



महालेखापरीक्षकको कार्यालय Office of the Auditor General

बबरमहल, काठमाडौं, नेपाल

Babarmahal, Kathmandu, Nepal

(Public Enterprises Auditor General Directorate)

2016

Reference No. 2080/81-35

Date: 2080/07/24 (10th November, 2023)

To,
The Governor,
Nepal Rastra Bank,
Baluwater, Kathmandu, Nepal

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 31, 2080, (July 16, 2023), 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 31, 2080, (July 16, 2023), 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	Basis	How the matters were addressed in our audit
<p>Investment in foreign securities and term deposits with foreign bank</p> <p>NRB's balances held in foreign securities and term deposits with foreign banks amounting to NPR 1,182.81 billion, equivalent to 74.48 % of NRB's total assets, impact of which is significantly material to the financial statements.</p>	<p>The NRB holds huge 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 investment fluctuates along with the change in foreign currency exchange rates resulting in foreign exchange gain loss which are material. The measurement, presentation and disclosures of the investment in foreign securities and term deposits and recognition of income from those investments require management judgement and hence has been identified as a Key Audit Matter.</p>	<p>Our audit procedures to address the risk of material misstatement relating to the foreign investments, 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 currencies, ▪ Obtaining direct confirmations from the related banks to confirm the balances of the investment reported in the financial statements. Upon receipt of the confirmations, necessary reconciliations were made, and ▪ Detailed analysis of exchange rates used and valuation procedures, recalculation of interest income, and evaluation of recognition, measurement, presentation and disclosures in the financial statements in accordance with applicable NFRSS. <p>Based on our procedures performed we concluded that the investment in foreign securities 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 at the yearend amounted to NPR 25.86 billion equivalent to 1.63% of total assets, impact of which is material to the financial statements. NRB has been allocated SDR on the basis of</p>	<p>Due to the unique structure, terms, valuation, foreign currency translation and periodic interest accrual of the IMF holdings and allocations, it was considered key audit matters to our audit.</p>	<p>Our audit procedures to address the risk of material misstatement relating to IMF holdings and allocations included verification of the SDR holdings provided by the IMF and allocations with information published on the IMF website and subsequently testing the exchange rates used to translate those amounts into the reporting currency as at the</p>

Handwritten signature

Key Audit Matters	Basis	How the matters were addressed in our audit
<p>member's quota. Liabilities with IMF represent 2.46% of the total liabilities of the NRB.</p> <p>NRB's disclosures relating to transactions with IMF are included in the Note 5.14 of the financial statements.</p>		<p>year end. Furthermore, we examined relevant documents and the basis of computation of interest income on SDR holding and expenses on SDR allocation and transactions undertaken during the year.</p> <p>Based on our audit procedures performed we concluded that the balances with IMF in both assets and liabilities reported in the financial statements are acceptable.</p>
<p>Valuation of Gold and Silver</p> <p>NRB maintained gold and silver as stock for minting purpose and for reserves. The value of gold and silver maintained as reserves for notes in circulation amounts to NPR 34.03 billion.</p> <p>NRB's disclosures about gold and silver are included in Note 5.1 of the financial statements.</p>	<p>The valuation of these gold and silver are carried out in line with the international market which is subject to market volatility and other external economic factors. Due to the unique nature of the asset's valuation methodology adopted and associated risk, it was considered key audit matters.</p>	<p>Our audit procedures included reviewing the valuation methodology adopted and carrying out the physical verification of gold and silver on a sample basis.</p> <p>Based on our procedures performed, we concluded that the valuation of gold and silver carried out and disclosed in the financial statements are acceptable.</p>
<p>Transaction with Government of Nepal</p> <p>NRB acts as the banker, advisor and fiscal agent of the Government of Nepal (GoN) and is primarily responsible for managing banking transactions on behalf of GoN including loan and grant received from foreign countries and 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 amounts to NPR 14.6 billion. Similarly, Deposit of Government is NPR 45.08 billion.</p>	<p>Given the unique nature as well as the high volume of transactions undertaken by NRB on behalf of the GoN, it was considered key audit matter.</p>	<p>Our audit procedures to address the risk of material misstatement relating to Deposit, advances and payments 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, and ▪ Confirm the balances from records maintained by the Financial Comptroller General Office (FCGO), Nepal and reconciliation mechanism of NRB to reconcile the balances with the record of the FCGO. <p>NRB's disclosure about the advances and receivable from</p>

Key Audit Matters	Basis	How the matters were addressed in our audit
		<p>Government and Deposit 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 balances with the Government of Nepal reported 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 issued in Nepal and the liability is measured at face value of all bank notes issued less any bank notes cancelled/destroyed and withdrawn from circulation and maintained in the note chest vault of NRB.</p> <p>NRB's disclosures about currency in circulation are included in Note 4.23 of 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"> ▪ Significant importance to the users of the financial statements, ▪ The balance is significantly material to the NRB's financial statements, and ▪ Complexity in assessing the accuracy of the liability for banknotes that are in circulation in the economy of Nepal. 	<p>We performed the following audit procedures in relation to currency in circulation:</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 the prior periods focusing on the number of bank notes issued by denomination, and ▪ Our audit procedures included communicating with the concerned department to understand the note issue process and carrying out physical inspection of notes held at NRB vault including note chest against currency in circulation on sample basis. <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 NRB is primarily generated through NRB's IT systems</p>	<p>The primary information for the financial statements is generated from the IT system and its controls. Therefore, we considered NRB's IT system as</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of

(Handwritten signature)

Key Audit Matters	Basis	How the matters were addressed in our audit
<p>which is continuously undergoing changes to meet its operating needs and to address the internal and external threats.</p>	<p>a key audit matter.</p>	<p>NRB's IT access controls over the information systems that are critical to financial reporting,</p> <ul style="list-style-type: none"> ▪ Tested IT general controls (logical access, changes management and aspects of IT operational controls) including testing of request for access to systems, ▪ Tested NRB's periodic review of access rights and reviewed requests for changes to system for appropriate approval and authorization, ▪ Considered the control environment relating to various interfaces, configurations and other application layer control, and ▪ Performed test 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 procedures 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.



[Handwritten signature]

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 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.



A handwritten signature in black ink, appearing to read "Bamdev Sharma Adhikari".

Bamdev Sharma Adhikari
Deputy Auditor General

Nepal Rastra Bank

Statement of Financial Position

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

ASSETS	Note	31 Asar 2080	32 Asar 2079
Foreign currency financial assets			
Cash and balances with banks	4.1	168,977,007,897	88,922,917,658
Derivative financial assets		-	-
IMF related assets	4.2	25,857,875,413	25,606,849,851
Term deposit with foreign banks	4.3	522,462,011,410	427,181,452,899
Investments in foreign securities	4.4	660,349,505,571	542,561,959,053
Other receivables	4.5	-	-
Total foreign currency financial assets		1,377,646,400,291	1,084,273,179,461
Foreign currency non-financial assets			
Investment in Gold Certificates	4.6	66,343,243,740	60,369,440,847
Total foreign currency non-financial assets		66,343,243,740	60,369,440,847
Total foreign currency assets		1,443,989,644,031	1,144,642,620,308
Local currency financial assets			
Balances with banks		7,192,517	10,736,269
Investment in Government securities	4.7	77,286,432,125	54,463,057,558
Investment in bonds & term deposit	4.8	6,620,219,438	6,223,965,975
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	1,668,021,778	271,722,596,364
Other loan and advances	4.11	7,925,776,904	8,095,069,995
Equity investment	4.12	5,511,498,272	3,792,944,780
Other receivables	4.13	34,176,375	3,718,581
Total local currency financial assets		100,513,317,409	345,772,089,522
Local currency non-financial assets			
Gold and silver assets	4.14	34,026,061,572	27,644,895,537
Inventories	4.15	1,587,137,333	2,218,884,676
Property, plant and equipment	4.16	5,624,429,738	4,807,428,838
Intangible assets	4.17	47,244,050	48,327,345
Other assets	4.18	2,337,858,811	2,071,893,699
Total local currency non-financial assets		43,622,731,504	36,791,430,095
Total local currency assets		144,136,048,913	382,563,519,617
Total assets		1,588,125,692,944	1,527,206,139,925

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

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

.....
Dr. Ravindra Prasad Pandey
Board Member

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

.....
Mr. Chintamani Siwakoti
Board Member

As per our report of even date

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

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

.....
CA. Pradeep Shrestha
Pradeep & Co.
Chartered Accountants

.....
CA. Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

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

.....
Mr. Maha Prasad Adhikari
Governor

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

Date:22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Financial Position

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

Foreign currency financial liabilities

Derivative financial liabilities		-	-
Deposit of bank and financial institutions	4.19	6,329,971,790	10,583,507,979
IMF related liabilities	4.20	39,133,451,704	36,615,934,363
Total foreign currency financial liabilities		45,463,423,494	47,199,442,342

Local currency financial liabilities

Bills Payable		115,247,041	114,733,829
Deposit of bank and financial institutions	4.19	280,775,531,424	188,843,291,327
Deposit of Government	4.21	45,089,447,616	225,506,854,704
Deposit of other institutions	4.22	17,951,793,496	18,917,533,184
Currency in circulation	4.23	625,787,872,530	612,027,603,970
Due to bank and financial institutions	4.24	60,000,000,000	-
IMF related liabilities	4.20	11,882,924,189	11,462,342,410
Surplus payable to Government		25,000,000,000	11,070,000,000
Other liabilities	4.25	1,398,701,261	1,314,392,646
Total local currency financial liabilities		1,068,001,517,557	1,069,256,752,070

Other liabilities

Pension and other employment benefits payable	4.26	4,709,609,905	3,360,517,597
---	------	---------------	---------------

Total local currency liabilities

		1,072,711,127,462	1,072,617,269,667
--	--	--------------------------	--------------------------

Total liabilities

		1,118,174,550,956	1,119,816,712,009
--	--	--------------------------	--------------------------

EQUITY

Capital		5,000,000,000	5,000,000,000
Reserves	4.27	464,951,141,988	402,389,427,916
Total equity		469,951,141,988	407,389,427,916

Total liabilities and equity

		1,588,125,692,944	1,527,206,139,925
--	--	--------------------------	--------------------------

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

..... Mr. Mukunda Kumar Chhetri Executive Director Financial Management Department Dr. Ravindra Prasad Pandey Board Member Dr. Shankar Prasad Acharya Board Member Mr. Chintamani Siwakoti Board Member
---	---	---	--

As per our report of even date

..... Mr. Bam Bahadur Mishra Deputy Governor Dr. Neelam Dhungana Timsina Deputy Governor CA. Pradeep Shrestha Pradeep & Co. Chartered Accountants CA. Krishna Prasad Acharya K.M.U. & Associates Chartered Accountants
--	---	---	---

..... Dr. Krishna Hari Pushkar Secretary MOF/Board Member Mr. Maha Prasad Adhikari Governor Bamdev Sharma Adhikari Deputy Auditor General Office of Auditor General
---	---	--

