



NEPAL RASTRA BANK



Financial Statements

Fiscal Year 2069/070 (A.D. 2012/013)



NEPAL RASTRA BANK



Dr. Yuba Raj Khatiwada
Governor & Director



Shanta Raj Subedi
Director



Gopal Prasad Kaphle
Deputy Governor & Director



Maha Prasad Adhikari
Deputy Governor & Director



Dr. Sri Ram Poudyal
Director



Dr. Ram Hari Aryal
Director



Bal Krishna Man Singh
Director



Ramjee Regmi
Executive Director
Financial Management Department



गभर्नर
Governor

नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
Central Office
Baluwatar, Kathmandu

Foreword

This financial report on Nepal Rastra Bank's Annual Accounts for the fiscal year 2069/70 B.S. (2012/13) has been prepared and presented hereby in accordance with the International norms, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Nepal Accounting Standards (NAS) as far as practicable in our context.

This report consists of the audited Statement of Financial Position of the Bank as of 31st Ashadh 2070 (15th July 2013), related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the fiscal year together with explanatory notes to the accounts forming the part thereof.

As usual, the Bank is committed to make the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058.

I express my heartfelt gratitude to the statutory auditors – Office of the Auditor General of Nepal, CA. Komal Bahadur Chitracar and CA. Gopal Prasad Rajbahak along with their team for their valuable suggestions and observations. I throughout would also like to thank all the concerned staffs and expert committees for their explicit contributions to the timely preparation and publication of current fiscal year annual report.

It is my firm belief that annual publication of the financial statements along with relevant information would enhance transparency and trustworthiness of the Bank among its stakeholders.

(Dr. Yuba Raj Khatiwada)



Ref- 234

महालेखापरीक्षकको कार्यालय
Office of the Auditor General



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Babar Mahal, Kathmandu, Nepal

AUDITORS' REPORT

To,
The Governor
Nepal Rastra Bank
Baluwatar, Kathmandu.

1. Report on Financial Statements

We have audited the accompanying Statement of Financial Position of Nepal Rastra Bank (NRB) as of 31stAsadh 2070 (15th July 2013), the related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended along with explanatory notes forming part of the financial statements.

2. Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for ensuring such internal control systems as management determines necessary to prepare financial statements that are free from material misstatements.

3. Auditors' responsibility

Our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with the Nepal Standards on Auditing, the International Standards on Auditing, wherever applicable, and the audit guidelines of the Office of Auditor General of Nepal. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our qualified audit opinion.

4. Basis for Qualified Opinion

4.1 NRB did not comply with the various provisions of the Nepal Rastra Bank Act 2058 as listed below.

- i. Whereas Section 40 & 90 of the Act require NRB to prepare financial statements as per internationally recognized standards and practices and whereas NRB declares to be compliant with International Financial Reporting Standards (IFRS), there were the following deviations:

(Handwritten signature)

1. Spare parts were not charged to revenue as consumed

Whereas IAS 16.8 requires spare parts and servicing equipment to be charged in profit and loss as consumed, spare parts in stock was taken as current assets.

2. Impairment of Assets was not assessed

Whereas IAS 36.9 requires an assessment to be carried at the end of each reporting period whether there is any indication that an asset may be impaired and to recognize impairment loss immediately in the Income statement, such assessment was not carried.

3. Summarized financial information of associates was not disclosed

Whereas IAS 28.37 requires summarized financial information including the amounts of total assets, total liabilities, revenues and profit or loss of associates, either individually or in groups, that are not accounted for using the equity method to be disclosed, such a disclosure, regarding Nepal Stock Exchange Ltd. and National Productivity and Economic Development where the bank has 34.6 % and 31.52 % holding respectively, was not presented.

4. Financial information of Subsidiaries were not consolidated

Whereas IAS 27.9 requires presentation of consolidated financial statements upon consolidating the accounts of subsidiaries, such statement, regarding Sudur Pashchimanchal Gramin Bikas Bank, Agricultural Project Services Center, Rastriya Beema Sansthan (Life Insurance), was not presented.

5. Investments 'Held to maturity' were not amortized using effective interest rate method

Whereas IAS 39.46 requires the investment held to maturity to be amortized using effective interest rate method, some of the investments classified under 'Held to maturity' with the total value of Rs.282.02 billion were not amortized accordingly.

6. Investments 'Available for sale' were not measured at fair value

Whereas IAS 39.46 requires the investment available for sale to be measured at fair value, investments in domestic saving certificates with the total value of Rs.2.72 billion were not measured accordingly.

- ii. Whereas Section 7 of the Act sets statutory limit of 10% of paid-up capital of respective company for investment in shares of the company, the investment in shares was in excess of the limit in case of six companies.
- iii. Whereas Section 41 of the Act requires appropriation of profit to be based on Net Profit, profit was appropriated on the basis of the balance of profit after transferring certain items to Foreign exchange equalization fund, Gold and Silver Equalization fund and Revaluation Gain account.
- iv. Whereas Section 59 of the Act requires coins-in-circulation to be treated as monetary liability, however the bank does not have a systematic record of the coins issued to date and the same was not treated as monetary liability.

- v. Whereas Section 75.1 of the Act does not permit providing any kind of financial assistance to government owned institutions, seed capital money amounting to Rs.253.40 million was invested in the Rural Self Reliance Fund.
 - vi. Whereas Section 75.2 of the Act does not permit granting of credit to the government for a period exceeding 180 days, no interest was charged on the unreimbursed balance of pension paid on behalf of the government which was outstanding for a longer period.
 - vii. Whereas Section 75. 4 of the Act requires the government to issue bonds at prevalent rate of interest against the credit extended by the Bank, interest- free government bonds amounting to Rs.13.37 billion were issued against Nepal's quota of contribution to IMF.
- 4.2 The balance in the account of the Government of Nepal Rs. 516,084,944 as Deposit liability was pending confirmation from the Office of Financial Comptroller General.
- 4.3 We were not able to quantify the impact on the Equity of the transactions not reconciled with branches amounting to Rs. 484 million which was included in Other Sundry Liabilities.
- 4.4 A separate Management Letter consisting of additional audit observations has been issued to the management for improvement.

5. Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give true and fair view of the financial position of Nepal Rastra Bank as of 31stAsadh 2070 (15th July 2013) and the results of its financial performance, its cash flows and Changes in the Equity for the year then ended.



(Bimala Subedi)

Deputy Auditor General

Date: 2070/09/03



NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 31ST ASHADH, 2070 (15TH JULY, 2013)

PARTICULARS	Note	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
Assets			
Foreign Currency Financial Assets			
Cash and Bank Balances	1	26,624,084,083	21,779,942,504
IMF Related Assets : Special Drawing Right Holdings		6,636,028,947	7,368,831,080
Investments	2	440,643,635,517	364,600,510,228
Other Receivables		532,506,856	1,360,298,093
Total Foreign Currency Assets		474,436,255,403	395,109,581,905
Local Currency Financial Assets			
Cash and Bank Balances		4,635,398,459	2,167,533,092
Investments in Government Securities	3	29,856,287,801	33,686,043,566
GON Overdraft		-	-
Investments in Financial and Other Institutions	4	458,574,420	205,380,100
Other Investments	5	14,556,510,000	10,795,805,000
Loans & Receivables and Refinance	6	6,940,638,486	4,586,972,914
Other Receivables	7	4,069,624,116	4,401,259,546
Sub-Total		60,517,033,282	55,842,994,218
Other Assets			
Gold and Silver Stock	8	413,618,489	292,612,967
Other Inventories	9	1,294,026,939	1,859,346,980
Property, Plant & Equipment	10	542,780,222	541,146,807
Intangible Assets	11	227,842,133	149,927,455
Other Assets		43,698,988	58,203,275
Sub-Total		2,521,966,771	2,901,237,484
Total Local Currency Assets		63,039,000,053	58,744,231,702
Total Assets		537,475,255,456	453,853,813,607

Notes 1 to 22, 29 and 30 are integral parts of the Statement of Financial Position

.....
Ramjee Regmi
(Executive Director)

As per our report of the even date

.....
(Bimala Subedi)
Deputy Auditor General

Board of Directors:-

.....
Dr. Yuba Raj Khatiwada
(Governor)

.....
Gopal Prasad Kaphle
(Deputy Governor)

.....
Maha Prasad Adhikari
(Deputy Governor)

.....
CA. Komal Bahadur Chitracar
Chartered Accountant

.....
Dr. Sri Ram Poudyal
Director

.....
Shanta Raj Subedi
Director

.....
Dr. Ram Hari Aryal
Director

.....
CA. Gopal Prasad Rajbahak
Chartered Accountant

.....
Bal Krishna Man Singh
Director

Date: 2070/07/28
Place: Kathmandu



NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 31ST ASHADH, 2070 (15TH JULY, 2013)

PARTICULARS	Note	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
Liabilities			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	12	1,592,904,299	1,000,369,226
IMF Related Liabilities	13	18,343,388,194	18,261,630,791
Other Liabilities	14	79,196,981	2,373,189
Total Foreign Currency Liabilities		20,015,489,474	19,264,373,206
Local Currency Financial Liabilities			
IMF Related Deposit Liabilities	15	7,030,604,523	5,880,083,908
GON Deposit		516,084,944	10,989,296,158
Deposit and Other Balances	16	147,550,503,523	121,241,187,353
Bills Payable		734,091,342	850,219,745
Staff Liabilities	17	8,752,696,063	8,532,806,680
Other Payables	18	219,815,394	233,460,746
Sub-Total		164,803,795,789	147,727,054,590
Other Liabilities			
Currency in Circulation	19	233,460,000,000	201,250,000,000
Surplus Payable to GoN		5,500,000,000	4,227,000,000
Sundry Liabilities	20	15,858,041,251	1,708,673,930
Sub-Total		254,818,041,251	207,185,673,930
Total Local Currency Liabilities		419,621,837,040	354,912,728,520
Equity			
Capital		3,000,000,000	3,000,000,000
Reserves	21	94,837,928,942	76,676,711,881
Total Equity		97,837,928,942	79,676,711,881
Total Liabilities and Equity		537,475,255,456	453,853,813,607

Contingent Liabilities and Commitments 22 b

Notes 1 to 22, 29 and 30 are integral parts of the Statement of Financial Position

As per our report of the even date

.....
Ramjee Regmi
(Executive Director)

.....
(Bimala Subedi)
Deputy Auditor General

Board of Directors:-

.....
Dr. Yuba Raj Khatiwada
(Governor)

.....
Gopal Prasad Kaphle
(Deputy Governor)

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Maha Prasad Adhikari
(Deputy Governor)

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CA. Komal Bahadur Chitracar
Chartered Accountant

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Dr. Sri Ram Poudyal
Director

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Shanta Raj Subedi
Director

.....
Dr. Ram Hari Aryal
Director

.....
CA. Gopal Prasad Rajbahak
Chartered Accountant

.....
Bal Krishna Man Singh
Director

Date: 2070/07/28
Place: Kathmandu



NEPAL RASTRA BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST ASHADH, 2070 (15TH JULY, 2013)

PARTICULARS	Note	For the Year Ended 31-3-2070 NRs.	For the Year Ended 31-3-2069 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	23	9,398,346,054	8,500,428,740
Commission Income	24	44,444,998	244,800,337
Sub Total		9,442,791,052	8,745,229,077
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	25	7,004,816	18,158,791.00
Agency and Service Charge	26	7,455,852	6,089,191.00
Sub Total		14,460,668	24,247,982
Net Income from Foreign Currency		9,428,330,384	8,720,981,095
Income from Local Currency Financial Assets			
Interest Income	23	2,144,092,714	3,802,294,858
Commission Income	24	47,257,816	4,268,845
Sub Total		2,191,350,530	3,806,563,703
Expenses on Local Currency Financial Liabilities			
Interest Expenses	25	114,884,495	176,437,818
Agency and Service Charge	26	298,255,610	340,824,841
Sub Total		413,140,105	517,262,659
Net Income from Local Currency Financial assets		1,778,210,425	3,289,301,044
Other Operating Income	27	486,053,470	542,656,795
Total Net Operating Income		11,692,594,279	12,552,938,934
General, Administrative Expenses & Provisions	28	3,281,820,417	6,726,240,588
Profit before Foreign Exchange and Revaluation Gain/(Loss)		8,410,773,862	5,826,698,346
Net Foreign Exchange Gain		15,562,870,559	30,764,828,683
Net Gold and Silver Revaluation Gain/(Loss)		(1,653,891,818)	1,706,448,801
Securities Revaluation Gain		853,028,937	2,449,259
Net Profit For The Year		23,172,781,540	38,300,425,089
Other Comprehensive Income			
Changes in Fair Value of Investment in Equity Instruments		209,851,320	120,887,600
Actuary Gain on Defined Benefit Plan of Employee Benefit		278,584,203	
Other Comprehensive Income for the Year		488,435,523	120,887,600
Total Comprehensive Income		23,661,217,063	38,421,312,689

