



नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
Central Office
Baluwatar, Kathmandu

FOREWORD

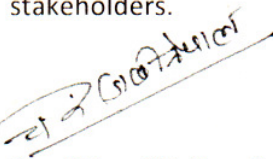
Nepal Rastra Bank is committed to making the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058. As per our commitment and requirement of the Act, NRB prepares annual report for each fiscal year, which includes the balance sheet, income statement and the particulars relating to it.

This report consists of the audited Statement of Financial Position of the Bank as of 31st Asadh 2073 (15th July 2016), 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 integral part of the financial statements .

This Financial Statements on Nepal Rastra Bank's Annual Accounts for the fiscal year 2072/73 B.S. (2015/16) 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.

I express my heartfelt gratitude to the statutory auditors – Office of the Auditor General, CA Sunir Kumar Dhungel and CA Mahesh Khanal for their valuable suggestions and observations. I would also like to thank all the concerned staffs and expert committee members for their explicit contributions and efforts during the preparation and publication of this Financial Statements.

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. Chiranjibi Nepal)



महालेखापरीक्षकको कार्यालय Office of the Auditor General

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बबरमहल, काठमाडौं नेपाल
Babar Mahal, Kathmandu, Nepal

To, Ref. No - 2073/74-256
The Governor
Nepal Rastra Bank
Baluwatar, Kathmandu



Date: January 13, 2017

AUDIT REPORT

1. Report on Annual Financial Statements

We have audited the accompanying Statement of Financial Position of Nepal Rastra Bank (NRB) as of Ashad 31, 2073 (July 15, 2016), the related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory notes forming the part of the financial statements.

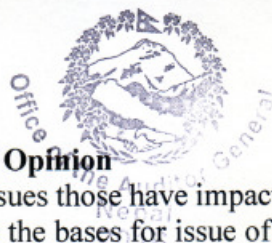
2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), international Accounting Standards (IAS) and for such internal control systems as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 (NSA) & Relevant practices and International Standards on Auditing (ISA), wherever applicable, and the audit guidelines issued by the Office of Auditor General of Nepal (OAGN). Those standards or relevant practices require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, But not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence that we obtained is sufficient and appropriate to provide a basis for or qualified audit opinion.



4. Basis for Qualified Opinion

The following are issues those have impact on financial position and operating results of NRB and provide the bases for issue of qualified audit opinion:

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

4.1 Non-compliance with IFRS – 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:

a) Liability for staff retirement benefit

Whereas IAS 19 does not permit deferring of provision for defined benefit plans for employees and does require actuarial loss or gain to be taken as other comprehensive income, there was short provision of NPR 685.25 million and the actuarial loss was taken to profit or loss.

b) Summarized financial information of associates

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 was not presented.

c) Financial information of Subsidiaries

Whereas IAS 27.9 requires presentation of consolidated financial statements upon consolidating the accounts of subsidiaries, such statement was not presented.

d) Investments - 'Held to maturity'

Whereas IAS 39.46 requires the investment held to maturity to be amortized using effective interest rate method, investments in Government Treasury Bills with the total value of NPR 16.099 billion has not been classified as Investment under 'Held to maturity' and not amortized accordingly.”

4.2 Investment in Share – Whereas Section 7 of the Act sets statutory limit for investment in shares of 10% of paid-up capital of respective company, the investment in shares was in excess of the limit in the case of six companies which exceeded the statutory limit.

4.3 Appropriation of Profit - Whereas Section 41 of the Act requires appropriation of profit to be based on Net Profit, however, profit was appropriated on the basis of the balance of profit after transferring certain items to related Reserve Funds, which included exchange gain, gain on sale gold and silver and gain on revaluation of investments.

4.4 Coins-in-Circulation - Whereas Section 59 of the Act requires coins-in-circulation to be treated as monetary liability, the same was instead treated as income.

4.5 Financial Assistance - 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 NPR 253.40 million was invested in the Rural Self Reliance Fund.

4.6 Credit to the government - 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.

4.7 Contribution to IMF - 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 NRs, 4.87 billion were issued against Nepal's quota of contribution to IMF.

4.8 Deposit Liability - The balance in the account of the Government of Nepal NPR 127.38 billion as Deposit liability was pending confirmation from the Office of Financial Comptroller General. 2073 (July 15, 2016)

4.9 Equity of the transactions - We were not able to quantify the impact on the Equity of the transactions not reconciled with branches amounting to NPR 186.61 million which was included in Other Sundry Liabilities.

4.10 Physical Verification of Gold & Silver- Though physical verification of gold and silver with currency management department was carried out during FY 2072-73, quantity and quality of gold was not tested during the course of verification and quantity of gold was taken on the basis of available records. Thus, amount shown as Gold and Silver stock of NPR 1.66 billion (Gold 2,615,138 gm and Silver 126,172,309 gm) does not represent the true value.

5. Management Letter

A separate Management Letter consisting of additional audit observations has been issued to the management for improvement.

6. Qualified opinion

In our opinion, except for the effects of the matters described in above paragraphs-point no 4.1 to 4.10, the financial statements give true and fair view of the financial position of Nepal Rastra Bank as of Ashad 31, and its financial performance, its cash flows and changes in the equity for the year then ended in accordance with IAS / IFRS, relevant practice and prevailing Laws.



Mohdatta Timilsina
Deputy Auditor General



NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
As on 31st Asar, 2073 (15th July, 2016)

PARTICULARS	Note	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	1	22,345,320,713	36,536,975,471
IMF Related Assets : Special Drawing Right Holdings		2,416,907,139	4,119,794,209
Investments	2	893,090,109,317	686,405,859,194
Other Receivables		1,936,113,293	1612794945
Total Foreign Currency Assets		919,788,450,462	728,675,423,819
Local Currency Financial Assets			
Cash and Bank Balances		4,867,227,429	3703331845
Investments in Government Securities	3	21,279,362,917	23,393,930,517
GON Overdraft		-	-
Investments in Financial and Other Institutions	4	3,432,021,870	2,407,211,888
Other Investments	5	17,581,096,923	15,096,487,000
Loans & Receivables and Refinance	6	11,089,698,993	7,918,102,710
Other Receivables	7	3,101,260,165	2,933,278,319
Sub-Total		61,350,668,297	55,452,342,279
Other Assets			
Gold and Silver Stock	8	1,662,294,680	1,713,541,745
Other Inventories	9	1,486,003,561	2,101,384,476
Property, Plant & Equipment	10	868,002,056	763,066,404
Intangible Assets	11	161,594,152	184,936,117
Other Assets		660,992,763	357,108,080
Sub-Total		4,838,887,212	5,120,036,822
Total Local Currency Assets		66,189,555,509	60,572,379,101
Total Assets		985,978,005,971	789,247,802,920

Contingent Assets 22c

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

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(Mr. Mohadatta Timilsina)
Deputy Auditor General

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Mr. Chinta Mani Siwakoti
(Deputy Governor)

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Mr. Shiba Raj Shrestha
(Deputy Governor)

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(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

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(CA. Mahesh Khanal)
Chartered Accountant
Kathmandu

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Dr. Sri Ram Poudyal
(Board Member)

.....
Dr. Ram Hari Aryal
(Board Member)

.....
Mr. Bal Krishna Man Singh
(Board Member)

(Restricted as per the Interim Order of Supreme Court vide
letter dated 2073/08/24)

Date: 2073/09/11
Place : Kathmandu



NEPAL RASTRA BANK
Statement of Financial Position
As on 31st Asar, 2073 (15th July, 2016)

PARTICULARS	Note	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	12	3,815,158,637	3,119,269,500
IMF Related Liabilities	13	14,607,565,581	15,690,325,500
Other Liabilities	14	199,696,300	340,593,703
Total Foreign Currency Liabilities		18,622,420,518	19,150,188,703
Local Currency Financial Liabilities			
IMF Related Deposit Liabilities	15	9,181,784,449	8,361,984,449
GON Deposit		133,832,156,252	34,529,399,452
Deposit and Other Balances	16	211,553,839,667	203,998,489,372
Bills Payable		1,122,218,355	388,903,157
NRB Bond		49,080,000,000	-
Staff Liabilities	17	19,629,587,646	15,934,081,941
Other Payables	18	517,224,507	65,531,046,992
Sub-Total		424,916,810,876	328,743,905,363
Other Liabilities			
Currency in Circulation	19	386,160,000,000	319,080,000,000
Surplus Payable to GoN		7,250,000,000	7,000,000,000
Sundry Liabilities	20	6,377,186,385	4,155,986,285
Sub-Total		399,787,186,385	330,235,986,285
Total Local Currency Liabilities		824,703,997,261	658,979,891,648
EQUITY			
Capital		3,000,000,000	3,000,000,000
Reserves	21	139,651,588,192	108,117,722,569
Total Equity		142,651,588,192	111,117,722,569
Total Liabilities and Equity		985,978,005,971	789,247,802,920

Contingent liabilities and commitments

22b

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

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(Mr. Mohadatta Timilsina)
Deputy Auditor General

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Mr. Chinta Mani Siwakoti
(Deputy Governor)

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Chartered Accountant
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(CA. Mahesh Khanal)
Chartered Accountant
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Dr. Sri Ram Poudyal
(Board Member)

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Dr. Ram Hari Aryal
(Board Member)

.....
Mr. Bal Krishna Man Singh
(Board Member)
(Restricted as per the Interim Order of Supreme Court vide
letter dated 2073/08/24)

Date: 2073/09/11
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st Asar, 2073 (15th JULY, 2016)

