



महालेखापरीक्षकको कार्यालय
Office of the Auditor General
बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal
(Public Enterprises Audit Directorate)

Reference No. - 66

Date: 30/7/2078 (16 Nov, 2021)

Subject: Independent Auditor's Report.

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

Opinion

We have audited the accompanying financial statements of Nepal Rastra Bank which comprise the Statement of Financial Position as at Ashad 31, 2078, (July 15, 2021), the Statement of Net Income and Other Comprehensive Income, the Statement of Change in Equity and the Statement of Cash Flows 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 Ashad 31, 2078, (July 15, 2021), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards (NFRSs)

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Government Auditing Standards (NGASs). 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 of the Bank in accordance with The Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. 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 judgement, were of most significance in the audit of financial statements and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key Audit Matters	The risk	How the matters were addressed
Foreign Investments The Bank's assets held in foreign investment amounted to NPR. 1.26 trillion, equivalent to 81.58% of the Bank's total assets, which is significantly material to the financial statements. These investments are held with	The bank holds large amount of its assets in foreign currency. Considering the nature of these investments, their impairment assessment requires judgement and significant estimates. Further, the value of foreign investments fluctuates along	Our audit procedures to address the risks of material misstatement relating to foreign investments, which was a significant risk, included: <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 foreign investments.Obtained independent external confirmation of all material current investments in order to test the

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Key Audit Matters	The risk	How the matters were addressed
overseas central banks, commercial banks for periods in different types of investment categories. The valuation and presentation of foreign investments in the financial statements pose significant audit risk.	with the change in foreign currency exchange rate resulting in foreign exchange gains/losses which are of material value. The measurement, presentation and disclosure of the foreign investments and recognition of income from foreign investments requires management judgement. Accordingly, the matter has been identified as KAM.	assertion of existence, accuracy, valuation and completeness. <ul style="list-style-type: none"> Detailed analysis of exchange rates used and valuation processes, recalculation of interest income, and evaluation of recognition, measurement, presentation, and disclosures in the financial statements in accordance with the related NFRSs. <p>The Bank's disclosures about foreign investments are included in Note 4.1, 4.4 and 4.5 to the Financial Statements.</p> <p>Our results: We considered the valuation of foreign investment, foreign exchange gain/loss and recognition of income from foreign investment to be acceptable.</p>
Valuation of Gold and Silver The Bank maintains gold and silver as stock and investment, equivalent to NPR. 75.76 billion equivalents to 4.92% of the Bank's total assets, which is one of the asset backings for Notes in Circulation. 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. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant to our audit.	The bank maintains gold and silver reserve as one of the backups for printing banknotes. The valuation, presentation and accounting treatment of investments made in gold and silver held for the purpose of printing banknotes requires judgement of the management as there is no specific NFRS dealing with such valuation of investments in gold and silver and various accounting treatments across the world.	<p>Our audit procedures in valuation of gold and silver included reviewing the valuation methodology adopted and reviewing the physical verification report of gold & silver. Our procedures also included receiving balance confirmations and recalculation of gold and silver value in line with the prevailing market rate and assessment of assets backing for Currency in Circulation.</p> <p>The Bank's disclosures about gold & silver are included in Note 4.4 to the financial statements.</p> <p>Our results: We considered the valuation of gold and silver held at stock and as investment to be acceptable.</p>
Currency in Circulation Issuance of Banknotes is one of the key roles of the bank as defined in the Nepal Rastra Bank Act 2058 and is a key audit matter due to: <ul style="list-style-type: none"> high interest to the users of the financial statements. the balance is significant relative to the Nepal Rastra Bank's Statement of Financial Position; and complexity in assessing the accuracy of the liability for banknotes on issue that are placed in circulation in the economy. <p>The balance of currency in circulation represents the value of all bank notes on issue in Nepal and the liability is measured at face</p>	<p>The significance of this line item of Statement of Financial Position reflects in the sheer magnitude of amount involved as liability and corresponding assets reflecting in Statement of Financial Position; Overstatement or understatement of this amount results into corresponding overstatement/ understatement of assets too as there is no independent verification or balance confirmation of this balance excepting system records maintained by Bank.</p> <p>Financial Strength of any Central bank is ascertained by the proper mix of Currency in Circulation and other gilt-edged investments, the lesser</p>	<p>Our audit procedures in Currency in Circulation included:</p> <ul style="list-style-type: none"> Testing those general controls which are relevant to the accurate recording of the issuance and return of banknotes within the system, destruction of spoiled/damaged notes, de-recognition of specified series of currency notes ultimately responsible for recording the balance of notes in circulation. We performed a comparison of current year movements against prior year patterns. We also performed a trend analysis on currency in circulation against prior periods focusing on the number of notes issued by denomination. Our procedures also included an assessment of the asset backing maintained by Nepal Rastra Bank in line with Section 52 of Nepal Rastra Bank Act 2058 and reviewed the process to determine the demand for notes and the ordering process for printing notes. Our audit procedures included communicating with the concerned department to understand the