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	31 Asar 2080	32 Asar 2079
OPERATING INCOME			
Foreign currency income and expenses			
Interest income on foreign currency financial assets	4.28	48,366,052,864	18,729,214,236
Interest expense on foreign currency financial liabilities	4.29	(1,142,224,926)	(93,348,090)
Net foreign currency income		47,223,827,938	18,635,866,146
Local currency income and expenses			
Interest income on local currency financial assets	4.30	15,430,732,700	15,014,674,610
Interest expense on local currency financial liabilities	4.31	(82,011,817)	(25,841,278)
Net local currency income		15,348,720,883	14,988,833,332
Net interest income		62,572,548,821	33,624,699,478
Other income			
Fee and commission income	4.32	126,366,094	114,998,443
Net gold trading income	4.33	589,346,875	(352,442,154)
Gain or loss on sale of securities			
Realized gain on foreign exchange transaction		2,432,600,882	2,031,239,442
Other income	4.34	1,416,838,335	488,882,695
Less: Fee and commission expense	4.35	(78,545,173)	(44,798,816)
Net other income		4,486,607,013	2,237,879,610
Allowance for ECL (loss)/gain on financial assets	4.36	(132,022,331)	9,567,915
Total net operating income		66,927,133,503	35,872,147,003
OPERATING EXPENSES			
Personnel expenses	4.37	3,922,522,977	3,484,889,812
Note printing expense		689,353,941	2,403,732,130
Administrative expenses	4.38	1,477,315,745	1,308,700,402
Depreciation, amortisation and impairment	4.39	355,539,259	254,056,442
Total operating expenses		6,444,731,922	7,451,378,786
Net profit/(loss) before revaluation gain/loss		60,482,401,581	28,420,768,217
Revaluation gain/(loss)			
Gold and silver revaluation gain/loss		17,112,315,089	(1,229,203,928)
Net foreign exchange revaluation gain/(loss)		10,009,028,778	34,789,148,334
Net profit/(loss) for the year		87,603,745,448	61,980,712,623

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

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

.....
Dr. Ravindra Prasad Pandey
Board Member

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

.....
Mr. Chintamani Siwakoti
Board Member

As per our report of even date

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

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

.....
CA. Pradeep Shrestha
Pradeep & Co.
Chartered Account

.....
CA. Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

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

.....
Mr. Maha Prasad Adhikari
Governor

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

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	31 Asar 2080	32 Asar 2079
Net profit/(loss) for the year		87,603,745,448	61,980,712,623
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain from securities at FVOCI		346,463,285	636,982,769
Subtotal		346,463,285	636,982,769
Items that will not be reclassified to profit or loss:			
Property revaluation gain/loss			
Re-measurement gain/(loss) from defined benefit plan		(388,295,476)	518,464,020
Subtotal		(388,295,476)	518,464,020
Total other comprehensive income		(41,832,191)	1,155,446,789
Total comprehensive income		87,561,913,257	63,136,159,412

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

..... Mr. Mukunda Kumar Chhetri Executive Director Financial Management Department Dr. Ravindra Prasad Pandey Board Member Dr. Shankar Prasad Acharya Board Member Mr. Chintamani Siwakoti Board Member
---	---	---	--

As per our report of even date

..... Mr. Bam Bahadur Mishra Deputy Governor Dr. Neelam Dhungana Timsina Deputy Governor CA. Pradeep Shrestha Pradeep & Co. Chartered Accountants CA. Krishna Prasad Acharya K.M.U. & Associates Chartered Accountants
--	---	---	---

..... Dr. Krishna Hari Pushkar Secretary MOF/Board Member Mr. Maha Prasad Adhikari Governor Bamdev Sharma Adhikari Deputy Auditor General Office of Auditor General
---	---	--

Date:22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Changes in Equity For the year ended at 31 Asar 2080

(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	Open Market Operation Stabilization Fund	Other reserve	Retained Earning	Total
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
Other comprehensive income for the year												1,155,446,789
Appropriation of profit :												
General reserve		7,914,819,265					636,982,769	518,464,020				
Monetary liability reserve			1,421,038,411								(7,914,819,265)	
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												
Other reserve to retained earning										(6,377,775)	(6,377,775)	
Surplus transfer to Government												(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
Balance as at 1 Sawan 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
Net profit/(loss) for the year												87,603,745,448
Other comprehensive income for the year												(41,832,191)
Appropriation of profit :												
General reserve		12,471,113,431					346,463,285	(388,295,476)				
Monetary liability reserve			3,024,120,079				(439,432,861)			(300,387,474)	(11,731,293,096)	
Financial stability fund				3,024,120,079							(3,024,120,079)	
Open Market Operation Stabilization Fund									2,196,772,113		(2,196,772,113)	
Exchange equalisation fund					10,009,028,778						(10,009,028,778)	
Gold and silver equalisation reserve						17,112,315,089				14,851,014,924	(17,112,315,089)	
Other reserve										655,081,290	(655,081,290)	
Net cumulative surplus fund										(199,185)	(199,185)	
Inter fund transfer												
Administrative expense reimbursement of RSRF												(25,000,000,000)
Surplus transfer to Government												(25,000,000,000)
Balance as at 31 Asar 2080	5,000,000,000	76,120,125,947	15,194,655,781	11,997,141,783	206,818,097,401	65,766,495,953	3,025,140,244	2,532,245,736	2,196,772,113	81,300,467,030	-	469,951,141,988

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

Mr. Mukunda Kumar Chhetri
Executive Director

Dr. Ravindra Prasad Pandey
Board Member

Dr. Shankar Acharya
Board Member

Mr. Chintamani Swakoti
Board Member

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timshina
Deputy Governor

Financial Management Department

As per the report of our even date

Dr. Krishna Hari Pushkar
Secretary MOF/Board Member

Mr. Maha Prasad Adhikari
Governor

CA Pradeep Shrestha
Pradeep & Co.
Chartered Accountants

CA Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Cash Flows

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
Cash flows from operating activities		
Interest income received	59,476,794,402	32,216,225,136
Fees, commission and other income received	3,736,373,471	2,528,811,927
Interest expense paid	(102,524,970)	(71,239,965)
Personnel expense paid	(3,200,794,961)	(1,793,158,329)
Fees and commission Expense paid	(78,545,173)	(44,798,816)
Note printing expense paid	(689,353,941)	(2,403,732,130)
Administrative expense paid	(1,528,652,005)	(1,277,516,901)
Net cash flow from operating activities before changes in operating assets and liabilities	57,613,296,823.00	29,154,590,922.00
Net (increase)/decrease in operating assets		
Loan and advances to BFI	268,566,128,978	(147,353,428,634)
Other loan and advances	(150,305,897)	(247,467,544)
Inventories	631,747,343	(438,016,854)
Other receivables	(30,143,991)	(1,651,630,168)
Other assets	(632,682)	979,417
Net increase/(decrease) in operating liabilities		
Deposit of bank and financial institutions	87,678,703,908	(50,204,126,388)
Deposit of Government	(180,417,407,088)	15,928,980,378
Deposit of other institutions	(965,739,688)	(504,654,457)
Due to bank and financial institution	60,000,000,000	-
Other liabilities	126,961,517	(1,458,823,651)
Cash flow from changes in operating assets and operating	235,439,312,400	(185,928,187,901)
Net cash flow from operating activities	293,052,609,223	(156,773,596,979)
Cash flows from investing activities		
Net purchase of property and equipment	(803,692,879)	(792,123,115)
Purchase of intangible assets	(23,823,185)	(12,076,042)
Sale of property and equipment	-	6,680,166
Net Sale/(purchase) of securities	(64,329,485,015)	(48,214,817,661)
Receipt from/(Investment) in term deposit	(103,949,015,400)	74,291,827,439
Net purchase of gold and silver	5,728,833,908	(8,953,644,831)
Net purchase of equity instrument	(1,289,862,814)	-
Dividend income received	150,774,282	128,796,317
Net cash flow from investing activities	(164,516,271,103)	16,454,642,273

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

.....
Dr. Ravindra Prasad Pandey
Board Member

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

.....
Mr. Chintamani Siwakoti
Board Member

As per our report of even date

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

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

.....
CA. Pradeep Shrestha
Pradeep & Co.
Chartered Accountants

.....
CA. Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

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

.....
Mr. Maha Prasad Adhikari
Governor

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

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Cash Flows

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
Cash flows from financing activities		
Net increase/(decrease) in currency in circulation	13,760,268,560	(57,486,154,884)
Lease payments	(40,240,724)	(39,096,811)
Net increase/(decrease) in liabilities with IMF	2,677,492,493	24,998,011,755
Interest paid on IMF related liabilities	(856,130,578)	(35,718,821)
Surplus paid to Government	(11,070,000,000)	(5,000,000,000)
Net cash flow from financing activities	4,471,389,751	(37,562,958,761)
Net increase/(decrease) in cash and cash equivalents	133,007,727,871	(177,881,913,467)
Exchange rate effect on cash and cash equivalents	10,009,028,778	34,789,148,334
ECL effect on cash and cash equivalents	-	-
Cash and cash equivalents as at the beginning of the year	482,146,909,421	625,239,674,554
Cash and cash equivalents as at the end of the year	625,163,666,070	482,146,909,421

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

Cash and cash equivalent includes following assets:

Assets	31 Asar 2080	32 Asar 2079
Foreign currency cash in hand	30,961,825,026	19,809,038,240
Balances with other central banks	64,245,660,926	38,476,108,567
Balances with banks	73,772,790,010	30,652,494,541
SDR Holdings	25,649,141,930	25,568,182,155
Term deposit with maturity of 3 months	71,583,174,285	82,957,932,423
Treasury bills with maturity of 3 months	358,951,073,893	284,683,153,495
Total	625,163,666,070	482,146,909,421

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

.....
Dr. Ravindra Prasad Pandey
Board Member

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

.....
Mr. Chintamani Siwakoti
Board Member

As per our report of even date

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

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

.....
CA. Pradeep Shrestha
Pradeep & Co.
Chartered Accountants

.....
CA. Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

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

.....
Mr. Maha Prasad Adhikari
Governor

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

Date: 22/07/2080

Place: Kathmandu

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 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 objectives of the Bank are 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 include 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.

2.2 Basis of Measurement

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

Items	Measurement Basis
Financial Instruments at Fair value through profit or Loss	Fair value

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

Debt Instruments and other similar financial Instruments	Fair value as well as Amortized 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 22nd Kartik 2080.

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 expenses, in the statement of net income, are presented based on nature of income/expenses. Financial assets and financial liabilities, and their associated income and expenses 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.

2.5 Functional and Presentation Currency

The Bank's functional and presentation currency is Nepalese Rupee (NRs). All financial information are presented in Nepalese Rupee except otherwise indicated. The figures have been rounded up to the nearest rupee.

2.6 Materiality and Aggregation

Each material class of similar items 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 the Statement of Financial Position when and only when, the Bank has a legal right to set off the

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 the 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 2079/80 i.e. 1st Shrawan 2079 to 31st Asar 2080 corresponding to Gregorian calendar 17th July 2022 to 16th July 2023. The previous year was 1st Shrawan 2078 to 32nd Asar 2079 (16th July 2021 to 16th July 2022).

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 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:

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

- 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 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 the entity. 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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

2.14 Changes in Accounting Policies

The bank has applied its accounting policies consistently and there is no any change in any accounting policy followed by the Bank during this fiscal year.

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.

(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:

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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. 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 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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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:

- 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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

- 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. 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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:

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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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
- 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

• 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 withdraw 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

- 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.

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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. Disclosure of such projects is given in the notes.

