



महालेखापरीक्षकको कार्यालय Office of the Auditor General

बबरमहल/असराचौर, काठमाण्डौं, नेपाल
Babarmahal / Asarachaur, Kathmandu, Nepal

Public Entities Audit General Directorate



Reference No.: 2079/80- 90

Date: 2079/07/30 (16th November, 2022)

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

Subject: Independent Auditor's Report.

Opinion

We have audited the accompanying financial statements of Nepal Rastra Bank, which comprise the Statement of Financial Position as at Asar 32, 2079, (July 16, 2022), the Statement of Net Income and Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements present fairly, in all material respects, the financial position of the Bank, as at Asar 32, 2079, (July 16, 2022), and its financial performance, cash flows and the changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards (NFRS) and, where applicable, the International Financial Reporting Standards (IFRS)

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Government Auditing Standards (NGASs) and, where applicable, the International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent constitutional body mandated to conduct public sector audit in Nepal. Further, we have fulfilled our ethical responsibilities in accordance with the Code of Ethics implemented by the office. We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters (KAM)

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

Key Audit Matters	The risk	How the matters were addressed in our audit
<p>Investment in Foreign Securities</p> <p>NRB's Investments held in foreign Securities amounting to NRs 542.56 billion, equivalent to 36% of NRB's total assets, impact of which is significantly material to the financial statements.</p>	<p>The Bank holds large amount of its assets in foreign currency. Considering the nature of these investments, their impairment assessment requires judgement and significant estimates. Further, the value of foreign investments fluctuates along with the change in foreign currency exchange rate resulting in foreign exchange gains/losses which are of material value. The measurement, presentation and disclosure of the foreign investments and recognition of income from foreign investments requires management judgement. Accordingly, the matter has been identified as KAM.</p>	<p>Our audit procedures to address the risks of material misstatement relating to foreign investments in Securities, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> • Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of investments in foreign securities. • Sending of direct confirmation to the related banks to confirm the balances of GL-OBS. Upon receipt of the confirmation, necessary reconciliations were made. • Detailed analysis of exchange rates used and valuation processes, recalculation of interest income, and evaluation of recognition, measurement, presentation and disclosures in the financial statements in accordance with the related NFRSs. <p>Based on our procedure performed we concluded that the investment in foreign securities disclosed in the financial statements are acceptable.</p>
<p>Balances with International Monetary Fund (IMF)</p> <p>NRB's assets held with International Monetary Fund (IMF) as on the closing date amounted to NRs 25.56 billion, equivalent to 2% of total assets, impact of which is material to the financial statements. NRB has been allocated SDR on the basis of member's quota. Liabilities with the IMF represents around 3% of the total liabilities of NRB.</p> <p>NRB's disclosures about assets held with the International Monetary Fund are included in Note 4.2 of the financial statements and Liabilities with International Monetary Fund (IMF) in Note 4.20 of the financial statements.</p>	<p>Due to the unique structure, terms and valuation of these assets, it was considered key audit matter to our audit.</p> <p>Also, the valuation of liabilities with the International Monetary Fund (IMF) was considered significant issue to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals.</p>	<p>Our audit procedures to address the risks of material misstatement relating to assets held with International Monetary Fund, included checking the SDR amount from IMF website, and subsequently testing the exchange rates used to translate this amount in to reporting currency at the closing date. Furthermore, we reviewed the basis of computation of interest income on SDR holding and the transactions undertaken during the year. In addition, our procedures included examination of relevant documents of IMF and interest accrued on SDR Allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing exchange rate as per NAS-21" The Effects of Changes in Foreign Exchange Rates".</p> <p>Based on our procedure performed, we concluded that the Balances with International Monetary Fund (IMF) in both assets and liabilities disclosed in the financial statements are acceptable.</p>
<p>Valuation of Gold & Silver</p>	<p>The valuation of these gold and silver are carried out in line with the international</p>	<p>Our audit procedures included reviewing the valuation methodology adopted and carrying out physical verification of gold & silver on a sample</p>

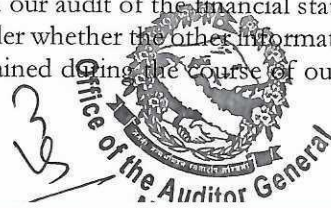
Key Audit Matters	The risk	How the matters were addressed in our audit
<p>NRB maintains gold & silver as stock and investment, equivalent to NRs 90 billion, which is one of the asset backings for Notes in Circulation.</p> <p>NRB's disclosures about gold & silver are included in Note 4.6, Note 4.14 and Note 4.15 to the financial statements.</p>	<p>market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered key audit matter to our audit.</p>	<p>basis. Our procedures also included issuing balance confirmations and recalculation of gold and silver value in line with the prevailing market rate and assessment of asset backing for Notes in Circulation.</p> <p>Based on our procedure performed, we concluded that the valuation of gold and silver made and disclosed in the financial statements are acceptable.</p>
<p>Transactions with Government of Nepal</p> <p>Nepal Rastra Bank is primarily responsible for managing banking transactions on behalf of Government of Nepal including loans and donations received from foreign entities, collection and administration of funds of various ministries and the national exchequer.</p> <p>NRB's assets held as advances and receivable from Government amounting to NRs 1.46 billion. On the other hand, NRB's liability as "Deposit of Government" amounting to NRs 225.51 billion which is 15% of total liabilities of NRB.</p>	<p>Given the unique nature as well as the high volume of transactions undertaken by Nepal Rastra Bank with and the Government of Nepal, it was considered key audit matter.</p>	<p>Our audit procedures to address the risk of material misstatement relating to Deposit of Government included:</p> <ul style="list-style-type: none"> • Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of "Deposit of Government". • Assess the reconciliation mechanism of NRB to reconcile the balance with the record of the Government; • Confirm the balance from records maintained by the Financial Comptroller General Office (FCGO), Nepal. <p>NRB's disclosures about the advances and receivable from Government and Deposits of Government are included in Note 4.9 and Note 4.21 of the financial statements, respectively.</p> <p>Based on our procedure performed, we concluded that the balance with the Government of Nepal disclosed in the financial statements are acceptable.</p>
<p>Currency in Circulation</p> <p>The balance of currency in circulation represents the value of all bank notes on issue in Nepal and the liability is measured at face value of all bank notes issued less any bank notes cancelled/ destroyed and in the vault of NRB.</p> <p>NRB's disclosures about currency in circulation are included in Note 4.23 to the financial statements.</p>	<p>Issuance of banknotes is one of the key roles of NRB as defined in the Nepal Rastra Bank Act 2058 and is a key audit matter due to:</p> <ul style="list-style-type: none"> • high importance to the users of the financial statements; • the balance is significantly material to the NRB's Statement of Financial Position; and • complexity in assessing the accuracy of the liability for banknotes that are in circulation the economy of Nepal. 	<p>To audit the currency in circulation, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested those general controls which are relevant to the accurate recording of the issuance and return of bank notes within the system responsible for recording the balance of currency in circulation. • We performed a comparison of current year's movements against prior year's patterns. We also performed a trend analysis on currency in circulation against prior periods focusing on the number of bank notes issued by denomination. • Our audit procedures included communicating with the concerned department to understand the note issue process, and carrying out physical inspection

Key Audit Matters	The risk	How the matters were addressed in our audit
		<p>of notes held at the NRB vault including note chest against currency in circulation on sample basis.</p> <p>Based on the procedure we performed; we concluded that the balance of currency in circulation disclosed in the financial statements are acceptable.</p>
<p>IT System and Control</p> <p>The financial information of the NRB is primarily generated through NRB's IT systems which is continuously undergoing changes to meet its operating needs and to address the internal and external threats.</p>	<p>The IT security issues will have direct impact on the financial statements of NRB. We considered NRB's IT system as a key audit matter.</p>	<p>In our audit process, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the NRB's IT access controls over the information systems that are critical to the financial reporting. • Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing of requests for access to systems were appropriately reviewed and authorized. • Tested NRB's periodic review of access rights and reviewed requests for changes to systems for appropriate approval and authorization. • Considered the control environment relating to various interfaces, configurations and other application layer controls. • Performed the tests of IT General Controls to evaluate the Application Development and Database, Hosting Platforms and segregation of incompatible duties relevant to application and database change management. <p>Based on the procedure performed, we considered the change managements, segregation of duties, controls, and outputs in relation to financial accounting and reporting systems to be acceptable.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

NRB's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report and other progress reports but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management Letter

Management Letter highlighting the areas of improvement for the internal control system and other aspects in Nepal Rastra Bank is enclosed with this report.

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

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

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

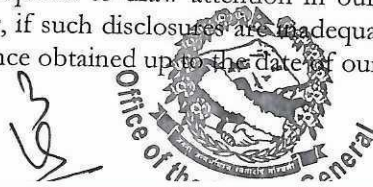
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

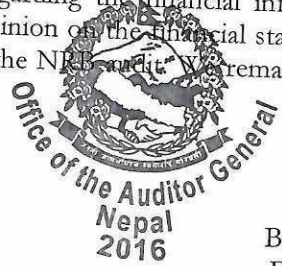
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Government Auditing Standards (NGASs) and, where applicable, the International Standards on Auditing (ISAs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Nepal Government Auditing Standards (NGASs) and, where applicable, the International Standards on Auditing (ISAs), we exercised professional judgement and maintain professional scepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NRB's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or condition that may cast significant doubt on the NRB's ability to continue as a going concern. If we concluded that a material uncertainty exists, we were required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.



5. Evaluated the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NRB to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the NRB audit. We remain solely responsible for our audit opinion.



Bamdev Sharma Adhikari
Deputy Auditor General

Nepal Rastra Bank

Statement of Financial Position

As at 32 Asar 2079

(all amounts in Nepalese Rupees unless otherwise stated)

ASSETS	Note	32 Asar 2079	31 Asar 2078
Foreign currency financial assets			
Cash and balances with banks	4.1	88,961,585,354	101,063,328,870
Derivative financial assets		-	-
IMF related assets	4.2	25,568,182,155	419,318,478
Term deposit with foreign banks	4.3	427,181,452,899	592,315,062,701
Investments in foreign securities	4.4	542,561,959,053	554,297,524,988
Other receivables	4.5	-	-
Total foreign currency financial assets		1,084,273,179,461	1,248,095,235,037
Foreign currency non-financial assets			
Investment in Gold Certificates	4.6	60,369,440,847	51,370,814,890
Total foreign currency non-financial assets		60,369,440,847	51,370,814,890
Total foreign currency assets		1,144,642,620,308	1,299,466,049,927
Local currency financial assets			
Balances with banks		10,736,269	14,590,238
Investment in Government securities	4.7	54,463,057,558	59,734,566,721
Investment in bonds & term deposit	4.8	6,223,965,975	5,144,986,459
Advances and receivable from Government	4.9	1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions	4.10	271,722,596,364	123,948,305,630
Other loan and advances	4.11	8,842,400,112	9,784,761,051
Equity investment	4.12	3,792,944,780	3,148,462,010
Other receivables	4.13	3,718,581	50,122,171
Total local currency financial assets		346,519,419,639	203,285,794,280
Local currency non-financial assets			
Gold and silver assets	4.14	27,644,895,537	29,361,048,708
Inventories	4.15	2,218,884,676	1,780,867,822
Property, plant and equipment	4.16	4,807,428,838	3,533,577,429
Intangible assets	4.17	48,327,345	63,862,300
Other assets	4.18	1,324,563,582	743,201,309
Total local currency non-financial assets		36,044,099,978	35,482,557,568
Total local currency assets		382,563,519,617	238,768,351,848
Total assets		1,527,206,139,925	1,538,234,401,775

The significant accounting policies and notes form an integral part of the financial statements

.....
Mr. Mukunda Kumar Chhetri
Executive Director
Financial Management Department

.....
Dr. Shankar Prasad Acharya
Board Member

.....
Mr. Chintamani Siwakoti
Board Member

.....
Dr. Suvod Kumar Karna
Board Member

.....
Mr. Bam Bahadur Mishra
Deputy Governor

.....
Dr. Neelam Dhungana Timsina
Deputy Governor

As per our report of even date

.....
Mr. Krishna Hari Pushkar
Secretary MOF/Board Member

.....
Mr. Maha Prasad Adhikari
Governor

.....
Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 29/07/2079

Place: Kathmandu

Nepal Rastra Bank

Statement of Financial Position

As at 32 Asar 2079

(all amounts in Nepalese Rupees unless otherwise stated)

LIABILITIES	Note	32 Asar 2079	31 Asar 2078
Foreign currency financial liabilities			
Derivative financial liabilities		-	-
Deposit of bank and financial institutions	4.19	10,583,507,979	12,803,557,028
IMF related liabilities	4.20	36,615,934,363	11,563,834,777
Total foreign currency financial liabilities		47,199,442,342	24,367,391,805
Local currency financial liabilities			
Bills Payable		114,733,829	358,166,889
Deposit of bank and financial institutions	4.19	188,843,291,327	236,827,368,666
Deposit of Government	4.21	225,506,854,704	209,577,874,326
Deposit of other institutions	4.22	18,917,533,184	19,422,187,641
Currency in circulation	4.23	612,027,603,970	669,513,758,854
Due to bank and financial institutions	4.24	-	-
IMF related liabilities	4.20	11,462,342,410	11,462,342,410
Surplus payable to Government		11,070,000,000	6,661,646,673
Other liabilities	4.25	1,314,392,646	2,524,041,088
Total local currency financial liabilities		1,069,256,752,070	1,156,347,386,547
Other liabilities			
Pension and other employment benefits payable	4.26	3,360,517,597	2,189,977,144
Total local currency liabilities		1,072,617,269,667	1,158,537,363,691
Total liabilities		1,119,816,712,009	1,182,904,755,496
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves	4.27	402,389,427,916	350,329,646,279
Total equity		407,389,427,916	355,329,646,279
Total liabilities and equity		1,527,206,139,925	1,538,234,401,775

The significant accounting policies and notes form an integral part of the financial statements

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Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 29/07/2079

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended 32 Asar 79

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	32 Asar 2079	31 Asar 2078
OPERATING INCOME			
Foreign currency income and expenses			
Interest income on foreign currency financial assets	4.28	18,729,214,236	17,498,121,495
Interest expense on foreign currency financial liabilities	4.29	(93,348,090)	(9,798,760)
Net foreign currency income		18,635,866,146	17,488,322,735
Local currency income and expenses			
Interest income on local currency financial assets	4.30	14,959,956,345	4,444,907,185
Interest expense on local currency financial liabilities	4.31	(73,346,447)	(114,720,942)
Net local currency income		14,886,609,898	4,330,186,243
Net interest income		33,522,476,044	21,818,508,978
Other income			
Fee and commission income	4.32	114,998,443	92,042,521
Net gold trading income	4.33	(352,442,154)	74,816,604
Gain or loss on sale of securities			
Realized gain on foreign exchange transaction		2,031,239,442	1,903,840,197
Other income	4.34	488,882,695	940,362,101
Less: Fee and commission expense	4.35	(44,798,816)	(100,340,659)
Net other income		2,237,879,610	2,910,720,764
Allowance for ECL (loss)/gain on financial assets	4.36	9,567,915	(79,231,600)
Total net operating income		35,769,923,569	24,649,998,142
OPERATING EXPENSES			
Personnel expenses	4.37	3,382,666,378	2,716,278,909
Note printing expense		2,403,732,130	1,639,375,055
Administrative expenses	4.38	1,308,700,402	753,707,680
Depreciation, amortisation and impairment	4.39	254,056,442	264,474,177
Total operating expenses		7,349,155,352	5,373,835,821
Net profit/(loss) before revaluation gain/loss		28,420,768,217	19,276,162,321
Revaluation gain/(loss)			
Gold and silver revaluation gain/loss		(1,229,203,928)	3,006,927,915
Net foreign exchange revaluation gain/(loss)		34,789,148,334	8,192,211,285
Net profit/(loss) for the year		61,980,712,623	30,475,301,521

The significant accounting policies and notes form an integral part of the financial statements

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Executive Director
Financial Management Department

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Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 29/07/2079

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended 32 Asar 79

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	32 Asar 2079	31 Asar 2078
Net profit/(loss) for the year		61,980,712,623	30,475,301,521
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain from securities at FVOCI		636,982,769	987,900,306
Subtotal		636,982,769	987,900,306
Items that will not be reclassified to profit or loss:			
Property revaluation gain/loss			
Re-measurement gain from defined benefit plan		518,464,020	1,008,028,980
Subtotal		518,464,020	1,008,028,980
Total other comprehensive income		1,155,446,789	1,995,929,286
Total comprehensive income		63,136,159,412	32,471,230,807

