-	-	26,323,395	38,062,077	8,810,164	-	72,965,686	146,161,322	116,416,828
Capitalization	-	26,346,952	38,536,961	-	-	-	-	64,883,913	162,933,332	162,933,332
Disposal during the year	-	-	(2,773,185)	(2,301,653)	(8,000,000)	(200,662)	-	(15,189,372)	(28,464,871)	(26,768,113)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2076	644,510,678	263,984,897	241,146,353	173,260,524	128,950,564	87,930,832	-	278,441,804	1,818,225,652	1,635,645,288
Addition during the Year	-	4,746,873	65,707,706	61,245,074	13,501,200	20,520,487	-	53,423,103	219,144,443	211,045,235
Acquisition	-	-	-	61,245,074	13,501,200	20,520,487	-	53,423,103	148,689,864	146,161,322
Capitalization	-	4,746,873	65,707,706	-	-	-	-	-	70,454,579	64,883,913
Disposal during the year	-	-	(7,092,728)	(12,463,344)	-	(151,592)	-	(15,221,419)	(34,929,082)	(28,464,871)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2077	644,510,678	268,731,770	299,761,331	222,042,254	142,451,764	108,299,728	-	316,643,488	2,002,441,012	1,818,225,652
Depreciation and Impairment										
As on Shrawan 1, 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
Depreciation charge for the year	-	6,459,178	29,294,130	20,223,157	15,676,559	9,072,001	-	28,783,298	109,508,323	83,863,821
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(2,773,600)	(2,301,653)	(4,158,095)	(251,348)	-	(14,770,582)	(24,255,278)	(19,084,957)
Adjustment	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2076	-	34,540,330	135,537,180	112,037,432	38,948,226	62,392,926	-	146,305,822	529,761,915	444,508,870
Depreciation charge for the year	-	6,689,971	38,574,212	27,555,923	18,601,790	11,089,731	-	43,512,496	145,589,259	109,508,323
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(7,051,506)	(12,445,195)	-	(151,592)	-	(15,044,421)	(34,692,714)	(24,255,278)
Adjustment	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2077	-	41,230,300	167,059,887	126,713,296	57,550,016	73,331,065	-	174,773,897	640,658,461	529,761,915
Capital Work in Progress	-	-	30,051,137	-	-	-	-	-	30,051,137	57,399,329
Net Book Value										
As on Ashadh end 2076	644,510,678	229,444,567	163,008,502	61,223,092	90,002,338	25,537,907	-	132,135,982	1,345,863,066	1,241,935,417
As on Ashadh end 2077	644,510,678	227,501,469	162,752,581	95,328,959	84,901,747	34,968,663	-	141,869,591	1,391,833,688	1,345,863,066

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

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

4.14 Goodwill and Intangible Assets

AMOUNT IN NPR

GROUP						
PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2077	TOTAL ASHADH END 2076
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 2075	-	104,641,071	-	-	104,641,071	84,520,743
Addition during the Year	-	44,869,172	-	-	44,869,172	20,120,329
<i>Acquisition</i>	-	44,869,172	-	-	44,869,172	20,120,329
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2076	-	149,510,243	-	-	149,510,243	104,641,071
Addition during the Year	-	57,680,261	-	-	57,680,261	44,869,172
<i>Acquisition</i>	-	57,680,261	-	-	57,680,261	44,869,172
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revluation	-	-	-	-	-	-
Balance as on Ashadh end 2077	-	207,190,504	-	-	207,190,504	149,510,243
Amortization and Impairment						
As on Shrawan 1, 2075	-	68,077,787	-	-	68,077,787	40,756,758
Amortization charge for the Year	-	25,081,017	-	-	25,081,017	27,321,029
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2076	-	93,158,804	-	-	93,158,804	68,077,787
Amortization charge for the Year	-	21,927,239	-	-	21,927,239	25,081,017
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2077	-	115,086,042	-	-	115,086,042	93,158,804
Capital Work in Progress	-	-	-	-		
Net Book Value						
As on Ashadh end 2076	-	56,351,439	-	-	56,351,439	36,563,284
As on Ashadh end 2077	-	92,104,461	-	-	92,104,461	56,351,439

BANK						
PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2077	TOTAL ASHADH END 2076
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 2075	-	100,595,671	-	-	100,595,671	80,904,743
Addition during the Year		43,904,272			43,904,272	19,690,929
<i>Acquisition</i>	-	43,904,272	-	-	43,904,272	19,690,929
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2076	-	144,499,943	-	-	144,499,943	100,595,671
Addition during the Year	-	56,849,879	-	-	56,849,879	19,690,929
<i>Acquisition</i>		56,849,879			56,849,879	19,690,929
<i>Capitalization</i>	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revluation	-	-	-	-	-	-
Balance as on Ashadh end 2077	-	201,349,822	-	-	201,349,822	120,286,600
Amortization and Impairment						
As on Shrawan 1, 2075	-	65,526,295	-	-	65,526,295	38,851,336
Amortization charge for the Year	-	24,316,329	-	-	24,316,329	26,674,958
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2076	-	89,842,624	-	-	89,842,624	38,851,336
Amortization charge for the Year	-	21,320,424	-	-	21,320,424	26,674,958
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2077	-	111,163,048	-	-	111,163,048	111,163,048
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
As on Ashadh end 2076	-	54,657,319	-	-	54,657,319	42,053,406
As on Ashadh end 2077	-	90,186,774	-	-	90,186,774	54,657,319

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

4.15 Deferred Tax

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	-	268,733,189	(268,733,189)	-	268,460,288	(268,460,288)
Property & equipment	4,580,521	-	4,580,521	5,386,186	-	5,386,186
Employees' defined benefit plan	5,959,876	-	5,959,876	3,361,331	-	3,361,331
Lease liabilities	7,094,832	-	7,094,832	6,950,683	-	6,950,683
Provisions	17,241,115	-	17,241,115	17,214,265	-	17,214,265
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	34,876,344	268,733,189	(233,856,845)	32,912,465	268,460,288	(235,547,823)
Deferred tax on carry forward of unused tax losses				-	-	-
Deferred tax due to changes in tax rate				-	-	-
Net Deferred tax asset/(liabilities) as on 31 Ashadh, 2077			(233,856,845)			(235,547,823)
Deferred tax (asset)/liabilities as on Shrawan 1, 2076			97,415,525			98,909,498
Origination/(Reversal) during the year			(136,441,320)			(136,638,324)
Deferred tax expense/(income) recognised in profit or loss			(17,631,694)			(17,434,689)
Deferred tax expense/(income) recognised in other comprehensive income			154,073,013			154,073,013
Deferred tax expense/(income) recognised in directly in equity			-			-
PARTICULARS	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 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	-	114,913,755	(114,913,755)	-	115,126,820	(115,126,820)
Property & equipment	9,906,935	-	9,906,935	10,577,998	-	10,577,998
Employees' defined benefit plan	6,052,848	-	6,052,848	4,100,876	-	4,100,876
Lease liabilities	2,946,099	-	2,946,099	2,946,099	-	2,946,099
Provisions	7,959,184	-	7,959,184.20	7,959,184	-	7,959,184
Other temporary differences	-	9,366,836	(9,366,836)	-	9,366,836	(9,366,836)
Deferred tax on temporary differences	26,865,066	124,280,591	(97,415,525)	25,584,157	124,493,656	(98,909,498)
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 2076			(97,415,525)			(98,909,498)
Deferred tax (asset)/liabilities as on 1 Shrawan, 2075			131,319,999			130,910,800
Origination/(Reversal) during the year			33,904,474			32,001,302
Deferred tax expense/(income) recognised in profit or loss			(7,937,848)			(6,034,675)
Deferred tax expense/(income) recognised in other comprehensive income			(25,966,627)			(25,966,627)
Deferred tax expense/(income) recognised in directly in equity			-			-

4.16 Other assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Assets held for sale	2,495,269	2,683,071	2,495,269	2,683,071
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	150,063,159	366,256,805	123,309,387	353,130,098
Accrued income	458,346	24,557,123	347,476	697,164
Prepayments and deposit	169,723,328	132,403,877	169,107,306	130,644,857
Income tax deposit	21,236,032	21,236,032	21,236,032	21,236,032
Deferred employee expenditure	859,322,490	616,480,775	859,322,490	616,480,775
Other	24,177,545	60,506,063	24,177,545	4,296,956
Total	1,227,476,168	1,224,123,747	1,199,995,504	1,129,168,954

