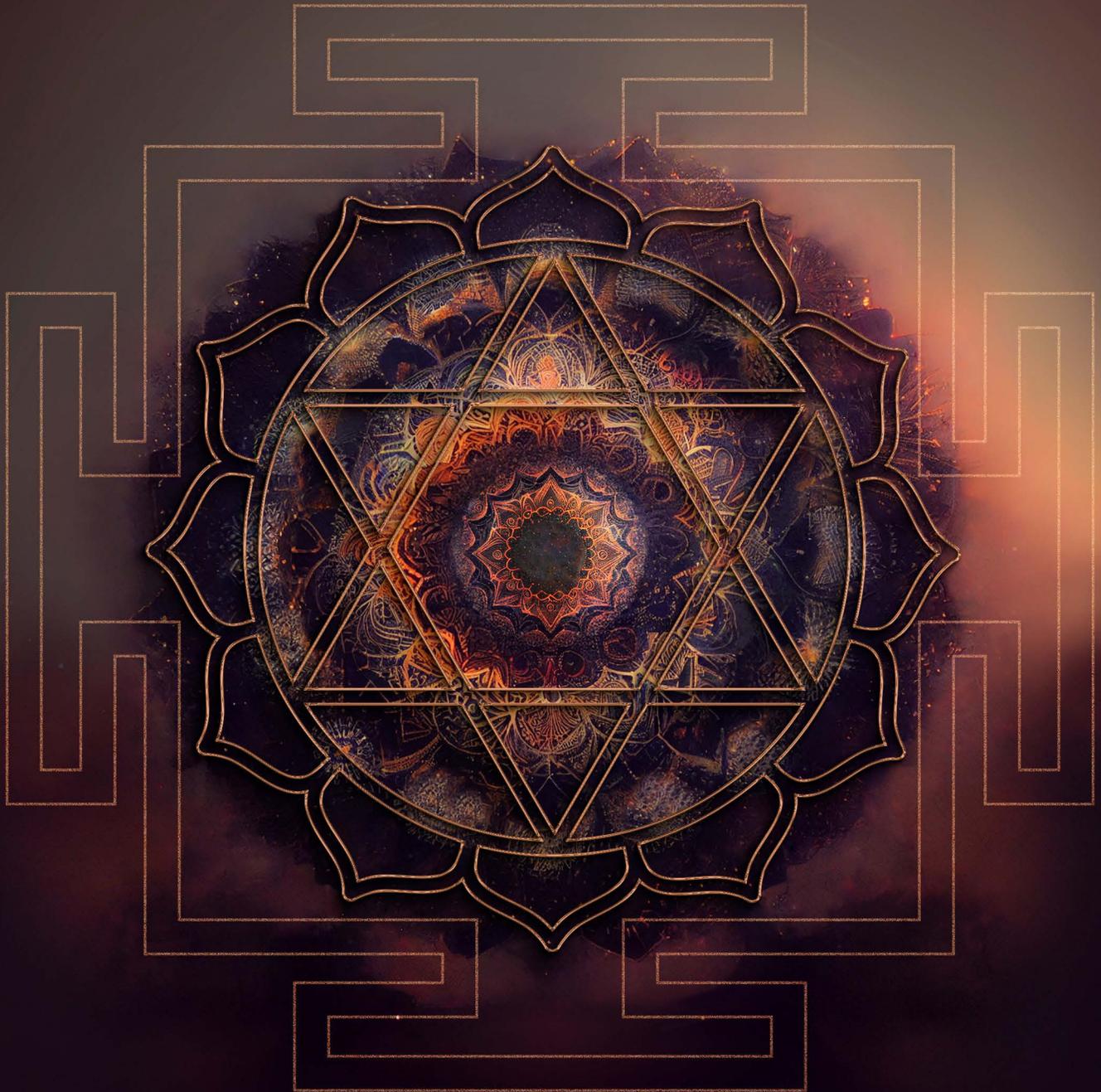


ANNUAL REPORT

| 2021/2022 |



Laxmi Bank

Consolidated Statement of Financial Position

As on 32 Ashadh 2079 (16 July 2022)

Amount in NPR

PARTICULARS	NOTE	GROUP		BANK	
		32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Assets					
Cash and cash equivalent	4.1	11,284,616,538	11,020,224,312	11,194,738,443	10,940,569,805
Due from Nepal Rastra Bank	4.2	6,375,153,021	7,285,870,629	6,340,170,021	7,256,232,629
Placement with Bank and Financial Institutions	4.3	43,610,000	236,850,000	-	-
Derivative financial instruments	4.4	362,811,521	6,073,905,068	362,811,521	6,073,905,068
Other trading assets	4.5	10,090,000	-	10,090,000	-
Loan and advances to B/FIs	4.6	3,079,448,773	960,879,364	5,956,150,463	3,272,947,502
Loans and advances to customers	4.7	134,436,552,022	111,582,347,547	126,767,902,555	105,213,372,497
Investment securities	4.8	16,899,039,662	13,104,976,047	16,816,558,235	13,004,405,992
Current tax assets	4.9	105,253,358	72,556,408	87,578,739	72,556,408
Investment in subsidiaries	4.10	-	-	417,000,000	417,000,000
Investment in associates	4.11	282,675,925	634,181,700	1,186,200,845	2,818,220,996
Investment property	4.12	70,535,574	105,942,899	70,535,574	105,942,899
Property and equipment	4.13	2,467,126,047	1,395,355,719	2,394,751,784	1,335,673,598
Goodwill and Intangible assets	4.14	88,330,339	91,422,480	76,837,950	76,489,936
Deferred tax assets	4.15	74,426,277	-	-	-
Other assets	4.16	1,753,104,415	1,702,873,277	1,702,627,558	1,653,542,560
Total Assets		177,332,773,472	154,267,385,449	173,383,953,688	152,240,859,890
Liabilities					
Due to Bank and Financial Institutions	4.17	2,723,265,527	4,190,280,105	1,182,339,970	2,826,267,786
Due to Nepal Rastra Bank	4.18	2,569,072,960	4,364,945,380	2,569,072,960	4,364,945,380
Derivative financial instruments	4.19	363,508,453	6,050,417,580	363,508,453	6,050,417,580
Deposits from customers	4.20	141,775,054,706	116,490,857,382	139,537,098,423	114,605,491,739
Borrowing	4.21	6,433,105,999	3,591,572,535	6,433,105,999	3,591,572,535
Current Tax Liabilities	4.9	-	8,655,831	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	171,046,612	234,177,331	888,955,079
Other liabilities	4.23	2,364,119,758	1,342,591,245	2,107,413,773	1,008,229,478
Debt securities issued	4.24	4,016,219,178	2,008,219,178	4,016,219,178	2,008,219,178
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		160,244,346,581	138,218,585,848	156,442,936,086	135,344,098,756
Equity					
Share capital	4.26	11,551,345,051	10,695,689,862	11,551,345,051	10,695,689,862
Share premium		-	-	-	-
Retained earnings		1,618,188,532	1,746,711,670	1,200,803,522	1,262,938,329
Reserves	4.27	3,669,285,788	3,398,744,669	4,188,869,029	4,938,132,943
Total equity attributable to equity holders		16,838,819,371	15,841,146,201	16,941,017,602	16,896,761,134
Non-controlling interest		249,607,521	207,653,400	-	-
Total equity		17,088,426,892	16,048,799,601	16,941,017,602	16,896,761,134
Total liabilities and equity		177,332,773,473	154,267,385,449	173,383,953,689	152,240,859,890
Contingent liabilities and commitment	4.28	68,442,028,631	64,468,294,596	68,441,088,107	64,467,354,072
Net assets value per share		145.77	148.11	146.66	157.98

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

as per our report of even date

Directors
Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Bidya Basnyat

Shashi Satyal
Partner
for PKF T R Upadhy & Co.
Chartered Accountants

DATE: 11 December 2022
PLACE: Kathmandu, Nepal

Consolidated Statement of Profit or Loss

For the year ended 32 Asar 2079 (16 July, 2022)

Amount in NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	13,920,201,729	10,107,779,867	13,060,132,747	9,377,431,133
Interest expense	4.30	9,610,787,860	6,122,745,890	9,299,762,880	5,920,591,338
Net interest income		4,309,413,868	3,985,033,977	3,760,369,867	3,456,839,795
Fee and commission income	4.31	1,372,546,172	1,176,787,854	1,156,575,141	979,859,357
Fee and commission expense	4.32	208,346,410	104,297,183	199,461,660	104,297,183
Net fee and commission income		1,164,199,762	1,072,490,671	957,113,480	875,562,175
Net interest, fee and commission income		5,473,613,630	5,057,524,648	4,717,483,347	4,332,401,970
Net trading income	4.33	270,705,091	340,541,914	270,705,091	340,541,914
Other operating income	4.34	266,811,056	489,936,266	338,501,764	500,367,776
Total operating income		6,011,129,777	5,888,002,828	5,326,690,201	5,173,311,660
Impairment charge/(reversal) for loans and other losses	4.35	595,697,861	538,687,663	554,169,213	492,214,064
Net operating income		5,415,431,916	5,349,315,165	4,772,520,988	4,681,097,597
Operating expense					
Personnel expenses	4.36	1,927,865,528	1,840,709,864	1,610,731,560	1,573,586,056
Other operating expenses	4.37	751,590,188	741,071,420	677,868,028	682,481,684
Depreciation & Amortisation	4.38	348,334,907	201,106,450	329,802,262	188,940,946
Operating Profit		2,387,641,293	2,566,427,431	2,154,119,137	2,236,088,911
Non operating income	4.39	10,488,817	4,451,670	10,457,326	4,451,670
Non operating expense	4.40	36,902,873	11,447,250	36,902,873	11,447,250
Profit before income tax		2,361,227,238	2,559,431,851	2,127,673,590	2,229,093,330
Income tax expense	4.41	678,682,208	758,706,965	614,220,703	653,332,810
Current Tax		761,744,241	782,526,687	674,306,770	674,671,883
Deferred Tax		(83,062,033)	(23,819,722)	(60,086,067)	(21,339,073)
Profit for the period		1,682,545,030	1,800,724,885	1,513,452,887	1,575,760,520
Profit attributable to:					
Equity holders of the Bank		1,632,589,322	1,742,860,760	1,513,452,887	1,575,760,520
Non-controlling interest		49,955,707	57,864,125	-	-
Profit for the period		1,682,545,030	1,800,724,885	1,513,452,887	1,575,760,520
Earnings per share					
Basic earnings per share		14.57	16.84	13.10	14.73
Diluted earnings per share		14.57	16.84	13.10	14.73

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

as per our report of even date

DATE: 11 December 2022
PLACE: Kathmandu, Nepal

Directors
Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Bidya Basnyat

Shashi Satyal
Partner
for PKF T R Upadhy & Co.
Chartered Accountants

Consolidated Statement of Other Comprehensive Income

For the year ended 32 Ashadh 2079 (16 July 2022)

Amount in NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,682,545,030	1,800,724,885	1,513,452,887	1,575,760,520
Other comprehensive income, net of income tax					
a) Items that will not be reclassified to profit or loss					
Gains/ (losses) from investments in equity instruments measured at fair value		(1,193,316,470)	1,222,608,876	(1,573,558,711)	2,217,878,424
Gains/ (losses) on revaluation					
Actuarial gains/ (losses) on defined benefit plans		9,491,176	31,276,008	9,491,176	31,276,008
Income Tax relating to above items		355,147,588	(376,165,465)	469,220,261	(674,746,330)
Net other comprehensive income that will not be reclassified to profit or loss		(828,677,706)	877,719,419	(1,094,847,275)	1,574,408,103
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		(828,677,706)	877,719,419	(1,094,847,275)	1,574,408,103
Total comprehensive income for the period		853,867,324	2,678,444,304	418,605,612	3,150,168,623
Total comprehensive income attributable to:					
Equity holders of the Bank		803,911,617	2,620,580,179	418,605,612	1,771,053,077
Non-controlling interest		49,955,707	57,864,125	-	-
Total comprehensive income for the period		853,867,324	2,678,444,304	418,605,612	3,150,168,623

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
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Raman Nepal
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as per our report of even date

DATE: 11 December 2022
PLACE: Kathmandu, Nepal

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Dr. Manish Thapa
Swati Roongta
Bidya Basnyat

Shashi Satyal
Partner
for PKF T R Upadhyaya & Co.
Chartered Accountants

Consolidated Statement of changes in equity

For the year ended 32 Ashadh 2079

Amount in NPR

PARTICULARS	GROUP										NON-CONTROLLING INTEREST	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL		
Balance at Shrawan 1, 2077	9,812,559,506	-	1,837,620,465	31,741,949	419,404,708	626,407,339	-	1,487,894,864	12,792,302	14,228,421,134	159,544,225	14,387,965,359
Adjustment/Restatement	-	-	(794,778)	-	-	-	-	189,987,700	2,996,470	192,189,391	(1,703,096)	190,486,295
Adjusted/Restated balance at Shrawan 1, 2077	9,812,559,506	-	1,836,825,687	31,741,949	419,404,708	626,407,339	-	1,677,882,564	15,788,772	14,420,610,525	157,841,129	14,578,451,654
Comprehensive income for the year	-	-	-	-	-	-	-	1,742,860,760	-	1,742,860,760	57,864,125	1,800,724,885
Profit for the year	-	-	-	-	-	-	-	1,742,860,760	-	1,742,860,760	57,864,125	1,800,724,885
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	21,893,206	21,893,206	-	21,893,206
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fair value	-	-	-	-	-	(112,871,063)	-	-	-	(112,871,063)	-	(112,871,063)
Net amount transferred to profit or loss	-	-	-	-	-	-	-	1347531579	-	1347531579	-	13,475,316
Net gain (loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges:	-	-	-	-	-	-	-	-	-	-	-	-
Effective portion of changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-
Net Amount reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(112,871,063)	-	1,756,336,076	21,893,206	1,665,358,218	57,864,125	1,723,222,343
Transfer to reserve during the year	-	-	358,907,350	208,924	(32,785,861)	-	-	(571,738,723)	245,681,875	273,564	-	273,564
Transfer from reserve during the year	-	-	-	-	-	-	-	12,458,215	(12,458,215)	-	(1,240,828)	(1,240,828)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	883,130,356	-	-	-	-	-	-	(883,130,356)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(245,096,107)	-	(245,096,107)	(6,811,026)	(251,907,134)
Total contributions by and distributions	883,130,356	-	358,907,350	208,924	(32,785,861)	(112,871,063)	-	68,829,105	255,116,865	1,420,535,675	49,812,271	1,470,347,946
Balance at Ashadh end 2078	10,695,689,862	-	2,195,733,036	31,950,873	386,618,847	513,536,275	-	1,746,711,670	270,905,637	15,841,146,200	207,653,400	16,048,799,600

PARTICULARS	GROUP											NON-CONTROLLING INTEREST	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK												
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL			
Balance at Shrawan 1, 2078	10,695,689,862	-	2,195,733,036	31,950,873	386,618,847	513,536,275	-	1,746,711,670	270,905,637	15,841,146,200	207,653,400	16,048,799,600	
Adjustment/Restatement	-	-	-	-	23,609,761	(252,300)	-	(149,237,629)	(8,542,383)	(134,422,551)	947,602	(133,474,949)	
Adjusted/Restated balance at Shrawan 1, 2078	10,695,689,862	-	2,195,733,036	31,950,873	410,228,608	513,283,975	-	1,597,474,041	262,363,254	15,706,723,649	208,601,002	15,915,324,651	
Comprehensive income for the year	-	-	-	-	-	-	-	1,632,589,322	-	-	49,955,707	1,682,545,030	
Profit for the year	-	-	-	-	-	-	-	1,632,589,322	-	-	49,955,707	1,682,545,030	
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	2,838,052	-	(1,631,045)	1,207,008	
Remeasurements of defined benefit liability (assets)	-	-	-	-	-	-	-	-	-	-	-	-	
Fair value reserve (Investment in equity instrument):	-	-	-	-	-	(126,132,129)	-	-	-	(126,132,129)	-	(126,132,129)	
Net change in fair value	-	-	-	-	-	(234,213,319)	-	234,213,319	-	-	-	-	
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	-	-	-	-	-	(360,345,448)	-	1,866,802,641	2,838,052	1,509,295,246	48,324,663	1,557,619,909	
Total comprehensive income for the year	-	-	-	199,984	48,620,663	(360,345,448)	-	1,866,802,641	2,838,052	1,509,295,246	48,324,663	1,557,619,909	
Transfer to reserve during the year	-	-	329,612,362	199,984	-	-	-	(631,082,931)	252,649,922	-	1,314,500	1,314,500	
Transfer from reserve during the year	-	-	58,553,330	-	-	(58,553,330)	-	17,849,495	(17,849,495)	-	(1,557,964)	(1,557,964)	
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-	
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-	
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	
Bonus shares issued	855,655,189	-	-	-	-	-	-	(855,655,189)	-	-	-	-	
Cash dividend paid	-	-	-	-	-	-	-	(377,199,524)	(377,199,524)	(377,199,524)	(7,074,679)	(384,274,203)	
Total contributions by and distributions	855,655,189	-	388,165,692	199,984	48,620,663	(418,898,777)	-	20,714,491	237,638,480	1,132,095,722	41,006,519	1,173,102,241	
Balance at Ashadh end 2079	11,551,345,050	-	2,583,898,729	32,150,857	458,849,272	94,385,198	-	1,618,188,532	500,001,733	16,838,819,371	249,607,521	17,088,426,892	