PARTICULARS	Note	For the Year Ended 31-3-2073 NRs.	For the Year Ended 31-3-2072 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	23	20,622,652,065	17,359,935,344
Commission Income	24	1,649,673	16,827,248
Sub-Total		20,624,301,738	17,376,762,592
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	25	6,896,728	5,895,791
Agency and Service Charge	26	6,012,724	27,075,395
Sub-Total		12,909,452	32,971,186
Net Income from Foreign Currency		20,611,392,286	17,343,791,406
Income from Local Currency Financial Assets			
Interest Income	23	615,595,198	974,441,197
Commission Income	24	62,213,635	54,382,228
Sub-Total		677,808,833	1,028,823,425
Expenses on Local Currency Financial Liabilities			
Interest Expenses	25	682,802,929	143,576,270
Agency and Service Charge	26	192,392,656	157,958,682
Sub-Total		875,195,585	301,534,952
Net Income from Local Currency Financial assets		(197,386,752)	727,288,473
Other Operating Income	27	680,666,467	386,210,776
Total Net Operating Income		21,094,672,001	18,457,290,655
General, Administrative Expenses & Provisions	28	7,192,530,685	7,693,461,579
Profit before Foreign Exchange and Revaluation Gain/(Loss)		13,902,141,316	10,763,829,076
Net Foreign Exchange Gain		18,143,580,010	2,528,753,969
Net Gold and Silver Revaluation Gain/(Loss)		5,708,576,716	(1,224,363,057)
Securities Revaluation Gain/(Loss)		4,830,707	(858,021)
NET PROFIT FOR THE YEAR		37,759,128,749	12,067,361,967
Other Comprehensive Income			
Changes in Fair Value of Investment in Equity Instruments		1,024,809,982	878,301,218
Actuary Gain on Defined Benefit Plan of Employee Benefit		-	(278,584,203)
Other Comprehensive Income for the Year		1,024,809,982	878,301,218
TOTAL COMPREHENSIVE INCOME		38,783,938,731	12,945,663,185

Notes 23 to 28 are Integral Parts of the Statement of Comprehensive Income

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

.....
Mr. Chinta Mani Siwakoti
(Deputy Governor)

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Mr. Shiba Raj Shrestha
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(CA. Sunir Kumar Dhungel)
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(Mr. Mohadatta Timilsina)
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Dr. Sri Ram Poudyal
(Board Member)

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Dr. Ram Hari Aryal
(Board Member)

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(CA. Mahesh Khanal)
Chartered Accountant
Kathmandu

.....
Mr. Bal Krishna Man Singh
(Board Member)
(Restricted as per the Interim Order of Supreme Court vide
letter dated 2073/08/24)

Date: 2073/09/11
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st Asar, 2073 (15th JULY, 2016)

PARTICULARS	For the Year Ended 31-3-2073 NRs.	For the Year Ended 31-3-2072 NRs.
Cash Flow From Operating Activities:		
Total Comprehensive Income for the Year	38,783,938,731	12,945,663,185
Adjustments:		
Gold and Silver Revaluation (gain)/loss (Net)	(5,708,576,716)	1,224,363,057
Revaluation (Gain) or Loss on Foreign Exchange	(17,929,777,630)	(2,290,312,874)
Securities Revaluation Gain	(1,029,640,689)	(877,443,197)
Depreciation & Amortisation	101,700,720	86,503,030
Note Printing Expenses	936,813,717	1,080,986,721
Dividend Income	(24,568,748)	(7,365,111)
Provisions no Longer Required Written Back	(532,816,000)	(255,301,310)
Grant Income	(115,825)	(115,825)
Profit from Sale of Assets/ Investments	(10,885,370)	(4,470,262)
Assets Written Off	16,126	191,212
Interest paid on ECF Loan & ACU	5,494,745	5,692,245
Cash Flow From Operation Before Inc / Dec in Operating Assets	14,591,583,062	11,908,390,872
(Increase)/Decrease in Operating Assets	(7,207,498,568)	(8,215,077,779)
Refinance & Loans	(3,171,596,283)	(1,982,166,497)
Gold & Silver	(2,919,284,605)	(5,881,063,815)
Inventories	(321,432,802)	(528,157,926)
Other Receivable	(795,184,877)	176,310,459
Increase/(Decrease) in Operating Liabilities	99,600,674,319	77,612,438,504
Government Deposit	99,302,756,800	11,194,817,680
SDR Allocation	515,173,466	(465,665,058)
Deposit Liabilities	9,071,039,432	20,488,390,601
Bills Payable	733,315,198	(617,056,500)
NRB Bond	49,080,000,000	-
Deferred Staff Liabilities	3,695,505,705	3,062,796,642
Other Liabilities	(65,018,316,383)	44,934,788,802
Sundry Liabilities	2,221,200,100	(985,633,662)
Net Cash Flow From Operating Activities	Total (A)	81,305,751,597
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Government Securities and Bank Deposits	(146,809,515,147)	(273,148,453,814)
Sale/Purchase of Investment in Financial Institutions	-	4,800,000
Purchase of Investments-Other	(1,951,793,923)	72,635,310
Purchase of Property, Plant & Equipment	(197,122,811)	(134,620,316)
Sale of Property, Plant & Equipment	25,861,029	4,789,058
Purchase of Intangible Assets	(1,047,550)	(3,892,049)
Dividend Income	24,568,748	7,365,111
Net Cash Flow From Investing Activities	Total (B)	(273,197,376,701)
Cash Flow From Financing Activities:		
Bank Note Issued	67,080,000,000	45,830,000,000
Increase/Decrease in ECF Loan & ACU	(1,597,933,385)	(1,456,864,650)
Interest Paid on ECF Loan & ACU	(5,494,745)	(5,692,245)
Surplus Paid to GON	(7,000,000,000)	(7,000,000,000)
Net Cash Flow From Financing Activities	Total (C)	37,367,443,105
Net Cash Flow for the Year (A+B+C)	16,552,281,028	(154,524,181,999)
Revaluation Gain or Loss on Foreign Exchange	17,929,704,517	2,290,312,876
Cash and Cash Equivalent at the Beginning of the Year	339,083,278,732	491,317,147,855
Cash and Cash Equivalent at the end of the Year (Note - 29)	373,565,264,277	339,083,278,732

Note 29 is an integral part of the Statement of cash flows

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

Board of Directors:-

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Dr. Chiranjibi Nepal
(Governor)

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Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

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(Mr. Mohadatta Timilsina)
Deputy Auditor General

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(CA. Mahesh Khanal)
Chartered Accountant
Kathmandu

Date: 2073/09/11
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st Ashar, 2073 (31st JULY, 2016)

NRS.

PARTICULARS	Capital		Statutory Reserve			Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Actuary Gain/ Loss Reserve	Other Reserves	Retained Earning	Total
	General Reserve	Monetary Liability Reserve	Exchange Equilisation Fund	Monetary Reserve	Reserve							
Balance as on 1st Shrawan 2071	3,000,000,000	20,544,849,850	2,950,753,898	62,354,476,204 (73,109)	5,704,554,193	1,357,695,170	855,767,574	-	-	8,586,974,360	(218,160,552)	105,136,910,697
Adjustment for Prior Period Income											35,148,685	35,075,576
Restated Balance	3,000,000,000	20,544,849,850	2,950,753,898	62,354,403,095	5,704,554,193	1,357,695,170	855,767,574			8,586,974,360	(183,011,867)	105,171,986,273
Net Profit for the year											12,067,361,967	12,067,361,967
Other Comprehensive Income											-	878,301,218
Appropriation of Profit:												
To General Reserve		1,123,982,900									(1,123,982,900)	
To Monetary Liability Reserve			539,205,481								(539,205,481)	
To Exchange Equilisation Fund				2,290,312,874							(2,290,312,874)	
To Gold & Silver Equilisation Reserve					(1,224,363,057)						1,224,363,057	
To Revaluation Reserve							(858,021)				858,021	
To Other Reserve									2,120,921,238		(2,120,921,238)	
Inter Fund Transfer:												
Gold & Silver to General Reserve										(76,605,926)		
Other Reserve to General Reserve		76,605,926										
Balance Profit Transfer to Government												
Balance as on 1st Shrawan 2072	3,000,000,000	21,745,438,676	3,489,959,379	64,644,715,969	4,480,191,136	2,235,996,388	854,909,553			10,631,289,672	35,148,685	111,117,649,457
Net Profit for the year											37,759,128,749	37,759,128,749
Other Comprehensive Income											-	1,024,809,982
Appropriation of Profit:												
To General Reserve		1,964,852,718									(1,964,852,718)	
To Monetary Liability Reserve			707,554,619								(707,554,619)	
To Exchange Equilisation Fund				17,929,777,630							(17,929,777,630)	
To Gold & Silver Equilisation Reserve					5,708,576,716						(5,708,576,716)	
To Revaluation Reserve							4,830,707				(4,830,707)	
To Other Reserve									4,228,685,044		(4,228,685,044)	
Inter Fund Transfer:												
Gold & Silver to General Reserve										(24,708,491)		
Other Reserve to General Reserve		24,708,491										
Balance Profit Transfer to Government												
Balance as on 31st Ashar, 2073	3,000,000,000	23,734,999,885	4,197,513,998	82,574,493,598	10,188,767,852	3,260,806,370	859,740,259			14,835,266,225	0	142,651,588,183

As per our report of the event date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

Board of Directors:-

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Dr. Chiranjibi Nepal
(Governor)

.....
Mr. Chandra Mann Swakoti
(Deploy Governor)

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Mr. Hari Krishna Malla Singh
(Board Member)

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Mr. Shiba Raj Shrestha
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(CA. Mahesh Khant)
Chartered Accountant
Kathmandu

.....
(Mr. Mohanram Tamisina)
Deploy Auditor General

Date: 2073/09/11
Place : Kathmandu



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

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 1: CASH AND BANK BALANCES		
Cash in Hand	16,919,382,218	14,303,231,270
Balance with Banks in Demand Deposits	5,425,938,496	22,233,744,201
Total	22,345,320,713	36,536,975,471
NOTE - 2: INVESTMENTS		
i. Treasury Bills		
US Government Treasury Bills	5,338,216,112	15,170,924,651
GOI Treasury Bills	203,070,960,576	173,882,165,798
Other Treasury Bills	12,272,561,979	10,289,208,161
Sub -Total	220,681,738,667	199,342,298,611
ii. Other		
US Government Treasury Notes/Bond	103,078,298,438	60,579,350,351
Other Government Notes/Bond	52,368,638,018	46,718,723,257
Investment in Mid Term Instrument	8,302,929,017	7,842,427,539
Investment in Fixbis	6,432,082,697	7,172,535,534
Investment in Repurchase Agreement (Repo)	48,038,622,167	58,125,602,000
Balance with Banks in Time Deposits	425,981,618,537	287,097,848,512
Gold	28,206,181,777	19,527,073,391
Sub -Total	672,408,370,650	487,063,560,584
Grand Total	893,090,109,317	686,405,859,194
Above Investments are Classified as Follows:		
Loans and Receivables	-	-
Held-for-trading	76,244,803,944	77,652,675,391
Held-to-maturity	811,507,089,262	593,582,259,153
Available-for-sale	5,338,216,112	15,170,924,651
Total	893,090,109,317	686,405,859,194
NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES		
Government Treasury Bills	16,099,450,874	17,965,212,474
Saving Certificates	308,861,000	528,992,000
Government Bond	4,871,051,043	4,899,726,043
Total	21,279,362,917	23,393,930,517
Above Investments are Classified as Follows:		
Loans and Receivables	4,871,051,043	4,871,051,043
Held-for-trading	-	-
Held-to-maturity	-	28,675,000
Available-for-sale	16,408,311,874	18,494,204,474
Total	21,279,362,917	23,393,930,517