4.17 Due to Bank and Financial Institutions

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Money market deposits	-	-	-	-
Interbank borrowing	1,370,663,618	1,203,331,333	-	500,025,342
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	2,979,386,290	6,054,735,804	2,979,386,290	6,054,735,804
Total	4,350,049,908	7,258,067,137	2,979,386,290	6,554,761,146

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

4.18 Due to Nepal Rastra Bank

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Refinance from NRB	500,460,639	1,229,861,829	500,460,639	1,229,861,829
Standing Liquidity Facility	-	-	-	-
Lender of last resort facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	500,460,639	1,229,861,829	500,460,639	1,229,861,829

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

4.19 Derivative financial instruments

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	6,181,977,248	5,046,111,546	6,181,977,248	5,046,111,546
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	6,181,977,248	5,046,111,546	6,181,977,248	5,046,111,546
Other	-	-	-	-
Total	6,181,977,248	5,046,111,546	6,181,977,248	5,046,111,546

4.20 Deposits from customers

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Institutions customers:				
Term deposits	22,645,635,957	19,772,630,342	22,660,635,957	19,932,630,342
Call deposits	8,217,424,195	7,615,818,981	8,462,780,000	7,709,440,546
Current deposits	6,209,090,512	4,184,386,881	6,214,566,724	4,168,873,690
Other	1,920,643,792	2,597,320,972	1,894,381,747	2,597,320,972
Individual customers:				
Term deposits	29,501,409,743	21,669,059,973	29,501,409,743	21,669,059,973
Saving deposits	30,890,666,224	25,233,765,077	29,396,586,551	23,945,912,584
Current deposits	154,951,821	156,145,314	154,951,821	156,145,314
Other	85,444,269	145,249,821	85,444,269	145,249,821
Total	99,625,266,512	81,374,377,362	98,370,756,811	80,324,633,243

4.20.1 Currency wise analysis of deposit from customers

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Nepalese rupee	97,213,677,864	73,944,270,057	95,959,168,163	72,894,525,938
Indian rupee	-	-	-	-
United State dollar	2,395,867,769	7,425,427,821	7,425,427,821	7,425,427,821
Great Britain pound	1,364,088	1,107,666	1,364,088	1,107,666
Euro	14,356,791	3,571,818	14,356,791	3,571,818
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	99,625,266,512	81,374,377,362	98,370,756,811	80,324,633,243

4.21 Borrowing

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Domestic Borrowing	-	-	-	-
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Foreign Borrowing	3,634,800,001	-	3,634,800,001	-
Foreign Bank and Financial Institutions	3,634,800,001	-	3,634,800,001	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Total	3,634,800,001	-	3,634,800,001	-

4.22 Provisions

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	-	-	-	-
	-	-	-	-

4.22.1 Movement in provision

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
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	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Liability for employees defined benefit obligations	4,614,972	5,406,207	4,614,972	5,406,207
Liability for long-service leave	21,794,033	32,502,769	13,132,216	26,530,614
Short-term employee benefits	-	-	-	-
Bills payable	70,225,380	7,311,202	70,225,380	7,311,202
Creditors and accruals	-	-	-	-
Interest payable on deposit	-	43,307,243	-	-
Interest payable on borrowing	34,248	10,049,597	34,248	8,927,494
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	-	6,960,113	-	6,960,113
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	236,090,360	271,263,354	221,382,287	249,016,011
Other	1,253,409,942	484,119,537	702,996,865	392,815,274
Total	1,586,168,935	853,959,910	1,012,385,968	690,006,801

4.23.1 Defined benefit obligations

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	17,747,188	30,470,687	17,747,188	30,470,687
Present value of funded obligations	295,426,613	214,792,530	295,426,613	214,792,530
Total present value of obligations	313,173,801	245,263,217	313,173,801	245,263,217
Fair value of plan assets	295,426,613	214,792,530	295,426,613	214,792,530
Present value of net obligations	17,747,188	30,470,687	17,747,188	30,470,687
Recognised liability for defined benefit obligations				

4.23.2 Plan assets

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	-	-	-	-
Other	295,426,613	295,426,613	295,426,613	295,426,613
Total	295,426,613	295,426,613	295,426,613	295,426,613
Actual return on plan assets	24,607,217	18,029,810	24,607,217	18,029,810

4.23.3 Movement in the present value of defined benefit obligations

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Defined benefit obligations at Shrawan 1, 2076	245,263,217	181,930,850	245,263,217	181,930,850
Actuarial losses	(25,340,184)	(1,854,986)	(25,340,184)	(1,854,986)
Benefits paid by the plan	(2,625,213)	(11,177,550)	(2,625,213)	(11,177,550)
Current service costs and interest	95,875,981	76,364,903	95,875,981	76,364,903
Defined benefit obligations at Ashadh end, 2077	313,173,801	245,263,217	313,173,801	245,263,217

4.23.4 Movement in the fair value of plan assets

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Fair value of plan assets at Shrawan 1, 2076	214,792,530	183,340,060	214,792,530	183,340,060
Contributions paid into the plan	58,650,079	24,600,210	58,650,079	24,600,210
Benefits paid during the year	(2,623,213)	(11,177,550)	(2,623,213)	(11,177,550)
Actuarial (losses) gains	3,194,555	(25,071)	3,194,555	(25,071)
Expected return on plan assets	21,412,662	18,054,881	21,412,662	18,054,881
Fair value of plan assets at Ashadh end, 2077	295,426,613	214,792,530	295,426,613	214,792,530

4.23.5 Amount recognised in profit or loss

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Current service costs	74,031,004	59,612,406	74,031,004	59,612,406
Interest on obligation	432,315	(1,302,384)	432,315	(1,302,384)
Actuarial (gain)/loss	(26,069,589)	(7,236,122)	(26,069,589)	(7,236,122)
Expected return on plan assets	-	-	-	-
Total	48,393,730	51,073,900	48,393,730	51,073,900

4.23.6 Amount recognised in other comprehensive income

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Actuarial (gain)/loss	(2,465,150)	5,406,207	(2,465,150)	5,406,207
Total	(2,465,150)	5,406,207	(2,465,150)	5,406,207

4.23.7 Actuarial assumptions

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Discount rate	9.50%	9.50%	9.50%	9.50%
Expected return on plan asset				
Future salary increase	7.00%	7.00%	7.00%	7.00%
Withdrawal rate	10.00%	10.00%	10.00%	10.00%

4.24 Debt securities issued

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	2,008,196,721	401,402,740	2,008,196,721	401,402,740
Total	2,008,196,721	401,402,740	2,008,196,721	401,402,740

The above balance includes "10% Laxmi Bank Debentures, 2086" with total value Rs. 2,000,000,000 with coupon interest rate of 10% payable semi-annually.

4.25 Subordinated Liabilities

AMOUNT IN NPR

GROUP			BANK	
PARTICULARS	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.26 Share capital

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Ordinary shares	9,812,559,506	8,920,508,642	9,812,559,506	8,920,508,642
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	9,812,559,506	8,920,508,642	9,812,559,506	8,920,508,642

4.26.1 Ordinary shares

AMOUNT IN NPR

PARTICULARS	BANK	
	31 ASHADH 2077	31 ASHADH 2076
Authorized Capital 100,000,000 Ordinary share of Rs. 100 each	10,000,000,000	10,000,000,000
Issued capital 98,125,595.06 Ordinary share of Rs. 100 each	9,812,559,506	8,920,508,642
Subscribed and paid up capital 98,125,595.06 Ordinary share of Rs. 100 each	9,812,559,506	8,920,508,642
Total	9,812,559,506	8,920,508,642

4.26.2 Ordinary share ownership

AMOUNT IN NPR

PARTICULARS	BANK			
	31 ASHADH 2077		31 ASHADH 2076	
	Percent	Amount	Percent	Amount
Domestic ownership	100%	9,812,559,506	100%	8,920,508,642
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions (Promoters)	23.83%	2,338,411,136	23.17%	2,067,153,517
Public	49.00%	4,808,154,005	49.00%	4,371,049,122
Other (Promoters)	27.17%	2,665,994,365	27.83%	2,482,306,003
Foreign ownership	-	-	-	-
Total	100%	9,812,559,506	100%	8,920,508,642