3.26 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 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.1	Cash and balances with banks	31 Asar 2080	32 Asar 2079
	Foreign currency cash in hand	30,961,825,026	19,809,038,240
	Balances with other central banks	64,245,660,926	38,476,108,567
	Balances with foreign banks	73,765,596,522	30,641,756,822
	Money at overnight placements with other central banks	-	-
	Interest receivable	22,680,078	7,185,059
	Less: Allowances for expected credit loss	(18,754,655)	(11,171,030)
	Total cash and balance with banks	168,977,007,897	88,922,917,658
4.2	IMF related assets	31 Asar 2080	32 Asar 2079
	Special drawing right holding	25,649,141,930	25,568,182,155
	Interest receivable	208,733,483	38,667,696
	Less: Allowances for expected credit loss	-	-
	Total IMF related assets	25,857,875,413	25,606,849,851
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.3	Term deposit deposit with foreign banks	31 Asar 2080	32 Asar 2079
	Term deposit with maturity of 3 months or less	71,583,174,285	82,957,932,423
	Term deposit with maturity of more than 3 months	447,107,962,128	343,570,402,730
	Interest receivable	4,267,570,670	1,090,599,413
	Less: Allowances for expected credit loss	(496,695,673)	(437,481,667)
	Total term deposit with banks	522,462,011,410	427,181,452,899
4.4	Investment in foreign securities	31 Asar 2080	32 Asar 2079
	Investment measured at amortised cost		
	Treasury bills	358,951,073,893	284,683,153,495
	Treasury Notes	157,203,305,023	95,502,142,430
	Mid-Term Instrument(MTI)	12,516,455,931	-
	Coupon bonds	129,436,323,270	160,747,943,754
	Interest receivable	2,543,979,916	1,874,564,663
	Less: Allowances for expected credit loss	(301,632,462)	(245,845,289)
	Investment measured at fair value through OCI		
	Treasury bills		
	Treasury Notes		
	Coupon bonds	-	-
	Less: Allowances for expected credit loss	-	-
	Investment measured at fair value through profit or loss		
	Treasury bills		
	Treasury Notes		
	Coupon securities		
	Coupon bonds		
	Total investment in securities	660,349,505,571	542,561,959,053

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.5 Other receivables	31 Asar 2080	32 Asar 2079
Receivable from Asian Clearing Union		
Other receivable	-	-
Less: Allowances for expected credit loss	-	-
Total interest and other receivable	-	-
4.6 Investment in Gold Certificates	31 Asar 2080	32 Asar 2079
Investment in paper gold	65,812,728,226	55,870,042,475
Trading gold	-	4,351,023,730
Interest receivable on paper gold	530,515,514	148,374,642
Total investment in gold certificates	66,343,243,740	60,369,440,847
Details disclosure regarding the investment in gold is provided in Note 5.1		
4.7 Investment in Government securities	31 Asar 2080	32 Asar 2079
Investment in treasury bills	43,672,157,910	15,067,960,116
Investment in bond	28,820,795,978	36,422,088,576
Investment in Government bond issued for IMF related liabilities	2,701,139,740	2,280,557,961
Interest receivable	2,092,338,497	692,450,905
Less: Allowances for expected credit loss	-	-
Total investment in Government securities	77,286,432,125	54,463,057,558
4.8 Investment in bonds & term deposit	31 Asar 2080	32 Asar 2079
Investment in corporate bonds	-	-
Term deposit with Bank and Financial Institutions	6,570,200,002	6,158,744,000
Interest receivable	134,778,491	125,123,905
Less: Allowances for expected credit loss	(84,759,055)	(59,901,930)
Total fixed deposit with Bank and Financial Institutions	6,620,219,438	6,223,965,975
4.9 Advances and receivables from Government	31 Asar 2080	32 Asar 2079
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

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.10 Loan and advances to bank and financial institutions	31 Asar 2080	32 Asar 2079
Standing liquidity facility	-	158,102,500,000
Refinance	1,497,808,982	111,961,238,775
Lender of last resort	-	-
Securities purchased under repurchase agreement	-	-
Other loans to BFIs	118,423,040	118,622,225
Interest receivable	52,014,969	1,555,565,894
Less: Allowances for expected credit loss	(225,213)	(15,330,530)
Total Loan and advances to bank and financial institutions	1,668,021,778	271,722,596,364
4.11 Other loan and advances	31 Asar 2080	32 Asar 2079
Staff loans	7,833,595,792	7,253,368,196
Less: Amortization	(2,256,787,609)	(1,991,455,179)
Pension advance	2,082,436,168	2,284,770,378
Travelling advances to staff	1,884,620	2,493,108
Advance for construction	221,396,701	514,643,797
Staff endowment policy advance	6,612,690	7,626,642
Other advance	34,981,588	21,877,821
Interest receivable	1,656,954	1,745,232
Less: Allowances for expected credit loss	-	-
Total other loan and advances	7,925,776,904	8,095,069,995
4.12 Equity investment	31 Asar 2080	32 Asar 2079
Investment in equity instruments measured at fair value through OCI		
Cost price	2,486,353,947	697,947,274
Fair Value Changes	3,025,144,325	3,094,997,506
Total equity investment	5,511,498,272	3,792,944,780
*Cost price includes amount of Rs 1,843,877,778 which is provided as advance for call of right share of Rastriya Beema Sansthan		
Details disclosure regarding the equity investment is provided in Note 5.6.5		
4.13 Other receivables	31 Asar 2080	32 Asar 2079
Dividend receivable	-	-
Sundry debtors	8,078,270	8,796,017
Deposits	1,374,123	1,486,138
Other receivables	32,900,690	1,926,937
Less: Allowances for expected credit loss	(8,176,708)	(8,490,511)
Total interest and other receivables	34,176,375	3,718,581

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.14 Gold and silver assets	31 Asar 2080	32 Asar 2079
Gold held in reserve at cost	27,351,269	27,351,269
Silver held in reserve at cost	20,406,443	20,658,886
Changes in fair value	33,978,303,860	27,596,885,382
Total gold and silver assets	34,026,061,572	27,644,895,537
Details disclosure regarding the gold and silver assets is provided in Note 5.1		
4.15 Inventories	31 Asar 2080	32 Asar 2079
Gold stock	1,304,156,726	2,015,809,480
Silver stock	84,282,890	59,611,969
Coin stock	194,420,585	139,155,154
Numismatic stock	3,782,171	3,782,171
Other metal stock	31,135,673	31,285,014
Dispensary stock	540,828	422,428
Gross inventories	1,618,318,873	2,250,066,216
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	1,587,137,333	2,218,884,676

Nepal Rastra Bank
Notes to the financial statements
As at 31 Asar 2080
(all amounts in Nepalese Rupees unless otherwise stated)

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
		3%-20%	20%	20%-25%	20%	20%	10%	20%			
Depreciation Rate											
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	216,992,583	17,127,332	8,285,132	60,000	1,629,764	782,721,623	1,501,792,161
Disposal/Write Off/Adjustment	-	(6,280,248)	(19,013,973)	(23,930,300)	(195,292)	(8,411,553)	(770,004)	(88,104)	-	-	(58,689,674)
Balance as on 31st 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
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	4,714,481	19,200,698	5,330,059	268,213	37,064,068	-	222,040,379
Disposal/Write Off/Adjustment	-	(3,582,208)	(17,424,709)	(22,473,823)	(199,039)	(8,340,385)	(769,138)	-	-	-	(52,789,302)
Balance as on 31st 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 31st 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
Balance as on 1st Sawan 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
Addition during the Year	-	25,918,184	67,630,658	44,973,000.00	213,507,174.36	21,757,262.04	11,656,163.75	950,026.90	44,263,538	732,436,571	1,163,092,578
Disposal/Write Off/Adjustment	-	(94,563)	(11,798,663)	(189,306.50)	(813,305.00)	(4,832,725.07)	(386,527.00)	(204,495.85)	-	(18,147,843)	(36,467,428)
Balance as on 31st Asar 2080	360,623,152	882,113,840	377,642,041	722,035,891	549,276,051	203,827,013	83,545,773	6,821,310	179,181,148	3,820,006,590	7,185,072,809
Balance as on 1st Sawan 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
Depreciation for the Year	-	25,794,195	44,512,403	108,517,818.91	84,564,949.71	17,931,271.21	6,217,117.81	387,043.47	38,079,128	-	326,003,927
Disposal/Write Off/Adjustment	-	12,590	(10,571,555)	(189,303.50)	(788,300.00)	(4,254,348.88)	(384,268.04)	(204,491.85)	-	-	(16,379,677)
Balance as on 31st Asar 2080	-	387,897,736	231,575,379	458,436,885	195,967,316	156,244,623	42,134,489	5,618,135	82,768,508	-	1,560,643,071
Net Book Value as on 31st Asar 2080	360,623,152	494,216,104	146,066,662	263,599,006	353,308,735	47,582,390	41,411,284	1,203,175	96,412,640	3,820,006,590	5,624,429,738

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

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 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	
Original Cost	Balance as on 1st Sawan 2079	10,367,411	26,421,726	243,872,285		280,661,422
	Addition during the Year	9,698,129	16,944,095	-		26,642,224
	Disposal/Write Off/Adjustment					
	Balance as on 31st Asar 2080	20,065,540	43,365,821	243,872,285	-	307,303,646
Accumulated Amortisation	Balance as on 1st Sawan 2079	2,887,403	16,254,335	213,192,339	-	232,334,077
	Depreciation for the Year	3,427,327	3,822,079	20,476,113		27,725,519
	Disposal/Write Off/Adjustment					
	Balance as on 31st Asar 2080	6,314,730	20,076,414	233,668,452	-	260,059,596
Net Book Value as on 31st Asar 2080	13,750,810	23,289,407	10,203,833	-	47,244,050	

4.18 Other Assets

Particulars	31 Asar 2080	32 Asar 2079
Deferred Employees Benefits	2,256,787,609	1,991,455,179
Project Assets	-	-
Prepaid expense	81,071,202	80,438,520
Other Assets	-	-
Total	2,337,858,811	2,071,893,699

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.19	Deposit of bank and financial institutions	31 Asar 2080	32 Asar 2079
	<i>Foreign Currency</i>		
	Deposit of commercial banks	6,276,820,166	10,556,040,520
	Deposit of development banks	53,151,624	27,253,242
	Deposit of finance companies	-	214,217
	Deposit of microfinance financial institutions	-	-
	Total foreign currency deposit	6,329,971,790	10,583,507,979
	<i>Local Currency</i>		
	Deposit of commercial banks	253,451,624,816	170,164,694,523
	Deposit of development banks	19,968,237,855	13,537,692,545
	Deposit of finance companies	5,127,341,295	3,427,670,355
	Deposit of microfinance financial institutions	2,228,327,458	1,713,233,904
	Total local currency deposit	280,775,531,424	188,843,291,327
	Total deposit of bank and financial institutions	287,105,503,214	199,426,799,306
4.20	IMF related liabilities	31 Asar 2080	32 Asar 2079
	<i>Foreign Currency</i>		
	Special Drawing Right allocation	38,817,553,383	36,560,642,669
	Interest bearing loans	-	-
	Interest payable	315,898,321	55,291,694
	Total foreign currency IMF related liabilities	39,133,451,704	36,615,934,363
	<i>Local Currency</i>		
	IMF account no.1	11,881,913,786	11,461,367,826
	IMF account no.2	1,010,403	974,584
	Total local currency IMF related liabilities	11,882,924,189	11,462,342,410
	Total IMF related liabilities	51,016,375,893	48,078,276,773
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.21	Deposit of Government	31 Asar 2080	32 Asar 2079
	Deposit of Central Government	(61,757,015,981)	93,700,782,670
	Deposit of Province Government	83,963,562,437	103,214,201,325
	Deposit of Local Authorities	22,882,901,160	28,591,870,709
	Total deposit of Government	45,089,447,616	225,506,854,704
4.22	Deposit of other institutions	31 Asar 2080	32 Asar 2079
	Deposit of public enterprises	2,554,494,754	1,526,933,362
	Deposit of Government for Interest Subsidy & Subsidies Loan	7,763,663,519	10,252,337,011
	LC margin deposit	7,044,368,728	6,660,204,983
	Deposit of other organisations	589,266,495	478,057,828
	Total deposit of other institutions	17,951,793,496	18,917,533,184