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

PARTICULARS	BANK										TOTAL
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE INTEREST	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE		
Balance at Shrawan 1, 2078	10,695,689,862	-	2,090,077,384	31,950,873	386,618,847	2,178,922,236	-	1,262,938,329	250,563,603	16,896,761,133	
Adjustment/Restatement											
Adjusted/Restated balance at Shrawan 1, 2078	10,695,689,862	-	2,090,077,384	31,950,873	386,618,847	2,178,922,236	-	1,262,938,329	250,563,603	16,896,761,133	
Comprehensive income for the year								1,513,452,887		1,513,452,887	
Profit for the year											
Other comprehensive income, net of tax											
Remeasurements of defined benefit liability (assets)									6,643,823	6,643,823	
Fair value reserve (Investment in equity instrument):											
Net change in fair value						(1,101,491,098)				(1,101,491,098)	
Net amount transferred to profit or loss						(234,213,319)				234,213,319	
Net gain (loss) on revaluation											
Cash flow hedges:											
Effective portion of changes in fair value											
Net Amount reclassified to profit or loss											
Total comprehensive income for the year						(1,335,704,417)		1,747,666,206	6,643,823	418,605,612	
Transfer to reserve during the year			302,690,577	199,984	41,898,520			(594,010,925)	249,221,843		
Transfer from reserve during the year			58,553,330			(58,553,330)		14,214,245	(14,214,245)		
Transactions with owners, directly recognised in equity											
Share based payments											
Dividends to equity holders											
Bonus shares issued	855,655,189							(855,655,189)			
Cash dividend paid								(374,349,145)		(374,349,145)	
Total contributions by and distributions	855,655,189		361,243,907	199,984	41,898,520	(1,394,257,746)		(62,134,807)	241,651,422	44,256,467	
Balance at Ashadh end 2079	11,551,345,050		2,451,321,291	32,150,857	428,517,368	784,664,489		1,200,803,522	492,215,024	16,941,017,601	

Piyush Raj Aryal
Chief Financial Officer

Ajaya Bikram Shah
Chief Executive Officer

Raman Nepal
Chairman

as per our report of even date

Directors
Dinesh Paudyal
Dr. Manish Thapa
Swati Roongta
Bidya Basnyat

Shashi Satyal
Partner
for PKF T R Upadhyaya & Co.
Chartered Accountants

DATE: 11 December 2022
PLACE: Kathmandu, Nepal

Consolidated Statement of cash flows

For the year ended 32 Ashadh 2079 (16 July 2022)

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	13,244,274,342	9,831,255,637	12,312,070,502	9,117,967,196
Fees and other income received	1,372,546,172	1,176,787,854	1,156,575,141	979,859,357
Dividend received	-	-	-	-
Receipts from other operating activities	995,286,938	52,263,955	1,131,093,135	(726,545,753)
Interest paid	(9,244,427,184)	(5,923,003,415)	(8,933,411,228)	(5,720,848,863)
Commission and fees paid	(208,346,410)	(104,297,183)	(199,461,660)	(104,297,183)
Cash payment to employees	(1,668,772,830)	(1,891,135,234)	(1,858,408,597)	(1,599,880,806)
Other expense paid	(1,421,717,013)	(1,381,594,081)	(1,284,614,565)	(1,220,832,781)
Operating cash flows before changes in operating assets and liabilities	3,068,844,015	1,760,277,534	2,323,842,726	725,421,167
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	910,717,608	2,178,121,345	916,062,608	2,187,141,346
Placement with bank and financial institutions	193,240,000	44,734,647	-	-
Other trading assets	(10,090,000)	16,120,000	(10,090,000)	16,120,000
Loan and advances to bank and financial institutions	(2,135,265,020)	(478,388,076)	(2,718,467,214)	(1,709,703,225)
Loans and advances to customers	(23,354,228,671)	(19,468,295,778)	(21,917,324,004)	(17,429,189,855)
Other assets	5,315,252,493	64,300,639	5,315,442,566	66,172,559
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(1,467,014,578)	(159,769,804)	(1,643,927,817)	(153,118,504)
Due to Nepal Rastra Bank	(1,795,872,420)	3,864,484,741	(1,795,872,420)	3,864,484,741
Deposit from customers	25,284,197,324	16,865,590,869	24,931,606,683	16,234,734,928
Borrowings	2,841,533,464	(43,227,466)	2,841,533,464	(43,227,466)
Other liabilities	(3,731,442,180)	312,825,319	(4,188,232,818)	(818,399,937)
Net cash flow from operating activities before tax paid	5,119,872,034	4,956,773,971	4,054,573,775	2,940,435,754
Income taxes paid	(907,430,038)	(700,330,959)	(814,800,523)	(633,073,787)
Net cash flow from operating activities	4,212,441,996	4,256,443,011	3,239,773,252	2,307,361,968
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(4,635,874,310)	(3,142,135,275)	(3,753,690,803)	(3,179,122,424)
Receipts from sale of investment securities	(109,359,084)	391,099,906	(119,530,689)	362,677,982
Purchase of property and equipment	(1,384,962,793)	(113,536,054)	(1,353,910,157)	(106,858,458)
Receipt from the sale of property and equipment	4,726,261	258,461	1,926,261	256,661
Purchase of intangible assets	(35,795,938)	(28,584,537)	(35,881,859)	(12,246,405)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	35,407,325	3,034,000	35,407,325	3,034,000
Receipt from the sale of investment properties	-	-	-	-
Interest received	596,836,367	467,849,828	591,836,765	462,987,792
Dividend received	324,528,091	66,198,188	388,943,853	123,564,558
Net cash used in investing activities	(5,204,494,082)	(2,355,815,484)	(4,244,899,305)	(2,345,706,294)

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	2,000,000,000	2,000,000,000	2,000,000,000
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(377,199,524)	(245,096,107)	(374,349,145)	(245,313,988)
Interest paid	(366,356,164)	(199,746,987)	(366,356,164)	(199,746,987)
Other receipt/payment	-	-	-	-
Net cash from financing activities	1,256,444,311	(444,843,095)	1,259,294,690	1,554,939,025
Net increase (decrease) in cash and cash equivalents	264,392,226	1,455,784,433	254,168,638	1,516,594,699
Cash and cash equivalents at Shrawan 1, 2078	11,020,224,312	9,564,439,879	10,940,569,805	9,423,975,107
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Ashadh end 2079	11,284,616,538	11,020,224,312	11,194,738,443	10,940,569,805

Piyush Raj Aryal
Chief Financial Officer

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as per our report of even date

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Bidya Basnyat

Shashi Satyal
Partner
for PKF T R Upadhyaya & Co.
Chartered Accountants

DATE: 11 December 2022
PLACE: Kathmandu, Nepal

1. REPORTING ENTITY

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

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

1.1. Subsidiaries

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

a. Laxmi Capital Market Limited (LCML) is a wholly owned subsidiary of the Bank and was incorporated on 21 May 2009 as a public limited company as per the Companies Act 2063 and licensed by the 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 the Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” class financial institution having registered office at Kathmandu, Nepal. The principal activities involved extending banking products and services to the deprived sectors/communities. Laxmi Bank holds 70% of shares of the company while the remaining 30% is held by the public. The shares of LLBS are listed on the Nepal Stock Exchange Limited as “LLBS”.

The financial year of both of the subsidiaries is the same as that of the Bank ending on 16 July 2022 (32 Ashad 2079).

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, 2078.

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 10 November 2020 and 18 July 2022 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, 2078.

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 2078/79. To comply with the NFRS provisions following dates have been considered for the reporting time period.

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 is recognized in the period in which the estimates are revised and 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 has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR	ENGLISH CALENDAR
Comparative SFP* Date	31 Ashad 2078	15 July 2021
Comparative reporting period	1 Shrawan 2077- 31 Ashad 2078	16 July 2020-15 July 2021
NFRS SFP* Date	32 Ashad 2079	16 July 2022
NFRS reporting period	1 Shrawan 2078- 32 Ashad 2079	16 July 2021-16 July 2022

*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.

2.5 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 ICAN. 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 November 2020 and 18 July 2022 has resolved that Carve-outs in NFRS with Alternative Treatment and the 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 3: Business Combination

- a) As per para 18, the acquirer shall account for and integrate into its books of account on the announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of the acquiree at the value determined by applying the same basis considered for determining restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as fair value of the acquiree.
- b) As per para 37, where purchase consideration is settled through the 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, the acquirer will issue the required number of its ordinary equity shares (or other shares) to the shareholders of acquiree as per swap ratio so determined/approved by the 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 the difference between the fair value of the share (considered for swap ratio) and the face value of such ordinary equity shares shall be accounted for as other components of equity (share premium/discount).

- c) As per para 34, where acquirer's total value of assets less all liabilities so taken over an acquisition date is more than the fair value (sum up of face value of ordinary equity share and other components of equity-share premium/discount) of shares issued by the acquirer, same shall be treated as gain on bargain purchase attributable to the acquirer and will be routed through Profit or Loss Statement.
- d) As per para 32, where acquiree's total assets less all liabilities so taken over on the acquisition date are less than the fair value (sum up of face value ordinary equity share issued and other components of equity-share premium/discount) of shares issued by the acquirer, same shall be treated as goodwill.

The above carve-out is applicable only to banks and financial institutions and is not optional.

2.6.2 NFRS 9: Financial instruments

a) As per Para 5.4 read together with appendix A (Defined Terms) relating to Effective Interest Rate, Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortized cost of financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call, and similar options) but shall not consider the expected 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 paragraphs 8s.4.1-8s.4.3), 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 reliably estimate 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).

Optional: The carve-out is optional. If any entity opts to use this carve-out that should be disclosed in the financial statements with its monetary impact in the financial statements as far as practicable.

b) As per Para 5.5, Impairment, for impairment and uncollectibility of financial assets measured at amortized cost, the following provision have been made.

1) 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 5 (given below) to determine the amount of any impairment loss unless the entity is a bank or financial institution registered as per Bank and Financial Institution Act 2073. Such entities shall measure impairment loss on loans and advances as the higher or amount derived as per the norms prescribed by Nepal Rostra Bank for loan loss provision and the amount determined as per paragraph 5 (given below) and shall apply paragraph 5 (given below) 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 5 (given below).

2) 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 that occurred 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. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- i. significant financial difficulty of the issuer or obligor;
- ii. a breach of contract, such a breach of contract, such as a default or delinquency in interest or principal payments;
- iii. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- v. the disappearance of an active market for that financial asset because of financial difficulties; or

vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
- national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

3) The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in

a debt instrument that results from an increase in the risk-free interest rate).

4) In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. For example, this may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgement to estimate the amount of any impairment loss. Similarly, an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstances (see paragraph AG6 below). The use of reasonable estimates is an essential part of the Preparation of financial statements and does not undermine their reliability.

5) If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

6) An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 2 above). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

7) If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in Profit or loss.

APPLICATION GUIDANCE (AG) FOR CARVE-OUT

AG1 Impairment of a financial asset measured at amortized cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortized cost. If the terms of a financial asset measured at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 5 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure the impairment of a financial asset measured at amortized cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

AG2 The process for estimating impairment considers all credit exposures, not only those of low credit quality. For example, if an entity uses an internal credit grading system it considers all credit grades, not only those reflecting a severe credit deterioration.

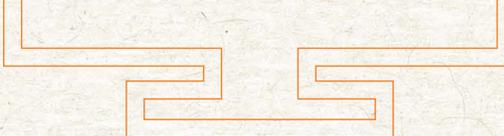
AG3 The process for estimating the amount of an impairment loss may result either in a single amount or in a range of possible amounts. In the latter case, the entity recognizes an impairment loss equal to the best estimate within the range taking into account all relevant information available before the financial statements are issued about conditions existing at the end of the reporting period.

AG4 For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status, and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to

pay all amounts due according to the contractual terms of the assets being evaluated. However, loss probabilities and other loss probabilities and other loss statistics differ at a group level between (a) assets that have been individually evaluated for impairment and found not to be impaired and (b) assets that have not been individually evaluated for impairment, with the result that a different amount of impairment may be required. If an entity does not have a group of assets with similar risk characteristics, it does not make the additional assessment.

AG5 Impairment losses recognized on a group basis represent an interim step pending the identification of impairment losses on individual assets in the group of financial assets that are collectively assessed for impairment. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group.

AG6 Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience, use peer group experience for comparable groups of financial



assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

AG7 As an example of applying paragraph AG6, an entity may determine based on historical experience, that one of the main causes of default on credit card loans is the death of the borrower. The entity may observe that the death rate is unchanged from one year to the next. Nevertheless, some of the borrowers in the entity's group of credit card loans may have died in that year, indicating

that an impairment loss has occurred on those loans, even if, at the year-end, the entity is not yet aware which specific borrowers have died. It would be appropriate for an impairment loss to be recognized for these 'incurred but not reported losses. However, it would not be appropriate to recognize an impairment loss for deaths that are expected to occur in a future period, because the necessary loss event (the death of the borrower) has not yet occurred.

AG8 When using historical loss rates in estimating future cash flows, it is important that information about historical loss rates is applied to groups that are defined in a manner consistent with the groups for which the historical loss rates are observed. Therefore, the method used should enable each group to be associated with information about past loss experience in groups of assets with similar credit risk characteristics and relevant observable data that reflect current conditions.

AG9 Formula-based approached or statistical methods may be used to determine impairment losses in a group of financial assets (e.g. for smaller balance loans) as long as they are consistent with the requirements in paragraphs 5-7 and AG4-AG8. Any model used would incorporate the effect of the time value of money,

consider the cash flows for all of the remaining life of an asset (not only the next year), consider the age of the loans within the portfolio and not give rise to an impairment loss on initial recognition of a financial asset.

Non-Optional: The carve-out is not optional.

2.7 New Standards in issue but not yet effective

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

2.8 New Standards and Interpretations Not adapted

The following amendments are not mandatory for 2021-22 and have not been early adopted by the group. The Bank is still currently assessing the detailed impact of these amendments

2.8.1 Expected Credit Loss Model of Impairment as per NFRS-9

Though NFRS-9 has been made effective from 16 July 2021, carve out has been provided to adopt expected credit loss model of impairment.

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 the Expected Credit Loss (ECL) model is introduced.

2.8.2 Discounting

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

2.9 Limitation of NFRS Implementation

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Measurement

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

- ❖ derivative financial instruments are measured at fair value.

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

3.2 Basis of Consolidation

a. Business Combination

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

The Bank measures goodwill at the acquisition date as;

- ❖ the fair value of the consideration transferred, plus
- ❖ the recognized amount of any non-controlling interests in the acquire, plus

- ❖ if the business combination is achieved in stages, the fair value of the preexisting equity interest in the acquire, less
- ❖ the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- ❖ When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.
- ❖ The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- ❖ Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.
- ❖ Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The following carve outs are not optional as per the notice of ICAN

issued on 10 November 2020 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 the 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 the 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 the issue of shares (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 the 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 the subsidiary and the parent's portion of equity of the 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 the 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 recognize 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 though 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 costs in relation to financial assets and liabilities at fair value through profit or loss are recognized in the 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 assets or liability classified as measured at amortized cost is subsequently measured at

amortized cost using the 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:

- ❖ Where significant financial difficulty of the issuer or obligor is observed.
- ❖ When a breach of contract, such as a default or delinquency in interest or principal payments is observed.
- ❖ When the bank, for economic

or legal reasons relating to the borrower's financial difficulty, grants concession to the borrower that the bank would not otherwise consider

- ❖ Where it becomes probable that the borrower will enter bankruptcy or other financial reorganization.
- ❖ Where the active market for such financial asset disappears because of financial difficulties
- ❖ 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

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 present value of the estimated cash flows (excluding future credit losses that have not been incurred)

discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at the initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset

that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

As per Loan Loss Provision of Nepal Rastra Bank

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

Policies Adopted

As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loans and advances as the higher amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per applicable framework of carve out provided by ICAN.

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 or loss.

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 NFRS 9 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
Right of Use Asset	Amortized over non-cancellable 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 are acquired or capitalized. Where assets are disposed off, depreciation shall be calculated up to the month preceding the month of such disposal.

d. Derecognition

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

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

3.8 Intangible Assets/ Goodwill

Goodwill

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

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

Acquired Intangible Assets

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

Computer software

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

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

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

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

3.9 Investment Property/Non-Current Assets Held for Sale Investment Property

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

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

Non-Current Assets Held for Sale

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

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance

with the applicable accounting policies described above.

3.10 Income Tax

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

a. Current Tax

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

b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.11 Deposits, debts securities issued and subordinated liabilities

a. Deposits

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

b. Debt Securities Issued

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

c. Subordinated Liabilities

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

3.12 Provisions

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

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

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

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

3.13 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, etc. and the bases of incomes recognition are as follows:

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the bank's normal interest rate which is very close to the effective interest rate using the 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 the effective interest rate method. The difference is not considered material. The Bank considers that the cost of the exact calculation of the effective

interest rate method exceeds the benefit that would be derived from such compliance.

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

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss

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

b. Fees & Commission

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

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

c. Dividend Income

Dividend incomes are recognized when the 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 the effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

3.15 Employees Benefits

a. Short Term Employee Benefits

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

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

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

b. Post-Employment Benefits

Post-employment benefit plan includes the followings;

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are

recognized as personnel expenses in profit or loss in the periods during which related services are rendered.