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Key Audit Matters	The risk	How the matters were addressed
value of all bank notes issued less any bank notes cancelled/ destroyed.	dependence on circulated paper currency, better the health of any Central Bank as lesser quantity of security for currency issued in the form of Gold Reserve is required	note issue process and carrying out physical inspection of assets held at the Bank premises against Notes in Circulation on a sample basis. <ul style="list-style-type: none"> • Direct confirmation of Currency Note Delivered / supplied by the suppliers. The Bank's disclosures about Notes in Circulation are included in Note 4.16 to the financial statements. Our results: We considered the valuation of currency in circulation to be acceptable.
Information Technology (IT) The Bank's operational and financial processes are dependent on IT systems to manage large volume of transactions that are processed daily. Accordingly, our audit was focused on key IT systems and controls due to the pervasive impact on the financial statements and hence considered as a key audit matter.	The Bank's key financial accounting and reporting processes are highly dependent on the automated controls over the Bank's IT systems. There is a risk that gaps in the change management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit. Further, it requires strongly protected data base to prevent substantial loss of money and reputation of the bank	Our audit procedures in Information Technology Control included: <ul style="list-style-type: none"> • Testing the design, operation and effectiveness of control over granting, revocation and appropriateness of access rights on the accounting and reporting system of the bank. • Obtaining and inspecting the change management policies and, for a sample of changes in inputs and control functions on the systems, reviewing to confirm that changes had been performed in line with approved decisions. • Testing a sample of the automated controls that are designed to enforce appropriate segregation of duties. • Testing a sample of outputs particularly interest income and expenses to loans and advances of the system through manual calculations. • Reviewing the IT Audit findings performed by the independent IT auditor and our own IT audit teams and the actions undertaken by the Bank. Our results: We considered the change managements, segregation of duties, controls, and outputs in relation to financial accounting and reporting systems to be acceptable.

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

Bank's Management is responsible for the other information. The other information comprises of macroeconomic and financial situation, activities of the bank, analysis of assets, liabilities, and income statement included in the annual report but does not include the financial statements.

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 those other information are materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management Letter

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

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

Bank's Management is responsible for the preparation and fair presentation of these financial statements in accordance with NFRSs and IFRSs wherever corresponding NFRSs has not been pronounced/ updated in Nepal, and for such internal control

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as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charges with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's 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) 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 a part of audit in accordance with Nepal Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedure responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control.
2. Obtain 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 internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Evaluate the overall presentation, structure, & content of financial statement including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.
5. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

We communicate with those charges with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.




Rammaya Kunwar
Deputy Auditor General

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
As on 31st Asar, 2078 (15th JULY, 2021)

Figures in NRs.