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

PARTICULARS		As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS			
	% of holding		
(a) Investment in Shares of Subsidiaries			
Agricultural Project Services Centre	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		6,000,000	6,000,000
(b) Investment in Shares of Associates			
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.52	2,500,000	2,500,000
Sub-Total		14,580,500	14,580,500
(c) Other Investments			
Shares:			
Deposit & Credit Guarantee Corporation	10.00	107,580,000	107,580,000
Nepal Clearing House	10.00	15,000,000	15,000,000
Rural Microfinance Development Centre	4.05	21,045,000	21,045,000
Credit Information Bureau	10.25	3,500,000	3,500,000
Citizen Investment Trust	13.35	3,090,879,330	2,236,006,388
National Banking Training Centre	10.00	5,000,000	5,000,000
Nepal Grameen Bikas Bank Limited	3.05	215,987,040	46,050,000
Sub-Total		3,458,991,370	2,434,181,388
Total		3,479,571,870	2,454,761,888
Less: Provision for diminution in the value		47,550,000	47,550,000
Total		3,432,021,870	2,407,211,888
NOTE - 5: OTHER INVESTMENTS			
Investment of Funds:			
Fixed Deposits with Commercial Banks and Financial Institutions		17,742,525,923	15,790,732,000
Less: Provision for doubtful Investment		414,829,000	947,645,000
Sub-Total		17,327,696,923	14,843,087,000
Other Investments:			
Investment in Rural Self Reliance Fund		253,400,000	253,400,000
Sub-Total		253,400,000	253,400,000
Grand Total		17,581,096,923	15,096,487,000



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

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 6: LOANS & RECEIVABLES AND REFINANCE		
LOANS AND RECEIVABLES		
Loans to Employees	4,389,546,115	4,666,599,428
Loan to Other Organisations	52,000,000	31,000,000
Sub-Total	4,441,546,115	4,697,599,428
REFINANCE		
Refinance to Commercial Banks	6,614,252,878	3,230,503,281
Refinance to Financial Institutions	43,900,000	-
	6,658,152,878	3,230,503,281
Less: Provision for Doubtful Loans	10,000,000	10,000,000
Sub-Total	6,648,152,878	3,220,503,281
Total	11,089,698,993	7,918,102,710
NOTE - 7: OTHER RECEIVABLE		
Interest Accrued	2,048,243,233	2,034,187,919
Less: Interest Suspense	444,346,919	489,803,509
Net Interest Accrued	1,603,896,314	1,544,384,410
Advances Recoverable	1,407,707,525	1,314,005,129
Less: Provision for Doubtful Amounts	10,329,878	10,329,878
Net Advance Recoverable	1,397,377,646	1,303,675,251
Deposits	1,652,378	1,676,504
Project Income Recoverable	38,082,937	20,545,838
Bills Receivable	60,250,889	62,996,316
Total	3,101,260,165	2,933,278,319
NOTE - 8: GOLD & SILVER STOCK		
Gold Held in Stock	1,566,791,538	1,610,653,876
Silver Held in Stock	95,503,142	102,887,870
Total Gold and Silver Stock	1,662,294,680	1,713,541,745
NOTE - 9: OTHER INVENTORIES		
Security Note Stock	1,083,988,682	1,617,408,259
Coin Stock	390,974,691	472,476,420
Numismatic and Medallion Coins	22,931,719	23,366,886
Other Metal Stock	22,722,881	22,485,498
Dispensory Stock	342,639	604,465
Total Inventories	1,520,960,613	2,136,341,527
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)
Unissuable Note Stock	(3,775,258)	(3,775,258)
Total Inventories Net of Provisions	1,486,003,561	2,101,384,476



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 1st Shrawan 2071	193,834,552	599,146,925	182,114,398	188,952,807	111,678,127	102,543,313	22,134,663	4,650,766	14,018,597	1,419,074,149
Addition during the Year	-	13,280,354	26,792,828	74,761,900	1,749,631	15,758,698	1,059,535	89,330	11,437,870	144,930,145
Disposal/Write Off/Adjustment	-	-	(6,765,720)	(18,712,319)	(3,075,234)	(3,445,924)	(197,470)	-	(10,309,829)	(42,506,496)
Balance as on 31st Ashadh 2072	193,834,552	612,427,278	202,141,506	245,002,388	110,352,524	114,856,087	22,996,728	4,740,096	15,146,638	1,521,497,798
Balance as on 1st Shrawan 2071	-	234,375,874	133,123,155	154,093,389	102,006,670	81,300,441	18,188,632	4,478,183	-	727,566,345
Depreciation for the Year	-	17,809,260	16,456,164	14,742,572	4,272,651	8,594,682	825,944	36,482	-	62,737,754
Disposal/Write Off/Adjustment	-	-	(6,765,589)	(18,393,642)	(3,075,220)	(3,445,888)	(192,366)	-	-	(31,872,705)
Balance as on 32nd Ashadh 2072	-	252,185,134	142,813,730	150,442,319	103,204,102	86,449,235	18,822,210	4,514,666	-	758,431,394
Net Book Value as on 31st Ashadh 2072	193,834,552	360,242,144	59,327,777	94,560,069	7,148,422	28,406,851	4,174,518	225,431	15,146,638	763,066,404
Balance as on 1st Shrawan 2072	193,834,552	612,427,278	202,141,506	245,002,388	110,352,524	114,856,087	22,996,728	4,740,096	15,146,638	1,521,497,798
Addition during the Year	-	73,073,279	32,955,699	41,300,469	3,016,681	16,782,653	2,806,717	201,193	32,765,127	202,901,818
Disposal/Write Off/Adjustment	-	(18,075,083)	(43,064,007)	(45,661,925)	(5,484,027)	(8,302,811)	(2,837,864)	(83,479)	(5,778,883)	(129,288,079)
Balance as on 31st Ashadh 2073	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	123,335,929	22,965,582	4,857,811	42,132,883	1,595,111,537
Balance as on 1st Shrawan 2072	-	252,185,134	142,813,730	150,442,319	103,204,102	86,449,235	18,822,210	4,514,666	-	758,431,395
Depreciation for the Year	-	18,207,472	20,662,169	24,678,200	3,413,814	9,475,518	780,317	93,851	-	77,311,342
Disposal/Write Off/Adjustment	-	(7,519,716)	(41,383,389)	(43,070,656)	(5,484,020)	(8,296,532)	(2,795,466)	(83,477)	-	(108,633,256)
Balance as on 31st Ashadh 2073	-	262,872,890	122,092,509	132,049,863	101,133,896	87,628,222	16,807,061	4,525,040	-	727,109,481
Net Book Value as on 31st Ashadh 2073	193,834,552	404,552,584	69,940,688	108,591,069	6,751,281	35,707,707	6,158,520	332,771	42,132,883	868,002,056

Allowances for obsolescences 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			Capital Work in Progress
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1 st Shrawan 2071	2,795,895	9,008,087	229,272,935	203,400	241,280,317
	Addition during the Year	508,500	1,720,509	-	1,663,040	3,892,049
	Disposal/Write Off/Adjustment					-
Accumulaed Amortisation	Balance as on 31 nd Asar 2072	3,304,395	10,728,596	229,272,935	1,866,440	245,172,366
	Balance as on 1 st Shrawan 2071	2,795,889	6,926,570	26,748,509		36,470,969
	Depreciation for the Year	50,850	787,132	22,927,293		23,765,276
	Disposal/Write Off/Adjustment					-
	Balance as on 32 nd Ashadh 2072	2,846,789	7,713,703	49,675,803	-	60,236,245
Net Book Value as on 31st Asar 2072		457,656	3,014,893	179,597,132	1,866,440	184,936,121
Original Cost	Balance as on 1 st Shrawan 2072	3,304,395	10,728,596	229,272,935	1,866,440	245,172,366
	Addition during the Year	783,090	-		264,460	1,047,550
	Disposal/Write Off/Adjustment	(2,323,555)	(2,402,853)			(4,726,408)
Accumulaed Amortisation	Balance as on 31 st Asar 2073	1,763,930	8,325,743	229,272,935	2,130,900	241,493,508
	Balance as on 1 st Shrawan 2072	2,846,789	7,713,703	49,675,803		60,236,295
	Depreciation for the Year	457,599	1,004,568	22,927,293		24,389,460
	Disposal/Write Off/Adjustment	(2,323,550)	(2,402,849)			(4,726,399)
	Balance as on 31 st Asar 2073	980,838	6,315,422	72,603,096	-	79,899,356
Net Book Value as on 31st Asar 2073		783,092	2,010,321	156,669,839	2,130,900	161,594,152



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES		
Deposit from Banks and Financial Institutions	3,246,826,181	2,619,265,290
Foreign Diplomatic Missions and Other Agencies	568,332,456	500,004,210
Total	3,815,158,637	3,119,269,500
NOTE - 13: IMF RELATED LIABILITIES		
Special Drawing Right Allocation	10,183,273,536	9,668,100,070
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	3,838,264,380	4,048,984,400
Loan under Extended Credit Facility (ECF)	586,027,665	1,973,241,030
Total	14,607,565,581	15,690,325,500
NOTE - 14: OTHER LIABILITIES		
Interest Payable	1,074,901	1,033,950
Asian Clearing Union	218,456,120	354,859,626
Others	(19,834,721)	(15,299,872)
Total	199,696,300	340,593,703
NOTE -15: IMF Related Deposit Liabilities		
IMF Account No 1	9,180,925,768	8,361,125,768
IMF Account No 2	858,681	858,681
Total	9,181,784,449	8,361,984,449
NOTE -16: DEPOSIT AND OTHER BALANCES		
Deposits from Banks and Financial Institutions	201,536,597,913	189,641,903,978
Balances of Other Institutions	9,186,697,023	12,657,083,879
Earnest Money	7,784,489	7,071,373
Money Changer	11,405,836	10,756,000
Margin Against LCs	811,354,406	1,681,674,142
Total	211,553,839,667	203,998,489,372

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 corporations, companies and local authorities etc.



