



NEPAL RASTRA BANK

# ANNUAL FINANCIAL STATEMENTS

Fiscal Year 2073 - 2074 (A.D. 2016/017)



# NEPAL RASTRA BANK



**Dr. Chiranjibi Nepal**  
Governor/Chairman



**Shankar Prasad Adhikari**  
Secretary MOF/Director



**Chintamani Siwakoti**  
Deputy Governor/Director



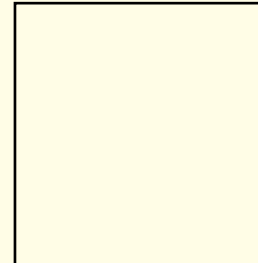
**Shiba Raj Shrestha**  
Deputy Governor/Director



**Dr. Sri Ram Poudyal**  
Director



**Dr. Ramjee Regmi**  
Director



**Bal Krishna Man Singh**  
Director

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



**Dr. Gopal Prasad Bhatta**  
Acting Executive Director  
Financial Management Department





# नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय  
बालुवाटार, काठमाडौं  
Central Office  
Baluwatar, Kathmandu

## FOREWORD

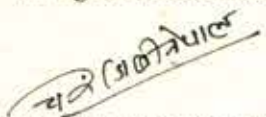
Nepal Rastra Bank is committed to making the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058. As per our commitment and requirement of the Act, NRB prepares annual report for each fiscal year, which includes the 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 31<sup>st</sup> Asadh 2074 (15<sup>th</sup> July 2017), 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 2073/74 B.S. (2016/17) has been prepared and presented hereby in accordance with the International Norms, Nepal Financial Reporting Standards (NFRS) and International Financial Reporting Standards (IFRS) as far as practicable in our context.

I express my heartfelt gratitude to the statutory auditors – Office of the Auditor General, CA Mahesh Khanal, CA Prabin D. Joshi and CA Tek Nath Acharya 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



Public Enterprises Audit General Directorate

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बबरमहल, काठमाडौं, नेपाल

Babar Mahal, Kathmandu, Nepal

Ref No. 2074/75/463

Date: April 2, 2018

**Independent Auditor's Report**

To,  
The Governor,  
Nepal Rastra Bank,  
Baluwatar, Kathmandu.

**1. Report on the Financial Statements**

We have examined the accompanying financial statements of Nepal Rastra Bank (NRB) which comprises the Statement of Financial Position at Ashad 31, 2074 (July 15, 2017), Statement of Net Income and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity for the period then ended and Notes comprising of significant accounting policies and explanatory information.

**2. Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standard (NFRS) and International Financial Reporting Standard (IFRS) wherever applicable NFRS has not been pronounced and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**3. Auditor's Responsibility**

Our responsibility is to express an opinion in these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment including assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our qualified opinion.

*S. Nepal*



#### 4. Basis for Qualified Opinion

Following non-compliances with NFRS/IFRS were observed which in our opinion are having material, but not pervasive impact on the financial statements of NRB:

- 4.1 Sufficient appropriate audit evidences for subsequent measurement of various subsidized staff loans of Rs.4,076.87 million could not be obtained for presentation of same at amortized cost (presented in financial statements at cost) as required by Para 4.1.2 of NFRS 9, the impact of which could not be ascertained.

Further, followings have impact on fair presentation of financial statements:


- 4.2 Interest on fixed deposit amounting to NRs. 1,117.33 million has been credited to defined benefit liability (Gratuity and Pension Fund) forming part of net interest expenses of Gratuity and Pension Fund though the nature of fixed deposit does not satisfy the definition of Plan Assets under NAS 19, resulting understatement of interest income as well as personnel cost by the stated amount.
- 4.3 Balance of investment revaluation reserve accumulated till previous year amounting to NRs. 859.74 million, which has been created to account for increase in fair value of financial assets, have not been transferred to Retained Earnings in line with de-recognition principle of NFRS 9 though those financial assets have already been liquidated;
- 4.4 It has not made required disclosure as per Para 2 of NFRS 12 (Disclosure of Interest in Other Entities), which requires to present detailed information about its interest in subsidiaries, associates and structured entities that are not controlled by NRB.
- 4.5 Though physical verification of gold and silver with currency management department was carried out up to Chaitra 2072, quantity and quality of gold was not tasted during the courses of verification and quantity of gold was taken on the basis of records. Thus, amount shown as Gold and Silver stock of NPR 1.7 billion does not represent the true value.

#### 5. Qualified Opinion

In our opinion, except for the effect of matters described on the basis for qualified opinion paragraph, the financial statements, give true and fair view of the financial position of NRB as at Ashad 31, 2074 (Corresponding to July 15, 2017), its financial performance, cash flow and changes in equity for the year then ended in accordance with NFRS, IAS/IFRS, relevant practice and prevailing laws.

#### 6. Management Letter

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

*J. Nepal*  
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Iswar Nepal  
Deputy Auditor General  
  
Office of the Auditor General  
Nepal  
2016







**NEPAL RASTRA BANK**  
STATEMENT OF FINANCIAL POSITION  
As on 31st Asar, 2074 (15th July, 2017)

Figures in NRs.

Particulars	Notes	As on 31-3-2074	As on 31-3-2073
<b>ASSETS</b>			
Cash and Cash Equivalents	4.1	336,774,441,233	373,783,720,397
Trading Assets		-	-
Derivative Assets Held for Risk Management		-	-
Loans and Advances to Bank and Financial Institutions	4.2	6,927,270,915	6,700,152,878
Loans and Advances to Others	4.3	13,047,932,415	9,326,933,368
Overdraft to Government of Nepal		-	-
Gold and Silver	4.4	27,633,686,674	29,868,476,457
Investment Securities	4.5	669,520,092,160	563,022,144,135
Inventories	4.6	1,429,421,619	1,486,003,561
Investment Properties		-	-
Property, Plant and Equipment	4.7	978,441,149	868,002,056
Intangible Assets	4.8	138,405,026	161,594,152
Other Assets	4.9	754,987,780	760,978,967
<b>TOTAL ASSETS</b>		<b>1,057,204,678,971</b>	<b>985,978,005,971</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial Liabilities held for Trading		-	-
Derivative Liabilities Held for Risk Management		-	-
Bills Payable		233,602,320	1,122,218,355
Deposits from Bank and Financial Institutions	4.10	211,579,363,272	204,783,424,094
Deposit from Government of Nepal		193,752,687,231	133,832,156,252
Deposits from Others	4.11	27,004,456,317	13,104,514,567
Short Term Borrowings	4.12	14,400,000,000	49,080,000,000
IMF Related Liabilities	4.13	21,559,685,462	23,789,350,031
Staff Liabilities	4.14	23,690,470,601	19,729,726,781
Subordinated Liabilities		-	-
Provisions		-	-
Other Liabilities	4.15	1,933,436,696	4,475,027,699
Currency in Circulation	4.16	430,990,000,000	386,160,000,000
Surplus Payable to Government of Nepal	4.17 (a)	7,500,000,000	7,250,000,000
<b>Total Liabilities</b>		<b>932,643,701,900</b>	<b>843,326,417,780</b>
<b>EQUITY</b>			
Capital		5,000,000,000	3,000,000,000
Reserves & Surplus	4.17 (b)	119,560,977,072	139,651,588,192
Non-controlling Interest		-	-
<b>TOTAL EQUITY</b>		<b>124,560,977,072</b>	<b>142,651,588,192</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,057,204,678,971</b>	<b>985,978,005,971</b>

Notes referred above and significant disclosures are integral part of this statement.

As per our report of even date

-----  
Dr. Gopal Prasad Bhatta  
Act. Executive Director-Financial Management Dept.

-----  
Mr. Iswar Nepal  
Deputy Auditor General

**Board of Directors:**

-----  
Dr. Chiranjibi Nepal  
Governor

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Mr. Chintamani Siwakoti  
Deputy Governor

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CA. Tek Nath Acharya  
T.N Acharya & Co.  
Chartered Accountants

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CA. Mahesh Khanal  
M. Khanal & Co.  
Chartered Accountants

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CA. Prabin D. Joshi  
Prabin Joshi & Co.  
Chartered Accountants

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Mr. Shankar Prasad Adhikari  
Secretary MOF/Board Member

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Mr. Shiba Raj Shrestha  
Deputy Governor

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Dr. Sri Ram Poudyal  
Board Member

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Mr. Ramjee Regmi  
Board Member

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Mr. Bal Krishna Man Singh  
Board Member

Date: 2074/10/14  
Place: Kathmandu

(Restricted as per the interim order of Supreme  
Court vide letter dated 2073.8.24)



**NEPAL RASTRA BANK**  
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME  
For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

Figures in NRs

Particulars	Notes	For the Year Ended 31-3-2074	For the Year Ended 31-3-2073
Interest Income	4.18	25,159,984,065	21,238,247,263
Interest Expense	4.19	(478,464,921)	(689,699,657)
<b>Net interest Income</b>		<b>24,681,519,144</b>	<b>20,548,547,606</b>
Fee and Commission Income	4.20	66,995,016	63,863,308
Fee and Commission Expense	4.21	(251,329,717)	(198,405,380)
<b>Net Fee and Commission Income</b>		<b>(184,334,700)</b>	<b>(134,542,072)</b>
Net Trading Income		-	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		920,815,808	213,802,381
Other Income	4.22	201,967,577	147,850,467
<b>Total Operating Income</b>		<b>25,619,967,829</b>	<b>20,775,658,382</b>
Impairment Allowance on Financial Assets Written back		124,225,097	532,816,000
<b>Net Operating Income</b>		<b>25,744,192,927</b>	<b>21,308,474,382</b>
Personnel Expenses	4.23	(4,188,331,805)	(5,451,313,632)
Depreciation, Amortisation and Impairment of Non-Financial Assets	4.24	(112,238,988)	(101,700,802)
Operating Expenses	4.25	(1,741,360,826)	(1,639,516,333)
<b>Income/(Expenditure) before revaluation</b>		<b>19,702,261,308</b>	<b>14,115,943,614</b>
Foreign Exchange Gain/(Loss) - Unrealised		(23,752,795,700)	17,929,777,629
Net Gold and Silver Revaluation Gain/(Loss)		(3,876,680,456)	5,708,576,716
Securities Revaluation Gain/(Loss)		9,952,836	4,830,707
<b>Net Income/(Expenditure) for the year</b>		<b>(7,917,262,011)</b>	<b>37,759,128,666</b>
<b>Other Comprehensive Income</b>			
Actuarial gain (Loss) in defined benefit Retirement Schemes		(1,898,003,065)	-
Foreign currency translation differences		-	-
Net gain (loss) on hedges of net investments		-	-
Net Change in fair value of Cash flow hedges		-	-
Net Change in Fair value of available-for-sale financial assets		(752,882,409)	1,024,809,982
<b>Other Comprehensive income</b>		<b>(2,650,885,474)</b>	<b>1,024,809,982</b>
<b>Total Comprehensive income</b>		<b>(10,568,147,486)</b>	<b>38,783,938,648</b>

Notes referred above and significant disclosures are integral part of this statement.

As per our report of even date

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Dr. Gopal Prasad Bhatta  
Act. Executive Director-Financial Management Dept.