Particulars	Notes	As on 31-3-2078	As on 31-3-2077
ASSETS			
Cash and Cash Equivalents	4.1	625,239,674,554	555,615,980,728
Trading Assets		6,477,636,202	-
Loans and Advances to Bank and Financial Institutions	4.2	122,703,932,366	7,487,473,703
Loans and Advances to Others	4.3	15,516,984,591	12,414,430,212
Overdraft to Government of Nepal		-	-
Gold and Silver at Fair Value	4.4	74,016,326,790	71,009,398,875
Investment Securities	4.5	688,721,551,355	747,848,059,601
Inventories	4.6	1,780,867,822	2,092,693,014
Investment Properties		-	-
Property, Plant and Equipment	4.7	3,407,914,895	2,923,758,243
Intangible Assets	4.8	63,862,300	86,190,992
Other Assets	4.9	709,838,933	645,266,374
TOTAL ASSETS		1,538,638,589,808	1,400,123,251,742
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities held for Trading		-	-
Bills Payable		358,166,889	322,458,714
Deposits from Bank and Financial Institutions	4.10	249,630,925,694	297,852,272,797
Deposit from Government of Nepal		209,577,874,327	142,340,191,367
Deposits from Others	4.11	19,455,135,103	18,733,175,742
Short Term Borrowings	4.12	-	-
IMF Related Liabilities	4.13	23,024,973,324	20,904,127,242
Staff Liabilities	4.14	2,754,451,836	3,194,902,864
Other Liabilities	4.15	1,685,424,009	951,149,514
Currency in Circulation	4.16	669,513,758,854	579,738,632,391
Surplus Payable to Government of Nepal	4.17 (a)	6,661,646,673	6,000,000,000
Total Liabilities		1,182,662,356,709	1,070,036,910,631
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves & Surplus	4.17 (b)	350,976,233,099	325,086,341,111
TOTAL EQUITY		355,976,233,099	330,086,341,111
TOTAL LIABILITIES AND EQUITY		1,538,638,589,808	1,400,123,251,742

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

Mr. Mukunda Kumar Chhetri
Executive Director
Financial Mgmt. Department

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA. Dr. Suvod Kumar Karn
Board Member

As per our report of even date

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Board Member

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Board Member

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BRS Neupane & Co.
Chartered Accountants

CA. Sudarshan Raj Pandey
S.R. Pandey & Co.
Chartered Accountants

Mr. Madhu Kumar Marasini
Secretary MOF/Board Member

Mr. Maha Prasad Adhikari
Governor

CA. Bijay Kumar Agrawal
B.K. Agrawal & Co.
Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

Figures in NRs.

Particulars	Notes	For the Year Ended 31-03-2078	For the Year Ended 31-03-2077
Interest Income	4.18	21,943,028,677	29,734,386,370
Interest Expense	4.19	(123,022,077)	(98,269,150)
Net interest Income		21,820,006,600	29,636,117,220
Fee and Commission Income	4.20	92,042,521	169,606,786
Fee and Commission Expense	4.21	(100,340,659)	(24,182,200)
Net Fee and Commission Income		(8,298,138)	145,424,586
Net Trading Income	4.22	74,816,604	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		1,903,840,197	1,713,421,285
Other Income	4.23	936,986,844	1,452,981,613
Total Operating Income		24,727,352,107	32,947,944,704
Impairment Allowance on Financial Assets		-	(1,843,923)
Impairment Allowance on Financial Assets Written back		3,375,258	10,400,254
Net Operating Income		24,730,727,365	32,956,501,035
Personnel Expenses	4.24	(2,716,278,909)	(2,854,486,599)
Depreciation, Amortisation and Impairment of Non-Financial	4.25	(256,578,914)	(171,591,575)
Operating Expenses	4.26	(2,401,399,369)	(1,719,045,781)
Distributable Net Income/(Expenditure)		19,356,470,173	28,211,377,080
Foreign Exchange Gain/(Loss) - Unrealised		8,192,211,285	58,927,429,280
Gold and Silver Revaluation Gain/(Loss)		3,006,927,915	20,807,318,228
Securities Revaluation Gain/(Loss)		-	-
Net Income/(Expenditure) for the year		30,555,609,373	107,946,124,588
Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss:		1,995,929,286	1,506,015,328
Actuarial gain (Loss) in defined benefit Retirement Schemes		1,008,028,980	467,268,203
Net Change in Fair value of Equity Instruments		987,900,306	1,038,747,125
(ii) Items that are or may be reclassified to profit or loss:		-	-
Other Comprehensive Income		1,995,929,286	1,506,015,328
Total Comprehensive Income		32,551,538,659	109,452,139,916

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

Mr. Mukunda Kumar Chhetri
Executive Director

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Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA. Dr. Suvod Kumar Karn
Board Member

As per our report of even date

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Board Member

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Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