Notes 23 to 28 and 30 are integral parts of the Statement of Comprehensive Income

<p>..... Ramjee Regmi (Executive Director)</p> <p>Board of Directors:-</p> <p>..... Dr. Yuba Raj Khatiwada (Governor)</p> <p>..... Dr. Sri Ram Poudyal Director</p> <p>..... Bal Krishna Man Singh Director</p>	<p style="text-align: right;">As per our report of the even date</p> <p style="text-align: right;">..... (Bimala Subedi) Deputy Auditor General</p> <p>..... Gopal Prasad Kaphle (Deputy Governor)</p> <p>..... Maha Prasad Adhikari (Deputy Governor)</p> <p>..... Shanta Raj Subedi Director</p> <p>..... Dr. Ram Hari Aryal Director</p> <p>..... CA. Komal Bahadur Chitracar Chartered Accountant</p> <p>..... CA. Gopal Prasad Rajbahak Chartered Accountant</p> <p style="text-align: right;">Date: 2070/07/28 Place: Kathmandu</p>
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NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST ASHADH, 2070 (15TH JULY, 2013)

PARTICULARS	For the Year Ended 31-3-2070 NRs.	For the Year Ended 31-3-2069 NRs.
Cash Flow From Operating Activities:		
Total Comprehensive Income for the Year	23,661,217,063	38,421,312,689
Adjustments:		
Gold and Silver Revaluation (gain)/loss (Net)	1,653,891,818	(1,706,448,801)
Revaluation (Gain) or Loss on Foreign Exchange	(15,562,870,559)	(30,767,277,942)
Securities Revaluation Gain	(1,062,880,257)	(120,887,600)
Actuarial Gain/Loss	(278,584,203)	-
Depreciation & Amortization	67,581,918	57,979,367
Note Printing Expenses	593,176,992	649,863,713
Dividend Income	(1,561,737)	(639,395)
Provisions no Longer Required Written Back	(62,250,227)	-
Grant Income	(245,380)	-
Profit from Sale of Assets/ Investments	(4,245,354)	-
Assets Written Off	635,846	195,822
Interest paid on ECF Loan & ACU	6,962,045	18,137,209
Provision for Doubtful Sundry Accruals	-	10,329,878
Provision for Doubtful Investment	-	247,900,000
Provision Others	3,775,258	3,352,949
Cash Flow From Operation Before Inc / Dec in Operating Assets	9,014,603,221	6,813,817,889
(Increase)/Decrease in Operating Assets	(6,329,558,751)	5,178,968,039
Refinance & Loans	(2,353,665,572)	10,367,932,624
Gold & Silver	(5,118,191,923)	(2,724,349,388)
Inventories	(31,632,209)	(872,706,364)
Other Receivable	1,173,930,953	(1,591,908,832)
Increase/(Decrease) in Operating Liabilities	32,779,887,795	84,292,136,204
Government Deposit	(10,473,211,214)	20,764,094,278
SDR Allocation	679,565,898	1,391,819,604
Deposit Liabilities	28,052,371,859	59,138,591,673
Bills Payable	(112,314,158)	143,618,391
Deferred Staff Liabilities	498,473,586	2,837,528,109
Other Liabilities	(14,365,498)	(310,351,808)
Sundry Liabilities	14,149,367,322	326,835,956
Net Cash Flow From Operating Activities	Total (A)	96,284,922,132
Cash Flow From Investing Activities:		
Net Decrease in Government Securities and Bank Deposits	(113,512,249,751)	2,996,449,954
Sale/Purchase of Investment in Financial Institutions	(43,343,000)	-
Purchase of Investments-Other	(3,698,454,773)	19,591,464
Purchase of Property, Plant & Equipment	(64,133,054)	(229,777,141)
Sale of Property, Plant & Equipment	4,577,442	-
Purchase of Intangible Assets	(83,719,513)	-
Dividend Income	1,561,737	639,395
Net Cash Flow From Investing Activities	Total (B)	2,786,903,671
Cash Flow From Financing Activities:		
Bank Note Issued	32,210,000,000	33,630,000,000
Increase/Decrease in ECF Loan & ACU	(597,808,495)	913,995,664
Interest Paid on ECF Loan & ACU	(6,962,045)	(18,137,209)
Surplus Paid to GON	(4,227,000,000)	(3,220,000,000)
Net Cash Flow From Financing Activities	Total (C)	31,305,858,455
Net Cash Flow for the Year (A+B+C)	(54,552,599,185)	130,377,684,258
Revaluation Gain or Loss on Foreign Exchange	15,562,870,559	30,767,277,942
Cash and Cash Equivalent at the Beginning of the Year	374,043,295,908	212,898,333,708
Cash and Cash Equivalent at the end of the Year (Note - 29)	335,053,567,282	374,043,295,908

Note 29 and 30 are the integral part of the Statement of Cash Flows

As per our report of the even date

.....
Ramjee Regmi
(Executive Director)

.....
(Bimala Subedi)
Deputy Auditor General

Board of Directors:-

.....
Dr. Yuba Raj Khatiwada
(Governor)

.....
Gopal Prasad Kaple
(Deputy Governor)

.....
Maha Prasad Adhikari
(Deputy Governor)

.....
Dr. Sri Ram Poudyal
Director

.....
CA. Komal Bahadur Chitracar
Chartered Accountant

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CA. Gopal Prasad Rajbahak
Chartered Accountant

.....
Bal Krishna Man Singh
Director

.....
Shanta Raj Subedi
Director

.....
Dr. Ram Hari Aryal
Director

Date: 2070/07/28
Place: Kathmandu



Financial Statements-2069/70 (2012-13)

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST ASHADH, 2070 (5TH JULY, 2013)

NRS

PARTICULARS	Capital		Statutory Reserve			Gold & Silver Equalization Reserve	Fair Value Reserve	Revaluation Reserve	Actuary Gain/Loss Reserve	Other Reserves	Retained Earning	Total
	General Reserve	Monetary Liability Reserve	Exchange Equalization Fund	Monetary Liability Reserve	Exchange Equalization Fund							
Balance as on 1st Shrawan 2068	3,000,000,000	14,307,172,070	1,798,600,000	11,761,771,035	5,368,797,475	-	-	-	9,239,632,101	6,426,511	45,475,972,681	
Adjustment for Prior Period Income											6,426,511	
Restated Balance	3,000,000,000	14,307,172,070	1,798,600,000	11,761,771,035	5,368,797,475				9,239,632,101	6,426,511	45,482,399,192	
Net Profit for the year											38,300,425,089	
Other Comprehensive Income											120,887,600	
Appropriation of Profit:												
To General Reserve		593,866,400									(593,866,400)	
To Monetary Liability Reserve			282,378,400								(282,378,400)	
To Exchange Equalization Fund				30,764,828,683							(30,764,828,683)	
To Gold & Silver Equalization Reserve					1,706,448,801						(1,706,448,801)	
To Revaluation Reserve							2,449,259				(2,449,259)	
To Other Reserve									732,691,881		(732,691,881)	
Inter Fund Transfer:												
Gold & Silver to General Reserve					(232,727,266)							
Other Reserve to General Reserve						(1,358,438,040)						
Balance Profit Transfer to Government									(1,358,438,040)			
Balance as on 1st Shrawan 2069	3,000,000,000	16,492,203,776	2,080,978,400	42,526,599,718	6,842,519,010	120,887,600	2,449,259	-	8,613,885,942	(4,227,000,000)	79,676,711,881	
Net Profit for the year											23,172,781,540	
Other Comprehensive Income								278,584,203			488,435,523	
Appropriation of Profit:												
To General Reserve		1,357,537,200									(1,357,537,200)	
To Monetary Liability Reserve			420,398,100								(420,398,100)	
To Exchange Equalization Fund				15,562,870,559							(15,562,870,559)	
To Gold & Silver Equalization Reserve					(1,653,891,818)						(1,653,891,818)	
To Revaluation Reserve							853,028,937				(853,028,937)	
To Other Reserve									1,130,026,738		(1,130,026,738)	
Inter Fund Transfer:												
Gold & Silver to General Reserve												
Other Reserve to General Reserve									(1,149,768,420)			
Balance Profit Transfer to Government									(5,500,000,000)			
Balance as on 31st Ashadh 2070	3,000,000,000	18,999,509,396	2,501,376,500	58,089,470,277	5,188,627,192	330,738,920	855,478,196	278,584,203	8,594,144,260	-	97,837,928,943	

As per our report of the even date

.....
Ramjee Regmi
(Executive Director)

Board of Directors:-

Dr. Yuba Raj Khatiwada (Governor)	.....	Maha Prasad Adhikari (Deputy Governor)	.....	Bal Krishna Man Singh Director	.....	CA. Gopal Prasad Rajbakhsh Chartered Accountant
Dr. Sri Ram Poudyal Director	.....	Gopal Prasad Kaphle (Deputy Governor)	.....	Shanta Raj Subedi Director	.....	CA. Komal Bahadur Chitracar Chartered Accountant

Date: 2070/07/28
Place: Kathmandu



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 1: CASH AND BANK BALANCES		
Cash in Hand	6,645,722,239	2,056,807,747
Balance with Banks in Demand Deposits	19,978,361,844	19,556,818,001
Asian Clearing Union	-	166,316,756
Total	26,624,084,083	21,779,942,504
NOTE - 2: INVESTMENTS		
i. Treasury Bills		
US Government Treasury Bills	14,249,194,400	22,147,858,095
GOI Treasury Bills	107,427,580,379	87,668,050,160
Sub -Total	121,676,774,779	109,815,908,255
ii. Other		
US Government Treasury Notes/Bond	949,449,048	885,878,443
Investment in Mid Term Instrument	8,389,781,637	10,129,211,498
Investment in Fixbis	7,575,023,362	3,420,298,346
Investment in Repurchase Agreement (Repo)	37,107,129,476	43,891,046,088
Balance with Banks in Time Deposits	250,743,751,576	185,599,736,543
Gold	14,201,725,639	10,858,431,055
Sub -Total	318,966,860,737	254,784,601,973
Grand Total	440,643,635,517	364,600,510,228
Above Investments are classified as follows:		
Loans and Receivables	-	-
Held-for-Trading	51,308,855,115	54,749,477,144
Held-to-Maturity	375,085,586,002	287,703,174,989
Available-for-sale	14,249,194,400	22,147,858,095
Total	440,643,635,517	364,600,510,228
NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES		
Government Treasury Bills	12,968,932,488	24,846,244,265
Saving Certificates	2,719,118,000	3,121,604,000
Government Bond	13,374,657,448	4,900,523,150
Development Bond 2071 Gha	793,579,865	817,672,151
Total	29,856,287,801	33,686,043,566
Above Investments are classified as follows:		
Loans and Receivables	13,374,657,448	4,900,523,150
Held-for-Trading	-	-
Held-to-Maturity	793,579,865	817,672,151
Available-for-Sale	15,688,050,488	27,967,848,265
Total	29,856,287,801	33,686,043,566



NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS		
% of holding		
(a) Investment in Shares of Subsidiaries		
Sudur Pashchimanchal Grameen Bikash Bank Ltd.	68.46	40,050,000
Agricultural Project Services Center	62.50	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000
Sub-Total	46,050,000	46,050,000
(b) Investment in shares of Associates		
Nepal Stock Exchange Ltd.	34.60	12,080,500
National Productivity and Economic Development	31.52	2,500,000
Sub-Total	14,580,500	14,580,500
(c) Other Investments in Shares:		
Deposit & Credit Guarantee Corporation	10.00	61,700,000
Nepal Clearing House	10.00	15,000,000
Rural Microfinance Development Centre	6.58	21,045,000
Pashchimanchal GBB	10.00	6,000,000
Nepal Development Bank	5.00	16,000,000
Credit Information Bureau	10.25	3,500,000
Citizen Investment Trust	13.35	330,748,920
National Banking Training Centre	10.00	5,000,000
Sub-Total	458,993,920	205,799,600
Total	519,624,420	266,430,100
Less: Provision for Diminution in the Value	61,050,000	61,050,000
Grand Total	458,574,420	205,380,100
NOTE - 5: OTHER INVESTMENTS		
Investment of Funds:		
Fixed Deposits with Commercial Banks and Financial Institutions	15,519,464,773	11,821,010,000
Less: Provision for Doubtful Investment	1,216,354,773	1,278,605,000
Sub Total	14,303,110,000	10,542,405,000
Other Investments:		
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Sub Total	253,400,000	253,400,000
Grand Total	14,556,510,000	10,795,805,000