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

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

ii. Defined Benefit plan

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

The Bank recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans

immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

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

iii. Termination Benefits

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

3.16 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. At the commencement date, the right-of-use asset shall be measured at cost with corresponding amount as lease liability that includes the present value of the lease payments that are not paid at that date.

Cost of the right-of-use asset shall comprise:

- (a) amount of the initial measurement of the lease liability
- (b) any lease payments at or before the commencement date less any lease incentives received
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Lease liability comprises of the following payments for the right to use the underlying asset during the lease term that is not paid at the commencement date:

- (a) fixed payments, less any incentives receivable
- (b) variable lease payments that depend on an index or rate

- (c) amounts expected to be payable by the lessee under residual value guarantees
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the lease liability shall be measured by:

- (a) increasing the carrying amount to reflect the interest on the lease liability
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Bank has adopted NFRS 16 effective from 1 Shrawan 2078. The Bank has recognized lease liability at the date of initial application at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application (1 Shrawan 2078). Accordingly, previous period information has not been restated.

In the statement of profit and loss for the current period, operating lease

expenses which were recognized as other operating expenses in previous periods is now recognized as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. The SLF rate as determined by the NRB has been applied as incremental borrowing cost to lease liabilities recognized in the balance sheet at the date of initial application.

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 the 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 earnings per share

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

average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Investment in associates

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

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

4.1 Cash and cash equivalent

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Cash in hand	2,528,284,352	2,410,993,337	2,520,008,916	2,404,054,094
Balances with B/FIs	1,191,898,697	2,950,161,936	1,110,296,038	2,877,446,672
Money at call and short notice	-	700,000,000	-	700,000,000
Other	7,564,433,489	4,959,069,040	7,564,433,489	4,959,069,040
Total	11,284,616,538	11,020,224,312	11,194,738,443	10,940,569,805

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

4.2 Due from Nepal Rastra Bank

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Statutory balances with NRB	6,312,472,335	7,249,621,282	6,277,489,335	7,219,983,282
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	62,680,686	36,249,346	62,680,686	36,249,346
Total	6,375,153,021	7,285,870,629	6,340,170,021	7,256,232,629

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

4.3 Placements with Bank and Financial Institutions

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Placement with domestic B/FIs	43,610,000	236,850,000	-	-
Placement with foreign B/FIs	-	-	-	-
Less: Allowances for impairment	-	-	-	-
Total	43,610,000	236,850,000	-	-

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

4.4 Derivative financial instruments

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	362,811,521	6,073,905,068	362,811,521	6,073,905,068
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	362,811,521	6,073,905,068	362,811,521	6,073,905,068
Other	-	-	-	-
Total	362,811,521	6,073,905,068	362,811,521	6,073,905,068

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 the Bank as part of its own regular treasury activities as well.

4.5 Other trading assets

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Treasury bills	-	-	-	-
Government bonds	10,090,000	-	10,090,000	-
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	10,090,000	-	10,090,000.00	-
Pledged	-	-	-	-
Non-pledged	10,090,000	-	10,090,000	-

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

4.6 Loan and advances to B/FIs

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Loans to microfinance institutions	3,119,884,295	973,506,133	6,034,499,191	3,316,031,977
Other	-	-	-	-
Less: Allowances for impairment	(40,435,521)	(12,626,769)	(78,348,728)	(43,084,475)
Total	3,079,448,773	960,879,364	5,956,150,463	3,272,947,502

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

4.6.1: Allowances for impairment

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Balance at the end of Previous Year	12,626,769	4,948,069	43,084,475	16,061,211
Impairment loss for the year:	27,808,753	7,678,700	35,264,253	27,023,264
Charge for the year	27,808,753	7,678,700	35,264,253	27,023,264
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at the end of this year	40,435,521	12,626,769	78,348,728	43,084,475

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

4.7 Loans and advances to customers

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Loan and advances measured at amortized cost	137,474,657,653	114,045,386,818	129,504,401,156	107,430,966,138
Less: Impairment allowances	(3,038,105,631)	(2,463,039,271)	(2,736,498,601)	(2,217,593,641)
Collective impairment	(2,307,593,493)	(1,825,097,278)	(2,064,161,827)	(1,647,343,955)
Individual impairment	(730,512,138)	(637,941,993)	(672,336,774)	(570,249,685)
Net amount	134,436,552,022	111,582,347,547	126,767,902,555	105,213,372,497
Loan and advances measured at FVTPL	-	-	-	-
Total	134,436,552,022	111,582,347,547	126,767,902,555	105,213,372,497

“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 para 5 of the Alternative treatment and its application guideline provided in the carveout for implementation of NFRS 9 by ICAN dated 2079.04.02. 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 requirement of alternative treatment provided in carve out amounts to NPR 1,397,651,487 and NPR 1,183,769,478 as of the end of FY 2078-79 and FY 2077-78 respectively.”

4.7.1: Analysis of loan and advances - By Product

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Product				
Term loans	27,118,993,845	21,292,322,760	27,118,993,845	21,292,322,760
Overdraft	9,402,797,557	5,929,058,143	9,402,797,557	5,929,058,143
Trust receipt/Import loans	3,394,856,592	8,277,230,287	3,394,856,592	8,277,230,287
Demand and other working capital loans	27,700,828,202	24,789,078,949	27,700,828,202	24,789,078,949
Personal residential loans	5,958,623,285	5,072,491,169	5,958,623,285	5,072,491,169
Real estate loans	6,231,945,644	4,010,726,734	6,231,945,644	4,010,726,734
Margin lending loans	2,109,043,747	3,010,015,755	2,109,043,747	3,010,015,755
Hire purchase loans	2,130,945,475	2,259,689,679	2,130,945,475	2,259,689,679
Deprived sector loans	17,713,602,251	13,107,962,798	9,888,184,729	6,698,856,251
Bills purchased	129,530,073	296,622,182	129,530,073	296,622,182
Staff loans	2,214,274,625	1,490,466,375	2,079,416,289	1,372,265,841
Other	32,476,026,118	23,695,509,803	32,476,026,118	23,695,509,803
Sub total	136,581,467,414	113,231,174,634	128,621,191,557	106,703,867,553
Interest receivable	893,190,239	814,212,184	883,209,599	727,098,584
Grand total	137,474,657,653	114,045,386,818	129,504,401,156	107,430,966,138

4.7.2: Analysis of loan and advances - By Currency

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Nepalese rupee	135,999,021,745	107,724,957,467	128,028,765,248	101,110,536,787
Indian rupee	-	-	-	-
United State dollar	1,475,635,908	6,320,429,351	1,475,635,908	6,320,429,351
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	137,474,657,653	114,045,386,818	129,504,401,156	107,430,966,138

4.7.3: Analysis of loan and advances - By Collateral

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Secured				
Movable/immovable assets	121,623,799,381	99,897,098,954	121,528,085,965	99,801,385,538
Gold and silver	411,214,242	300,122,989	411,214,242	300,122,989
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	136,673,490	136,673,490	136,673,490	136,673,490
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	1,259,444,616	657,352,876	1,259,444,616	657,352,876
Collateral of Government securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	7,874,543,081	6,496,220,147	-	-
Other collateral	6,061,720,843	6,507,026,266	6,061,720,843	6,484,539,148
Subtotal	137,367,395,654	113,994,494,722	129,397,139,157	107,380,074,041
Unsecured	107,261,999	50,892,097	107,261,999	50,892,097
Grant Total	137,474,657,653	114,045,386,818	129,504,401,156	107,430,966,138

4.7.4: Allowances for impairment

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Specific allowances for impairment				
Balance at the end of Previous Year	637,941,993	622,520,046	570,249,685	551,253,429
Impairment loss for the year:	92,570,145	15,421,947	102,087,089	18,996,256
Charge for the year	92,570,145	15,421,947	102,087,089	18,996,256
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at the end of This Year	730,512,138	637,941,993	672,336,774	570,249,685
Collective allowances for impairment				
Balance at the end of Previous Year	1,825,097,278	1,301,458,572	1,647,343,955	1,201,149,412
Impairment loss for the year:	480,894,692	523,638,707	416,817,872	446,194,544
Charge/(reversal) for the year	480,894,692	523,638,707	416,817,872	446,194,544
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at the end of This Year	2,305,991,970	1,825,097,278	2,064,161,827	1,647,343,955
Total allowances for impairment	3,036,504,108	2,463,039,271	2,736,498,601	2,217,593,641

4.8 Investment securities

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Investment securities measured at amortized cost	13,988,321,506	9,608,255,902	13,936,729,506	9,561,420,100
Investment in equity measured at FVTOCI	2,910,718,156	3,496,720,145	2,879,828,729	3,442,985,892
Total	16,899,039,662	13,104,976,047	16,816,558,235	13,004,405,992

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

4.8.1: Investment securities measured at amortized cost

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Debt securities	51,592,000	46,835,802	-	-
Government bonds	12,317,354,019	8,517,548,507	12,317,354,019	8,517,548,507
Government treasury bills	987,408,621	-	987,408,621	-
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	631,966,866	1,043,871,593	631,966,866	1,043,871,593
Less: specific allowances for impairment	-	-	-	-
Total	13,988,321,506	9,608,255,902	13,936,729,506	9,561,420,100

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

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Equity instruments	2,910,718,156	3,496,720,145	2,879,828,729	3,442,985,892
Quoted equity securities	2,621,909,822	3,207,911,811	2,594,520,396	3,157,677,558
Unquoted equity securities	288,808,334	288,808,334	285,308,334	285,308,334
Total	2,910,718,156	3,496,720,145	2,879,828,729	3,442,985,892

4.8.1: Information relating to investment in equities

Amount in NPR

PARTICULARS	GROUP				BANK			
	32 ASHADH 2079		31 ASHADH 2078		32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE						
Investment in quoted equity	2,507,418,459	2,621,909,822	2,466,314,237	3,207,911,811	2,459,323,970	2,594,520,396	2,662,704,504	4,246,494,508
Himalayan Everest Insurance Ltd. 1,180,369 shares of Rs. 100 each (including 950,435 units promoter shares of Rs 100 each) Laxmi Equity Fund	122,554,989	424,048,464	-	-	122,554,989	424,048,464	238,650,196	1,088,816,949
18,750,000 units of Rs. 10 each Soaltee Hotel Ltd.	187,500,000	185,625,000	187,500,000	258,750,000	187,500,000	185,625,000	187,500,000	258,750,000
923,691 shares of Rs. 10 each Nepal Doorsanchar Company Ltd.	187,333,411	187,047,427	220,233,186	284,508,681	187,333,411	187,047,427	220,233,186	284,508,681
325,833 shares of Rs. 100 each Chilime Hydropower Company Ltd.	244,224,081	286,374,624	244,224,081	356,787,790	244,224,081	286,374,624	244,224,081	356,787,790
316,558 shares of Rs. 100 each Group: 320,656 shares of Rs. 100 each Chhimek Laghubitta Bikash Bank Ltd.	195,562,994	130,827,708	195,987,448	205,180,729	192,947,231	129,155,666	192,947,231	202,302,267
12,571 shares of Rs. 100 each Swabalamban Bikas Bank Limited	-	13,828,097	77,858,086	80,924,751	-	13,828,097	77,858,086	80,924,751
408,698 units promoter shares of Rs. 100 each Sana Kishan Bikas Bank Ltd.	100,440,952	238,883,982	100,440,952	284,886,800	100,440,952	238,883,982	100,440,952	284,886,800
1,968 shares of Rs. 100 each Nirdhan Utthan Bank Ltd.	-	2,095,923	13,208,594	12,903,524	-	2,095,923	13,208,594	12,903,524
1,918 shares of Rs. 100 each Rural Microfinance Development Centre Ltd.	-	2,107,882	9,416,756	10,400,000	-	2,107,882	9,416,756	10,400,000
345 shares of Rs. 100 each National Life Insurance Company Ltd.	-	289,110	934,028	5,115,798	-	289,110	934,028	2,369,798
51,765 shares of Rs. 100 each Group: 63,665 shares of Rs. 100 each Life Insurance Corporation Nepal Ltd.	58,004,361	36,734,705	55,467,407	58,701,000	46,199,493	29,868,405	46,199,493	50,068,500
79,118 shares of Rs. 100 each NIBL Samridhhi Fund I	"136,364,924	111,951,970	75,936,754	77,841,054	136,364,924	111,951,970	75,936,754	77,841,054
Global IME Samunnat Yojana -1 8,135,853 units of Rs. 10 each NMB Hybrid Fund L-1	"-	-	77,596,104	106,041,075	-	-	77,596,104	106,041,075
1,261,921 units of Rs. 10 each Nabil Equity Fund	94,611,895	81,358,530	94,611,895	164,995,099	94,611,895	81,358,530	94,611,895	164,995,099
1,126,504 units of Rs. 10 each NIBL Pragati Fund	12,619,210	14,133,515	14,357,485	19,516,784	12,619,210	14,133,515	12,619,210	17,225,222
1,027,407 units of Rs. 10 each	11,265,040	11,265,040	11,265,040	16,446,958	11,265,040	11,265,040	11,265,040	16,446,958
	10,274,070	10,294,618	10,274,070	15,256,994	10,274,070	10,294,618	10,274,070	15,256,994

PARTICULARS	GROUP				BANK			
	32 ASHADH 2079		31 ASHADH 2078		32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE						
Sanima Equity Fund								
250,000 units of Rs. 10 each	2,500,000	3,187,500	2,500,000	4,197,500	2,500,000	3,187,500	2,500,000	4,197,500
Citizens Mutual Fund-1								
2,000,000 units of Rs. 10 each	20,000,000	17,600,000	20,000,000	25,160,000	20,000,000	17,600,000	20,000,000	25,160,000
NIC Asia Growth Fund								
2,000,000 units of Rs. 10 each	20,000,000	22,300,000	20,000,000	30,000,000	20,000,000	22,300,000	20,000,000	30,000,000
Nabil Balance Fund-2								
5,000,000 units of Rs. 10 each								
Group : 5,254,001 units of Rs. 10 each	50,000,000	53,900,000	52,628,009	74,081,414	50,000,000	53,900,000	50,000,000	70,500,000
Citizens Mutual Fund-2								
2,000,000 units of Rs. 10 each	20,000,000	20,240,000	20,000,000	28,300,000	20,000,000	20,240,000	20,000,000	28,300,000
Siddhartha Investment Growth Scheme II								
3,000,000 units of Rs. 10 each	30,000,000	29,370,000	30,000,000	42,600,000	30,000,000	29,370,000	30,000,000	42,600,000
NIC ASIA BALANCED FUND								
2,000,000 units of Rs. 10 each	20,000,000	21,420,000	30,393,210	41,251,099	20,000,000	21,420,000	20,000,000	27,460,000
Group: 3,004,450 units of Rs. 10 each								
NMB 50								
4,000,000 units of Rs. 10 each	40,000,000	51,600,000	40,000,000	59,800,000	40,000,000	51,600,000	40,000,000	59,800,000
Sunrise First Mutual Fund								
3,000,000 units of Rs. 10 each	30,000,000	34,500,000	32,311,421	50,369,600	30,000,000	34,500,000	30,000,000	48,000,000
Laxmi Unnati Kosh								
12,000,000 units of Rs. 10 each	120,000,000	114,720,000	120,000,000	151,440,000	120,000,000	114,720,000	120,000,000	151,440,000
NIBL Samridhhi Fund II								
3,672,123 units of Rs. 10 each	36,721,230	31,837,306	36,721,230	39,695,650	36,721,230	31,837,306	36,721,230	39,695,650
Kumari Equity Fund								
2,000,000 units of Rs. 10 each	20,000,000	20,140,000	20,000,000	21,000,000	20,000,000	20,140,000	20,000,000	21,000,000
Sunrise Blue Chip Fund								
1,500,000 units of Rs. 10 each	15,000,000	13,110,000	15,000,000	15,240,000	15,000,000	13,110,000	15,000,000	15,240,000
Sanima Large Cap Fund								
1,000,000 units of Rs. 10 each	10,000,000	9,320,000	10,000,000	10,500,000	10,000,000	9,320,000	10,000,000	10,500,000
Sanjen Jalavidhyut Company Ltd								
82,426 shares of Rs. 100 each	32,511,844	21,430,760	62,374,926	74,458,119	32,511,844	21,430,760	62,374,926	74,458,119
Rasuwagadhi Hydropower Company Ltd								
60,729 shares of Rs. 100 each								
Group: 62,229 units of Rs. 100 each	28,139,744	16,988,515	67,599,101	77,548,770	27,428,390	16,579,015	67,599,101	77,548,770
Deprosc Laghubitta Bittiya Sanstha Limited								
6,210 shares of Rs. 100 each	-	5,837,400	53,533,943	52,350,300	-	5,837,400	53,533,943	52,350,300