PARTICULARS	For the Year Ended 31-3-2078	Figures in NRs. For the Year Ended 31-3-2077
Cash Flow From Operating Activities		
Net Income/(Expenditure) for the year	30,555,609,373	107,946,124,588
Adjustments		
Depreciation & Amortisation	256,578,914	171,591,575
Dividend Income	(65,036,629)	(39,188,282)
Impairment Allowance on Financial Assets	-	1,843,923
Provisions no Longer Required Written Back	(3,375,258)	(10,400,254)
Grant Income	(123)	(476,098,050)
Profit from Sale of Assets/ Investments	(1,745,456)	(3,041,208)
Assets Written Off	269,952	389,034
Interest paid on IMF Liabilities	8,566,249	57,807,978
Foreign Exchange Gain/(Loss) - Unrealised	(8,192,211,285)	(58,927,429,280)
Net Gold and Silver Revaluation Gain/(Loss)	(3,006,927,915)	(20,807,318,228)
Securities Revaluation Gain/(Loss)		
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,008,028,980	467,268,203
Cash Flow From Operation Before Inc / Dec in Operating Assets	20,559,756,802	28,381,549,999
(Increase)/Decrease in Operating Assets	(124,546,021,351)	18,537,487,409
Loans & Advances	(118,319,013,042)	18,861,273,411
Trading Assets	(6,477,636,202)	-
Inventories	315,200,450	(157,017,833)
Other Assets	(64,572,557)	(166,768,169)
Increase/(Decrease) in Operating Liabilities	21,824,998,883	157,942,369,029
Government Deposit	67,237,682,960	46,734,819,900
Deposit Liabilities	(47,499,387,742)	109,947,766,459
Bills Payable	35,708,175	100,630,609
Short Term Borrowings	-	-
IMF Deposit	1,757,172,023	260,548,220
Staff Liabilities	(440,451,028)	861,958,721
Other Liabilities	734,274,495	36,645,120
Net Cash Flow From Operating Activities	Total (A) (82,161,265,666)	204,861,406,437
Cash Flow From Investing Activities		
Net (Incr)/Decr in Investment Securities	60,114,408,552	(523,498,639,656)
Gold & Silver	-	160,456
Purchase of Property, Plant & Equipment	(732,334,596)	(1,508,895,004)
Sale of Property, Plant & Equipment	19,528,645	36,854,078
Purchase of Intangible Assets	(4,125,419)	(20,044,054)
Dividend Income	65,036,629	39,188,282
Net Cash Flow From Investing Activities	Total (B) 59,462,513,811	(524,951,375,898)
Cash Flow From Financing Activities		
Bank Note Issued	89,775,126,463	76,488,453,418
Increase/Decrease in ECF/RCF Loan & SDR Allocation	363,674,182	329,981,387
Interest paid on IMF Liabilities	(8,566,249)	-57,807,978
Surplus Paid to GON	(6,000,000,000)	-12,020,000,000
Net Cash Flow From Financing Activities	Total (C) 84,130,234,396	64,740,626,827
Net Cash Flow for the Year (A+B+C)	61,431,482,541	(255,349,342,634)
Revaluation Gain or Loss on Foreign Exchange	8,192,211,285	58,927,429,280
Cash and Cash Equivalent at the Beginning of the Year	555,615,980,728	752,037,894,082
Cash and Cash Equivalent at the end of the Year	625,239,674,554	555,615,980,728

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Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

Figures in NRs.