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.23	Currency in Circulation	31 Asar 2080	32 Asar 2079
	Currency Issued (Denomination)		
	1	160,997,039	161,012,732
	2	185,151,436	185,270,698
	5	3,640,451,885	2,909,495,620
	10	5,867,673,450	4,511,227,900
	20	7,524,263,040	5,262,600,100
	25	57,047,200	57,140,500
	50	14,685,951,900	10,446,017,500
	100	30,394,594,800	20,740,491,200
	250	87,423,250	87,426,250
	500	130,670,884,000	150,521,259,500
	1000	446,805,562,000	488,618,058,000
	Gross Amount of Currency in Circulation	640,080,000,000	632,470,000,000
	Less: Cash at Vault of the Bank	(14,292,127,470)	(20,442,396,030)
	Net Amount of Currency in Circulation	625,787,872,530	612,027,603,970
4.23.1	Reserve against currency in circulation	31 Asar 2080	32 Asar 2079
	Foreign Treasury Bills	358,951,073,893	284,683,153,495
	Foreign Bank Balance (Including Term Deposits)	266,836,798,637	327,344,450,475
	Total	625,787,872,530	612,027,603,970
4.24	Due to bank and financial institutions	31 Asar 2080	32 Asar 2079
	Holding of NRB bond issued	-	-
	Deposit collection	20,000,000,000	-
	Reverse repo liabilities	40,000,000,000	-
	Total due to bank and financial institutions	60,000,000,000	-
4.25	Other liabilities	31 Asar 2080	32 Asar 2079
	Payable to Asian Clearing Union	443,751,960	209,544,881
	Deposit & Earnest money	14,355,000	14,535,000
	Unclaimed account	58,360,869	81,178,438
	Unclaimed Deposit of Bank and Financial Institutions	14,937,593	14,127,434
	Lease liabilities	103,917,043	94,919,661
	Loan from Government for project operation	-	75,100,000
	Provision for expense	26,882,959	78,219,219
	Taxes payable	61,241,006	71,562,444
	Payable to retired staff	418,909,466	496,042,351
	Other liabilities	256,345,365	179,163,218
	Total other liabilities	1,398,701,261	1,314,392,646
4.26	Pension and other employment benefits payable	31 Asar 2080	32 Asar 2079
	Pension and gratuity fund	19,799,326,845	18,979,279,196
	Less: Plan Assets for pension and gratuity fund	(19,433,209,385)	(18,966,513,926)
	Staff security fund	2,781,136,386	2,123,566,882
	Less: Plan Assets for staff security fund	(2,122,731,894)	(2,024,185,775)
	Leave encashment	1,268,934,517	1,322,973,961
	Staff medical fund	1,618,368,582	1,211,261,887
	Welfare Provident fund	797,784,854	714,135,372
	Total pension and other employment benefit payable	4,709,609,905	3,360,517,597

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.27 Reserve	31 Asar 2080	32 Asar 2079
General Reserve	76,120,125,947	63,649,012,516
Monetary Liabilities Reserve	15,194,655,781	12,170,535,702
Financial Stability Fund	11,997,141,783	8,973,021,704
Open Market Operation Stabilization Fund	2,196,772,113	-
Exchange Equalization Fund	206,818,097,401	196,809,068,623
Gold and Silver Equalization Reserve	65,766,495,953	48,654,180,864
Net Cumulative Surplus Fund	2,039,492,402	1,384,411,112
Development Fund	70,595,989,244	57,095,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
Development Finance Project Mob. Fund	-	300,387,474
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	3,707,932,111	2,356,917,187
Rural Self Reliance Fund	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement Fund)	51,087,606	51,286,791
Actuarial Gain Reserve	2,532,245,736	2,920,541,212
Fair Value Reserve for Equity Instruments	3,025,140,244	3,118,109,820
Impact on Retained Earning due to ECL & Lease	-	-
Total Reserves	464,951,141,988	402,389,427,916

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

Particulars	31 Asar 2080	32 Asar 2079
Net Income/(Expenditure) for the year	87,561,913,257	63,136,159,412
Foreign Exchange Gain/(Loss) - Unrealised	(10,009,028,778)	(34,789,148,334)
Net Gold and Silver Revaluation Gain/(Loss)	(17,112,315,089)	1,229,203,928
Transfer from Fair Value Reserve	-	-
Transfer to Fair Value Reserve	(346,463,285)	(636,982,769)
Transfer to Acturial Reserve	388,295,476	(518,464,020)
Surplus/(Deficit) Due to Changes in Accounting Policies	-	(646,586,820)
Surplus Available for Distribution	60,482,401,581	27,774,181,397
Less: Appropriations		
General Reserve	(11,731,293,096)	(7,914,819,265)
Monetary Liability Reserve	(3,024,120,079)	(1,421,038,411)
Financial Stability Fund	(3,024,120,079)	(1,421,038,411)
Open Market Operation Stabilization Fund	(2,196,772,113)	-
Development Fund	(13,500,000,000)	(5,500,000,000)
Development Finance Project Mobilisation Fund	-	(9,243,113)
Gold Replacement Fund	(1,351,014,924)	(414,495,677)
Net Cumulative Surplus Fund	(655,081,290)	(23,546,520)
Balance Payable to Government of Nepal	25,000,000,000	11,070,000,000

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.28 Interest income on foreign currency financial assets

	31 Asar 2080	32 Asar 2079
Interest income on term deposit	22,388,814,517	4,098,540,617
Interest income on treasury bills	20,994,125,972	10,836,988,704
Interest income on fixed income securities	4,183,285,053	3,729,279,902
Interest income on SDR holdings	799,827,322	64,405,013
Other FCY interest income	-	-
Total	48,366,052,864	18,729,214,236

4.29 Interest expense on foreign currency financial liabilities

	31 Asar 2080	32 Asar 2079
Interest on SDR Allocation	1,116,737,205	89,806,652
Interest on interest bearing loans	-	-
Other interest expense	25,487,721	3,541,438
Total	1,142,224,926	93,348,090

4.30 Interest income on local currency financial assets

	31 Asar 2080	32 Asar 2079
Interest income on Treasury Bills	6,242,600,503	1,352,316,775
Interest income on Government bonds	1,370,785,145	1,475,518,611
Interest income on Refinance	1,535,831,566	3,329,427,792
Interest income on Standing Liquidity Facility and Repo	4,813,142,666	8,255,008,441
Other LCY interest income	1,468,372,820	602,402,991
Total	15,430,732,700	15,014,674,610

4.31 Interest expense on local currency financial liabilities

	31 Asar 2080	32 Asar 2079
Interest expense on Deposit Collection	6,300,005	-
Interest expense on Reverse Repo	60,644,072	-
Interest expense on NRB Bond	-	-
Interest expense on Lease Liabilities	4,974,568	5,647,920
Other interest expense	10,093,172	20,193,358
Total	82,011,817	25,841,278

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
4.32 Fee and commission income		
Commission Income	113,653,096	98,281,956
Letter of credit commission	730,107	807,049
RTGS fee	11,982,891	15,909,438
Total	126,366,094	114,998,443
4.33 Net gold trading income		
Gain or loss on sale of trading gold	589,346,875	155,757,112
Gain or loss on revaluation of trading gold	-	(508,199,266)
Total	589,346,875	(352,442,154)
4.34 Other income		
Income from Mint (Sale of Coin)	15,532	66,317
Gain from Sale of Precious Metals and Coins	761,668,049	258,738,565
Provisions written back	82,227,392	7,500,000
Fine/Penalty Charge	259,675,160	6,842,443
Profit/(Loss) on Sale of Investment Securities	-	-
Profit/loss on Sale of Assets	6,430,166	5,609,057
Dividend Income	150,774,282	93,199,596
Project Income/(Loss)	11,363,117	9,243,113
Grant Income	16	-
Miscellaneous income	144,684,621	107,683,604
Total Other Income	1,416,838,335	488,882,695
4.35 Fee and commission expense		
Agency commission and service charges	77,005,353	22,128,886
Other fee and commission expense	1,539,820	22,669,930
Total	78,545,173	44,798,816

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.36 Allowance for ECL (loss)/gain on financial assets

	31 Asar 2080	32 Asar 2079
Cash & Bank Balance	(7,583,147)	(1,565,795)
Investment in Securities	(55,787,173)	34,632,677
Term Deposit	(84,071,131)	(24,113,354)
Loans and advances to BFIs	15,105,317	1,404,751
Other Receivables	313,803	(790,364)
Total	(132,022,331)	9,567,915

The details of movement and stagewise information on allowance for expected credit loss/gain is further disclosed in note no. 5.6.1.

4.37 Personnel expenses

	31 Asar 2080	32 Asar 2079
Salary	827,207,072	684,043,299
Allowances	854,283,817	802,801,948
Provident Fund Contribution	82,720,707	68,404,330
Staff Welfare Provident Fund Contribution	794,249,533	713,764,926
Pension & Gratuity Expense	393,288,733	392,190,599
Staff Security Expense	120,698,194	119,762,350
Staff Leave Compensation	82,115,522	472,520,219
Staff Medical Fund Contribution	504,674,809	115,365,722
Amortisation of deferred employees benefits	239,068,816	95,768,899
Others	24,215,774	20,267,520
Total	3,922,522,977	3,484,889,812

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.38 Administrative expenses	31 Asar 2080	32 Asar 2079
Directors Fees and Expenses	7,595,074	6,679,397
Mint Expenses	118,873,390	152,468,830
Security charges	282,803,383	241,851,335
Fund Transfer Expense	35,319,014	32,906,634
Travelling Expenses	280,811,283	163,607,065
Insurance Charges	105,952,076	106,420,694
Repair & Maintenance	33,263,563	37,199,665
Banking Promotion	72,516,313	53,482,886
Audit Fees and Expenses	4,001,500	25,205,945
Utilities Expenses	59,255,375	50,241,502
Postal and Communication Expenses	19,990,676	20,542,105
House Rent	2,229,806	2,101,095
Training Seminar and Membership	26,248,557	48,339,150
Expenses on Miscellaneous Assets	9,399,492	9,184,840
Consumable Expenses	22,902,215	20,183,154
Books and Periodicals	12,561,803	11,417,733
Software Annual Maintenance Charges	111,040,739	101,021,913
Meeting Fee and Expense	58,948,623	41,513,895
Advertisement	12,093,029	10,680,950
Wages	76,434,404	59,182,218
Miscellaneous Expenses	125,075,430	114,469,396
Total	1,477,315,745	1,308,700,402
4.39 Depreciation, amortisation and impairment	31 Asar 2080	32 Asar 2079
Depreciation on Property & Equipment	290,671,604	185,084,861
Impairment of Property & Equipment	1,882,047	4,296,516
Amortisation of intangible assets	24,906,480	27,610,997
Impairment of intangible assets	-	-
Depreciation on Right of Use Assets	38,079,128	37,064,068
Total	355,539,259	254,056,442

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 31 st Asar 2080		As on 32 nd Asar 2079	
	Weight (Kg)	Total Fair Value (NRs.)	Weight (Kg)	Total Fair Value (NRs.)
Investment in Paper Gold	6,997.03997	65,812,728,226	7,280.53515	55,691,575,757
Trading gold	-	-	566.99	4,351,023,730
Gold held in reserve	1,953.66	18,793,252,571	1,953.66	15,711,350,608
Silver held in reserve	120,037.90	15,232,809,000	121,522.86	11,933,544,929
Total		99,838,789,797		87,687,495,024

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.