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 6: LOANS & RECEIVABLES AND REFINANCE		
LOANS AND RECEIVABLES		
Loans to Employees	4,193,014,230	4,126,992,914
Sub-Total	4,193,014,230	4,126,992,914
REFINANCE		
Refinance to Commercial Banks	2,177,624,256	458,480,000
Securities Purchased under Resale Agreement	-	-
Refinance to Financial Institutions	580,000,000	11,500,000
Total Refinance	2,757,624,256	469,980,000
Less: Provision for Doubtful Loans	10,000,000	10,000,000
Sub-Total	2,747,624,256	459,980,000
Grand Total	6,940,638,486	4,586,972,914
NOTE - 7: OTHER RECEIVABLE		
Interest Accrued	2,153,706,809	2,919,924,329
Less: Provision for Doubtful Amounts	-	-
Less: Interest Suspense	310,165,695	182,366,083
Net Interest Accrued	1,843,541,113	2,737,558,246
Advances Recoverable	1,842,401,569	1,201,871,064
Less: Provision for Doubtful Amounts	10,329,878	10,329,878
Net Advance Recoverable	1,832,071,691	1,191,541,185
Deposits	1,672,504	1,664,504
Bills Purchased	392,338,808	470,495,611
Total	4,069,624,116	4,401,259,546
NOTE - 8: GOLD & SILVER STOCK		
Gold held in Stock	350,689,509	244,182,691
Silver held in Stock	62,928,980	48,430,276
Total Gold and Silver Stock	413,618,489	292,612,967
NOTE - 9: OTHER INVENTORIES		
Security Note Stock	594,126,034	1,014,932,586
Coin Stock	687,462,911	820,688,275
Numismatic and Medallion Coins	24,437,829	29,774,421
Other Metal Stock	22,578,096	24,665,244
Dispensary Stock	379,121	468,248
Total Inventories	1,328,983,991	1,890,528,774
Less: Provisions for:		
Non-moving Numismatic and Medallion Coins	(22,465,794)	(22,465,794)
Non-moving Other Metal Stock	(8,716,000)	(8,716,000)
Un-issuable Note Stock	(3,775,258)	-
Total Inventories Net of Provisions	1,294,026,939	1,859,346,980



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 10 : STATEMENT OF PROPERTY, PLANT & EQUIPMENT

PARTICULARS	Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
		3%	20%	20%	20%	20%	10%	20%		
Depreciation Rate										
Balance as on 1 st Shrawan 2068	31,349,239	561,449,546	141,987,071	174,095,275	70,821,912	85,933,917	53,431,824	4,730,257	3,488,487	1,127,287,528
Addition during the Year	-	6,244,403	18,076,333	34,144,000	8,358,431	12,527,785	1,133,858	32,001	28,433	80,545,244
Disposal/Write Off/Adjustment	-	(367,944)	(3,932,619)	84,524	30,727,821	208,712	(34,054,913)	(49,456)	(3,488,487)	(10,872,362)
Balance as on 31 st Ashadh 2069	31,349,239	567,326,005	156,130,785	208,323,799	109,908,164	98,670,413	20,510,769	4,712,802	28,433	1,196,960,410
Balance as on 1 st Shrawan 2068	-	184,439,206	112,084,733	127,100,417	62,349,725	71,922,388	44,375,774	4,180,972	-	606,453,214
Depreciation for the Year	-	16,701,857	13,101,536	14,997,197	4,946,974	5,880,453	668,117	320,611	-	56,616,745
Disposal/Write Off/Adjustment	-	(304,407)	(3,868,656)	84,524	27,012,775	(1,814,768)	(28,316,370)	(49,455)	-	(7,256,356)
Balance as on 31 st Ashadh 2069	-	200,836,655	121,317,613	142,182,138	94,309,474	75,988,073	16,727,521	4,452,129	-	655,813,603
Net Book Value as on 31st Ashadh 2069	31,349,239	366,489,350	34,813,173	66,141,661	15,598,690	22,682,340	3,783,248	260,673	28,433	541,146,807
Balance as on 1 st Shrawan 2069	31,349,239	567,326,005	156,130,785	208,323,799	109,908,164	98,670,413	20,510,769	4,712,802	28,433	1,196,960,410
Addition during the Year	-	3,650,545	31,486,307	2,865,000	774,000	8,522,771	1,238,395	55,000	15,541,035	64,133,054
Disposal/Write Off/Adjustment	(14,686)	(708,673)	(5,780,657)	(20,503,118)	(1,318,141)	(4,794,866)	(184,622)	(132,065)	-	(33,436,828)
Balance as on 31 st Ashadh 2070	31,334,553	570,267,876	181,836,436	190,685,681	109,364,023	102,398,319	21,564,542	4,635,737	15,569,468	1,227,656,636
Balance as on 1 st Shrawan 2069	-	200,836,655	121,317,613	142,182,138	94,309,474	75,988,073	16,727,521	4,452,129	-	655,813,603
Depreciation for the Year	-	16,848,119	13,087,224	20,604,980	4,491,057	5,890,348	746,699	108,658	-	61,777,084
Disposal/Write Off/Adjustment	-	(439,097)	(6,683,185)	(19,863,108)	(523,714)	(5,049,516)	(81,655)	(73,999)	-	(32,714,274)
Balance as on 31 st Ashadh 2070	-	217,245,676	127,721,653	142,924,009	98,276,817	76,828,905	17,392,566	4,486,788	-	684,876,413
Net Book Value as on 31st Ashadh 2070	31,334,553	353,022,200	54,114,783	47,761,671	11,087,206	25,569,414	4,171,976	148,950	15,569,468	542,780,223

Allowances for obsolescence has been made for Rs. 3,352,949 on Building under Construction which is presented under Capital Work in Progress



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 11 : INTANGIBLE ASSETS

PARTICULARS	Computer Software			Total Assets		
	Useful Life defined by Contractual Agreements	Other Useful Life				
Amortization Rate		20%	10%			
Original Cost	Balance as on 1 st Shrawan 2068	3,627,717	3,288,653		6,916,370	
	Addition during the Year	2,813,035	370,495		149,499,292	
	Disposal/Write Off/Adjustment		-		-	
Accumulated Amortization	Balance as on 31 st Ashadh 2069	6,440,752	3,659,148	-	146,315,762	156,415,662
	Balance as on 1 st Shrawan 2068	2,794,089	2,086,037			4,880,126
	Amortization for the Year	726,533	881,548			1,608,081
	Disposal/Write Off/Adjustment					-
	Balance as on 31 st Ashadh 2069	3,520,622	2,967,585	-	-	6,488,207
	Net Book Value as on 31st Ashadh 2069	2,920,130	691,563	-	146,315,762	149,927,455
Original Cost	Balance as on 1 st Shrawan 2069	6,440,752	3,659,148		146,315,762	156,415,662
	Addition during the Year	472,340	290,000	229,272,935	82,957,173	312,992,448
	Disposal/Write Off/Adjustment				(229,272,935)	(229,272,935)
Accumulated Amortization	Balance as on 31 st Ashadh 2070	6,913,092	3,949,148	229,272,935	-	240,135,175
	Balance as on 1 st Shrawan 2069	3,520,622	2,967,585	-	-	6,488,207
	Amortization for the Year	1,323,794	659,825	3,821,216		5,804,834
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31 st Ashadh 2070	4,844,416	3,627,410	3,821,216	-	12,293,042
	Net Book Value as on 31st Ashadh 2070	2,068,676	321,738	225,451,719	-	227,842,133



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES		
Deposit from Banks and Financial Institutions	1,592,330,608	922,928,956
Foreign Diplomatic Missions and other agencies	573,691	77,440,270
Total	1,592,904,299	1,000,369,226
NOTE - 13: IMF RELATED LIABILITIES		
Special Drawing Right Allocation	9,787,751,065	9,108,185,167
Interest Bearing Loan :		
Loan under Extended Credit Facility (ECF)	4,099,094,040	5,338,952,664
Loan under Rapid Credit Facility (RCF)	4,456,543,089	3,814,492,960
Total	18,343,388,194	18,261,630,791
NOTE - 14: OTHER LIABILITIES		
Interest Payable	1,653,043	2,373,189
Bills Payable	3,814,245	
Asian Clearing Union	73,729,693	-
Total	79,196,981	2,373,189
NOTE - 15: IMF RELATED DEPOSIT LIABILITIES		
IMF Account No 1	7,029,851,169	5,879,421,428
IMF Account No 2	753,354	662,480
Total	7,030,604,523	5,880,083,908
NOTE - 16: DEPOSIT AND OTHER BALANCES		
Deposits from Banks and Financial Institutions	138,594,187,046	99,218,954,797
Balances of Other Institutions	5,391,982,581	18,221,687,493
Earnest Money	20,598,830	15,497,758
Money Changer	10,959,500	9,529,000
Margin against LCs	3,532,775,567	3,775,518,306
Total	147,550,503,523	121,241,187,353

Balances of Banks and Financial institutions also include the Cash Reserve Ratio (CRR) required to be maintained by commercial banks. Balances of Other Institutions include deposit of government corporation, companies and local authorities etc.



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 17: STAFF LIABILITIES		
Medical Fund (Includes Medical earning fund, interest, etc)	434,010,639	408,603,533
Welfare Provident Fund	58,749,140	56,925,542
Gratuity and Pension Fund	5,919,408,146	6,333,263,487
Staff Security Fund	1,468,349,389	1,084,937,844
Liability for Staff Leave Encashment	715,584,569	607,072,254
Liability for Retired Staff Insurance Premium	156,594,181	24,362,620
Other Payable to Staff	-	17,641,400
Total	8,752,696,063	8,532,806,680
NOTE - 18: OTHER PAYABLES		
Insurance Premium Collected from Staff	219,088,414	1,590,360,703
Less: Advance Insurance Premium Paid on Behalf of Staff	-	(1,357,833,938)
Other Payables of Project	726,980	933,981
Total	219,815,394	233,460,746
NOTE - 19: CURRENCY IN CIRCULATION		
Currency in Circulation	233,460,000,000	201,250,000,000
The Currency in Circulation liabilities are supported by following securities :		
Foreign Currency Balance Held Abroad	217,852,268,000	181,470,568,000
Foreign Securities	15,607,732,000	15,607,732,000
Government Securities	-	4,171,700,000
Total	233,460,000,000	201,250,000,000

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 20: SUNDRY LIABILITIES		
Sundry Creditors	2,780,050,000	746,847,675
Unclaimed Account	3,657,045	3,253,468
Bills Collection	5,340,899	11,043,569
Less: Bills Lodged	5,340,899	11,043,569
Pension Payable to NRB Ex-Staff	39,842,185	162,526,670
General Account	484,130,342	445,019,987
Note Kosh account	-	(12,417,072)
Deferred Grant Income	477,219	722,599
Other Liabilities	12,549,884,460	362,720,603
Total	15,858,041,251	1,708,673,930



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 21: RESERVES		
Capital Reserve:		
Gold and Silver Equalization Reserve	5,188,627,188	6,842,519,010
Statutory Reserve:		
General Reserve	18,999,509,397	16,492,203,776
Monetary Liabilities Reserve	2,501,376,500	2,080,978,400
Exchange Equalization Fund	58,089,470,277	42,526,599,718
Other Reserves and Funds:		
Development Fund	5,687,503,359	5,047,503,359
Banking Development Fund	781,941,807	707,871,125
Development Finance Project Mob. Fund	203,766,088	188,485,688
Liquidity Stabilization fund	87,000,000	62,000,000
Mechanization Fund	791,316,414	591,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	175,675,657	1,149,768,420
Investment Revaluation Reserve	855,478,196	2,449,259
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	330,738,920	120,887,600
Actuarial Gain/Loss Fund	278,584,203	-
Project Split Interest Reserve Fund	4,233,489	4,233,489
Deficit due to Restatement of Prior Period Errors	-	(2,811,824)
Total Reserves and Funds	94,837,928,942	76,676,711,881

The Board of Directors of the Bank has appropriated the following amount to different fund during the year:

Net Profit for the Year	23,172,781,540	38,300,425,089
Transfer (to)/from Exchange Equalization Fund	(15,562,870,559)	(30,764,828,683)
Transfer (to)/from Gold & Silver Equalization Reserve	1,653,891,818	(1,706,448,801)
Securities Revaluation Fund	(853,028,937)	(2,449,259)
Investment Revaluation Fund	-	-
Surplus/(Deficit) due to Restatement of Prior Period Errors	(2,811,824)	6,426,511
Profit available for distribution	8,407,962,038	5,833,124,857
General Reserve	1,357,537,200	593,866,400
Monetary Liability Reserve	420,398,100	282,378,400
Development Fund	640,000,000	40,000,000
Dev. Fin. Projects Mob. Fund	15,280,400	15,957,525
Liquidity Stabilization Fund	25,000,000	20,000,000
Mechanization Fund	200,000,000	400,000,000
Banking Development Fund	74,070,681	68,783,806
Gold Replacement Fund	175,675,657	187,950,550
Surplus to be transferred to GON	5,500,000,000	4,227,000,000
Deficit due to Restatement of Prior Period Errors	-	(2,811,824)
Total	8,407,962,038	5,833,124,857



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 22A : MOVEMENT OF PROVISIONS.