PARTICULARS	Capital	Statutory Reserve				Gold & Silver Equilisation Reserve	Fair Value Reserve	RSRF Administrative Expenses Reimbursement	Acturial Gain Reserve	Other Reserves	Retained Earning	Total
		General Reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equilisation Fund							
Balance as on 1st Shrawan 2076	5,000,000,000	40,140,904,254	8,387,669,682	5,190,155,684	94,900,279,724	26,141,565,798	3,742,955,298	-	-	42,999,842,754	1,482,683,740	227,986,056,934
Adjustment for Prior Period Income (Expense)											(1,409,520,304)	(1,409,520,304)
Restated Balance	5,000,000,000	40,140,904,254	8,387,669,682	5,190,155,684	94,900,279,724	26,141,565,798	3,742,955,298	-		42,999,842,754	73,163,436	226,576,536,630
Net Income for the year							1,038,747,125		467,268,203		107,946,124,588	107,946,124,588
Other Comprehensive Income											-	1,506,015,328
Appropriation of Net Income:												
To General Reserve		8,984,388,463									(8,984,388,463)	-
To Monetary Liability Reserve			1,394,004,100								(1,394,004,100)	-
To Financial Stability Fund				1,394,004,100							(1,394,004,100)	-
To Exchange Equilisation Fund					58,927,429,280						(58,927,429,280)	-
To Gold & Silver Equilisation Reserve						20,807,318,228					(20,807,318,228)	-
To Fair Value Reserve											-	-
To Other Reserve										10,753,814,472	(10,753,814,472)	-
To Net Cumulative Surplus Fund										11,268,898	(11,268,898)	-
Inter Fund Transfer:												
Retained Earning to Net Cum Surplus Fund										555,903,731	(555,903,731)	-
Fair value reserve to Retained Earning							(657,398,041)				657,398,041	-
Retained Earning to Acturial Reserve									926,780,009		(926,780,009)	-
RSRS Fund Surplus received								61,390,949				61,390,949.00
Administrative Expenses Reimbursement								(3,726,384)				(3,726,384.00)
Balance Surplus Transfer to Government											(6,000,000,000)	(6,000,000,000)
Balance as on 31st Asar 2077	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,026	4,124,304,382	57,664,565	1,394,048,212	54,320,829,855	(1,078,225,216)	330,086,341,111
Adjustment for Prior Period Income (Expense)												-
Restated Balance	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,026	4,124,304,382	57,664,565	1,394,048,212	54,320,829,855	(1,078,225,216)	330,086,341,111
Net Income for the year							987,900,306		1,008,028,980		30,555,609,373	30,555,609,373
Other Comprehensive Income											-	1,995,929,286
Appropriation of Net Income:												
To General Reserve		6,608,900,534									(6,608,900,534)	-
To Monetary Liability Reserve			967,823,509								(967,823,509)	-
To Financial Stability Fund				967,823,509							(967,823,509)	-
To Exchange Equilisation Fund					8,192,211,285						(8,192,211,285)	-
To Gold & Silver Equilisation Reserve						2,934,500,765					(2,934,500,765)	-
To Fair Value Reserve											-	-
To Other Reserve										5,757,879,412	(5,757,879,412)	-
To Net Cumulative Surplus Fund										17,676,108	(17,676,108)	-
Inter Fund Transfer:												
Retained Earning to Net Cum Surplus Fund										-	-	-
Fair value reserve to Retained Earning							(2,657,128,858)				2,657,128,858	-
Retained Earning to Fair Value Reserve							26,051,220				(26,051,220)	-
Retained Earning to Acturial Reserve									-		-	-
RSRS Fund Surplus received								-				-
Administrative Expenses Reimbursement								-				-
Balance Surplus Transfer to Government											(6,661,646,673)	(6,661,646,673)
Balance as on 31st Asar 2078	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,791	2,481,127,050	57,664,565	2,402,077,192	60,096,385,375	-	355,976,233,099

As per our report of even date

Mr. Mukunda Kumar Chhetri
Executive Director
Financial Mgnt. Department

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA. Dr. Suvod Kumar Karn
Board Member

CA. Anup Kumar Shrestha
BRS Neupane & Co.
Chartered Accountants

CA. Sudarshan Raj Pandey
S.R. Pandey & Co.
Chartered Accountants

Mr. Ramjee Regmi
Board Member

Mr. Sri Ram Poudyal
Board Member

Mr. Madhu Kumar Marasini
Secretary MOF/Board Member

Mr. Maha Prasad Adhikari
Governor

CA. Bijay Kumar Agrawal
B.K. Agrawal & Co.
Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

1 General Information

Nepal Rastra Bank (hereinafter referred to as 'NRB' or 'the Bank'), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The primary objective of the Bank is to maintain economic stability; price stability as well as external sector stability promote financial access and develop secured, healthy and stable payment systems. In order to attain these objectives, the bank's principal functions include:

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

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by International Accounting Standards Board.

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

2.2 Basis of Measurement

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

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

further processing)	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 12th November 2021.

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

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

2.6 Offsetting

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

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

2.7 Fiscal Year

The financial statements relate to the fiscal year 2077/78 i.e. 1st Sawan 2077 to 31st Asar 2078 corresponding to Gregorian calendar 16th July 2020 to 15th July 2021. The previous year was 1st Sawan 2076 to 31st Asar 2077 (17th July 2019 to 15th July 2020).

2.8 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:

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

- 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

2.9 Controlling Body

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

- The Bank shall be the banker and financial advisor of Government of Nepal and a financial agent of the Government.
- Government of Nepal shall consult the Bank on any matters that are within the jurisdiction of its competence. It shall be the duty of the Bank to advice on matter consulted by the Government of Nepal.
- Government of Nepal shall, while preparing annual budget, consult the Bank on the domestic debt including overdrafts.
- The Bank shall submit a pre-budget review report to Government of Nepal each year on the economic and financial matters.