The significant accounting policies and notes form an integral part of the financial statements

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..... Mr. Bam Bahadur Mishra Deputy Governor Dr. Neelam Dhungana Timsina Deputy Governor		As per our report of even date
..... Mr. Krishna Hari Pushkar Secretary MOF/Board Member Mr. Maha Prasad Adhikari Governor	 Bamdev Sharma Adhikari Deputy Auditor General Office of Auditor General
Date: 29/07/2079	Place: Kathmandu		

Nepal Rastra Bank
Statement of Changes in Equity
For the year ended 32 Asar 79
(all amounts in Nepalese Rupees unless otherwise stated)

Note	Capital	General reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equalisation Fund	Gold and Silver Equalisation Reserve	Fair Value Reserve	Actuarial Gain Reserve	Other reserve	Retained Earning	Total
Balance as at 1 Sawan 2077	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,027	4,124,304,383	1,394,048,212	54,378,494,420	(1,078,225,216)	330,086,341,113
Restatement due to ECL										(566,278,968)	(566,278,968)
Restated Balance as at 1 Sawan 2077	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,027	4,124,304,383	1,394,048,212	54,378,494,420	(1,644,504,184)	329,520,062,145
Net profit/(loss) for the year										30,475,301,521	30,475,301,521
Other comprehensive income for the year							987,900,306	1,008,028,980			1,995,929,286
Appropriation of profit :											-
General reserve		6,608,900,534								(6,608,900,534)	-
Monetary liability reserve			967,823,509							(967,823,509)	-
Financial stability fund				967,823,509						(967,823,509)	-
Exchange equalisation fund					8,192,211,285					(8,192,211,285)	-
Gold and silver equalisation reserve						2,934,500,765				(2,934,500,765)	-
Other reserve									5,757,879,412	(5,757,879,412)	-
Net cumulative surplus fund									17,676,108	(17,676,108)	-
Inter fund transfer											-
Other reserve to retained earning							(2,631,077,638)			2,631,077,638	-
Surplus transfer to Government										(6,661,646,673)	(6,661,646,673)
Balance as at 31 Asar 2078	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,792	2,481,127,051	2,402,077,192	60,154,049,940	(646,586,820)	355,329,646,279
Balance as at 1 Sawan 2078	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,792	2,481,127,051	2,402,077,192	60,154,049,940	(646,586,820)	355,329,646,279
Net profit/(loss) for the year										61,980,712,623	61,980,712,623
Other comprehensive income for the year							636,982,769	518,464,020			1,155,446,789
Appropriation of profit :											-
General reserve		7,914,819,265								(7,914,819,265)	-
Monetary liability reserve			1,421,038,411							(1,421,038,411)	-
Financial stability fund				1,421,038,411						(1,421,038,411)	-
Exchange equalisation fund					34,789,148,334					(34,789,148,334)	-
Gold and silver equalisation reserve						(1,229,203,928)				1,229,203,928	-
Other reserve									5,923,738,790	(5,923,738,790)	-
Net cumulative surplus fund									23,546,520	(23,546,520)	-
Inter fund transfer											-
Administrative expense reimbursement of RSRF									(6,377,775)	-	(6,377,775)
Surplus transfer to Government										(11,070,000,000)	(11,070,000,000)
Balance as at 32 Asar 2079	5,000,000,000	63,649,012,516	12,170,535,702	8,973,021,704	196,809,068,623	48,654,180,864	3,118,109,820	2,920,541,212	66,094,957,475	-	407,389,427,916

The significant accounting policies and notes form an integral part of the financial statements

..... Mr. Mukunda Kumar Chhetri Executive Director Financial Management Department Dr. Shankar Acharya Board Member Mr. Chintamani Siwakoti Board Member Dr. Suvod Kumar Karna Board Member Mr. Bam Bahadur Mishra Deputy Governor Dr. Neelam Dhungana Timsina Deputy Governor
			As per the report of our even date		
..... Mr. Krishna Hari Pushkar Secretary MOF/Board Member Mr. Maha Prasad Adhikari Governor Bamdev Sharma Adhikari Deputy Auditor General Office of Auditor General			

Date: 29/07/2079

Place: Kathmandu

Nepal Rastra Bank

Statement of Cash Flows

For the year ended 32 Asar 79

(all amounts in Nepalese Rupees unless otherwise stated)

	32 Asar 2079	31 Asar 2078
Cash flows from operating activities		
Interest income received	32,216,225,136	21,854,156,746
Fees, commission and other income received	2,528,811,927	2,940,903,957
Interest expense paid	(71,239,965)	(114,455,829)
Personnel expense paid	(1,793,158,329)	(2,148,700,957)
Fees and commission Expense paid	(44,798,816)	(100,340,659)
Note printing expense paid	(2,403,732,130)	(1,639,375,055)
Administrative expense paid	(1,277,516,901)	(753,707,680)
Net cash flow from operating activities before changes in operating assets and liabilities	29,154,590,922	20,038,480,523
Net (increase)/decrease in operating assets		
Loan and advances to BFs	(147,353,428,634)	(115,216,458,663)
Other loan and advances	(247,467,544)	(1,308,353,159)
Inventories	(438,016,854)	315,200,450
Other receivables	(1,651,630,168)	(1,705,329,286)
Other assets	979,417	(64,572,560)
Net increase/(decrease) in operating liabilities		
Deposit of bank and financial institutions	(50,204,126,388)	(47,499,387,742)
Deposit of Government	15,928,980,378	67,237,682,960
Deposit of other institutions	(504,654,457)	1,757,172,023
Other liabilities	(1,458,823,651)	769,982,672
Cash flow from changes in operating assets and operating	(185,928,187,901)	(95,714,063,305)
Net cash flow from operating activities	(156,773,596,979)	(75,675,582,782)
Cash flows from investing activities		
Net purchase of property and equipment	(792,123,115)	(732,334,596)
Purchase of intangible assets	(12,076,042)	(4,125,419)
Sale of property and equipment	6,680,166	19,528,645
Net Sale/(purchase) of securities	(48,214,817,661)	(91,488,074,942)
Receipt from/(Investment) in term deposit	74,291,827,439	151,602,483,494
Net purchase of gold and silver	(8,953,644,831)	(6,477,636,202)
Dividend income received	128,796,317	65,036,629
Net cash flow from investing activities	16,454,642,273	52,984,877,609

.....
Mr. Mukunda Kumar Chhetri
Executive Director
Financial Management Department

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Board Member

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Board Member

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Dr. Suvod Kumar Karna
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Mr. Bam Bahadur Mishra
Deputy Governor

.....
Dr. Neelam Dhungana Timsina
Deputy Governor

As per our report of even date

.....
Mr. Krishna Hari Pushkar
Secretary MOF/Board Member

.....
Mr. Maha Prasad Adhikari
Governor

.....
Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 29/07/2079

Place: Kathmandu

Nepal Rastra Bank

Statement of Cash Flows

For the year ended 32 Asar 79

(all amounts in Nepalese Rupees unless otherwise stated)

	32 Asar 2079	31 Asar 2078
Cash flows from financing activities		
Net increase/(decrease) in currency in circulation	(57,486,154,884)	89,775,126,463
Lease payments	(39,096,811)	(8,046,682)
Net increase/(decrease) in liabilities with IMF	24,998,011,755	363,674,182
Interest paid on IMF related liabilities	(35,718,821)	(8,566,249)
Surplus paid to Government	(5,000,000,000)	(6,000,000,000)
Net cash flow from financing activities	(37,562,958,761)	84,122,187,714
Net increase/(decrease) in cash and cash equivalents	(177,881,913,467)	61,431,482,541
Exchange rate effect on cash and cash equivalents	34,789,148,334	8,192,211,285
ECL effect on cash and cash equivalents	-	-
Cash and cash equivalents as at the beginning of the year	625,239,674,554	555,615,980,728
Cash and cash equivalents as at the end of the year	482,146,909,421	625,239,674,554

The significant accounting policies and notes form an integral part of the financial statements

Cash and cash equivalent includes following assets:

Assets	32 Asar 2079	31 Asar 2078
Foreign currency cash in hand	19,809,038,240	10,112,660,692
Balances with other central banks	38,476,108,567	62,688,085,166
Balances with banks	30,652,494,541	28,284,230,964
SDR Holdings	25,568,182,155	419,318,478
Term deposit with maturity of 3 months	82,957,932,423	173,447,449,401
Treasury bills with maturity of 3 months	284,683,153,495	350,287,929,853
Total	482,146,909,421	625,239,674,554

.....
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Deputy Auditor General
Office of Auditor General

Date: 29/07/2079

Place: Kathmandu

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2078-79 (2021-22 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 primary objective of the Bank is to maintain economic stability; price stability as well as external sector stability, promote financial access and develop secured, healthy and stable payment systems. In order to attain these objectives, the bank's principal functions include:

- a. Formulating necessary monetary and foreign exchange policies.
- b. Issuing of currency of circulation.
- c. Foreign reserve management
- d. Promoting stability and liquidity required in banking and financial sector.
- e. Developing a secure, healthy and efficient system of payment.
- f. Regulating, inspecting, supervising and monitoring the banking and financial system.
- g. 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 financial statements include Statement of Financial Position, Statement of Net Income and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows 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.

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2078-79 (2021-22 AD)

2.2 Basis of Measurement

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

Items	Measurement Basis
Financial Instrument at Fair value through profit or Loss	Fair value
Debt Instrument and other similar financial Instrument	Fair Value as well as Amortised Cost
Equity investments	Fair value
Monetary Gold	Fair value
Inventories (Including gold& silver kept for further processing)	Cost or Net realizable 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

2.3 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 15th November 2022.

2.4 Presentation of Financial Statements

The bank has presented assets and liabilities broadly in order of liquidity in the statement of financial position. Income and expense, in the statement of net income, are presented based on nature of income/expense. Financial assets and financial liabilities, and their associated income and expense are further distinguished between foreign currency and local currency.

The cash flow statement has been prepared by using the "Direct Method" in accordance with the NAS 7 - Statement of Cash Flow.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined in point no.3.2.

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2078-79 (2021-22 AD)

2.5 Functional and Presentation Currency

Bank's functional and presentation currency is Nepalese Rupees (NRs). All financial information presented in Nepalese Rupees except otherwise indicated. The figure has been rounded to the nearest rupee.

2.6 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial

2.7 Offsetting

Financial assets and liabilities are offset and the net amount presented in Statement of Financial Position when and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The bank has offset the cash at vault with the currency in circulation and presented the net amount of currency in circulation as liabilities in Statement of Financial Position.

2.8 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation. The narrative and descriptive information has been given in notes to the financial statements, where relevant, for the understanding of the current year's financial statements.

2.9 Fiscal Year

The financial statements relate to the fiscal year 2078/79 i.e. 1stSawan 2078 to 32ndAsar 2079 corresponding to Gregorian calendar 16th July 2021 to 16th July 2022. The previous year was 1stSawan 2077 to 31stAsar 2078 (16th July 2020 to 15th July 2021).

2.10 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.

The Financial Statements have been prepared on going concern basis. Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2078-79 (2021-22 AD)

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
- 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

2.11 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.

2.12 Basis of Consolidation

As per NFRS 10- Consolidated Financial Statements, “an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.” The Bank’s investment in Rastriya Beema Sansthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

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. These investments are accounted at fair value through other comprehensive income as per NFRS 9

2.13 Basis of Accounting for Investment in Associates

NAS 28 mentions that an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method. Further, the standard clarifies that significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Bank's investment in National Productivity and Economic Development Ltd. is in excess of 20% 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 significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for being the associates of the bank does not meet, the equity accounting for such investment has not been done. These investments are accounted at fair value through other comprehensive income as per NFRS 9

2.14 Changes in Accounting Policies

The bank has applied its accounting policies consistently except for the following two cases. The changes in accounting policies have been applied retrospectively as per the requirement of NAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

A) Accounting of allowances for expected credit loss

The bank had recognized the allowances for impairment based on Incurred Loss model as per the requirement of NAS 39: Financial Instruments: Recognition and Measurement. During the year, the bank has changed its accounting policy to recognize allowance for impairment based on Expected Credit Loss model as per the requirement of NFRS 9: Financial Instruments. The change in models of accounting for allowances for impairment has resulted into the changes in accounting policy and has been required by NFRS 9.

B) Measurement of Right of Use Assets and Lease Liabilities

The bank had recognized lease payment to operating lease to Statement of Net Income as per NAS 17: Lease to the earlier years. During the year new NFRS 16 on Lease become effective and requires to recognize the present value of lease

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

payments as Right of Use Asset and Lease liabilities. In order to comply with the requirement of NFRS 16, the bank has changed its accounting policy for lease payment. Accordingly the present value of lease payment on operating lease is recognized as Right of Use Assets and Lease Liabilities at its initial measurement. In subsequent measurement, depreciation on right of use asset and interest expense on lease liabilities is recognized. The change in recognition and measurement has resulted into the changes in accounting policy.

The effects of changes in above accounting policies are as follows:

Impact on Financial Statements	Allowances for Expected Credit Loss	Right of Use Asset/Lease Liabilities	Total
Charged to Opening Equity (1 st Sawan 2077)	566,278,968	-	566,278,968
Increase/(decrease) in previous year expense	79,231,598	1,076,254	80,307,852
Increase/(decrease) in current year expense	(9,567,914)	3,615,177	(5,952,737)
Increase in allowances for Expected Credit Loss	635,942,652	-	635,942,652
Increase in Right of Use Assets	-	90,228,230	90,228,230
Increase in Lease Liabilities	-	94,919,661	94,919,661
Total negative impact on Equity	635,942,652	4,691,431	640,634,083

3 Significant Accounting Policies

3.1 Financial Assets and Financial Liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

i) Recognition

The Bank initially recognizes loans and advances, deposit with other bank, investment in securities on the date of which the bank becomes a party to the instruments. 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.

ii) Classification and measurement

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 ('FVTOCI') or fair value through profit or loss ('FVTPL').

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

- Financial asset measured at amortized cost:

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the business model of the Bank is to collect contractual cash flows and the contractual cash flows includes solely payment of principal and interest only. Financial assets measured at amortized cost are initially recognized at fair value plus any transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

Following financial instruments are measured at amortized cost:

a) Cash in hand and balance with banks

Cash in hand and balance with banks includes notes and unrestricted balances held with banks domiciled domestically and at abroad. This also includes balances at current account of foreign central banks and Bank for International Settlement. These balances are measured at amortized cost and the transaction amount is the initial fair value of the asset. There is no any transaction cost on these balances and interest income if any on bank balances is recognized at effective interest rate. The Bank has recognized allowances for impairment on these assets using expected credit loss method.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

b) IMF related assets

International Monetary Fund (IMF) related assets include Special Drawing Right (SDR) holding of the Bank at IMF and interest receivable from IMF. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value and there is no any transaction cost. Interest income is recognized at effective interest rate. Due to the nature of the transaction with IMF, the allowance for impairment loss on this asset determined at zero.

c) Term deposit with banks

The term deposit with banks includes term deposit with foreign banks as well as domestic banks and financial institutions. These are the interest bearing deposit with banks for specific period of time. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value and there is no any transaction cost. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment on these assets using expected credit loss method.

d) Investments in Government securities

Investment in Government securities includes investment in coupon bonds, treasury bills and treasury notes of foreign Government. This account also includes investment in development bonds, citizen saving bonds, foreign employment bonds and treasury bills issued by Nepal Government. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value. Transaction cost is recognized in this account. Any premium or discount paid/received on transaction or at the maturity of the investment is amortized over the tenure of specific instrument using effective interest rate. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment on foreign Government securities using expected credit loss method. Allowance for impairment loss on Nepal Government securities is determined at zero due to nature of relation with Nepal Government.

e) Loan and advances to bank and financial institutions

Loan and advances to bank and financial institutions stand for loan and advances made as per monetary policy instrument. This includes standing liquidity facilities, repos transaction, lender of last resort and refinance

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

facilities. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment using expected credit loss method. Allowance for impairment loss on standing liquidity facility and repos is determined at zero due to nature of transaction. These transactions are fully secured by collateral of Nepal Government securities.

f) Other Loan and Advances

Loan and advances to others include loans to employees, pension advance, construction advance, travelling advance, other advances etc. These assets are measured at amortized cost. Initial measurement is made at fair value. Since, the loan to employees is subsidized or interest free loan, its fair value is measured by adopting valuation technique of projected cash flow method. Fair value of other assets is taken as transaction value. Interest income on loan to staff is recognized at effective interest rate. The Bank has recognized allowances for impairment using expected credit loss method.