PARTICULARS	GROUP				BANK			
	32 ASHADH 2079		31 ASHADH 2078		32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Nerude Laghubita Bikas Bank Limited 4,297 shares of Rs. 100 each	-	3,781,360	33,016,229	32,000,000	-	3,781,360	33,016,229	32,000,000
Nepal Life Insurance Company Ltd. 80,279 shares of Rs. 100 each	141,327,482	59,968,413	116,239,232	106,978,493	141,327,482	59,968,413	116,239,232	106,978,493
Asian Life Insurance Company Ltd 203,354 shares of Rs. 100 each (including 160,987 promoter shares of Rs. 100 each)	99,559,431	70,521,927	99,559,431	132,492,224	99,559,431	70,521,927	99,559,431	132,492,224
Neco Insurance Company Ltd 33,394 shares of Rs. 100 each								
Group: 33,572 share pment Company Ltd 159,300 shares of Rs. 100 each	15,930,000	31,860,000	-	-	15,930,000	31,860,000	-	-
Rastriya Beema Company Ltd 5,065 shares of Rs. 100 each	97,908,467	67,871,000	-	-	97,908,467	67,871,000	-	-
RBB Mutual Fund - I 3,992,087 units of Rs. 10 each	39,920,870	37,006,646	-	-	39,920,870	37,006,646	-	-
Mega Mutual Fund - I 436,340 units of Rs. 10 each	4,363,400	3,486,357	-	-	4,363,400	3,486,357	-	-
Mero Microfinance Bittiya Sansstha Ltd. 2 share of Rs. 100 each	-	1,694	100	1,546	-	-	-	-
NLG Insurance Company Ltd. 5,204 shares of Rs. 100 each	4,929,037	2,487,560	1,342,964	1,315,160	-	-	-	-
Nepal Bank Limited 7,438 shares of Rs. 100 each	-	-	1,617,094	3,295,167	-	-	-	-
Ridi Hydropower Development Company Ltd 1 share of Rs. 100 each	86	838	86	576	-	-	-	-
First Microfinance Bittiya Sansstha Ltd. 1 share of Rs. 100 each	-	665	-	823	-	-	-	-
NMB Microfinance Bittiya Sansstha Ltd. 1 share of Rs. 100 each	-	750	-	1,429	-	-	-	-
Global IME Laghubitta Bittiya Sansstha Ltd. 2 shares of Rs. 100 each	-	2,598	-	5,630	-	-	-	-
Agriculture Development Bank Ltd. 1 share of Rs. 100 each	-	331	-	479	-	-	-	-
Century Commercial Bank Ltd. 277 shares of Rs. 100 each	-	-	-	80,607	-	-	-	-
Nabil Bank Limited 8 shares of Rs. 100 each	-	6,592	1,270,210	1,359,000	-	-	-	-
Nepal Reinsurance Company Ltd 5,894 shares of Rs. 100 each	8,259,502	4,332,090	3,691,836	3,188,000	-	-	-	-
Gramin Bikas Laghubitta Bittiya Sansstha Ltd. 1,000 shares of Rs. 100 each	-	-	1,330,132	1,225,000	-	-	-	-
Arun Valley Hydropower Ltd. 3,000 shares of Rs. 100 each	1,717,273	1,068,300	1,922,055	1,920,000	-	-	-	-

PARTICULARS	GROUP				BANK			
	32 ASHADH 2079		31 ASHADH 2078		32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE						
Nepal Infrastructure Bank Ltd								
5,390 shares of Rs. 100 each	2,468,669	1,293,600	-	-	-	-	-	-
Manjushree Finance Ltd.								
3,500 shares of Rs. 100 each	2,897,166	1,564,500	-	-	-	-	-	-
Premier Insurance Co. Ltd.								
1,179 shares of Rs. 100 each	1,293,498	679,139	-	-	-	-	-	-
Gurans Life Insurance Company Ltd.								
1,951 shares of Rs. 100 each	1,360,632	946,235	-	-	-	-	-	-
Prudential Insurance Co. Ltd.								
1,926 shares of Rs. 100 each	1,361,296	670,248	-	-	-	-	-	-
Citizen Bank International Limited								
5,951 shares of Rs. 100 each	2,085,233	1,205,078	-	-	-	-	-	-
Sunrise Bank Limited								
7,332 shares of Rs. 100 each	2,498,543	1,517,724	-	-	-	-	-	-
Universal Power Company Ltd.								
1,700 shares of Rs. 100 each	823,483	387,260	-	-	-	-	-	-
Lumbini General Insurance Co. Ltd.								
1,643 shares of Rs. 100 each	1,255,077	627,435	-	-	-	-	-	-
Api Power Company Ltd.								
697 shares of Rs. 100 each	261,611	170,417	-	-	-	-	-	-
Upper Tamakoshi Hydropower Ltd.								
2,500 shares of Rs. 100 each	1,522,399	1,355,000	-	-	-	-	-	-
Investment in unquoted equity	288,808,334	288,808,334	288,808,334	288,808,334	285,308,334	285,308,334	285,308,334	285,308,334
Credit Information Centre Ltd.								
179,820 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								
37,440 shares of Rs. 100 each	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
National Banking Institute Ltd								
24,697 shares of Rs. 100 each	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834	2,634,834
Banking, Finance and Insurance Institute of Nepal								
33,000 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
Group: 45,000 shares of Rs 100 each								
Nepal Stock Exchange Ltd.								
500,000 shares of Rs. 100 each	275,250,000	275,250,000	275,250,000	275,250,000	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	2,796,226,793	2,910,718,156	2,755,122,570	3,496,720,145	2,744,632,304	2,879,828,729	2,948,012,837	4,531,802,841

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Current tax assets	5,422,668,498	4,515,238,460	5,036,424,795	4,221,624,272
Current year income tax assets	907,430,038	700,330,959	814,800,523	633,073,787
Tax assets of prior periods	4,515,238,460	3,814,907,501	4,221,624,272	3,588,550,486
Current tax liabilities	5,317,415,140	4,442,682,053	4,948,846,056	4,149,067,865
Current year income tax liabilities	874,733,088	761,936,560	799,778,191	674,671,883
Tax liabilities of prior periods	4,442,682,053	3,680,745,492	4,149,067,865	3,474,395,981
Total	105,253,358	72,556,408	87,578,739	72,556,408

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

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

4.10 Investment in subsidiaries

Amount in NPR

PARTICULARS	BANK	
	32 ASHADH 2079	31 ASHADH 2078
Investment in quoted subsidiaries	147,000,000	147,000,000
Investment in unquoted subsidiaries	270,000,000	270,000,000
Total investment	417,000,000	417,000,000
Less: Impairment allowances	-	-
Net carrying amount	417,000,000	417,000,000

Investment in shares of subsidiary companies are presented at cost.

4.10.1: Investment in quoted subsidiaries

Amount in NPR

PARTICULARS	BANK			
	32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Laghubitta Bittiya Sanstha Ltd. 2,688,378 shares of Rs. 100 each (including 1,218,378 Bonus Shares)	147,000,000	147,000,000	147,000,000	147,000,000
Total	147,000,000	147,000,000	147,000,000	147,000,000

4.10.2: Investment in unquoted subsidiaries

Amount in NPR

PARTICULARS	BANK			
	32 ASHADH 2079		31 ASHADH 2078	
	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Capital Market Ltd. 2,700,000 shares of Rs. 100 each	270,000,000	270,000,000	270,000,000	270,000,000
Total	270,000,000	270,000,000	270,000,000	270,000,000

4.10.3: Information relating to subsidiaries of the Bank

Amount in NPR

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	32 ASHADH 2079	31 ASHADH 2078
Laxmi Laghubitta Bittiya Sanstha Ltd.	70%	70%
Laxmi Capital Market Ltd	100%	100%
Net carrying amount	417,000,000	417,000,000

Investment in shares of subsidiary companies are presented at cost.

4.10.4: Non controlling interest of the subsidiaries

Amount in NPR

PARTICULARS	GROUP	
	CURRENT YEAR	
	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD	LAXMI CAPITAL MARKET LTD
Equity interest held by NCI (%)	30%	0%
Profit/(loss) allocated during the year	49,955,707	-
Accumulated balances of NCI as on Ashadh end 2078	207,653,400	-
Dividend paid to NCI	7,074,679	-
Funds used	926,907	-
NCI as on Ashadh end 2079	249,607,521	-

Amount in NPR

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

4.11 Investment in associates

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Investment in quoted associates	282,675,925	634,181,700	1,186,200,845	2,818,220,996
Investment in unquoted associates	-	-	-	-
Total investment	282,675,925	634,181,700	1,186,200,845	2,818,220,996
Less: Impairment allowances	-	-	-	-
Net carrying amount	282,675,925	634,181,700	1,186,200,845	2,818,220,996

4.11.3: Information relating to associates of the Bank

PARTICULARS	GROUP		BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK		PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Prime Life Insurance Co. Ltd.	15.00%	15.00%	15.00%	15.00%

4.11.4: Equity value of associates

Amount in NPR

PARTICULARS	GROUP	
	32 ASHADH 2079	31 ASHADH 2078
Prime Life Insurance Co. Ltd.	282,675,925	634,181,700
Total		

4.12 Investment properties

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
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	105,942,899	108,976,899	105,942,899	108,976,899
Addition/disposal during the year	(35,407,325)	(3,034,000)	(35,407,325)	(3,034,000)
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	70,535,574	105,942,899	70,535,574	105,942,899
Total	70,535,574	105,942,899	70,535,574	105,942,899

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

4.13 Property and Equipment

Amount in NPR

PARTICULARS	GROUP										TOTAL ASHAD END 2078	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2079	TOTAL ASHAD END 2078		
Cost												
As on Shrawan 1, 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	2,106,140,231	1,900,508,262	
Addition during the Year	-	2,298,273	25,490,076	23,309,376	4,126,000	6,544,819	-	48,380,373	110,148,917	110,148,917	242,462,338	
Acquisition	-	-	-	23,309,376	4,126,000	6,544,819	-	48,380,373	82,360,568	82,360,568	171,828,689	
Capitalization	-	2,298,273	25,490,076	-	-	-	-	-	27,788,349	27,788,349	70,633,650	
Disposal during the year	-	-	(2,396,485)	(13,353,379)	-	(1,869,562)	-	(5,045,531)	(22,664,957)	(22,664,957)	(36,830,370)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashadh end 2078	651,504,796	280,420,809	328,315,481	234,647,154	174,013,616	114,791,577	-	409,930,758	2,193,624,191	2,193,624,191	2,106,140,231	
Addition during the Year	113,853,088	81,167,368	73,390,607	36,468,215	17,035,400	20,298,421	-	857,501,088	1,199,714,188	1,199,714,188	242,462,338	
Acquisition	113,853,088	71,406,912	3,707,307	36,468,215	17,035,400	20,298,421	-	857,501,088	1,120,270,432	1,120,270,432	171,828,689	
Capitalization	-	9,760,456	69,683,300	-	-	-	-	-	79,443,756	79,443,756	70,633,650	
Disposal during the year	-	-	-	(4,064,762)	(6,155,233)	(1,037,702)	-	(7,287,244)	(18,544,941)	(18,544,941)	(36,830,370)	
Adjustment/Revaluation	-	-	-	-	-	-	-	(281,816)	(281,816)	(281,816)	-	
Balance as on Ashadh end 2079	765,357,884	361,588,177	401,706,088	267,050,607	184,893,782	134,052,297	-	1,259,862,787	3,374,511,622	3,374,511,622	2,106,140,231	
Depreciation and Impairment												
As on Shrawan 1, 2077	-	42,426,090	170,894,023	129,372,669	68,814,188	75,944,027	-	192,396,678	680,398,744	680,398,744	561,239,542	
Depreciation charge for the Year	-	7,135,148	45,302,284	29,990,033	23,328,226	12,287,497	-	55,908,925	173,952,113	173,952,113	155,189,164	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	(2,396,485)	(13,344,762)	-	(1,869,562)	-	(5,033,304)	(22,644,112)	(22,644,112)	(36,029,962)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
As on Ashadh end 2078	-	49,561,238	213,799,822	146,017,941	92,142,414	86,361,962	-	243,272,299	831,706,746	831,706,746	680,398,744	
Depreciation charge for the Year	-	7,098,597	46,184,117	37,765,047	23,918,328	15,470,474	-	181,910,523	312,347,085	312,347,085	155,189,164	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	(4,032,989)	(5,824,577.23)	(1,037,702)	-	(7,086,109)	(17,981,377)	(17,981,377)	(36,029,962)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
As on Ashadh end 2079	-	56,659,835	259,983,939	179,749,999	110,236,165	100,794,734	-	418,096,713	1,126,072,454	1,126,072,454	680,398,744	
Capital Work in Progress	74,151,935	132,951,850	11,154,695	-	-	-	-	428,400	218,686,880	218,686,880	33,438,274	
Net Book Value												
As on Ashadh end 2078	651,504,796	230,859,571	147,953,933	88,629,213	81,871,202	28,429,615	-	166,658,459	1,395,355,719	1,395,355,719	1,455,792,623	
As on Ashadh end 2079	839,509,819	437,880,192	152,876,843	87,300,608	74,657,618	33,257,563	-	842,194,474	2,467,126,047	2,467,126,047	1,395,355,719	

4.13 Property and Equipment

Amount in NPR

PARTICULARS	BANK											TOTAL ASHAD END 2078	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2079	TOTAL ASHAD END 2078			
Cost													
As on Shrawan 1, 2077	644,510,678	268,731,770	299,761,331	222,042,254	142,451,764	108,299,728	-	316,643,488	2,002,441,012	1,818,225,652			
Addition during the Year	-	2,298,273	25,229,467	22,901,376	428,800	6,486,427	-	46,126,978	103,471,321	219,144,443			
Acquisition	-	-	25,229,467	22,901,376	428,800	6,486,427	-	46,126,978	75,958,581	148,689,864			
Capitalization	-	2,298,273	(2,396,485)	(13,353,379)	-	(1,784,164)	-	(5,045,531)	27,512,740	70,454,579			
Disposal during the year	-	-	-	-	-	-	-	-	(22,579,559)	(34,929,082)			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-			
Balance as on Ashadh end 2078	644,510,678	271,030,043	322,594,312	231,590,252	142,880,564	113,001,991	-	357,724,934	2,083,332,774	2,002,441,012			
Addition during the Year	113,853,088	81,167,368	69,683,300	27,938,745	7,307,900	14,852,634	-	854,286,916	1,169,089,952	103,471,321			
Acquisition	113,853,088	71,406,912	-	27,938,745	7,307,900	14,852,634	-	854,286,916	1,089,646,196	75,958,581			
Capitalization	-	9,760,456	69,683,300	-	-	-	-	-	79,443,756	27,512,740			
Disposal during the year	-	-	-	(4,064,762)	(2,155,233)	(1,037,702)	-	(7,287,244)	(14,544,941)	(22,579,559)			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-			
Balance as on Ashadh end 2079	758,363,766	352,197,411	392,277,613	255,464,235	148,033,230	126,816,923	-	1,204,724,607	3,237,877,785	2,083,332,774			
Depreciation and Impairment													
As on Shrawan 1, 2077	-	41,229,886	167,064,801	126,713,296	57,550,016	73,331,065	-	174,773,897	640,662,961	529,761,915			
Depreciation charge for the year	-	6,725,399	44,722,758	29,615,919	19,944,721	12,054,279	-	49,930,118	162,993,194	145,593,759			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	(2,396,485)	(13,344,762)	-	(1,784,164)	-	(5,033,304)	(22,558,714)	(34,692,714)			
Adjustment	-	-	-	-	-	-	-	-	-	-			
As on Ashadh end 2078	-	47,955,286	209,391,074	142,984,453	77,494,737	83,601,180	-	219,670,711	781,097,441	640,662,961			
Depreciation charge for the year	-	6,910,133	45,450,984	32,537,725	18,394,851	11,827,747	-	179,146,976	294,268,417	162,993,194			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	-	(4,032,989)	(1,824,577)	(1,037,702)	-	(7,086,109)	(13,981,377)	(22,558,714)			
Adjustment	-	-	-	-	-	-	-	-	-	-			
As on Ashadh end 2079	-	54,865,419	254,842,059	171,489,190	94,065,011	94,391,225	-	391,731,578	1,061,384,481	781,097,441			
Capital Work in Progress	74,151,935	132,951,850	11,154,695	-	-	-	-	-	218,258,480	33,438,274			
Net Book Value													
As on Ashadh end 2078	644,510,678	223,074,343	146,631,427	88,605,798	65,385,827	29,411,301	-	138,054,223	1,335,673,598	1,391,833,688			
As on Ashadh end 2079	832,515,701	430,283,842	148,590,249	83,975,045	53,968,219	32,425,698	-	812,993,029	2,394,751,784	1,335,673,598			

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 estimate.