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Mr. Iswar Nepal  
Deputy Auditor General

**Board of Directors:**

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Mr. Ramjee Regmi  
Board Member

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Mr. Bal Krishna Man Singh  
Board Member

Date: 2074/10/14  
Place: Kathmandu

(Restricted as per the interim order of Supreme  
Court vide letter dated 2073.8.24)





**NEPAL RASTRA BANK**  
**STATEMENT OF CASH FLOWS**

For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

Figures in NRs

PARTICULARS	For the Year Ended 31-3-2074	For the Year Ended 31-3-2073
<b>Cash Flow From Operating Activities:</b>		
Net Income/(Expenditure) for the year	(7,917,262,011)	37,759,128,666
<b>Adjustments:</b>		
Gold and Silver Revaluation (gain)/loss (Net)	3,876,680,456	(5,708,576,716)
Revaluation (Gain) or Loss on Foreign Exchange	23,752,795,700	(17,929,777,630)
Securities Revaluation Gain	(9,952,836)	(4,830,707)
Depreciation & Amortisation	112,238,988	101,700,802
Dividend Income	(62,991,715)	(24,568,748)
Provisions no Longer Required Written Back	(124,225,097)	(532,816,000)
Grant Income	-	(115,825)
Profit from Sale of Assets/ Investments	(6,110,898)	(10,885,370)
Assets Written Off	-	16,126
Interest paid on IMF Liabilities	29,849,447	5,494,745
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(22,463,634)	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	(1,898,003,065)	-
<b>Cash Flow From Operation Before Inc / Dec in Operating Assets</b>	<b>17,730,555,333</b>	<b>13,654,769,344</b>
<b>(Increase)/Decrease in Operating Assets</b>	<b>(3,885,543,955)</b>	<b>(3,351,400,245)</b>
Loans & Advances	(3,948,117,083)	(3,171,596,283)
Inventories	56,581,942	615,380,915
Other Assets	5,991,186	(795,184,877)
<b>Increase/(Decrease) in Operating Liabilities</b>	<b>46,466,948,689</b>	<b>99,303,956,972</b>
Government Deposit	59,920,530,979	99,302,756,800
Deposit Liabilities	20,695,880,929	8,251,239,432
Bills Payable	(888,616,035)	733,315,198
Short Term Borrowings	(34,680,000,000)	49,080,000,000
IMF Deposit	-	819,800,000
Staff Liabilities	3,960,743,819	3,695,505,705
Other Liabilities	(2,541,591,003)	(62,578,660,163)
<b>Net Cash Flow From Operating Activities</b>	<b>Total (A)</b>	<b>109,607,326,072</b>
<b>Cash Flow From Investing Activities:</b>		
Net (Incr)/Decr in Investment Securities	(107,116,652,501)	(148,761,309,070)
Gold & Silver	(1,641,890,673)	(2,919,284,605)
Purchase of Property, Plant & Equipment	(299,900,789)	(197,122,811)
Sale of Property, Plant & Equipment	107,211,240	25,861,029
Purchase of Intangible Assets	(688,508)	(1,047,550)
Dividend Income	62,991,715	24,568,748
<b>Net Cash Flow From Investing Activities</b>	<b>Total (B)</b>	<b>(151,828,334,260)</b>
<b>Cash Flow From Financing Activities:</b>		
Bank Note Issued	44,830,000,000	67,080,000,000
Increase/Decrease in ECF/RCF Loan & SDR Allocation	(2,229,664,568)	(1,082,759,919)
Interest paid on IMF Liabilities	(29,849,447)	(5,494,745)
Surplus Paid to GON	(7,250,000,000)	(7,000,000,000)
<b>Net Cash Flow From Financing Activities</b>	<b>Total (C)</b>	<b>58,991,745,337</b>
<b>Net Cash Flow for the Year (A+B+C)</b>	<b>(13,256,483,464)</b>	<b>16,770,737,148</b>
Revaluation Gain or Loss on Foreign Exchange	(23,752,795,700)	17,929,704,517
Cash and Cash Equivalent at the Beginning of the Year	373,783,720,397	339,083,278,732
<b>Cash and Cash Equivalent at the end of the Year</b>	<b>336,774,441,233</b>	<b>373,783,720,397</b>

As per our report of even date

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Dr. Gopal Prasad Bhatta  
Act. Executive Director-Financial Management Dept.

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Mr. Iswar Nepal  
Deputy Auditor General

**Board of Directors:**

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Dr. Chiranjibi Nepal  
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Board Member

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Mr. Bal Krishna Man Singh  
Board Member

Date: 2074/10/14  
Place: Kathmandu

(Restricted as per the interim order of Supreme  
Court vide letter dated 2073.8.24)



## NEPAL RASTRA BANK

Statement of Changes in Equity  
For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

Annual Financial Statements-2073/074 (2016-17)

PARTICULARS	Statutory Reserve						Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Other Reserves	Retained Earning	Total
	Capital	General Reserve	Monetary Li- ability Reserve	Financial Stability Fund	Exchange Equili- sation Fund							
<b>Balance as on 1<sup>st</sup> Shrawan 2073</b>	3,000,000,000	21,745,438,676	3,489,959,379	-	64,644,715,969	4,480,191,137	2,235,996,388	854,909,553	10,631,289,675	35,148,685	111,117,649,461	
Net Income for the year										37,759,128,749	37,759,128,749	
Other Comprehensive Income										-	1,024,809,982	
<b>Appropriation of Net Income:</b>												
To General Reserve		1,964,852,718	707,554,619		17,929,777,630	5,708,576,716				(1,964,852,718)		
To Monetary Liability Reserve										(707,554,619)		
To Exchange Equilisation Fund										(17,929,777,630)		
To Gold & Silver Equilisation Reserve										(5,708,576,716)		
To Revaluation Reserve								4,830,707		(4,830,707)		
To Other Reserve									4,228,685,044	(4,228,685,044)		
<b>Inter Fund Transfer:</b>												
Gold & Silver to General Reserve												
Other Reserve to General Reserve		24,708,491							(24,708,491)			
<b>Balance Surplus Transfer to Government</b>												
<b>Balance as on 1<sup>st</sup> Shrawan 2074</b>	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	10,188,767,853	3,260,806,370	859,740,259	14,835,266,228	0	142,651,588,192	
Adjustment for Prior Period Income										(23,278,046)	(23,278,046)	
<b>Restated Balance</b>	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	10,188,767,853	3,260,806,370	859,740,259	14,836,080,639	(7,917,262,011)	142,629,124,557	
Net Income for the year										(2,650,885,474)	(2,650,885,474)	
Other Comprehensive Income												
<b>Appropriation of Net Income:</b>												
To General Reserve		4,239,793,020	889,049,010							(4,239,793,020)		
To Monetary Liability Reserve										(889,049,010)		
To Financial Stability Fund				889,049,010						(889,049,010)		
To Exchange Equilisation Fund					(23,752,795,700)					23,752,795,700		
To Gold & Silver Equilisation Reserve						(3,876,680,456)				3,876,680,456		
To Revaluation Reserve							9,952,836			(9,952,836)		
To Other Reserve								3,507,471,975		(3,507,471,975)		
To Net Cumulative Surplus Fund								2,734,774		(2,734,774)		
<b>Inter Fund Transfer:</b>												
Gold & Silver to General Reserve												
General Reserve to Share Capital		(2,000,000,000)										
Other Reserve to General Reserve												
<b>Balance Surplus Transfer to Government</b>												
<b>Balance as on 31<sup>st</sup> Asar 2074</b>	5,000,000,000	25,974,792,905	5,086,563,008	889,049,010	58,821,697,899	6,312,087,397	3,270,759,206	859,740,259	18,346,287,388	0	124,560,977,072	

As per our report of even date

Dr. Gopal Prasad Bhatta

Act. Executive Director-Financial Management Dept.

### Board of Directors:

Dr. Chiranjibi Nepal  
Governor

Mr. Shankar Prasad Adhikari  
Secretary MOF/Board Member

Mr. Chintamani Siwakoti  
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Mr. Shiba Raj Shrestha  
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Board Member

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Board Member

(Restricted as per the interim order of Supreme  
Court vide letter dated 2073.8.24)

Date: 2074/10/14  
Place: Kathmandu





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

## 1 General Information

Nepal Rastra Bank (hereinafter referred to as ‘NRB’ or ‘the Bank’), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058 (amended on 2073). 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/objectives of the Bank include:

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

## 2 Basis of Preparation

### 2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by International Accounting Standards Board. The standards that are not fully complied with includes NFRS 9 - Financial Instruments, NAS 19 - Employee Benefits and NFRS 12 - Disclosure of Interests in Other Entities.

Format of Financial statements of Nepal Rastra Bank has been changed from this fiscal year for better presentation of items in Financial statements in line with NFRS.

The financial statements include Statement of Financial Position, Statement of Net Income and Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes to Accounts. Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

### 2.2 Responsibility of Financial Statements

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 financial statements are approved by the Board Meeting held on 14th Magh 2074 (28th January 2018).

### 2.3 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

### 2.4 Fiscal Year

The financial statements relate to the fiscal year 2073/74 i.e. 1<sup>st</sup> Sawan 2073 to 31<sup>st</sup> Asar 2074 corresponding to Gregorian calendar 16<sup>th</sup> July 2016 to 15<sup>th</sup> July 2017. The previous year was 1<sup>st</sup> Sawan 2072 to 31<sup>st</sup> Asar 2073 (16<sup>th</sup> July 2015 to 15<sup>th</sup> July 2016).

### 2.5 Use of Estimates, Assumptions or Judgments

The preparation of the financial statements in conformity with NFRS requires management to make judgment, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimates, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- Key assumptions used in discounted cash flow projections
- Measurement of defined benefit obligations
- Provisions and contingencies



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

- Determination of net realizable value
- Determination of useful life of the property, plants and equipment
- Determination of capitalization value and useful life of the intangible assets

## 2.6 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.
- 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.

## 3 Significant Accounting Policies

### 3.1 Basis of Measurement

The financial statements are prepared on a historical cost basis except for following material items.

Items	Measurement Basis
Non Derivative Financial Instrument at Fair value through profit or Loss	Fair value
Available for sale financial assets, except for equity investments whose fair value are not available	Fair value
Gold Investment other than inventories	Fair value
Inventories	Cost or market value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

### 3.2 Basis of Consolidation

The Bank's investment in Rastriya Beema Samsthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done.

### 3.3 Interest Income/(Expenses)

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. Expenses are accounted on accrual basis.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

Interest income/(expenses) is recognized in Statement of Net Income and Other Comprehensive Income using the effective interest method 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.

The effective interest rate is the rate that exactly discount estimated future cash receipt or payment through expected life of the financial instrument or where appropriate a shorter period, to the net carrying amount of the financial asset and liability. While calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amount paid or received by the Bank that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

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.

- i. Interest on financial assets and financial liabilities measured at amortized cost on an effective interest basis.
- ii. Interest on available for sale investment securities calculated on an effective interest basis.
- iii. The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flow affect interest income/expenses; and
- iv. The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

### 3.4

#### **Non Interest Income**

##### ***i. Fees and Commission income***

Fees and commission income is earned for currency exchange and government transactions and other services. These are measured on accrual basis.

##### ***ii. Net trading income***

Net trading income comprises gains less losses relating to trading assets and liabilities and included all realized and unrealized fair value changes.

##### ***iii. Net income from financial instruments designated at fair value***

All gains and losses from the changes in the fair value of financial assets and liabilities designated at fair value are recognized through Net Income. Interest income and expenses and dividend income arising on these financial instruments are also included, except for interest arising from debt securities issued by the Bank, and derivatives managed in conjunction with those debt securities which is recognized in Interest expense.