- Financial asset measured at fair value through other comprehensive income:

Financial assets measured at fair value through other comprehensive income include investment in equity instruments of other entities. The Bank has made irrevocable election at initial recognition to recognize the changes in fair value through other comprehensive income. All investments in equity instrument of other entities are classified under this heading. No other asset than investment in equity instruments These investments are initially measured at fair value. The initial fair value is the transaction value. Transaction cost, if any is recognized in the investment amount. The subsequent measurement of these assets is done at fair value. The fair value is market value of particular instrument. If market value is not available for any instruments, its fair value is determined by adopting valuation method. The change in fair value is recognized in other comprehensive income.

- Financial asset measured at fair value through profit or loss:

All financial assets other than measured at amortized cost and at fair value through other comprehensive income are measured at financial assets measured at fair value through profit or loss. Assets classified under this class are measured at fair value. Transaction cost is recognized in statement

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

of net income. The change in fair value is recognized to statement of net income. There is no any asset classified under this heading during the year.

iii. De-recognition:

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 de-recognition of 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 consideration received (including any new assets obtained less any new liability assumed) is recognized in income or expenditure. Any interest in transferred financial assets that does not qualify for de-recognition that is created or retained by the Bank is recognized as a separate assets or liability.

B. Financial liabilities:

A financial liability is any liability that is a contractual obligation to deliver cash or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, a contract that will or may be settled in the entity's own equity instrument.

i) Recognition and Measurement

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. 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.

ii) De-recognition

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

C. 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

the asset and settle the liability simultaneously. Please refer to Note 2.6 for further details.

D. 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.

E. Fair value measurement:

The Bank measures financial instruments, such as, investment in equity instrument, at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 5.6.4

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market. 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. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Details related to fair value hierarchy is presented in Note 5.6.5.

F. Impairment of financial assets:

The Bank recognizes loss allowances for ECL on the financial instruments that are measured at amortized cost. Loss allowance on financial assets measured at fair value through other comprehensive income is not recognized as this class of assets includes

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

investment in equity instrument only which are measured at fair value. The loss allowance is recognized in profit or loss.

The Bank measures loss allowances at an amount equal to 12 months ECL for Stage 1 financial instruments. Stage 1 financial instruments include financial assets which are not due or due for up to 30 days as well as assets which are in investment grade i.e. sovereign and other investment grade rated assets. Life time loss allowance is measured on financial instrument which are classified as "Stage 2 financial instruments". Stage 2 financial instruments includes asset which are past due for more than 30 days but up to 90 days. Stage 2 financial instruments also include assets which are referred to non investment grade investment. Life time ECL is also measured for credit impaired assets which is referred to as "Stage 3 financial instruments" A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the assets is past due for more than 90 days or a breach of contract such as a default;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization

Measurement of allowances for expected credit loss

The Bank uses "internal default experience" method for measurement of allowances for expected credit loss. For the financial assets on which there is no any default history, allowance for expected credit loss is measuring by adopting "mapping to external data" method. The mechanism of the ECL calculations is outlined below with the key elements.

- Exposure at Default:

The Exposure at Default is an estimate of the exposure at a future default date. The exposure at default includes principal amount and interest receivable. The committed amount of investment is also included in exposure at default.

- Probability of Default (PD):

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period. The Bank considers a particular obligor has defaulted in any of following two events:

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

- The obligor is past due for more than 90 days, or
- The bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realizing security if any held.

The Bank uses credit rating specific PD's of issuers/counterparties from S&P for all its foreign investments amortized cost. Sovereign credit rating is used for central bank, foreign government and bank for international settlement. PD's for local currency is calculated based on default history. In the absence of default history, a floor rate for PD is used as backstop.

- **Loss Given Default (LGD):**

The Loss Given Default is an estimate of the loss arising in the case where a default due and those that the lender would expect to receive, including from the realization of any collateral. The Bank determines LGD for local assets based on historical recovery rates. Floor rate, for financial assets without default experience, is used as backstop.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Income and OCI.

G. 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.

3.2 Cash and Cash Equivalents

Cash and cash equivalents include notes, 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.

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The Bank holds cash and cash equivalent for management of its short-term commitments and it is carried at amortized cost in the Statement of Financial Position. Allowance for expected credit loss is recognized on cash and cash equivalent.

3.3 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. These assets are accounted for on trade date.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in statement of income. All changes in the fair value are recognized as part of the net trading income in statement of income. Further, the difference in the book value of the trading assets and the disposal proceeds is recognized in statement of net income.

3.4 Gold and Silver

Gold and silver assets include paper gold deposit, trading gold; and physical gold and silver held at reserve. Gold and silver is measured at fair value. Fair value paper of gold deposit and trading gold at initial recognition is measured at transaction price. Subsequently, the fair value is taken as fixing rate from London Bullion and Metal Association. The fair value of gold and silver held at reserve is measured as market rate offered by Federation of Nepal Gold and Silver Dealers Association. Transaction cost is recognized in statement of net income. The change in fair value is recognized in statement of net income. Revaluation gain/loss arises on gold and silver is appropriated to “Gold and Silver Equalization Reserve” at the time appropriation of profit.

3.5 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 are 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

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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 Appropriation.

3.6 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.

3.7 Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- a. are held for use in production or supply of goods or services or for administrative purposes; and
- b. are expected to be used during more than one period.

i. Recognition

The cost of an item of property, plant and equipment is recognized as an asset if, and only if:

- a. it is probable that future economic benefits associated with the item will flow to the bank; and
- b. cost of the item can be measured reliably.

However, any asset having value below Rs 25,000 other than land is directly expensed to statement of net income account in the year of purchase.

The cost of construction or acquisition of the item of property, plant and equipment is capitalized under the respective head of Property, Plant and Equipment only on completion of the construction work.

ii. Measurement

a. Initial Measurement

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. However, administration and other general overhead costs are not be capitalized.

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b. Subsequent Measurement

Property, Plant and equipment are measured using cost model. Hence, the value of the asset is recognized as cost less accumulated depreciation and any accumulated impairment losses.

iii. De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. 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.

iv. Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Land is not depreciated. All other property, plant and equipment are depreciated from immediate next month of 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. Similarly, while disposing any depreciable asset, the depreciation is charged till the immediate preceding month from the date of disposal.

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. The Bank estimates the useful life and residual value of the depreciable assets. Since the bank does not have any intention to sell or dispose the items of Property, Plant and Equipment before the expiry of their useful life, the residual value of all such assets has been considered to be Re 1. Useful lives are reviewed on each reporting date and adjusted if required.

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

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Class of assets	Estimated useful life
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 years
Vehicles	4-5 years
Others	5 years

v. Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets under Property, Plant and Equipment to determine where there is an indication of impairment. If such indication exists (i.e. if Book Value > Recoverable Amount), then the asset's recoverable amount is estimated.

Impairment losses are recognized in Statement of Net Income. Any reimbursements received from Insurance Companies related to the claims of the impaired assets are recognized separately as "Other Income" in the Statement of Net Income.

vi. Assets received in grant

Grant at fair value is not recognized until there is reasonable assurance that the bank will comply with the conditions attaching to them and the grant will be received. The bank follows the alternative approach to account for the assets received in grant i.e. it records both the assets and the grant amount in nominal value.

Accordingly, equipment acquired under grant is recognized as "Grant Assets" at nominal value and included under respective head of property, plant and equipment.

3.8 Intangible Assets

An Intangible Asset is an identifiable non-monetary asset without physical substance. Intangible assets include software purchased by the bank.

i. Recognition

An intangible asset shall be recognized if, and only if

- a. the asset is identifiable

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- b. it is probable that the economic benefits that are attributable with the item will flow to the bank; and
- c. cost of the asset can be measured reliably.

ii. Measurement

Intangible assets are measured initially at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. Subsequently, the intangible assets 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.

iii. Amortization

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.

iv. Impairment

When there is an indication of impairment (i.e. if Book Value > Recoverable Amount), then the impairment of such intangible asset is recognized. Impairment losses are recognized in Statement of Net Income.

v. De-recognition

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from recognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in PL account on disposal.

3.9 Leases

Payments made under operating leases to are accounted as per NFRS 16. At the inception of the lease, the Bank recognize right of use asset and lease liabilities. Right of use asset is measured at cost which comprises the amount of initial measurement of lease

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liabilities, any lease payments made at or before the commencement of the lease less any incentives received, any initial direct cost incurred by the Bank and an estimated cost of dismantling and removing the underlying asset. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability is measured at present value of lease payments that are not paid at the commencement of the lease. The lease payments are discounted by incremental borrowing rate to determine the present value. The Bank does not have any borrowing during the year, so general refinance rate is taken as proxy of incremental borrowing rate of the Bank. Subsequently, the carrying amount of lease liability is increased to reflect the interest on lease liability, decreased by the amount of lease payments and adjusted for re-measurement of carrying amount to reflect any reassessment or lease modification.

The lease liability is re-measured when there is changes in future lease payments than the agreed amount or the Bank opts for the extension of lease term. When the lease liability is re-measured, corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Interest on lease liability is recognized in statement of net income. Interest amount is determined in each period during the lease term at the amount that produce constant periodic rate of interest on outstanding lease liabilities. Variable payments if any that is not included in the measurement of lease liabilities are recognized in statement of net income in the period in which the event or condition that triggers those payments occurs.

3.10 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.

3.11 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. The Bank assesses whether events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the

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carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

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.

3.12 Inventories

Inventories of the bank include gold and silver stock physically held for minting and processing purpose, coin stock, metal and numismatic stock and dispensary stock. Inventories are initially measured at cost and it is carried at cost or net realizable value whichever is lower. Cost for gold and silver is determined on the basis of specific identification method where-as cost for other inventories is determined under the weighted average method. Other stores items are charged directly to Statement of Net Income.

Allowance is made for slow moving inventories. Numismatic and Medallion coins and Non-moving metals are written down to zero as there is no any net realizable value of those assets in the normal course of the business. The loss is recognized in Statement of Net Income. Carrying amount of inventories are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the net realizable value below the cost are recognized as income/expense in the Statement of Net Income.

3.13 Deposits and Borrowings

Deposits and borrowings (debt securities issued) are the source of funds of the bank in addition to its reserves.

The Bank accepts interest free deposits from Government of Nepal (GON) since it acts as a banker of GON as per Nepal Rastra Bank Act, 2058. Similarly, being the banker of all banks, the bank accepts deposits from the banks and financial institutions as well. Further, deposits from other institutions such as Public Entity, Foreign Central Banks, International Banks and other International Organizations are also accepted by the bank during the course of its operation. These deposits are accounted for as Financial Liabilities.

Further, deposits and borrowings (including debts securities issued) are initially measured at fair value minus incremental direct transaction cost and subsequently measured at

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their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

3.14 IMF Related Liabilities

IMF Related Liabilities include Special Drawing Right (SDR) Allocation and Interest Bearing Loan under Rapid Credit Facility (RCF) and Extended Credit facility (ECF). Interest needs to be paid on amount of loan provided by IMF where-as no any interest needs to be paid on deposit amount placed by IMF in NRB. Such liability is accounted for at amortized cost. Contractual interest rate is considered to be the effective interest rate for accounting purpose since there is no any other directly attributable cost incurred for this purpose.

The liability is derecognized when such liability is paid off or when IMF waives the right to receive the amount of liability. Any difference in the book value and amount paid to settle the liability is recognized in PL account.

3.15 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.

The bank offsets the cash at vault with the currency in circulation and presented the net amount of currency in circulation as liabilities in Statement of Financial Position.

All costs incurred during circulation of the currency are expensed in statement of net income. Any amount that has been removed from the economy is accounted for as disposal of Financial Liabilities.

3.16 Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase Arrangements (Repo) and Reverse Repo of securities are recorded as follows:

- a. Securities purchased under Repurchase Agreement (Repo) are recognized as loans and advances to BFIs under the heading of refinance and loan to banks. Interest income

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on Repo facility is recognized as per effective interest rate method. The difference between the purchase price and sale price is recognized as interest income over the tenure of the facility using effective interest rate.

- b. Securities sold under Reverse Repurchase Agreement ('Reverse Repo') are recognized as short term borrowings. Interest expense on Reserve Repo is recognized as per effective interest rate method. The difference between the sale price and purchase price is recognized as interest expense over the tenure of the facility using effective interest rate.

Securities lent to counterparties are also retained in the statement of financial position.

3.17 Bills Payable and Bills Receivable

The Bank carries out the function of repayment of Government securities and interest thereon on behalf of the Government of Nepal (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.

3.18 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. Where the Bank expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable to be received.

3.19 Employee Benefits

- **Short term employee benefits**

Short-term employee benefits are the benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are expensed as the related service 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

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as a result of past service provided by the employees and obligation can be estimated reliably. These includes salary, overtime, various allowance, staff Welfare etc.

- **Post Employment Benefits**

Post employment benefits are employee benefits that are payable after the completion of employment.

- A. Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in the Statement of Net Income 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 employees render the service are discounted at their present value. Following are the defined contribution plan provided by the bank to its employees:

- i. 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 (with grade) 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.

- ii. 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.

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B. 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. 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.

Re-measurements 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 other comprehensive income. 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 personnel expenses in Statement of Net Income.

Following are the defined benefit plans provided by the bank to its employees:

i. 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 unit credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

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ii. 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.

- **Other long term employee benefits**

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. The bank's net obligation in respect of long term employee benefits is the amount of future benefits that employees earned in return for their service in the current and prior period. That benefit is discounted to determine its present value. The present obligation on these liabilities is determined by actuary adopting projected unit credit method. Re-measurement gains/losses are recognized in Statement of Net Income in the period in which they arise.

i. 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.

ii. 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.

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- **Termination Benefits**

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. 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.

3.20 Interest Income and 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.

Interest income/(expenses) is recognized in Statement of Net 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 stage 1 and stage 2 financial assets measured at amortized cost is recognized on gross carrying amount. Interest income on stage 3 financial assets is recognized on net carrying amount.

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.

3.21 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.

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ii. Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities and includes 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 statement of net income. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

iv. Other Income and Expense

Other income and expenses are recognized on an accrual basis. The following incomes are recognized based on the recognition criteria explained here under.

- 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.
- Profit/loss from sale of precious metal and coins are recognized when the sale is made
- Grant Income is not recognized until there is reasonable certainty that the entity will comply with the conditions attaching to it, and that the grant will be received. Grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognized in statement of net income of the period in which it becomes receivable.

Gains and losses arising from incidental activities to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

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3.22 Note Printing Expense

The Bank procures note printing service from note printing service provider outside from the country. Note printing expense includes cost of printing notes and cost incurred to bring note to our premises. These costs include transportation cost, transit insurance and loading/unloading expense. Note printing expense is recognized in statement of income at the time of receipt of the notes by the Bank.

3.23 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.

3.24 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All outstanding letter of credit issued, capital commitments, litigation amount and unclaimed amount recognized as income, which are not recognized as liabilities in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

3.25 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 into 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.