PARTICULARS	As on 31-3-2069	Addition	Withdrawn	Adjustment	As on 31-3-2070
Leave Encashment	607,072,254	186,800,567	(78,288,253)	-	715,584,569
Gratuity and Pension Fund	6,333,263,488	186,182,609	(431,624,835)	(168,413,116)	5,919,408,146
Staff Security Fund	1,084,937,843	100,859,809	(103,042,287)	385,594,024	1,468,349,389
Staff Medical Earning Fund	389,483,832	96,925,242	(52,398,435)	-	434,010,639
Diminution in Value of Investment in Shares	61,050,000	-	-	-	61,050,000
Provision for Advance Recoverable	10,329,878	-	-	-	10,329,878
Provision for Doubtful Loans	10,000,000	-	-	-	10,000,000
Numismatic and Medallion Coins	22,465,793	-	-	-	22,465,793
Provision for non Moving Metal Stock	8,716,000	-	-	-	8,716,000
Provision for Un-issuable Note Stock	-	3,775,258	-	-	3,775,258
Provision for other Investments	1,278,605,000	-	(62,250,227)	-	1,216,354,773
Provision for Building in Construction	3,352,949	-	-	-	3,352,949
Total	9,809,277,037	574,543,485	(727,604,037)	217,180,908	9,873,397,393

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 22B: CONTINGENT LIABILITIES AND COMMITMENTS		
Letters of Credit	39,749,417,595	1,233,905,787
Guarantees Issued	-	24,849,373
Unclaimed Account transfer to P/L account	100,066,715	100,066,715
Capital Commitment	29,061,255	31,088,411
Total	39,878,545,565	1,389,910,286

Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting there from the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, and hence it is not shown as contingent liabilities of the bank.



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2070 NRs.	For the Year Ended 31-3-2069 NRs.
NOTE - 23: INTEREST INCOME		
Foreign Currency Financial Assets		
Treasury bills & Deposits	9,392,957,675	8,484,984,205
SDR Holding & Asian Clearing Union	5,388,379	15,444,535
Subtotal	9,398,346,054	8,500,428,740
Local Currency Financial Assets		
Government Securities	1,417,911,882	98,003,065
Investment in Financial and Other Institutions	669,404,505	3,479,167,403
Overdraft to Government	-	94,696,476
Loans and Refinance	56,776,327	130,427,914
Subtotal	2,144,092,714	3,802,294,858
Total Interest Income from Financial Assets	11,542,438,768	12,302,723,598
NOTE - 24: COMMISSION INCOME		
Foreign Currency Financial Assets		
On Currency Exchange	44,444,998	244,800,337
Local Currency Financial Assets		
Government Transaction & Other services	47,257,816	4,268,845
Total Commission Income from Financial Assets	91,702,814	249,069,182
NOTE - 25: INTEREST EXPENSES		
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	6,962,045	18,137,209
Others	42,771	21,582
Sub Total	7,004,816	18,158,791
Local Currency Financial Liabilities		
Government Securities	114,884,495	176,437,818
Sub Total	114,884,495	176,437,818
Total Interest Expense on Financial Liabilities	121,889,310	194,596,609



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2070 NRs.	For the Year Ended 31-3-2069 NRs.
NOTE - 26: AGENCY AND SERVICE CHARGE		
Foreign Currency Liabilities		
Service Charge	-	-
Commission	7,455,852	6,089,191
Sub Total	7,455,852	6,089,191
Local Currency Liabilities		
Agency Expenses	298,255,610	340,824,841
Sub Total	298,255,610	340,824,841
Total Agency and Service Charge	305,711,462	346,914,032

Agency Expenses includes agency commission paid to the following banks for operating government accounts

Nepal Bank Ltd.	105,000,000	116,100,000
Rastriya Banijya Bank	177,600,000	197,100,000
Nepal Bangladesh Bank	2,700,000	2,700,000
Everest Bank Ltd	1,200,000	1,200,000
Total	286,500,000	317,100,000

NOTE - 27: OTHER OPERATING INCOME

Income from Mint (Sale of coin)	110,845,928	145,036,677
Gain from Sale of Precious Metals and Coins	175,675,657	187,950,532
Fine/Penalty Charge	13,468,650	29,109,763
Profit from Sale of Assets	4,245,354	-
Dividend Income	1,561,737	639,395
Provision on Investment Written Back (Net)	62,250,227	-
Project Income	14,803,545	15,957,464
Grant Income	245,380	245,459
Miscellaneous Income	102,956,991	163,717,505
Total	486,053,470	542,656,795



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	Note	For the Year Ended 31-3-2070 NRs.	For the Year Ended 31-3-2069 NRs.
NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS			
Staff Costs	28 a	1,835,851,032	4,939,823,824
Depreciation and Amortization		67,581,918	58,224,826
Directors Fees and Expenses		2,945,161	2,955,222
Note Printing Charges		593,176,992	649,863,713
Mint Expenses		97,314,884	256,043,131
Security Charges		18,538,741	18,503,842
Remittance Charges		53,750,817	59,404,083
Travelling Expenses		168,663,749	132,009,655
Insurance Charges		57,355,126	66,376,685
Repair & Maintenance		21,360,449	23,099,503
Provisions on Loans & Advances, Investments, etc.	28 b	3,775,258	265,076,010
Miscellaneous Expenses	28 c	361,506,289	254,860,094
Total		3,281,820,417	6,726,240,588
Note: 28 a Staff Costs			
Salary		482,934,742	504,378,885
Allowances		389,188,792	325,637,822
Provident Fund Contribution		49,622,143	43,568,752
Staff Welfare (Including Medical Fund Contribution)		62,322,546	348,586,158
Staff Welfare Provident Fund		280,000,000	260,000,000
Pension & Gratuity Fund		186,182,609	2,764,372,517
Staff Security Fund		100,859,809	425,354,156
Staff Leave Compensations		186,800,567	180,823,211
Others		97,939,824	87,102,323
Total		1,835,851,032	4,939,823,824
Note: 28 b Provision on loans & advances, Investments, etc.			
Provision for Provision for Un-issuable Note Stock		3,775,258	-
Provision for Retired Staff Insurance Premium		-	3,493,183
Provision for Doubtful Investment and Others		-	261,582,827
Provision for Sundry Accrued		-	-
Total		3,775,258	265,076,010
Note: 28 c Miscellaneous Expenses			
Banking Promotion		22,616,260	26,560,244
Audit Fees and Expenses		1,606,998	1,142,826
Sundry Balances Written Off		-	195,822
Assets Written Off		635,846	-
Others		336,647,185	226,961,202
Total		361,506,289	254,860,094



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2070 NRs.	As on 31-3-2069 NRs.
NOTE - 29: CASH AND CASH EQUIVALENT		
Foreign Currency Cash and Bank Balance	26,550,354,390	21,779,942,504
Foreign Currency Time Deposits	130,872,857,869	185,599,736,543
Local Currency in Hand	4,635,398,459	2,167,533,092
SDR Holdings	6,636,028,947	7,368,831,080
Investment in Treasury Bills/Notes	121,676,774,779	109,815,908,255
Investment in Fixbis	7,575,023,362	3,420,298,346
Investment in Repurchase Agreement (Repo)	37,107,129,476	43,891,046,088
Total	335,053,567,282	374,043,295,908



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

NFY 2069/70 (2012/13 AD)

**NOTE 30: GENERAL INFORMATION, SIGNIFICANT ACCOUNTING POLICIES
 AND OTHER EXPLANATORY DISCLOSURES**

A. General Information and Significant Accounting Policies

1. Incorporation

Nepal Rastra Bank (NRB), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058. The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The main activities of the Bank include:

- Formulating necessary monetary and foreign exchange policies.
- Issuing of currency in circulation.
- Promoting stability and liquidity required in banking and financial sector.
- Developing a secure, healthy and efficient system of payment.
- Regulating, inspecting, supervising and monitoring the banking and financial system.
- Promoting entire banking and financial system of Nepal.

2. Fiscal Year

The financial statements relate to the fiscal year 2069/70 i.e. 1st Shrawan 2069 to 31st Ashadh 2070 corresponding to Gregorian calendar 16th July 2012 to 15th July 2013. The previous year was 1st Shrawan 2068 to 31st Ashadh 2069 (17th July 2011 to 15th July 2012). The corresponding information presented in the financial statements for the previous year are rearranged and reclassified in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", wherever necessary.

3. Directors' Responsibility Statement

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The Board has approved the financial statements for the year ended 31st Ashadh 2070 on Kartik 28, 2070 (November 14, 2013).

4. Controlling Body

The controlling body of the Bank is the Government of Nepal (GoN) holding 100 percent of its capital. In the normal course of its operations, the Bank enters into following transactions with GoN and state controlled enterprises/entities:



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

- Acting as the fiscal agent and financial advisor of the Government;
- Acting as a banker to the Government;
- Acting as the agent of Government or its agencies and institutions, provide guarantees, participate in loans to Government and related institutions;
- Acting as agent of Government, the Bank issues securities of Government, purchases unsubscribed portion of any issue and amounts set aside for the Bank;
- Acting as the agent of Government, the Bank manages public debt and foreign reserves.

The Bank does not ordinarily collect any commission, fees or other charges for services, which it renders, to the Government or related entities except where agreement states otherwise.

Transactions with the Government and state controlled enterprises/entities, outstanding balances and commitments are not disclosed in consonance with IAS 24.25.

5. Basis of Preparation

The significant accounting policies applied in the preparation of financial statements are set out below. These policies are consistently applied to all the years presented, except for the changes in accounting policies presented in para 7 below.

Financial Statements Components and Presentation

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income shown in one single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the accounts.

The financial statements are prepared, as far as possible, in accordance with the International Financial Reporting Standards (IFRS). The deviations, if any, from IFRS are noted wherever applicable. The standards that are not fully complied with included IAS 39 – Financial Instruments Recognition and Measurement, IAS 28 – Investment in Associates, IAS 27 – Consolidated and Separate Financial Statements, IAS 16 – Property, Plant and Equipment and IAS 36 – Impairment of Assets.

Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature. Cash flow information is prepared, on a cash basis, using the indirect method

Basis of Recognition and Measurement

The financial statements are prepared on an accrual basis of accounting and interest income is recognized in the effective interest rate method.

The financial statements are prepared on the historical cost measurement basis except for the following material items in the Statement of Financial Position.

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value;



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

- ‘Available for Sale’ financial assets, except for equity investments whose fair value are not available, are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Inventories are measured at cost or net realizable value whichever is lower;
- Gold investment assets other than Inventories are measured at fair value; and
- Gratuity and Pension Fund; and Staff Security Fund are measured at present value of Defined Benefits Obligation.

Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank's functional currency. The figures are rounded to nearest integer, except otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, liabilities, incomes and expenses. The actual result may differ from these estimates. Management believes that the underlying assumptions are appropriate and that the financial statements present the financial position and results fairly.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections;
- Measurement of defined benefit obligations;
- Provisions and contingencies;
- Determination of net realizable value;
- Determination of useful life of the property, plants and equipment; and
- Determination of capitalization value of the intangible assets.

6. Significant Accounting Policies

i. Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably. Revenue is not recognized during the period in which its recoverability of income is not probable. Accordingly, interest income from certain banks and financials which are declared as problematic and receipt of interest from which is not forthcoming are not recognised. Interest incomes are recognized on effective interest rate method whereas other incomes are recognized on an accrual basis of accounting.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

ii. **Financial Instruments**

The financial instruments, consisting of financial assets and financial liabilities, are segregated between foreign currency and local currency items. Financial assets and liabilities are set off and net amount presented in the Statement of Financial Position when and only when, the Bank has a legal right to offset the amount and intends either to settle it on a net basis or to realize the asset and settle the liability simultaneously.

a. **Financial Assets**

All financial assets are recognized initially on trade date, which is the date when the Bank becomes a party to the contractual provisions of the instruments except for Loans and advances which is recognized on the date of origination. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flow in which substantially all risk and rewards of the ownership of the financial assets is transferred. Any interest in such transferred financial assets that are created or retained by the Bank is recognized as a separate asset or liability.

Financial assets (Non-derivative) are classified into the following categories: (a) Financial assets at fair value through profit or loss, (b) Held to maturity, (c) Loans and advances and (d) Available for sale.

Financial Assets at Fair Value through Profit or Loss

Financial assets are designated as at fair value through profit or loss if the Bank manages such investments and make purchase and sale decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.

Held-to-Maturity Financial Assets

Held-to-maturity asset are financial assets with fixed or determinable payments and fixed maturity (e.g., debt securities) that the Bank has the positive intent and ability to hold till maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; investment in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprise loans and advances including bonds purchased at original issuance. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables financial assets are measured at amortized cost using effective



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

interest rate method less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables, loans provided to employees.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise investment in equity instruments.

b. Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the bank becomes a party to the contractual provisions of the instrument except for Debt securities which are initially recognized on the date that they are issued. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expires. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest method.

c. Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows etc.

d. Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date.

iii. Currency in Circulation

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

These liabilities are supported by assets including foreign currency, foreign securities and Government securities etc. as permitted by Nepal Rastra Bank Act 2058.