4.14 Goodwill and Intangible Assets

Amount in NPR

PARTICULARS	GOODWILL	GROUP				TOTAL ASHADH END 2079	TOTAL ASHADH END 2078
		SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 2077	-	207,190,504	-	-	207,190,504	149,510,243	
Addition during the Year	-	28,584,537	-	-	28,584,537	57,680,261	
Acquisition	-	28,584,537	-	-	28,584,537	57,680,261	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2078	-	235,775,041	-	-	235,775,041	207,190,504	
Addition during the Year	-	33,457,695	-	-	33,457,695	57,680,261	
Acquisition	-	33,457,695	-	-	33,457,695	57,680,261	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2079	-	269,232,736	-	-	269,232,736	207,190,504	
Amortization and Impairment							
As on Shrawan 1, 2077	-	115,086,042	-	-	115,086,042	93,158,804	
Amortization charge for the Year	-	29,266,518	-	-	29,266,518	21,927,239	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2078	-	144,352,561	-	-	144,352,561	115,086,042	
Amortization charge for the Year	-	39,558,211	-	-	39,558,211	21,927,239	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2079	-	183,910,771	-	-	183,910,771	115,086,042	
Capital Work in Progress	-	3,008,374	-	-	3,008,374	-	
Net Book Value							
As on Ashadh end 2078	-	91,422,480	-	-	91,422,480	92,104,461	
As on Ashadh end 2079	-	85,321,965	-	-	88,330,339	91,422,480	

4.14 Goodwill and Intangible Assets

Amount in NPR

PARTICULARS	GOODWILL	BANK				TOTAL ASHADH END 2079	TOTAL ASHADH END 2078
		SOFTWARE		OTHER	TOTAL		
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 2077	-	201,349,822	-	-	201,349,822	144,499,943	
Addition during the Year	-	12,246,405	-	-	12,246,405	56,849,879	
Acquisition		12,246,405			12,246,405	56,849,879	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2078	-	213,596,226	-	-	213,596,226	201,349,822	
Addition during the Year	-	32,873,485	-	-	32,873,485	56,849,879	
Acquisition		32,873,485			32,873,485	56,849,879	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashadh end 2079	-	246,469,712	-	-	246,469,712	258,199,700	
Amortization and Impairment							
As on Shrawan 1, 2077	-	111,163,048	-	-	111,163,048	89,842,624	
Amortization charge for the Year	-	25,943,242	-	-	25,943,242	21,320,424	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2078	-	137,106,290	-	-	137,106,290	111,163,048	
Amortization charge for the Year	-	35,533,845	-	-	35,533,845	21,320,424	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashadh end 2079	-	172,640,136	-	-	172,640,136	111,163,048	
Capital Work in Progress	-	3,008,374	-	-	3,008,374	-	
Net Book Value							
As on Ashadh end 2078	-	76,489,936	-	-	76,489,936	90,186,774	
As on Ashadh end 2079	-	76,837,950	-	-	76,837,950	76,489,936	

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	154,469.40	-	154,469	-	-	-
Investment securities	-	34,347,409	(34,347,409)	-	336,284,781	(336,284,781)
Property & equipment	23,285,011	-	23,285,011	28,529,160	-	28,529,160
Employees' defined benefit plan	(1,778,694)	-	(1,778,694)	(8,868,824)	-	(8,868,824)
Lease liabilities	183,854	-	183,854	-	-	-
Provisions	86,929,046	-	86,929,046	82,447,114.18	-	82,447,114
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	108,773,686	34,347,409	74,426,277	102,107,450	336,284,781	(234,177,331)
Deferred tax on carry forward of unused tax losses						
Deferred tax due to changes in tax rate						
Net Deferred tax asset/(liabilities) as on 32 Ashadh, 2079			74,426,277			(234,177,331)
Deferred tax (asset)/liabilities as on Shrawan 1, 2078			171,046,612			888,955,079
Origination/(Reversal) during the year			245,472,890			654,777,748
Deferred tax expense/(income) recognised in profit or loss			109,674,698			(60,086,067)
Deferred tax expense/(income) recognised in other comprehensive income			(355,147,588)			(594,691,681)
Deferred tax expense/(income) recognised in directly in equity			-			-

Amount in NPR

PARTICULARS	PREVIOUS YEAR			PREVIOUS YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS /(LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS /(LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	221,657,685	(221,657,685)	-	933,823,815	(933,823,815)
Property & equipment	9,632,805	-	9,632,805	10,396,143	-	10,396,143
Employees' defined benefit plan	195,337	-	195,337	(6,021,471)	-	(6,021,471)
Lease liabilities	9,495,237	-	9,495,237	9,206,372	-	9,206,372
Provisions	31,287,693	-	31,287,692.94	31,287,693	-	31,287,693
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	50,611,073	221,657,685	(171,046,612)	44,868,736	933,823,815	(888,955,079)
Deferred tax on carry forward of unused tax losses				-	-	-
Deferred tax due to changes in tax rate				-	-	-
Net Deferred tax asset/(liabilities) as on 31 Ashadh 2078			(171,046,612)			(888,955,079)
Deferred tax (asset)/liabilities as on 1 Shrawan, 2077			233,856,845			235,547,823
Origination/(Reversal) during the year			62,810,232			(653,407,256)
Deferred tax expense/(income) recognised in profit or loss			(438,975,697)			(21,339,073)
Deferred tax expense/(income) recognised in other comprehensive income			376,165,465			674,746,330
Deferred tax expense/(income) recognised in directly in equity			-			-

4.16 Other assets

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Assets held for sale	3,472,361	2,122,359	3,472,361	2,122,359
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	270,427,238	581,893,328	221,007,259	533,991,814
Accrued income	144,635	31,670	114,465	-
Prepayments and deposit	246,294,701	212,037,909	244,027,370	210,331,478
Income tax deposit	22,655,009	23,809,437	22,655,009	23,809,437
Deferred employee expenditure	1,190,020,329	875,067,215	1,190,020,329	875,067,215
Other	20,090,142	7,911,358	21,330,766	8,220,257
Total	1,753,104,415	1,702,873,277	1,702,627,558	1,653,542,560

4.17 Due to Bank and Financial Institutions

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Money market deposits	-	-	-	-
Interbank borrowing	1,540,925,558	1,364,012,318	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	1,182,339,970	2,826,267,786	1,182,339,970	2,826,267,786
Total	2,723,265,527	4,190,280,105	1,182,339,970	2,826,267,786

4.18 Due to Nepal Rastra Bank

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Refinance from NRB	2,569,072,960	4,364,945,380	2,569,072,960	4,364,945,380
Standing Liquidity Facility	-	-	-	-
Lender of last resort facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	2,569,072,960	4,364,945,380	2,569,072,960	4,364,945,380

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

4.19 Derivative financial instruments

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	363,508,453	6,050,417,580	363,508,453	6,050,417,580
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	363,508,453	6,050,417,580	363,508,453	6,050,417,580
Other	-	-	-	-
Total	363,508,453	6,050,417,580	363,508,453	6,050,417,580

4.20 Deposits from customers

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Institutions customers:				
Term deposits	29,655,081,897	21,489,036,742	29,805,081,897	21,504,425,509
Call deposits	10,105,288,832	8,160,146,059	10,268,838,657	8,320,015,737
Current deposits	7,787,251,049	7,235,762,778	7,787,251,049	7,244,197,326
Other	3,063,567,141	3,710,817,359	3,025,759,069	3,679,402,576
Individual customers:				
Term deposits	52,287,107,566	33,676,402,845	52,287,107,566	33,676,402,845
Saving deposits	38,668,945,868	41,969,405,166	36,155,247,832	39,931,761,313
Current deposits	153,045,386	189,619,961	153,045,386	189,619,961
Other	54,766,967	59,666,472	54,766,967	59,666,472
Total	141,775,054,706	116,490,857,382	139,537,098,423	114,605,491,739

4.20.1: Currency wise analysis of deposit from customers

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Nepalese rupee	138,742,001,820	112,676,966,618	136,504,045,537	110,791,600,976
Indian rupee	-	-	-	-
United State dollar	2,855,374,272	3,791,399,876	2,855,374,272	3,791,399,876
Great Britain pound	3,216,230	2,721,586	3,216,230	2,721,586
Euro	174,462,383	19,769,302	174,462,383	19,769,302
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	141,775,054,706	116,490,857,382	139,537,098,423	114,605,491,739

4.21 Borrowing

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Domestic Borrowing	-	-	-	-
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Foreign Borrowing	6,433,105,999	3,591,572,535	6,433,105,999	3,591,572,535
Foreign Bank and Financial Institutions	6,433,105,999	3,591,572,535	6,433,105,999	3,591,572,535
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Total	6,433,105,999	3,591,572,535	6,433,105,999	3,591,572,535

4.22 Provisions

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.22.1: Movement in provision

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Balance at Shrawan 1, 2078	-	-	-	-
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Unwind of discount	-	-	-	-
Balance at Ashadh end, 2079	-	-	-	-

4.23 Other liabilities

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Liability for employees defined benefit obligations	(3,330,018)	(3,314,621)	(27,392,584)	(25,760,199)
Liability for long-service leave	37,550,005	63,660,268	12,053,822	42,937,572
Short-term employee benefits	-	-	-	-
Bills payable	17,486,568	16,296,597	17,486,568	16,296,597
Creditors and accruals	-	-	-	-
Interest payable on deposit	-	-	-	-
Interest payable on borrowing	34,248	38,760	34,248	38,760
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	-	-	-	-
Liabilities under Finance Lease	731,852,386	-	713,744,017	-
Employee bonus payable	27,423,032	286,515,730	-	247,677,037
Other	1,316,695,360	979,394,511	1,155,079,526	727,039,710
Total	2,364,119,758	1,342,591,245	2,107,413,773	1,008,229,478

4.23.1: Defined benefit obligations

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	(15,328,206)	17,177,373	(15,328,206)	17,177,373
Present value of funded obligations	476,677,545	367,530,018	476,677,545	367,530,018
Total present value of obligations	461,349,339	384,707,391	461,349,339	384,707,391
Fair value of plan assets	476,677,545	367,530,018	476,677,545	367,530,018
Present value of net obligations	(15,328,206)	17,177,373	(15,328,206)	17,177,373
Recognised liability for defined benefit obligations	-	-	-	-

4.23.2: Plan assets

Amount in NPR

PLAN ASSETS COMPRISE	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	-	-	-	-
Other	476,677,545	367,530,018	476,677,545	367,530,018
Total	476,677,545	367,530,018	476,677,545	367,530,018
Actual return on plan assets	33,819,326	25,040,652	33,819,326	25,040,652

4.23.3: Movement in the present value of defined benefit obligations

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Defined benefit obligations at Shrawan 1, 2078	384,707,391	313,085,897	384,707,391	313,085,897
Actuarial Loss/ (Gain)	(46,772,571)	(33,038,218)	(46,772,571)	(33,038,218)
Benefits paid by the plan	(9,182,210)	(4,344,885)	(9,182,210)	(4,344,885)
Current service costs and interest	132,596,729	109,004,597	132,596,729	109,004,597
Defined benefit obligations at Ashadh end, 2079	461,349,339	384,707,391	461,349,339	384,707,391

4.23.4: Movement in the fair value of plan assets

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Fair value of plan assets at Shrawan 1, 2078	367,528,019	295,426,613	367,528,019	295,426,613
Contributions paid into the plan	84,512,410	51,407,638	84,512,410	51,407,638
Benefits paid during the year	(9,182,210)	(4,344,885)	(9,182,210)	(4,344,885)
Actuarial Gain/(Loss)	(2,455,674)	(1,958,241)	(2,455,674)	(1,958,241)
Expected return on plan assets	36,275,000	26,998,893	36,275,000	26,998,893
Fair value of plan assets at Ashadh end, 2079	476,677,545	367,530,018	476,677,545	367,530,018

4.23.5: Amount recognised in profit or loss

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Current service costs	98,355,051	81,113,985	98,355,051	81,113,985
Interest on obligation	(2,033,322)	891,719	(2,033,322)	891,719
Actuarial (Gain)/loss	(34,596,497)	977,087	(34,596,497)	977,087
Expected return on plan assets	-	-	-	-
Total	61,725,232	82,982,791	61,725,232	82,982,791

4.23.6: Amount recognised in other comprehensive income

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Actuarial (Gain)/Loss	(9,491,176)	(31,276,008)	(9,491,176)	(31,276,008)
Total	(9,491,176)	(31,276,008)	(9,491,176)	(31,276,008)

4.23.7: Actuarial assumptions

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Discount rate	9.50%	9.50%	9.50%	9.50%
Expected return on plan asset				
Future salary increase	7.00%	7.00%	7.00%	7.00%
Withdrawal rate	10.00%	10.00%	10.00%	10.00%

4.24 Debt securities issued

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	4,016,219,178	2,008,219,178	4,016,219,178	2,008,219,178
Total	4,016,219,178	2,008,219,178	4,016,219,178	2,008,219,178

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 and "8.5% Laxmi Bank Debentures, 2088" with total value Rs. 2,000,000,000 with coupon interest rate of 8.5% payable semi-annually.

4.25 Subordinated Liabilities

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.26 Share capital

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Ordinary shares	11,551,345,051	10,695,689,862	11,551,345,051	10,695,689,862
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	11,551,345,051	10,695,689,862	11,551,345,051	10,695,689,862

4.26.1: Ordinary shares

Amount in NPR

PARTICULARS	GROUP	
	32 ASHADH 2079	31 ASHADH 2078
Authorized Capital		
120,000,000 Ordinary share of Rs. 100 each	12,000,000,000	12,000,000,000
Issued capital		
115,513,450.51 Ordinary share of Rs. 100 each	11,551,345,051	10,695,689,862
Subscribed and paid up capital		
115,513,450.51 Ordinary share of Rs. 100 each	11,551,345,051	10,695,689,862
Total	11,551,345,051	10,695,689,862

4.26.2: Ordinary share ownership

Amount in NPR

PARTICULARS	GROUP	
	32 ASHADH 2079	31 ASHADH 2078
Domestic ownership	100%	100%
Nepal Government	-	-
"A" class licensed institutions	-	-
Other licensed institutions	-	-
Other Institutions (Promoters)	23.83%	23.83%
Public	49.00%	49.00%
Other (Promoters)	27.17%	27.17%
Foreign ownership	-	-
Total	100%	100%

Note: Shareholders holding 0.5% or more Shares

Amount in NPR

SN	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Laxmi Corp Nepal Pvt. Ltd.	16,862,468	14.60%
2	Sneha Khetan	13,050,052	11.30%
3	Citizen Investment Trust	10,028,002	8.68%
4	Sarika Khetan	9,036,728	7.82%
5	Ratan Lal Sanghai	5,180,282	4.48%
6	Gopi Krishna Sikaria	5,102,306	4.42%
7	Rajendra Kumar Khetan	5,061,900	4.38%
8	Himalayan Exim Private Ltd	4,263,055	3.69%
9	MTC Investment Pvt. Ltd.	2,773,742	2.40%
10	Puja Agrawal Khetan	1,858,519	1.61%
11	Om Prakash Sikaria	1,646,255	1.43%
12	Rastriya Beema Sansthan (Jiwan Beema)	1,573,774	1.36%
13	Prime Holding Pvt. Ltd.	1,071,400	0.93%
14	Anjali Sarawogi	856,269	0.74%
15	Deepak Kumar Malhotra	761,030	0.66%
16	Sunil Kumar Bansal	650,743	0.56%

4.27 Reserves

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Statutory general reserve	2,584,048,918	2,195,733,037	2,451,321,291	2,090,077,384
Exchange equilisation reserve	32,150,857	31,950,873	32,150,857	31,950,873
Corporate social responsibility reserve	20,156,151	17,977,010	15,211,565	14,291,281
Capital Redemption Reserve	444,444,444	222,222,222	444,444,444	222,222,222
Regulatory reserve	458,849,272	386,618,847	428,517,368	386,618,847
Investment adjustment reserve	4,181,416	1,181,416	3,000,000	-
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	94,385,198	513,536,275	784,664,489	2,178,922,236
Dividend equalisation reserve	-	-	-	-
Actuarial gain	11,053,485	14,050,100	20,693,923	14,050,100
Special reserve	-	-	-	-
Other reserve	20,016,048	15,474,889	8,865,092	-
Total	3,669,285,788	3,398,744,669	4,188,869,029	4,938,132,943

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

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

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

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

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

4.28 Contingent liabilities and commitments

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Contingent liabilities	56,362,135,173	48,368,620,798	56,362,135,173	48,368,620,798
Undrawn and undisbursed facilities	11,956,824,764	16,009,465,207	11,956,824,764	16,009,465,207
Capital commitment	-	-	-	-
Lease Commitment	-	-	-	-
Litigation	123,068,695	90,208,591	122,128,171	89,268,067
Total	68,442,028,631	64,468,294,596	68,441,088,107	64,467,354,072

4.28.1: Contingent liabilities

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Acceptance and documentary credit	31,443,980,291	20,422,220,524	31,443,980,291	20,422,220,524
Bills for collection	471,211,861	557,208,936	471,211,861	557,208,936
Forward exchange contracts	362,811,521	6,073,905,068	362,811,521	6,073,905,068
Guarantees	24,072,247,832	21,307,719,278	24,072,247,832	21,307,719,278
Underwriting commitment	-	-	-	-
Other commitments	11,883,667	7,566,992	11,883,667	7,566,992
Total	56,362,135,173	48,368,620,798	56,362,135,173	48,368,620,798

4.28.2: Undrawn and undisbursed facilities

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Undisbursed amount of loans	6,874,367,749	10,600,523,299	6,874,367,749	10,600,523,299
Undrawn limits of overdrafts	5,082,457,015	5,408,941,908	5,082,457,015	5,408,941,908
Undrawn limits of credit cards	-	-	-	-
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	11,956,824,764	16,009,465,207	11,956,824,764	16,009,465,207

4.28.3: Capital commitments

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

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
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

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
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: Litigations

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Cash and cash equivalent	87,909,641	31,623,133	87,072,970	31,031,797
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	24,788,118	12,770,423	-	-
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	12,991,853,787	9,262,527,459	12,168,952,403	8,554,671,923
Investment securities	596,836,367	467,849,828	591,836,765	462,987,792
Loan and advances to staff	218,813,815	333,009,024	212,270,609	328,739,620
Other	-	-	-	-
Total interest income	13,920,201,729	10,107,779,867	13,060,132,747	9,377,431,133

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Due to bank and financial institutions	380,793,264	232,918,102	237,733,336	158,072,234
Due to Nepal Rastra Bank	123,947,310	54,622,056	123,947,310	54,622,056
Deposits from customers	8,689,060,201	5,635,458,745	8,521,095,148	5,508,150,061
Borrowing	-	-	-	-
Debt securities issued	366,356,164	199,746,987	366,356,164	199,746,987
Subordinated liabilities	-	-	-	-
Other	50,630,921	-	50,630,921	-
Total interest expense	9,610,787,860	6,122,745,890	9,299,762,880	5,920,591,338