3.26 Presentation

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

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3.27 Events Occurring after the Reporting Date

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

Nepal Rastra Bank

Notes to the financial statements

As at 32 Asar 2079

(all amounts in Nepalese Rupees unless otherwise stated)

	32 Asar 2079	31 Asar 2078
4.1 Cash and balances with banks		
Foreign currency cash in hand	19,809,038,240	10,112,660,692
Balances with other central banks	38,476,108,567	62,688,085,166
Balances with foreign banks	30,641,756,822	28,269,638,756
Money at overnight placements with other central banks	-	-
Interest receivable	45,852,755	2,548,970
Less: Allowances for expected credit loss	(11,171,030)	(9,604,714)
Total cash and balance with banks	88,961,585,354	101,063,328,870
4.2 IMF related assets		
Special drawing right holding	25,568,182,155	419,318,478
Interest receivable	-	-
Less: Allowances for expected credit loss	-	-
Total IMF related assets	25,568,182,155	419,318,478
Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.3 Term deposit deposit with foreign banks		
Term deposit with maturity of 3 months or less	82,957,932,423	173,447,449,401
Term deposit with maturity of more than 3 months	343,570,402,730	418,890,812,169
Interest receivable	1,090,599,413	390,315,126
Less: Allowances for expected credit loss	(437,481,667)	(413,513,995)
Total term deposit with banks	427,181,452,899	592,315,062,701
4.4 Investment in foreign securities		
Investment measured amortised cost		
Treasury bills	284,683,153,495	350,287,929,853
Treasury Notes	95,502,142,430	65,361,640,349
Coupon bonds	160,747,943,754	137,429,723,433
Interest receivable	1,874,564,663	1,498,709,319
Less: Allowances for expected credit loss	(245,845,289)	(280,477,966)
Investment measured fair value through OCI		
Treasury bills		
Treasury Notes		
Coupon bonds	-	-
Less: Allowances for expected credit loss	-	-
Investment measured fair value through profit or loss		
Treasury bills		
Treasury Notes		
Coupon securities		
Coupon bonds		
Total investment in securities	542,561,959,053	554,297,524,988

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	32 Asar 2079	31 Asar 2078
4.5 Other receivables		
Receivable from Asian Clearing Union		
Other receivable	-	-
Less: Allowances for expected credit loss	-	-
Total interest and other receivable	-	-
4.6 Investment in Gold Certificates	32 Asar 2079	31 Asar 2078
Investment in paper gold	55,870,042,475	44,655,278,083
Trading gold	4,351,023,730	6,477,636,202
Interest receivable on paper gold	148,374,642	237,900,605
Total investment in gold certificates	60,369,440,847	51,370,814,890
Details disclosure regarding the investment in gold is provided in Note 5.1		
4.7 Investment in Government securities	32 Asar 2079	31 Asar 2078
Investment in treasury bills	15,067,960,116	15,460,827,981
Investment in bond	36,422,088,576	41,273,125,452
Investment in Government bond issued for IMF related liabilities	2,280,557,961	2,280,557,961
Interest receivable	692,450,905	720,055,327
Less: Allowances for expected credit loss	-	-
Total investment in Government securities	54,463,057,558	59,734,566,721
4.8 Investment in bonds & term deposit	32 Asar 2079	31 Asar 2078
Investment in corporate bonds	-	-
Term deposit with Bank and Financial Institutions	6,158,744,000	5,130,162,000
Interest receivable	125,123,905	74,580,707
Less: Allowances for expected credit loss	(59,901,930)	(59,756,248)
Total fixed deposit with Bank and Financial Institutions	6,223,965,975	5,144,986,459
4.9 Advances and receivables from Government	32 Asar 2079	31 Asar 2078
Overdraft provided to Government	-	-
Advance payment to Government	1,460,000,000	1,460,000,000
Receivable from Government against payment to IMF	-	-
Advance to project/fund operated by Government	-	-
Less: Allowances for expected credit loss	-	-
Total advance to Government	1,460,000,000	1,460,000,000

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4.10 Loan and advances to bank and financial institutions

	32 Asar 2079	31 Asar 2078
Standing liquidity facility	158,102,500,000	-
Refinance	111,961,238,775	122,703,932,366
Lender of last resort	-	-
Securities purchased under repurchase agreement	-	-
Other loans to BFIs	118,622,225	125,000,000
Interest receivable	1,555,565,894	1,136,108,545
Less: Allowances for expected credit loss	(15,330,530)	(16,735,281)
Total Loan and advances to bank and financial institutions	271,722,596,364	123,948,305,630

4.11 Other loan and advances

	32 Asar 2079	31 Asar 2078
Staff loans	7,253,368,196	4,927,921,951
Less: Amortization	(1,244,125,062)	(661,783,372)
Pension advance	2,284,770,378	2,597,864,646
Travelling advances to staff	2,493,108	854,010
Advance for construction	514,643,797	1,222,258,881
Staff endowment policy advance	7,626,642	8,907,350
Other advance	21,877,821	1,687,624,220
Interest receivable	1,745,232	1,113,365
Less: Allowances for expected credit loss	-	-
Total other loan and advances	8,842,400,112	9,784,761,051

4.12 Equity investment

	32 Asar 2079	31 Asar 2078
Investment in equity instruments measured at fair value through OCI		
Cost price	697,947,274	697,947,274
Fair Value Changes	3,094,997,506	2,450,514,736
Total equity investment	3,792,944,780	3,148,462,010

Details disclosure regarding the equity investment is provided in Note 5.6.5

4.13 Other receivables

	32 Asar 2079	31 Asar 2078
Dividend receivable	-	35,596,721
Sundry debtors	8,796,017	8,462,593
Deposits	1,486,138	1,481,138
Other receivables	1,926,937	12,281,866
Less: Allowances for expected credit loss	(8,490,511)	(7,700,147)
Total interest and other receivables	3,718,581	50,122,171

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	32 Asar 2079	31 Asar 2078
4.14 Gold and silver assets		
Gold held in reserve at cost	27,351,269	27,351,269
Silver held in reserve at cost	20,658,886	20,658,886
Changes in fair value	27,596,885,382	29,313,038,553
Total gold and silver assets	27,644,895,537	29,361,048,708
Details disclosure regarding the gold and silver assets is provided in Note 5.1		
 4.15 Inventories		
Gold stock	2,015,809,480	1,691,268,802
Silver stock	59,611,969	53,768,750
Coin stock	139,155,154	31,490,826
Numismatic stock	3,782,171	12,581,687
Other metal stock	31,285,014	22,485,498
Dispensary stock	422,428	453,799
Gross inventories	2,250,066,216	1,812,049,362
Less: Write down of inventories to net realiable value		
Coin stock	(22,465,540)	(22,465,540)
Other metal stock	(8,716,000)	(8,716,000)
Net inventories	2,218,884,676	1,780,867,822

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4.16 Property, Plant and equipment

Please see accounting policy in Note 3.7. The details are given as below:

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Right of Use Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%-20%	20%	20%-25%	20%	20%	10%	20%			
Original Cost	Balance as on 1st Sawan 2077	193,834,552	837,320,420	240,115,865	451,454,120	121,983,298	179,252,253	64,150,247	5,816,750		1,827,915,628	3,921,843,133
	Addition during the Year	-	55,459,923	54,400,083	98,600,000	1,809,134	11,040,697	1,439,941	287,137	133,287,846	509,297,681	865,622,442
	Disposal/Write Off/Adjustment	(861,400)	(107,531,567)	(20,630,503)	(11,936,885)	(4,007,541)	(12,106,253)	(829,180)	(4)		(14,217,070)	(172,120,403)
	Balance as on 31st Asar 2078	192,973,152	785,248,776	273,885,445	538,117,235	119,784,891	178,186,697	64,761,008	6,103,883	133,287,846	2,322,996,239	4,615,345,172
Accumultaed Depreciation	Balance as on 1st Sawan 2077	-	351,824,044	166,063,923	217,043,072	106,786,924	123,963,685	27,470,409	4,932,831		-	998,084,888
	Depreciation for the Year	-	24,231,546	31,455,551	71,707,328	4,895,830	19,585,750	5,099,477	234,539	7,625,312	-	164,835,333
	Disposal/Write Off/Adjustment	-	(34,485,832)	(20,222,050)	(9,765,850)	(4,007,530)	(11,842,047)	(829,169)	-		-	(81,152,478)
	Balance as on 31st Asar 2078	-	341,569,758	177,297,424	278,984,550	107,675,224	131,707,388	31,740,717	5,167,370	7,625,312	-	1,081,767,743
Net Book Value as on 31st Asar 2078		192,973,152	443,679,018	96,588,021	259,132,685	12,109,667	46,479,309	33,020,291	936,513	125,662,534	2,322,996,239	3,533,577,429
Original Cost	Balance as on 1st Sawan 2078	192,973,152	785,248,776	273,885,445	538,117,235	119,784,891	178,186,697	64,761,008	6,103,883	133,287,846	2,322,996,239	4,615,345,172
	Addition during the Year	167,650,000	77,321,691	66,938,574	163,065,462.49	216,992,583.32	17,127,332.15	8,285,131.52	60,000.00	1,629,764	782,721,623	1,501,792,161
	Disposal/Write Off/Adjustment	-	(6,280,248)	(19,013,973)	(23,930,500.00)	(195,292.45)	(8,411,553.17)	(770,003.72)	(88,104.00)		-	(58,689,674)
	Balance as on 32nd Asar 2079	360,623,152	856,290,219	321,810,046	677,252,197	336,582,182	186,902,476	72,276,136	6,075,779	134,917,610	3,105,717,862	6,058,447,659
Accumultaed Depreciation	Balance as on 1st Sawan 2078	-	341,569,758	177,297,424	278,984,550	107,675,224	131,707,388	31,740,717	5,167,370	7,625,312	-	1,081,767,743
	Depreciation for the Year	-	24,103,401	37,761,816	93,597,643.24	4,714,481.06	19,200,698.34	5,330,059.47	268,213.37	37,064,068		222,040,380
	Disposal/Write Off/Adjustment	-	(3,582,208)	(17,424,709)	(22,473,823.35)	(199,039.45)	(8,340,384.94)	(769,137.81)	-			(52,789,303)
	Balance as on 32nd Asar 2079	-	362,090,951	197,634,531	350,108,370	112,190,666	142,567,701	36,301,639	5,435,583	44,689,380	-	1,251,018,821
Net Book Value as on 32nd Asar 2079		360,623,152	494,199,268	124,175,515	327,143,827	224,391,516	44,334,775	35,974,497	640,196	90,228,230	3,105,717,862	4,807,428,838

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4.17 Intangible Assets

Please refer accounting policies in Notes 3.8. The details of balance are as follows:

Particulars	Computer Software			Capital Work in Progress	Total Intangible Assets	
	Useful Life Defined by Contractual Agreements	Other Useful Life				
Amortisation Rate		20%	10%			
Original Cost	Balance as on 1st Sawan 2077	2,521,595	20,381,923	241,450,624	-	264,354,141
	Addition during the Year	-	3,291,044	834,375	-	4,125,419
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31st Asar 2078	2,521,595	23,672,967	242,284,999	-	268,479,560
Accumulated Amortisation	Balance as on 1st Sawan 2077	1,953,324	11,403,741	164,806,085	-	178,163,150
	Depreciation for the Year	252,530	2,066,208	24,135,372	-	26,454,110
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31st Asar 2078	2,205,854	13,469,949	188,941,457	-	204,617,260
Net Book Value as on 31st Asar 2078	315,741	10,203,018	53,343,542	-	63,862,300	
Original Cost	Balance as on 1st Sawan 2078	2,521,595	23,672,967	242,284,999	-	268,479,561
	Addition during the Year	7,845,816	2,748,759	1,587,286	-	12,181,861
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 32nd Asar 2079	10,367,411	26,421,726	243,872,285	-	280,661,422
Accumulated Amortisation	Balance as on 1st Sawan 2078	2,205,854	13,469,949	188,941,457	-	204,617,260
	Depreciation for the Year	681,549	2,784,386	24,250,882	-	27,716,817
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 32nd Asar 2079	2,887,403	16,254,335	213,192,339	-	232,334,077
Net Book Value as on 32nd Asar 2079	7,480,008	10,167,391	30,679,946	-	48,327,345	

4.18 Other Assets

Particulars	32 Asar 2079	31 Asar 2078
Deferred Employees Benefits	1,244,125,062	661,783,372
Project Assets	-	-
Prepaid expense	80,438,520	81,417,937
Other Assets	-	-
Total	1,324,563,582	743,201,309

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4.19	<u>Deposit of bank and financial institutions</u>	<u>32 Asar 2079</u>	<u>31 Asar 2078</u>
	<i>Foreign Currency</i>		
	Deposit of commercial banks	10,556,040,520	12,760,473,479
	Deposit of development banks	27,253,242	43,062,122
	Deposit of finance companies	214,217	21,427
	Deposit of microfinance financial institutions	-	-
	Total foreign currency deposit	10,583,507,979	12,803,557,028
	<i>Local Currency</i>		
	Deposit of commercial banks	170,164,694,523	216,921,403,381
	Deposit of development banks	13,537,692,545	13,959,929,689
	Deposit of finance companies	3,427,670,355	4,358,887,485
	Deposit of microfinance financial institutions	1,713,233,904	1,587,148,111
	Total local currency deposit	188,843,291,327	236,827,368,666
	Total deposit of bank and financial institutions	199,426,799,306	249,630,925,694
4.20	<u>IMF related liabilities</u>	<u>32 Asar 2079</u>	<u>31 Asar 2078</u>
	<i>Foreign Currency</i>		
	Special Drawing Right allocation	36,560,642,669	11,562,630,914
	Interest bearing loans	-	-
	Interest payable	55,291,694	1,203,863
	Total foreign currency IMF related liabilities	36,615,934,363	11,563,834,777
	<i>Local Currency</i>		
	IMF account no.1	11,461,367,826	11,461,453,112
	IMF account no.2	974,584	889,298
	Total local currency IMF related liabilities	11,462,342,410	11,462,342,410
	Total IMF related liabilities	48,078,276,773	23,026,177,187
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.21	<u>Deposit of Government</u>	<u>32 Asar 2079</u>	<u>31 Asar 2078</u>
	Deposit of Central Government	93,700,782,670	30,349,572,646
	Deposit of Province Government	103,214,201,325	94,125,038,969
	Deposit of Local Authorities	28,591,870,709	85,103,262,711
	Total deposit of Government	225,506,854,704	209,577,874,326
4.22	<u>Deposit of other institutions</u>	<u>32 Asar 2079</u>	<u>31 Asar 2078</u>
	Deposit of public enterprises	1,526,933,362	1,463,111,400
	Deposit of Government for Interest Subsidy & Subsidies Loan	10,252,337,011	8,363,985,597
	LC margin deposit	6,660,204,983	8,930,427,943
	Deposit of other organisations	478,057,828	664,662,701
	Total deposit of other insitutions	18,917,533,184	19,422,187,641

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4.23	Currency in Circulation	32 Asar 2079	31 Asar 2078
	Currency Issued (Denomination)		
	1	161,002,669	161,012,732
	2	185,175,836	185,270,698
	5	3,378,744,515	2,909,495,620
	10	5,375,080,190	4,511,227,900
	20	6,825,602,040	5,262,600,100
	25	57,099,800	57,140,500
	50	13,247,183,250	10,446,017,500
	100	27,002,190,700	20,740,491,200
	250	87,425,000	87,426,250
	500	132,811,776,000	150,521,259,500
	1000	443,338,720,000	488,618,058,000
	Gross Amount of Currency in Circulation	632,470,000,000	683,500,000,000
	Less: Cash at Vault of the Bank	(20,442,396,030)	(13,986,241,146)
	Net Amount of Currency in Circulation	612,027,603,970	669,513,758,854
4.23.1	Reserve against currency in circulation	32 Asar 2079	31 Asar 2078
	Foreign Treasury Bills	284,683,153,495	350,287,929,853
	Foreign Bank Balance (Including Term Deposits)	327,344,450,475	319,225,829,001
	Total	612,027,603,970	669,513,758,854
4.24	Due to bank and financial institutions	32 Asar 2079	31 Asar 2078
	Holding of NRB bond issued	-	-
	Deposit collection	-	-
	Reverse repo liabilities	-	-
	Total due to bank and financial institutions	-	-
4.25	Other liabilities	32 Asar 2079	31 Asar 2078
	Payable to Asian Clearing Union	209,544,881	964,112,683
	Deposit & Earnest money	14,535,000	13,112,740
	Unclaimed account	81,178,438	80,120,303
	Unclaimed Deposit of Bank and Financial Institutions	14,127,434	
	Lease liabilities	94,919,661	126,738,788
	Loan from Government for project operation	75,100,000	88,050,000
	Provision for expense	78,219,219	47,035,718
	Taxes payable	71,562,444	74,527,169
	Payable to retired staff	496,042,351	680,134,692
	Other liabilities	179,163,218	450,208,995
	Total other liabilities	1,314,392,646	2,524,041,088

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		32 Asar 2079	31 Asar 2078
4.26	Pension and other employment benefits payable		
	Pension and gratuity fund	18,979,279,196	18,789,259,309
	Less: Plan Assets for pension and gratuity fund	(18,966,513,926)	(19,438,656,973)
	Staff security fund	2,123,566,882	1,971,672,919
	Less: Plan Assets for staff security fund	(2,024,185,775)	(1,906,411,721)
	Leave encashment	1,322,973,961	956,207,913
	Staff medical fund	1,211,261,887	1,168,631,579
	Welfare Provident fund	714,135,372	649,274,118
	Total pension and other employment benefit payable	3,360,517,597	2,189,977,144