Mint 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 31 st Asar 2080		As on 32 nd Asar 2079	
	Weight (Kg)	Value (NRs.)	Weight (Kg)	Value (NRs.)
Gold held in Stock	313.0133	1,304,156,726	650.80692	2,015,809,480
Silver held in Stock	4,675.37785	84,282,890	3,007.31635	59,611,969
Total		1,388,439,616		2,075,421,449

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 (2079/80)	Previous Year (2078/79)
1	US Dollar	131.17	127.51
2	UK Pound Sterling	171.95	150.86
3	Euro	147.19	128.19
4	Swiss Franc	152.70	130.17
5	Australian Dollar	90.10	86.15
6	Canadian Dollar	99.98	97.52
7	Singapore Dollar	99.31	90.9
8	Japanese Yen	0.945	0.919

Nepal Rastra Bank
Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

9	Chinese Yuan	18.38	18.88
10	Saudi Arabian Riyal	34.96	33.96
11	Qatari Riyal	35.98	34.71
12	Thai Baht	3.78	3.48
13	UAE Dirham	35.71	34.72
14	Malaysian Ringgit	28.98	28.66
15	South Korean Won	0.1034	0.0962
16	Swedish Kroner	12.79	12.1
17	Danish Kroner	19.75	17.22
18	Hong Kong Dollar	16.78	16.24
19	Kuwait Dinar	428.35	413.95
20	Bahrain Dinar	347.99	338.25
21	SDR	177.67	167.34
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 the board members. The key management personnel of the bank include members of its Board of Directors and Special Class Officers (Executive Directors). The key management personnel who are holding various positions in the bank during the year are as follows:

S.No.	Name	Post	Date	Remarks
1	Mr. Maha Prasad Adhikari	Governor	2076.12.24	
2	Mr. Arjun Prasad Pokharel	Finance Secretary	2080.01.21	
3	Mr. Toyam Raya	Finance Secretary	2079.09.22	Discharge of position w.e.f. 2080.01.20
4	Mr. Krishna HariPushkar	Finance Secretary	2079.04.30	Discharge of position w.e.f. 2079.09.21
5	Mr. Madhu Kumar Marasini	Finance Secretary	2078.04.18	Discharge of position w.e.f. 2079.04.25
6	Dr. NeelamDhungana (Timsina)	Deputy Governor	2077.11.25	
7	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
8	Mr. Chinta Mani Siwakoti	Board Member	2079.02.06	
9	Mr. Shankar Prasad Acharya	Board Member	2079.02.06	
10	Dr. Ravindra Prasad Pandey	Board Member	2080.01.26	
13	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	Discharge of position w.e.f. 2080.01.10
15	Dr. Nephil Matangi Maskay	Executive Director	2074.10.25	
16	Mr. Dev Kumar Dhakal	Executive Director	2074.12.15	

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

17	Mr. Mukunda Kumar Chhetri	Executive Director	2074.12.28	
18	Mr. Pitambar Bhandari	Executive Director	2074.12.28	
19	Mr. Rishikesh Bhatta	Executive Director	2075.05.12	
20	Mr. Pradeep Raj Poudyal	Executive Director	2075.06.18	
21	Dr. Gunakar Bhatta	Executive Director	2075.07.06	
22	Mr. NareshShakya	Executive Director	2076.02.30	
23	Mr. Suman Kumar Adhikari	Executive Director	2076.03.11	
24	Dr. Prakash Kumar Shrestha	Executive Director	2076.03.11	
25	Mr. Revati Prasad Nepal	Executive Director	2076.10.13	
26	Mr. RamuPoudel	Executive Director	2077.01.12	
27	Mr. Vishrut Thapa	Executive Director	2077.01.12	
28	Mr. Ram Bahadur Manandhar	Executive Director	2077.01.12	
29	Mr. Dayaram Sharma	Executive Director	2078.06.19	
30	Mr. Tulashi Prasad Ghimire	Executive Director	2078.06.19	
31	Mr. Guru Prasad Paudel	Executive Director	2078.09.23	
32	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 the bank's operations were conducted as arm's length transactions.

i. Transactions with Key Management Personnel

In addition to salaries, non-cash benefits (Vehicle Facility) were provided to special class officers and the executive board members. Governor and Deputy Governors are also entitled to post employee benefits. The data relating to total compensation paid to key management personnel are as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	89,583,827	87,840,213
Post-employment and other long term benefits	-	7,930,688
Total	89,583,827	95,770,901

Other transactions with the Key Management Personnel and the status of year end balances with them are as per below:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/Incidental Expenses to Directors	16,029,326	13,196,311
Loan Facilities	122,219,000	123,836,979
Total	138,248,326	137,033,290

ii. Salary, Benefits and Other Facilities of Board Members

The bank's board members are entitled for meeting allowance of NRs. 9,000 per meeting. In addition, executive board members are entitled for salary and various allowances. All

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 2079/80 are provided below:

S.No.	Name	Post	Salary	Board Meeting Allowance	Other Allowances & Facilities
1	Mr. Maha Prasad Adhikari	Governor	16,32,000	4,14,000	40,45,335
2	Mr. Arjun Prasad Pokharel	Finance Secretary		99,000	29,186
3	Mr. Toyam Raya	Finance Secretary		99,000	70,992
4	Mr. Krishna Hari Pushkar	Finance Secretary		1,44,000	1,11,221
5	Mr. Madhu Kumar Marasini	Finance Secretary		18,000	
6	Dr. Neelam Dhungana (Timsina)	Deputy Governor	14,60,400	3,42,000	38,99,961
7	Mr. Bam Bahadur Mishra	Deputy Governor	14,60,400	3,78,000	34,61,829
8	Mr. Chinta Mani Siwakoti	Board Member		4,05,000	11,59,382
9	Dr. Shankar Prasad Acharya	Board Member		3,60,000	6,48,408
11	Dr. Ravindra Prasad Pandey	Board Member		99,000	245,012
12	CA. Dr. Suvod Kumar Karn	Board Member		-	
TOTAL			45,52,800	23,58,000	1,36,71,326

5.3.2. Government of Nepal

The bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 (currently replaced by Nepal Rastra Bank Act, 2058) 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 year end balances with GON are as follows:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year		
Commission Income received from GON	109,670,502.60	117,802,422
Payment made to GON from surplus (As per Financial Statement of Previous Year)	11,070,000,000	5,000,000,000
Adjustment of Receivable from Surplus Payable to GON	-	1,661,646,673
Balances at the year end		
Deposit from GON	45,089,447,616	225,506,854,704
Advance to GON for Business Continuity Loan	1,460,000,000	1,460,000,000
Investment in Treasury Bills (GON)	43,672,157,910	15,067,960,116
Investment in Bonds (GON)	27,614,214,718	35,698,245,536
Investment in Saving Certificates (GON)	3,907,721,000	3,004,401,000
Interest and Commission Receivable	2,047,350,761	428,944,464

ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2080 as per the records of the bank is a surplus balance of NRs. 45,089,447,616 (PY NRs. 225,506,854,704). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on the past

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

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.7) at the year end. During the year, under the technical and financial assistance of Department for International Development (DFID), Disaster Recovery Site at Biratnagar has been set up, valued approx. at NRs. 23,20,59,005 (NRs. 8,93,44,232, USD 2,40,463 and GBP 6,46,544). Hence, the grant asset has been recorded at nominal value of NRs. 16 and accordingly grant income of NRs. 16 has been recognized.

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 counterparty fails to discharge its

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 yearend is as follows:

a) By Nature of Assets

Particulars	31Asar 2080	32 Asar 2079
Foreign currency financial assets		
Cash and balances with banks	168,977,007,897	88,922,917,658
Derivative financial assets	-	-
IMF related assets	25,857,875,413	25,606,849,851
Term deposit with foreign banks	522,462,011,410	427,181,452,899
Investments in foreign securities	660,349,505,571	542,561,959,053
Other receivables	-	-
Total foreign currency financial assets	1,377,646,400,291	1,084,273,179,461
Local currency financial assets		
Balances with banks	7,192,517	10,736,269
Investment in Government securities	77,286,432,125	54,463,057,558
Investment in bonds & term deposit	6,620,219,438	6,223,965,975
Advances and receivable from Government	1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions	1,668,021,778	271,722,596,364
Other loan and advances	7,925,776,904	8,095,069,995
Equity investment	5,511,498,272	3,792,944,780
Other receivables	34,176,375	3,718,581
Total local currency financial assets	100,513,317,409	345,772,089,522
Total financial assets	1,478,159,717,700	1,430,045,268,983

b) By Geographical Region

Particulars	As on 31.03.2080	As on 32.03.2079
Australia	-	149,189,220
Argentina	30,391,016,142	-
Bahrain	67,653,705,599	60,104,668,182
Belgium	-	214,765,363
Canada	30,102,289,156	189,708,637
China	185,664,348,765	163,223,012,167
Germany	-	333,597,791
Hongkong	9,191,677,175	76,923,993,303
India	362,940,464,977	267,968,611,393
Japan	53,225,802,365	1,468,220,102
Malaysia	-	81,941,701
Qatar	41,395,316,724	48,424,063,658
Singapore	17,338,069,634	120,663,083,782

Nepal Rastra Bank
Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

Switzerland	108,602,458,054	83,646,412,869
Thailand	-	99,936,620
U.A.E.	67,193,324,030	48,903,638,343
United Kingdom	-	3,419,126,118
USA	235,229,986,185	189,344,669,958
Nepal	270,137,045,031	365,664,852,182
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	<i>(905,786,138)</i>	<i>(778,222,406)</i>
Grand Total	1,478,159,717,700	1,430,045,268,983

c) By Nature of the Entity

Particulars	As on 31.03.2080	As on 32.03.2079
Bank for International Settlement	603,098,749	278,005,714
Central Banks	63,642,562,177	133,827,660,604
Foreign Commercial Banks	596,955,717,166	458,620,361,410
International Monetary Fund	25,649,141,930	25,568,182,155
Foreign Government	660,320,609,793	446,864,429,324
Domestic Banks and FIs	8,380,418,972	277,892,091,523
Government of Nepal	78,777,961,491	55,945,363,564
Equity Instruments	5,440,005,710	3,792,944,780
Other Parties	39,295,987,849	28,034,452,314.67
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	<i>(905,786,138)</i>	<i>(778,222,406.00)</i>
Grand Total	1,478,159,717,700	1,430,045,268,983

d) By Credit Rating

Particulars	As on 31.03.2080		As on 32.03.2079	
	Amount (NPR)	%	Amount (NPR)	%
<u>Foreign Currency</u>				
AAA	60,270,216,980	4.08%	44,297,725,251	3.10%
AA+	263,315,542,941	17.81%	181,876,615	0.01%
AA	476,875,139	0.03%	3,600,066,072	0.25%
AA-	44,133,480,632	2.99%	2,703,120,304	0.19%
A+	309,621,905,224	20.95%	96,027,338,448	6.71%
A	168,971,086,020	11.43%	94,187,487,648	6.59%
A-	38,991,854,614	2.64%	30,241,449,383	2.11%
BBB+	257,429	0.00%	619,445	0.00%
BB+	-	0.00%	26,033,176,419	1.82%
BB	-	0.00%	52,395,573,834	3.66%
BBB-	435,241,840,677	29.44%	113,795,608,139	7.96%
Other*	57,435,989,023	3.89%	621,587,360,310	43.47%
Total	1,378,459,048,681	93.26%	1,085,051,401,868	75.88%

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

<i>Less: Expected Credit Loss</i>	(812,648,390)		(694,497,987)	
Grand Total-Foreign Currency Financial Assets	1,377,646,400,291		1,084,356,903,881	
Local Currency				
Other*	100,606,455,157	6.81%	345,772,089,522	24.18%
<i>Less: Expected Credit Loss</i>	(93,137,748)		(83,724,420)	
Total Financial Assets	1,478,159,717,700	100.00%	1,430,045,268,983	100.00%

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. From last year (FY 2078-79), 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 Receivable	Total
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
Impairment Loss Recognized	7,583,147	55,787,173	84,071,131			147,441,451
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss	-	-		15,105,317	313,803	15,419,120
Balance as on 31stAsar 2080	18,755,626	301,632,462	581,454,728	225,213	8,176,708	910,244,737

Credit Exposure Movement-ECL Stage wise:

Allowances for Expected Credit Loss for	Balance as on 31 st Asar 2080				Balance as on 32 nd Asar 2079			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Bank Balance	14,321,226		4,434,400	18,755,626	6,738,079	-	4,434,400	11,172,479

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Investment in Securities	301,632,462			301,632,462	245,845,289	-	-	245,845,289
Term Deposit	497,601,888		83,852,841	581,454,728	438,314,376	-	59,069,222	497,383,597
Loan and advances to BFIs	225,213			225,213	15,330,529	-	-	15,330,529
Other Receivables	2,705,605		5,471,103	8,176,708	3,019,408	-	5,471,103	8,490,511
Total	816,486,394		93,758,343	910,244,737	709,247,682	-	68,974,724	778,222,406

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 the 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:

Counterparties	As on 31.03.2080	As on 32.03.2079
External Credit Rating at least AAA/BBB- from credit rating agency	597,059,887,688	463,186,035,844
Non Rated Counterparties	31,183,748,344	15,243,363,806
Central Banks	63,642,562,177	133,827,660,604
Bank for International Settlement	603,098,749	278,005,714
Foreign Government	660,320,609,793	446,864,429,324
International Monetary Fund	25,649,141,930	25,568,182,155
Government of Nepal	78,777,961,491	55,945,363,564
Financial Assets with Other Counterparties:		
Party with Normal Risk	21,651,489,955	289,789,319,275
Party with High Risk	177,003,711	121,131,103
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	(905,786,138)	(778,222,406)
Grand Total	1,478,159,717,700	1,430,045,268,983

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
	As on 31.03.2080	As on 32.03.2079	
Securities purchased under	110	110	Government Securities

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Resale Agreement			
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's reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with other central banks, demand and call deposits with foreign banks and investment in highly liquid securities. The bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligations.