Net income from other financial instrument at fair value through profit and loss related to non trading derivatives held for risk management purposes that do not form part of the qualifying hedge relationships are recognized through profit or loss. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

##### ***iv. Other Income***

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.
- Income and expenses are presented on a net basis only when permitted under NFRS.

### 3.5

#### **Leases**

Payment made under operating leases are recognized in Statement of Net Income on straight line basis over the term of the lease.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 3.6 Foreign Currency Transaction

Income and expenditure denominated in foreign currency are translated into Nepalese Rupees on the basis of exchange rate prevailing on the value date.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year/origination date, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.

Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions.

An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Other Comprehensive Income.

### 3.7 Income tax

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.

### 3.8 Financial Assets and Financial Liabilities

#### i) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued, subordinated liabilities on the date of which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

#### ii) Classification

##### Financial assets:

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash-flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

##### **The Bank classifies its financial assets into one of the following categories:**

- **At amortised cost:** Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, Such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

- **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.





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

- **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, 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 Statement of Net Income.

#### **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.

#### **(iii) Derecognition**

##### **Financial assets:**

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

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

#### **Financial Liabilities**

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

#### **(iv) Offsetting**

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(v) Amortized cost measurement**

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

#### **(vi) Fair value measurement**

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.

#### **(vii) Identification and measurement of impairment**



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 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.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- breach of contract, such as default or delinquency by a borrower
- 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
- indication that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

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.

In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its book value is objective evidence of impairment.

Impairment losses are recognized in income or expenditure and reflected in an allowance account against loans and receivables or held to maturity investment securities. Impairment loss on available for sale securities are a part of equity routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement (OCI in case of available for sale).

If, in a subsequent period, the fair value of an impaired available-for-sale securities increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through income or expenditure; otherwise, any increase in fair value is recognized through OCI. Any subsequently recovery in the fair value of an impaired available-for-sale debt is recognized through OCI. Any subsequent recovery in the fair value of an impaired available for sale equity security is always recognized in OCI.

### 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 Net 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.

#### ***(viii) Designation at fair value through Profit or Loss.***

The Bank has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**3.9 Cash and Cash Equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

**3.10 Trading Assets and Liabilities**

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure.

**3.11 Loans and Advances to Banks and Financial Institutions**

Loans and advances to Banks and Financial Institutions include non derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities.

**3.12 Loan and Advances to Others**

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as parties. The Bank provides various types of loans to its employee as per the Staff Bylaws of the Bank. The loans are measured at cost.

**3.13 Investment Securities**

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss., incremental direct transaction cost, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

**3.14 Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

**3.15 Property and Equipment**

***i. Recognition and Measurement***

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. 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.

If significant part of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of Net Income.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**ii. Depreciation**

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.

The estimated useful lives of the significant items of Property & Equipment are as follows:

Class of assets	Estimated useful life
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 yearst
Vehicles	5 years
Others	5 years

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

**iii. 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.

**3.16 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. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. 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.

**3.17 Impairment of Non Financial Assets**

At each reporting date, the Bank reviews the carrying amounts of its non financial assets to determine where there is an indication of impairment. If such indication exists, then the asset’s recoverable amount is estimated.

Impairment losses are recognized in Statement of Net Income. Impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

**3.18 Gold and Silver**

**Gold and Silver (other than inventories)**

Gold held as investment (paper gold) 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 Other Comprehensive Income.

Gold and silver stock (physical) 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).





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 3.19 Inventories

Inventories are carried at cost or net realizable value whichever is less. Cost for 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 Net Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed off at the time of purchase.

### 3.20 Deposits and Borrowings

Deposits and borrowings (debt securities issued) are the source of funds of the bank in addition to its reserves. Deposits and borrowings (including debts securities issued) are initially measured at fair value minus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

### 3.21 Provisions

A provision is recognized if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### 3.22 Employee Benefits

#### *i. Defined Contribution Plans*

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. 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 Statement of Net Income as the related services are rendered.

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

#### *ii. Defined Benefits 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 defined benefit obligation is performed annually by a qualified actuary using the 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 Statement of Net Income.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

Remeasurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in OCI. The Bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefits liability (assets), taking into account any changes in the net defined benefits liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized in personal expenses in Statement of Net Income.

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 Statement of Net Income.

**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 Statement of Net Income.

**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.

**4) 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.

***iii. Other long term employee benefits***

The group net obligation in respect of long term employee benefits is the amount of future benefits that employees earned in return or their service in the current and prior period. That benefit is discounted to determine its present value. Remeasurements are recognized in Statement of Net Income in the period in which they arise.

***iv. Termination Benefits***

The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

***v. Short term employee benefits***

Short term employees benefits are expenses as the related services is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### **3.23 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. Currency circulation liability does not include the liability on account of coins in circulation, as allowed by the Act.

### **3.24 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.

### **3.25 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 Net Income.

### **3.26 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.

### **3.27 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 of Nepal 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.

### **3.28 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.

### **3.29 Presentation**

The presentation of certain line items of previous year financial statements have been changed (regrouped or rearranged) to align the financial statements.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

## 4 Notes relating to items in the financial statements

### 4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.9, balances of cash and cash equivalent at the reporting date are as below:

Particulars	As on 31-03-2074	As on 31-03-2073
<b>Foreign Currency:</b>		
Cash in Hand & at Vault	17,603,729,593.68	16,919,382,217.59
Balances with Other Banks	55,539,228,832.37	5,425,938,495.77
GOI Treasury Bills	229,506,949,862.40	203,070,960,576.00
US Government Treasury Bills	15,406,025,704.70	5,338,216,111.67
Notice Deposit (JPY)	8,426,240,000.00	12,272,561,979.48
Time Deposit	-	69,001,821,584.32
Investment in FIXBIS	1,999,800,000.00	6,432,082,697.32
Investment in Repurchase Agreements	-	48,038,622,166.88
IMF Related Assets: SDR Holdings	171,322,847.73	2,416,907,139.17
<b>Total Foreign Currency</b>	<b>328,653,296,840.88</b>	<b>368,916,492,968.20</b>
<b>Local Currency:</b>		
Cash in Hand & at Vault	8,086,615,706.00	4,647,968,185.09
Balances with Other Banks	34,528,685.85	219,259,243.96
<b>Total Local Currency</b>	<b>8,121,144,391.85</b>	<b>4,867,227,429.05</b>
<b>Total</b>	<b>336,774,441,232.73</b>	<b>373,783,720,397.25</b>

### 4.2 Loans and Advances to B/FI

Please refer accounting policy in Note 3.11. The balances of loans and advances to banks and financial institution (B/FI) and microfinance (MFI) are as below:

Particulars	As on 31-03-2074	As on 31-03-2073
<b>Refinance:</b>		
Commercial Banks	6,094,782,647	6,614,252,877.89
Development Banks	501,370,772	5,000,000.00
Finance Companies	277,117,496	38,900,000.00
<b>Loan to Micro Finance Institutions</b>	<b>64,000,000</b>	<b>52,000,000.00</b>
Less: Allowance for impairment	(10,000,000)	(9,999,999.83)
<b>Total</b>	<b>6,927,270,915</b>	<b>6,700,152,878</b>
<b>Allowance for impairment</b>		
Balance as on 01-04-2073	10,000,000.00	10,000,000.00
Charge for the year	-	-
Effect of foreign currency movements	-	-
Unwind of discount	-	-
<b>Balance as on 31-03-2074</b>	<b>10,000,000.00</b>	<b>10,000,000.00</b>

These investments are realized on the settlement date as per the terms of loan agreement.





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

#### 4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.12. The balances are given as below:

Particulars	As on 31-03-2074	As on 31-03-2073
Receivable from GON against payment to IMF	2,431,416,400	-
Loans to Employees	4,076,871,800	4,389,546,115
Less: allowance for impairment	-	-
<b>Net Loans and advances to Employees</b>	<b>4,076,871,800</b>	<b>4,389,546,115</b>
Interest Receivable	4,423,473,836	3,984,356,526
Less: Interest Suspense	(91,422,121)	(444,346,919)
<b>Net Interest Receivable</b>	<b>4,332,051,715</b>	<b>3,540,009,607</b>
Advances Recoverable	2,217,922,378	1,407,707,525
Less: Impairment Allowance	(10,329,878)	(10,329,878)
<b>Net Advances Recoverable</b>	<b>2,207,592,500</b>	<b>1,397,377,646</b>
<b>Total</b>	<b>13,047,932,415</b>	<b>9,326,933,368</b>

#### 4.4 Gold & Silver

Please refer accounting policy in Note 3.18. The balances are gives as below:

Particulars	As on 31-03-2074	As on 31-03-2073
Investment in Paper Gold	25,929,438,227	28,206,181,776.74
Gold Held in Stock	1,612,492,258	1,566,791,538
Silver Held in Stock	91,756,189	95,503,142.25
<b>Total</b>	<b>27,633,686,674</b>	<b>29,868,476,457</b>

#### 4.5 Investment Securities

Please refer accounting policy in Note 3.13. The balances are given as below:

Particulars	As on 31-03-2074	As on 31-03-2073
At Amortized Cost	625,006,512,704.35	542,928,410,390.39
At Fair Value through Other Comprehensive Income (OCI)	44,513,579,455.68	20,093,733,744.25
At Fair Value through Profit or Loss		
<b>Total</b>	<b>669,520,092,160.03</b>	<b>563,022,144,134.64</b>

##### a) Investment Securities at Amortized Cost

Particulars	As on 31-03-2074	As on 31-03-2073
US Government Treasury Notes/Bonds	71,944,021,840	103,078,298,438
Government Treasury Notes/Bonds (CNY)	56,766,905,759	52,368,638,018
Investment in Mid term Instruments	8,082,347,421	8,302,929,017
Balance with Banks in Time Deposit (FCY)	462,162,752,642	356,979,796,952
Government Bond	4,871,051,043	4,871,051,043
Fixed deposit with BFIs	21,510,087,903	17,742,525,923
Less individual allowance for impairment	(330,653,903)	(414,829,000)
<b>Total</b>	<b>625,006,512,704</b>	<b>542,928,410,390</b>
<b>Impairment Loss on Available for Sale Investment Securities</b>		
Balance as on 01-04-2073	414,829,000	947,645,000
Charge for the year	-	-
Reversal of Impairment	(84,175,097)	(532,816,000)
<b>Balance as on 31-03-74</b>	<b>330,653,903</b>	<b>414,829,000</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

<b>b) Investment Securities at Fair Value through OCI</b>	<b>As on 31-03-2074</b>	<b>As on 31-03-2073</b>
Government Treasury Bills	30,158,502,599	16,099,450,874
Saving Certificates	11,382,487,396	308,861,000
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Equity securities measured at fair value	2,575,028,961	3,327,911,370
Unquoted equity securities measured at cost	151,660,500	151,660,500
Less: Allowance for impairment of equity securities	(7,500,000)	(47,550,000)
<b>Total</b>	<b>44,513,579,456</b>	<b>20,093,733,744</b>
<b>Impairment Loss on Available for Sale Investment Securities</b>		
Balance as on 01-04-2073	47,550,000	47,550,000
Charge for the year	-	-
Reversal of Impairment	(40,050,000)	-
<b>Balance as on 31-03-74</b>	<b>7,500,000</b>	<b>47,550,000</b>

The Bank does not have investment securities to be measured at fair value through profit or loss.

Impairment allowance has been done for the investment in Agricultural Project Service Center, which is in liquidation and National Productivity and Economic Development Center, which is not in operation.