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4.27 Reserve	32 Asar 2079	31 Asar 2078
General Reserve	63,649,012,516	55,734,193,251
Monetary Liabilities Reserve	12,170,535,702	10,749,497,291
Financial Stability Fund	8,973,021,704	7,551,983,293
Exchange Equalization Fund	196,809,068,623	162,019,920,289
Gold and Silver Equalization Reserve	48,654,180,864	49,883,384,792
Net Cumulative Surplus Fund	1,384,411,112	1,360,864,592
Development Fund	57,095,989,244	51,595,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
Development Finance Project Mob. Fund	300,387,474	291,144,361
Mechanisation Fund	1,891,316,414	1,891,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	1,097,712,943	1,097,712,943
Gold Replacement Fund	2,356,917,187	1,942,421,510
Rural Self Reliance Fund	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement Fund)	51,286,791	57,664,566
Actuarial Gain Reserve	2,920,541,212	2,402,077,192
Fair Value Reserve for Equity Instruments	3,118,109,820	2,481,127,051
Impact on Retained Earning due to ECL & Lease	-	(646,586,820)
Total Reserves	402,389,427,916	350,329,646,279

4.27 (a) Appropriation of Net Profit/(Loss)

Particulars	32 Asar 2079	31 Asar 2078
Net Income/(Expenditure) for the year	63,136,159,412	32,551,538,659
Foreign Exchange Gain/(Loss) - Unrealised	(34,789,148,334)	(8,192,211,285)
Net Gold and Silver Revaluation Gain/(Loss)	1,229,203,928	(2,934,500,765)
Transfer from Fair Value Reserve	-	2,657,128,858
Transfer to Fair Value Reserve	(636,982,769)	(1,013,951,526)
Transfer to Actuarial Reserve	(518,464,020)	(1,008,028,980)
Surplus/(Deficit) Due to Changes in Accounting Policies	(646,586,820)	(1,078,225,216)
Surplus Available for Distribution	27,774,181,397	20,981,749,745
Less: Appropriations		
General Reserve	(7,914,819,265)	(6,608,900,534)
Monetary Liability Reserve	(1,421,038,411)	(967,823,509)
Financial Stability Fund	(1,421,038,411)	(967,823,509)
Development Fund	(5,500,000,000)	(4,650,000,000)
Development Finance Project Mobilisation Fund	(9,243,113)	(8,056,486)
Gold Replacement Fund	(414,495,677)	(1,099,822,926)
Net Cumulative Surplus Fund	(23,546,520)	(17,676,108)
Balance Payable to Government of Nepal	11,070,000,000	6,661,646,673

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4.28 Interest income on foreign currency financial assets	32 Asar 2079	31 Asar 2078
Interest income on term deposit	4,098,540,617	4,520,451,958
Interest income on treasury bills	10,836,988,704	10,106,101,819
Interest income on fixed income securities	3,729,279,902	2,869,601,735
Interest income on SDR holdings	64,405,013	1,965,983
Other FCY interest income	-	-
Total	18,729,214,236	17,498,121,495
4.29 Interest expense on foreign currency financial liabilities	32 Asar 2079	31 Asar 2078
Interest on SDR Allocation	89,806,652	8,566,249
Interest on interest bearing loans	-	-
Other interest expense	3,541,438	1,232,511
Total	93,348,090	9,798,760
4.30 Interest income on local currency financial assets	32 Asar 2079	31 Asar 2078
Interest income on Treasury Bills	1,352,316,775	694,888,739
Interest income on Government bonds	1,475,518,611	1,552,061,630
Interest income on Refinance	3,329,427,792	1,549,940,717
Interest income on Standing Liquidity Facility and Repo	8,255,008,441	210,550,286
Other LCY interest income	547,684,726	437,465,813
Total	14,959,956,345	4,444,907,185
4.31 Interest expense on local currency financial liabilities	32 Asar 2079	31 Asar 2078
Interest expense on Deposit Collection	-	-
Interest expense on Reverse Repo	-	-
Interest expense on NRB Bond	-	-
Interest expense on Lease Liabilities	5,647,920	1,497,624
Other interest expense	67,698,527	113,223,318
Total	73,346,447	114,720,942
4.32 Fee and commission income	32 Asar 2079	31 Asar 2078
Commission Income	98,281,956	80,850,535
Letter of credit commission	807,049	1,113,682
RTGS fee	15,909,438	10,078,304
Total	114,998,443	92,042,521
4.33 Net gold trading income	32 Asar 2079	31 Asar 2078
Gain or loss on sale of trading gold	155,757,112	147,243,754
Gain or loss on revaluation of trading gold	(508,199,266)	(72,427,150)
Total	(352,442,154)	74,816,604

Nepal Rastra Bank

Notes to the financial statements

For the year ended 32 Asar 79

(all amounts in Nepalese Rupees unless otherwise stated)

4.34 Other income	32 Asar 2079	31 Asar 2078
Income from Mint (Sale of Coin)	66,317	54,026
Gain from Sale of Precious Metals and Coins	258,738,565	952,642,658
Provisions written back	7,500,000	3,375,258
Fine/Penalty Charge	6,842,443	14,253,517
Profit/(Loss) on Sale of Investment Securities	-	(181,325,100)
Profit/loss on Sale of Assets	5,609,057	1,745,456
Dividend Income	93,199,596	65,036,629
Project Income/(Loss)	9,243,113	8,056,486
Grant Income	-	123
Miscellaneous income	107,683,604	76,523,048
Total Other Income	488,882,695	940,362,101
4.35 Fee and commission expense	32 Asar 2079	31 Asar 2078
Agency commission and service charges	22,128,886	98,371,004
Other fee and commission expense	22,669,930	1,969,655
Total	44,798,816	100,340,659
4.36 Allowance for ECL (loss)/gain on financial assets	32 Asar 2079	31 Asar 2078
Cash & Bank Balance	(1,565,795)	563,906
Investment in Securities	34,632,677	24,987,703
Term Deposit	(24,113,354)	(87,380,733)
Loans and advances to BFls	1,404,751	(15,698,128)
Other Receivables	(790,364)	(1,704,348)
Total	9,567,915	(79,231,600)
The details of movement and stagewise information on allowance for expected credit loss/gain is further disclosed in note no. 5.6.		
4.37 Personnel expenses	32 Asar 2079	31 Asar 2078
Salary	684,043,299	627,870,663
Allowances	802,801,948	635,209,443
Provident Fund Contribution	68,404,330	62,787,066
Staff Welfare Provident Fund Contribution	713,764,926	650,530,482
Pension & Gratuity Expense	392,190,599	316,285,188
Staff Security Expense	119,762,350	75,066,772
Staff Leave Compensation	386,461,714	144,221,939
Staff Medical Fund Contribution	95,473,268	117,785,852
Amortisation of deferred employees benefits	99,496,424	72,750,541
Others	20,267,520	13,770,963
Total	3,382,666,378	2,716,278,909

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(all amounts in Nepalese Rupees unless otherwise stated)

4.38 Administrative expenses	32 Asar 2079	31 Asar 2078
Directors Fees and Expenses	6,679,397	6,094,836
Mint Expenses	152,468,830	1,593
Security charges	241,851,335	61,258,332
Fund Transfer Expense	32,906,634	38,300,267
Travelling Expenses	163,607,065	47,651,435
Insurance Charges	106,420,694	122,602,657
Repair & Maintenance	37,199,665	22,950,679
Banking Promotion	53,482,886	28,919,160
Audit Fees and Expenses	25,205,945	2,553,977
Utilities Expenses	50,241,502	40,075,100
Postal and Communication Expenses	20,542,105	19,291,693
House Rent	2,101,095	36,987,291
Training Seminar and Membership	48,339,150	52,490,939
Expenses on Miscellaneous Assets	9,184,840	4,685,616
Consumable Expenses	20,183,154	11,944,942
Books and Periodicals	11,417,733	8,069,328
Software Annual Maintenance Charges	101,021,913	112,725,437
Meeting Fee and Expense	41,513,895	23,752,498
Advertisement	10,680,950	11,529,373
Wages	59,182,218	47,614,287
Miscellaneous Expenses	114,469,396	54,208,240
Total	1,308,700,402	753,707,680
4.39 Depreciation, amortisation and impairment	32 Asar 2079	31 Asar 2078
Depreciation on Property & Equipment	185,084,861	157,210,020
Impairment of Property & Equipment	4,296,516	73,184,735
Amortisation of intangible assets	27,610,997	26,454,110
Impairment of intangible assets	-	-
Depreciation on Right of Use Assets	37,064,068	7,625,312
Total	254,056,442	264,474,177

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5. Significant Disclosures

5.1. Gold and Silver

The bank has been holding gold and silver for reserve purpose as well as for minting purpose. The gold and silver held for reserve purpose, being the financial assets, has been measured at fair value and the gold and silver held for minting purpose, being the inventories of the bank, has been measured at lower of cost or net realizable value.

The gold and silver measured at fair value along with its quantity is as follows:

Particulars	As on 32nd Asar 2079		As on 31st Asar 2078	
	Weight (Kg)	Total Fair Value (NRs.)	Weight (Kg)	Total Fair Value (NRs.)
Investment in Paper Gold	7,280.53515	55,691,575,757	5,863.058408	44,655,278,083
Trading gold	566.99	4,351,023,730	850.485	6,477,636,202
Gold held in reserve	1,953.66	15,711,350,608	1,953.662100	15,610,737,010
Silver held in reserve	121,522.86	11,933,544,929	121,522.860782	13,750,311,697
Total		87,687,495,024	74,016,326,790	80,493,962,992

Fair value for investment in paper gold; and gold and silver held at reserve is determined based on the closing rate prevailing in London Bullion and Metal Association; and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Fine Gold (9999) has been considered for the purpose of fair value.

Minting Division of the bank has held gold and silver for minting purpose and is treated as inventories kept for further processing/minting. The inventories are measured at lower of cost or net realizable value. The gold and silver held by the bank as inventories which is measured at cost or net realizable value whichever is lower is as follows:

Particulars	As on 32nd Asar 2079		As on 31st Asar 2078	
	Weight (Kg)	Value (NRs.)	Weight (Kg)	Value (NRs.)
Gold held in Stock	834.6871	2,015,809,480	564.35500	1,691,268,802
Silver held in Stock	3,007.31635	59,611,969	3,037.37785	53,768,750
Total		2,075,421,449		1,745,037,552

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Notes Forming Part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

5.2. Year-end Exchange Rates

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

S.N.	Currency	Current Year 78-79	Previous Year 77.78
1	US Dollar	127.51	119.04
2	UK Pound Sterling	150.86	164.83
3	Euro	128.19	140.39
4	Swiss Franc	130.17	129.53
5	Australian Dollar	86.15	88.67
6	Canadian Dollar	97.52	95.21
7	Singapore Dollar	90.9	87.8
8	Japanese Yen	0.919	1.77
9	Chinese Yuan	18.88	18.4
10	Saudi Arabian Riyal	33.96	31.74
11	Qatari Riyal	34.71	32.69
12	Thai Baht	3.48	3.64
13	UAE Dirham	34.72	32.41
14	Malaysian Ringgit	28.66	28.34
15	South Korean Won	0.0962	0.1036
16	Swedish Kroner	12.1	13.75
17	Danish Kroner	17.22	18.88
18	Hong Kong Dollar	16.24	15.33
19	Kuwait Dinar	413.95	395.76
20	Bahrain Dinar	338.25	315.75
21	SDR	167.34	169.79
22	Indian Rupees	1.60	1.60

5.3. Related Parties Disclosure

5.3.1. Key Management Personnel

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

S.N.	Name	Post	Date	Remarks
1	Mr. Maha Prasad Adhikari	Governor	2076.12.24	
2	Mr. Krishna Hari Pushkar	Finance Secretary	2079.05.01	
3	Mr. Madhu Kumar Marasini	Finance Secretary	2078.04.18	Discharge of position w.e.f. 2079.04.06

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Notes Forming Part of Financial Statements

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S.N.	Name	Post	Date	Remarks
4	Mr. Sishir Kumar Dhungana	Finance Secretary	2076.11.01	Discharge of position w.e.f. 2078.04.17
5	Dr. Neelam Dhungana (Timsina)	Deputy Governor	2077.11.25	
6	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
7	Mr. Chinta Mani Siwakoti	Board Member	2079.02.06	
8	Mr. Shankar Prasad Acharya	Board Member	2079.02.06	
9	Dr. Sri Ram Poudyal	Board Member	2074.01.03	Discharge of position w.e.f. 2079.01.03
10	Mr. Ramjee Regmi	Board Member	2074.01.03	Discharge of position w.e.f. 2079.01.03
11	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	
12	Mr. Bhuban Kadel	Executive Director	2072.12.03	Retired w.e.f. 2078.09.10
13	Dr. Nephil Matangi Maskay	Executive Director	2073.01.12	
14	Mr. Dev Kumar Dhakal	Executive Director	2074.12.14	
15	Mr. Mukunda Kumar Chhetri	Executive Director	2074.12.14	
16	Mr. Pitambar Bhandari	Executive Director	2074.12.14	
17	Mr. Rishikesh Bhatta	Executive Director	2075.05.12	
18	Mr. Pradeep Raj Poudyal	Executive Director	2075.06.18	
19	Dr. Gunakar Bhatta	Executive Director	2075.07.06	
20	Mr. Naresh Shakya	Executive Director	2076.02.31	
21	Mr. Suman Kumar Adhikari	Executive Director	2076.03.11	
22	Dr. Prakash Kumar Shrestha	Executive Director	2076.03.11	
23	Mr. Revati Prasad Nepal	Executive Director	2076.10.13	
24	Mr. Ramu Poudel	Executive Director	2077.01.12	
25	Mr. Vishrut Thapa	Executive Director	2077.01.12	
26	Mr. Ram Bahadur Manandhar	Executive Director	2077.01.12	
27	Mr. Dayaram Sharma	Executive Director	2078.06.19	
28	Mr. Tulashi Prasad Ghimire	Executive Director	2078.06.19	
29	Mr. Guru Prasad Paudel	Executive Director	2078.09.23	
30	Mr. Bimal Raj Khanal	Executive Director	2078.12.01	

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 arm's length transactions.

i. *Transactions with Key Management Personnel*

In addition to salaries, non-cash benefits (Vehicle Facility, Accommodation Facility to governor) were provided to special class officers and the executive Board members.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

Governor and Deputy Governors are also entitled to post employee benefits. The data relating to total compensation paid to key management personnel were as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	87,840,213	74,688,900
Post-employment and other long term benefits	7,930,688	24,191,300
Total	95,770,901	98,880,200

Other transactions with the Key Management Personnel and the status of yearend balances with them were as per below.

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/ Incidental Expenses to Directors	13,196,311	12,236,904
Loan Facilities	123,836,979	108,305,819

ii. Salary, Benefits and Other Facilities of Board Members

Board Members are entitled for meeting allowance of NRs.9,000 per meeting (increased with effect from 1st Manghir 2078 from existing amount of Nrs.5,000 per meeting). In addition, non-executive board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, driver facility, and medicine facilities. Details of such salary, benefits and other facilities provided to executive as well as non-executive board members for FY 2078/79 are provided below:

S.N	Name	Post	Salary	Board Meeting Allowance	Other Allowances &Facilities
1	Mr. Maha Prasad Adhikari	Governor	1,418,400	305,000	3,181,855
2	Mr. Krishna Hari Pushkar	Finance Secretary	-	-	-
3	Mr. Madhu Kumar Marasini	Finance Secretary	-	258,000	485,425
4	Mr. Sishir Kumar Dhungana	Finance Secretary	-	10,000	31,238
5	Dr. Neelam Dhungana(Timsina)	Deputy Governor	1,269,600	273,000	2,717,513
6	Mr. Bam Bahadur Mishra	Deputy Governor	1,269,600	296,000	2,636,417
7	Mr. Chinta Mani Siwakoti	Board Member	-	90,000	35,564
8	Dr. Shankar Prasad Acharya	Board Member	-	90,000	23,412
9	Dr. Sri Ram Poudyal	Board Member	-	206,000	1,132,354
10	Mr. Ramjee Regmi	Board Member	-	215,000	362,019
11	CA. Dr. Suvod Kumar Karn	Board Member	-	152,000	695,516
TOTAL			3,957,600	1,895,000	11,301,311

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Notes Forming Part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

5.3.2. Government of Nepal

The bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 and the Government of Nepal (GON) is the controlling body of the bank holding 100% of its capital.

i. Transactions with Government of Nepal

The transaction with GON and the status of yearend balances with GON is as follows:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year		
Commission Income received from GON	117,802,422	78,093,958
Payment made to GON from surplus (As per Financial Statement of Previous Year)	5,000,000,000	6,000,000,000
Adjustment of Receivable from Surplus Payable to Government	1,661,646,673	-
Balances at the year end		
Deposit from GON	225,506,854,704	209,577,874,327
Receivable from GON on sales of shares of CIT	-	1,661,646,673
Advance to GON for Business Continuity Loan	1,460,000,000	1,460,000,000
Investment in Treasury Bills (GON)	15,067,960,116	15,460,827,981
Investment in Bonds (GON)	35,698,245,536	43,369,513,412
Investment in Saving Certificates (GON)	3,004,401,000	184,170,000
Interest and Commission Receivable	428,944,464	447,298,511

ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 32nd Asar 2079 as per the records of the bank was a surplus balance of NRs. 225,506,854,704 (P.Y. NRs. 209,577,874,327). 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.