4.31 Fees and Commission Income

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Loan administration fees	423,732,649	437,216,171	319,290,344	325,823,289
Service fees	273,339,768	193,225,714	166,151,191	110,172,716
Consortium fees	-	-	-	-
Commitment fees	16,701,765	16,100,532	16,701,765	16,100,532
DD/TT/Swift fees	32,867,594	30,634,456	32,867,594	30,634,456
Credit card/ATM issuance and renewal fees	195,893,117	127,831,753	195,893,117	127,831,753
Prepayment and swap fees	-	-	-	-
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	26,480,008	26,499,889	26,480,008	26,499,889
Commission on letter of credit	133,271,796	119,585,470	133,271,796	119,585,470
Commission on guarantee contracts issued	226,410,606	196,248,768	226,410,606	196,248,768
Commission on share underwriting/issue	4,340,149	2,482,618	-	-
Locker rental	8,705,875	7,739,625	8,705,875	7,739,625
Other fees and commission income	30,802,845	19,222,858	30,802,845	19,222,858
Total fees and Commission Income	1,372,546,172	1,176,787,854	1,156,575,141	979,859,357

4.32 Fees and commission expense

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
ATM management fees	13,842,460	4,385,430	13,842,460	4,385,430
VISA/Master card fees	61,851,098	39,393,211	61,851,098	39,393,211
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	-	-	-	-
Remittance fees and commission	-	-	-	-
Other fees and commission expense	132,652,852	60,518,542	123,768,103	60,518,542
Total fees and Commission Expense	208,346,410	104,297,183	199,461,660	104,297,183

4.33 Net trading income

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
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	270,705,091	340,541,914	270,705,091	340,541,914
Other	-	-	-	-
Net trading income	270,705,091	340,541,914	270,705,091	340,541,914

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Foreign exchange revauation gain	799,934	835,696	799,934	835,696
Gain/(loss) on sale of investment securities	(109,359,084)	391,099,906	(119,530,689)	362,677,982
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	324,528,091	66,198,188	388,943,853	123,564,558
Gain/loss on sale of property and equipment	4,162,697	237,616	1,362,697	235,816
Gain/loss on sale of investment property	-	16,000	-	16,000
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Locker rent	-	-	-	-
Other	46,679,418	31,548,860	66,925,968	13,037,723
Total	266,811,056	489,936,266	338,501,764	500,367,776

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

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Impairment charge/(reversal) on loan and advances to B/FIs	16,695,611	7,678,700	35,264,253	27,023,264
Impairment charge/(reversal) on loan and advances to customer	579,002,251	531,008,964	518,904,960	465,190,800
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	595,697,861	538,687,663	554,169,213	492,214,064

4.36 Personnel Expense

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Salary	972,751,896	829,114,601	860,376,719	738,321,861
Allowances	198,805,749	163,272,557	66,863,231	58,075,695
Gratuity expense	59,637,145	45,595,754	49,440,187	39,327,598
Provident fund	61,071,749	49,912,356	49,914,274	42,630,874
Uniform	-	-	-	-
Training & development expense	23,306,884	9,206,060	17,865,487	7,638,609
Leave encashment	34,794,167	68,118,978	26,704,435	52,709,812
Medical	40,462,898	36,892,033	40,462,898	36,892,033
Insurance	23,569,545	28,467,727	22,890,935	28,054,721
Employees incentive	10,697,318	9,124,431	10,697,318	9,124,431
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	92,039,030	237,598,070	92,039,030	237,598,070
Other expenses related to staff	146,897,938	76,891,567	137,068,869	75,535,314
Subtotal	1,664,034,319	1,554,194,135	1,374,323,384	1,325,909,019
Employees bonus	263,831,209	286,515,729	236,408,177	247,677,037
Grand total	1,927,865,528	1,840,709,864	1,610,731,560	1,573,586,056

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Directors' fee	2,079,000	2,316,000	1,109,000	1,346,000
Directors' expense	484,065	340,185	270,500	135,620
Auditors' remuneration	1,808,000	1,663,925	1,243,000	1,243,000
Other audit related expense	539,648	133,059	452,000	-
Professional and legal expense	7,316,277	3,857,501	6,344,950	4,832,031
Office administration expense	684,782,457	567,392,715	632,889,234	524,266,360
Operating lease expense	24,463,708	144,338,561	5,510,972	129,655,034
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	14,214,245	12,358,215	14,214,245	12,358,215
Onerous lease provisions	-	-	-	-
Other	15,902,788	8,671,260	15,834,127	8,645,423
Total	751,590,188	741,071,420	677,868,028	682,481,684

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Water and Electricity	39,855,301	33,080,103	37,728,480	31,505,080
Repair and maintenance	34,468,931	31,076,366	33,582,263	30,001,946
a) Building	1,736,109	7,520,163	1,736,109	7,520,163
b) Vehicle	4,177,610	3,143,097	3,369,303	2,563,822
c) Computer and accessories	4,169,053	2,427,444	4,169,053	2,427,444
d) Office Equipment and Furniture	24,307,799	17,799,910	24,307,799	17,490,518
e) Others	78,360	185,753	-	-
Insurance	6,949,942	9,631,798	5,855,326	8,090,260
Postage, telex, telephone, fax	14,742,709	12,824,130	12,359,748	9,997,965
Printing and Stationery	30,099,991	27,141,024	26,950,157	23,556,539
Newspaper, books and journals	316,585	278,752	268,025	216,592
Advertisement	58,066,345	37,481,831	56,731,849	35,998,292
Donation	-	-	-	-
Security expenses	149,568,695	123,016,457	149,152,460	121,569,810
Deposit and loan guarantee premium	36,619,818	35,433,964	36,619,818	35,433,964
Travel allowance and expenses	78,089,225	57,167,631	71,882,263	54,072,429
Entertainment	16,612,173	6,623,437	13,369,198	6,530,157
Annual/ special general meeting expense	1,191,147	485,002	840,023	316,173
Other	218,201,594	193,152,220	187,549,623	166,977,153
a) Fixed asset revenue expense	12,888,866	11,587,168	9,402,571	9,499,314
b) IT and other subscriptions	93,425,251	91,847,334	91,140,177	90,335,255
c) Others	111,887,477	89,717,718	87,006,874	67,142,584
Total	684,782,457	567,392,715	632,889,234	524,266,360

4.38 Depreciation & Amortisation

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Depreciation on property and equipment	309,446,828	171,839,931	294,268,417	162,997,704
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	38,888,079	29,266,518	35,533,845	25,943,242
Total	348,334,907	201,106,450	329,802,262	188,940,946

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Recovery of loan written off	10,335,395	3,513,770	10,303,903	3,513,770
Other income	153,423	937,899	153,423	937,899
Total	10,488,817	4,451,670	10,457,326	4,451,670

4.40 Non operating expense

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Loan written off	36,902,873	11,447,250	36,902,873	11,447,250
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	-	-	-
Total	36,902,873	11,447,250	36,902,873	11,447,250

4.41 Income tax expense

Amount in NPR

PARTICULARS	GROUP		BANK	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Current tax expense	761,744,241	782,526,687	674,306,770	674,671,883
Current year	761,744,241	782,526,687	674,306,770	674,671,883
Adjustments for prior years	-	-	-	-
Deferred tax expense	(83,062,033)	(23,819,722)	(60,086,067)	(21,339,073)
Origination and reversal of temporary differences	(83,062,033)	(23,819,722)	(60,086,067)	(21,339,073)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	678,682,208	758,706,965	614,220,703	653,332,810

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	
	32 ASHADH 2079	31 ASHADH 2078	32 ASHADH 2079	31 ASHADH 2078
Profit before tax	2,361,227,238	3,042,297,301	2,127,673,590	2,229,093,330
Tax amount	708,368,171	912,689,190	638,302,077	668,727,999
Add: Tax effect of expenses that are not deductible for tax purpose	71,638,546	31,181,882	63,480,332	30,770,526
Less: Tax effect on exempt income	(27,494,014)	(24,848,754)	(27,475,638)	(24,826,642)
Add/less: Tax effect on other items	(73,830,496)	(160,315,353)	(60,086,067)	(21,339,073)
Total income tax expense	678,682,208	758,706,965	614,220,703	653,332,810
Effective tax rate	28.74%	24.94%	28.87%	29.31%

Comparison of Unaudited and Audited Financial Statements as of FY 2078/79

RS. IN '000'

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENTS	AS PER AUDITED FINANCIAL STATEMENTS	VARIANCE		REASON FOR VARIANCE
			IN AMOUNT	IN %	
Assets					
Cash and cash equivalent	11,194,738	11,194,738	-	0%	Regrouping of items
Due from NRB and placements with BFIs	6,327,047	6,340,170	13,123	0%	Fair Value adjustment of Staff Loans, Additional LLP
Loan and advances	133,949,745	132,724,053	(1,225,692)	-1%	
Investments Securities	16,816,558	16,816,558	-	0%	
Investment in subsidiaries and associates	1,603,201	1,603,201	-	0%	
Property and Equipment	1,719,816	2,394,752	674,936	39%	Regrouping of items
Goodwill and intangible assets	73,830	76,838	3,008	4%	Regrouping of items
Other assets	901,580	2,233,643	1,332,063	148%	Regrouping of items
Total Assets	172,586,515	173,383,954	797,438	0%	
Capital and Liabilities					
Paid up Capital	11,551,345	11,551,345	-	0%	
Reserves and surplus	5,509,006	5,389,673	(119,333)	-2%	Cumulative impact of different adjustments
Deposits	140,717,861	140,719,438	1,578	0%	Regrouping of items
Borrowings	9,002,179	9,002,179	-	0%	
Bond and Debenture	4,016,219	4,016,219	-	0%	
Other liabilities and provisions	1,789,906	2,705,100	915,193	51%	Regrouping of items
Total Capital and Liabilities	172,586,515	173,383,954	797,438	0%	
Statement of Profit or Loss					
Interest income	13,311,902	13,060,133	(251,769)	-2%	Amortization of Staff Loan, adjustment by NRB
Interest expense	(9,223,506)	(9,299,763)	(76,257)	1%	Regrouping of items
Net interest income	4,088,396	3,760,370	(328,026)	-8%	
Fee and commission income	1,149,882	1,156,575	6,693	1%	Regrouping of items
Fee and commission expense	(199,462)	(199,462)	-	0%	
Net fee and commission income	950,420	957,113	6,693	1%	
Other operating income	585,212	609,207	23,995	4%	Reversal of Deferred Rent Expenses
Total operating income	5,624,028	5,326,690	(297,338)	-5%	
Impairment charge/(reversal) for loans and other losses	(518,500)	(554,169)	(35,670)	7%	Audit and regulatory adjustments
Net operating income	5,105,529	4,772,521	(333,008)	-7%	
Personnel expenses	(1,798,342)	(1,610,732)	187,610	-10%	Amortization of Staff Loan, Adjustment of Staff Bonus
Other operating expenses	(1,022,501)	(1,007,670)	14,831	-1%	Lease accounting as per NFRS 16
Operating profit	2,284,686	2,154,119	(130,566)	-6%	
Non operating income/expense	(26,446)	(26,446)	-	0%	
Profit before tax	2,258,240	2,127,674	(130,566)	-6%	
Income tax	(654,669)	(614,221)	40,449	-6%	Cumulative tax effect of different adjustments
Profit /(loss) for the period	1,603,571	1,513,453	(90,118)	-6%	
Other comprehensive income	(1,394,258)	(1,094,847)	299,410	-21%	Adjustment as per final actuary report
Total comprehensive income	209,313	418,606	209,293	100%	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,603,571	1,513,453	(90,118)	-6%	
Add/Less: Regulatory adjustment as per NRB Directive	163,655	192,315	28,660	18%	Adjustment for interest recovery
Free profit/(loss) after regulatory adjustments	1,767,225	1,705,768	(61,458)	-3%	

Statement of Distributable Profit or Loss

For the year ended 32 Ashadh 2079 (16 July 2022)
(As per NRB Regulation)

Amount in NPR

PARTICULARS	BANK	
	32 ASHADH 2079	31 ASHADH 2078
Opening Retained Earnings	32,933,995	181,799,272
Net profit or (loss) as per statement of profit or loss	1,513,452,887	1,575,760,520
Appropriations:		
a. General reserve	302,690,577	315,152,104
b. Foreign exchange fluctuation fund	199,984	208,924
c. Capital redemption reserve	222,222,222	222,222,222
d. Corporate social responsibility fund	920,284	3,399,390
e. Employees' training fund	8,865,092	-
f. Investment Adjustment Reserve	3,000,000	(100,000)
g. Fair Value Reserve	(234,213,319)	(13,475,316)
Profit or (loss) before regulatory adjustment	1,209,768,046	1,048,353,196
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(64,205,135)	19,670,004
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 (+)	22,306,615	1,911,420
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	11,204,437
i. Other (+/-)	-	-
Total Distributable Profit /(loss) as on year end	1,200,803,521	1,262,938,329

5. DISCLOSURES AND ADDITIONAL INFORMATION

5.1. Risk Management

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Risk Management Committee with clear terms of reference. The Risk Management Committee has 5 members altogether, with 3 directors, Chief Operating Officer and Head Risk Management Unit. The Committee met five times in FY 2021-22. 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.

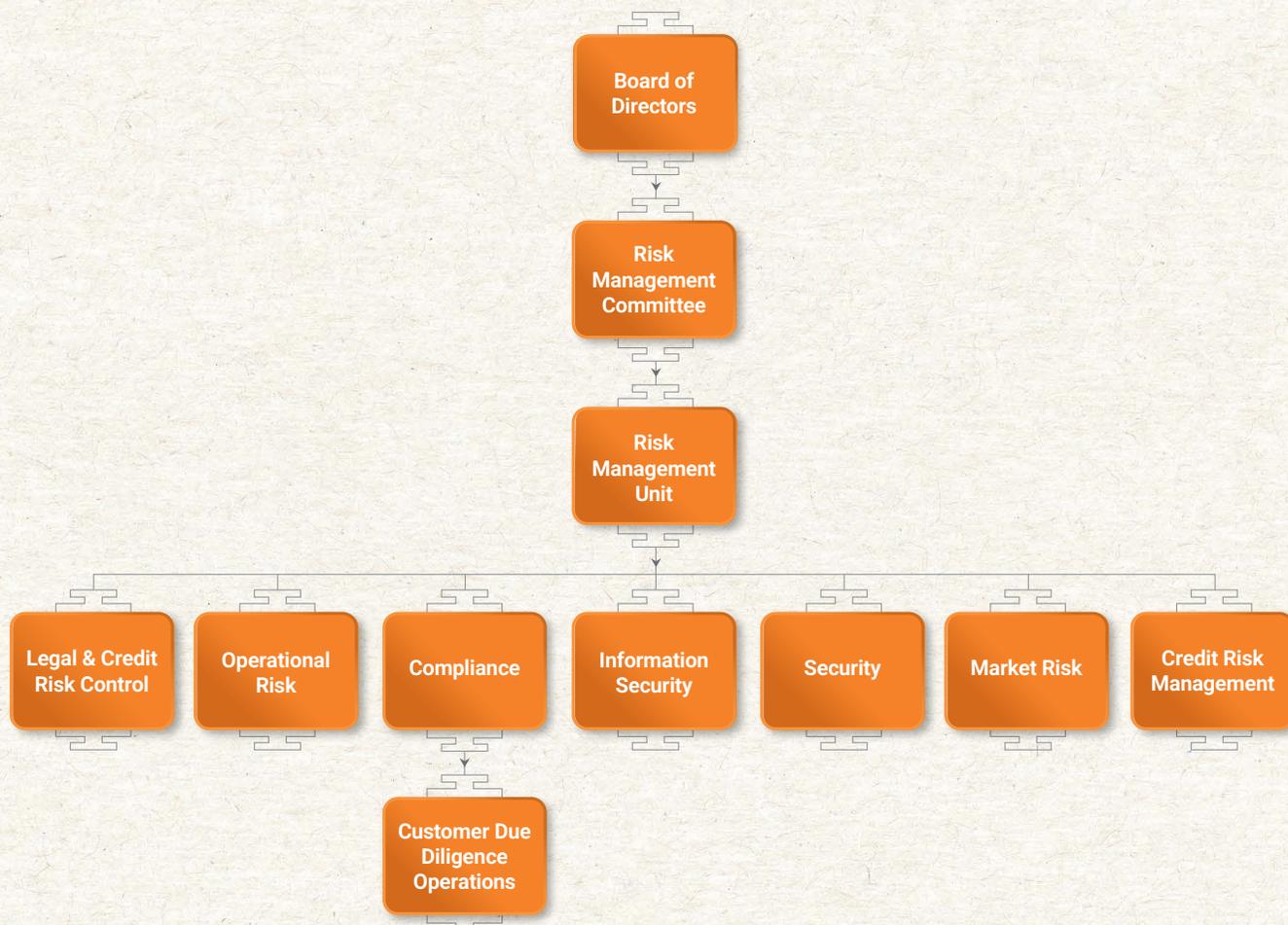
Risk Governance

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.