Further, the bank has credit arrangement for Rapid Credit Facilities (RCF) and Extended Credit Facilities (ECF) provided by the International Monetary Fund in case of stressed condition like deficit of balance of payment of the country.

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 bank 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.)

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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	168,995,762,552	168,995,762,552				
Derivative financial assets	-					
IMF related assets	25,857,875,413	25,857,875,413				
Term deposit with foreign banks	522,958,707,083	125,672,207,346	18,631,000,000	378,655,499,737		
Investments in foreign securities	660,651,138,033	146,270,044,514	191,647,908,437	122,658,488,545	164,788,938,306	35,285,758,231
Other receivables	-				-	-
Total foreign currency financial assets	1,378,463,483,081	466,795,889,825	210,278,908,437	501,313,988,282	164,788,938,306	35,285,758,231
Local currency financial assets						
Balances with banks	7,194,459	7,194,459				-
Investment in Government securities	77,286,432,125	9,013,133,937	25,620,317,001	19,595,377,724	12,814,393,230	10,243,210,233
Investment in bonds & term deposit	6,704,978,493	418,878,493		6,286,100,000		-
Advances and receivable from Government	1,460,000,000	1,460,000,000				
Loan and advances to bank and financial institutions	1,668,246,991			1,668,246,991		
Other loan and advances						
Staff Loan	7,833,595,792	243,624,829	462,182,152	940,031,495	1,096,703,411	5,091,053,905
Pension Advance	2,082,436,168	27,071,670	41,648,723	2,498,923	303,619,194	1,707,597,658
Travelling advances to staff	1,884,620	1,884,620				
Staff endowment policy advance	6,612,690	6,612,690				
Other advance	34,981,588	34,981,588				
Interest Receivable	1,656,954	1,656,954				
Equity investment	5,511,498,272					5,511,498,272
Total local currency financial assets	102,599,518,152	11,215,039,240	26,124,147,876	28,492,255,133	14,214,715,835	22,553,360,068
Total financial assets	1,481,063,001,233	478,010,929,065	236,403,056,313	529,806,243,415	179,003,654,141	57,839,118,299

Nepal Rastra Bank
Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

Foreign currency financial liabilities							
Derivative financial liabilities	-						
Deposit of bank and financial institutions	6,329,971,790			6,329,971,790			
IMF related liabilities	39,133,451,704		39,133,451,704				
Total foreign currency financial liabilities	45,463,423,494		39,133,451,704				
Local currency financial liabilities							
Bills Payable	115,247,041		115,247,041				
Deposit of bank and financial institutions	280,775,531,424		56,155,106,285		28,077,553,142		196,542,871,997
Deposit of Government	45,089,447,616		9,468,783,999		10,821,467,428		10,370,572,952
Deposit of other institutions	17,951,793,496		4,308,430,439		4,128,912,504		
IMF related liabilities	11,882,924,189		11,882,924,189				
Other liabilities	1,398,701,263				1,398,701,263		
Total local currency financial liabilities	357,213,645,029		81,930,491,953		16,349,081,195		206,913,444,949
Total Financial Liabilities	402,677,068,523		121,063,943,657		22,679,052,985		206,913,444,949
Net Financial Asset Position	1,078,385,932,710		356,946,985,408		213,724,003,328		57,839,118,299

Nepal Rastra Bank

Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

Previous Year Figures (NPR)

Particulars	Contractual and Other Cash Flows						
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1-3 Years	More than 3 Years	
Foreign currency financial assets							
Cash and balances with banks	88,922,917,658	88,922,917,658					-
Derivative financial assets							-
IMF related assets	25,606,849,851	25,606,849,851					-
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

Nepal Rastra Bank

Notes Forming Part of Financial Statements Fiscal Year 2079-80 (2022-23 AD)

Particulars	Contractual and Other Cash Flows						
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Years	More than 3 Years	
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	-	-					
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	

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 bank's 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 is as follows:

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Current Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Net Total Financial Position Exposure	57.15%	15.27%	0.62%	0.22%	1.24%	0.16%	-0.02%	0.81%	-1.02%
Foreign Currency Financial Assets									
Cash and balances with banks	130,387,005,437	5,036,292,853	1,279,074,363	1,401,526,110	956,812,456	2,156,784,590	4,081,334,274	11,088,614,993	
Derivative financial assets	0	0	0	0	0	0	0	0	0
IMF related assets	0	0	0	0	0	0	0	0	25,649,141,930
Term deposit with foreign banks	426,628,226,326	68,012,789,493	7,047,899,909	1,546,318,122	15,455,902,564	0	0	0	0
Investments in foreign securities	202,278,216,291	129,436,323,270	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Total foreign currency financial assets	759,293,448,054	202,485,405,616	8,326,974,272	2,947,844,232	16,412,715,020	2,156,784,590	4,081,334,274	11,088,614,993	25,649,141,930
Foreign Currency Financial Liabilities									
Derivative financial liabilities	0	0	0	0	0	0	0	0	0
Deposit of bank and financial institutions	1,490,135,213	0	113,699,396	0	16,743,856	0	4,313,918,697	335,942,003	0
IMF related liabilities	0	0	0	0	0	0	0	0	39,133,451,704
Total foreign currency financial liabilities	1,490,135,213	0	113,699,396	0	16,743,856	0	4,313,918,697	335,942,003	39,133,451,704
Net Foreign Currency Exposure	757,803,312,841	202,485,405,616	8,213,274,876	2,947,844,232	16,395,971,164	2,156,784,590	-232,584,423	10,752,672,990	-13,484,309,774

Nepal Rastra Bank

Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

Previous Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Net Total Financial Position Exposure	49.43%	21.09%	1.79%	0.98%	0.58%	0.20%	0.17%	0.12%	-1.06%
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 financial assets	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
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	-	162,483,597	-	8,857,641	-	98,317,500	1,894,922,300	36,615,934,363
Net Financial Position 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

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Besides above currency exposures, the bank's net foreign currency exposure also consists of major portion of Indian currency (INR) which stands around 25.09% (PY 26.26%) of total 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, has amounted to 0.48% (PY 0.44%) 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 2080		For the Year Ended 2079	
	Strengthening	Weakening	Strengthening	Weakening
USD	75,780,331,284	(75,780,331,284)	51,301,507,095	(51,301,507,095)
AUD	1,639,597,116	(1,639,597,116)	605,668,403	(605,668,403)
EUR	1,075,267,299	(1,075,267,299)	123,102,120	(123,102,120)
GBP	821,327,488	(821,327,488)	1,853,853,213	(1,853,853,213)
CNY	20,248,540,562	(20,248,540,562)	21,885,934,710	(21,885,934,710)
CAD	294,784,423	(294,784,423)	1,022,213,448	(1,022,213,448)
SDR	(1,348,430,977)	1,348,430,977	(1,104,775,221)	1,104,775,221
JPY	(23,258,442)	23,258,442	174,674,774	(174,674,774)
SAR	215,678,459	(215,678,459)	221,638,455	(221,638,455)
Total	98,703,837,212	(98,703,837,212)	76,083,816,998	(76,083,816,998)

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 bank's board sets limits on the level of mismatch of interest rate re-pricing which is monitored daily by the bank's 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:

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Particulars	Weighted Average Interest Rate %	As on 31.03.2080	As on 32.03.2079
<i>Interest Sensitive Financial Assets</i>			
Balances with Other Banks	4.43	138,011,257,448	69,117,865,389
GOI Treasury Bills	6.84	326,397,674,398	265,657,582,138
US Government Treasury Bills	5.10	32,558,455,337	19,031,744,769
Time Deposit (less than 3 months)	4.978	140,035,636,676	82,957,932,423
Investment in FIXBIS	-	-	-
IMF Related Assets: SDR Holdings	4.031	25,649,141,930	25,568,182,155
General Refinance	5	1,462,139,667	87,317,920,489
Special/Export Refinance	-		10,469,242,216
Zero Interest Loan	-		
Loan to MSME	5	35,669,315	14,174,076,069
Standing Liquidity Facility	8.5	-	158,102,500,000
<i>Loan to Employees</i>			
House loan Uninsured	1	400,000	425,000
House Repair Loan Uninsured	1	1,091,882,214	1,330,380,622
Vehicle Loan Uninsured	3	466,000	973,500
Staff Loan Uninsured 2068	1	557,925,609	701,767,000
Investment in Paper Gold	0.65	65,812,728,226	55,870,042,475
US Government Treasury Notes/Bonds	2.15	157,203,305,023	95,502,142,430
Government Treasury Notes/Bonds (CNY)	2.63	129,436,323,269	160,747,943,754
Investment in Mid-term Instruments	-	12,516,455,931	-
Notice Deposit (JPY)	-	-	-
Time Deposit-Investment	4.56	447,107,962,128	343,570,402,730
Fixed deposit with Bank & Financial Institutions	9.67	6,570,200,002	6,158,744,000
Government Treasury Bills (GON)	9.10	43,672,157,910	15,067,960,116
Saving Certificates (GON)	9.27	3,907,721,000	3,003,401,000
Total Interest Sensitive Financial Assets		1,532,027,502,083	1,414,351,228,275
<i>Interest Sensitive Financial Liabilities</i>			
IMF Related Liabilities	4.031	50,700,477,572	48,022,985,079
Short Term Borrowings	-		
Total Interest Sensitive Financial Liabilities		50,700,477,572	48,022,985,079
Net Interest Sensitive Financial Position		1,481,327,024,511	1,366,328,243,196

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 the market indices. Material

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 are made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the bank holds equity instruments of the various institutions. All the investments are measured at fair value.