Note: Shareholders holding 0.5% or more Shares

SN	Name of Shareholder	No. of Shares	%
1	Laxmi Corp Nepal Pvt. Ltd.	14,474,216	14.75%
2	Sneha Khetan	10,935,670	11.14%
3	Citizen Investment Trust	8,518,520	8.68%
4	Sarika Khetan	7,676,459	7.82%
5	Ratan Lal Sanghai	4,616,416	4.70%
6	Gopi Krishna Sikaria	4,359,502	4.44%
7	Rajendra Kumar Khetan	3,968,554	4.04%
8	Himalayan Exim Private Ltd	3,621,351	3.69%
9	MTC Investment Pvt. Ltd.	2,356,220	2.40%
10	Puja Agrawal Khetan	1,551,053	1.58%
11	Om Prakash Sikaria	1,398,450	1.43%
12	Rastriya Beema Sansthan (Jiwan Beema)	1,336,879	1.36%
13	Prime Holding Pvt.Ltd.	910,125	0.93%
14	Anjali Sarawogi	899,294	0.92%
15	Deepak Kumar Malhotra	648,309	0.66%
16	Sunil Kumar Bansal	558,432	0.57%

4.27 Reserves

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Statutory general reserve	1,837,620,465	1,543,226,787	1,771,556,451	1,489,246,575
Exchange equalisation reserve	1,489,246,575	29,861,471	31,741,949	29,861,471
Corporate social responsibility reserve	12,040,646	20,293,540	10,891,891	18,328,317
Capital Redemption Reserve	-	320,000,000	-	320,000,000
Regulatory reserve	419,404,708	159,561,657	419,404,708	159,561,657
Investment adjustment reserve	100,000	100,000	100,000	100,000
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	626,407,339	268,629,247	626,407,339	268,629,247
Dividend equalisation reserve	-	-	-	-
Actuarial gain	(7,843,106)	(9,568,711)	(7,843,106)	(9,568,711)
Special reserve	-	-	-	-
Other reserve	8,494,762	10,165,789	-	-
Total	2,927,966,763	2,342,269,781	2,852,259,232	2,276,158,556

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

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

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

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

Investment Adjustment Reserve is created against quoted and unquoted share investment : as per Nepal Rastra Bank Directive.

4.28 Contingent liabilities and commitments

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Contingent liabilities	46,300,637,384	40,746,196,351	46,300,637,384	40,746,196,351
Undrawn and undisbursed facilities	14,433,029,574	14,001,607,732	14,433,029,574	14,001,607,732
Capital commitment	-	-	-	-
Lease Commitment	-	-	-	-
Litigation	67,905,932	66,965,408	66,965,408	66,965,408
Total	60,801,572,890	54,814,769,491	60,800,632,366	54,814,769,491

4.28.1 Contingent liabilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Acceptance and documentary credit	19,804,332,051	17,960,585,795	19,804,332,051	17,960,585,795
Bills for collection	81,347,250	754,416,658	81,347,250	754,416,658
Forward exchange contracts	6,224,513,904	5,122,319,778	6,224,513,904	5,122,319,778
Guarantees	20,181,401,805	16,895,264,696	20,181,401,805	16,895,264,696
Underwriting commitment	-	-	-	-
Other commitments	9,042,374	13,609,424	9,042,374	13,609,424
Total	46,300,637,384	40,746,196,351	46,300,637,384	40,746,196,351

4.28.2 Undrawn and undisbursed facilities

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Undisbursed amount of loans	9,765,022,784	10,403,426,070	9,765,022,784	10,403,426,070
Undrawn limits of overdrafts	4,668,006,790	3,598,181,662	4,668,006,790	3,598,181,662
Undrawn limits of credit cards	-	-	-	-
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	14,433,029,574	14,001,607,732	14,433,029,574	14,001,607,732

4.28.3 Capital commitments

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

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
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	
	31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
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	136,855,518	10,579,726	133,673,918	145,994,544
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	12,155,915	148,849,719	-	-
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	10,178,461,788	8,792,492,279	9,611,722,726	8,354,685,246
Investment securities	313,210,733	268,991,628	308,483,044	266,196,886
Loan and advances to staff	131,174,849	180,719,718	128,362,013	175,794,371
Other	-	-	-	-
Total interest income	10,771,858,803	9,401,633,070	10,182,241,701	8,942,671,047

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	147,682,038	125,704,639	37,133,239	62,689,979
Due to Nepal Rastra Bank	23,427,575	30,409,529	23,427,575	30,409,529
Deposits from customers	6,612,560,983	5,727,825,054	6,509,409,013	5,647,896,983
Borrowing	-	-	-	-
Debt securities issued	150,105,068	32,000,000	150,105,068	32,000,000
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	6,933,775,664	5,915,939,221	6,720,074,895	5,772,996,490

4.31 Fees and Commission Income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	326,564,257	226,292,648	254,172,929	226,292,648
Service fees	113,083,590	180,456,016	69,017,192	57,335,632
Consortium fees	-	-	-	-
Commitment fees	9,990,636	9,960,763	9,990,636	9,960,763
DD/TT/Swift fees	23,532,204	22,730,797	23,532,204	22,730,797
Credit card/ATM issuance and renewal fees	107,471,774	92,226,766	107,471,774	92,226,766
Prepayment and swap fees	-	-	-	-
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	30,967,849	31,441,482	30,967,849	31,441,482
Commission on letter of credit	97,080,275	99,523,758	97,080,275	99,523,758
Commission on guarantee contracts issued	186,665,904	162,210,122	186,665,904	162,210,122
Commission on share underwriting/issue	1,432,960	-	-	-
Locker rental	7,978,500	6,040,250	7,978,500	6,040,250
Other fees and commission income	22,353,062	42,874,283	22,353,062	32,951,935
Total fees and Commission Income	927,121,009	873,756,884	809,230,324	740,714,152

4.32 Fees and commission expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	29,806,822	26,595,635	29,806,822	26,595,635
VISA/Master card fees	29,672,634	24,466,404	29,672,634	24,466,404
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	-	-	-	-
Remittance fees and commission	19,220	-	-	-
Other fees and commission expense	41,653,506	25,149,986	41,653,506	27,363,114
Total fees and Commission Expense	101,152,181	76,212,024	101,132,961	78,425,153

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	332,897,263	360,976,588	332,897,263	360,976,588
Other	-	-	-	-
Net trading income	332,897,263	360,976,588	332,897,263	360,976,588

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

4.34 Other operating income

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	7,521,911	1,239,026	7,521,911	1,239,026
Gain/loss on sale of investment securities	(5,739,810)	16,971,819	(7,168,411)	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	53,379,508	106,853,969	101,609,186	106,485,820
Gain/loss on sale of property and equipment	1,491,382	814,025	990,709	814,025
Gain/loss on sale of investment property	180,407	4,271,469	180,407	4,271,469
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Locker rent	-	-	-	-
Other	44,305	2,120,446	44,305	71,214
Total	56,877,702	132,270,754	103,178,107	112,881,554

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	2,431,005)	2,820,087	(3,487,411)	2,820,087
Impairment charge/(reversal) on loan and advances to customer	580,743,725	150,275,395	478,729,262	124,694,948
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	578,312,720	153,095,482	475,241,852	127,515,035

4.36 Personnel Expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	751,762,543	591,698,414	668,127,015	523,120,425
Allowances	131,592,380	67,463,271	48,547,546	24,085,792
Gratuity expense	42,120,475	30,384,690	35,324,949	24,599,838
Provident fund	45,688,413	36,524,418	38,439,854	30,153,118
Uniform	-	-	-	-
Training & development expense	23,475,877	25,235,458	19,784,597	20,496,914
Leave encashment	22,045,835	32,785,232	17,454,085	26,530,614
Medical	30,841,069	29,523,820	30,841,069	24,833,812
Insurance	17,584,449	11,447,839	16,976,188	11,193,768
Employees incentive	7,899,704	6,835,402	7,899,704	6,835,402
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	53,571,436	124,542,273	53,571,436	124,542,273
Other expenses related to staff	75,292,257	95,669,935	74,443,705	68,406,377
Subtotal	1,201,874,436	1,052,110,752	1,011,410,149	884,798,333
Employees bonus	236,090,360	271,263,355	221,382,287	249,016,011
Grand total	1,437,964,796	1,323,374,107	1,232,792,436	1,133,814,344