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 17: STAFF LIABILITIES		
Medical Fund (Includes Medical Earning Fund, Interest, etc)	283,082,210	231,473,695
Welfare Provident Fund	436,853,982	73,064,262
Gratuity and Pension Fund	15,726,708,968	12,760,494,941
Staff Security Fund	2,089,956,721	1,875,701,464
Liability for Staff Leave Encashment	888,152,300	821,357,804
Liability for Retired Staff	204,833,466	171,989,774
Total	19,629,587,646	15,934,081,941
NOTE - 18: OTHER PAYABLES		
Deposit Collection-Auction	-	60,000,000,000
Reverse Repo Liabilities	-	5,000,000,000
Insurance Premium Collected from Staff	143,636,627	161,554,981
Other Payables of Project	373,587,880	369,492,012
Total	517,224,507	65,531,046,992
NOTE -19: CURRENCY IN CIRCULATION		
Currency in Circulation	386,160,000,000	319,080,000,000
The Currency in Circulation Liabilities are Supported by Following Securities :		
Foreign Currency Balance Held Abroad	370,552,268,000	303,472,268,000
Foreign Securities	15,607,732,000	15,607,732,000
Total	386,160,000,000	319,080,000,000

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 20: SUNDRY LIABILITIES		
Sundry Creditors	2,390,069,997	376,049,997
Unclaimed Account	33,840,399	3,480,540
Bills Collection	-	1,701,000
Less: Bills Lodged	-	1,701,000
Pension Payable to NRB Ex-Staff	100,139,135	73,908,545
General Account	48,078,943	186,608,845
Deferred Grant Income	123	115,948
Other Liabilities	3,805,057,789	3,515,822,410
Total	6,377,186,385	4,155,986,285



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 21: RESERVES		
Capital Reserve:		
Gold and Silver Equalization Reserve	10,188,767,853	4,480,191,137
Statutory Reserve:		
General Reserve	23,734,999,885	21,745,438,676
Monetary Liabilities Reserve	4,197,513,998	3,489,959,379
Exchange Equalization Fund	82,574,493,598	64,644,789,078
Other Reserves and Funds:		
Development Fund	10,840,989,244	7,289,756,571
Banking Development Fund	861,941,806	831,941,806
Development Finance Project Mob. Fund	249,999,999	226,625,456
Liquidity Stabilization fund	1,000,000,000	600,000,000
Mechanisation Fund	991,316,414	791,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	24,077,829	24,708,491
Investment Revaluation Reserve	859,740,259	854,909,552
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	3,260,806,370	2,235,996,388
Project Split Interest Reserve Fund	4,233,489	4,233,489
Surplus/(Deficit) Due to Restatement of Prior Period Errors	-	35,148,685
Total Reserves and Funds	139,651,588,192	108,117,722,569

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

Net Profit for the Year	37,759,128,749	12,067,361,967
Transfer (to)/from Exchange Equalisation Fund	(17,929,777,630)	(2,290,312,874)
Transfer (to)/from Gold & Silver Equalisation Reserve	(5,708,576,716)	1,224,363,057
Securities Revaluation Fund	(4,830,707)	858,021
Surplus/(Deficit) Due to Restatement of Prior Period Errors	35,148,685	(218,160,552)
Profit Available for Distribution	14,151,092,381	10,784,109,619
General Reserve	1,964,852,718	1,123,982,900
Monetary Liability Reserve	707,554,619	539,205,481
Development Fund	3,551,232,671	1,548,675,648
Development Finance Project Mobilisation Fund	23,374,544	17,537,099
Liquidity Stabilization Fund	400,000,000	500,000,000
Banking Development Fund	30,000,000	30,000,000
Mechanisation Fund	200,000,000	24,708,491
Gold Replacement Fund	24,077,829	24,708,491
Surplus to be Transferred to GON	7,250,000,000	7,000,000,000
Total	14,151,092,381	10,784,109,619



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 22a : Movement of Provisions.

Particulars	As on 31-3-2072	Addition	Withdrawn	Adjustment	As on 31-3-2073
Leave Encashment	821,357,804	209,643,007	(142,848,512)	-	888,152,300
Gratuity and Pension Fund	12,760,494,941	3,000,000,000	(33,785,973)	-	15,726,708,968
Staff Security Fund	1,875,701,464	500,000,000	(285,744,743)	-	2,089,956,721
Staff Medical Earning Fund	231,473,695	177,344,423	(125,735,908)	-	283,082,210
Diminution in Value of Investment in Shares	47,550,000	-	-	-	47,550,000
Provision for Advance Recoverable	10,329,878	-	-	-	10,329,878
Provision for Doubtful Loans	10,000,000	-	-	-	10,000,000
Nuismatic and Medallion Coins	22,465,794	-	-	-	22,465,794
Provision for Non Moving Metal Stock	8,716,000	-	-	-	8,716,000
Provision for Unissuable Note Stock	3,775,258	-	-	-	3,775,258
Provision for Other Investments	947,645,000	-	(532,816,000)	-	414,829,000
Provision for Building in Construction	3,352,949	-	-	-	3,352,949
Total	16,742,862,784	3,886,987,430	(1,120,931,137)	-	19,508,919,078

NOTE - 22b: Contingent Liabilities and Commitments

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
Letters of Credit	40,165,211,792	33,872,646,191
Guarantees Issued	-	-
Unclaimed Account Transfer to P/L Account	100,066,715	100,066,715
Capital Commitment (Construction of New Buildings and related Works at Baluwatar & Thapathali)	17,546,195	42,229,656
Total	40,282,824,702	34,014,942,562

1. 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 therefrom 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, hence it is not shown as contingent liabilities of the bank.

NOTE - 22c: Contingent Assets

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
Insurance claim lodged with Rastriya Beema Company against the loss of Property caused by Mega Earthquake 2072 Baisakh	-	11,322,000
Total	-	11,322,000



NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2073 NRs.	For the Year Ended 31-3-2072 NRs.
NOTE - 23: INTEREST INCOME		
Foreign Currency Financial Assets		
Treasury Bills & Deposits	20,620,916,206	17,359,935,344
SDR Holding & Asian Clearing Union	1,735,859	-
Sub-total	20,622,652,065	17,359,935,344
Local Currency Financial Assets		
Government Securities	168,148,327	442,231,376
Investment in Financial and Other Institutions	355,132,274	454,786,409
Loans and Refinance	92,314,596	77,423,413
Sub-total	615,595,198	974,441,197
Total Interest Income from Financial Assets	21,238,247,263	18,334,376,541
NOTE - 24: COMMISSION INCOME		
Foreign Currency Financial Assets		
On Currency Exchange	1,649,673	16,827,248
Local Currency Financial Assets		
Government Transaction & Other services	62,213,635	54,382,228
Total Commission Income from Financial Assets	63,863,308	71,209,476
NOTE - 25: INTEREST EXPENSES		
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	5,494,745	5,692,245
Others	1,401,983	203,547
Sub-total	6,896,728	5,895,791
Local Currency Financial Liabilities		
Government Securities	682,802,929	143,576,270
Sub-total	682,802,929	143,576,270
Total Interest Expense on Financial Liabilities	689,699,657	149,472,062
NOTE - 26: AGENCY AND SERVICE CHARGE		
Foreign Currency Liabilities		
Service Charge	-	-
Commission	6,012,724	27,075,395
Sub-total	6,012,724	27,075,395
Local Currency Liabilities		
Agency Expenses	192,392,656	157,958,682
Sub-total	192,392,656	157,958,682
Total Agency and Service Charge	198,405,380	185,034,077
Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts.		
Nepal Bank Ltd.	55,800,000	55,800,000
Rastriya Banijya Bank	92,100,000	92,100,000
Total	147,900,000	147,900,000



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2073 NRs.	For the Year Ended 31-3-2072 NRs.
NOTE - 27: OTHER OPERATING INCOME		
Income from Mint (Sale of Coin)	172,671	341,248
Gain from Sale of Precious Metals and Coins	24,077,829	24,708,491
Fine/Penalty Charge	29,893,480	24,538,938
Profit from Sale of Assets	10,885,370	4,470,262
Dividend Income	24,568,748	7,365,111
Provision on Investment Written Back (Net)	532,816,000	255,301,310
Project Income	9,610,825	17,537,099
Grant Income	115,825	115,825
Miscellaneous	48,525,719	51,832,492
Total	680,666,467	386,210,776



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	Note	For the Year End- ed 31-3-2073 NRs.	For the Year Ended 31-3-2072 NRs.
NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS			
Staff Costs	28 a	5,451,313,632	5,707,985,227
Depreciation and Amortization		101,700,720	86,503,030
Directors Fees and Expenses		7,673,669	5,100,612
Note Printing Charges		936,813,717	1,080,986,721
Mint Expenses		493,494	263,424
Security charges		49,508,346	38,502,214
Remittance Charges		47,392,769	42,769,892
Travelling Expenses		233,015,199	207,996,452
Insurance Charges		65,440,061	83,812,263
Repair & Maintenance		70,732,081	33,834,202
Miscellaneous	28 b	228,446,997	405,707,543
Total		7,192,530,685	7,693,461,579
28 a Staff Costs			
Salary		565,799,351	606,857,549
Allowances		556,493,593	545,212,304
Provident Fund Contribution		56,552,475	62,287,668
Staff Welfare (Including Medical Fund Contribution)		177,344,423	360,613,782
Staff Welfare Provident Fund		369,050,000	335,500,000
Pension & Gratuity Fund		3,000,000,000	3,000,000,000
Staff Security Fund		500,000,000	600,000,000
Staff Leave Compensations		209,643,007	194,567,614
Others		16,430,783	2,946,309
Total		5,451,313,632	5,707,985,227
28 b Miscellaneous Expenses			
Banking Promotion		39,717,097	90,851,636
Audit Fees and Expenses		2,381,180	1,305,569
Assets Written Off		16,126	191,212
Others		186,332,595	313,359,127
Total		228,446,998	405,707,543



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

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 29: CASH AND CASH EQUIVALENT		
Foreign Currency Cash and Bank Balance	22,126,864,593	36,182,115,845
Foreign Currency Time Deposits	69,001,821,584	30,437,600,688
Local Currency in Hand	4,867,227,429	3,703,331,845
SDR Holdings	2,416,907,139	4,119,794,209
Investment in Treasury Bills/Notes	220,681,738,667	199,342,298,611
Investment in Fixbis	6,432,082,697	7,172,535,534
Investment in Repurchase Agreement (Repo)	48,038,622,167	58,125,602,000
Total	373,565,264,277	339,083,278,732



NEPAL RASTRA BANK

NFY 2072/73 (2015/16 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 of 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 2072/73 i.e. 1st Sawan 2072 to 31st Asar 2073 corresponding to Gregorian calendar 17th July 2015 to 15th July 2016. The previous year was 1st Sawan 2071 to 31st Asar 2072 (16th July 2014 to 16th July 2015). 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 Asar 2073 on Poush 11, 2073 (December 26, 2016).