Nepal Rastra Bank

Notes Forming Part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

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 yearend are as follows:

Particulars	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Foreign currency financial assets			168,977,007,897		168,977,007,897	168,977,007,897
Cash and balances with banks						-
Derivative financial assets						
IMF related assets		25,857,875,413			25,857,875,413	25,857,875,413
Term deposit with foreign banks		522,462,011,410			522,462,011,410	522,462,011,410
Investments in foreign securities		660,349,505,571			660,349,505,571	660,349,505,571
Other receivables						
Total foreign currency financial assets	-	1,208,669,392,394	168,977,007,897	-	1,377,646,400,291	1,377,646,400,291
Local currency financial assets						
Balances with banks			7,192,517		7,192,517	7,192,517
Investment in Government securities		77,286,432,125			77,286,432,125	77,286,432,125
Investment in bonds & term deposit		6,620,219,438			6,620,219,438	6,620,219,438
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		1,668,021,778			1,668,021,778	1,668,021,778
Other loan and advances		7,925,776,904			7,925,776,904	7,925,776,904
Equity investment	5,511,498,272				5,511,498,272	5,511,498,272
Other receivables		34,176,375,000			34,176,375,000	34,176,375,000
Total local currency financial assets	5,511,498,272	94,994,626,620	7,192,517	-	100,513,317,409	100,513,317,409
Total financial assets	5,511,498,272	1,303,664,019,014	168,984,200,414	-	1,478,159,717,700	1,478,159,717,700
Foreign currency financial liabilities						
Derivative financial liabilities						
Deposit of bank and financial institutions				6,329,971,790	6,329,971,790	6,329,971,790

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

IMF related liabilities				39,133,451,704	39,133,451,704	39,133,451,704
Total foreign currency financial liabilities	-	-		45,463,423,494	45,463,423,494	45,463,423,494
Local currency financial liabilities						
Bills Payable				115,247,041	115,247,041	115,247,041
Deposit of bank and financial institutions				280,775,531,424	280,775,531,424	280,775,531,424
Deposit of Government				45,089,447,616	45,089,447,616	45,089,447,616
Deposit of other institutions				17,951,793,496	17,951,793,496	17,951,793,496
Currency in circulation				625,787,872,530	625,787,872,530	625,787,872,530
Due to bank and financial institutions				60,000,000,000	60,000,000,000	60,000,000,000
IMF related liabilities				11,882,924,189	11,882,924,189	11,882,924,189
Surplus payable to Government				25,000,000,000	25,000,000,000	25,000,000,000
Other liabilities				1,398,701,261	1,398,701,261	1,398,701,261
Total local currency financial liabilities	-	-		1,068,001,517,557	1,068,001,517,557	1,068,001,517,557
Total Financial Liabilities	-	-		1,113,464,941,051	1,113,464,941,051	1,113,464,941,051
Net Financial Asset Position	5,511,498,272	1,303,664,019,014	168,984,200,414	(1,113,464,941,051)	364,694,776,649	364,694,776,649

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 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 the quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs. The different levels are defined as follows.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that 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 assets or liabilities, 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 (NRs)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	5,511,498,272	5,511,498,272		5,511,498,272	
Total financial assets at fair value	5,511,498,272	5,511,498,272		5,511,498,272	

Previous Year Figures (NRs)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	3,792,944,780	3,792,944,780		3,689,001,584	103,943,196
Total financial assets at fair value	3,792,944,780	3,792,944,780	-	3,689,001,584	103,943,196

5.7. Employees Benefits - Defined Benefit Plans

The bank currently offers two defined benefit post-employment plans to its employees, based on the length of service and amount of compensation. These post-employment benefit 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 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 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

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 are 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 31 st Asar 2080		As on 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	19,799,326,845	2,781,136,386	18,979,279,196	2,123,566,882
Fair Value of Plan Assets/Current Balance of Provision Account	(19,433,209,385)	(2,122,731,894)	(18,966,513,926)	(2,024,185,776)
Net Liability/(Assets)	366,117,460	658,404,492	12,765,270	99,381,106

Changes in Fair Value of Defined Benefit Obligations

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Obligation	18,979,279,196	2,123,566,882	18,789,259,309	1,971,672,919
Current Service Cost	393,288,733	120,698,194	392,190,599	119,762,350
Interest Cost	1,643,115,713	186,417,899	1,691,033,338	177,450,563
Actuarial Losses (Gains)	228,519,080	454,967,187	(671,753,680)	(51,264,664)
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,444,875,877)	(104,513,776)	(1,221,450,370)	(94,054,286)
Closing Obligation	19,799,326,845	2,781,136,386	18,979,279,196	2,123,566,882

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Changes in Fair Value of Plan Assets

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	18,966,513,926	2,024,185,776	19,438,656,973	1,906,411,721
Investment adjustment			-	
Expected Return	1,641,966,839	177,473,600	1,749,479,128	171,577,055
Actuarial Gains (Losses)	269,604,497	25,586,294	(191,944,412)	(12,609,912)
Contribution by Employer	-	-	(808,227,393)	52,861,198
Benefits Paid	(1,444,875,877)	(104,513,776)	(1,221,450,370)	(94,054,286)
Closing Fair Value	19,433,209,385	2,122,731,894	18,966,513,926	2,024,185,776

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	394,437,607	129,642,493	333,744,809	125,635,858
Actuarial Income/(Loss) Recognized in OCI	(41,085,417)	429,380,893	(479,809,268)	(38,654,752)
Total Employee Benefit Income /(Expense)	353,352,190	559,023,386	-146,064,459	86,981,106

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	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%

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Principal Actuarial Assumption at the end of the Reporting Period

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	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 Obligations to Changes in Principal Assumptions

Particulars	Change	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	11.69%	12.24%	12.46%	8.33%
	1%	-9.68%	-10.22%	-10.20%	-7.28%
Salary & Pension Increment Rate	-1%	-7.24%	-9.41%	-10.09%	-7.28%
	1%	8.28%	11%	12.10%	8.17%

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 the coming five years

Years	Pension or Gratuity Plan	Staff Security Plan
2024	1,151,754,000	144,718,000
2025	1,185,087,000	171,141,000
2026	1,225,296,000	158,835,000
2027	1,304,567,000	1,082,460,000
2028	1,385,533,000	199,543,000
2029-2033	7,427,144,000	911,388,000

5.8. Employees Benefits – Other Long Term Benefit Plan

The bank currently offers accumulated leave as other long term benefit plan. The bank's net obligation in respect of other long term 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 period; and the benefit is discounted to determine its present value. The bank determines the net interest expenses (income) on the net other long term benefit liability (assets) 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 (assets). The obligation under 'Accumulated Leave' is calculated by a qualified actuary every year

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 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 plans are charged to statement of income.

5.9. Other Employee Benefits

- Staff Welfare Fund: The bank provides 12% of basic salary as staff welfare fund. During the year, the bank has provided NRs.99,181,883.25(PY NRs.81,885,244.11) as staff welfare fund.
- Staff Welfare Provident Fund: Each year, an amount as approved by the board of directors of the bank, with an increment not exceeding 10% of amount approved by board in previous year is provided in Staff Welfare Provident Fund. Total expenses under this heading amounts to NRs.695,067,650 this year (PY NRs.631,879,682).
- The bank provides staff medical fund facility to the staff, of which payments are made as per the eligible medical claim while rest amount is paid at the retirement time. NRs.97,827,966 (PY NRs.95,473,268) is expensed as staff medical fund this year.

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 section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to the 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 the bank's 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 reserves and funds are maintained and a certain amount is annually allocated by the bank's board, out of the each year's net income to those reserves and funds. The impacts resulting from other comprehensive income are directly transferred to respective reserves. The bank's board is authorized by Nepal Rastra Bank Act, 2058 to allocate a part of net income to those reserves and funds. The details of statutory and other reserves and funds are as follows:

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

5.10.1. Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the Nepal Rastra Bank Act, 2058 and as per the provision of the section, an amount equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year NRs 3,024,120,079. (PY NRs. 1,421,038,411) is 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 equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year NRs 3,024,120,079 (PY NRs. 1,421,038,411) is 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 bank's board not less than 10 percent of the net income available for appropriation shall be allocated in this general reserve fund each year. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the bank. Accordingly, NRs. 11,731,293,096 (PY NRs. 7,914,819,265) is appropriated in general reserve during the year.

Further, during the year, the bank has sold shares of various entities that had been accounted at fair value, whereby the fair value portion had been kept under fair value reserve. Accordingly, NRs. 439,432,861 i.e. fair value portion of the respective shares has been transferred from OCI Reserve to General Reserve. Also, cumulative balance of the development finance project mobilization fund i.e. NRs. 300,387,474 has been transferred to General Reserve on termination of all such projects.

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 bank's board shall be allocated and kept in such reserve. This year, NRs 655,081,290 (PY NRs. 23,546,520) is appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073 BS.

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 equals 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 10,009,028,778 (PY NRs. 34,789,148,334) which is equivalent to net exchange gain is 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. 17,112,315,089 (PY NRs 1,229,203,928)

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

which is equivalent to net revaluation gain on revaluation of gold and silver is appropriated to this fund.

5.10.2. Other Reserves and Funds

The 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 Directives of the bank and the Board of Directors appropriate some part of the net income available for distribution to these reserves and funds annually. The amount kept under these reserves and funds shall be utilized for the purpose of the reserves or funds as mentioned in the Account Directives. The following reserves and funds have been maintained:

a) Development Fund

This is the specific fund created as per monetary policy of the bank to provide support for loan and refinance to banks and financial institutions. The Board of Directors of the bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 13,500,000,000. (PY NRs.5,500,000,000) has been allocated to this fund during the year.

b) Banking Development Fund

This fund is 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 (PY 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 is created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profit is appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually.

However, all such projects which were run during the reporting period under subsidiary loan agreements with GON or project agreements with other funding agencies have already been terminated during this fiscal year and hence, no such appropriation is done for this fiscal year. Further, the cumulative balance of the fund Nrs. 300,387,474 has been transferred to General Reserve on termination of all such projects.

d) Mechanization Fund

This fund is 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 the Board of Directors of the bank to this fund annually. No amount (PY NRs. -) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund

This fund is 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.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

f) Mint Development Fund

This fund is 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 (PY NRs.-) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Open Market Operation Stabilization Fund

This fund is created to ensure the adequacy of fund for the expenses related to various monetary instruments issued for liquidity management. This fund is established from this fiscal year i.e. FY 2079/80, appropriating 5percent amount of net surplus fund balance after appropriation as per Section 41(Ga) of NRB Act. Further, an amount equals to 5 percent of the total interest income of repo is appropriated to this fund. Accordingly, an amount of NRs. 2,196,772,113 has been allocated to this fund during this fiscal year.

h) Gold Replacement Fund

This fund has been created for replacing the gold/silver sold during the year. An amount equals to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs 1,351,014,924 (PY NRs. 414,495,677)) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

i) Rural Self Reliance Fund (GS Kosh)

This fund is created as per the Monetary Policy of the bank 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 storages etc. No amount has been appropriated to this fund during the year.

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

This fund is created out of the surplus fund amounting Rs.61,390,949 received while transferring the RSRF Program to Sana Kisan Bikas, Laghubitta Bittyta Sanstha Limited. The fund is utilized to provide reimbursement of the administrative expense subsidy as claimed by the cooperative societies in case of the loan and advances disbursed and approved till the date of transfer of RSRF program to Sana Kisan Bikas Laghubitta Bittyta Sanstha Limited. Accordingly, the administrative expense subsidy amounting to Rs.199,185 (PY Rs.63,77,775) has been reimbursed in the current year from this fund.

k) 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 NRs. 388,295,276.(PY NRs.518,464,020) has been transferred to Actuarial Gain Reserve in this year.

l) Fair Value Reserve

Fair Value Reserve in the bank 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 NRs. 346,463,285 (PY NRs. 636,982,769) has been transferred to this reserve from other comprehensive income during the year.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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 consist of gold and other precious metals, foreign currencies and securities denominated in foreign currency, special drawing rights, bill of exchange, promissory note, certificate of deposit, bonds, and other debt instruments 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: (in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	1003.23	783.82
Non-Convertible Foreign Currency	331.41	272.58
Gold Reserve	65.72	60.04
Special Drawing Rights	25.42	25.57
Sub Total	1425.78	1,142.01
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	149.31	134.06
Non-Convertible Foreign Currency	8.07	9.68
Sub Total	157.38	143.75
Total Foreign Exchange Reserve of Banking System	1,583.16	1,285.75

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve		
US Treasury Bills	2.50	1.81
Indian Treasury Bills	23.97	23.56
BIS FIXBIS		
Bonds/Notes	23.28	24.40
Mid Term Instrument	0.96	
Call Deposits	4.29	4.16
Time Deposit (Currency)	40.25	40.45
Gold Deposit	4.75	5.62
Special Drawing Rights		-
Balance with NRB and BFIs		-
Total	100	100

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

5.12. Projects' Assets and Liability

The assets, liabilities, equity, income and expenses of two 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 are consolidated with the bank's financial statements during previous fiscal year. However, all such projects have already been terminated during this fiscal year and hence, no such consolidation has been done for this fiscal year. However, profit of NRs.11,363,117 earned till the date of termination has been reported as profit from project operation. The detail is given in Note 4.34.