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	1,816,500	1,739,445	1,086,000	1,186,000
Directors' expense	302,511	352,674	179,336	211,065
Auditors' remuneration	1,663,925	1,582,000	1,243,000	1,130,000
Other audit related expense	154,216	235,948	-	-
Professional and legal expense	5,200,404	14,465,810	5,976,222	14,371,393
Office administration expense	571,299,938	518,794,743	538,017,524	489,755,037
Operating lease expense	141,341,997	109,144,690	127,864,082	98,011,543
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	21,551,920	10,001,822	21,551,920	10,001,822
Onerous lease provisions	-	-	-	-
Other	10,722,818	9,744,138	10,722,818	3,666,115
Total	754,054,229	666,061,270	706,640,902	618,332,975

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

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

4.37.1 Office administration expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	33,357,293	35,292,916	31,839,829	33,869,957
Repair and maintenance	20,362,838	34,466,535	19,492,197	32,460,109
a) Building	5,581,085	25,527,806	5,581,085	25,125,420
b) Vehicle	2,602,202	2,378,357	2,056,521	1,649,429
c) Computer and accessories	2,961,962	227,557	2,961,962	227,557
d) Office Equipment and Furniture	9,141,985	6,127,526	8,892,629	5,457,704
e) Others	75,603	205,289	-	-
Insurance	11,008,186	7,301,530	9,604,252	5,650,097
Postage, telex, telephone, fax	12,608,901	13,016,523	10,352,852	10,326,052
Printing and Stationery	24,341,082	29,750,526	21,555,282	24,895,890
Newspaper, books and journals	337,843	424,190	254,258	329,000
Advertisement	62,369,335	41,613,560	60,410,042	40,698,567
Donation	-	-	-	-
Security expenses	119,683,384	122,586,367	118,236,735	121,010,658
Deposit and loan guarantee premium	30,803,513	22,575,135	30,803,513	22,575,135
Travel allowance and expenses	58,499,987	58,629,546	55,252,496	53,545,328
Entertainment	9,705,209	10,175,006	9,505,632	9,625,447
Annual/ special general meeting expense	1,294,438	1,247,770	928,968	901,099
Other	186,927,929	142,616,238	169,781,469	134,768,795
a) Fixed asset revenue expense	7,403,956	7,350,785	6,071,108	7,277,940
b) IT and other subscriptions	81,872,998	85,227,998	80,129,612	83,593,478
c) Others	97,650,975	49,136,356	83,580,750	42,996,278
Total	571,299,938	518,794,743	538,017,524	489,755,037

4.38 Depreciation & Amortisation

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	155,189,164	117,600,491	145,589,259	109,508,323
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	21,927,238	25,081,017	21,320,424	24,316,329
Total	177,116,402	142,681,507	166,909,683	133,824,652

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	5,075,146	2,565,317	5,075,146	2,565,317
Other income	11,459,678	9,038,348	10,553,829	8,058,437
Total	16,534,824	11,603,665	15,628,975	10,623,754

4.40 Non operating expense

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	47,943,060	61,814,345	47,943,060	61,814,345
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	-	-	-
Total	47,943,060	61,814,345	47,943,060	61,814,345

4.41 Income tax expense

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	638,434,197	718,071,116	598,325,891	657,104,500
Current year	638,434,197	718,071,116	598,325,891	657,104,500
Adjustments for prior years	-	-	-	-
Deferred tax expense	(17,631,694)	(7,937,848)	(17,434,689)	(6,034,675)
Origination and reversal of temporary differences	(17,631,694)	(7,937,848)	17,434,689	(6,034,675)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	620,802,503	710,133,268	580,891,202	651,069,825

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	2,074,970,549	2,441,063,003	1,992,440,582	2,241,144,100
Tax amount	622,491,165	710,133,268	597,732,175	672,343,230
Add: Tax effect of expenses that are not deductible for tax purpose	31,202,747	10,026,967	24,380,433	10,026,967
Less: Tax effect on exempt income	30,429,055	(26,053,498)	(23,786,717)	(26,053,498)
Add/less: Tax effect on other items	(2,462,353)	16,026,531	(17,434,689)	(5,246,874)
Total income tax expense	620,802,503	710,133,268	580,891,202	651,069,825
Effective tax rate	29.92%	29.09%	29.15%	29.05%

Comparison of Unaudited and Audited Financial Statements as of FY 2076/77

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	9,423,975	9,423,975	-	0%	
Due from NRB and placements with BFIs	9,431,455	9,443,374	(11,919)	0%	
Loan and advances	91,029,881	90,042,817	987,064	1%	Fair Value adjustment of Staff Loans
Investments Securities	10,289,888	10,425,626	(135,738)	-1%	Regrouping of items
Investment in subsidiaries and associates	417,000	417,000	-	0%	
Property and Equipment	1,391,834	1,391,834	0	0%	
Goodwill and intangible assets	90,187	90,187	-	0%	
Other assets	6,728,427	7,663,761	(935,334)	-14%	Regrouping of items
Total Assets	128,802,647	128,898,574	(95,927)	0%	
Capital and Liabilities					
Paid up Capital	9,812,560	9,812,560	-	0%	
Reserves and surplus	4,144,407	4,162,503	(18,096)	0%	Cumulative impact of different adjustments
Deposits	101,366,135	101,350,143	15,992	0%	
Borrowings	4,119,269	4,135,261	(15,992)	0%	
Bond and Debenture	2,008,197	2,008,197	-	0%	
Other liabilities and provisions	7,352,080	7,429,911	77,831)	-1%	Regrouping of items
Total Capital and Liabilities	128,802,647	128,898,574	-95,927	0%	
Statement of Profit or Loss					
Interest income	10,132,080	10,182,242	50,162)	0%	Amortization of Staff Loan Benefit
Interest expense	(6,720,075)	(6,720,075)	0	0%	
Net interest income	3,412,005	3,462,167	(50,162)	-1%	
Fee and commission income	809,230	809,230	-	0%	
Fee and commission expense	(103,268)	(101,133)	(2,135)	2%	
Net fee and commission income	705,962	708,097	(2,135)	0%	
Other operating income	435,488	436,075	(588)	0%	
Total operating income	4,553,454	4,606,340	(52,885)	-1%	
Impairment charge/(reversal) for loans and other losses	(345,547)	(475,242)	129,695	-38%	Adjustment as per NRB Circular
Net operating income	4,207,908	4,131,098	76,810	2%	
Personnel expenses	(1,192,825)	(1,232,792)	39,967	-3%	Amortization of Staff Loan Benefit
Other operating expenses	(867,887)	(873,551)	5,664	-1%	Inclusion of CSR Expenses
Operating profit	2,147,195	2,024,755	122,440	6%	
Non operating income/expense	(32,314)	(32,314)	-	0%	
Profit before tax	2,114,881	1,992,441	122,440	6%	
Income tax	(630,092)	(580,891)	(49,200)	8%	Cumulative tax effect of different adjustments
Profit /(loss) for the period	1,484,789	1,411,549	73,240	5%	
Other comprehensive income	262,762	359,504	(96,742)	-37%	Deferred Tax Adjustment on items of OCI
Total comprehensive income	1,747,551	1,771,053	(23,502)	-1%	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,484,789	1,411,549	73,240	5%	
Add/Less: Regulatory adjustment as per NRB Directive	(385,393)	(259,843)	(125,550)	33%	
Free profit/(loss) after regulatory adjustments	1,099,396	1,151,706	(52,310)	-5%	

Statement of distributable profit or loss

For the year ended 31 Ashadh 2077 (15 July 2020)
(As per NRB Regulation)

AMOUNT IN NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	1,411,549,380	1,590,074,275
<u>Appropriations:</u>		
a. General reserve	282,309,876	318,014,855
b. Foreign exchange fluctuation fund	1,880,478	309,757
c. Capital redemption reserve	(320,000,000)	80,000,000
d. Corporate social responsibility fund	(7,436,426)	5,898,921
e. Employees' training fund	-	-
f. Other	-	(217,540,384)
Profit or (loss) before regulatory adjustment	1,454,795,452	1,403,391,126
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(230,982,421)	30,775,460
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	(31,325,780)	159,202
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	2,465,150	(5,406,207)
i. Other (+/-)	-	-
Distributable profit or (loss)	1,194,952,401	1,428,919,582

5 Disclosures and Additional Information

5.1 Risk Management

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Risk Management Committee with clear terms of reference. The Risk Management Committee has 5 members altogether, with 3 directors, Chief Operating Officer and Head Risk Management Unit. The Committee meets six times in FY 2019/20. The Committee oversees and reviews the fundamental prudential risks including credit, market, reputational, capital and liquidity, operational and information and cyber security risk, etc. The Risk Committee receives periodic reports on risk management, including portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and are authorized to seek and review any information relating to an activity within its terms of reference. Risk Management structure of the Bank has set clear separation between Businesses function and risk management function. Accordingly, the Bank has set up a separate Risk Management unit. The Risk Management Unit develops the mechanism for assessing and reviewing its risk management policies, processes and procedures for individual risk elements, at a regular interval, based on the main findings of the monitoring reports and the results of analysis of developments from external market changes and other environmental factors.