5.4. Inter-Office Transactions

There is no any net balance of at the end of the year on inter-office transactions. There was balance of NRs. 6,972,436 at the end of previous year. It was presented as general account under the accounts head "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, out of which there was a written down balance of NRs. 7 (PY NRs.123) at the year end. During the year, no grant assets were received.

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Fiscal Year 2078-79 (2021-22 AD)

5.6. Financial Instruments

Financial Risk Management-Overview

Risk Management Framework

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

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

5.6.1. 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.

5.6.1.1. Exposure to Credit Risk

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

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Fiscal Year 2078-79 (2021-22 AD)

a) By Nature of Assets

Particulars	32 Asar 2079	31 Asar 2078
Foreign currency financial assets		
Cash and balances with banks	88,961,585,354	101,063,328,870
Derivative financial assets	-	-
IMF related assets	25,568,182,155	419,318,478
Term deposit with foreign banks	427,181,452,899	592,315,062,701
Investments in foreign securities	542,561,959,053	554,297,524,988
Other receivables	-	-
Total foreign currency financial assets	1,084,273,179,461	1,248,095,235,037
Local currency financial assets		
Balances with banks	10,736,269	14,590,238
Investment in Government securities	54,463,057,558	59,734,566,721
Investment in bonds & term deposit	6,223,965,975	5,144,986,459
Advances and receivable from Government	1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions	271,722,596,364	123,948,305,630
Other loan and advances	8,842,400,112	9,784,761,051
Equity investment	3,785,444,780	3,148,462,010
Other receivables	3,718,581	50,122,171
Total local currency financial assets	346,511,919,639	203,285,794,280
Total financial assets	1,430,785,099,100	1,451,381,029,317

b) By Geographical Region

Particulars	As on 32.03.2079	As on 31.03.2078
Australia	149,189,220	239,365,362
Bahrain	60,104,668,182	83,660,754,789
Belgium	214,765,363	34,623,447
Canada	189,708,637	1,177,566,907
China	163,223,012,167	139,317,808,059
Germany	333,597,791	1,154,619,775
Hong kong	76,923,993,303	138,587,634,347
India	267,968,611,393	313,266,303,335
Japan	1,468,220,102	590,574,355
Malaysia	81,941,701	826,642,818
Qatar	48,424,063,658	44,310,709,967
Singapore	120,663,083,782	207,743,823,594
Switzerland	83,646,412,869	48,064,567,740

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Thailand	99,936,620	89,087,891
U.A.E.	48,903,638,343	89,871,086,931
United Kingdom	3,419,126,118	3,685,087,875
USA	189,344,669,958	166,065,913,829
Nepal	366,404,682,299	213,482,648,618
Total	1,431,563,321,506	1,452,168,819,637
<i>Less: Expected Credit Loss</i>	<i>(778,222,406)</i>	<i>(787,790,320)</i>
Grand Total	1,430,785,099,100	1,451,381,029,317

c) By Nature of the Entity

Particulars	As on 32.03.2079	As on 31.03.2078
Bank for International Settlement	278,005,714	12,140,538,950
Central Banks	133,827,660,604	53,947,909,111
Foreign Commercial Banks	458,620,361,410	617,597,852,556
International Monetary Fund	25,568,182,155	419,318,478
Foreign Government	446,864,429,324	554,580,551,924
Domestic Banks and FIs	277,892,091,523	129,054,829,916
Government of Nepal	55,945,363,564	60,747,268,209
Equity Instruments	3,792,944,780	3,148,462,010
Other Parties	28,774,282,431.67	20,532,088,483.01
Total	1,431,563,321,506	1,452,168,819,637
<i>Less: Expected Credit Loss</i>	<i>(778,222,406)</i>	<i>(787,790,320)</i>
Grand Total	1,430,785,099,100	1,451,381,029,317

d) By Credit Rating

Particulars	As on 32.03.2079		As on 31.03.2078	
	Amount (NPR)	%	Amount (NPR)	%
<u>Foreign Currency</u>				
AAA	44,297,725,251	3.10%	60,918,138,470	4.20%
AA+	181,876,615	0.01%	-	0.00%
AA	3,600,066,072	0.25%	34,623,447	0.00%
AA-	2,703,120,304	0.19%	73,519,756,760	5.07%
A+	96,027,338,448	6.71%	16,054,110,283	1.11%
A	94,187,487,648	6.58%	262,434,173,558	18.08%

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A-	30,241,449,383	2.11%	7,853,388,223	0.54%
BBB+	619,445	0.00%	751,126	0.00%
BB+	26,033,176,419	1.82%	64,927,362,238	4.47%
BB	52,395,573,834	3.66%	-	0.00%
BBB-	113,795,608,139	7.95%	131,324,688,962	9.05%
Other*	621,503,635,890	43.44%	631,731,838,645	43.53%
Total	1,084,967,677,448	75.83%	1,248,798,831,711	86.04%
<i>Less: Expected Credit Loss</i>	(694,497,987)		(787,790,320)	
Grand Total-Foreign Currency Financial Assets	1,084,273,179,461		1,248,011,041,391	
Local Currency				
Other*	346,595,644,059	24.22%	203,369,987,926	14.01%
<i>Less: Expected Credit Loss</i>	(83,724,420)		(84,193,645)	
Total Financial Assets	1,430,785,099,100	100%	1,451,381,029,317	100%

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

*Rating not available or rating not required as per NRB's Investment Policy

5.6.1.2. Loss Allowances for Expected Credit Loss

The bank had recognized the allowances for impairment based on Incurred Loss model as per the requirement of NAS 39: Financial Instruments: Recognition and Measurement. During the year, the bank has changed its accounting policy to recognize allowance for impairment based on Expected Credit Loss model as per the requirement of NFRS 9: Financial Instruments. The change in models of accounting for allowances for impairment has resulted into the changes in accounting policy and has been required by NFRS 9. Impairment on financial asset is measured at the end of each reporting period and the movement in the allowances for impairment of financial assets during the year is as follows:

Particulars	Allowances for Expected Credit Loss for:					
	Cash Bank Balance	Investment in Securities	Term Deposit	Loans and advances to BFIs	Other Receivables	Total
Balance as on 31 st Asar 2077	10,170,590	305,465,669	385,889,510	1,037,153	5,995,799	708,558,721
Impairment Loss Recognized	-	-	87,380,733	15,698,128	1,704,348	104,783,209
Amount Written Off	-	-	-	-	-	-
Reversal of	563,906	24,987,703	-	-	-	25,551,609

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Impairment Loss						
Balance as on 31stAsar 2078	9,606,684	280,477,966	473,270,243	16,735,281	7,700,147	787,790,321
Impairment Loss Recognized	1,565,795	-	24,113,354	-	790,364	26,469,513
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss		34,632,677	-	1,404,751	-	36,037,428
Balance as on 32ndAsar 2079	11,172,479	245,845,289	497,383,597	15,330,530	8,490,511	778,222,406

Credit Exposure Movement-ECL Stage wise:

Allowances for Expected Credit Loss for	<i>Balance as on 32ndAsar 2079</i>				<i>Balance as on 31stAsar 2078</i>			
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	<i>Total</i>	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	<i>Total</i>
Bank Balance	6,738,079	-	4,434,400	11,172,479	9,606,684	-	-	9,606,684
Investment in Securities	245,845,289	-	-	245,845,289	280,477,966	-	-	280,477,966
Term Deposit	438,314,376	-	59,069,222	497,383,597	414,201,021	-	59,069,222	473,270,243
Loans and advances to BFs	15,330,529	-	-	15,330,529	16,735,281	-	-	16,735,281
Other Receivables	3,019,408	-	5,471,103	8,490,511	2,229,044	-	5,471,103	7,700,147
Total	709,247,682	-	68,974,724	778,222,406	723,249,996	-	64,540,324	787,790,320

Financial Assets are written off (either in full or partially) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5.6.1.3. Credit Quality

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:

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Counterparties	As on 32.03.2079	As on 31.03.2078
External Credit Rating at least AAA/BBB- from credit rating agency	463,186,035,844	604,926,454,116
Non Rated Counterparties	15,243,363,806	22,784,059,132
Central Banks	133,827,660,604	53,947,909,111
Bank for International Settlement	278,005,714	12,140,538,950
Foreign Government	446,864,429,324	554,580,551,924
International Monetary Fund	25,568,182,155	419,318,478
Government of Nepal	55,945,363,564	60,747,268,209
Financial Assets with Other Counterparties:		
Party with Normal Risk	290,529,149,392	142,479,148,614
Party with High Risk	121,131,103	143,571,103
Total	1,431,563,321,506	1,452,168,819,637
<i>Less: Expected Credit Loss</i>	<i>(778,222,406)</i>	<i>(787,790,320)</i>
Grand Total	1,430,785,099,100	1,451,381,029,317

5.6.1.4. Collateral held and other credit enhancement

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of Financial Assets.

Type of Credit Exposure	% of Exposure subject to collateral requirement		Principal type of collateral held
	2079/03/32	2078/03/31	
Securities purchased under Resale Agreement	110	110	Government Securities
Refinance to BFIs	100	100	Good Loans of BFIs
Standing Liquidity Facilities	110	110	Government Securities
Loans to Staffs	100-125	100-125	Land and Buildings, Insurance Policies, Retirement Fund Balance, and Accrued Retirement Benefits.

5.6.2. 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

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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.

5.6.2.1. 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.

5.6.2.2. Maturity Profile of Financial Assets and Financial Liabilities

The followings are the remaining contractual maturities and other forms of financial assets and financial liabilities at the end of the reporting period:

Current Year Figures (NRs.)

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Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Foreign currency financial assets						
Cash and balances with banks	88,961,585,354	88,961,585,354				-
Derivative financial assets						-
IMF related assets	25,568,182,155	25,568,182,155				-
Term deposit with foreign banks	427,618,934,566	65,092,581,836	18,955,950,000	343,570,402,730		
Investments in foreign securities	542,807,804,342	35,217,297,585	275,309,069,955	56,186,876,000	121,405,479,352	54,695,254,862
Other receivables					-	-
Total foreign currency financial assets	1,084,956,506,417	214,839,646,930	294,265,019,955	399,757,278,730	121,405,479,352	54,695,254,862
Local currency financial assets						
Balances with banks	10,736,269	10,736,269				-
Investment in Government securities	54,463,057,558	2,064,250,105	12,620,943,551	9,950,350,049	16,829,064,885	12,998,448,967
Investment in bonds & term deposit	6,223,965,975	348,565,975		5,875,400,000		-
Advances and receivable from Government	1,460,000,000				1,460,000,000	
Loan and advances to bank and financial institutions	271,722,596,364			271,722,596,364		
Other loan and advances						
Staff Loan	6,009,243,134	186,887,461	354,545,345	721,109,176	841,294,039	3,905,407,113
Pension Advance	2,284,770,378	29,702,015	45,695,408	2,741,724	333,119,521	1,873,511,710
Travelling advances to staff	2,493,108	2,493,108				
Staff endowment policy advance	7,626,642	7,626,642				
Other advance	21,877,821	21,877,821				
Interest Receivable	1,745,232	1,745,232				
Equity investment	3,785,444,780					3,785,444,780
Total local currency financial assets	345,993,557,261	2,673,884,628	13,021,184,304	288,272,197,313	19,463,478,445	22,562,812,570
Total financial assets	1,430,950,063,678	217,513,531,558	307,286,204,259	688,029,476,043	140,868,957,797	77,258,067,432
Foreign currency financial liabilities						
Derivative financial liabilities	-	-				

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Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Deposit of bank and financial institutions	10,583,507,979		10,583,507,979			-
IMF related liabilities	36,615,934,363	36,615,934,363				
Total foreign currency financial liabilities	47,199,442,342	36,615,934,363	10,583,507,979	-	-	-
Local currency financial liabilities						
Bills Payable	114,733,829	114,733,829				
Deposit of bank and financial institutions	188,843,291,327	37,768,658,265		18,884,329,133	132,190,303,929	
Deposit of Government	225,506,854,704	47,356,439,488	54,121,645,129	72,162,193,505	51,866,576,582	
Deposit of other institutions	18,917,533,184	4,540,207,964	4,351,032,632	10,026,292,588		
IMF related liabilities	11,462,342,410	11,462,342,410				
Other liabilities	1,314,392,651		1,314,392,651			
Total local currency financial liabilities	446,159,148,105	101,242,381,956	59,787,070,412	101,072,815,226	184,056,880,511	-
Total Financial Liabilities	493,358,590,447	137,858,316,319	70,370,578,391	101,072,815,226	184,056,880,511	-
Net Financial Asset Position	937,591,473,231	79,655,215,239	236,915,625,868	586,956,660,817	(43,187,922,714)	77,258,067,432

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Previous Year Figures (NPR)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Foreign currency financial assets						
Cash and balances with banks	101,063,328,870	101,063,328,870				-
Derivative financial assets						-
IMF related assets	419,318,478	419,318,478				-
Term deposit with foreign banks	592,728,576,696	390,315,126	173,447,449,401	418,890,812,169		-
Investments in foreign securities	554,578,002,954	5,921,058,212	356,940,094,116	19,997,897,599	147,990,649,355	23,728,303,672
Other receivables					-	-
Total foreign currency financial assets	1,248,789,226,998	107,794,020,686	530,387,543,517	438,888,709,768	147,990,649,355	23,728,303,672
Local currency financial assets						
Balances with banks	14,590,238	14,590,238				-
Investment in Government securities	59,734,566,721	720,055,327	15,460,827,981		43,553,683,413	
Investment in bonds & term deposit	5,144,986,459	74,580,707	252,600,000	4,817,805,752		
Advances and receivable from Government	1,460,000,000				1,460,000,000	
Loan and advances to bank and financial institutions	123,948,305,630			123,948,305,630		
Other loan and advances						
Staff Loan	4,266,138,579	132,676,910	251,702,176	511,936,629	597,259,401	2,772,563,463
Pension Advance	2,597,864,646	33,772,240	51,957,293	3,117,438	378,768,665	2,130,249,010
Travelling advances to staff	854,010	854,010				
Staff endowment policy advance	8,907,350	8,907,350				
Other advance	1,687,624,220	1,687,624,220				

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Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Interest Receivable	1,113,365	1,113,365				
Equity investment	3,148,462,010					3,148,462,010
Total local currency financial assets	202,013,413,228	2,674,174,367	16,017,087,450	129,281,165,449	45,989,711,479	8,051,274,483
Total financial assets	1,450,802,640,226	110,468,195,053	546,404,630,967	568,169,875,217	193,980,360,834	31,779,578,155
Foreign currency financial liabilities						
Derivative financial liabilities	-	-				
Deposit of bank and financial institutions	12,803,557,028		12,803,557,028			-
IMF related liabilities	11,563,834,777	11,563,834,777				-
Total foreign currency financial liabilities	24,367,391,805	11,563,834,777	12,803,557,028	-	-	-
Local currency financial liabilities						
Bills Payable	358,166,889	358,166,889				
Deposit of bank and financial institutions	236,827,368,666	47,365,473,733		23,682,736,867	165,779,158,066	
Deposit of Government	209,577,874,327	44,011,353,609	50,298,689,838	67,064,919,785	48,202,911,095	
Deposit of other institutions	19,422,187,641	4,661,325,034	4,467,103,157	10,293,759,450		
IMF related liabilities	11,462,342,410	11,462,342,410				
Other liabilities	2,525,670,850		2,525,670,850			
Total local currency financial liabilities	480,173,610,783	107,858,661,675	57,291,463,845	101,041,416,102	213,982,069,161	-
Total Financial Liabilities	504,541,002,588	119,422,496,452	70,095,020,873	101,041,416,102	213,982,069,161	-
Net Financial Asset Position	946,261,637,638	(8,954,301,399)	476,309,610,094	467,128,459,115	(20,001,708,327)	31,779,578,155

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5.6.3. 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.

5.6.3.1. 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, CAD, JPY, AUD, GBP, EURO and INR.