- a) 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.
- b) 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 Amortized Cost						
Cash and cash equivalent	11,195	-	-	-	-	11,195
Due from Nepal Rastra Bank	6,340	-	-	-	-	6,340
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Loans and advances to customers	119,301	6,317	412	346	391	126,768
Loan and advances to B/FIs	5,956	-	-	-	-	5,956
Fair Value through Profit and Loss (FVTPL)						
Derivative financial instruments.	363	-	-	-	-	363
Fair Value through Other						
Comprehensive Income (FVTOCI)						
Investment securities	16,817	-	-	-	-	16,817
Investment in Associates	1,186	-	-	-	-	1,186
Investment in subsidiaries	417	-	-	-	-	417
Total	161,575	6,317	412	346	391	169,042

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	1,216	-	1,216
Australian Dollar	AUD	5,839	-	5,839
Canadian Dollar	CAD	610	-	610
Swiss Francs	CHF	-	-	-
Chinese Yuan	CNY	198	-	198
Denmark Kroner	DKK	386	-	386
Euro	EUR	176,227	174,489	1,738
Great Britain Pound	GBP	5,632	3,222	2,410
Hong Kong Dollar	HKD	17	-	17
Indian Rupees	INR	558,502	11,834	546,668
Japanese Yen	JPY	2,407	83	2,324
Malaysian Ringgit	MYR	264	-	264
Qatar Riyal	QAR	255	-	255
Saudi Arabian Riyal	SAR	582	-	582
Singapore Dollar	SGD	315	-	315
Thailand Baht	THB	24	-	24
US Dollar	USD	9,494,969	9,478,125	16,844
Korean Won	KRW	-	-	-
Kuwaiti Dinar	KWD	6	-	6
Total		10,247,449	9,667,753	579,696

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:

NPR in Million

PARTICULARS	1 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	OVER 1 YEAR	TOTAL
Interest Sensitive Assets	56,428	19,857	9,532	7,205	89,970	182,992
Interest Sensitive Liabilities	40,190	29,439	21,200	11,934	70,489	173,251
Gap (1 - 2)	16,238	(9,583)	(11,668)	(4,729)	19,482	9,741
Cumulative Gap	16,238	6,656	(5,012)	(9,741)	9,741	
Adjusted Interest Rate Change (IRC)	0.25%	0.25%	0.25%	0.26%	1.00%	
Impact on Quarterly Earnings (Cumulative Gap x IRC)	40	16	(12)	(25)	97	116
Accumulated Earnings Impact to date	40	56	44	19	116	

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.

NPR in Million

PARTICULARS	1 - 90 DAYS	91 - 180 DAYS	181-365 DAYS	OVER 1 YEAR	TOTAL
Assets					
Cash and cash equivalent	11,195	-	-	-	11,195
Due from Nepal Rastra Bank	6,340	-	-	-	6,340
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments	363	-	-	-	363
Other trading assets	10	-	-	-	10
Loan and advances to B/FIs	5,956	-	-	-	5,956
Loans and advances to customers	15,505	18,377	15,984	76,902	126,768
Investment securities	4,670	250	500	11,396	16,817
Investment in associates	-	-	-	1,186	1,186
Investment in subsidiaries	-	-	-	417	417
Other assets	1,790	-	-	2,542	4,332
Total Assets	45,829	18,627	16,484	92,444	173,384
Liabilities					
Due to Bank and Financial Institutions	1,182	-	-	-	1,182
Due to Nepal Rastra Bank	-	-	-	-	2,569
Derivative financial instruments	364	-	-	-	364
Deposits from customers	22,337	22,947	29,200	65,053	139,537
Borrowing	3,899	2,534	-	-	6,433
Debt securities issued	-	-	-	4,016	4,016
Other liabilities	2,107	-	-	234	2,341
Total Liabilities	29,889	28,050	29,200	69,303	156,442

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 allow 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 the requirement to have robust governance arrangements, an 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 a 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

SN	PARTICULARS	AMOUNT
a	Paid up Capital	11,551
b	Share Premium / Capital Reserve	-
c	Proposed Bonus Shares	-
d	Statutory General Reserve	2,451
e	Retained Earnings	1,201
f	Un-audited Current Year Cumulative Profit	-
g	Capital Redemption Reserve	444
h	Other Free Reserves	-
i	Less: Deferred Tax Assets	-
j	Less: Intangible Assets	(77)
k	Less: Investment in equity of institutions with financial interests	(470)
Core (Tier-1) Capital		15,101

ii. Tier 2 capital and a breakdown of its components

Amount in NPR Million

SN	PARTICULARS	AMOUNT
a	Subordinated Term Debt	4,000
b	General Loan Loss Provision	2,143
c	Exchange Equalization Reserve	32
d	Investment Adjustment Reserve	3
Supplementary (Tier-2) Capital		6,178

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

Amount in NPR Million

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

NAME	LAXMI BANK DEBENTURE – 2088
Amount	NPR 2,000,000,000 (Two Billion Only)
Interest Rate	8.5% per annum (before tax) payable half yearly
Type	Unsecured and Redeemable at Maturity. No call / convertible feature.
No. of Debentures	2,000,000 (Two Million Only)
Face Value	NPR 1,000.00
Maturity Period	10 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors
Listing	Listed with Nepal Stock Exchange

iv. Deductions from capital

- The intangible assets pertaining to software costs amounting to NPR 76.84 million have been deducted from the core capital.
- The Bank's investment in Laxmi Capital Market Ltd. and Prime Life Insurance Company Limited being institutions with financial interest amounting to NPR 470.44 million has been deducted from the core capital.

v. Total qualifying capital

		Amount in NPR Million
SN	PARTICULARS	AMOUNT
A	Core Capital	15,101
B	Supplementary Capital	6,178
Total Qualifying Capital (Total Capital Fund)		21,278

vi. Capital Adequacy Ratio

Capital Adequacy Ratio of the bank as at 16 July 2022 stood at 12.75%.

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

Capital Adequacy Ratio of the bank as at 16 July 2022 stood at 12.75%.

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

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 and 8.5% Laxmi Bank Debentures 2088 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	154,010
b	Risk Weighted Exposure for Operational Risk	6,402
c	Risk Weighted Exposure for Market Risk	263
Adjustments under Pillar II		
d	3% of gross income to RWE	4,820
e	3% adjustment on Total RWE	1,411
Total Risk Weighted Exposure		166,906

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

S.N.	RISK WEIGHTED EXPOSURE	AMOUNT
a	Claims on Govt. and Central Bank	-
b	Claims on other official entities	3,034
c	Claims on Banks	5,048
d	Claims on Corporate and Securities Firm	74,971
e	Claims on Regulatory Retail Portfolio	18,446
f	Claims secured by Residential Properties	5,748
g	Claims secured by Commercial Real Estate	1,615
h	Past due Claims	1,931
i	High Risk Claims	18,254
j	Other Assets	2,833
k	Off balance sheet items	20,123
Total		152,004

c) Total risk weighted exposure calculation table

Amount in NPR Million

A. BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC PROVISION & VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D)= (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Cash Balance	2,520	-	-	2,520	0%	-
Balance With Nepal Rastra Bank	6,278	-	-	6,278	0%	-
Gold	3	-	-	3	0%	-
Investment in Nepalese Government Securities	13,156	-	-	13,156	0%	-
All Claims on Government of Nepal	137	-	-	137	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	11	-	-	11	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank(ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank(ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank(ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	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	7,251	-	-	7,2501	20%	1,450
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	1,112	-	-	1,1124	20%	222
Claims on foreign bank (ECA Rating 2)	6,586	-	-	6,5864	50%	3,293
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	412	-	-	411.62	20%	82
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	50%	-

Amount in NPR Million

A. BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC PROVISION & VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D)= (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	70%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	1,442	-	-	1,442	80%	1,153
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	25,725	-	-	25,725	100%	25,725
Claims on Domestic Corporates (Unrated)	48,098	-	25	48,073	100%	48,073
Claims on Foreign Corporates (ECA 0-1)	101	-	-	100.59	20%	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)	24,600	-	5	24,595	75%	18,446
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	7,582	-	0	7,582	60%	4,549
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	50	13	-	37	100%	37
Claims secured by Commercial real estate	1,615	-	-	1,615	100%	1,614
Past due claims (except for claim secured by residential properties)	1,975	687	-	1,288	150%	1,931
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	13,648	-	1,478	12,170	150%	18,254
Lending against securities (bonds & shares)	-	-	-	-	100%	-
Trust Receipt Loans for Trading Firms	1,672	-	-	1,672	120%	2,006
Investments in equity and other capital instruments of institutions listed in the stock exchange	2,606	-	-	2,606	100%	2,606
Investments in equity and other capital instruments of institutions not listed in the stock exchange	285	-	-	285	150%	428
Staff Loan secured by residential property	2,324	-	-	2,324	50%	1,162
Interest receivable/claim on government securities	171	-	-	171	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	9,887	7,0545	-	2,832	100%	2,833
TOTAL	179,246	7,755	1,508	169,984		133,887

B. OFF BALANCE SHEET EXPOSURE	GROSS BOOK VALUE (A)	SPECIFIC PROVISION & VALUATION ADJUSTMENTS (B)	ELIGIBLE CRM (C)	NET VALUE (D)= (A-B-C)	RISK WEIGHT (E)	RISK WEIGHT EXPOSURE (D *E)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	483	-	-	483	0%	-
Forward Exchange Contract Liabilities	364	-	-	364	10%	36
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	21,882	-	10,315	11,566	20%	2,313
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)	4,715	-	3,809	907	50%	453
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)	11,786	-	557	11,229	40%	4,492
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	3,864	-	56	3,809	100%	3,809
Financial Guarantee	2	-	1	1	100%	1
Acceptances and Endorsements	4,847	-	180	4,667	100%	4,667
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	12,925	-	353	12,572	20%	2,514
Irrevocable Credit commitments (long term)	860	-	-	860	50%	430
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	6,591	-	-	6,591	20%	1,318
Other Contingent Liabilities	89	-	-	89	100%	89
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL	68,409	-	15,271	53,138		20,123
Total RWE for credit Risk (A) +(B)	247,655	7,755	16,779	223,122		154,010
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)	247,655	7,755	16,779	223,122		154,010

d) Amount of NPAs (both Gross and Net)

Amount in NPR Million

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	GROSS NPAS	NET NPAS	GROSS NPAS	NET NPAS
Restructured / Reschedule Loans	26,460	10,880	253,640	209,304
Sub Standard Loans	411,878	311,508	-	-
Doubtful Loans	346,320	177,407	123,479	66,308
Loss	391,068	3,808	475,771	7,029
Total NPAs	1,175,726	503,603	852,890	282,641

5.3. Classification of financial assets and financial liabilities

Amount in NPR Million

FINANCIAL ASSETS	NOTE	AS AT 16-JUL-22		AS AT 15-JUL-20	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	CARRYING VALUE
Assets					
Assets carried at Amortized Cost					
Cash and cash equivalent	4.1	11,195	11,195	10,941	10,941
Due from Nepal Rastra Bank	4.2	6,340	6,340	7,256	7,256
Placement with Bank and Financial Institutions	4.3	-	-	-	-
Loans and advances to customers	4.7	126,767	126,767	105,213	105,213
		144,303	144,303	123,410	123,410
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments.	4.4	363	363	6,074	6,074
Investment securities	4.8	16,681	16,816	12,271	13,005
Investment in subsidiaries	4.10	417	417	417	417
Investment in Associates	4.11	200	1,186	439	439
		17,661	18,782	13,127	16,240
Liabilities					
Liabilities carried at Amortized Cost					
Due to Bank and Financial Institutions	4.17	1,182	1,182	2,826	2,826
Due to Nepal Rastra Bank	4.18	2,569	2,569	4,365	4,365
Deposits from customers	4.20	139,537	139,537	114,605	114,605
Debt securities issued	4.24	4,015	4,016	2,008	2,008
		147,305	147,305	123,805	123,805
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments	4.19	363	363	6,050	6,050

5.3.1. Fair Value of Financial Assets and Financial Liabilities

Amount in NPR Million

	FAIR VALUE HIERARCHY (LEVEL)	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Fair Value through profit and loss			
Financial Assets			
Forward exchange Contract		363	6,074
Financial Liabilities			
Forward exchange Contract		363	6,050
Fair Value through Other Comprehensive Income			
Financial assets			
Investment securities at OCI			
- Quoted equity securities	1	2,594	3,157
- Unquoted equity securities	3	285	285
Investment in subsidiaries		417	417
Investment in associates		1,186	2,818
Total		4,482	6,407
Financial Instruments held at amortized cost			
Financial assets			
Debt securities	3	-	-
Government bonds	3	12,317	8,516
Government treasury bills	3	987	-
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		632	1,044
Accounts receivable		-	-
Accrued Income		-	-
Total		13,936	9,561
Financial liabilities			
Due to Bank and Financial Institutions	3	1,182	2,826
Due to Nepal Rastra Bank	3	2,569	4,365
Deposits from customers	3	139,537	114,605
Borrowing		6,433	3,592
Provisions		-	-
Other liabilities		2,342	1,898
Debt securities issued		4,016	2,008
Subordinated Liabilities		-	-
Total		156,079	129,294

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	MADHESH PROVINCE	BAGMATI PROVINCE	GANDAKI PROVINCE	OTHERS	TOTAL
Revenues from external customers	1,459,244	644,953	2,061,785	397,375	763,333	5,326,690
Intersegment revenues	(551,924)	(502,036)	1,186,773	(97,635)	(35,178)	0
Net revenues	907,320	142,917	3,248,558	299,739	728,155	5,326,690
Interest revenue	2,014,998	969,439	8,173,018	727,063	1,175,616	13,060,133
Interest expense	689,570	380,553	7,358,021	368,228	503,391	9,299,763
Net interest revenue (b)	1,325,427	588,886	814,997	358,834	672,225	3,760,370
Depreciation and amortization	33,400	19,904	214,155	16,258	46,085	329,802
Segment profit / (loss) before tax	920,692	362,932	264,815	265,929	313,305	2,127,674
Impairment of assets	288,534	132,071	(16,084)	10,514	139,133	554,169
Segment assets	23,539,136	12,406,693	111,995,944	9,597,717	15,844,463	173,383,954
Segment liabilities	12,554,692	7,052,628	117,715,567	7,855,209	11,264,840	156,442,936

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	5,326
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenue	5,326

Profit or Loss

Amount in NPR Million

TOTAL PROFIT OR LOSS FOR REPORTABLE SEGMENTS	1,513
Other profit or loss	-
Elimination of intersegment profits	-
Profit before income tax	1,513

Assets

Amount in NPR Million

TOTAL ASSETS FOR REPORTABLE SEGMENTS	173,384
Other assets	-
Total assets	173,384

Liabilities

Amount in NPR Million

TOTAL LIABILITIES FOR REPORTABLE SEGMENTS	156,443
Other profit or loss	-
Total liabilities	156,443

5.4.5 Information about product and services

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

5.4.6 Information about geographical areas

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

5.4.7 Information about major customers

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

5.5. Share Options and Share based Payment

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

5.6. Contingent Liabilities and Commitment

5.6.1 Income Tax Liability

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

The Bank has received an additional demand of NPR 847,545, NPR 19,242,794, NPR 1,606,366, NPR 2,810,598, NPR 36,273,807, NPR 1,030,382, NPR 5,207,265, NPR 17,095,394 and NPR 31,969,436 from LTO relating to tax returns for the FYs 2066/67, 2067/68, 2068/69, 2069/70, 2070/71, 2071/72, 2072/73, 2073/74 and 2074/75 respectively. The Bank disputed the demand as not tenable and has applied for appeal to appropriate authorities. The assessment order for FYs 2066/67, 2067/68, 2068/69, 2069/70, 2070/71 and 2071/72 and are currently under review at the Revenue Tribunal while that for FY 2072/73, FY 2073/74 and FY 2074/75 is under Administrative Review at the Inland Revenue Department. The total claim amount of NPR 122,128,171 is shown as contingent liability on income tax under schedule 4.28. The Bank has paid NPR 22,655,009 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 2077/78 under self-assessment procedures.

Tax returns filed under self-assessment for the FYs 2075/76, 2076/77 and 2077/78 are yet to be assessed by LTO.

5.6.2 Contingent Liability

Amount in NPR

	AS AT 16-JUL-22	AS AT 15-JUL-21
Claims on Bank but not Accepted by the Bank		
Letter of Credit (Full Amount)		
a. Letter of Credit With Maturity Less than 6 Months	21,882	17,070
b. Letter of Credit With Maturity More than 6 Months	4,715	823
Rediscounted Bills	-	-
Unmatured Guarantees/Bonds	-	-
a. Bid Bonds	1,372	1,505
b. Performance Bonds	14,303	8,372
c. Other Guarantee/Bonds	1,828	985
Unpaid Shares in Investment	-	-
Forward Exchange Contract Liabilities	363	6,074
Bills under Collection	483	565
Acceptances and Endorsements	4,847	2,529
Underwriting Commitments	-	-
Irrevocable Loan Commitments	11,957	16,009
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	2,435	6,110
Advance Payment Guarantees	4,132	4,334
Financial Guarantees	2	2
Contingent Liabilities on Income Tax	122	89
Unpaid Guarantee Claims	-	-
Total	68,441	64,467

5.7. Related Party Disclosures

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

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

5.7.1 Board Member Allowances and Facilities

All members of the Board of Directors are non-executive directors and no executive compensation is paid to the directors. The directors are paid Meeting Fees for their attendances in meeting of the Board of Directors and other Board Level Committees. The Chairman of the Board of Directors is paid NPR 15,000 per meeting attended while other members of the board receive NPR 12,000 per meeting attended. In addition, the directors are reimbursed with telephone expenses of NPR 5,000 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	698,000	1,016,000
Audit Committee Fee	135,000	180,000
Risk Management Committee fee	158,000	70,000
Money Laundering Prevention Committee	72,000	60,000
Human Resource Committee Fee	46,000	20,000
Other board expenses	270,500	135,620

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	13,232	11,515
Other Key Management Personnel	76,029	67,292
Total	89,261	78,807
Other Benefits*		
CEO	2,966	2,956
Other Key Management Personnel	14,585	13,935
Total	17,551	16,891
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 '000

PARTICULARS	LAXMI LAGHUBITTA BITTIYA SANSTHA LTD		LAXMI CAPITAL MARKET LTD	
	THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Interest Expense	-	-	13,719	6,908
Interest Income	234,478	114,660	-	-
Purchase of Services	-	-	2,102	3,110
Sale of Services	-	493	2,015	-
Dividend received	16,507	13,636	38,475	19,237

Details of outstanding balances between the company and its subsidiaries as on 16th July 2022 are presented below:

Amount in '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	6,272	8,434	313,550	175,258
Loans to Subsidiaries	2,915,829	2,342,526	-	-

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.