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

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

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

Risk Management Framework and Organization

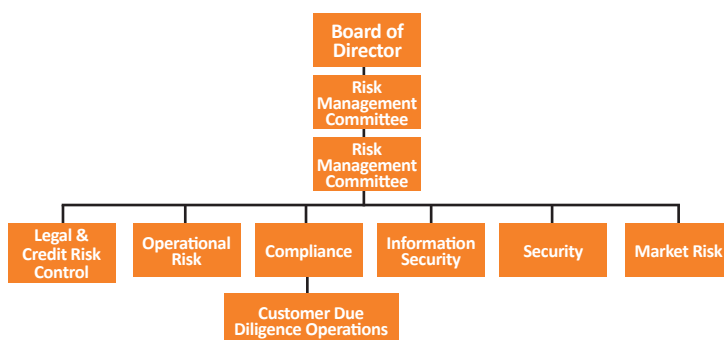
The Board sets out the risk appetite and philosophy for the Bank, which is supported by various Board /Management level Committees who are primarily responsible for ensuring that the risk standards are maintained as per the agreed parameters. The Bank's Internal Audit functions independent of management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

Risk Governance

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities, environment for speaking up and inhabiting good ethical culture. Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks that arise directly through the Bank's commercial activities as well as

operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking. The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to management risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure. The bank's risk governance structure is such that the responsibility for reducing risk within the banks risk tolerance limit is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

The risk management structure of the bank is given below:



Internal Control

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

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

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

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

5.1.1 Credit Risk

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

strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

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

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

Management of Credit Risk

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

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

c) Reviewing and assessing credit risk: Bank assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

d) Limiting concentrations of exposure to counterparties and industries: For loans and advances, financial guarantees and similar exposures, centrally a limit is established.

e) The risk grading system assign risk for each credit based on industry risk, business risk, management risk and financial risk. The current risk grading reflects varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews.

f) Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of local portfolios are provided to Credit Department and the Management Committee which may require appropriate corrective action to be taken.

g) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement bank's credit policies and procedures, with credit approval authorities delegated from the Credit Department/ Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and credit processes are undertaken by Internal Audit Department.

I) Credit quality of neither past due nor impaired and past due or impaired

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

NPR IN MILLION

PARTICULARS	NEITHER PAST DUE NOR IMPAIRED	PAST DUE LESS 90 DAYS	PAST DUE 91 TO 180 DAYS	PAST DUE MORE THAN 180 DAYS	INDIVIDUALLY IMPAIRED	TOTAL
Financial Assets						
Assets carried at Amortised Cost						
Cash and cash equivalent	9,423	-	-	-	-	9,423
Due from Nepal Rastra Bank	9,443	-	-	-	-	9,443
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Loans and advances to customers	84,658	3,089	-	362	343	88,452
Loan and advances to B/FIs	1,590	-	-	-	-	1,590
Fair Value through Profit and Loss (FVTPL)	-	-	-	-	-	-
Derivative financial instruments.	6,224	-	-	-	-	6,224
Fair Value through Other						
Comprehensive Income (FVTOCI)	-	-	-	-	-	-
Investment securities	10,425	-	-	-	-	10,425
Investment in subsidiaries	417	-	-	-	-	417
Total	122,180	3,089	-	362	343	125,974

5.1.2 Market Risk

The Bank's foreign exchange risk stems from foreign exchange position taking and commercial dealing. All foreign exchange positions are managed by the Treasury. Fluctuation in foreign exchange rates can have a significant impact on a Bank's financial position. Laxmi Bank has adopted measures to appropriately hedge the risks that arise while carrying out international trade transactions. Code of ethics for treasury dealers is in place to ensure that professionalism and confidentiality are maintained and ethical dealing practices observed. The bank treasury dealers have gained exposure to international markets as well in addition to having undergone appropriate trainings. The Bank has followed the structure of a Treasury back and Treasury Mid office independent of Treasury dealing room functions to instill

better control over treasury activities through appropriate segregation of duties and responsibilities.

I. Currency Risk:

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

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

AMOUNT IN NPR '000

FOREIGN CURRENCY	CURRENCY CODE	ASSETS	LIABILITIES	NET POSITION
Dirhams	AED	467	-	467
Australian Dollar	AUD	5,291	-	5,291
Canadian Dollar	CAD	745	-	745
Swiss Francs	CHF	96	-	96
Chinese Yuan	CNY	1,928	-	1,928
Denmark Kroner	DKK	1,429	-	1,429
Euro	EUR	46,468	33,514	12,954
Great Britain Pound	GBP	37,507	35,024	2,483
HongKong Dollar	HKD	299	-	299
Indian Rupees	INR	3,870,304	2,917	3,867,388
Japanese Yen	JPY	10,759	2	10,757
Malaysian Ringgit	MYR	136	-	136
Qatar Riyal	QAR	658	-	658
Saudi Arabian Riyal	SAR	664	-	664
Swedish Kroner	SEK	-	-	-
Singapore Dollar	SGD	292	-	292
Thailand Baht	THB	79	-	79
US Dollar	USD	12,959,034	12,975,071	(16,036)
Korean Won	KRW	111	-	111
Kuwaiti Dinar	KWD	-	-	-
Total		16,936,269	13,046,528	3,889,741

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

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	9,424	-	-	-	9,424
Due from Nepal Rastra Bank	9,443	-	-	-	9,443
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments	6,225	-	-	-	6,225
Other trading assets	16	-	-	-	16
Loan and advances to B/FIs	1,590	-	-	-	1,590
Loans and advances to customers	29,840	10,025	3,522	44,921	88,453
Investment securities	417	-	-	10,426	10,426
Investment in subsidiaries	2,905	-	-	-	417
Other assets	2,905	-	-	-	2,905
Total Assets	60,005	10,025	3,522	55,347	128,899
Liabilities					
Due to Bank and Financial Institutions	2,979	-	-	-	2,979
Due to Nepal Rastra Bank	500	-	-	-	500
Derivative financial instruments	6,182	-	-	-	6,182
Deposits from customers	26,571	12,824	21,691	37,285	98,371
Borrowing	-	-	-	3,635	3,635
Debt securities issued	2,008	-	-	-	2,008
Other liabilities	1,248	-	-	-	1,248
Total Liabilities	39,488	12,824	21,691	40,920	114,923

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	9,812
b	Share Premium / Capital Reserve	-
c	Proposed Bonus Shares	-
d	Statutory General Reserve	1,772
e	Retained Earnings	1,310
f	Un-audited Current Year Cumulative Profit	-
g	Capital Redemption Reserve	-
h	Other Free Reserves	-
i	Less: Deferred Tax Assets	
j	Less: Intangible Assets	(90)
k	Less: Investment in equity of institutions with financial interests	(709)
Core (Tier-1) Capital		12,095

II. Tier 2 capital and a breakdown of its components

Amount in NPR Million

S.N	PARTICULARS	AMOUNT
a	Subordinated Term Debt	2,000
b	General Loan Loss Provision	1,217
c	Exchange Equalization Reserve	31
d	Investment Adjustment Reserve	0.1
Supplementary (Tier-2) Capital		3,249

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

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

IV. Deductions from capital

- The intangible assets pertaining to software costs amounting to NPR 90.19 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 709.09 million has been deducted from the core capital.