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

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Current Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Total Foreign Currency Financial Assets	48.06%	20.17%	1.72%	0.94%	0.56%	0.20%	0.17%	0.29%	2.36%
Foreign Currency Financial Assets									
Cash and balances with banks	63,512,419,229	1,332,279,054	3,588,427,999	1,410,192,473	626,437,703	2,216,384,550	1,845,065,242	3,125,943,500	
Derivative financial assets	0	0	0	0	0	0	0	0	0
IMF related assets	0	0	0	0	0	0	0	0	25,568,182,155
Term deposit with foreign banks	343,216,219,505	55,039,081,354	15,112,587,732	8,811,942,008	5,439,103,966	0	0	0	0
Investments in foreign securities	114,668,408,924	162,487,986,692	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Total foreign currency	521,397,047,659	218,859,347,100	18,701,015,731	10,222,134,481	6,065,541,669	2,216,384,550	1,845,065,242	3,125,943,500	25,568,182,155

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financial assets									
Foreign Currency Financial Liabilities									
Derivative financial liabilities	0	0	0	0	0	0	0	0	0
Deposit of bank and financial institutions	8,381,976,706	0	162,483,597	0	8,857,641	0	98,317,500	1,894,922,300	0
IMF related liabilities	0	0	0	0	0	0	0	0	36,615,934,363
Total foreign currency financial liabilities	8,381,976,706	0	162,483,597	0	8,857,641	0	98,317,500	1,894,922,300	36,615,934,363
Net Foreign Currency Exposure	513,015,070,953	218,859,347,100	18,538,532,134	10,222,134,481	6,056,684,028	2,216,384,550	1,746,747,742	1,231,021,201	(11,047,752,208)

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Previous Year Figures (NRs.)

Particulars	USD	CNY	AUD	CAD	GBP	JPY	SAR	EUR	SDR
% of Total Foreign Currency Financial Assets	56.08%	16.08%	0.96%	0.68%	0.30%	0.07%	0.02%	0.12%	0.03%
Financial assets									
Cash and balances with banks	67,828,082,113	3,686,261,696	9,042,196,315	2,333,067,558	3,734,586,324	898,798,831	222,442,236	1,542,567,705	
Derivative financial assets									
IMF related assets									419,318,478
Term deposit with foreign banks	525,401,278,229	58,209,114,887	2,926,852,094	6,191,331,486					
Investments in foreign securities	107,092,858,159	138,857,905,630							
Other receivables									
Total Financial assets	700,322,218,501	200,753,282,213	11,969,048,409	8,524,399,044	3,734,586,324	898,798,831	222,442,236	1,542,567,705	419,318,478
Financial Liabilities									

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Derivative financial liabilities									
Deposit of bank and financial institutions	1,764,148,055		55,194,622		247,601,493	264,591,104		10,425,545,948	
IMF related liabilities									11,563,834,777
Total Financial liabilities	1,764,148,055	0	55,194,622	0	247,601,493	264,591,104	0	10,425,545,948	11,563,834,777
Net Financial Position Currency Exposure	698,558,070,445	200,753,282,213	11,913,853,788	8,524,399,044	3,486,984,831	634,207,728	222,442,236	(8,882,978,243)	(11,144,516,299)

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Besides above currency exposures, the bank's net foreign currency exposure also consists of major portion of Indian currency (INR) denominated net assets which stands around 25.12% (PY 24.01%) of total of net financial position exposure. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. Net foreign currency exposure denominated in currencies other than stated above and INR stands for 0.42.% (PY 2.36%) of the total foreign currency reserve.

5.6.3.2. Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD, SDR, JPY and SAR 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 2079		For the Year Ended 2078	
	Strengthening	Weakening	Strengthening	Weakening
USD	51,301,507,095	-51,301,507,095	69,855,807,045	69,855,807,045
AUD	605,668,403	-605,668,403	1,191,385,379	1,191,385,379
EUR	123,102,120	-123,102,120	-888,297,824	-888,297,824
GBP	1,853,853,213	-1,853,853,213	348,698,483	348,698,483
CNY	21,885,934,710	-21,885,934,710	20,075,328,221	20,075,328,221
CAD	1,022,213,448	-1,022,213,448	852,439,904	852,439,904
SDR	-1,104,775,221	1,104,775,221	-1,114,451,630	-1,114,451,630
JPY	174,674,774	-174,674,774	63,420,773	63,420,773
SAR	221,638,455	-221,638,455	22,244,224	22,244,224
Total	76,083,816,998	-76,083,816,998	90,406,574,574	90,406,574,574

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5.6.3.3. Interest Rate Risk:

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing which is monitored daily by the Bank Treasury.

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

Particulars	Weighted Average Interest Rate %	As on 32-03-2079	As on 31-03-2078
<i>Interest Sensitive Financial Assets</i>			
Balances with Other Banks	0.01	69,117,865,389	90,957,723,922
GOI Treasury Bills	4.63	265,657,582,138	308,627,239,165
US Government Treasury Bills	2	19,031,744,769	41,660,690,688
Time Deposit (less than 3 month)	0.03	82,957,932,423	173,447,449,401
Investment in FIXBIS	-	-	-
IMF Related Assets: SDR Holdings	1.607	25,568,182,155	419,318,478
General Refinance	3	87,317,920,489	78,914,655,011
Special/Export Refinance	1	10,469,242,216	12,649,267,913
Zero Interest Loan	-		2,891,114
Loan to MSME	3.02	14,174,076,069	31,137,118,328
Standing Liquidity Facility	7	158,102,500,000	-
Loans to Employees			
House loan Uninsured	1	425,000	450,000
House Repair Loan Uninsured	1	1,330,380,622	552,429,433
Vehicle Loan Uninsured	3	973,500	0
Staff Loan Uninsured 2068	1	701,767,000	715,143,133
Investment in Paper Gold	0.63	55,870,042,475	44,655,278,083
US Government Treasury Notes/Bonds	0.64	95,502,142,430	65,361,640,349
Government Treasury Notes/Bonds (CNY)	2.99	160,747,943,754	137,429,723,433
Investment in Mid-term Instruments	-	-	-
Notice Deposit (JPY)	-	-	-

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Particulars	Weighted Average Interest Rate %	As on 32-03-2079	As on 31-03-2078
Time Deposit-Investment	1.57	343,570,402,730	418,890,812,169
Fixed deposit with Bank & Financial Institutions	10.06	6,158,744,000	5,130,162,000
Government Treasury Bills (GON)	4.91	15,067,960,116	15,460,827,981
Saving Certificates (GON)	3.89	3,003,401,000	184,170,000
Total Interest Sensitive Financial Assets		1,414,351,228,275	1,426,196,990,601
<i>Interest Sensitive Financial Liabilities</i>			
IMF Related Liabilities	1.607	48,022,985,079	23,024,973,324
Short Term Borrowings	-		-
Total Interest Sensitive Financial Liabilities		48,022,985,079	23,024,973,324
Net Interest Sensitive Financial Position		1,366,328,243,196	1,403,172,017,277

5.6.3.4. 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 9 institutions. All the investments were measured at fair value.

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5.6.4. Classification and Fair Value of financial assets

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

Particulars	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Foreign currency financial assets						
Cash and balances with banks			88,961,585,354		88,961,585,354	88,961,585,354
Derivative financial assets					-	-
IMF related assets		25,568,182,155			25,568,182,155	25,568,182,155
Term deposit with foreign banks		427,181,452,899			427,181,452,899	427,181,452,899
Investments in foreign securities		542,561,959,053			542,561,959,053	542,561,959,053
Other receivables					-	-
Total foreign currency financial assets	-	995,311,594,107	88,961,585,354	-	1,084,273,179,461	1,084,273,179,461
Local currency financial assets						
Balances with banks			10,736,269		10,736,269	10,736,269
Investment in Government securities		54,463,057,558			54,463,057,558	54,463,057,558
Investment in bonds & term deposit		6,223,965,975			6,223,965,975	6,223,965,975
Advances and receivable from Government		1,460,000,000			1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions		271,722,596,364			271,722,596,364	271,722,596,364
Other loan and advances		8,842,400,112			8,842,400,112	8,842,400,112
Equity investment	3,785,444,780				3,785,444,780	3,785,444,780
Other receivables		3,718,581			3,718,581	3,718,581
Total local currency financial assets	3,785,444,780	342,715,738,590	10,736,269	-	346,511,919,639	346,511,919,639
Total financial assets	3,785,444,780	1,338,027,332,697	88,972,321,623	-	1,430,785,099,100	1,430,785,099,100
Foreign currency financial liabilities						
Derivative financial liabilities	-	-				
Deposit of bank and financial institutions				10,583,507,979	10,583,507,979	10,583,507,979

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Notes Forming Part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

Particulars	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
IMF related liabilities				36,615,934,363	36,615,934,363	36,615,934,363
Total foreign currency financial liabilities	-	-	-	47,199,442,342	47,199,442,342	47,199,442,342
Local currency financial liabilities						
Bills Payable				114,733,829	114,733,829	114,733,829
Deposit of bank and financial institutions				188,843,291,327	188,843,291,327	188,843,291,327
Deposit of Government				225,506,854,704	225,506,854,704	225,506,854,704
Deposit of other institutions				18,917,533,184	18,917,533,184	18,917,533,184
Currency in circulation				612,027,603,970	612,027,603,970	612,027,603,970
Due to bank and financial institutions				-	-	-
IMF related liabilities				11,462,342,410	11,462,342,410	11,462,342,410
Other liabilities				1,314,392,651	1,314,392,651	1,314,392,651
Total local currency financial liabilities	-	-	-	1,058,186,752,075	1,058,186,752,075	1,058,186,752,075
Total Financial Liabilities	-	-	-	1,105,386,194,417	1,105,386,194,417	1,105,386,194,417
Net Financial Asset Position	3,785,444,780	1,338,027,332,697	88,972,321,623	(1,105,386,194,417)	325,398,904,683	325,398,904,683

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2078-79 (2021-22 AD)

5.6.5. Fair Value Hierarchy

Fair value measurements have been classified using a "fair value hierarchy" that categorizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy has three different levels and gives the highest priority to quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs. The different levels are defined as follows.

Level 1 input are quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, quoted prices for similar assets or liabilities in active markets.

Level 3 inputs are unobservable inputs for the asset or liability.

All the financial assets are measured at amortized cost except for the equity investment-which has been recognized at fair value through other comprehensive income. The details showing the carrying amounts of financial assets that are measured at Fair Value using the "fair value hierarchy" and segregating Fair Value to Level 1 - 3 inputs are presented below:

Current Year Figures (NPR)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	3,785,444,780	3,785,444,780		3,681,501,584	103,943,196
Total financial assets at Fair Value	3,785,444,780	3,785,444,780	-	3,681,501,584	103,943,196

Previous Year Figures (NPR)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	3,148,462,010	3,148,462,010		168,426,475	2,980,035,535
Total financial assets at Fair Value	3,148,462,010	3,148,462,010	-	168,426,475	2,980,035,535

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Fiscal Year 2078-79 (2021-22 AD)

5.7. Employees Benefits - Defined Benefit Plans

The Bank currently offers two 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' and 'Staff Security Plan'. The bank also offers two other long term benefits: "Staff Medical Fund" and "Leave Encashment". 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 and Pension Plan' and 'Staff Security Plan' are funded plan wherein the bank makes earmarked investment out of fund created for these plans. 'Leave encashment' and "Staff Medical Fund" are not a funded plan.

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

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

Amount Recognized in the Statement of Financial Position

Particulars	As on 32 nd Asar 2079		As on 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	18,979,279,196	2,123,566,882	18,789,259,309	1,971,672,919
Fair Value of Plan Assets/Current Balance of Provision Account	(18,966,513,926)	(2,024,185,776)	(19,438,656,973)	(1,906,411,721)
Net Liability /(Asset)	12,765,270	99,381,106	(649,397,664)	65,261,198

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening	18,789,259,309	1,971,672,919	19,037,326,365	1,956,932,094

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Fiscal Year 2078-79 (2021-22 AD)

Obligation				
Current Service Cost	392,190,599.00	119,762,350.00	316,285,188	75,066,772
Interest Cost	1,691,033,338.00	177,450,563.00	1,659,860,352	168,285,089
Actuarial Losses (Gains)	(671,753,680.00)	(51,264,664.00)	(1,035,345,466.00)	(54,415,502.00)
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,221,450,370.00)	(94,054,286.00)	(1,188,867,130.00)	(174,195,534.00)
Closing Obligation	18,979,279,196.00	2,123,566,882.00	18,789,259,309.00	1,971,672,919.00

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	19,438,656,973	1,906,411,721	19,432,685,089	1,723,117,729
Investment adjustment	-		(339,852,414)	2,552,497
Expected Return	1,749,479,128	171,577,055	1,695,442,637	157,763,443
Actuarial Gains (Losses)	(191,944,412)	(12,609,912)	(160,751,209)	(36,640,779)
Contribution by Employer	(808,227,393)	52,861,198	-	233,814,365
Benefits Paid	(1,221,450,370)	(94,054,286)	(1,188,867,130)	-174,195,534
Closing Fair Value	18,966,513,926	2,024,185,776	19,438,656,973	1,906,411,721

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	333,744,809	125,635,858	280,702,903	85,588,418
Actuarial Income/(Loss) Recognized in OCI	(479,809,268)	(38,654,752)	(874,594,257)	(17,774,723)
Total Employee Benefit Income /(Expense)	-146,064,459	86,981,106	(593,891,354)	67,813,695

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Fiscal Year 2078-79 (2021-22 AD)

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	100%	100%	100%	100%
Others	-	-	-	-
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	9%	9%	9%	9%
Expected Return on Plan Asset	9%	9%	9%	9%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.67%	-	6.67%	-
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

The Sensitivity of the Defined Benefit Obligation to Changes in Principal Assumptions

Particulars	Change	For the Year Ended 32 nd Asar 2079		For the Year Ended 31 st Asar 2078	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	12.46%	8.33%	12.08%	12.23%
	1%	-10.20%	-7.28%	-9.96%	-10.31%
Salary & Pension Increment Rate	-1%	-10.09%	-7.28%	-7.49%	-9.49%
	1%	12.10%	8.17%	8.56%	10.99%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

Expected Benefit payments to be paid out by the plans in coming five years

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Years	Pension or Gratuity Plan	Staff Security Plan
2023	1,427,722,566.00	87,578,922.00
2024	1,344,447,093.00	13,176,835.00
2025	1,379,900,086.00	266,405,137.00
2026	1,447,281,713.00	530,183,103.00
2027	1,543,816,176.00	699,236,010.00

5.8. Employees Benefits - Other Long Term Benefits Plan

The Bank currently offers accumulated leave as other long term benefits plan. The bank's net obligation in respect of other long term 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 other long term benefit liability (asset) for the period by applying discount rate used to measure the other long term benefit obligation at the beginning of the period to the net other long term benefit liability (asset). The obligation under 'Accumulated Leave' 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.

'Leave encashment' is not a funded plan. Same assumptions are taken for measurement of the leave liabilities as adopted for defined benefit liabilities.

There were no plan amendments and curtailments during the reporting period. Actuarial gains/losses in other long term benefit plan are charged to statement of income.

5.9. Other Employee Benefits

- Staff Welfare: the bank provides 12% of basic salary as staff welfare fund. During the year the bank has provided NRs. 81,885,244 (PY. NRs. 76,094,407) as staff welfare fund.
- Staff Welfare Provident Fund: The bank provides after the approval from the board of directors up to 10% of last year profit as staff welfare provident fund to be credited into the retirement fund. Total expenses under this head amounts to NRs.631,879,682 (PY. NRs. 574,436,075).
- The bank provides staff medical fund facility to the staffs of which payments are made as per the eligible medical claim while rest amount is paid at the retirement. NRs. 95,473,268 (PY. NRs. 117,785,852) is expensed as staff medical fund.

5.10. 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

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section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalization 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. Impacts resulting from other comprehensive income are directly transferred to respective reserves. 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:

5.10.1. 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. 1,421,038,411 (P.Y. NRs. 967,823,509) was appropriated to this fund.

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. 1,421,038,411 (P.Y. NRs. 967,823,509) was appropriated to this fund.

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. Further, an amount equals to penalty income is also appropriated to this reserve as per the provision of Nepal Rastra Bank Act. Accordingly, NRs. 7,914,819,265 (P.Y.NRs. 6,608,900,534) is appropriated in General Reserve during the year.

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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.23,546,520 (P.Y. NRs. 17,676,108) 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.34,789,148,334 (P.Y. revaluation gain of NRs. 8,192,211,285) which is equivalent to net exchange gain was appropriated 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 NRs.1,229,203,928 (P.Y. revaluation gain of NRs. 2,934,500,765) which is equivalent to net revaluation loss on revaluation of gold and silver was appropriated out of this fund.

5.10.2. 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.5,500,000,000 (P.Y. NRs. 4,650,000,000) has been allocated to this fund during the year.