Amount in '000

PARTICULARS	YEAR ENDED 32 ASHADH 2079	YEAR ENDED 31 ASHADH 2078
Opening Balance	207,653	159,544
Profit for the year	49,955	57,864
Right Share issued	-	-
Premium on Share	-	-
Cash Dividend Paid	(7,074)	(6,811)
Fund used/Restatement	(927)	(2,944)
Closing NCI	249,607	207,653

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

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

Amount in '000

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
		THIS YEAR	PREVIOUS YEAR	THIS YEAR	PREVIOUS YEAR
Laxmi Capital Market Limited	Nepal	-	-	-	-
Laxmi Laghubitta Bittiya Sanstha Ltd	Nepal	30%	30%	249,607	207,653

5.10. Additional Disclosures of non-consolidated entities

The Bank has two subsidiaries as at 16 July 2022, Laxmi Capital Market Limited and Laxmi Laghubitta Bittiya Sanstha, which are consolidated for the year ended 16 July 2022. There are no such entities that are required to be consolidated but not done during the year.

5.11. Events after reporting date

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

There are no material events that have occurred subsequent to 16 July 2022 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 2078	31 ASHADH 2078
Shyam Sundar Chyau Kheti Udhyog	2075-03-06	3,349	3,349
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	45,200
Total		70,535	105,942

5.13. Leases

Right of Use assets, related to leased properties that do not meet the definition of investment property are presented as Property and Equipment under Schedule 4.13.

Amount in NPR '000

PRESENTED IN STATEMENT OF FINANCIAL POSITION	
Right of Use Assets	677,944
Lease Liability	713,744
PRESENTED IN STATEMENT OF PROFIT OR LOSS	
Depreciation on Right of Use Assets	125,949
Interest on Lease Liabilities	50,631

Owing to adoption of NFRS 16 Leases, opening value of deferred rent expenses amounting Rs. 30,687,906.00 has been written back to income through Statement of Profit or Loss

5.14. Interest Income

Entire interest receivable on loans and advances as of year end has been transferred to regulatory reserve as per NRB Directives. However, interest accrued as of 32 Ashad 2079 and collected after year end up to 15 Shrawan 2079 as per the NRB Circular amounting to NPR 76,404,265 has been deducted from the amount transferred to regulatory reserve during the FY 2021-22 after adjustment of staff bonus and taxes. Interest income excludes NPR 9,986,215 towards interest accrued on overdue loans and advances as per Guidelines on Recognition of Interest Income, 2019 issued by NRB.

5.15. Earnings per share

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

Amount in NPR '000

PARTICULARS	UNITS	YEAR ENDED 16-JUL-22	YEAR ENDED 15-JUL-21
Profit attributable to equity shareholders (a)	NPR'000	1,513,453	1,575,760
Weighted average of number of equity shares used in computing basic earnings per share (b)		115,513,451	106,956,899
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	13.10	14.73

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

5.16. Unpaid Dividends

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

Amount in NPR '000

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Not collected for more than 5 years	-	-
Not collected up to 5 years	56,848	39,760
Total	56,848	39,760

5.17. Non-performing assets

The Bank's non-performing assets ratio stood at 0.89% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 1,175,726 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 672,122,555 which is 57.17% of NPA. Also, the total loan loss provision to NPA is 236%.

Amount in NPR '000

LOAN CATEGORY			CHANGE	
	THIS YEAR	PREVIOUS YEAR	AMOUNT	%
Performing Loan	131,392,874	107,802,024	23,590,850	21.88%
Pass Loans	125,098,157	106,285,822	18,812,335	17.70%
Watch list Loans	6,294,717	1,516,202	4,778,515	315.16%
Non-performing Loans	1,175,726	852,890	322,836	37.85%
Restructured/ Rescheduled Loans	26,460	253,640	(227,180)	-89.57%
Substandard Loans	411,878	0	411,878	
Doubtful Loans	346,320	123,479	222,841	180.47%
Loss Loans	391,068	475,771	(84,703)	-17.80%
Gross Loans and Advances	132,568,600	108,654,914	23,913,686	22.01%

5.18. Loans Written Off

The Bank has written off loans amounting total NPR 36,902,873 during the year FY 2078-79. The amount has been presented as non-operating expense under schedule 4.40 in Statement of Profit of Loss. The details of loans written off during the year are as follows:

S.N.	NAME OF BORROWER	WRITTEN OFF AMOUNT (NPR)	DESIGNATION OF LOAN APPROVER	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	RECOVERY ACTION	REASON FOR WRITE OFF
1	Prem Baniya	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
2	Kusum Kumari Shrestha	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
3	Sanjeev Pradhan	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
4	S & S Collection	3,978	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
5	Sujan Kr Shrestha	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
6	Pragati Dahal	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
7	Laxmi Thapa	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
8	Iman Lama	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
9	Rajendra Maharjan	785	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
10	Sujita Shrestha	1,999	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
11	Moon Light Flower And Gift Shop Pvt. Ltd	60,442	Head -SBFS	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
12	Khotang Flooring And	4,919	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
13	Nanuj Tika Collectio	2,254	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
14	Panda Trade Link	4,448	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
15	Ambe Ji Trade Concer	3,879	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
16	Nabin Handicraft P.	3,349	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
17	Expert Furnitures Pv	4,919	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
18	Koseli Production	3,879	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
19	Eastern Shoe Centre	8,155	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account

S.N.	NAME OF BORROWER	WRITTEN OFF AMOUNT (NPR)	DESIGNATION OF LOAN APPROVER	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	RECOVERY ACTION	REASON FOR WRITE OFF
20	Alpine International (P) Ltd	3,344,809	CEO	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	No collateral remaining after partial settlement
21	Manish Kumar Ranjit	35,241	Manager-Credit	Equipment	As per invoice	35 days notice published, blacklisted	Overdue for more than a year
22	Shyamnarayan Das	426,635	Manager-Credit	(Credit Card)		35 days notice published, blacklisted	Overdue for more than a year
23	Dinesh Prasad Yadav	376,434	Manager-Credit	(Personal Loan)		35 days notice published, blacklisted	Overdue for more than a year
24	Rakesh Stores	334,819	Manager-Credit/ H-SBFS	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
25	Rakshya Flora Farm	133,783	H-SBFS/ Head-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
26	Asirwad Boutique	128,020	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
27	K.D.Kitchen Traders	543,688	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
28	Something Special Traders	466,497	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
29	Machhapuchre Trekking Trade Center	533,732	Head-SBFS/ Head-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
30	Ganesh Acharya	56,023	Manager-Credit	(Credit Card)		35 days notice published, blacklisted	Overdue for more than a year
31	P.R.K. Enterprises	142,346	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
32	Ram Gas Store	483,972	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
33	Ganga Textile Pvt. Ltd.	14,417,526	CEO	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	No collateral remaining after partial settlement
34	Kutumba Lounge And Bar	240,988	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
35	Bangalamukhi Cosmetic Tatha Kurtha Pasal	191,269	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
36	Sai Cosmetics	562,607	Manager-Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
37	Nirajan Dahal	127,262	Manager-Credit	(Credit Card)		35 days notice published, blacklisted	Overdue for more than a year

S.N.	NAME OF BORROWER	WRITTEN OFF AMOUNT (NPR)	DESIGNATION OF LOAN APPROVER	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	RECOVERY ACTION	REASON FOR WRITE OFF
38	Chooze Collection Center	77,171	Manager- Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
39	Msk Automobiles	7,556,000	CEO	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	No collateral remaining after partial settlement
40	Surendra Raj Sapkota	125,389	Manager - Credit	(Credit Card)		35 days notice published, blacklisted	Overdue for more than a year
41	Sunil Gurung	975,027	Manager- Credit	(Personal Loan)		35 days notice published, blacklisted	Overdue for more than a year
42	Anirudra Giri	132,557	Manager - Credit	Vehicle	As per invoice	35 days notice published, blacklisted	Overdue for more than a year
43	Moti Lal Bi Ka	306,964	Manager- Credit	Vehicle	As per invoice	35 days notice published, blacklisted	Overdue for more than a year
44	Nepal Family Home Guest House & Garden Restaurant	370,969	Manager - Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
45	Debendra Pokharel	71,031	Manager - Credit	Vehicle	As per invoice	35 days notice published, blacklisted	Overdue for more than a year
46	Aashish Rai	1,364,019	Manager- Credit	(Personal Loan)		35 days notice published, blacklisted	Overdue for more than a year
47	Ichchha Raj Joshi	227,353	Manager - Credit	Vehicle	As per invoice	35 days notice published, blacklisted	Overdue for more than a year
48	Laxmi Tamang	443,271	Head -SBFS	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
49	Yam Bahadur Khatri/ Gopal Devkota	335,944	Head -SBFS	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
50	Gopal K.C.	250,340	Manager - Credit	Hypothecation over stocks	As per internal valuation	35 days notice published, blacklisted	Overdue for more than a year
51	Rabin Pariyar	348,224	Head -SBFS	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
52	Sanjay Sunar/Bijay Sonar	500,455	Manager - Credit	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
53	Khagendra Pun	415,091	Head -SBFS	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
54	Sushil Kumar Yadav	431,766	Head -SBFS	Real State and Vehicle	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
55	Sarfraj Ansari	2,805	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
56	Naushaba Noor	2,805	Manager-Credit	(Recovery expenses)		35 days notice published, blacklisted	Low value account
57	Chaudhary Hotel	311,540	Manager - Microfinance	Real State	Approved Valuator	35 days notice published, blacklisted	Overdue for more than a year
Total Loan		36,902,873					

5.19. Concentration of Deposits, Loans & Advances and Contingents

Amount in NPR Million

PARTICULARS	LOANS & ADVANCES AND BILLS PURCHASED		DEPOSITS & BORROWINGS		NON-FUNDED	
	CY	PY	CY	PY	CY	PY
Total Amount Outstanding	132,568	108,654	139,945	117,013	68,441	64,460
Highest Exposure of a Single Unit	2,915	2,342	2,998	2,143	6,514	2,073
Concentration of exposure	2.20%	2.16%	2.14%	1.83%	9.52%	3.22%

* 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.

5.20. Principal Financial Indicators

PARTICULARS	INDICATORS	F. Y. 2074/2075	F. Y. 2075/2076	F. Y. 2076/2077	F. Y. 2077/2078	F. Y. 2078/2079
1. Percentage of Net Profit/Gross Income	%	35.79%	36.93%	30.64%	30.46%	28.41%
2. Earnings Per Share	NPR	14.37	17.82	14.39	14.73	13.10
3. Market Value per Share	NPR	258.00	226.00	209.00	395.00	199.00
4. Price Earning Ratio	Ratio	17.96	12.68	14.53	26.81	15.19
5. Dividend on share capital (Bonus share + Cash dividend)	%	8.50%	15.00%	11.50%	11.50%	-
6. Cash Dividend on share capital	%	0.45%	5.00%	2.50%	3.50%	-
7. Interest Income/ Loans & Advances and Investments	%	10.95%	11.72%	11.06%	8.50%	9.64%
8. Employee Expenses/ Total Operating Expenses	%	45.21%	46.91%	48.02%	54.23%	52.49%
9. Interest Expenses on Total Deposits and Borrowings	%	7.31%	7.33%	6.99%	5.20%	6.86%
10. Exchange Fluctuation Gain/Total Income	%	8.68%	8.41%	7.39%	6.60%	5.10%
11. Staff Bonus/ Total Staff Expenses	%	31.04%	28.14%	21.89%	18.68%	17.20%
12. Net Profit/Loans & Advances	%	2.08%	2.30%	1.69%	1.59%	1.25%
13. Net Profit/ Total Assets	%	1.55%	1.66%	1.20%	1.12%	0.93%
14. Total Credit/Deposit	%	93.79%	95.30%	91.53%	94.66%	95.12%
15. Total Operating Expenses/Total Assets	%	1.71%	1.97%	1.79%	1.74%	1.61%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	11.32%	11.01%	10.26%	9.49%	9.05%
b. Supplementary Capital	%	1.11%	0.82%	2.76%	2.66%	3.70%
c. Total Capital Fund	%	12.43%	11.83%	13.02%	12.15%	12.75%
17. Liquidity (CRR)	%	6.57%	5.59%	8.29%	8.29%	4.65%
18. Non-Performing Loans/Total Loans	%	1.29%	1.11%	1.04%	0.75%	0.89%
19. Weighted Average Interest Rate Spread	%	3.64%	4.40%	4.07%	2.60%	3.06%
20. Base Rate	%	11.48%	10.31%	9.23%	7.08%	9.99%
21. LCY Interest Spread (Calculated as per NRB Directive)	%	4.13%	4.37%	3.94%	3.42%	3.94%
22. Net Worth Per Share	NPR	135.71	141.81	142.42	157.98	146.66
23. Total Employees	Number	750	1,018	1,101	1,283	1,402

5.21. Reserve

5.21.1. General Reserve

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

	Amount in NPR '000
OPENING BALANCE	2,090,077
Transfer as per BAFIA from Net Profit	302,690
Transfer from OCI	58,553
Closing balance	2,451,321

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 302,690,577 (Previous Year NPR 315,152,104) has been transferred to General Reserve. As per the circular 4/078/79 issued by NRB, 20% of the gain accounted in OCI amounting to NPR 58,553,330 (Previous Year NPR 3,368,829) has been transferred to General reserve.

5.21.2. 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 199,984 to the exchange equalization reserve. The movement during FY in the exchange equalization reserve is as follows:

	Amount in NPR '000
OPENING BALANCE	31,951
Add: Transfer during the period	200
Closing balance	32,151

5.21.3. Debenture Redemption Reserve

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

	Amount in NPR '000
OPENING BALANCE	222,222
Add: Transfer during the period	222,222
Closing Balance	444,444

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

5.21.4. Regulatory Reserve

The Bank has transferred NPR 64,205,135 for interest receivable from retained earnings to regulatory reserve and transferred back NPR 22,306,615 for loan loss provision on Non-Banking Assets from regulatory reserve to retained earnings during the FY 2078-79. The closing balance of Regularity reserve as on Ashad end 2079 is NPR 428,517,368.

NPR IN MILLION

FY	INTEREST RECEIVABLE	SHORT LOAN LOSS PROVISION	SHORT PROVISION FOR POSSIBLE LOSSES ON INVESTMENT	SHORT PROVISION ON NBA	DEFERRED TAX ASSETS	GOODWILL	GAIN ON BARGAIN PURCHASE	ACTUARIAL LOSS RECOGNISED	FAIR VALUE LOSS RECOGNIZED IN OCI	OTHER	TOTAL
2074/75	139.34	-	-	37.49	-	-	-	8.26	-	-	185.09
2075/76	(30.78)	-	-	(0.16)	-	-	-	5.41	-	-	(25.53)
2076/77	230.98	-	-	31.33	-	-	-	(2.47)	-	-	259.84
2077/78	(19.67)	-	-	(1.91)	-	-	-	(11.20)	-	-	(32.79)
2078/79	64.21	-	-	(22.30)	-	-	-	-	-	-	41.90
Balance as on Ashad end 2079											428.51

5.21.5. Investment Adjustment Reserve

The Bank has transferred NPR 3,000,000 from Retained Earning to Investment Adjustment Reserve towards investment in unlisted shares of Banking, Finance and Insurance Institute of Nepal. The movement during FY in the investment adjustment reserve is as follows:

Amount in NPR '000

OPENING BALANCE	-
Add: Transfer during the period	3,000
Closing balance	3,000

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.

5.21.6. Corporate Social Responsibility

As per the NRB directive no. 6.16 on the Corporate Social Responsibility, the Bank has allocated 1% of the net profit of current fiscal year for CSR activities. CSR expenses NPR 14,214,245 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	14,291
Transfer to Reserve	15,135
Expense during the year	(14,214)
Closing balance	15,212

5.21.7. Employees Training Fund

As per NRB Directive No. 6, the Bank is required to spend at least 3% of total personnel expenses in training and skills development of its employees. Any deficit expenses on the minimum amount as above should be transferred to Employees Training Fund. Accordingly, the Bank has transferred NPR 8,865,092 to Employees Training Fund during the FY 2078/79 and shown under Other Reserves in Schedule 4.27.