V. Total qualifying capital

S. N.	PARTICULARS	AMOUNT (NPR MILLION)
A	Core Capital	12,095
B	Supplementary Capital	3,249
Total Qualifying Capital (Total Capital Fund)		15,344

VI. Capital Adequacy Ratio

Capital Adequacy Ratio of the bank as at 15 July 2020 stood at 13.02%.

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 NPR 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

b) Risk Exposures

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

Amount in NPR Million

S.N.	RISK WEIGHTED EXPOSURE	AMOUNT
a	Risk Weighted Exposure for Credit Risk	108,502
b	Risk Weighted Exposure for Operational Risk	4,604
c	Risk Weighted Exposure for Market Risk	146
Adjustments under Pillar II		
d	3% of gross income to RWE	3,398
e	2% adjustment on Total RWE	1,203
Total Risk Weighted Exposure		117,854

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	2,216
c	Claims on Banks	3,012
d	Claims on Corporate and Securities Firm	57,450
e	Claims on Regulatory Retail Portfolio	12,227
f	Claims secured by Residential Properties	4,152
g	Claims secured by Commercial Real Estate	1,818
h	Past due Claims	929
i	High Risk Claims	5,817
j	Other Assets	3,532
k	Off balance sheet items	17,346
Total		108,502

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 (C)	NET VALUE (D) = (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Cash Balance	2,232	-	-	2,232	0%	-
Balance With Nepal Rastra Bank	9,421	-	-	9,421	0%	-
Gold	3	-	-	3	0%	-
Investment in Nepalese Government Securities	7,099	-	-	7,099	0%	-
All Claims on Government of Nepal	137	-	-	137	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	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	1,968	-	-	1,968	20%	394
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	1,968	-	-	2,395	20%	479
Claims on foreign bank (ECA Rating 2)	4,179	-	-	4,179	50%	2,089
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	254	-	-	254	20%	51
Claims on Domestic Corporates	57,490	-	40	57,450	100%	57,450
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)	16,305	-	2	16,303	75%	12,227
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	5,516	-	5	5,511	60%	3,307
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	171	23	-	148	100%	148
Claims secured by Commercial real estate	1,818	-	-	1,818	100%	1,818
Past due claims (except for claim secured by residential properties)	1,148	529	-	620	150%	929
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	4,442	-	564	3,878	150%	5,817
loans and credit card receivables)	-	-	-	-	-	-
Lending against securities (bonds & shares)	1,266	-	-	1,266	100%	1,266
Investments in equity and other capital instruments of institutions not listed in the stock exchange	1,788	-	-	1,788	100%	1,788
Investments in equity and other capital instruments of institutions listed in the stock exchange	285	-	-	285	150%	428
Staff Loan secured by residential property	1,396	-	-	1,396	50%	698
Interest receivable/claim on government securities	84	-	-	84	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	7,367	5,102	-	2,266	100%	2,266
TOTAL	126,763	5,653	611	120,499		91,155

Amount in NPR Million

B. OFF BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D) = (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	81	-	-	81	0%	-
Forward Exchange Contract Liabilities	6,225	-	-	6,225	10%	622
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	16,446	-	4,673	11,773	20%	2,355
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)	1,330	-	1,142	187	50%	94
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)	8,390	-	503	7,887	50%	3,944
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating -7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	3,838	-	94	3,744	100%	3,744
Financial Guarantee	2	-	0	2	100%	2
Acceptances and Endorsements	2,029	-	82	1,946	100%	1,946
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	14,433	-	-	14,433	20%	2,887
Irrevocable Credit commitments (long term)	456	-	-	456	50%	228
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	7,495	-	-	7,495	20%	1,499
Other Contingent Liabilities	27	-	-	27	100%	27
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL	60,751	-	6,495	54,256		17,347
Total RWE for credit Risk (A) +(B)	187,514	5,653	7,106	174,756		108,502
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)	187,514	5,653	7,106	174,756		108,502

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	228,470	187,784	250,084	211,917
Sub Standard Loans	-	-	187,920	140,940
Doubtful Loans	361,919	189,018	46,882	23,441
Loss	343,264	5,599	364,222	-
Total NPAs	933,653	382,400	849,109	376,298

5.3 Classification of financial assets and financial liabilities

AMOUNT IN NPR MILLION

FINANCIAL ASSETS	NOTES	AS AT 15-JUL-20		AS AT 16-JUL-19	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets					
Assets carried at Amortized Cost					
Cash and cash equivalent	4.1	9,423	9,423	10,425	10,425
Due from Nepal Rastra Bank	4.2	9,443	9,443	4,806	4,806
Placement with Bank and Financial Institutions	4.3	-	-	-	-
Loans and advances to customers	4.7	88,452	88,452	74,615	74,615
		107,320	107,320	89,846	89,846
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments.	4.4	6,224	6,224	5,122	5,122
Investment securities	4.8	10,425	10,425	7,025	7,025
Investment in subsidiaries	4.10	417	417	417	417
		10,842	10,842	7,442	7,442
Liabilities					
Liabilities carried at Amortized Cost					
Due to Bank and Financial Institutions	4.17	2,979	2,979	6,555	6,555
Due to Nepal Rastra Bank	4.18	500	500	1,230	1,230
Deposits from customers	4.20	98,370	98,370	80,324	80,324
Debt securities issued	4.24	2,008	2,008	401	401
		103,858	103,858	88,510	88,510
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments	4.19	6,182	6,182	5,046	5,046

5.3.1 Fair Value of Financial Assets and Financial Liabilities

Amount in NPR Million

PARTICULARS	FAIR VALUE HIERARCHY (LEVEL)	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Fair Value through profit and loss			
Financial Assets			
Forward exchange Contract		6,224	5,122
Financial Liabilities			
Forward exchange Contract		6,182	5,046
Fair Value through Other Comprehensive Income			
Financial assets			
Investment securities at OCI			
- Quoted equity securities	1	2,975	2,260
- Unquoted equity securities	3	285	8
Investment in subsidiaries		417	417
Total		3,677	2,685
Financial Instruments held at amortized cost			
Financial assets			
Debt securities	3	-	-
Government bonds	3	6,417	4,757
Government treasury bills	3	748	-
Nepal Rastra Bank bonds	3	-	-
Nepal Rastra Bank deposit instruments	3	-	-
Loan and advances to B/FIs	3	-	-
Loans and advances to customers	3	-	-
Other		-	-
Accounts receivable		-	-
Accrued Income		-	-
Total		7,165	4,757
Financial liabilities			
Due to Bank and Financial Institutions	3	2,979	6,554
Due to Nepal Rastra Bank	3	500	1,230
Deposits from customers	3	98,370	80,324
Borrowing		3,635	-
Provisions		-	-
Other liabilities		1,250	790
Debt securities issued		2,008	401
Subordinated Liabilities		-	-
Total		108,744	89,300

5.4 Operating Segment Information

5.4.1 General Information

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

5.4.2 Information about profit or loss, assets and liabilities

Amount in NPR '000

PARTICULARS	PROVINCE 1	PROVINCE 2	BAGMATI PROVINCE	GANDAKI PROVINCE	OTHERS	TOTAL
Revenues from external customers	1,143,535	461,700	2,164,112	356,192	480,800	4,606,340
Intersegment revenues	(494,318)	(244,960)	863,988	(119,550)	(5,160)	0
Net revenues	649,217	216,740	3,028,100	236,642	475,641	4,606,340
Interest revenue	1,472,161	640,424	6,756,142	538,638	774,877	10,182,242
Interest expense	436,752	217,368	5,512,775	208,411	344,769	6,720,075
Net interest revenue (b)	1,035,409	423,055	1,243,366	330,228	430,108	3,462,167
Depreciation and amortization	18,725	8,322	105,193	8,271	26,400	166,910
Segment profit / (loss) before tax	930,514	371,632	236,172	255,392	198,730	1,992,441
Impairment of assets	17,964	(13,020)	452,747	4,901	12,649	475,242
Segment assets	17,140,590	6,679,407	90,329,148	5,935,029	8,814,400	128,898,574
Segment liabilities	8,275,865	4,568,509	89,112,509	4,034,045	8,932,584	114,923,512

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

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

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

REVENUE

Amount in NPR Million

TOTAL REVENUE FOR REPORTABLE SEGMENTS	4,606
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenue	4,606

PROFIT OR LOSS

Amount in NPR Million

TOTAL PROFIT OR LOSS FOR REPORTABLE SEGMENTS	1,411
Other profit or loss	-
Elimination of intersegment profits	-
Profit before income tax	1,411