Investment in equity securities includes the following:

<b>Particulars</b>	<b>As on 31-03-2074</b>	<b>As on 31-03-2073</b>
<b>Investment in Quoted Securities</b>		
Rural Microfinance Development Cen.	140,334,584	21,045,000
Citizen Investment Trust	2,341,151,989	3,090,879,330
Nepal Grameen Bikas Bank Limited	93,542,387	215,987,040
<b>Total</b>	<b>2,575,028,961</b>	<b>3,327,911,370</b>
<b>Investment in Unquoted Securities</b>		
<b>(a) Investment in Shares of Subsidiaries</b>		
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	1,000,000	1,000,000
<b>Sub-Total</b>	<b>6,000,000</b>	<b>6,000,000</b>
<b>(b) Investment in Shares of Associates</b>		
Nepal Stock Exchange Ltd.	12,080,500	12,080,500
National Productivity and Eco. Dev.	2,500,000	2,500,000
<b>Sub-Total</b>	<b>14,580,500</b>	<b>14,580,500</b>
<b>(c) Other Investments</b>		
Deposit & Credit Guarantee Fund	107,580,000	107,580,000
Nepal Clearing House	15,000,000	15,000,000
Credit Information Bureau	3,500,000	3,500,000
National Banking Institute	5,000,000	5,000,000
<b>Sub-Total</b>	<b>131,080,000</b>	<b>131,080,000</b>
<b>Total</b>	<b>151,660,500</b>	<b>151,660,500</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**4.6 Inventories**

Please refer accounting policy in Note 3.19. The details of balance are as follows:

<b>Particulars</b>	<b>As on 31-03-2074</b>	<b>As on 31-03-2073</b>
Security Note Stock	1,123,201,889	1,083,988,682
Coin Stock	295,282,162	390,974,691
Numismatic and Medallion Coins	22,909,158	22,931,719
Other Metal Stock	22,485,598	22,722,881
Dispensary Stock	499,863	342,639
<b>Total Inventories</b>	<b>1,464,378,671</b>	<b>1,520,960,613</b>
Less: Impairment Allowance		
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)
<b>Total Allowance for Impairment</b>	<b>(34,957,052)</b>	<b>(34,957,052)</b>
<b>Total Inventories Net of Allowance for Impairment</b>	<b>1,429,421,619</b>	<b>1,486,003,561</b>



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 4.7 Property and equipment

Please see accounting policy in Note 3.15. The details are given as below:

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%		
<b>Depreciation Rate</b>										
Balance as on 1 <sup>st</sup> Sawan 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 31 <sup>st</sup> Asar 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 1 <sup>st</sup> Sawan 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 31 <sup>st</sup> Asar 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
<b>Net Book Value as on 31<sup>st</sup> Asar 2073</b>	<b>193,834,552</b>	<b>404,552,584</b>	<b>69,940,688</b>	<b>108,591,069</b>	<b>6,751,281</b>	<b>35,707,707</b>	<b>6,158,520</b>	<b>332,771</b>	<b>42,132,883</b>	<b>868,002,056</b>
Balance as on 1 <sup>st</sup> Sawan 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
Addition during the Year	-	60,364,846	51,367,607	76,558,835	5,202,260	24,851,729	21,180,905	27,685	60,346,922	299,900,789
Disposal/Write Off/ Adjustment	-	-	(22,747,161)	(39,984,574)	(2,588,349)	(5,552,942)	(459,374)	(1)	(74,982,788)	(146,315,189)
Balance as on 31 <sup>st</sup> Asar 2074	193,834,552	727,790,321	220,653,643	277,215,192	110,499,089	142,634,716	43,687,113	4,885,495	27,497,017	1,748,697,137
Balance as on 1 <sup>st</sup> Sawan 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
Depreciation for the Year	-	20,085,014	21,879,389	31,185,001	2,551,287	11,806,534	772,357	81,772	-	88,361,354
Disposal/Write Off/ Adjustment	-	-	(22,465,067)	(14,271,809)	(2,588,335)	(5,395,026)	(459,364)	(35,246)	-	(45,214,847)
Balance as on 31 <sup>st</sup> Asar 2074	-	282,957,904	121,506,831	148,963,055	101,096,848	94,039,730	17,120,054	4,571,566	-	770,255,988
<b>Net Book Value as on 31<sup>st</sup> Asar 2074</b>	<b>193,834,552</b>	<b>444,832,416</b>	<b>99,146,812</b>	<b>128,252,138</b>	<b>9,402,240</b>	<b>48,594,986</b>	<b>26,567,058</b>	<b>313,929</b>	<b>27,497,017</b>	<b>978,441,149</b>

Allowances for obsolescences has been made for Rs.33,52,949 on Building under Construction which is presented under Capital Work in Progress





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

#### 4.8 Intangible assets and goodwill

Please refer accounting policies in Notes 3.16. The details of balance are as follows:

Particulars	Useful Life Defined by Contractual Agreements	Computer Software			Total Assets
		Other Useful Life		Capital Work in Progress	
		20%	10%		
<b>Amortisation Rate</b>					
<b>Original Cost</b>					
Balance as on 1 <sup>st</sup> Sawan 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)
Balance as on 31 <sup>st</sup> Asar 2073	1,763,930	8,325,743	229,272,935	2,130,900	241,493,508
<b>Accumulated Amortisation</b>					
Balance as on 1 <sup>st</sup> Sawan 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 <sup>st</sup> Asar 2073	980,838	6,315,422	72,603,096	-	79,899,356
<b>Net Book Value as on 31<sup>st</sup> Asar 2073</b>	<b>783,092</b>	<b>2,010,321</b>	<b>156,669,839</b>	<b>2,130,900</b>	<b>161,594,152</b>
<b>Original Cost</b>					
Balance as on 1 <sup>st</sup> Sawan 2073	1,763,930	8,325,743	229,272,935	2,130,900	241,493,508
Addition during the Year		688,508			688,508
Disposal/Write Off/Adjustment					-
Balance as on 31 <sup>st</sup> Asar 2074	1,763,930	9,014,251	229,272,935	2,130,900	242,182,016
<b>Accumulated Amortisation</b>					
Balance as on 1 <sup>st</sup> Sawan 2073	980,838	6,315,422	72,603,096	-	79,899,356
Depreciation for the Year	261,004	689,337	22,927,293		23,877,634
Disposal/Write Off/Adjustment					-
Balance as on 31 <sup>st</sup> Asar 2074	1,241,842	7,004,758	95,530,390	-	103,776,990
<b>Net Book Value as on 31<sup>st</sup> Asar 2074</b>	<b>522,088</b>	<b>2,009,492</b>	<b>133,742,545</b>	<b>2,130,900</b>	<b>138,405,026</b>

#### 4.9 Other Assets

Particulars	As on 31-03-2074	As on 31-03-2073
Deposits	1,663,378	1,652,378
Project Assets	693,073,513	660,992,763
Other Receivables	60,250,889	98,333,826
<b>Total</b>	<b>754,987,780</b>	<b>760,978,967</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

#### 4.10 Deposits from banks and financial institutions

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	As on 31-03-2074	As on 31-03-2073
Foreign Currency	3,460,173,528	3,246,826,181
Local Currency	208,119,189,745	201,536,597,913
<b>Total</b>	<b>211,579,363,272</b>	<b>204,783,424,094</b>

Deposit from bank and financial institutions include amount deposited by B/FI for cash reserve ratio (CRR), among others. All deposits are non interest bearing.

#### 4.11 Deposits from Others

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	As on 31-03-2074	As on 31-03-2073
<b>Foreign Currency:</b>		
Public Enterprises	408,582,097	382,438,025
Other Organisations	621,156	644,526
<b>Total Foreign Currency</b>	<b>409,203,253</b>	<b>383,082,551</b>
<b>Local Currency:</b>		
Public Enterprises	15,839,648,424	7,623,376,274
Margin Deposit in LCs	6,316,051,238	3,523,329,157
Other Organisations	4,439,553,402	1,574,726,584
<b>Total Local Currency</b>	<b>26,595,253,064</b>	<b>12,721,432,015</b>
<b>Total</b>	<b>27,004,456,317</b>	<b>13,104,514,567</b>

All deposits are non interest bearing and current in nature.

#### 4.12 Short Term Borrowings

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	As on 31-03-2074	As on 31-03-2073
NRB Bonds	-	49,080,000,000.00
Deposit Collection-Auction	14,400,000,000.00	-
Reverse Repo Liabilities	-	-
<b>Total carrying amount</b>	<b>14,400,000,000.00</b>	<b>49,080,000,000.00</b>

NRB Bonds, Deposit Collection under auction and Reverse Repo liabilities are instruments used by the Bank to withdraw liquidity from the market on short term basis (less than one year).



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**4.13 IMF Related Liabilities**

Particulars	As on 31-03-2074	As on 31-03-2073
<b>Foreign Currency:</b>		
Special Drawing Right Allocation	9,769,636,572	10,183,273,536
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	2,454,904,632	3,838,264,380
Loan under Extended Credit Facility (ECF)	153,359,809	586,027,665
<b>Total Foreign Currency</b>	<b>12,377,901,013</b>	<b>14,607,565,581</b>
<b>Local Currency:</b>		
IMF Account No 1	9,180,925,768	9,180,925,768
IMF Account No 2	858,681	858,681
<b>Total Local Currency</b>	<b>9,181,784,449</b>	<b>9,181,784,449</b>
<b>Total</b>	<b>21,559,685,462</b>	<b>23,789,350,031</b>

**4.14 Staff Liabilities**

See accounting policy in Note 3.22. The details of balance are as follows:

Particulars	As on 31-03-2074	As on 31-03-2073
Medical Fund (Includes Medical Earning Fund, Interest, etc)	669,763,754	283,082,210
Welfare Provident Fund	487,900,116	436,853,982
Liability for Staff Leave Encashment	972,344,883	888,152,300
Liability for Retired Staff	435,323,511	304,972,601
Gratuity and Pension Fund	18,451,547,560	15,726,708,968
Staff Security Fund	2,673,590,776	2,089,956,721
<b>Total</b>	<b>23,690,470,601</b>	<b>19,729,726,781</b>

**4.15 Other liabilities**

Particulars	As on 31-03-2074	As on 31-03-2073
Interest Payable	12,622,370.45	1,074,901.10
Asian Clearing Union	166,188,402.50	218,456,119.89
Earnest Money	-	7,784,489.13
Insurance Premium Collected from Staff	127,429,553.60	143,636,626.62
Other Payables of Project	1,455,463.54	373,587,879.99
Payable against GON Bonds	-	2,390,069,996.67
Unclaimed Account	37,382,274.92	33,840,398.57
General Account	47,278,943.02	48,078,943.02
Deferred Grant Income	122.70	122.70
Other Liabilities	1,541,079,564.98	1,258,498,221.43
<b>Total</b>	<b>1,933,436,695.71</b>	<b>4,475,027,699.12</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**4.16 Currency in Circulation**

See accounting policies in Notes 3.23. The details of balance are as follows:

The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

Denomination	As on 31-03-2074	As on 31-03-2073
1	161,110,983	161,224,148
2	185,708,612	186,140,232
5	2,184,133,530	2,003,683,295
10	3,344,261,790	3,025,011,680
20	3,961,314,460	3,756,168,120
25	57,462,375	57,676,325
50	7,396,195,550	6,622,293,550
100	15,254,496,700	11,734,570,900
250	87,459,000	87,516,250
500	95,113,527,000	91,896,788,500
1000	303,244,330,000	266,628,927,000
<b>Total</b>	<b>430,990,000,000</b>	<b>386,160,000,000</b>

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 8,086,615,706 (P.Y. NRs. 4,652,557,463).