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:

- The Bank shall be the banker and financial advisor of Government of Nepal and a financial agent of the Government.
- Government of Nepal shall consult the Bank on any matters that are within the jurisdiction of its competence. It shall be the duty of the Bank to advice on matter consulted by the Government of Nepal.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

- Government of Nepal shall, while preparing annual budget, consult the Bank on the domestic debt including overdrafts.
- The Bank shall submit a pre-budget review report to Government of Nepal each year on the economic and financial matters.

The Bank does not generally 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 point 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 includes 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 19 – Employee Benefits.

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 on 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.
- ‘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.
- Gratuity and Pension Fund and Staff Security Fund are measured at present value of Defined Benefits Obligation.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 the 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
- 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 on investments from certain banks and financial institutions which are declared as problematic and receipt of interest from which is not forthcoming are not recognized. Interest incomes are recognized on effective interest rate method whereas other incomes are recognized on an accrual basis of accounting.

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 generally not netted off until and unless, 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 all risk and rewards of the ownership of the financial assets is substantially transferred.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales 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) for which the Bank has 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; makes investments in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprises 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 interest rate method less any impairment losses. Loans and receivables comprises of cash and cash equivalents, trade and other receivables, loans provided to the 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, as far as such fair value is available, 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 comprises of 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 expired. 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 rate method.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 in case there is an indication of such impairment.

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. These liabilities are secured by assets including foreign currency and foreign 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 Arrangements (Repo) and Reverse Repo of securities are recorded as follows:

- a) Securities sold subject to repurchase arrangements (Repo) are recorded as refinance and loan to banks. 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 deposits and other balances of 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 Statement of Comprehensive Income. An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Comprehensive Income.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

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 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 to be 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 in 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 life 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 required.

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

<i>Class of Assets</i>	<i>Useful Life</i>
Buildings	Above 33 Years
Furniture and Fixture	10 Years
Vehicles	5 Years
Office and Computer Equipment	5 Years
Machinery Equipment	5 Years
Others	5 Years



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 life 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 are amortized on straight-line basis over estimated useful life of ten years and five years for business application software and other software respectively.

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 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 a fixed contribution to a 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 payments 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 (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.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 and loss account as the related services are account.

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 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 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 and loss account.

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 of 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 and loss account.

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 three months 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 and loss account.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

3) Leave Encashment

As per Nepal Rastra Bank Staff By-Law 2068: Rule 86,87 and 91, the employees are entitled to en-cash their un-utilized accumulated leave at the time of retirement or any other prescribed time as decided by the management of the bank. Home leave, Sick leave and Special Leave are defined benefit plans which are recognized when the leave remains un-availed at the time of closing date. 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 Section 10 of 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

At each reporting date the bank assesses the objective evidence that a financial asset or group of financial assets is impaired or not. 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 assets 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;
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider;
- Disappearance of an active market for that financial asset because of financial difficulties; etc.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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 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 diminution in value of investment in shares 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 Purchased 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 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

There were no changes in accounting policies adopted by the Bank from the previous year. However any deviation from such the policies has been explained in the following sections.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

B. Significant Disclosures

8. Gold and Silver

A sum of NRs. 24,077,829 (P.Y. NRs 24,708,491) was appropriated out of net profit this year to the “Gold Replacement Fund”. The amount of NRs. 24,708,491 (PY NRs. 76,605,926) was transferred from Gold Replacement Fund to General Reserve Account. The quantity and market value of gold and silver held as inventory at the year end were as follows:

Particulars	As on 31st Asar 2073		As on 31st Asar 2072	
	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)	Weight (Kg, Gm, Mg)	Total Market
Gold (Investment)	6,121.578.590	28,206,181,776.74	5,188.474.290	19,527,073,390.61
Gold held in Stock	2,615.138.521	13,015,544,419	2,632.567.975	9,907,801,202
Silver held in Stock	126,172.309.750	9,790,971,237	126,202.478.081	6,192,755,599
Total		51,012,697,432		35,627,630,192

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. Year end Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	106.73	101.14
2	Sterling Pound	141.28	158.01
3	Euro	118.6	111.48
4	Swiss Franc	108.87	106.78
5	Australian Dollar	81.58	75.46
6	Canadian Dollar	82.61	79.3
7	Japanese Yen	1.011	0.818
8	Singapore Dollar	79.36	74.22
9	SDR	149.535	141.97
10	Chinese Yuan	15.96	16.29
11	Indian Rupees	1.6	1.6

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 divesting the excess investments. Further disclosures relating to the investments in shares are as per below.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

- The investment in shares of Citizen Investment Trust and Nepal Grameen Bikas Bank Ltd. 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 600,654 (PY 600,654) bonus shares out of total 600,754 (PY 600,754) shares with market value of Rs. 5,145 (PY Rs. 3,722) each.
- Investment in Deposit and Credit Guarantee Corporation included 924,060 (PY 924,060) bonus shares out of total 1,999,860 shares (P.Y. 1,999,860 shares).
- Investment in Credit Information Centre Limited included 68,680 bonus shares out of 103,680 shares (PY 103,680 shares).
- Agricultural Project Services Center was in liquidation.

Consolidation of Financials of Subsidiaries:

The Bank's investments in two entities as mentioned in Note 4 (a) are in excess of 50% of the capital of those entities. These investments were made under the specific directives or policies of the Government and other relevant statutes. With regard to consolidation of accounts, International Accounting Standard (IAS) 27 para 10 states that a parent is not required to present consolidated financial statements if and only if:

- the parent is itself a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- the parent's debt or equity instruments are not traded in a public market;
- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS.

Keeping in view above facts Nepal Rastra Bank has not prepared consolidated financial statements for these subsidiaries.

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



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11. Related Parties

I. 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 various position in the office during the year were as follows:

S.N.	Name of the Key Management Personnel	Post
1	Dr. Chiranjibi Nepal	Governor
2	Dr. Shanta Raj Subedi	Secretary MOF/Board Member
3	Gopal Prasad Kaphle (ret. wef 2072.09.11)	Deputy Governor
4	Maha Prasad Adhikari (ret. wef 2072.09.11)	Deputy Governor
5	Chintamani Siwakoti	Deputy Governor
6	Shiba Raj Shrestha	Deputy Governor
7	Dr. Sri Ram Poudyal	Board Member
8	Dr. Ram Hari Aryal	Board Member
9	Bal Krishna Man Singh	Board Member
10	Trilochan Pangen	Executive Director
11	Narayan Prasad Paudel	Executive Director
12	Nara Bahadur Thapa	Executive Director
13	Janak Bahadur Adhikari	Executive Director
14	Bhisma Raj Dhungana	Executive Director
15	Laxmi Prapanna Niroula	Executive Director
16	Dr. Shankar Prashad Acharya	Executive Director
17	Shiva Nath Pandey	Executive Director
18	Maheshwor Lal Shrestha	Executive Director
19	Bhuban Kadel	Executive Director
20	Ramesh Kumar Pokharel	Executive Director
21	Dr. Nephil Matangi Maskey	Executive Director
22	Manmohan Kumar Shrestha (ret. wef 2072.07.10)	Executive Director
23	Dr. Min Bahadur Shrestha	Executive Director
24	Mahesh Bhattarai (ret. wef 2073.01.09)	Executive Director
25	Hari Prasad Kaphle	Executive Director
26	Pradeep Raj Pandey (ret. wef 2072.11.07)	Executive Director
27	Dr. Binod Atreya	Executive Director
28	Rajan Bikram Shah	Executive Director
29	Khyam Narayan Dhakal	Executive Director



NEPAL RASTRA BANK
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In addition to salaries, non- cash benefits were provided to special class officers and the Board members. Special class officers and three of the Board members (Governor and Deputy Governors) were entitled to termination benefits. The data relating to compensation paid to key management personnel were as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	38,697,720	32,510,335
Post-employment benefits	12,872,054	11,374,679
Other long term benefits	26,862,783	21,609,384
Total	78,432,557	65,494,398

The transactions, if any, with director-related or key management personnel – related entities occurred in the normal course of NRB's operations were conducted as arms length transactions.

ii. Transactions with Related Parties

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

Particulars	Current Year (NRs.)			Previous Year (NRs.)		Key Management Personnel
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	
Employees Benefits	-	-	78,432,557	-	-	65,494,398
Meeting Fees/ Incidental Expenses to Directors	-	-	7,673,669	-	-	5,100,612
Insurance Premium paid	65,440,061	-	-	83,812,263	-	-
Balances as on Asar End	-	-	-	-	-	-
Staff Loan (net of premium collection)	-	-	4,389,546,115	-	-	4,666,599,428
Provision for Diminution in Value of Investment	5,000,000

12. Assets Received in Grant

The various assets in grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586 (PY NRs. 11,585,586), out of which there was a written down balance of NRs. 123 (PY NRs. 115,948) at the year end. During the year no grant assets were received.

13. Financial Instruments

Financial Risk Management – Overview

Risk Management Framework

The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board of Directors has formed the Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies. The committee reports regularly to the Board of Directors about its activities.



NEPAL RASTRA BANK
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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 roles and obligations.

The Bank Audit Committee oversees how the management monitors compliance with the Bank's 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 in 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.