ASSETS

Amount in NPR Million

TOTAL ASSETS FOR REPORTABLE SEGMENTS	128,898
Other assets	-
Total assets	128,898

LIABILITIES

Amount in NPR Million

TOTAL LIABILITIES FOR REPORTABLE SEGMENTS	114,923
Other assets	-
Total liabilities	114,923

5.4.5 Information about product and services

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

5.4.6 Information about geographical areas

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

5.4.7 Information about major customers

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

5.5 Share Options and Share based Payment

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

5.6 Contingent Liabilities and Commitment

5.6.1 Income Tax Liability

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

The Bank has received an additional demand of NPR 847,545, NPR 19,242,794, NPR 1,606,366, NPR 2,810,598, NPR 36,273,807 and NPR 1,030,382 from LTO relating to tax returns for the FYs 2066/67, 2067/68, 2068/69, 2069/70, 2070/71 and 2071/72 respectively. The Bank disputed the demand as not tenable and has applied for appeal to appropriate authorities. The assessment order for FYs 2066/67, 2067/68, 2068/69, 2069/70 and 2070/71 are currently under review at the Revenue Tribunal. The amount of claim is shown as contingent liability on income tax under schedule 4.28. The Bank has paid NPR 21,236,032 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 2075/76 under self-assessment procedures.

Tax returns filed under self-assessment for the FYs 2073/74, 2074/75 and 2075/76 are yet to be assessed by LTO.

5.6.2 Contingent Liability

Amount in NPR Million

PARTICULARS	AS AT	AS AT
	15-JUL-20	16-JUL-19
Claims on Bank but not Accepted by the Bank		
Letter of Credit (Full Amount)		
a. Letter of Credit With Maturity Less than 6 Months	16,446	11,680
b. Letter of Credit With Maturity More than 6 Months	1,329	3,867
Rediscounted Bills		
Unmatured Guarantees/Bonds		
a. Bid Bonds	14,673	11,900
b. Performance Bonds		
c. Other Guarantee/Bonds	456	
Unpaid Shares in Investment		
Forward Exchange Contract Liabilities	6,224	5,122
Bills under Collection	90	754
Acceptances and Endorsements	2,029	2,429
Underwriting Commitments		
Irrevocable Loan Commitments	14,433	14,001
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	1,213	1,269
Advance Payment Guarantees	3,838	3,724
Financial Guarantees	2	2
Contingent Liabilities on Income Tax	67	67
Unpaid Guarantee Claims		
Total	60,800	54,815

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	Chairman
Raman Nepal	Chairman/ Director
Dinesh Poudel	Director
Swati Roongta	Director
Vishwa Karan Jain	Director
Bidhya Basnyat	Director
Ajay Bikram Shah, CEO	Key Management Personnel
Executive Committee Members (ECM)	Key Management Personnel

5.7.1 Board Member Allowances and Facilities

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

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

PARTICULARS	THIS YEAR (NPR)	PREVIOUS YEAR (NPR)
Board Meeting Fee	656,000	716,000
Audit Committee Fee	160,000	150,000
Risk Management Committee fee	180,000	170,000
Money Laundering Prevention Committee	80,000	110,000
Human Resource Committee Fee	10,000	40,000
Other meeting expenses	179,336	211,065

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	10,980	12,354
Other Key Management Personnel	57,541	49,718
Total	68,521	62,072
Other Benefits*		
CEO	3,323	4,501
Other Key Management Personnel	17,433	14,212
Total	20,766	18,714
Post Employment Benefits**	-	-

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

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

5.7.4 Transaction with Subsidiaries

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

Amount in NPR'000

PARTICULARS	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Interest Expense	-	-	12,993	18,151
Interest Income	130,370	130,051	-	-
Purchase of Services	-	-	3,014	2,360
Sale of Services	892	-	-	-
Dividend received	19,169	42,350	33,750	30,000

Details of outstanding balances between the company and its subsidiaries as on 15th July 2020 are presented below:

Amount in NPR'000

PARTICULARS	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Equity Investment	147,000	147,000	270,000	270,000
Deposit Liabilities	5,476	5,151	260,356	253,621
Loans to Subsidiaries	1,111,314	1,216,954	-	-

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

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

5.8 Merger and Acquisition

There are no merger or acquisitions transaction during the year.

5.9 Disclosure of material non-controlling interest

Amount in NPR'000

PARTICULARS	YEAR ENDED 31 ASHADH 2077	YEAR ENDED 31 ASHADH 2076
Opening Balance	148,087	135,496
Profit for the year	21,282	32,876
Right Share issued	-	-
Premium on Share	-	-
Cash Dividend Paid	(8,215)	(19,105)
Fund used	(1,610)	(1,180)
Closing NCI	159,544	148,087

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:

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
		31 ASHADH 2077	31 ASHADH 2076	31 ASHADH 2077	31 ASHADH 2076
Laxmi Capital Market Limited	Nepal	-	-	-	-
Laxmi Laghubitta Bittiya Sanstha Ltd	Nepal	30%	30%	159,544	148,087

5.10 Additional Disclosures of non-consolidated entities

The Bank has two subsidiaries as at 15 July 2020, Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha, which are consolidated for the year ended 15 July 2020. 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 15 July 2020 till the signing of this financial statement.

5.12 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.

Amount in NPR'000

BORROWER NAME	DATE OF ASSUMING NBA	31 ASHADH 2077	31 ASHADH 2076
Shyam Sundar Chyau Kheti Udhog	2075-03-06	3,349	3,349
Rewati Raman/ Dirgha Kumari	2075-03-12	3,034	3,034
Pathivara Saw Mill	2075-03-19	-	-
Jyoti Jewellery	2075-03-19	-	6,040
New Jay Laxmi Gahana Griha	2075-08-04)	12,248	12,248
R & D Traders	2075-09-05	2,406	2,406
New B.M Impex	2075-11-19	7,332	7,332
Alliance Management Service	2076-05-25	35,407	-
Zeal Enterprises P. Ltd.	2076-08-16	45,200	-
Balchandra/ Biva Poudel	2074-04-29	-	2,920
Closing NCI		108,977	37,329

5.13 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 31 Ashad 2077 and collected after year end up to 30 Ashwin 2077 as per the NRB Directives amounting to NPR 294,447,906 has been deducted from the amount transferred to regulatory reserve during the FY 2019-20 as per NRB Directives after adjustment of staff bonus and taxes. Interest income excludes NPR 12,286,717 on overdue loans and advances as per Guidelines on Recognition of Interest Income, 2019 issued by NRB.

5.14 Earnings per share

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

PARTICULARS	UNITS	YEAR ENDED 15-JUL-20	YEAR ENDED 16-JUL-19
Profit attributable to equity shareholders (a)	NPR'000	1,411,549	1,590,074
Weighted average of number of equity shares used in computing basic earnings per share (b)		98,125,595	89,205,086
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	14.39	17.82
Revised basis earning per share	Rs.	14.39	17.82

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

5.15 Unpaid Dividends

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

Amount in NPR'000

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Not collected for more than 5 years	-	-	-
Not collected up to 5 years	4,267	-	-
Total	4,267	-	-

5.16 Non-performing assets

The Bank's non-performing assets ratio stood at 1.04% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 933,653,754 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 551,253,429 which is 59.04% of NPA. Also, the total loan loss provision to NPA is 189.41%.