**4.17 (a) Appropriation of Net Income/(Expenditure) and Surplus payable to Government of Nepal**

The Board of Directors of the Bank has Appropriated the Following Amount to Different Fund During the Year as required by Nepal Rastra Bank Act, 2058 and the balance amount will be paid to GON as per the said Act.

Net Income/(Expenditure) for the year	(7,917,262,011)	37,759,128,749
Transfer (to)/from Exchange Equalisation Fund	23,752,795,700	(17,929,777,630)
Transfer (to)/from Gold & Silver Equalisation Reserve	3,876,680,456	(5,708,576,716)
Transfer (to)/from Securities Revaluation Fund	(9,952,836)	(4,830,707)
Investment Revaluation Fund	-	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	(1,898,003,065)	-
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(23,278,046)	35,148,685
<b>Surplus Available for Distribution</b>	<b>17,780,980,197</b>	<b>14,151,092,381</b>
<b>Less: Appropriations</b>		
General Reserve	(4,239,793,020)	(1,964,852,718)
Monetary Liability Reserve	(889,049,010)	(707,554,619)
Financial Stability Fund	(889,049,010)	-
Development Fund	(4,160,000,000)	(3,551,232,671)
Development Finance Project Mobilisation Fund	-	(23,374,544)
Liquidity Stabilization Fund	-	(400,000,000)
Banking Development Fund	(30,000,000)	(30,000,000)
Mechanisation Fund	-	(200,000,000)
Gold Replacement Fund	(70,354,384)	(24,077,829)
Net Cumulative Surplus Fund	(2,734,774)	-
<b>Balance Payable to Government of Nepal</b>	<b>7,500,000,000</b>	<b>7,250,000,000</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability.

**4.17 (b) Reserves & Surplus**

The balance of balance sheet on reporting date stands as below:

Particulars	As on 31-03-2074	As on 31-3-2073
<b>Capital Reserve:</b>		
Gold and Silver Equalization Reserve	6,312,087,397	10,188,767,853
<b>Statutory Reserve:</b>		
General Reserve	25,974,792,905	23,734,999,885
Monetary Liabilities Reserve	5,086,563,008	4,197,513,998
Financial Stability Fund	1,889,049,010	-
Exchange Equalization Fund	58,821,697,898	82,574,493,598
Net Cumulative Surplus Fund	2,734,774	-
<b>Other Reserves and Funds:</b>		
Development Fund	15,000,989,244	10,840,989,244
Banking Development Fund	891,941,806	861,941,806
Development Finance Project Mob. Fund	250,814,411	249,999,999
Liquidity Stabilization fund	-	1,000,000,000
Mechanisation Fund	991,316,414	991,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	94,432,213	24,077,829
Investment Revaluation Reserve	869,693,096	859,740,259
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	2,507,923,960	3,260,806,370
Project Split Interest Reserve Fund	4,233,489	4,233,489
<b>Total Reserves and Funds</b>	<b>119,560,977,072</b>	<b>139,651,588,192</b>

Further descriptions of each fund has been given in disclosure no. 5.8

**4.18 Interest Income**

See accounting policy 3.3 . Interest income include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
<b>Foreign Currency Financial Assets</b>		
Treasury Bills & Deposits	23,800,345,622	20,620,916,206
SDR Holding & Asian Clearing Union	-	1,735,859
<b>Sub-total</b>	<b>23,800,345,622</b>	<b>20,622,652,065</b>
<b>Local Currency Financial Assets</b>		
Government Securities	697,924,841	168,148,327
Investment in Financial and Other Institutions	377,951,007	355,132,274
Loans and Refinance	283,762,596	92,314,596
<b>Sub-total</b>	<b>1,359,638,443</b>	<b>615,595,198</b>
<b>Total Interest Income from Financial Assets</b>	<b>25,159,984,065</b>	<b>21,238,247,263</b>





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

#### 4.19 Interest Expenses

See accounting policy in Note 3.3. Interest expenses include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
<b>Foreign Currency Financial Liabilities</b>		
SDR Allocation & ECF Loan	29,849,447	5,494,745
Others	4,431,536	1,401,983
<b>Sub-total</b>	<b>34,280,983</b>	<b>6,896,728</b>
<b>Local Currency Financial Liabilities</b>		
Government Securities	444,183,938	682,802,929
<b>Sub-total</b>	<b>444,183,938</b>	<b>682,802,929</b>
<b>Total Interest Expense on Financial Liabilities</b>	<b>478,464,921</b>	<b>689,699,657</b>

#### 4.20 Fee and commission income

See accounting policy in Note 3.4(i). Fee and commission income include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
<b>Foreign Currency Financial Assets</b>		
On Currency Exchange	1,308,856	1,649,673
<b>Sub-total</b>	<b>1,308,856</b>	<b>1,649,673</b>
<b>Local Currency Financial Assets</b>		
Government Transaction & Other services	65,686,161	62,213,635
<b>Sub-total</b>	<b>65,686,161</b>	<b>62,213,635</b>
<b>Total Commission Income from Financial Assets</b>	<b>66,995,016</b>	<b>63,863,308</b>

#### 4.21 Fee and commission expense

Particulars	F.Y 2073-74	F.Y 2072-73
<b>Foreign Currency Liabilities</b>		
Commission & Charges	26,725,375	6,012,724
<b>Sub-total</b>	<b>26,725,375</b>	<b>6,012,724</b>
<b>Local Currency Liabilities</b>		
Agency Expenses	224,604,342	192,392,656
<b>Sub-total</b>	<b>224,604,342</b>	<b>192,392,656</b>
<b>Total Agency and Service Charge</b>	<b>251,329,717</b>	<b>198,405,380</b>
<b>Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts.</b>		
Nepal Bank Ltd.	55,800,000	55,800,000
Rastriya Banijya Bank	90,600,000	90,600,000
Agriculture Development Bank	1,875,000	
<b>Total</b>	<b>148,275,000</b>	<b>146,400,000</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

#### 4.22 Other Income

See accounting policies in Notes 3.4 (iv). Other income comprises the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Income from Mint (Sale of Coin)	234,121	172,671
Gain from Sale of Precious Metals and Coins	79,630,308	24,077,829
Fine/Penalty Charge	6,267,929	29,893,480
Profit from Sale of Assets	6,110,898	10,885,370
Dividend Income	62,991,715	24,568,748
Project Income/(Loss)	(1,483,255)	9,610,825
Grant Income	-	115,825
Miscellaneous	48,215,861	48,525,719
<b>Total</b>	<b>201,967,577</b>	<b>147,850,467</b>

#### 4.23 Personnel expenses

See accounting policy in Note 3.22 (v). Personnel expenses include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Salary	668,050,312	565,799,351
Allowances	619,225,921	556,493,593
Provident Fund Contribution	66,805,031	56,552,475
Staff Welfare (Including Medical Fund Contribution)	610,462,316	177,344,423
Staff Welfare Provident Fund	405,955,000	369,050,000
Pension & Gratuity Fund	1,077,681,285	3,000,000,000
Staff Security Fund	425,663,159	500,000,000
Staff Leave Compensation	295,381,969	209,643,007
Others	19,106,813	16,430,783
<b>Total</b>	<b>4,188,331,805</b>	<b>5,451,313,632</b>

#### 4.24 Depreciation, amortisation and impairment of non financial assets

Particulars	F.Y 2073-74	F.Y 2072-73
Depreciation on Property & Equipment	88,361,354	77,311,342
Impairment of Property & Equipment	-	-
Amortisation of intangible assets	23,877,634	24,389,460
Impairment of intangible assets	-	-
<b>Total</b>	<b>112,238,988</b>	<b>101,700,802</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**4.25 Operating expenses**

<b>Particulars</b>	<b>F.Y 2073-74</b>	<b>F.Y 2072-73</b>
Directors Fees and Expenses	6,067,847	7,673,669
Note Printing Charges	938,702,726	936,813,717
Mint Expenses	382,261	493,494
Security charges	54,932,925	49,508,346
Remittance Charges	52,977,498	47,392,769
Travelling Expenses	245,131,878	233,015,199
Insurance Charges	86,868,095	65,440,061
Repair & Maintenance	62,052,440	70,732,081
Banking Promotion	51,982,154	39,717,097
Audit Fees and Expenses	2,120,983	2,381,180
Assets Written Off	352,037	16,126
Utilities Expenses	39,608,373	36,558,871
Postal and Communication Expenses	14,650,010	14,663,358
House Rent	12,048,603	10,983,532
Training Seminar and Membership	17,404,290	1,568,998
Expenses on Miscellaneous Assets	16,668,954	6,285,001
Consumable Expenses	23,134,887	21,541,842
Books and Periodicals	9,218,693	8,521,230
Miscellaneous Expenses	107,056,172	86,209,762
<b>Total</b>	<b>1,741,360,826</b>	<b>1,639,516,333</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

## 5. Significant Disclosures

### 5.1. Gold and Silver

A sum of NRs. 70,354,384 (P.Y. NRs 24,077,829) was appropriated out of surplus available for distribution this year to the “Gold Replacement Fund”. The quantity and market value of gold and silver held as inventory at the yearend were as follows:

Particulars	As on 31 <sup>st</sup> Asar 2074		As on 31 <sup>st</sup> Asar 2073	
	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)
Gold (Investment)	5,863.054.272	25,929,438,227	6,121.578.590	28,206,181,776.74
Gold held in Stock	2,615.702.651	11,885,752,846	2,615.138.521	13,015,544,419
Silver held in Stock	126,190.988.950	7,685,031,227	126,172.309.750	9,790,971,237
<b>Total</b>		<b>45,500,222,300</b>		<b>51,012,697,432</b>

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

### 5.2. 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	102.86	106.73
2	Sterling Pound	133.32	141.28
3	Euro	117.40	118.60
4	Swiss Franc	106.22	108.87
5	Australian Dollar	79.80	81.58
6	Canadian Dollar	80.80	82.61
7	Japanese Yen	0.908	1.011
8	Singapore Dollar	74.83	79.36
9	SDR	143.461	149.535
10	Chinese Yuan	15.16	15.96
11	Indian Rupees	1.60	1.60



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 5.3. 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 (Executive Directors). The name of the key management personnel who were holding various position in the office during the year were as follows:

S.N.	NAME	POST	REMARKS
1	Dr. Chiranjibi Nepal	Governor	
2	Shanta Raj Subedi	Finance Secretary/Board Member	
3	Chintamani Siwakoti	Deputy Governor	
4	Shiba raj Shrestha	Deputy Governor	
5	Dr. Sri Ram Poudyal	Board Member	
6	Ramjee Regmi	Board Member	
7	Bal Krishna Man Singh	Board Member	
8	Ram Hari Aryal	Board Member	retired w.e.f.2073.12.31
9	Rajan Bikram Shah	Executive Director	retired w.e.f 2073.04.01
10	Dr. Binod Atreya	Executive Director	retired w.e.f 2073.04.12
11	Hari Prasad Kaphle	Executive Director	retired w.e.f 2073.05.08
12	Khyam Narayan Dhakal	Executive Director	retired w.e.f 2073.07.04
13	Dr. Min Bahadur Shrestha	Executive Director	retired w.e.f 2073.07.01
14	Shiva Nath Pandey	Executive Director	retired w.e.f 2073.09.03
15	Trilochan Pangen	Executive Director	retired w.e.f 2074.01.11
16	Narayan Prasad Poudel	Executive Director	
17	Nara Bahadur Thapa	Executive Director	
18	Janak Bahadur Adhikari	Executive Director	
19	Bhisma Raj Dhungana	Executive Director	
20	Laxmi Prapanna Niraula	Executive Director	
21	Dr. Shankar Prashad Acharya	Executive Director	
22	Maheshwor Lal Shrestha	Executive Director	
23	Bhuban Kadel	Executive Director	
24	Ramesh Kumar Pokharel	Executive Director	
25	Dr. Nephil Matangi Maskay	Executive Director	
26	Upendra Kumar Paudel	Executive Director	
27	Ejendra Prasad Luitel	Executive Director	
28	Dr. Bhubanesh Prasad Pant	Executive Director	
29	Dr. Bamdev Sigdel	Executive Director	
30	Basudev Adhikari	Executive Director	
31	Dr. Gopal Prasad Bhatta	Executive Director	
32	Neelam Dhungana(Timsina)	Executive Director	





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

In addition to salaries, non- cash benefits were provided to special class officers and the Board members. All 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	45,206,007	38,697,720
Post-employment benefits	16,471,530	12,872,054
Other long term benefits	33,288,180	26,862,783
<b>Total</b>	<b>94,965,717</b>	<b>78,432,557</b>

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.)	
	Subsidiaries	Key Management Personnel	Subsidiaries	Key Management Personnel
Employees Benefits	-	94,965,717	-	78,432,557
Meeting Fees/ Incidental Expenses to Directors	-	6,067,847	-	7,673,669
Insurance Premium paid	86,868,095		65,440,061	-
Balances as on Asar End	-	-	-	-
Loan Facilities	-	58,609,118	-	71,120,845
Provision for Diminution in Value of Investment	.....	.....	5,000,000	.....

**5.4. Inter-Office Transactions**

The balance of inter-office transactions under reconciliation is Rs. 4,72,78,943.02 (PY Rs. 4,80,78,943.02) which is presented as general account under Other liabilities.

**5.5. Assets Received in Grant**

The various assets received as 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. 123) at the year end. During the year no grant assets were received.

**5.6. Financial Instruments**

*Financial Risk Management – Overview*

Risk Management Frame work

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

Notes Forming part of Financial Statements

Fiscal Year 2073-74 (2016-17 AD)

The Bank's risk management policies are established to identify and analyze the risk faced by the Bank, set appropriate risk limits and control, and 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's 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 Department. Internal Audit Department 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 risk in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

### Exposure to Credit Risk

The maximum exposure to credit risk at the year-end was as follows:

#### a) By Nature of Assets

Particulars	As on 31-3-2074	As on 31-3-2073
Cash Equivalents	311,084,095,933	352,216,369,995
Loans and Advances to Bank and Financial Institutions	6,927,270,915	6,700,152,878
Loans and Advances to Others	13,047,932,415	9,326,933,368
Gold and Silver	25,929,438,227	28,206,181,777
Investment Securities	669,520,092,160	583,928,501,775
Other Assets	754,987,780	760,978,967
<b>TOTAL ASSETS</b>	<b>1,027,263,817,430</b>	<b>981,139,118,759</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

b) By Geographical Region:

Particulars	As on 31-3-2074	As on 31-3-2073
India	419,110,332,198	367,094,533,101
USA	111,206,914,739	153,813,997,171
Germany	434,692,982	2,361,678,406
Switzerland	46,550,988,571	56,611,756,470
United Kingdom	27,146,177,793	35,644,816,509
France	31,115,741,955	40,938,755,068
Japan	60,109,858,004	75,766,341,607
Netherland	-	1,244,668,251
Australia	10,598,133,632	25,800,880,598
Singapore	51,581,996,123	14,390,893,215
Canada	2,648,676,442	19,557,446,939
Belgium	11,272,154,446	-
Hong Kong	37,215,045,401	38,779,168,352
U.A.E	22,205,907,026	22,795,785,326
China	83,920,419,151	62,936,991,242
Iran	166,188,403	-
Thailand	-	32,671,423
Nepal	111,980,590,565	63,368,735,080
<b>Total</b>	<b>1,027,263,817,430</b>	<b>981,139,118,758</b>

c) By Nature of the Entity:

Particulars	As on 31-3-2074	As on 31-3-2073
Central Banks	25,597,318,679	66,292,213,858
Bank for International Settlement	10,521,210,357	15,981,324,090
Foreign Government	365,629,859,915	332,157,391,432
International Monetary Fund	171,322,848	2,416,907,139
Foreign Commercial Banks	511,265,563,910	484,926,401,729
Domestic Banks and FIs	28,141,233,601	24,229,249,801
Government of Nepal	46,412,041,038	21,279,362,917
Equity Instruments	2,972,589,460	3,432,021,870
Cash in Hand	25,690,345,300	21,786,609,647
Other Parties	10,862,332,322	8,637,636,276
<b>Total</b>	<b>1,027,263,817,430</b>	<b>981,139,118,759</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

d) By Credit Rating

Particulars	Rating	Current Year		Previous Year	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	32,022,378,741	3.12	37,494,150,913	3.82
	AA+	111,027,381,856	10.81	138,626,927,586	14.13
	AA-	20,195,221,372	1.97	59,003,993,444	6.01
	A+	23,332,130,127	2.27	19,012,030,930	1.94
	A	193,664,929,226	18.85	214,636,043,096	21.88
	A-	21,420,316,047	2.09	1,098,618,977	0.11
	BBB+	-	-	1,973,434,789	0.2
	BBB-	81,772,617,152	7.96	43,728,069,353	4.46
	NR**	437,836,916,895	42.62	404,215,181,374	41.2
<b>Total</b>		<b>921,271,891,415</b>	<b>89.68</b>	<b>919,788,450,462</b>	<b>93.75</b>
Local Currency Financial Assets	NR **	105,991,926,015	10.32	61,350,668,297.00	6.25
<b>Total Financial Assets</b>		<b>1,027,263,817,430</b>	<b>100</b>	<b>981,139,118,759</b>	<b>100</b>

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

\*\* Not rated

*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 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
<b>Balance as on 1<sup>st</sup> Sawan 2072</b>	<b>47,550,000</b>	<b>947,645,000</b>	<b>10,000,000</b>	<b>10,329,878</b>
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	(532,816,000)	-	-
Reversal of Impairment Loss	-	-	-	-
<b>Balance as on 31<sup>st</sup> Asar 2073</b>	<b>47,550,000</b>	<b>414,829,000</b>	<b>10,000,000</b>	<b>10,329,878</b>
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	40,050,000	84,175,097	-	-
<b>Balance as on 31<sup>st</sup> Asar 2074</b>	<b>7,500,000</b>	<b>330,653,903</b>	<b>10,000,000</b>	<b>10,329,878</b>

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.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

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 acceptable standard. In case of domestic investment, investment is made in the counterparty who meets the minimum standard level set by the credit policy. An analysis of credit quality of financial assets not impaired is as follows:

<b>Counterparties</b>	<b>As on 31-3-2074</b>	<b>As on 31-3-2073</b>
External Credit Rating at least AAA/BBB- from credit rating agency	483,434,974,520	374,846,095,125
Non Rated Counterparties	35,917,205,096	130,511,425,956
Central Banks	25,597,318,679	66,292,213,858
Bank for International Settlement	10,521,210,357	15,981,324,090
Foreign Government	365,629,859,915	332,157,391,432
International Monetary Fund	171,322,848	2,416,907,139
Government of Nepal	46,412,041,038	21,279,362,917
Financial Assets with Other Counterparties:	59,579,884,977	37,654,398,242
- Party with Normal Risk	59,221,401,196	37,192,019,242
- Party with High Risk	358,483,781	462,379,000
<b>Total</b>	<b>1,027,263,817,430</b>	<b>981,139,118,759</b>

## 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, provide finance to maintain liquidity in financial market and 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**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**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
Bills Payable	233,602,320	233,602,320			
Deposits from Bank and Financial Institutions	211,579,363,272	42,315,872,654	3,460,173,528	165,803,317,090	
Deposit from Government of Nepal	193,752,687,231	77,501,074,893	116,251,612,339		
Deposits from Others	27,004,456,317	5,400,891,263	21,603,565,054		
Short Term Borrowings	14,400,000,000	14,400,000,000			
IMF Related Liabilities	21,559,685,462	-	1,218,273,107	1,331,670,210	19,009,742,145
Staff Liabilities	23,690,470,601	923,223,627	1,048,023,650	4,192,094,600	17,527,128,723
Other Liabilities	1,933,436,696	1,933,436,696			
<b>Total</b>	<b>494,153,701,900</b>	<b>142,708,101,454</b>	<b>143,581,647,677</b>	<b>171,327,081,900</b>	<b>36,536,870,868</b>

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)	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	-	-	-
<b>Total</b>	<b>394,459,231,394</b>	<b>14,949,720,811</b>	<b>137,274,839,913</b>	<b>206,669,388,739</b>	<b>35,565,281,931</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**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 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.

**i) Currency Risk:**

Currency risk is the risk, where the value of financial instruments may 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
	58.05	3.95	0.20	3.00	9.98	0.84	0.02
Cash and Cash Equivalents	57,710,805,099	215,934,691	1,804,439,229	4,541,828,538	8,682,945,502	421,387,358	171,322,848
Loans and Advances to Bank and Financial Institutions							
Loans and Advances to Others	968,282,203	60,078,838		14,111,143	879,959,238	6,525,459	
Gold and Silver	25,929,438,227						
Investment Securities	450,204,021,840	36,100,000,000		23,070,000,000	82,376,905,759	7,320,000,000	
Other Assets	-						
<b>Total Financial Assets</b>	<b>534,812,547,369</b>	<b>36,376,013,530</b>	<b>1,804,439,229</b>	<b>27,625,939,682</b>	<b>91,939,810,499</b>	<b>7,747,912,817</b>	<b>171,322,848</b>
Bills Payable							
Deposits from Bank and Financial Institutions	1,258,247,821	2,619,293	1,980,057,590	97,608,024			
Deposit from Government of Nepal							
Deposits from Others	409,203,253						



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

Short Term Borrowings							
IMF Related Liabilities							12,377,901,013
Staff Liabilities							
Other Liabilities	253,977,978						
<b>Total Financial Liabilities</b>	<b>1,921,429,051</b>	<b>2,619,293</b>	<b>1,980,057,590</b>	<b>97,608,024</b>	<b>-</b>	<b>-</b>	<b>12,377,901,013</b>
<b>Net Financial Position Exposure</b>	<b>532,891,118,317</b>	<b>36,373,394,237</b>	<b>(175,618,361)</b>	<b>27,528,331,658</b>	<b>91,939,810,499</b>	<b>7,747,912,817</b>	<b>(12,206,578,165)</b>

Previous 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	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>524,153,432,366</b>	<b>36,663,103,224</b>	<b>14,268,278,618</b>	<b>26,900,631,111</b>	<b>85,927,023,587</b>	<b>7,719,814,631</b>	<b>4,119,794,209</b>
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	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>2,067,361,227</b>	<b>2,028,813</b>	<b>1,393,234,570</b>	<b>124,153,891</b>	<b>-</b>	<b>-</b>	<b>14,607,565,581</b>
<b>Net Financial Position Exposure</b>	<b>522,086,071,139</b>	<b>36,661,074,411</b>	<b>12,875,044,048</b>	<b>26,776,477,220</b>	<b>85,927,023,587</b>	<b>7,719,814,631</b>	<b>-10,487,771,372</b>

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 23.32% (PY 23.31%) 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 0.65% (PY 0.68%) of the total foreign currency reserve.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**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 affected the value 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.