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

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

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 risks 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 year-end was as follows:

a) By Nature of Assets

	Current Year (NRs.)	Previous Year (NRs.)
US Government Treasury Notes	103,078,298,438	60,579,350,351
Investment in Mid Term Instruments (BIS)	8,302,929,017	7,842,427,539
Special Drawing Rights Holdings	2,416,907,139	4,119,794,209
Term Deposit Investments	409,566,891,090	303,733,830,707
Investment in Gold Instruments	28,206,181,777	19,527,073,391
Government of Nepal Securities	21,279,362,917	23,393,930,517
Investments in Equity Instruments	3,432,021,870	2,407,211,888
Other investments	17,581,096,923	15,096,487,000
Loans and Refinance	11,089,698,993	7,918,102,710
Other Receivables	5,037,373,458	4,546,073,264
Cash and Cash Equivalent	371,148,357,138	334,963,484,523
Total Financial Assets	981,139,118,759	784,127,766,098



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b) By Geographical Region:

	Current Year (NRs.)	Previous Year (NRs.)
India	367,094,533,101	336,933,221,219
USA	153,813,997,171	144,801,623,331
Germany	2,361,678,406	7,898,055,059
Switzerland	56,611,756,470	23,084,706,324
United Kingdom	35,644,816,509	30,518,541,156
France	40,938,755,068	34,320,659,908
Japan	75,766,341,607	21,802,409,687
Netherland	1,244,668,251	5,020,734,226
Australia	25,800,880,598	385,883,901
Singapore	14,390,893,215	2,173,823,268
Canada	19,557,446,939	4,635,771,698
Sweden	-	3,001,439,784
Hong Kong	38,779,168,352	36,240,614,670
U.A.E	22,795,785,326	18,881,747,780
China	62,936,991,242	55,799,698,768
Thailand	32,671,423	47,620,919
Nepal	63,368,735,080	58,581,214,400
Total	981,139,118,759	784,127,766,098

c) By Nature of the Entity:

	Current Year (NRs.)	Previous Year (NRs.)
Central Banks	66,292,213,858	77,449,098,640
Bank for International Settlement	15,981,324,090	18,637,276,233
Foreign Government	332,157,391,432	282,035,360,188
International Monetary Fund	2,416,907,139	4,119,794,209
Foreign Commercial Banks	484,926,401,729	309,041,675,801
Domestic Banks and FIs	24,229,249,801	22,761,189,710
Government of Nepal	21,279,362,917	23,393,930,517
Equity Instruments	3,432,021,870	2,407,211,888
Cash in Hand	21,786,609,647	18,006,563,115
Other Parties	8,637,636,276	26,275,665,798
Total	981,139,118,759	784,127,766,098



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d) By Credit Rating

Particulars	Rating	Current Year		Previous Year	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	37,494,150,913	3.82	9,177,009,016	1.17
	AA+	138,626,927,586	14.13	133,859,713,609	17.07
	AA-	59,003,993,444	6.01	47,173,077,031	6.02
	A+	19,012,030,930	1.94	76,765,638,139	9.79
	A	214,636,043,096	21.88	48,583,435,291	6.20
	A-	1,098,618,977	0.11	2,170,877,149	0.28
	BBB+	1,973,434,789	0.20	810,180,019	0.10
	BBB-	43,728,069,353	4.46	100,789,223,411	12.85
	NR**	404,215,181,374	41.20	309,346,270,153	39.45
Total		919,788,450,462	93.75	728,675,423,819	92.93
Local Currency Financial Assets	NR **	61,350,668,297.00	6.25	55,452,342,279	7.07
Total Financial Assets		981,139,118,759	100.00	784,127,766,098	100.00

All of the above ratings are as per S&P.

*** Not rated*

Government Securities

Investment in Government securities includes Nepal Government securities like treasury bills, saving certificates and bonds; and US Government treasury notes. These investments were around 33.86% (PY 34.82%) 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 37.83% (PY 42.71%) 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
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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 Sawan 2071	63,550,000	1,198,146,310	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	(11,200,000)	-	-	-
Reversal of Impairment Loss	(4,800,000)	(250,501,310)	-	-
Balance as on 31st Asar 2072	47,550,000	947,645,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	(532,816,000)	-	-
Reversal of Impairment Loss	-	-	-	-
Balance as on 31st Asar 2073	47,550,000	414,829,000	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) formed 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 meets 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:

Counterparties	Current Year (NRs.)	Previous Year (NRs.)
External Credit Rating at least AAA/BBB- from credit rating agency	374,846,095,125	280,751,545,772
Non Rated Counterparties	130,511,425,956	69,803,321,621
Central Banks	66,292,213,858	77,449,098,640
Bank for International Settlement	15,981,324,090	18,637,276,233
Foreign Government	332,157,391,432	282,035,360,188
International Monetary Fund	2,416,907,139	4,119,794,209
Government of Nepal	21,279,362,917	23,393,930,517
Financial Assets with Other Counterparties:	37,654,398,241	27,937,438,918
- Party with Normal Risk	37,192,019,241	26,942,243,918
- Party with High Risk	462,379,000	995,195,000
Total	981,139,118,759	784,127,766,098



NEPAL RASTRA BANK
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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's 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 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.

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:

- Cash and balances with foreign banks in the form of demand and call deposit.
- Balance with foreign central banks and Banks for International Settlement
- Investment in 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.



NEPAL RASTRA BANK
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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	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	215,368,998,304	13,001,855,660	811,354,406	201,555,788,238	
IMF Related Liabilities	14,607,565,581	-	1,218,273,107	1,331,670,210	12,057,622,264
IMF Related Deposit	9,181,784,449	-	-	-	9,181,784,449
GON Deposit	133,832,156,252	-	133,832,156,252	-	-
Bills Payable	1,122,218,355	1,122,218,355	-	-	-
Staff Liabilities	19,629,587,646	625,950,496	1,039,468,268	3,781,930,291	14,182,238,591
Other Payables	517,224,507	-	373,587,880	-	143,636,627
Other Liabilities	199,696,300	199,696,300	-	-	-
Total	394,459,231,394	14,949,720,811	137,274,839,913	206,669,388,739	35,565,281,931

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	207,117,758,872	15,783,449,753	1,692,430,142	189,641,903,978	
IMF Related Liabilities	15,690,325,500	-	556,522,400	4,704,885,800	10,428,917,300
IMF Related Deposit	8,361,984,449	-	-	-	8,361,984,449
GON Deposit	34,529,399,452	-	34,529,399,452	-	-
Bills Payable	388,903,157	388,903,157	-	-	-
Staff Liabilities	15,934,081,941	403,465,709	1,640,311,671	5,195,759,059	8,694,547,742
Other Payables	65,530,812,399	65,000,000,000	161,554,981	-	369,257,419
Other Liabilities	340,593,703	340,593,703	-	-	-
Total	347,893,859,473	81,916,412,322	38,580,218,646	199,542,548,837	27,854,706,909

C. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices and other assets prices which may affect the Bank's 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.



NEPAL RASTRA BANK
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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, CNY, AUD, GBP, EURO and INR.

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

Current Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	56.94%	3.98%	1.55%	2.92%	9.33%	0.84%	0.45%
Cash Balances	1,985,110,760	106,054,571	2,271,890,926	112,826,208	36,579,745	79,913,692	-
Demand Deposits	61,106,526,109	941,151,251	2,480,111,272	3,010,091,002	8,971,665,567	675,268,867	-
Time Deposit	338,938,647,146	29,797,621,893	9,496,812,638	23,760,077,937	23,462,353,469	6,958,188,150	-
Govt. & Other Debt Securities	90,627,530,229	-	-	-	52,368,638,018	-	-
Other Investments	2,664,443,749	5,638,485,268	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	4,119,794,209
Bills Purchased	-	-	-	-	-	-	-
Other Receivables	624,992,596	179,790,241	19,463,782	17,635,964	1,087,786,788	6,443,922	-
Gold Investment	28,206,181,777	-	-	-	-	-	-
Total Financial Assets	524,153,432,366	36,663,103,224	14,268,278,618	26,900,631,111	85,927,023,587	7,719,814,631	4,119,794,209
Deposit of Banks & FIs	1,684,278,676	2,028,813	1,393,234,570	124,153,891	-	-	-
Deposit Others	383,082,551	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	10,183,273,536
Loan from IMF	-	-	-	-	-	-	4,424,292,045
Other Liabilities	-	-	-	-	-	-	-
Bills Payables	-	-	-	-	-	-	-
Total Financial Liabilities	2,067,361,227	2,028,813	1,393,234,570	124,153,891	-	-	14,607,565,581
Net Financial Position Exposure	522,086,071,139	36,661,074,411	12,875,044,048	26,776,477,220	85,927,023,587	7,719,814,631	-10,487,771,372



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Previous Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	48.56%	6.43%	5.93%	4.65%	7.16%	1.32%	0.92%
Cash Balances	2,450,729,206	188,641,322	384,233,657	195,804,412	83,741,514	15,699,814	-
Demand Deposits	66,461,432,485	1,722,610,426	2,213,591,877	5,231,133,148	10,578,800,864	498,454,074	-
Time Deposit	197,557,829,322	25,868,763,891	25,792,978,960	22,581,071,756	15,782,930,240	6,686,809,876	-
Govt. & Other Debt Securities	75,750,275,002	-	-	-	46,718,723,257	-	-
Other Investments	2,516,429,757	5,325,997,782	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	4,119,794,209
Bills Purchased	26,296	-	-	3,160	-	-	-
Other Receivables	445,952,340	123,647,671	21,109,611	12,186,415	1,000,087,351	7,366,356	-
Gold Investment	19,527,073,391	-	-	-	-	-	-
Total Financial Assets	364,709,747,800	33,229,661,092	28,411,914,105	28,020,198,892	74,164,283,227	7,208,330,119	4,119,794,209
Deposit of Banks & FIs	2,300,268,473	2,667,924	190,816,610	91,445,672	-	-	-
Deposit Others	405,169,252	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	9,668,100,070
Loan from IMF	-	-	-	-	-	-	6,022,225,430
Other Liabilities	-	-	-	-	-	-	-
Bills Payables	-	-	-	-	-	-	-
Total Financial Liabilities	2,705,437,725	2,667,924	190,816,610	91,445,672	-	-	15,690,325,500
Net Financial Position Exposure	362,004,310,074	33,226,993,168	28,221,097,494	27,928,753,220	74,164,283,227	7,208,330,119	11,570,531,291

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 23.31% (PY 25.45%) 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 0.68% (PY 0.51%) 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.