Two projects, namely Community Ground water Irrigation Sector Project (CGISP) and Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) are run by the bank on behalf of the GON. The assets, liabilities, equity, incomes and expenses of such projects are not consolidated in the accounts of the bank. However, one of the projects i.e. "Community Ground water Irrigation Sector Project (CGISP)" has been terminated and its balances have been transferred to Government of Nepal during this fiscal year. The Financial Position and Income Statements of these projects are as below:

Statement of Financial Position

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	CGISP	KFW	CGISP	KFW
Equity	-			
Capital Contribution	-		17,548,370	
Surplus	-	280,229,315	295,968,002	191,911,413
Financial Risk Fund	-		5,200,000	
Long- term Liabilities	-			
Loan from ADB - Non-Current Portion	-		103,704,465	
Current Liabilities and Provision	-			
Loan from ADB - Current Portion	-		97,013,855	
Service Charge due on Loan from ADB	-		31,008,892	
Loan From GON	-	1,405,992,343		978,428,926
Loan Loss Provision	-		-	
Accounts Payable	-		328,176	
Total Equity & Liabilities	-	1,686,221,658	550,771,760	1,170,340,339
Assets	-			
Non-Current Assets	-			
Fixed Assets	-		47,012	
Loan to PFI- Non Current Portion	-			
Investment	-		417,508,000	
Current Assets	-			
Interest Receivables	-	30,146,775	4,493,442	13,683,818

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Loan to PFI-current portion	-	1,302,291,203		916,208,242
Cash and cash equivalents	-	353,783,680	128,723,306	240,448,279
Total Assets	-	1,686,221,658	550,771,760	1,170,340,339

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Statement of Comprehensive Income

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	CGISP	KFW	CGISP	KFW
A. Income				
Interest Income	-	88,317,902	32,719,721	50,760,886
From Loan to PFIs	-	88,317,902	43,302	50,760,886
On deposit with Banks	-		32,676,419	
On Investment				
Other Income				
Loan Loss Provision Written back			14,581	
Total Incomes	-	88,317,902	32,734,302	50,760,886
B. Expenditure				
Administrative Expenses			43,957	
Provision for Service Charge			2,007,183	
Loan Loss Provision				
Depreciation			11,752	
Total Expenses	-		2,062,892	
Surplus (Deficit) (A-B)	-	88,317,902	30,671,410	50,760,886

5.13. Interest in other entities

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

5.13.1. 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	
		31-03-2080	32-03-2079	31-03-2080	32-03-2079	31-03-2080	32-03-2079
Agricultural Project Services Centre Pvt. Ltd.	62.5	5,000	5,000	5,000,000	5,000,000	-	5,000,000
Rastriya Beema Sansthan	55.56	1,005,667	1,005,667	*1,844,877,778	1,000,000	*2,192,733,256	330,505,213
Nepal Stock Exchange Ltd.	9.50	950,637	1,459,979	3,317,723	5,097,510	589,879,764	987,710,324
National Productivity and Economic Development Centre Ltd.	31.52	25,000	25,000	2,500,000	2,500,000	-	2,500,000
Deposit & Credit Guarantee Fund	10	10,000,000	10,000,000	607,594,000	607,594,000	2,315,012,466	1,965,395,324
Nepal Clearing House Ltd.	10	783,375	567,663	15,000,000	15,000,000	181,601,993	144,488,613
Credit Information Bureau	9.50	414,287	437,400	3,314,296	3,500,000	213,440,662	223,098,436
National Banking Institute	9.50	47,501	76,452	4,750,150	7,645,250	18,828,093	30,303,673
Total				642,476,169	647,336,760	5,511,498,272	3,681,501,584

Fair Value of the share investment in unquoted equity securities has been arrived based on the latest available unaudited financial statements of respective entities.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.

*Equity investment also includes NRs.1,843,877,778 provided by the bank on call for advance for right shares to Rastriya Beema Sansthan.

5.13.2. 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	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
National Productivity and Economic Development Centre 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 three 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:

Particulars	Investment at cost		Carrying Amounts	
			(Investment at Fair value)	
	31-03-2080	32-03-2079	31-03-2080	32-03-2079
Agricultural Project Services Centre Pvt. Ltd.	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan	1,000,000	1,000,000	348,855,478	330,505,213.13
Nepal Stock Exchange Ltd.	3,317,723	5,097,510	589,879,764	987,710,324.05
National Productivity and Economic Development Centre Ltd.	2,500,000	2,500,000	-	-
Total	11,817,723	13,597,510	938,735,242	1,318,215,537

In the absence of audited financial statements of Agricultural Project Services Centre Private Limited and National Productivity & Economic Development Centre Limited, 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 Private Limited and National Productivity & Economic Development Centre Limited and has not expected for its recovery. In addition, Agricultural Project Service Centre Private Limited is in the process of liquidation since long time.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

The carrying amount of NRs.938,735,242 (PY NRs.1,318,215,537) 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 the loss from its significant interest in such entities.

5.13.3. Transactions with Entities having Significant Interest

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

Entity	Nature of Transaction	FY 2079-80	FY 2078-79
Rastriya Beema Sansthan	Insurance Premium paid by the bank	302,334,635	205,288,646
Nepal Stock Exchange Ltd.	Dividend income received by the bank	145,997,900	87,598,740

5.14. Transaction with the International Monetary Fund (IMF)

The bank transacts with the IMF as an agent of the Government of Nepal 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 the quota are borne by the Government of Nepal. In case of other transactions, such gains/losses are borne by the bank. The basic policies followed by the bank on such accounts are as follows:

- Country's quota with the IMF is recorded by the bank as depository of the Government of Nepal and exchange gains/losses arising on quota are borne by the 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 of the bank.

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

Details of the Fund

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	Local Currency (NRs.)	SDR Equivalent	Local Currency (NRs.)	SDR Equivalent
1. For Transaction with Nepal Rastra Bank				
Special Drawing Rights				
Net cumulative allocation	38,817,553,383	218,481,192	36,560,642,669	218,481,192
Holdings	25,649,141,930	144,363,944	25,568,182,155	152,791,814
2. For Transaction with Nepal Government				
Outstanding Purchases & Loans				
RCF Loans	31,043,390,750	174,725,000	30,431,615,700	181,855,000
ECF Arrangements	20,911,759,000	117,700,000	13,136,190,000	78,500,000

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

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.177.67 (PY NRs.167.34) per SDR.

5.15. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 31, 2080	As on Asar 32, 2079
	NRs.	NRs.
Note Printing Commitments	1,655,328,161	4,546,706,253
Unclaimed Account Transfer to P/L Account	22,915,528	136,986,870
Capital Commitments	1,502,577,488	1,113,311,623
Total	3,180,821,177	5,797,004,745

Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of bank notes. The capital commitments include costs for the construction of the bank's Central Office Building at Baluwatar; Banking Office Building at Thapathali; Guest House and Director's Residence at Siddharthanagar; Director's Residence at Nepalgunj and Master plan formulating costs of making infrastructures at Sanothimi, Biratnagar and Surkhet 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 expenses on straight line basis. The maturity analysis of lease liabilities is present here:

Period	FY 2080/81	FY 2079/80
Less than one year	29,689,619	29,440,885
One year to five years	31,075,036	36,091,765
More than five years	43,152,387	29,387,011
Total Lease Liabilities	103,917,043	94,919,661

5.17. Monetary Operations and Refinance

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

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

Government securities. The bank absorbs excess liquidity from market through reverse repo & deposit collection.

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

Particulars	As on Asar 31, 2080			As on Asar 32, 2079		
	Value	Interest (min/max)	FV of collateral received	Value	Interest (min/max)	FV of collateral received
1. Monetary Operations						
<i>Assets</i>				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	-			-		
<i>Liabilities</i>	-			-		
Deposit Collection	20,000,000,000	3.8325%		-		
Reverse Repo	40,000,000,000	2.3787-2.5409%		-		
2. Refinance	1,497,808,982	1-5%	1,497,808,982	111,961,238,775	1-5%	111,961,238,775

5.18. Claims against the bank

There are 243 (PY 198) 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 is 1163 (PY 1085).

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 is no material events occurred after the reporting period that requires adjustments or disclosure in the financial statements.

5.22. Sustainability Reporting

In the global context, an understanding is gradually emerging that central banks and financial supervisors ought to address climate risks and support sustainable finance. Nepal Rastra Bank, being central bank as well as supervisor of banks and financial institutions in Nepal, has also started to consider how to integrate climate and other environmental considerations into our policy frameworks, or to encourage financial institutions to incorporate environmental, social

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2079-80 (2022-23 AD)

and governance (ESG) standards in lending and investment and to adopt environmental and social risk management (ESRM) practices.

For aforementioned purpose, NRB has issued a Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions on 2018. The guideline is revised on 2022. Additionally, Unified Directives issued by NRB mandates implementation of above guidelines. Accordingly, Directive 2, clause (29) requires BFIs to ensure, before disbursement of loans, in case to projects for which Initial Environmental Examination (IEE)/Environmental Impact Assessment (EIA) is required for obtaining license/approval prior to establishment of project, such reports are approved from relevant authorities and in other cases, shall perform environment assessments on their own, before disbursement of loans. BFIs are required to formulate their own policy for assessment of environmental and social risk in accordance with Environment Protection Act, 2076, Environment Protection Niyamawali, 2077, Labour Act, 2074, Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions, 2022 and relevant laws and regulations and incorporate environment and social risk assessment while making credit assessments, risk monitoring and reporting based on such policies. Also, BFIs are required to submit reports to NRB in formats and frequency prescribed in Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions, 2022.

In addition to above, various provisions in Unified Directives, mentioned hereafter, also facilitate and encourage adoption of environment friendly measures by BFIs. Directive 3, clause 12 (7) has prescribed loan to value ratio for personal electric vehicle loan at maximum 80 percent, as compared to maximum limit of 50 percent for other vehicle loans. Directive 5, clause (10) requires that BFIs shall identify and assess the environment, social and climate change risk in addition to AML/CFT risk, legal risk, and they have to formulate adequate policy and procedures to manage such risks. Directive 6, clause 16 permits BFIs to utilize the corporate social responsibility fund, created in accordance with the same directive, in activities relating to environment protection, social awareness programs and waste management. Directive 17 issued by the bank has mandatory requirement for BFIs to provide at least 5 percent of their total loan and advances to the deprived sector and such deprived sector loans shall also include loan of maximum 2 lakh per family provided for acquisition of renewable energy technology like domestic solar power system, solar cooker, solar water pump, biogas, improved water boiler, improved stove loan. Also, Directive 17 have mandated commercial banks to lend, by the end of FY 2025-26, at least 15 percent of their total credit in agriculture sector, at least 10 percent in energy sector and at least 15 percent in micro, cottage, small and medium scale industry.

The bank has acquired and is currently using 7 electric vehicles and this number has been expected to increase in the days to come.

Further, to hear the grievances related to consumer protection, sustainable finance and other issues from the stakeholders, grievance handling portal is available on the website of the bank. The bank is also in the process of developing green taxonomy.