	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2074		For the Year Ended 2073	
	Strengthening	Weakening	Strengthening	Weakening
USD	53,289,111,832	-53,289,111,832	52,208,607,114	-52,208,607,114
AUD	3,637,339,424	-3,637,339,424	3,666,107,441	-3,666,107,441
EUR	-17,561,836	17,561,836	1,287,504,405	-1,287,504,405
GBP	2,752,833,166	-2,752,833,166	2,677,647,722	-2,677,647,722
CNY	9,193,981,050	-9,193,981,050	8,592,702,359	-8,592,702,359
CAD	774,791,282	-774,791,282	771,981,463	-771,981,463
SDR	-1,220,657,817	1,220,657,817	-1,048,777,137	1,048,777,137
<b>Total</b>	<b>68,409,837,100</b>	<b>-68,409,837,100</b>	<b>68,155,773,367</b>	<b>-68,155,773,367</b>

**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.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

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 2074	As on 31st Asar 2073
<b>Interest Sensitive Financial Assets</b>			
Bank Balance	0.23	55,539,228,832	5,425,938,496
Investment in Foreign Currency	2.82	506,600,578,290	569,330,072,212
IMF Related Assets	0.07	171,322,848	2,416,907,139
Government Securities	4.90	415,164,893,162	345,039,400,022
Other Investments	7.69	21,510,087,903	17,581,096,923
Refinance & Loans	0.83	6,927,270,915	11,089,698,993
<b>Total Interest Sensitive Financial Assets</b>		<b>1,005,913,381,949</b>	<b>950,883,113,785</b>
<b>Interest Sensitive Financial Liabilities</b>			
IMF Related Liabilitie	<b>0.06</b>	<b>12,377,901,013</b>	<b>14,607,565,581</b>
<b>Total Interest Sensitive Financial Liabilities</b>		<b>12,377,901,013</b>	<b>14,607,565,581</b>
<b>Net Interest Sensitive Financial Position</b>		<b>993,535,480,936</b>	<b>936,275,548,204</b>

**iii) Other Market Prices Risk**

Equity price risk arises from investment as fair value through Other Comprehensive Income 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 three 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

Fiscal Year 2073-74 (2016-17 AD)

### 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	Fair Value through OCI	Cost/Amortised Cost	Cash & Cash Equivalents	Loans & Advances	Financial Liabilities	Total Carrying Amount	Fair Value
Cash & Cash Equivalents				336,774,441,233			336,774,441,233	336,774,441,233
Loans and Advances to Bank and Financial Institutions			6,927,270,915				6,927,270,915	6,927,270,915
Loans and Advances to Others			13,047,932,415				13,047,932,415	13,047,932,415
Gold and Silver		25,929,438,227					25,929,438,227	25,929,438,227
Investment Securities								
GON Securities		41,540,989,995					41,540,989,995	41,540,989,995
Equity Instruments:								
Measured at Fair Value		2,575,028,961					2,575,028,961	2,575,028,961
Measured at Cost			397,560,500				397,560,500	NA
Other Investments			625,006,512,704				625,006,512,704	NA
Other Assets			754987780.4				754,987,780	754,987,780
<b>Total Financial Assets</b>		<b>70,045,457,183</b>	<b>646,134,264,314</b>	<b>336,774,441,233</b>	<b>-</b>	<b>-</b>	<b>1,052,954,162,730</b>	
Bills Payable						233,602,320	233,602,320	233,602,320
Deposits from Bank and Financial Institutions						211,579,363,272	211,579,363,272	211,579,363,272
Deposit from Government of Nepal						193,752,687,231	193,752,687,231	193,752,687,231
Deposits from Others						27,004,456,317	27,004,456,317	27,004,456,317
Short Term Borrowings						14,400,000,000	14,400,000,000	14,400,000,000
IMF Related Liabilities						21,559,685,462	21,559,685,462	21,559,685,462
Staff Liabilities						23,690,470,601	23,690,470,601	23,690,470,601
Other Liabilities						1,933,436,696	1,933,436,696	1,933,436,696
<b>Total Financial Liabilities</b>						<b>494,153,701,900</b>	<b>494,153,701,900</b>	
<b>Net Financial Position</b>		<b>70,045,457,183</b>	<b>646,134,264,314</b>	<b>336,774,441,233</b>	<b>-</b>	<b>(494,153,701,900)</b>	<b>558,800,460,830</b>	



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

### 5.7. Employees Benefits - Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and amount 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; and the 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 and curtailments 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:

Particulars	Funded Plans (NRs.)	
	Gratuity & Pension Fund	Staff Security Fund
Present value of obligation as per Actuarial Valuation	18,451,547,560	2,673,590,776
Liability balance as per books	16,056,795,273	1,666,995,555
<b>Additional provision required</b>	<b>2,394,752,287</b>	<b>1,006,595,221</b>

The details of the net liabilities of pension or gratuity and staff security fund recognized in financial statements are disclosed as below:

#### Amount Recognized in the statement of Financial Position

Particulars	As on 31 <sup>st</sup> Asar 2074		As on 31 <sup>st</sup> Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Present Value of Obligations	18,451,547,560	2,673,590,776	16,260,561,185	2,241,351,694
Fair Value of Plan Assets/ Current Balance of Provision Account	16,056,795,273	1,666,995,555	12,726,708,968	1,589,956,721
Net Liability /( Asset)	2,394,752,287	1,006,595,221	3,533,852,217	651,394,973
Unrecognised Actuarial Losses	-	-	533,852,217	151,394,973
<b>Net Liabilities/(Assets) Recognised in Statement of Financial Position</b>	<b>2,394,752,287</b>	<b>1,006,595,221</b>	<b>3,000,000,000</b>	<b>500,000,000</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**Changes in Fair Value of Defined Benefit Obligation**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2074		For the Year Ended 31 <sup>st</sup> Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Obligation	16,260,561,185	2,241,351,694	15,430,681,540	2,410,870,990
Current Service Cost	393,426,811	111,878,496	336,533,057	124,068,215
Interest Cost	1,269,292,728	162,389,689	1,234,454,523	192,869,679
Actuarial Losses (Gains)	1,317,071,002	580,932,063	-86,787,295	-193,662,662
Losses (Gains) on Curtailments				-
Benefits Paid	-788,804,166	-422,961,166	-654,320,640	-292,794,528
<b>Closing Obligation</b>	<b>18,451,547,560</b>	<b>2,673,590,776</b>	<b>16,260,561,185</b>	<b>2,241,351,694</b>

**Changes in Fair Value of Plan Assets**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2074		For the Year Ended 31 <sup>st</sup> Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	12,560,762,860	1,798,606,387	10,624,843,690	1,491,400,915
Expected Return	1,099,946,706	138,624,078	849,987,495	119,312,073
Actuarial Gains (Losses)	18,943,765	-138,624,078	-1,259,747,685	-119,312,073
Distribution on Settlements				
Contribution by Employer	3,165,946,108	291,350,334	3,000,000,000	600,000,000
Benefits Paid	-788,804,166	-422,961,166	-654,320,640	-292,794,528
<b>Closing Fair Value</b>	<b>16,056,795,273</b>	<b>1,666,995,555</b>	<b>12,560,762,860</b>	<b>1,798,606,387</b>

**Amount Recognized in the Statement of Comprehensive Income**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2074		For the Year Ended 31 <sup>st</sup> Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Charged to Statement of Income	1,077,681,285	425,663,158	3,000,000,000	500,000,000
Actuarial Losses Recognized in OCI	1,317,071,002	580,932,063		
<b>Total Employee Benefit Expense</b>	<b>2,394,752,287</b>	<b>1,006,595,221</b>	<b>3,000,000,000</b>	<b>500,000,000</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**Major Categories of Plan Assets as a Percentage of Total Plans**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2074		For the Year Ended 31 <sup>st</sup> Asar 2073	
	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	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Principal Actuarial Assumption at the End of the Reporting Period**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2074		For the Year Ended 31 <sup>st</sup> Asar 2073	
	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%
<b>Withdrawal Rate</b>	<b>0.05%</b>	<b>0.05%</b>	<b>0.05%</b>	<b>0.05%</b>

**5.8. 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 net income. 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 respective Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10%, 5% and 5% of net income available for appropriation to General Reserve, Monetary Liability Reserve and Financial Stability Reserve respectively. In addition, an amount equal to the capital expenditure included in annual budget shall be appropriated to General Reserve and the amount decided by Board will be maintained in Net Cumulative Surplus Reserve. 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 is annually allocated by the Board of Directors out of the each year's Net Income to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of Net Income 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) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 889,049,010 (P.Y. NRs. 707,554,619) was appropriated to this fund.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**b) Financial Stability 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 equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 889,049,010 (P.Y. NRs. 0) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073. The outstanding amount NRs. 1,000,000,000 of Liquidity Stabilization fund till Asar 31, 2074 has also been transferred to this fund as per the decision of the board of directors of the bank.

**c) 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 income available for appropriation 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, NRs. 4,239,793,020 (P.Y. NRs. 1,964,852,718) is appropriated in General Reserve during the year.

**d) Net Cumulative Surplus Fund**

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount as decided by the board shall be allocated and kept in such reserve. This year NRs. 2,734,774 (P.Y. NRs. 0) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

**e) Exchange Equalization Fund**

This fund has been maintained as per section 41 (1) (ka) 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. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs.23,752,795,700 (P.Y. revaluation gain of NRs. 17,929,777,630) which is equivalent to net exchange loss was appropriated from/to net income to this fund during the year.

**f) Gold and Silver Equalization Reserve**

This fund has also been maintained as per section 41 (1) (ka) 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 income of the year. Accordingly an amount of Rs.3,876,680,456 (P.Y. revaluation gain of NRs. 5,708,576,716) which is equivalent to net revaluation loss 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 (1)(ga) of the NRB Act to appropriate the remaining Net Income 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 of the Bank and the Board of Directors appropriate some part of the net income 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. 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 net income to this fund. Accordingly an amount of NRs.4,160,000,000 (P.Y. NRs. 3,551,232,671) 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 net income to this fund. Accordingly, an



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

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 income of the projects is allocated to this fund annually. Since there is loss from the projects during the year, no amount (P.Y. NRs. 23,374,544) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

**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. No amount (P.Y. NRs. 200,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

**e) Scholarship Fund:**

This fund was created to meet the amount required from time to time for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank. 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. 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 equal 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.70,354,384 (P.Y. NRs. 24,077,829) 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.

## 5.9. 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 expenses for the previous year by NRs.23,278,046 than by the reported figure of the previous year. This resulted into decrease in net income of previous year by the said amount and has been shown in previous year reserve account as deficit due to restatement of prior period errors and has been adjusted with current year surplus available for appropriation.