The Bank also issues coins of various denominations for circulation. However, currency circulation liability does not include the liability on account of coins in circulation.

iv. Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase (Repo) and reverse repo of securities are recorded as follows:

- a) Securities sold subject to repurchase arrangements (Repo) are recorded as investment in Government securities. The obligation to repurchase is shown as liabilities for securities sold under agreement to repurchase and the difference between the sale and repurchase value is accrued on a pro rata basis and recorded as expense.
- b) Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the statement of financial position.

v. Foreign Currency Transactions and Balances Translations

Income and expenditure denominated in foreign currency are translated into Nepalese Rupees on the basis of exchange rate prevailing on the value date. Assets and liabilities in foreign currencies as at the yearend are translated into Nepalese Rupees on buying exchange rate prevailing on the balance sheet date. Exchange differences are taken to revenue. An amount equivalent to the net exchange gain/ loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Comprehensive Income.

vi. Gold Replacement Fund

Gold Replacement Fund is created for the purpose of replenishing the stock of gold and silver sold. An amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account.

vii. Gold and Silver (other than inventories)

Gold and Silver other than those held as inventory is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Statement of Comprehensive Income.

viii. Gold and Silver Stock and Other Inventories

Gold and silver stock and other inventories are carried at cost or net realizable value whichever is less. Cost for gold and silver is determined on the basis of specific identification of their individual cost (IAS 2.23). Cost for other inventories is determined under the weighted average method. Other stores except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to Statement of Comprehensive Income. Durable goods



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

with unit cost of twenty five thousand rupees or less are expensed through Statement of Comprehensive Income at the time of purchase.

ix. Property, Plant & Equipment

Property, Plant and Equipment are measured at cost less accumulated depreciation less accumulated impairment loss if any. Cost comprises purchase price including nonrefundable duties and taxes; and any directly attributable cost incurred in bringing the asset to their present location and condition necessary for it being capable of operating in the manner intended by the management but excluding trade discounts and rebates. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Bank. Ongoing repair and maintenance are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Depreciation is charged on Straight-Line Method over the estimated useful lives of current and comparative years of significant items of property, plant and equipment. Useful lives and residual values are reviewed on each reporting date and adjusted if appropriate.

Useful life of the various classes of assets is estimated as per below.

Class of Assets	Useful Life
Buildings	Over 33 Years
Furniture and Fixture	10 Years
Vehicles	5 Years
Office and Computer Equipment	5 Years
Machinery Equipment	5 Years
Others	5 Years

x. Intangible Assets

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the Bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. Software, useful life of which have been defined by terms of contract or conditions for use are amortized on straight-line basis over the useful life of asset.

Software, useful lives of which have not been clearly defined by terms of contract or condition of use as well have a definite useful lives due to technological obsolescence and are amortized on straight-line basis over estimated useful life of ten years and five years respectively for business application software and other software.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognized in profit or loss as incurred.

xi. Assets Received in Grant

Equipment acquired under grant is recognized as "Grant Assets" and included under respective head of property, plant and equipment with corresponding credit to "Deferred Grant Income" under the head of Other Liabilities.

xii. Employee Benefits

a. Short Term Employees Benefit

Short term employees' benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payment is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the bank to its employees:

1) Contributory Retirement Fund

All permanent employees are entitled for participation in employee's provident fund (now Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of basic salary to this fund, which is separately administered as a defined contribution plan as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in profit or loss as the related services are rendered.

2) Welfare Provident Fund

Certain amounts as prescribed by the Board are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in profit or loss as the related services are rendered.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

3) Staff Medical Fund

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(d). Incremental liability is provided for and transferred to this Fund.

c. 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 plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in 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 discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the Bank's obligation and that are denominated in the currency in which the benefits are expected to be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss. The following are the defined benefit plans provided by the bank to its employees:

1) Gratuity and Pension Scheme

Gratuity and Pension Scheme is a defined benefit obligation under which employees having service period for five years or more but less than twenty years are eligible for gratuity, which is based on last pay-scale of staff's existing designation and completed years of service. Similarly, employees having service period of twenty years or more are eligible for pension, which is based on last pay-scale of staff's existing designation and completed years of service. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

2) Staff Security Fund

Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty month salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in profit or loss.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

3) Leave Encashment

The employees are entitled to en-cash their un-utilized accumulated leave at their retirement or after vesting of certain period. Home leave and Sick leave are defined benefit plans which are recognized when the leave does not occur. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date.

xiii. Taxation

Income of the NRB is exempted from taxes under section 8 of the NRB Act, 2058 as well as Income Tax Act, 2058 and as such no provision in this respect has been made.

xiv. Cash and Cash Equivalents

Cash and cash equivalents include cash at vault and agency bank account balances, short-term and highly liquid investments maturing within 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value.

xv. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is presented as General Account under Sundry Liabilities.

xvi. Unclaimed Account

Unclaimed account under Sundry Liabilities represents amount that remained unclaimed and outstanding for more than two years. Amount outstanding for more than three years in unclaimed account is transferred to miscellaneous income in Statement of Comprehensive Income.

xvii. Impairment

a. Impairment of Financial Assets

The Bank assesses at each reporting date that whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the borrower or issuer will enter bankruptcy or other financial reorganization;



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise considers;
- Disappearance of an active market for that financial asset because of financial difficulties; etc.

The amount of loss is measured as the difference between the asset's carrying amount and amount the management considers it as recoverable on the basis of financial position of the borrower or issuer and appropriate estimation made by the management. Appropriate provisions for possible losses on investments in shares, fixed deposits; and loans and advances have been made. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to Statement of Comprehensive Income.

b. Impairment of Non-financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to less and value in use. Provision for the assets such as Numismatic and Medallion coins and Non-moving metals are made on as per the indication of impairment. An impairment loss is recognized in Statement of Comprehensive Income. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the Statement of Comprehensive Income. Impairment loss for un-issuable note stock has been recognized during the year.

xviii. Bills Payable and Bills Receivable

The Bank carries out the function of repayment of Government securities and interest thereon on behalf of the GON. Bills Payable primarily represents the year-end un-disbursed or unadjusted amount of payments received from GON in respect of interest / repayment liabilities of such securities. The year-end balance of Bills Receivable represents the amounts paid by the Bank to the security holders but the corresponding claim adjustment with Bills Payable is pending.

xix. Consolidation of Project Accounts

The Bank manages and implements various projects, which are helpful in attaining its objectives, on its own by entering into project agreement with the funding agencies or subsidiary loan agreements with Government of Nepal or on behalf of Government of Nepal (GON).

The projects for which the Bank has entered in to separate subsidiary loan agreements with Government or has entered into separate project agreements with other funding agencies are



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

consolidated with the Bank's account. For projects which are implemented by the bank on behalf of the GON, the accounts of these projects are not consolidated with bank's financial statements as the Bank has no obligation towards such projects or any other counter party and there is no right of the Bank in assets, liabilities, equity, income and expense of such projects. However, disclosure of financial and other information of such projects is given in the notes.

7. Changes in Accounting Policies and Estimates

The Bank changed this year the accounting policies on measurement and presentation of the following assets:

a) Measurement of 'Available for Sale' Financial Assets

In the prior periods, the investment in shares that were classified as available for sale and have an active market was measured at cost price. The accounting policy was changed this year to measure the investment at fair value and the resulting change in value was taken as Other Comprehensive Income in accordance with IAS 39 "Recognition and Measurement of Financial Instruments".

b) Depreciation on Property, Plant & Equipment

In the prior periods, full depreciation was charged for the assets put to use within first nine months, no depreciation was charged on the other later addition, and no depreciation was charged on disposed asset. The accounting estimate was changed prospectively to charge depreciation on assets from the date of available to use and on disposed asset up to last day of the month preceding the month of disposal.

c) Prior Period Errors

In the prior periods, total amount of prior period errors was presented as a separate line item in the financial statements as and when the error discovered. During the year, the prior period errors are presented by restating the comparative information in accordance with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

d) Grant Assets

In the prior periods, the value of grant assets capitalized was credited to "Grant Assets Reserve" under the head of Capital Reserve. Depreciation charged on grant assets was transferred from grant assets reserve as income in Statement of Comprehensive Income. During the year, the balance of the assets is represented by "Deferred Grant Income" under the head of Other Liabilities.

e) Project Assets and Liabilities

In the prior periods, the assets and liabilities of the various projects were not consolidated but presented as a separate line item in the Statement of Financial Position. During the year, they are consolidated in the respective line items. Disclosure is made of the projects if they are only managed by the Bank on behalf of GON.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

B. Significant Disclosures

8. Gold and Silver

A sum of Rs. 175,675,657 (P.Y. Rs 187,950,550) was appropriated out of net profit this year to the "Gold Replacement Fund". During the current year, the Bank bought 103,806.32 fine troy ounces of gold with cost price of Rs. 12,985,963,139. The amount of Rs. 1,149,768,420 was transferred from Gold Replacement Fund to General Reserve Account. The quantity and market value of gold and silver held as inventory at the yearend were as follows:

PARTICULARS	As on 31st Ashadh 2070		As on 31st Ashadh 2069	
	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)
Gold (Investment)	3633.300.459	14,202,571,494	2389.161.378	10,858,431,055
Gold held in Stock	2333.789.250	9,122,782,178	2338.888.025	10,283,688,158
Silver held in Stock	125,755.94	9,004,064,730	125990.408.691	10,854,073,709
Total		32,329,418,402		31,996,192,922

Market value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively.

9. Yearend Exchange Rates

The year-end exchange rates in Rupees for major currencies used for reinstating the balances of foreign currency assets and liabilities were as per below.

CURRENCY	Current Year NRs.	Previous Year NRs.
1 US Dollar	95.00	88.60
2 Sterling Pound	143.56	136.62
3 Euro	124.08	107.98
4 Swiss Franc	100.36	89.91
5 Australian Dollar	85.96	89.96
6 Canadian Dollar	91.39	86.97
7 Japanese Yen	0.96	1.118
8 Singapore Dollar	75.26	69.74
9 SDR	143.73	133.748
10 Chinese Yen	15.58	13.98
11 Indian Rupees	1.60	1.60



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

10. Investment in Shares

The investment in shares in some cases exceeded the statutory limit (ten percent of the paid up capital of respective company) as such investments were made before the enactment of the Nepal Rastra Bank Act 2058. The Bank is in the process of offloading the excessive investments. Further disclosures relating to the investments in shares are as per below.

- The investment in shares of Citizen Investment Trust was measured as fair value. As the market value of the other shares was not available, they were measured at cost. Impairment loss was recognized on the basis of objective evidence.
- Investment in Citizen's Investment Trust included 288,260 bonus shares out of total 288,360 shares with market value of Rs. 1,147 each (P.Y. 213,600 shares with market value of Rs. 566 each).
- Investment in Rastriya Beema Sansthan (Life-Insurance) included 41,667 bonus shares out of total 51,667 shares.
- Investment in Deposit and Credit Guarantee Corporation included 612,638 bonus shares and additional investment 412,000 shares during the year out of total 1,229,638 shares. (P.Y. 817,638 shares).
- Investment in Credit Information Centre Limited included 14,400 bonus shares out of 49,400 shares (PY 49,400 shares).
- Nepal Development Bank Ltd. and Agricultural Project Services Center were in liquidation.

The Bank did not exercise control or significant influence on the entities except for regulatory purposes.

11. Related Parties

11.1. Key Management Personnel

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors and Special Class Officers. The name of the key management personnel who were holding the position in office during the year with their position are as follows:



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

S.N.	Name of the Key Management Personnel	Post
1.	Yuba Raj Khatiwada	Governor
2.	Gopal Prasad Kaphle	Deputy Governor
3.	Maha Prasad Adhikari	Deputy Governor
4.	Santa Raj Subedi	Non-Executive Director
5.	Dr. Sri Ram Poudyal	Non-Executive Director
6.	Dr. Ram Hari Aryal	Non-Executive Director
7.	Bal Krishna Man Singh	Non-Executive Director
8.	Lila Prakash Sitaula	Special Class Officer
9.	Ashwini Kumar Thakur	Special Class Officer
10.	Rameshwori Pant (retired w.e.f. 2069/06/03)	Special Class Officer
11.	Shambhu Thapa (retired w.e.f. 2070/01/11)	Special Class Officer
12.	Bishnu Nepal	Special Class Officer
13.	Ramjee Regmi	Special Class Officer
14.	Bhaskar Mani Gyawali	Special Class Officer
15.	Manmohan Kumar Shrestha	Special Class Officer
16.	Lok Bahadur Khadka	Special Class Officer
17.	Pradeep Raj Pandey	Special Class Officer
18.	Hari Prasad Kaphle	Special Class Officer
19.	Trilochan Pangen	Special Class Officer
20.	Dr. Min Bahadur Shrestha	Special Class Officer
21.	Mahesh Bhattarai	Special Class Officer
22.	Naresh Dhakal (w.e.f. 2069/04/24)	Special Class Officer
23.	Shiba Raj Shrestha	Special Class Officer
24.	Narayan Prasad Paudel (w.e.f. 2069/06/07)	Special Class Officer
25.	Nara Bahadur Thapa (w.e.f. 2070/03/03)	Special Class Officer

In addition to salaries, non- cash benefits were provided to special class officers and the Board members. Special class officers and three of Board members were entitled to termination benefits including pension. The data relating to compensation paid to key management personnel were as follows:

PARTICULARS	Current Year (NRs.)	Previous Year (NRs.)
Short Term Employee Benefits	22,921,478	22,162,627
Post-Employment Benefits	10,869,596	9,653,577
Other Long Term Benefits	3,143,993	4,149,137
Total	36,935,067	35,965,341



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

The transactions, if any, with director-related or key management personnel – related entities which occurred in the normal course of NRB’s operations were conducted on terms no more favorable than similar transactions with other clientele.