Amount in NPR'000

LOAN CATEGORY	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	88,965,285	75,933,790	13,031,495	17.16%
Pass Loans	85,876,053	74,406,946	11,469,107	15.41%
Watchlist Loans	3,089,232	1,526,844	1,562,388	102.33%
Non-performing Loans	933,654	849,109	849,109	9.96%
Restructured/ Rescheduled Loans	228,470	250,085	(21,614)	-8.64%
Substandard Loans	-	187,920	(187,920)	-100.00%
Doubtful Loans	361,919	46,882	315,036	671.97%
Loss Loans	343,264	364,222	(20,958)	-5.75%
Gross Loans and Advances	89,898,939	76,782,899	13,116,040	17.08%

5.17 Loans Written Off

The Bank has written off loans amounting total NPR 47,943,060 during the year FY 2076-77. 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 NAME	AMOUNT (NPR)	BORROWER NAME	AMOUNT (RS)
Ambe Ji Trade Concern	912,918	New Heera Store	559,756
Ambience Collection	949,187	New Naari Shringar	632,724
Ambience Collection	2,489,450	Parbati Oli	331,055
Attri General Suppliers	261,834	Pradip Kandel	4,768,488
Ayusha Beauty Parlar	535,708	Prayakta Handicraft	620,842
Chaand Traders Pvt. Ltd.	928,853	Prem Baniya	22,478
City Readymade	674,019	R and R Store	720,042
Darshan Flower And Gift Centre	63,732	Rajendra Ghimire	11
Deependra Kumar Yadav	2,885,942	Sajja Store	714,702
Diwakar/Sarita Sharma	2,640,570	Sampurna Handicraft	562,544
Ekjute Construction Service Pvt Ltd	801,303	Sandesh Gopal Nyachhon	14,417,446
Expert Furniture Pvt.Ltd	733,558	Sandesh Parajuli	14,119
Foot Guard Store	40,347	Sanjeev Pradhan	30,220
Iman Lama	368,737	Shree Shai Plywood And Hardware	684,855
Jayadev Kaffle	53,678	Sujan Kr Shrestha	34,413
Jibraj Basnet	467,803	Suraj Ghimire	52,124
Khotang Flooring And Furnishing	27,752	Ultimate Collection	571,907
Kusum Kumari Shrestha	40,114	Youbraj Poudel	11,897
Laxmi Thapa	864,889	Yours Siddhi Collection	632,339
Nabin Handicraft P. Ltd.	805,198	Zeal Enterprises	5,984,993
Nanuj Tika Collection	30,513		
Grand Total			47,943,060

5.18 Concentration of Deposits, Loans & Advances and Contingents

Amount in NPR'000

PARTICULARS	LOANS & ADVANCES AND BILLS PURCHASED		DEPOSITS & BORROWINGS		NON-FUNDED	
	CY	PY	CY	PY	CY	PY
Total Amount Outstanding	89,899	76,782	100,766	85,827	60,801	54,815
Highest Exposure of a Single Unit	2,160	1,914	3,204	2,596	2,570	2,533
Concentration of exposure	2.40%	2.49%	3.18%	3.02%	4.23%	4.62%

*CY= Current Year, PY= Previous Year

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

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

5.19 Principal Financial Indicators

PARTICULARS	INDICATORS	F. Y. 2072/2073*	F. Y. 2073/2074	F. Y. 2074/2075	F. Y. 2075/2076	F. Y. 2076/2077
1. Percentage of Net Profit/Gross Income	%	36.62%	38.27%	35.79%	36.93%	30.64%
2. Earnings Per Share	NPR	27.15	21.77	14.37	17.82	14.39
3. Market Value per Share	NPR	876.00	390.00	258.00	226.00	209.00
4. Price Earning Ratio	Ratio	32.26	17.91	17.96	12.68	14.53
5. Dividend on share capital (Bonus share + Cash dividend)	%	38.00%	10.00%	8.50%	15.00%	11.50%
6. Cash Dividend on share capital	%	0.00%	0.53%	0.45%	5.00%	2.50%
7. Interest Income/Loans & Advances and Investments	%	7.16%	8.98%	10.95%	11.72%	11.06%
8. Employee Expenses/Total Operating Expenses	%	47.33%	44.78%	45.21%	46.91%	48.02%
9. Interest Expenses on Total Deposits and Borrowings	%	4.25%	5.56%	7.31%	7.33%	6.99%
10. Exchange Fluctuation Gain/Total Income	%	7.85%	7.63%	8.68%	8.41%	7.39%
11. Staff Bonus/ Total Staff Expenses	%	23.28%	30.44%	31.04%	28.14%	21.89%
12. Net Profit/Loans & Advances	%	1.88%	2.10%	2.08%	2.30%	1.69%
13. Net Profit/ Total Assets	%	1.35%	1.52%	1.55%	1.66%	1.20%
14. Total Credit/Deposit	%	83.81%	89.20%	93.79%	95.30%	91.53%
15. Total Operating Expenses/Total Assets	%	1.38%	1.64%	1.71%	1.97%	1.79%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	9.79%	12.43%	11.32%	11.01%	10.26%
b. Supplementary Capital	%	1.36%	1.15%	1.11%	0.82%	2.76%
c. Total Capital Fund	%	11.15%	13.58%	12.43%	11.83%	13.02%
17. Liquidity (CRR)	%	7.17%	7.32%	6.57%	5.59%	8.29%
18. Non Performing Loans/Total Loans	%	0.80%	0.93%	1.29%	1.11%	1.04%
19. Weighted Average Interest Rate Spread	%	2.91%	2.49%	3.64%	4.40%	4.07%
20. Base Rate	%	6.77%	10.33%	11.48%	10.31%	9.23%
21. LCY Interest Spread (Calculated as per NRB Directive)	%	3.84%	3.39%	4.13%	4.37%	3.94%
22. Net Worth Per Share	NPR	185.88	140.76	135.71	141.81	142.42
23. Total Employees	Number	531	693	750	1,018	1,101

5.20. Reserves

5.20.1 General Reserve

The movement in general reserve during the year is as follows; Amount in NPR'000

Opening Balance	1,489,246
Transfer as per BAFIA	282,310
Closing balance	1,771,556

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 282,309,876 (Previous Year NPR 318,014,855) has been transferred to General Reserve.

5.20.2 Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act 2073, a bank or financial institution carrying on foreign exchange business shall make necessary accounts adjustments in the profit and loss account of the revaluation profits earned as a result of fluctuations in the exchange rates of foreign currencies, other than the Indian currency, every year at the end of the same fiscal year. While making such accounts adjustment in the profit and loss account, if revaluation earning has been made in any fiscal year, at 25% per cent of such profits shall be credited to the exchange equalization fund. The bank during the FY has transferred NPR 1,880,478 to the exchange equalization reserve. The movement during FY in the exchange equalization reserve is as follows:

Amount in NPR'000	
Opening Balance	29,861
Add: Transfer during the period	1,880
Closing Balance	31,472

5.20.3 Debenture Redemption Reserve

As per the Clause 5 of NRB directive 16, licensed institutions are required to maintain a capital redemption reserve in respect of debenture liability. Accordingly, the bank has transferred NPR 80 Million to Debenture Redemption Reserve for 8% Laxmi Bank Debentures, 2076.

Further, as 8% Laxmi Bank Debentures 2076 during the FY 2076-77, cumulative amount of NPR 400 Million transferred to Debenture Redemption Reserve equal to the value of such debentures has been transferred back to Retained Earnings during the year.

Amount in NPR'000	
Opening Balance	320,000
Add: Transfer during the period	80,000
Less: Transfer to Retained Earning during the period	(400,00)
Closing Balance	-

The Bank has issued 10% Laxmi Bank Debentures, 2086 during FY 2076-77. The Bank will transfer proportionate amount to Debenture Redemption Reserve towards such debentures from FY 2077-78 onwards as per NRB Directives.

5.20.4 Investment Adjustment Reserve

Investment Adjustment Reserve as at 31st Ashad 2077 (15 July 2020) stands at NPR 100,000 containing NPR 100,000 towards investment in unlisted shares of Prabhu Capital Limited. No additional transfer has been made to and from this reserve during the year. During the year, AFS investments are marked to market on a regular basis and the difference is adjusted through profit and loss and OCI reserve.

5.20.5 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. CSR expenses NPR 10,001,822 incurred during the year has been charged to Statement of Profit and Loss Account and the corresponding amount has been transferred from CSR Reserve to Retained Earnings.

Amount in NPR'000	
Opening Balance	18,328
Transfer to Reserve	14,115
Expense during the year	(21,552)
Closing Balance	10,891

5.20.6 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. However, this provision is not mandatory for FY 2076-77 as per NRB Directives.

During the year ended 31 Ashad 2077, the Bank has incurred NPR 19,784,597 towards training and development of its employees.

5.21 Proposed Distributions (Dividends and Bonus Shares)

The Board of directors in its meeting dated December 14, 2020 has passed a resolution recommending for distribution of bonus shares (stock dividend) at 9% and cash dividend at 2.5% of paid up capital as at July 15, 2020. The Bank's paid up equity capital shall increase by NPR 883,130,356 upon approval of the resolution from Annual General Meeting.



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