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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. No amount (P.Y. NRs. -) 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. Accordingly, an amount of NRs. 9,243,113 (P.Y.NRs. 8,056,486) 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. -) 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 (P.Y. NRs.-) 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. 414,495,677 (P.Y. NRs. 1,099,822,926) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

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Fiscal Year 2078-79 (2021-22 AD)

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.

i) Rural Self Reliance Fund (Administration Expense Reimbursement Fund)

This fund was created out of the surplus fund amounting Rs. 61,390,949 received while transferring the RSRF Program to Sana Kisan Bikas Laghubitta Bitty Sanstha Ltd. The fund is utilized to provide reimbursement of the administrative expense subsidy as claimed by the cooperatives in case of the loans and advances disbursed and approved till the date of transfer of RSRF program to Sana Kisan Bikas Laghubitta Bitty sanstha Ltd. . Accordingly, administrative expense subsidy amounting to Rs. 63,77,775 has been reimbursed in the current year . However, no amount had been reimbursed in the previous fiscal year to Sana Kisan Bikas Laghubitta Bitty Sanstha Ltd.

j) Actuarial Reserve

This reserve is created out of the actuarial gain in defined benefit retirement schemes recognized in Other Comprehensive Income (OCI). Any actuarial loss in defined benefit retirement schemes recognized in OCI shall be expensed through this reserve. An amount of Rs.518,464,020 (PY. NRs. 1,008,028,980) has been transferred to Actuarial Gain Reserve.

k) Fair Value Reserve

Fair Value Reserve is created for maintaining the gain of investment in equity instrument classified as Investment measured at Fair Value through Other Comprehensive Income. a gain of Rs. 636,982,769 (PV. NRs. 987,900,306) has been transferred to the reserve from Other Comprehensive Income

5.11. 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:

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Fiscal Year 2078-79 (2021-22 AD)

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	783.82	934.25
Non-Convertible Foreign Currency	272.58	318.72
Gold Reserve	60.04	60.27
Special Drawing Rights	25.57	0.42
Sub Total	1,142.01	1,313.65
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	134.06	137.94
Non-Convertible Foreign Currency	9.68	16.45
Sub Total	143.75	154.39
Total Foreign Exchange Reserve of Banking System	1,285.75	1,468.04

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	1.81	2.85
Indian Treasury Bills	23.56	21.12
BIS FIXBIS		-
Bonds/Notes	24.40	13.87
Mid Term Instrument		0.00
Call Deposits	4.16	18.09
Time Deposit (Currency)	40.45	28.66
Gold Deposit	5.62	4.12
Special Drawing Rights	-	0.03
Balance with NRB and BFIs	-	11.26
Total	100	100.00

5.12. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of four projects, namely, Poverty Alleviation Project in Western Terai (PAPWT) and Third Livestock Development Project (TLDP) 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:

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Fiscal Year 2078-79 (2021-22 AD)

For the Year ended 32nd Asar 2079

Statement of Financial Position

Particulars	PAPWT	TLDP	Total
<u>Equity & Liabilities</u>			
Reserve & Surplus	23,726,540	57,901,164	81,627,704
Loans	7,300,000	67,800,000	75,100,000
Accounts Payable	-	-	-
Total Equity & Liabilities	31,026,540	125,701,164	156,727,704
<u>Assets</u>			
Loan to PFIs			
Investment	26,531,000	118,713,000	145,244,000
Other Receivables	332,786	1,405,669	1,738,455
Cash and Bank Balance	4,162,754	5,582,495	9,745,249
Total Assets	31,026,540	125,701,164	156,727,704

Statement of Comprehensive Income

Particulars	PAPWT	TLDP	Total
A. Income			
Interest Income	2,704,858	9,803,005	12,507,863
From Loan to PFIs			
On Investment	2,704,858	9,803,005	12,507,863
Foreign Exchange Gain			
Loan Loss Prov. Written back			
Other Income			
Total Income	2,704,858	9,803,005	12,507,863
B. Expenditure			
Administrative Expenses			
Interest Expenses	383,250	2,881,500	3,264,750
Depreciation			
Total Expenses	383,250	2,881,500	3,264,750
Surplus (Deficit) (A-B)	2,321,608	6,921,505	9,243,113

For the Year ended 31st Asar 2078

Statement of Financial Position

Particulars	PAPWT	TLDP	Total
<u>Equity & Liabilities</u>			
Reserve & Surplus	21,404,932	50,979,659	72,384,591
Loans	14,600,000	73,450,000	88,050,000
Accounts Payable	-	-	-
Total Equity & Liabilities	36,004,932	124,429,659	160,434,591
<u>Assets</u>			
Loan to PFIs	-	-	-
Investment	31,430,000	117,632,000	149,062,000
Other Receivables	292,128	1,012,036	1,304,164
Cash and Bank Balance	4,282,804	5,785,622	10,068,426
Total Assets	36,004,932	124,429,659	160,434,591

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Statement of Comprehensive Income

Particulars	PAPWT	TLDP	Total
A. Income			
Interest Income	2,890,925	8,875,310	11,766,235
From Loan to PFIs			
On Investment	2,890,925	8,875,310	11,766,235
Foreign Exchange Gain			
Loan Loss Prov. Written back			
Other Income			
Total Income	2,890,925	8,875,310	11,766,235
B. Expenditure			
Administrative Expenses			
Interest Expenses	602,250	3,107,500	3,709,750
Depreciation			-
Total Expenses	602,250	3,107,500	3,709,750
Surplus (Deficit) (A-B)	2,288,675	5,767,810	8,056,485

Two projects namely, Community Ground water Irrigation Sector Project (CGISP) and Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) were run by the bank on behalf of the GON. The assets, liabilities, equity, income and expense of such projects were not consolidated in the accounts of the Bank. The Financial Position and Income statements of these projects are as below:

Statement of Financial Position

Particulars	As on 32nd Asar 2079		As on 31st Asar 2078	
	CGISP	KFW	CGISP	KFW
<u>Equity</u>				
Capital Contribution	17,548,370		17,548,370	
Surplus	295,968,002	191,911,413	265,296,592	141,150,528
Financial Risk Fund	5,200,000		5,200,000	
<u>Long- term Liabilities</u>				
Loan from ADB - Non-Current Portion	103,704,465		103,704,465	
<u>Current Liabilities and Provision</u>				
Loan from ADB - Current Portion	97,013,855		97,013,855	
Service Charge due on Loan from ADB	31,008,892		29,001,709	
Loan From GON		978,428,926		906,240,347
Loan Loss Provision	-		14,581	
Accounts Payable	328,176		328,176	
Total Equity & Liabilities	550,771,760	1,170,340,339	518,107,748	1,047,390,875
<u>Assets</u>				

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Non-Current Assets				
Fixed Assets	47,012		58,764	
Loan to PFI- Non Current Portion			-	
Investment	417,508,000		365,395,000	
Current Assets				
Interest Receivables	4,493,442	13,683,818	3,077,644	4,396,274
Loan to PFI-current portion		916,208,242	1,458,092	885,500,119
Cash and cash equivalents	128,723,306	240,448,279	148,118,248	157,494,482
Total Assets	550,771,760	1,170,340,339	518,107,748	1,047,390,875

Statement of Comprehensive Income

Particulars	As on 32nd Asar 2079		As on 31st Asar 2078	
	CGISP	KFW	CGISP	KFW
A. Income				
Interest Income	32,719,721	50,760,886	28,363,575	37,361,180
From Loan to PFIs	43,302	50,760,886	317,891	37,361,180
On deposit with banks	32,676,419		28,045,684	
On Investment				
Other Income			-	
Loan Loss Provision Written back	14,581		67,351	
Total Incomes	32,734,302	50,760,886	28,430,926	37,361,180
B. Expenditure				
Administrative Expenses	43,957		35,293	-
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision			-	-
Depreciation	11,752		14,690	-
Total Expenses	2,062,892		2,057,166	-
Surplus (Deficit) (A-B)	30,671,410	50,760,886	26,373,760	37,361,180

5.13. Interest in other entities

The Bank has invested in quoted & unquoted equity securities of nine different entities as presented below.

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5.13.1. Investment in quoted securities

Investment in quoted equity securities includes the following. The bank holds promoter shares of the following entity.

Particulars	% of holding	No of Shares	Investment at cost		Investment at Fair value	
			32-03-2079	31-03-2078	32-03-2079	31-03-2078
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	2.799	274,982	27,498,200	27,498,200	103,943,196	168,426,475
Total			27,498,200	27,498,200	103,943,196	168,426,475

Holdings on Grameen Bikas Laghubitta Bittiya Sanstha Ltd. are promoter shares which are not traded freely in the market. The shares are revalued on the basis of latest trading price of promoter share of respective institution in *Nepal Stock Exchange* -the stock market. In absence of trading of promoter share of Grameen Bikas Laghu Bitta Bittiya Sanstha Ltd, ratio of share price of promoter share & public share is considered as 50%. Hence, fair value of the shares is assumed at 50% of the closing trading price of respective public shares

5.13.2. Investment in unquoted securities

The bank has investment in unquoted equity securities of the following entities:

Particulars	%	No of Shares	Investment at cost		Investment at Fair value	
			32-03-2079	31-03-2078	32-03-2079	31-03-2078
Agricultural Project Services Centre	62.5	-	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Ins	55.56	1,005,667	1,000,000	1,000,000	330,505,213	289,142,763
Nepal Stock Exchange Ltd.	14.59	1,459,979	5,097,510	5,097,510	987,710,324	726,744,705
National Productivity and Eco. Dev.	31.52	-	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10	10,000,000	607,594,000	607,594,000	1,965,395,324	1,652,222,519
Nepal Clearing House	10	567,663	15,000,000	15,000,000	144,488,613	105,524,004
Credit Information Bureau	10.03	437,400	3,500,000	3,500,000	223,098,436	177,814,448
National Banking Institute	15.29	76,452	7,645,250	7,645,250	30,303,673	28,587,097

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Total			647,336,760	647,336,760	3,681,501,584	2,980,035,536
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Fair Value of the shares investment in unquoted equity securities has been arrived based on the latest available unaudited financial statements of respective entities.

All of the equity holdings are promoter shares which are not traded freely in the market. Hence, fair value of the shares is assumed same as the net worth per share.

5.13.3. Significant Interest in entities

The bank has significant interest in the following entities. The details regarding interest in those entities are as under:

Name of Entity	Paid up capital (Rs.)	Investment at Face Value (Rs.)	% of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Beema Sansthan - Life Insurance	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
Nepal Stock Exchange Ltd.	1,000,000,000	145,997,900	14.59	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar plaza, Kathmandu
National Productivity and Eco.Dev Ltd.	7,932,500	2,500,000	31.52	Provides research and consultancy services, offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services.	Balaju, Kathmandu

Significant interest in above four entities is because of the investment in equity instruments (promoter shares) of such entities which were made under specific directives or policies of the Government of Nepal and other relevant statutes. The bank is in the process of divestment of such investment by selling the shares the bank holds. The cost and its carrying amounts of assets recognized in the financial statements on such entities are as follows:

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Particulars	Investment at cost		Carrying Amounts	
			(Investment at Fair value)	
	32-03-2079	31-03-2078	32-03-2079	31-03-2078
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	330,505,213.13	289,142,763.00
Nepal Stock Exchange Ltd.	5,097,510	5,097,510	987,710,324.05	726,744,705.00
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
Total	13,597,510	13,597,510	1,318,215,537	1,015,887,468

In the absence of audited financial statements of Agricultural Project Services Centre, and National Productivity & Economic Development Ltd., the bank is not able to estimate the fair value of investment in such entities. Therefore, the bank has made impairment by full amount for the investment in Agricultural Project Service Centre and National Productivity & Economic Development Ltd. and has not expected for its recovery. In addition, Agricultural Project Service Centre is in the process of liquidation since long.

The carrying amount of NRs 1,318,215,537 (PY NRs. 1,015,887,468) as shown in above tables has been included under Equity Investment in the Statement of Financial Position. Being all the above entities as limited liability Company, this is the maximum exposure to loss from its significant interest in such entities.

5.13.4. Transactions with Entities having Significant Interest

The bank has done some transactions with the entities having significant interest of the bank. Such transactions were occurred in the normal course of NRB's operations and conducted as arm's length transactions. The details of such transactions were as follows:

Entity	Nature of Transaction	FY 2078-79	FY 2077-78
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	205,288,646	184,990,659
Nepal Stock Exchange Ltd.	Dividend Income received by the bank	87,598,740	21,899,685

5.14. 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

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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 Rastra Bank and Nepal Government's account with the IMF account is presented as below:

Details of the Fund

Particulars	As on 32 nd Asar 2079		As on 31 st Asar 2078	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
1. For Transaction with Nepal Rastra Bank				
Special Drawing Right				
Net cumulative allocation	36,560,642,669	218,481,192	11,562,630,914	68,099,599
Holdings	25,568,182,155	152,791,814	419,318,478	2,469,630
2. For Transaction with Nepal Government				
Outstanding Purchases & Loans				
RCF Loans	30,431,615,700	181,855,000	31,482,461,823	185,420,000
ECF Arrangements	13,136,190,000	78,500,000	-	-
Other Information	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	15,982,092	10.19	15,982,092

The SDR is converted into Nepalese rupees at conversion rate of NRs. 167.34 (P.Y. NRs. 169.79) per SDR.

5.15. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 32, 2079	As on Asar 31, 2078
	NRs.	NRs.
Note Printing Commitments	4,546,706,253	4,545,344,251
Unclaimed Account Transfer to P/L Account	136,986,870	136,744,740
Capital Commitments	1,113,311,623	1,352,388,275
Total	5,797,004,745	6,034,477,266

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Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of notes. The capital commitments include cost for the construction of the bank's Central Office Building of Baluwatar; Banking Office Building of Thapathali; Guesthouse and Director's Residence of Siddharthanagar; Director's Residence of Nepalgunj; Banknote Shredding and Briquetting System (BSBS) infrastructure construction of Biratnagar and Master plan formulating cost of making infrastructures of Sanothimi and of Biratnagar as per the contract agreements less payments made till the end of the reporting period; which are expected to be settled over the period of the buildings' construction. Likewise, capital commitments also include letter of credits opened for procuring Banknote Shredding and Briquetting System (BSBS) and Currency Verification and Processing System (CVPS).

5.16. Lease liabilities

The bank has entered with the lease agreement with different counterparties for availing office space for conduct of its operation. The bank accounted the present value of lease assets as lease liabilities and right to use assets. Lease payments on short term leases are recognized as expense on straight line basis. The maturity analysis of lease liabilities is present here:

Period	FY 2078/79	FY 2077/78
Less than one year	29,440,885	32,789,529
One year to five year	36,091,765	55,580,053
More than five year	29,387,011	38,369,207
Total Lease Liabilities	94,919,661	126,738,788

5.17. Monetary Operations and Refinance

The bank conducts open market operations to manage liquidity in banking sector. Bank usually injects money through inter day liquidity facility, standing liquidity facility, reverse repurchase agreement and lender of last resort. Loan amount provided under the open market operation is fully secured (110 percent of loan amount) with collateral of Nepal Government securities. The bank absorbs excess liquidity from market through reverse repo & deposit collection.

Besides these, the bank also provides refinance facility to bank and financial institutions for providing the loans to borrowers. The loan under refinance facility is fully secured (100 percent of loan amount) with good loan of bank and financial institutions. The year-end outstanding balance and other details of monetary operations and refinance are given below:

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Particulars	As on Asar 32, 2079			As on Asar 31, 2078		
	Value	Interest (min/max)	FV of collateral received	Value	Interest (min/max)	FV of collateral received
1. Monetary Operations						
Assets	158,102,500,000	5-7%	173,912,750,000	-		-
Standing liquidity facility	158,102,500,000	5-7%	173,912,750,000	-		-
Lender of last resort	-			-		
Securities purchased under repurchase agreement	-			-		
Inter-day liquidity facility	-			-		
Liabilities	-			-		
Deposit Collection	-			-		
Reverse Repo	-			-		
2. Refinance	111,961,238,775	1-5%	111,961,238,775	122,703,932,366	1-5%	134,974,325,603

5.18. Claims against the bank

There are 198 (PY 129) 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. However the bank may incur the loss to the extent of the salaries and benefits payable to the then 8 employees who have filed the legal suit against the bank.

5.19. Number of Employees

The number of employees holding office at the year-end was 1082 (PY 1,061).

5.20. Presentation (Regrouping/Rearrangement)

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

5.21. Events after the Reporting Period

In addition to above, there was no material events occurred after the reporting period that requires adjustments or disclosure in the financial statements.