NEPAL RASTRA BANK
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	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%		For the Year Ended 2071	
	For the Year Ended 2073	For the Year Ended 2072	Strengthening	Weakening
USD	52,208,607,114	(52,208,607,114)	36,200,431,007	(36,200,431,007)
AUD	3,666,107,441	(3,666,107,441)	3,322,699,317	(3,322,699,317)
EUR	1,287,504,405	(1,287,504,405)	2,822,109,749	(2,822,109,749)
GBP	2,677,647,722	(2,677,647,722)	2,792,875,322	(2,792,875,322)
CNY	8,592,702,359	(8,592,702,359)	7,416,428,323	(7,416,428,323)
CAD	771,981,463	(771,981,463)	720,833,012	(720,833,012)
SDR	(1,048,777,137)	1,048,777,137	(1,157,053,129)	1,157,053,129
Total	68,155,773,366	(68,155,773,366)	52,118,323,601	(52,118,323,601)

ii) Interest Rate Risk:

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes 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. The Board sets limits on the level of mismatch of interest rate re-pricing which is monitored daily by the Bank Treasury.

The Bank has 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 is as below:

Particulars	Weighted Average Interest Rate %	As on 31st Asar 2073	As on 31st Asar 2072
<u>Interest Sensitive Financial Assets</u>			
Bank Balance	0.25	5,425,938,496	22,233,744,201
Investment in Foreign Currency	2.47	569,330,072,212	426,484,210,233
IMF Related Assets	0.07	2,416,907,139	4,119,794,209
Government Securities	6.00	345,039,400,022	283,315,579,479
Other Investments	5.89	17,581,096,923	15,096,487,000
Refinance & Loans	0.83	11,089,698,993	7,918,102,710
Total Interest Sensitive Financial Assets		950,883,113,785	759,167,917,831
<u>Interest Sensitive Financial Liabilities</u>			
IMF Related Liabilities	0.06	9,181,784,449	8,361,984,449
Total Interest Sensitive Financial Liabilities		9,181,784,449	8,361,984,449
Net Interest Sensitive Financial Position		941,701,329,336	750,805,933,382



NEPAL RASTRA BANK
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iii) Other Market Prices Risk

Equity price risk arises from available-for-sale equity securities as well as investment as 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 11 institutions. All the investments were measured at cost except in two cases 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				27,212,548,142		27,212,548,142	27,212,548,142
SDR of IMF				2,416,907,139		2,416,907,139	2,416,907,139
Foreign Government Securities						323,760,037,105	323,760,037,105
GON Securities						21,279,362,917	21,279,362,917
Equity Instruments:						-	-
Measured at Fair Value		3,090,879,330				3,090,879,330	3,090,879,330
Measured at Cost		341,142,540				341,142,540	NA
Gold Investment	28,206,181,777					28,206,181,777	28,206,181,777
Other Investment:							
Measured at Fair Value						48,038,622,167	48,038,622,167
Measured at Amortized Cost			510,412,965,192	253,400,000		510,666,365,192	NA
Loans and Refinance				11,089,698,993		11,089,698,993	NA
Other Receivables				5,037,373,458		5,037,373,458	NA
Total Financial Assets	76,244,803,944	3,432,021,870	510,412,965,192	46,009,927,732	-	981,139,118,759	
Bank & Other Agencies Deposit					214,538,453,572	214,538,453,572	214,538,453,572
Liability towards IMF					14,607,565,581	14,607,565,581	14,607,565,581
IMF Related Deposit					9,181,784,449	9,181,784,449	9,181,784,449
GON Deposit					133,832,156,252	133,832,156,252	133,832,156,252
Other Deposit					830,544,731	830,544,731	830,544,731
Staff Liabilities					19,629,587,646	19,629,587,646	19,629,587,646
Bills Payables					1,122,218,355	1,122,218,355	1,122,218,355
Other Liabilities					6,894,410,892	6,894,410,892	6,894,410,892
Total Financial Liabilities	-	-	-	-	400,636,721,479	400,636,721,479	
Net Financial Position	76,244,803,944	3,432,021,870	510,412,965,192	46,009,927,732	-400,636,721,479	580,502,397,281	



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 determines 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 every year using projected unit credit method. 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.

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 to the fund whereas interest income of staff security plan is recognized as income of the bank. Leave encashment is not a funded plan.

There were no plan amendments, curtailments and settlements during the reporting period.

The details of the actuarial valuation of obligation for two defined benefit plans, viz., the Gratuity and Pension plan and the Staff Security Fund are as follows:

	<i>Funded Plans (NRs.)</i>		
	Gratuity & Pension Fund	Staff Security Fund	Total
Present value of obligation as per Actuarial Valuation	16,260,561,185	2,241,351,694	18,501,912,879
Liability balance in previous year	12,726,708,968	1,589,956,721	14,316,665,689
Actuarial (gain)/loss of previous year	-	-	-
Additional provision required	3,533,852,217	651,394,973	4,185,247,190

The management decided to amortize the obligation with the provision of NRs. 3,500,000,000 this year. The balance was deferred to be provided after considering the actuarial report in the next year. The deviations, if any, from IAS in this connection is recognized on practical grounds.

The management believes that the recognition of actuarial losses/gain over the period of two years shall be systematic and faster recognition of losses/gain than would be recognized in other comprehensive income. The details of the net liabilities recognized in balance sheet, unrecognized actuarial losses, changes in fair value of plan assets, changes in present value of obligation and the amount recognized in statement of comprehensive income and other comprehensive income are disclosed as below:



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NOTES FORMING PART OF FINANCIAL STATEMENTS

Amount Recognized in the Statement of Financial Position

Particulars	As on 31 st Asar 2073			As on 31 st Asar 2072		
	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	16,260,561,185	2,241,351,694	888,152,300	15,430,681,540	2,410,870,990	821,357,804
Fair Value of Plan Assets/ Current Balance of Provision Account	12,726,708,968	1,589,956,721	678509292.6	10,624,843,690	1,491,400,915	626820264.8
Net Liability /(Asset)	3,533,852,217	651,394,973	209,643,007	4,805,837,850	919,470,075	194,537,539
Unrecognised Actuarial Losses	533,852,217	151,394,973	-	1,885,909,909	456,640,611	-
Net Liabilities/(Assets) Recognised in Statement of Financial Position	3,000,000,000	500,000,000	209,643,007	2,919,927,941	462,829,464	194,537,539

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 st Asar 2073			For the Year Ended 31 st Asar 2072		
	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	15,430,681,540	2,410,870,990	821,357,804	13,085,433,882	2,329,755,284	781,755,545
Current Service Cost	336,533,057	124,068,215	138,590,823	336,790,511	128205569	128,858,990
Interest Cost	1,234,454,523	192,869,679	71,052,184	1,046,834,711	186380423	65,708,624
Actuarial Losses (Gains)	-86,787,295	-193,662,662		1,626,927,973	8,634,705	-
Losses (Gains) on Curtailments		-		-	114803380	-
Benefits Paid	-654,320,640	-292,794,528	-142,848,511	-665,305,537	-356908371	-154,965,355
Closing Obligation	16,260,561,185	2,241,351,694	888,152,300	15,430,681,540	2,410,870,990	821,357,804

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 31 st Asar 2073		For the Year Ended 31 st Asar 2072	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	10,624,843,690	1,491,400,915	7,026,256,690	1,365,010,000
Expected Return	849,987,495	119,312,073	562,100,535	109,200,800
Actuarial Gains (Losses)	-1,259,747,685	-119,312,073	-104,015,156	-30,671,885
Distribution on Settlements			-	-
Contribution by Employer	3,000,000,000	600,000,000	3,805,807,158	404,770,371
Benefits Paid	-654,320,640	-292,794,528	-665,305,537	-356,908,371
Closing Fair Value	12,560,762,860	1,798,606,387	10,624,843,690	1,491,400,915



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NOTES FORMING PART OF FINANCIAL STATEMENTS

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 31st Asar 2073			For the Year Ended 31st Asar 2072		
	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	336,533,057	124,068,215	138,590,823	336,790,511	128,205,569	128,858,990
Interest Cost	1,234,454,523	192,869,679	71,052,184	1,046,834,711	186,380,423	65,708,624
Expected Return on Plan Asset	-849,987,495	-119,312,073		-562,100,535	-109,200,800	-
Actuarial Losses Recognized in P/L	2,278,999,915	302,374,179		2,178,475,313	394,614,808	
Past Service Cost				-	-	-
Curtailments & Settlements				-	-	-
Total Employee Benefit Expense	3,000,000,000	500,000,000	209,643,007	3,000,000,000	600,000,000	194,567,614

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 31st Asar 2073		For the Year Ended 31st Asar 2072	
	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	100%	100%	100%	100%
Others	-	-	-	-
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 31st Asar 2073		For the Year Ended 31st Asar 2072	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.67%	6.67%	6.67%	6.67%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%



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15. Reserves

The Bank has maintained different reserves and funds. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the profit. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalisation Reserve and Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10% and 5% of net profit to General Reserve and Monetary Liability Reserve respectively. However, the bank has departed with this provision of the Act and appropriated 10% and 5% of Balance of Net Profit available after appropriation of foreign exchange revaluation and other revaluation gain/loss to Foreign Exchange Equalisation and Revaluation Reserve respectively to the General Reserve and Monetary Liability Reserve respectively. 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 of 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 equal 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 equal to five percent of net profit available for appropriation 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 NRs. 707,554,619 (P.Y. NRs. 539,205,481) 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 plus penalty income from Banks and Financial Institutions for the year which is NRs. 1,964,852,718 (P.Y. NRs. 1,123,982,900) was appropriated during the year. Also, an amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account. The management believed that the amount allocated to General Reserve was sufficient to cover the capital expenditures planned for next Fiscal Year. The amount allocated to this reserve shall be used only for the purpose of recovering the loss.



NEPAL RASTRA BANK
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c) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (gha) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. Represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs.17,929,777,630 (P.Y. NRs. 2,290,312,874) 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 an amount of Rs.5,708,576,716 (P.Y. revaluation loss of NRs. 1,224,363,057) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated 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 of 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 Monetary Policy of the Bank 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. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly an amount of NRs.3,551,232,671 (P.Y. NRs. 1,548,675,678) has been allocated to this fund during the year.

b) Banking Development Fund:

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly, an amount of NRs.30,000,000 (P.Y. NRs. 30,000,000) 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 NRs.23,374,544 (P.Y. NRs. 17,537,099) has been allocated to this fund during the year. Earmarked investment of this fund has been made.



NEPAL RASTRA BANK
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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 NRs.200,000,000 (P.Y. NRs. 0) 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. 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 NRs. 24,077,829 (P.Y. NRs. 24,708,491) 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 provide wholesale credit for lending purpose to the deprived sector through MFIs, corporate and NGOs and 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.