11.2. Transactions with Related Parties

The transactions with the related parties and the status of yearend balances with them were as per below.

PARTICULARS	Current Year (NRs.)			Previous Year (NRs.)		
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	Key Management Personnel
Employees Benefits			36,935,067			35,965,341
Sitting Fees/ Incidental Expenses to Directors			2,945,161			29,55,222
Insurance Premium paid	57,355,126			66,376,685		
Balances as on 31st Ashadh						
Staff Loan (net of premium collection)			21,895,784			23,282,715
Provision for Diminution in Value of Investment	45,050,000			45,050,000		

12. Assets Received in Grant

The various assets in grant under the Financial Sector Restructuring Project (phase I and II) was valued at Rs. 11,585,586 and their written down balance was Rs. 477,219 at the yearend. During the year no grant assets were received.

13. Financial Instruments

13.1. Financial Risk Management - Overview

The Bank has exposure to the following risk arising from financial instruments

- A. Credit Risk
- B. Liquidity Risk
- C. Market Risk

Risk Management Framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank risk management framework. The Board of Directors has established the Risk



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Management Committee, which is responsible for developing and monitoring the Bank's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyze the risk faced by the Bank, to set appropriate risk limits and control, and to monitor risks and adherence to the limit. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

The Bank Audit Committee oversees how management monitors compliance with the Bank risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

A. Credit Risk:

Credit Risk is risk of financial loss to a party if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Bank's credit risk in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

Exposure to Credit Risk

The maximum exposure to credit risk at the yearend was as follows:

a) By Nature of Assets

ASSETS	Current Year (NRs.)	Previous Year (NRs.)
US Government Treasury Notes	949,449,048	885,878,443
Investment in Mid Term Instruments (BIS)	8,389,781,637	10,129,211,498
Term Deposit Investments	134,174,003,708	10,542,405,000
Investment in Gold Instruments	14,201,725,639	10,858,431,055
Government of Nepal Securities	29,856,287,801	33,686,043,566
Investments in Equity Instruments	458,574,420	205,380,100
Other investments	253,400,000	253,400,000
Loans and Refinance	6,940,638,486	4,586,972,914
Other Receivables	4,602,130,972	5,761,557,639
Cash and Cash Equivalent	335,053,567,282	374,043,295,908
Total Financial Assets	534,879,558,993	450,952,576,123



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

b) By Geographical Region:

COUNTRY	Current Year (Rs.)	Previous Year (Rs.)
India	226,804,744,210	138,068,903,523
USA	9,482,141,552	75,443,270,263
Germany	28,491,151,374	34,702,624,317
Switzerland	26,581,329,322	25,685,402,624
United Kingdom	39,032,648,847	21,740,770,606
France	12,857,854,109	19,720,206,836
Japan	16,276,702,297	9,849,865,374
Denmark	100,601,709	10,036,952,580
Australia	7,780,815,749	9,494,829,175
Singapore	2,792,248,929	8,711,076,932
Canada	10,490,235,445	582,846,837
Sweden	9,069,371,506	-
Hong Kong	9,115,113,571	-
U.A.E	11,213,899,821	-
China	185,397,890	-
Nepal	74,679,032,354	96,915,827,058
Total	534,953,288,685	450,952,576,123

c) By Nature of the Entity:

ENTITY	Current Year (NRs.)	Previous Year (NRs.)
Central Banks	39,365,254,772	53,551,104,541
Bank for International Settlement	19,236,148,248	16,498,559,306
Foreign Government	121,749,463,886	89,659,191,421
International Monetary Fund	6,636,028,947	7,368,831,080
Foreign Commercial Banks	264,945,477,217	185,598,764,625
Domestic Banks and FIs	20,120,630,142	15,028,548,245
Government of Nepal	29,856,287,801	33,686,043,566
Equity Instruments	458,574,420	205,380,100
Cash in Hand	11,281,120,698	4,224,340,839
Other Parties	21,304,302,554	45,131,812,400
Total	534,953,288,685	450,952,576,123



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

d) By Credit Rating

PARTICULARS	Rating	Current Year		Previous Year	
		Amount (Rs.)	%	Amount (Rs.)	%
Foreign Currency Financial Assets					
	A-	18,372,840,461	3.43	10,036,952,580	2.23
	A1(ICRA)*	28,799,501,065	5.38	23870373049	5.30
	A+	31,321,126,522	5.85	23,591,166,000	5.24
	A	37,580,890,300	7.03	55,224,277,668	12.25
	AA+	52,309,216,106	9.78	-	-
	AA-	54,152,438,724	10.12	36,211,647,194	8.04
	AAA	758,807,434	0.14	93,060,383,549	20.65
	BBB-	91,071,392,644	17.02	47,522,779,189	10.55
	NR **	160,070,042,146	29.92	105,592,002,676	23.43
Total		474,436,255,403	88.69	395,109,581,906	87.62
Local Currency Financial Assets	NR **	60,517,033,282	11.31	55,842,994,218	12.38
Total Financial Assets		534,953,288,685	100.00	450,952,576,123	100.00

All of the above ratings are as per S&P except as stated below:

* Rating as per Indian Credit Rating Agency (ICRA)

** Not rated

Government Securities

Investment in Government securities included Nepal Government Securities like Treasury Bills, Saving Certificates and Bonds; and US Government Treasury Notes. These investments were around 29% of the total financial assets and were considered risk free investments.

Cash and Cash Equivalents

Cash and cash equivalents comprised cash in hand, balance in demand deposit and call account of foreign banks; and treasury bills and term deposit with original maturity period of up to three months. Cash in hand and balance with bank in demand deposit and call account was classified as loans and receivables and treasury bills and term deposits were classified as held to maturity financial assets and measured at amortized cost. Cash and cash equivalents were around 63% of the total financial assets. The Cash and cash equivalents held with central banks of foreign countries; bank and financial institutions were rated A to AAA as based on credit rating.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date and the movement in the allowances for impairment in respect of financial assets during the year is as follows:

PARTICULARS	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance	Allowances for Doubtful Receivables
Balance as on 1st Shrawan 2068	61,050,000	1,030,705,000	13,297,869	-
Impairment Loss Recognized	-	247,900,000	-	10,329,878
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	(3,297,869)	-
Balance as on 31st Ashadh 2069	61,050,000	1,278,605,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	(62,250,227)	-	-
Balance as on 31st Ashadh 2070	61,050,000	1,216,354,773	10,000,000	10,329,878

The Bank believes that the un-impaired amounts that are past due by more than 30 days are still recoverable in full. The un-impaired past dues amount includes some loans provided to employees and other receivables.

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) established by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the expectable standard. In case of domestic investment, investment is made in the counterparty who meet the minimum standard level set by the credit policy like nonperforming assets of the counter party should be within the limit of 5% of the total loans and advances made by the counterparty, not declared as problematic by the Bank etc. An analysis of credit quality of financial assets not impaired is as follows:



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

COUNTERPARTIES	Current Year (NRs.)	Previous Year (NRs.)
External Credit Rating at least A/BBB- from credit rating agency	264,945,477,217	185,598,764,625
Non Rated Counterparties		
Central Banks	39,365,254,772	53,551,104,541
Bank for International Settlement	19,236,148,248	16,498,559,306
Foreign Government	121,749,463,886	89,659,191,421
International Monetary Fund	6,636,028,947	7,368,831,080
Government of Nepal	29,856,287,801	33,686,043,566
Financial Assets with Other Counterparties:		
- Party with Normal Risk	51,866,893,163	63,230,096,706
- Party with High Risk	1,297,734,651	1,359,984,878
Total	534,953,288,685	450,952,576,123

B. Liquidity Risk

Liquidity Risk is the risk that the Bank will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or other financial assets. The Bank approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due; to provide finance to maintain liquidity in financial market and to provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with the other central banks; demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation as of central bank. In addition to cash and cash equivalent, the Bank also holds balance in term deposit with maturity period of 6 months in foreign banks.

Further, the bank has credit arrangement for Rapid Credit Facilities (RCF) and Extended Credit Facilities (ECF) provided by International Monetary Fund in case of stressed condition like deficit of Balance of Payment of the country. The Government of Nepal provides credit facility to the Bank in case of financial crisis.

Assets Held for Managing Liquidity Risk

The Bank holds a diversified portfolio of cash, balances with foreign banks and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

- Cash and balances with foreign banks in the form of demand and call deposit;
- Balance with foreign Central Banks and Bank for International Settlement;
- Government of Nepal and foreign Governments' bonds and other securities that are readily acceptable in repurchase agreements with Central Banks; and
- A secondary source of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

Financial Liabilities

The followings are the remaining contractual maturities and other forms of financial liabilities including estimated interest payments at the end of the reporting:

Current Year Figures (NRs.)

PARTICULARS	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	1 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	149,143,407,822	145,590,033,426	-	3,553,374,396	-
IMF Related Liabilities	18,343,388,194	-	-	-	18,343,388,194
IMF Related Deposit	7,030,604,523	-	-	-	7,030,604,523
GON Deposit	516,084,944	-	516,084,944	-	-
Bills Payable	734,091,342	734,091,342	-	-	-
Staff Liabilities	8,752,696,063	89,111,187	803,844,187	2,827,346,249	5,032,394,440
Other Payables	219,815,394	36,635,899	183,179,495	-	-
Other Liabilities	79,196,981	79,196,981	-	-	-
Total	184,819,285,263	146,529,068,835	1,503,108,626	6,380,720,645	30,406,387,157

Previous Year Figures (NRs.)

PARTICULARS	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	1 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	122,241,556,579	118,450,540,516	-	3,791,016,063	-
IMF Related Liabilities	18,261,630,791	-	-	-	18,261,630,791
IMF Related Deposit	5,880,083,908	-	-	-	5,880,083,908
GON Deposit	10,989,296,158	10,989,296,158	-	-	-
Bills Payable	850,219,745	850,219,745	-	-	-
Staff Liabilities	8,532,806,680	823,112,340	732,848,257	389,483,832	6,587,362,251
Other Payables	233,460,746	38,910,124	194,550,622	-	-
Other Liabilities	2,373,189	2,373,189	-	-	-
Total	166,991,427,796	131,154,452,072	927,398,879	4,180,499,895	12,467,446,159



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

C. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and other assets prices that will affect the Bank income or the value of its holding of financial instruments. Market risk arises from open position in interest rates, currency and equity products all of which are exposed to general and specific market movement and changes in the level of volatility of the market rates or interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within the acceptable parameters, while optimizing the return.

i) Currency Risk:

Currency risk is the risk, where the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign exchange reserves management function. The investment committee reviews the currency composition of the reserve and monitors the Bank's compliance with the limits established for foreign currency positions by the board. The major holding of foreign currency assets are denominated in USD, INR, GBP, EURO and AUD.

The summary quantitative data about the Bank's exposure to currency risk at the reporting period was as follows:

PARTICULARS	USD	AUD	EUR	GBP	CNY	CAD	SDR
	51.55%	7.51%	6.31%	4.97%	2.41%	1.68%	1.40%
Cash Balances	4,454,743	120,465	757,030	177,855	1,191,353	247,145	-
Demand Deposits	473,614,877	27,426,106	33,466,588	22,630,895	-	11,876,664	-
Time Deposit	1,757,854,068	315,995,115	206,705,316	141,410,785	735,309,984	74,714,650	-
Govt. & Other Debt Securities	159,985,721	-	-	-	-	-	-
Other Investments	24,982,918	69,990,745	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	46,171,067
Bills Purchased	18,100	-	-	-	-	-	-
Other Receivables	3,775,756	1,170,332	179,461	87,341	1,618,165	115,031	-
Gold Investment	11,681,332	-	-	-	-	-	-
Total Financial Assets	2,436,367,515	414,702,763	241,108,395	164,306,876	738,119,502	86,953,490	46,171,067
Deposit of Banks & FIs	14,370,646	108,616	1,199,798	360,251	-	-	-
Deposit Others	6,039	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	68,099,599
Loan from IMF	-	-	-	-	-	-	59,527,000
Other Liabilities	26,427,821	-	-	-	-	-	-
Bills Payables	16,211	-	-	-	-	-	-
Total Financial Liabilities	40,820,717	108,616	1,199,798	360,251	-	-	127,626,599
Net Financial Position Exposure	2,395,546,798	414,594,147	239,908,597	163,946,625	738,119,502	86,953,490	-81,455,532



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 23.83% of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 1.74% of the total foreign currency reserve.

Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD and SDR against Nepalese rupee at the end of reporting period would have been affected in measurement of financial instruments denominated in a foreign currency and increased (decreased) in profit or loss by the amount shown below. This analysis is based on foreign exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast cash flows.

CURRENCY	Impact on Profit or Loss In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 31st Ashadh 2070		For the Year Ended 31st Ashadh 2069	
	Strengthening	Weakening	Strengthening	Weakening
USD	24,315,316,008	(24,315,316,008)	18,205,081,953	(18,205,081,953)
AUD	3,563,851,282	(3,563,851,282)	3,555,394,693	(3,555,394,693)
EUR	2,976,785,877	(2,976,785,877)	3,383,047,662	(3,383,047,662)
GBP	2,353,617,748	(2,353,617,748)	2,159,560,843	(2,159,560,843)
CNY	1,142,608,990	(1,142,608,990)		
CAD	794,667,940	(794,667,940)	415,631,221	(415,631,221)
SDR	(1,170,735,925)	1,170,735,925	(173,935,409)	173,935,409
Total	33,976,111,922	(33,976,111,922)	27,544,780,963	(27,544,780,963)

ii) Interest Rate Risk:

Interest rate risk is the risk that the value of financial assets will fluctuate due to change in market interest rate. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

The Board sets limits on the level of mismatch of interest rate re-pricing which is monitored daily by the Bank Treasury.

The Bank kept substantial investments on short-term loans thereby controlling the interest rate risk to significant extent. The interest rate profile of the interest bearing financial instruments was as below:

PARTICULARS	Weighted Average Interest Rate %	As on 31 st Ashadh 2070	As on 31 st Ashadh 2069
Interest Sensitive Financial Assets			
Bank Balance	0.25	42,637,245,716	21,779,942,504
Investment in Foreign Currency	2.57	402,659,098,407	364,600,510,228
IMF Related Assets	0.12	6,636,028,947	7,368,831,080
Government Securities		16,481,630,354	28,785,520,416
Other Investments	7.42	15,519,464,773	11,821,010,000
Refinance & Loans	5.97	6,940,638,486	459,980,000
Total Interest Sensitive Financial Assets		490,874,106,683	434,815,794,228
Interest Sensitive Financial Liabilities			
IMF Related Liabilities	0.12	18,343,388,194	18,261,630,791
Total Interest Sensitive Financial Liabilities		18,343,388,194	18,261,630,791
Net Interest Sensitive Financial Position		472,530,718,489	416,554,163,437

iii) Other Market Prices Risk

Equity price risk arises from available-for-sale equity securities as well as investment at fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 13 institutions. All the investments were measured at cost except in one case where the shares were listed and closing price was available hence such shares were measured at fair value.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Classification and Fair Value of Financial Assets

The fair value of financial assets and liabilities together with the carrying amounts as at the yearend were as follows:

PARTICULARS	Fair Value through P/L	Available for Sale	Held to Maturity	Loans & Receivable	Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Bank Balance				23,947,475,596		23,947,475,596	23,947,475,596
SDR of IMF				7,368,831,080		7,368,831,080	7,368,831,080
Foreign Government Securities		23,033,736,538	87,668,050,160			110,701,786,698	110,701,786,698
GON Securities		27,967,848,265	817,672,151	4,900,523,150		33,686,043,566	33,686,043,566
Equity Instruments:							-
Measured at Fair Value		120,897,600				120,897,600	120,897,600
Measured at Cost		84,482,500				84,482,500	NA
Gold Investment	10,858,431,055					10,858,431,055	10,858,431,055
Other Investment:							-
Measured at Fair Value	43,891,046,088	10,129,211,498				54,020,257,586	10,129,211,498
Measured at Amortized Cost			199,562,469,889	253,400,000		199,815,839,885	243,706,885,977
Loans and Refinance				4,586,972,914		4,586,972,914	NA
Other Receivables				5,761,557,639		5,761,557,639	5,761,557,639
Total Financial Assets	54,749,477,144	72,194,607,455	331,939,208,288	46,818,760,379	-	450,952,576,122	
Bank & Other Agencies Deposit						118,441,011,516	118,441,011,516
Liability towards IMF					18,261,630,791	18,261,630,791	18,261,630,791
IMF Related Deposit					5,880,083,908	5,880,083,908	5,880,083,908
GON Deposit					10,989,296,158	10,989,296,158	10,989,296,158
Other Deposit					3,800,545,063	3,800,545,063	3,800,545,063
Staff Liabilities					8,532,806,680	8,532,806,680	8,532,806,680
Bills Payables					850,219,745	850,219,745	850,219,745
Other Liabilities					235,833,935	235,833,935	235,833,935
Total Financial Liabilities	-	-	-	-	166,991,427,796	166,991,427,796	166,991,427,796
Net Financial Position	54,749,477,144	72,194,607,455	331,939,208,288	46,818,760,379	(166,991,427,796)	283,961,148,326	



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

14. Employees Benefits

(I) Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and level of compensation. These post-employment benefits plans are 'Gratuity or Pension Plan', 'Staff Security Plan' and 'Leave Encashment Plan'. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; that benefit is discounted to determine its present value. The bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan' and 'Staff Security Plan' is calculated by a qualified actuary once in every three years using projected unit credit method. The previous actuarial valuation of the obligations was done in 2010 and accordingly during the year the obligation is calculated by a qualified actuary. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid. In case of the 'Leave Encashment Plan', employees are entitled to accumulate maximum of 120 days leave which shall be paid at the retirement and leave excess of 120 days is en-cashed by employees during the year in which the related service is rendered. The obligation in respect of leave encashment is measured by the management on the basis of best estimation.

The gratuity or pension plan and staff security plan are funded plan wherein the bank makes earmarked investment out of fund created for these plans. Interest income on gratuity or pension plan is credited the fund whereas interest income of staff security plan is recognized as income of the bank. Leave encashment is not a funded plan.

Amount Recognized in the Statement of Financial Position

PARTICULARS	As on 31st Ashadh 2070			As on 31st Ashadh 2069		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Present Value of Obligations	5,919,408,145	1,468,349,389	715,584,569	6,333,263,487	1,084,937,844	607,072,254
Fair Value of Plan Assets	6,509,211,932	1,008,401,869	-	3,683,430,000	689,090,000	-
NetAsset / (Liability)	589,803,787	(459,947,520)	(715,584,569)	(2,649,833,487)	(395,847,844)	(607,072,254)



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Changes in Fair Value of Defined Benefit Obligation

PARTICULARS	For the Year Ended 31st Ashadh 2070			For the Year Ended 31st Ashadh 2069		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Opening Obligation	6,333,263,487	1,084,937,844	607,072,254	3,560,217,718	752,691,243	517,541,102
Current Service Cost	84,770,830	85,966,148	132,164,065	2,443,952,922	357,611,944	134,244,512
Interest Cost	489,396,086	82,673,336	54,636,503	320,419,595	67,742,212	46,578,699
Actuarial Losses (Gains)	(556,397,423)	317,814,348	-	-	-	-
Losses (Gains) on Curtailments	-	-	-	-	-	-
Benefits Paid	(431,624,835)	(103,042,287)	(78,288,252)		93,107,555	(91,292,059)
Closing Obligation	5,919,408,145	1,468,349,389	715,584,569	6,333,263,487	1,084,937,844	607,072,254

Changes in Fair Value of Plan Assets

PARTICULARS	For the Year Ended 31st Ashadh 2070		For the Year Ended 31st Ashadh 2069	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	3,683,430,000	686,090,000	2,510,384,231	656,142,300
Expected Return	387,984,307	67,779,675	40,8768,288	-
Actuarial Gains (Losses)	107,780,803	(67,779,675)	-	-
Distribution on Settlements	-	-	-	-
Contribution by Employer	2,764,372,517	425,354,156	1,164,372,517	125,354,156
Benefits Paid	(431,624,835)	(103,042,287)	(400,095,036)	(95,406,456)
Closing Fair Value	6,511,942,792	1,008,401,869	3,683,430,000	686,090,000



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Amount Recognized in the Statement of Comprehensive Income

PARTICULARS	For the Year Ended 31st Ashadh 2070			For the Year Ended 31st Ashadh 2069		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Current Service Cost	84,770,830	85,966,148	132,164,065	2,443,952,922	357,611,944	134,244,512
Interest Cost	489,396,086	82,673,336	54,636,503	320,419,595	67,742,212	46,578,699
Expected Return on Plan Asset	(387,984,307)	(67,779,675)	-	-	-	-
Past Service Cost	-	-	-	-	-	-
Curtailments & Settlements	-	-	-	-	-	-
Total Employee Benefit Expense	186,182,609	100,859,809	186,800,587	2,764,372,517	425,354,156	180,823,211

Amount Recognized in the Other Comprehensive Income

PARTICULARS	For the Year Ended 31st Ashadh 2070		For the Year Ended 31st Ashadh 2069	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Actuarial gain/(loss) on Obligation	556,397,423	(317,814,348)	-	-
Actuarial (gain)/loss on Plan Assets	(107,780,803)	67,779,675	-	-
Total (gain) / loss for the year	(664,178,226)	385,594,023	-	-

Major Categories of Plan Assets as a Percentage of Total Plans

PARTICULARS	For the Year Ended 31st Ashadh 2070		For the Year Ended 31st Ashadh 2069	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	99.49%	98.08%	100%	100%
Others	0.41%	1.92%	0%	0%
Total	100%	100%	100%	100%



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Principal Actuarial Assumption at the end of the reporting period

PARTICULARS	For the Year Ended 31st Ashadh 2070		For the Year Ended 31st Ashadh 2069	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	9%	9%
Expected Return on Plan Asset	8%	8%	9%	9%
Future Salary Increase	7.5%	7.5%	5%	5%
Future Pension Increase	5%	5%	3.33%	3.33%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%

15. Reserves

The Bank has maintained different reserves and fund. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act 2058. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount annually allocated by the Board of Directors out the each year's profit to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of profit to these reserves and funds. The details of statutory and other reserve and funds are as follows:

I. Statutory Reserves:

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section an amount equals to five percent of the net profit of each year shall be allocated from the profit and kept in such reserve unless the amount kept reaches to five percent of the total monetary liability of the Bank shown in the balance sheet. Accordingly, an amount equals to five percent of net profit available for appreciation has been allocated to the reserve. The amount deposited in such reserve shall be used only for the purpose of fulfilling the financial liability of the Bank. This year Rs. 420,398,100 was appropriated to this fund.

b) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net profit of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, the Board of Directors has appropriated an amount equal to 10% of the net profit available for appropriation plus amount of capital budget of the Bank for the year which is Rs. 1,357,537,200 was appropriated during the year. The amount allocated to this reserve shall be used only for the purpose of recovering the loss.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

c) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (gha) of the NRB Act and per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. The reserve represents net exchange gains on various foreign currency assets and liabilities. An amount of Rs. 15,562,870,559 which is equivalent to net exchange gain was appropriated from/to net profit to this fund during the year.

d) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (gha) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net profit of the year accordingly net loss on revaluation of Rs. 1,653,891,818 was debited to this fund.

II. Other Reserve and Funds

Board of Directors of the Bank is authorized by section 41 (2) of the NRB Act to appropriate the remaining profit in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive 2065 of the Bank and the Board of Directors appropriate some part of the net profit available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose the reserve or fund as mentioned in the Account Directive 2065. The following reserves/funds have been maintained:

a) Development Fund

This is the specific fund created as per Account Directive in order to provide support for loans and refinances to Banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. Earmarked investment of this fund has been made. Annually, the amount appropriated by Board of Directors has kept under this fund. Accordingly an amount of Rs. 6,400,000,000 (P.Y. Rs. 40,000,000) has been allocated to this fund during the year.

b) Banking Development Fund:

This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly, an amount of Rs. 74,070,681 (P.Y. Rs. 68,783,806) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund:

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net profit of the projects is allocated to this fund annually. Accordingly, an amount of Rs. 14,918,300 (P.Y. Rs. 15,537,500) has been allocated to this fund during the year. Earmarked investment of this fund has been made.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

d) Mechanization Fund:

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. Accordingly, an amount of Rs. 200,000,000 (P.Y. Rs. 400,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund:

This fund was created to meet the amount required from time to time for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank. However, no amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

f) Mint Development Fund:

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. However, no amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Gold Replacement Fund:

This fund has been created for replacing the gold / silver sold during the year. An amount equals to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of Rs. 175,675,657 (P.Y. Rs. 187,950,550) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh):

This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year. Earmarked investment of this fund has been made.

i) Employees Welfare Fund:

This fund was created in Nepali FY 2015/16 for the welfare of the employees who have suffered financial and other losses due to unprecedented events and any other reasons.