## 5.10. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of gold and other precious metals, foreign currencies and securities denominated in foreign currency, special drawing rights, bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains 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  
Fiscal Year 2073-74 (2016-17 AD)

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	583.87	672.46
Non-Convertible Foreign Currency	243.40	214.55
Gold Reserve	28.22	28.21
Special Drawing Rights	0.17	0.03
<b>Sub Total</b>	<b>955.66</b>	<b>915.25</b>
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	144.51	144.01
Non-Convertible Foreign Currency	7.75	8.19
<b>Sub Total</b>	<b>152.26</b>	<b>152.2</b>
<b>Total Foreign Exchange Reserve of Banking System</b>	<b>1079.52</b>	<b>1067.45</b>

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	1.43	1.65
Indian Treasury Bills	20.29	18.98
BIS FIXBIS	0.18	0.60
Bonds/Notes	12.16	14.52
Mid Term Instrument	0.76	0.78
Call Deposits	2.83	4.49
Time Deposit	42.81	39.81
Gold Deposit	2.40	2.64
Special Drawing Rights	0.00	0.23
Balance with NRB and BFIs	17.14	16.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

### 5.11. Projects' Asset and Liability

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



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

For the Year ended 31<sup>st</sup> Asar 2074

**Statement of Financial Position**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b><u>Equity &amp; Liabilities</u></b>						
Reserve & Surplus	6,995,297	4,259,808	19,716,782	12,362,148	7,924,373	51,258,408
Loans	43,800,000	18,300,858	96,050,000	11,729,647	727,567,922	897,448,428
Accounts Payable	-	91,504	976	1,362,983	-	1,455,464
<b>Total Equity &amp; Liabilities</b>	<b>50,795,297</b>	<b>22,652,170</b>	<b>115,767,758</b>	<b>25,454,778</b>	<b>735,492,295</b>	<b>950,162,299</b>
<b><u>Assets</u></b>						
Loan to PFIs	-	-	-	1,101,098	691,972,415	693,073,513
Investment	45,541,000	9,699,000	108,680,000	10,980,000	-	174,900,000
Other Receivables	873,389	182,288	2,051,986	206,364	-	3,314,026
Cash and Bank Balance	4,380,908	12,770,883	5,035,773	13,167,316	43,519,880	78,874,759
<b>Total Assets</b>	<b>50,795,297</b>	<b>22,652,170</b>	<b>115,767,758</b>	<b>25,454,778</b>	<b>735,492,295</b>	<b>950,162,299</b>

**Statement of Comprehensive Income**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b>A. Income</b>						
<b>Interest Income:</b>	2,031,063	573,014	5,550,744	1,269,228	-	9,424,049
From Loan to PFIs				83,417		83,417
On Investment	2,031,063	573,014	5,550,744	1,185,811		9,340,632
Loan Loss Prov. Written back				22,245		22,245
Other Income						-
<b>Total Incomes</b>	<b>2,031,063</b>	<b>573,014</b>	<b>5,550,744</b>	<b>1,291,473</b>	<b>-</b>	<b>9,446,294</b>
<b>B. Expenditure</b>						
Administrative Expenses					175,828	175,828
Interest Expenses	1,478,250	762,535	4,011,500	371,439		6,623,724
Foreign Exchange Loss					4,129,996	4,129,996
Loan Loss Provision						-
Depreciation						-
<b>Total Expenses</b>	<b>1,478,250</b>	<b>762,535</b>	<b>4,011,500</b>	<b>371,439</b>	<b>4,305,824</b>	<b>10,929,548</b>
<b>Surplus (Deficit) (A-B)</b>	<b>552,813</b>	<b>(189,521)</b>	<b>1,539,244</b>	<b>920,034</b>	<b>(4,305,824)</b>	<b>(1,483,254)</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

For the Year ended 31<sup>st</sup> Asar 2073

**Statement of Financial Position**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b>Equity &amp; Liabilities</b>						
Reserve & Surplus	6,442,484	4,449,329	18,177,538	11,442,115	12,230,197	52,741,663
Loans	51,100,000	30,501,431	107,350,000	23,459,294	358,975,236	571,385,961
Accounts Payable	-	152,507	4,237,977	156,396	-	4,546,880
<b>Total Equity &amp; Liabilities</b>	<b>57,542,484</b>	<b>35,103,267</b>	<b>129,765,515</b>	<b>35,057,805</b>	<b>371,205,433</b>	<b>628,674,504</b>
<b>Assets</b>						
Loan to PFIs	0	-	-	3,303,294	327,545,817	330,849,111
Investment	-	0	-	-	-	0
Other Receivables	-	0	0	503,520	0	503,520
Cash and Bank Balance	57,542,484	35,103,267	129,765,515	31,250,991	43,659,616	297,321,873
<b>Total Assets</b>	<b>57,542,484</b>	<b>35,103,267</b>	<b>129,765,515</b>	<b>35,057,805</b>	<b>371,205,433</b>	<b>628,674,504</b>

**Statement of Comprehensive Income**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b>A. Income</b>						
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
<b>Total Incomes</b>	<b>1,616,944</b>	<b>1,610,629</b>	<b>5,598,175</b>	<b>1,231,372</b>	<b>7,351,977</b>	<b>17,409,097</b>
<b>B. Expenditure</b>						0
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
<b>Total Expenses</b>	<b>1,697,250</b>	<b>1,128,553</b>	<b>4,237,500</b>	<b>566,933</b>	<b>168,036</b>	<b>7,798,272</b>
<b>Surplus (Deficit) (A-B)</b>	<b>(80,306)</b>	<b>482,076</b>	<b>1,360,675</b>	<b>664,439</b>	<b>7,183,941</b>	<b>9,610,825</b>

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  
Fiscal Year 2073-74 (2016-17 AD)

**Statement of Financial Position**

Particulars	As on 31 <sup>st</sup> Asar 2074		As on 31 <sup>st</sup> Asar 2073	
	CGISP	RSRF	CGISP	RSRF
<b>Equity</b>				
Capital Contribution **	17,548,370	793,400,000	17,548,370	793,400,000
Surplus	130,172,524	128,379,628	116,009,020	131,909,195
Financial Risk Fund	5,200,000		5,200,000	
<b>Long- term Liabilities</b>				
Loan from ADB - Non-Current Portion	140,502,824		150,538,740	
<b>Current Liabilities and Provision</b>				
Loan from ADB - Current Portion	60,215,496		50,179,580	
Service Charge due on Loan from ADB	20,972,977		20,972,977	
Loan Loss Provision	469,488	73,141,693	648,834	45,083,353
Accounts Payable	326,141	70,197,425	320,684	72,735,083
<b>Total Equity &amp; Liabilities</b>	<b>375,407,820</b>	<b>1,065,118,745</b>	<b>361,418,204</b>	<b>1,043,127,631</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
Fixed Assets	4	550,501	4	47,520
Loan to PFI- Non Current Portion	32,095,787	30,562,500	46,786,923	42,962,500
Investment	306,000,000			
<b>Current Assets</b>				
Interest Receivables	6,358,066	39,260,356	140,053	
Loan to PFI-current portion	14,852,985	571,049,748	18,096,457	507,619,144
Cash and cash equivalents	16,100,978	423,695,641	296,394,768	492,498,467
<b>Total Assets</b>	<b>375,407,820</b>	<b>1,065,118,745</b>	<b>361,418,205</b>	<b>1,043,127,631</b>

\*\* Capital Contribution in case of RSRF includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'investment at fair value through other comprehensive income' under note 4.5 of the financial statements.



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**Statement of Comprehensive Income**

Particulars	As on 31st Asar 2074		As on 31st Asar 2073	
	CGISP	RSRF	CGISP	RSRF
<b>A. Income</b>				
<b>Interest Income:</b>	<b>14,622,054</b>	<b>30,289,918</b>	<b>10,928,800</b>	<b>28,882,427</b>
From Loan to PFIs	2,969,805	27,279,900	4,103,649	27,015,645
On deposit with banks	11,652,249	2,013,454	6,825,152	559,603
On Investment		996,564		1,307,179
Other Income		683,028		133,387
Loan Loss Provision Written back	179,347	0	194,551	0
<b>Total Incomes</b>	<b>14,801,401</b>	<b>30,972,946</b>	<b>11,123,351</b>	<b>29,015,814</b>
<b>B. Expenditure</b>				
Administrative Expenses	45,581	6,428,372	37,358	24,677,848
Provision for Service Charge	2,007,184		2,007,183	
Loan Loss Provision	-	28,058,340	-	889,278
Depreciation	0	15,802	27,906	59,841
<b>Total Expenses</b>	<b>2,052,765</b>	<b>34,502,513</b>	<b>2,072,447</b>	<b>25,626,967</b>
<b>Surplus (Deficit) (A-B)</b>	<b>12,748,636</b>	<b>-3,529,567</b>	<b>9,050,905</b>	<b>3,388,847</b>

**5.12. Government of Nepal Treasury Position**

Balance of Government of Nepal as of 31<sup>st</sup> Asar 2074 as per the records of the bank was a surplus balance of NRs. 193,752,687,231 (P.Y. NRs. 133,832,156,252). 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 31<sup>st</sup> Asar 2073 was finalized at Poush end 2073.

**5.13. Transaction with the International Monetary Fund (IMF)**

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

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

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



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2073-74 (2016-17 AD)

**Financial Position in the Fund**

Particulars	As on 31 <sup>st</sup> Asar 2074		As on 31 <sup>st</sup> Asar 2073	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
<b>SPECIAL DRAWING RIGHT:</b>				
Net cumulative allocation	9,769,636,572	68,099,599	10,183,273,536	68,099,599
Holdings	171,322,847	1,194,212	2,416,907,139	16,162,819
<b>OUTSTANDING PURCHASES &amp; LOANS:</b>				
RCF Loans	2,454,904,632	17,112,000	3,838,264,380	25,668,000
ECF Arrangements	153,359,809	1,069,000	586,027,665	3,919,000
<b>OTHER INFORMATION</b>				
	Per cent of Quota		Per cent of Quota	
Quota	100	156,900,000	100	156,900,000
Currency Holding	89.82	140,923,637	89.82	140,923,637
Reserve Tranche Position	10.19	15,981,999	10.19	15,981,999

The SDR is converted into Nepalese rupees at conversion rate of NRs 143.461 (P.Y. NRs. 149.535) per SDR.

**5.14. Contingent Liabilities and Capital Commitments**

The bank has following amounts of contingent liabilities and capital commitments.

PARTICULARS	As on Asar 31, 2074	As on Asar 31, 2073
	NRs.	NRs.
Letters of Credit	33,310,303,147	40,976,566,198
Unclaimed Account Transfer to P/L Account	100,066,715	100,066,715
Capital Commitment	6,268,199	17,546,195
<b>Total</b>	<b>33,416,638,061</b>	<b>41,094,179,108</b>

Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date.

**5.15. Claims against the bank**

There are 66 cases filed in the court against the various decisions of the bank against which the bank is not expected to incur a significant monetary liability.

**5.16. Number of Employees**

The number of employees holding office at the yearend was 1,128 (PY 1,232).

**5.17. Events occurred after Balance Sheet Date**

- i. The change in exchange rates of various foreign currencies after the yearend resulted in decrease as of date in net foreign currency assets, exchange equalization fund and net profit/ (loss) for the period. The decrease is estimated to be NRs. 2,780,671,187.02 (PY NRs. 1,527,483,010 increase) as of the date of issuing the financial statements.
- ii. The change in market price of Gold investment (other than inventories) after the yearend resulted in increase in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The increase is estimated to be NRs. 2,026,506,674.58 (PY NRs. 4,428,787,839 decrease) as of the date of issuing the financial statements.
- iii. In addition to above, there was no material event occurred subsequent to the balance sheet date that requires adjustments or disclosure in the financial statements.







**NEPAL RASTRA BANK**