16. Prior Period Errors

The prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into additional income for the previous year by NRs.35,148,685 than by the reported figure of the previous year. This resulted into increase in profit of previous year by the said amount and has been shown in previous year reserve account as surplus due to restatement of prior period errors and has been adjusted with current year profit available for appropriation.

17. Currency in Circulation

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 4,652,557,463 (P.Y. NRs. 3,537,014,663). The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:



NEPAL RASTRA BANK
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Denomination	As on 31 st Asar 2073	As on 31 st Asar 2072
1	161,224,148	161,357,950
2	186,140,232	186,616,650
5	2,003,683,295	1,858,974,025
10	3,025,011,680	2,794,427,560
20	3,756,168,120	3,418,564,840
25	57,676,325	58,185,875
50	6,622,293,550	5,693,211,850
100	11,734,570,900	11,554,328,500
250	87,516,250	87,531,750
500	91,896,788,500	88,489,649,000
1000	266,628,927,000	204,777,152,000
Total	386,160,000,000	319,080,000,000

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 consist 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 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:



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	672.46	517.47
Non-Convertible Foreign Currency	214.55	185.42
Gold Reserve	28.21	19.53
Special Drawing Rights	0.03	4.12
Sub Total	915.25	726.54
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	144.01	113.97
Non-Convertible Foreign Currency	8.19	7.03
Sub Total	152.2	121.00
Total Foreign Exchange Reserve of Banking System	1067.45	847.54

Instrument wise Investment of Foreign Exchange Reserve of the Banking System in terms of percentage of total reserve are as follows:

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	1.65	1.79
Indian Treasury Bills	18.98	20.52
BIS FIXBIS	0.60	0.85
Bonds/Notes	14.53	13.87
Mid Term Instrument	0.78	0.93
Call Deposits	4.49	6.86
Time Deposit	39.81	33.87
Gold Deposit	2.64	2.30
Special Drawing Rights	0.23	0.49
Balance with NRB and BFIs	16.31	18.52
Total	100.00	100.00

19. Project's 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:



NEPAL RASTRA BANK
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For the Year ended 31st Asar 2073

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
Equity & Liabilities						
Reserve & Surplus	6,442,484	4,449,329	18,177,538	11,442,115	12,230,197	42,833,921
Loans	51,100,000	30,501,431	107,350,000	23,459,294	358,975,236	370,101,691
Accounts Payable	-	152,507	4,237,976	156,395	-	213,986
Total Equity & Liabilities	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	413,149,598
Assets						
Loan to PFIs	0	-	-	3,303,294	327,545,817	8,895,819
Investment	-	0	-	-	-	28,675,000
Other Receivables	-	0	0	503,520	0	697,759
Cash and Bank Balance	57,542,484	35,103,267	129,765,515	31,250,991	43,659,616	374,881,020
Total Assets	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	413,149,598

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
A. Income						
Interest Income:	1,582,698	1,610,629	4,964,304	1,209,127	0	9,366,758
From Loan to PFIs	102,737			150,150		252,887
On Investment	1,479,961	1,610,629	4,964,304	1,058,977		9,113,871
Loan Loss Prov. Written back	34,246		633,871	22,245		690,362
Other Income					7,351,977	7,351,977
Total Incomes	1,616,944	1,610,629	5,598,175	1,231,372	7,351,977	17,409,097
B. Expenditure						
Administrative Expenses						0
Interest Expenses	1,697,250	1,128,553	4,237,500	566,933	168,036	7,798,272
Provision for Service Charge						0
Loan Loss Provision						0
Depreciation						0
Total Expenses	1,697,250	1,128,553	4,237,500	566,933	168,036	7,798,272
Surplus (Deficit) (A-B)	(80,306)	482,076	1,360,675	664,439	7,183,941	9,610,825



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For the Year ended 31st Asar 2072

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
Equity & Liabilities						
Reserve & Surplus	6,522,790	3,967,253	16,816,864	10,777,676	4,514,746	42,833,921
Loans	58,400,000	42,702,003	107,350,000	35,188,941	126,460,746	370,101,691
Accounts Payable	-	213,510	476	234,593	-	213,986
Total Equity & Liabilities	64,922,790	46,882,766	124,167,340	46,201,210	130,975,492	413,149,598
Assets						
Loan to PFIs	3,390,330	-	-	5,505,489	-	8,895,819
Investment	-	28,675,000	-	-	-	28,675,000
Other Receivables	-	697,758	1	-	-	697,759
Cash and Bank Balance	61,532,460	17,510,008	124,167,339	40,695,721	130,975,492	374,881,020
Total Assets	64,922,790	46,882,766	124,167,340	46,201,210	130,975,492	413,149,598

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
A. Income						
Interest Income:	4,266,513	3,178,783	7,706,906	1,444,880	-	16,597,083
From Loan to PFIs	1,018,390			216,883		1,235,273
On Investment	3,248,123	3,178,783	7,706,906	1,227,997		15,361,810
Loan Loss Prov. Written back	6,460,311		-	22,244		6,482,555
Other Income		-			3,399,009	3,399,009
Total Incomes	10,726,824	3,178,783	7,706,906	1,467,125	3,399,009	26,478,648
B. Expenditure						
Administrative Expenses						-
Interest Expenses	1,916,250	1,760,273	4,463,500	801,526		8,706,956
Provision for Service Charge						-
Loan Loss Provision						-
Depreciation						-
Total Expenses	1,916,250	1,760,273	4,463,500	801,526	-	8,706,956
Surplus (Deficit) (A-B)	8,810,574	1,418,511	3,243,406	665,599	3,399,009	17,771,692

The two projects namely; Community Ground water Irrigation Sector Project (CGISP) and Rural Self Reliance Fund (RSRF) 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:



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Statement of Financial Position

Particulars	As on 31 st Asar 2073		As on 31 st Asar 2072	
	CGISP	RSRF	CGISP	RSRF
Equity				
Capital Contribution **	17,548,370	793,400,000	17,548,370	793,400,000
Surplus	116,009,020	131,909,195	106,958,116	128,520,348
Financial Risk Fund	5,200,000		5,200,000	
Long- term Liabilities				
Loan from ADB - Non-Current Portion	150,538,740		147,193,435	
Current Liabilities and Provision				
Loan from ADB - Current Portion	50,179,580		53,524,885	
Service Charge due on Loan from ADB	20,972,977		18,965,793	
Loan Loss Provision	648,834	45,083,353	843,385	44,194,075
Accounts Payable	320,684	72,735,083	320,684	72,144,308
Total Equity & Liabilities	361,418,204	1,043,127,631	350,554,668	1,038,258,731
Assets				
Non-Current Assets				
Fixed Assets	4	47,520	27,910	54,251
Loan to PFI- Non Current Portion	46,786,923	42,962,500	63,964,791	55,363,446
Investment				
Current Assets				
Interest Receivables	140,053		154,537	
Loan to PFI-current portion	18,096,457	507,619,144	22,140,278	473,717,967
Cash and cash equivalents	296,394,768	492,498,467	264,267,152	509,123,067
Total Assets	361,418,205	1,043,127,631	350,554,668	1,038,258,731

** 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 31 st Asar 2073		As on 31 st Asar 2072	
	CGISP	RSRF	CGISP	RSRF
A. Income				
Interest Income:	10,928,800	28,882,427	16,169,677	38,041,233
From Loan to PFIs	4,103,649	27,015,645	4,910,395	29,502,440
On deposit with banks	6,825,152	559,603	11,259,282	6,922,225
On Investment		1,307,179		1,616,568
Other Income		133,387		91,472
Loan Loss Provision Written back	194,551	0	221,316	0
Total Incomes	11,123,351	29,015,814	16,390,993	38,132,706
B. Expenditure				
Administrative Expenses	37,358	24,677,848	87,692	23,969,817
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision	-	889,278	-	11,208,127
Depreciation	27,906	59,841	27,910	70,211
Total Expenses	2,072,447	25,626,967	2,122,785	35,248,155
Surplus (Deficit) (A-B)	9,050,905	3,388,847	14,268,208	2,884,551



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2073 as records of the bank was a surplus balance of NRs. 133,832,156,252 (P.Y. NRs. 34,529,399,452). 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. The surplus balance of Government Treasury position as of 31st Asar 2072 was finalized at Poush end 2072.

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:

Financial Position in the Fund

Particulars	As on 31st Asar 2073		As on 31st Asar 2072	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
<u>SPECIAL DRAWING RIGHT:</u>				
Net cumulative allocation	10,183,273,536	68,099,599	9,668,100,070	68,099,599
Holdings	2,416,907,139	16,162,819	4,119,794,209	29,018,766
<u>OUTSTANDING PURCHASES & LOANS:</u>				
RCF Loans	3,838,264,380	25,668,000	4,048,984,400	28,520,000
ECF Arrangements	586,027,665	3,919,000	1,974,419,665	13,907,302
<u>OTHER INFORMATION</u>				
	<u>Percent of Quota</u>		<u>Percent of Quota</u>	
Quota	100	156,900,000	100	71,300,000
Currency Holding	89.82	140,923,637	99.98	71,283,862
Reserve Tranche Position	10.19	15,981,999	0.03	21,774

The SDR is converted into Nepalese rupees at conversion rate of NRs 149.535 (P.Y. NRs. 141.97) per SDR.

Financial position in the IMF as on April 30, 2016 and comparative position as on April 30, 2015 has not been presented. However, such information is available in IMF website (www.imf.org).



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

22. Number of Employees

The number of employees holding office at the yearend was 1,232 (PY 1,331).

23. Events Occurred After Balance Sheet Date

- i. The change in exchange rates of various foreign currencies after the yearend resulted in increase as of date in net foreign currency assets, exchange equalization fund and net profit/ (loss) for the period. The increase is estimated to be NRs. 1,527,483,010 (PY NRs. 14,098,439,369) 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 decrease in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The decrease is estimated to be NRs. 4,428,787,839.33 (PY NRs. 497,374,521) 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 decrease in value of investments in shares and decrease in the Fair value reserve. The decrease is estimated to be NRs. 836,249,568 (PY NRs. 286,559,658) as of the date of issuing the financial statements.
- iv. The changes in market price of investment in equity shares of Nepal Grameen Bikas Bank after the yearend resulted in decrease in value of investments in shares and decrease in the Fair value reserve. The decrease is estimated to be NRs. 112,993,220 (PY NRs. 0) as of the date of issuing the financial statements
- v. 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.