16. Prior Period Errors

As stated in para 7 (c) of the significant accounting policy, the prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into excess booking of expense in previous year by Rs. 2,811,824 than by the reported figure of the previous year expense. This resulted into decrease in profit of previous year by the said amount and has been shown in previous year reserve account as deficit due to restatement of prior period errors and has been adjusted with current year profit available for appropriation.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

17. Currency in Circulation

The currency in circulation at the end of the reporting period included cash-in-hand Rs.4,438,298,077 (P.Y. Rs.2,088,238,302). The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

DENOMINATION	As on 31st Ashadh 2070 NRs.	As on 31st Ashadh 2069 NRs.
1	161,796,166	162,329,011
2	188,203,704	190,308,574
5	1,511,094,650	1,316,166,325
10	2,205,019,320	1,883,219,030
20	2,495,754,660	2,294,215,860
25	59,515,500	61,003,275
50	3,999,580,550	3,761,416,000
100	9,657,201,200	8,910,495,300
250	87,836,250	88,034,375
500	63,628,178,000	61,466,678,250
1000	149,465,820,000	121,116,134,000
Total	233,460,000,000	201,250,000,000

The above liability is backed by securities as mentioned in Note 19 of the financial statements

18. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of Gold and Other Precious Metals, Foreign Currencies and Securities denominated in Foreign currency, Special Drawing Rights, Bill of Exchange, Promissory Note, Certificate of Deposit, Bonds, and Other Debt Instrument payable in convertible foreign currencies etc. The Bank also maintains the record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

(in Rs. billion)

PARTICULARS	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	340.83	285.68
Non-Convertible Foreign Currency	112.17	89.83
Gold Reserve	14.20	10.85
Special Drawing Rights	6.64	7.37
Sub Total	473.84	393.73
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	72.32	59.16
Non-Convertible Foreign Currency	6.23	5.20
Sub Total	78.55	64.36
Total Foreign Exchange Reserve of Banking System	552.39	458.09



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Instrument wise Investment of Foreign Exchange Reserve of the Banking System in terms of percentage of Total Reserve is as follows:

PARTICULARS	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	6.15	3.15
Indian Treasury Bills	18.49	19.75
BIS FIXBIS	0.95	1.67
Bonds/Notes	0.25	0.21
Mid Term Instrument	2.81	1.85
Call Deposits	15.67	13.22
Time Deposit	51.65	55.40
Gold Deposit	2.85	3.14
Special Drawing Rights	1.20	1.61
Total	100.00	100.00

19. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of five projects, namely, Poverty Alleviation Project in Western Terai (PAPWT), Micro-Credit Project for Women (MCPW), Production Credit for Rural Women Project (PCRW), Third Livestock Development Project (TLDP) and Raising Income of Small and Medium Farmers Project (RISMFP) which were run, during the reporting period, under subsidiary loan agreements with GON or project agreements with other funding agencies were consolidated with the Bank's financial statements. The Financial Position and Income statements of these projects are as below:

For the Year ended 31st Ashadh 2070

Statement of Financial Position

PARTICULARS	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
Equity & Liabilities						
Reserve & Surplus	(476,865)	1,218,660	10,122,209	7,810,951	1,064,079	19,739,034
Loans	73,000,000	67,103,148	118,650,000	58,648,236	8,439,000	325,840,383
Accounts Payable	-	335,516	476	390,988		726,980
Total Equity & Liabilities	72,523,135	68,657,323	128,772,685	66,850,175	9,503,079	346,306,397
Assets						
Loan to PFIs	7,423,014	-	-	36,275,974	-	43,698,988
Investment	-	29,206,405	-	-	-	29,206,405
Other Receivables	101	697,758	1	-	-	697,860
Cash and Bank Balance	65,100,021	38,753,160	128,772,684	30,574,202	9,503,079	272,703,145
Total Assets	72,523,135	68,657,323	128,772,685	66,850,175	9,503,079	346,306,397



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Statement of Comprehensive Income

PARTICULARS	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
A. Income						
Interest Income:	1,812,305	3,863,474	14,214,473	4,766,746	-	24,656,998
From Loan to PFIs	495,160	3,863,474		1,282,484		5,641,118
On Investment	1,317,145		14,214,473	3,484,262		19,015,880
Loan Loss Prov. Written back	65,080		823,236	81,428		969,744
Other Income		-			644,053	644,053
Total Incomes	1,877,385	3,863,474	15,037,709	4,848,174	644,053	26,270,795
B. Expenditure						
Administrative Expenses		152,507				152,507
Interest Expenses	2,354,250	2,492,307	4,915,500	1,270,712		11,032,769
Provision for Service Charge						-
Loan Loss Provision						-
Depreciation						-
Total Expenses	2,354,250	2,644,814	4,915,500	1,270,712	-	11,185,276
Surplus (Deficit) (A-B)	(476,865)	1,218,660	10,122,209	3,577,462	644,053	15,085,519

For the Year ended 31st Ashadh 2069**Statement of Financial Position**

PARTICULARS	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
Equity & Liabilities						
Reserve & Surplus	6,607,118	17,726,774	31,814,564	16,943,208	420,025	73,511,690
Loans	80,300,000	79,303,720	124,300,000	70,377,883	8,439,000	362,720,603
Accounts Payable	16,950	413,469	17,426	486,136	-	933,981
Total Equity & Liabilities	86,924,068	97,443,963	156,131,990	87,807,227	8,859,025	437,166,273
Assets						
Loan to PFIs	13,865,974	-	-	44,337,301	-	58,203,275
Investment	-	29,472,108	130,000,000	21,500,000	-	180,972,108
Other Receivables	427,375	1,045,648	3,434,389	526,014	-	5,433,425
Cash and Bank Balance	72,630,719	66,926,207	22,697,602	21,443,912	8,859,025	192,557,466
Total Assets	86,924,068	97,443,963	156,131,990	87,807,227	8,859,025	437,166,273



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Statement of Comprehensive Income

PARTICULARS	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
A. Income						
Interest Income:	6,337,609	7,825,862	14,930,420	5,218,519	-	34,312,410
From Loan to PFIs	793,316	7,825,862		1,526,767		10,145,945
On Investment	5,544,293		14,930,420	3,691,753		24,166,465
Loan Loss Prov. Written back				19,250		19,250
Other Income	19,250	19,250	19,250	19,250	420,954	497,954
Total Incomes	6,356,859	7,845,112	14,949,670	5,257,019	420,954	34,829,614
B. Expenditure						
Administrative Expenses	18,450	18,450	18,450	18,450	928	74,728
Interest Expenses	2,573,250	2,858,324	5,141,500	2,052,688		12,625,762
Provision for Service Charge						-
Loan Loss Provision	6,301,637					6,301,637
Depreciation						-
Total Expenses	8,893,337	2,876,774	5,159,950	2,071,138	928	19,002,128
Surplus (Deficit) (A-B)	(2,536,478)	4,968,338	9,789,720	3,185,881	420,025	15,827,486

The two projects namely; Community Ground Water Irrigation Sector Project (CGISP) and Rural Self Reliance Fund (RSRF) which were run by the bank on behalf of the GON. The assets, liabilities, equity, income and expense of such projects were not consolidated in the accounts of the Bank. The Financial Position and Income Statements of these projects are as below:

Statement of Financial Position

PARTICULARS	As on 31st Ashadh 2070		As on 31st Ashadh 2069	
	CGISP	RSRF	CGISP	RSRF
Equity				
Capital Contribution **	17,548,370	443,400,000	17,548,370	443,400,000
Surplus	84,575,251	117,820,278	74,695,056	111,003,585
Financial Risk Fund	5,200,000		5,200,000	
Long- term Liabilities				
Loan from ADB - Non-Current Portion	157,229,351		163,919,961	
Current Liabilities and Provision				
Loan from ADB - Current Portion	43,488,969		36,798,359	
Service Charge due on Loan from ADB	14,951,427		12,944,244	
Loan Loss Provision	1,294,384	25,988,317	1,551,076	21,251,324
Accounts Payable	324,944	47,512,647	342,044	34,503,269
Total Equity & Liabilities	324,612,697	634,721,242	312,999,109	610,158,178
Assets				
Non-Current Assets				
Fixed Assets	83,730	189,466	111,640	339,609
Loan to PFI- Non Current Portion	106,449,668	453,367,139	132,485,502	97,026,405
Investment				60,000,000
Current Assets				
Interest Receivables	300	18,852,496	456,552	11,616,726
Loan to PFI-current portion	22,988,774	83,020,213	22,622,049	338,985,455
Cash and cash equivalents	195,090,226	79,291,928	157,323,367	102,189,983
Total Assets	324,612,697	634,721,242	312,999,109	610,158,178



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

** Capital Contribution in case of RSRF includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'Other investment' under schedule 8 of the financial statements.

Statement of Comprehensive Income

PARTICULARS	As on 31st Ashadh 2070		As on 31st Ashadh 2069	
	CGISP	RSRF	CGISP	RSRF
A. Income				
Interest Income:	11,751,679	31,798,270	18,267,463	35,749,333
From Loan to PFIs	7,351,358	21,596,766	8,482,212	19,372,439
On deposit with banks	4,400,322	7,838,376	9,785,251	10,356,347
On Investment		2,363,128		6,020,547
Loan Loss Provision Written back	256,691	118,529	251,245	48,771
Total Incomes	12,008,370	31,916,799	18,518,708	35,798,104
B. Expenditure				
Administrative Expenses	93,082	20,212,968	107,430	16,263,646
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision	-	4,736,944	-	3,474,282
Depreciation	27,910	150,143	27,910	84,902
Total Expenses	2,128,175	25,100,105	2,142,523	19,822,830
Surplus (Deficit) (A-B)	9,880,195	6,816,694	16,376,185	15,975,274

20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Ashadh 2070 as records of the bank was a surplus balance of Rs. 516,084,944 (P.Y. Rs. 10,989,296,158.6). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's Office shall be insignificant and will not have material impact on financial position.

21. Transaction with the International Monetary Fund (IMF)

The Bank transacts with IMF as an agent of the Government in respect of quota where in case of Special Drawing Rights (SDRs), Loans etc. from them it transacts in its own right. The IMF revalues quota at the end of April every year and gains or losses arising from such revaluation relating to quota are borne by Government. In case of other transactions such gain/losses are borne by NRB. The Basic policies followed by the NRB on such accounts are as follows:

- Country's quota with the IMF is recorded by the Bank as depository of the Government and exchange gain/loss arising on quota are borne by Government.
- Exchange gains or losses in respect of borrowings under ECF and other facilities of the IMF, allocation of SDRs and holding of SDRs are recognized in the Income Statement.

The position of Nepal's account with the IMF account is presented as below:



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Financial Position in the Fund

PARTICULARS	As on 31st Ashadh 2070		As on 31st Ashadh 2069	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
Special Drawing Right:				
Net cumulative allocation	9,787,751,065	68,099,599	9,108,185,167	68,099,599
Holdings	6,636,028,947	46,171,067	7,368,831,080	55,094,888
Outstanding Purchases & Loans:				
RCF Loans	4,099,094,040	28,520,000	3,814,492,960	28,520,000
ECF Arrangements	4,456,543,089	31,007,000	5,338,952,664	39,918,000
Other Information	Percent of Quota		Percent of Quota	
Quota	100.00	71,300,000	100.00	71,300,000
Currency Holding	99.98	71,283,862	99.98	71,283,862
Reserve Tranche Position	0.03	21,774	0.03	21,774

The SDR is converted into Nepalese rupees at conversion rate of NRs 143.727 (P.Y. Nrs. 133.748) per SDR.

Financial position in the IMF as on April 30, 2013 and comparative position as on April 30, 2012 has not been presented. However, such information is available in IMF website (www.imf.org).

22. Number of Employees

The number of employees holding office at the yearend was 1,388 (PY 1,388).

23. Events Occurred after Balance Sheet Date

- i. The change in exchange rates of various foreign currencies after the yearend resulted in decline as of date in net foreign currency assets, exchange equalization fund and net profit/(loss) for the period. The decrease is estimated to be Rs. 24,696,825,580 as of the date of issuing the financial statements.
- ii. The change in market price of Gold investment (other than inventories) after the yearend resulted in increase in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The increase is estimated to be Rs. 858,980,923 as of the date of issuing the financial statements.
- iii. The changes in market price of investment in equity shares of Citizen Investment Trust after the yearend resulted in increase in value of investments in shares and an increase in the Fair Value Reserve. The increase is estimated to be Rs. 228,669,480 as of the date of issuing the financial statements.
- iv. In addition to above, there was no material event occurred subsequent to the balance sheet date that requires adjustments or disclosure in the financial statements.



NEPAL RASTRA BANK