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

2.10 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.

2.11 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2077-78 (2020-21 AD)

in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Bank's investment in National Productivity and Economic Development Ltd. is in excess of 20% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for being the associates of the bank does not meet, the equity accounting for such investment has not been done.

2.12 Changes in Accounting Policies

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

A) Accounting of printing cost of new currency

The bank had recognized printing cost of currency as inventories and charged it to profit or loss account during the year in which the new stock of currency was issued in circulation. However, since the printed currency does not meet the definition of inventories as per NAS 2 : "Inventories" as well as assets as per conceptual framework of NFRS, the bank has changed its accounting policy to charge the entire printing cost of new currency to profit or loss during the year of printing of the currency.

B) Measurement of Staff Medical Facilities

Measurement of staff medical facilities was done based on management best estimate. However, since the staff medical facilities meet the definition of defined benefit plan, the obligation of the benefit has been measured during the year by adopting actuarial technique as required by NAS 19: "Employees Benefit". The valuation has been done by an independent qualified actuary from outside the entity. This change in base of measurement has been resulted into changes in accounting policy as per NAS 8.

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

Impact on Financial Statements	Note Stock	Medical Benefits	Total
Charged to Opening Retained Earnings	957,679,167	451,841,137	1,409,520,304
Reversal of previous year expense	(251,947,675)	(79,347,414)	(331,295,089)
Increase/(decrease) in current year expense	872,460,327	(1,557,155)	870,903,172
Total decrease in Note Stock/Increase in Medical Liabilities	1,578,191,819	370,936,568	1,949,128,387
Total negative impact on Retained Earning	1,578,191,819	370,936,568	1,949,128,387

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

2.13 Standards those are not yet effective

The Institute of Chartered Accountants of Nepal has pronounced some new standards that are not effective during the year. These standards are effective from financial year starting from July 16 2021. The bank has not applied the following applicable standards in preparing these financial statements.

Particulars	NFRS 9	NFRS 15	NFRS 16
Standards	Financial Instrument	Revenue from contract with customer	Lease
Implementation of new standards result in changes in accounting policy	Yes, Impairment methodology shall be changed from Incurred Loss Model to Expected Loss Model	No	Yes, lease payment under operating lease recognized as expense as per existing NAS shall be recognized as lease liabilities and right to use assets.
Effective date and bank planning for its implementation	From financial year starting from July 16, 2021. The Bank has planned to apply these new standards from its effective date.		
Possible impact on financial statements	Not material impact on financial statement	No any changes	Not material impact on financial statement

3 Significant Accounting Policies

3.1 Interest Income/(Expenses)

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably. Expenses are accounted on accrual basis.

Interest income/(expenses) is recognized in Statement of Net Income using the effective interest method when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably.

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2077-78 (2020-21 AD)

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.

3.2 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 profit or loss. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

iv. Other Income

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.
- Grant Income is not recognized until there is reasonable assurance 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 profit or loss of the period in which it becomes receivable.

Income and expenses are presented on a net basis only when permitted under NFRS.

3.3 Leases

Payments made under operating leases are recognized in Statement of Net Income. The lease rental is adjusted for inflation rate periodically and the same amount is booked as

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

operating lease expense which the bank believes is more representative than the straight line method in line with para 33 of NAS-17.

3.4 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.

3.5 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.

3.6 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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

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:

- **At amortised cost:** Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.
- **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.
- **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein, other than impairment losses which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is transferred to retained earnings.

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.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

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. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

ii) De-recognition

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

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:

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows. Details related to fair value hierarchy is presented in Note 5.6.5 as well.

F. Identification and measurement of impairment:

At each reporting date the bank assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

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Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or delinquency by a borrower;
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider;
- indication that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

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

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

Impairment losses are recognized in income or expenditure and reflected in an allowance account against loans and receivables or other financial assets. Impairment losses on financial instruments through other comprehensive income are a part of equity routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement or statement of other comprehensive income.

If, in a subsequent period, the fair value of an impaired financial instruments through other comprehensive income increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through income or expenditure; otherwise, any increase in fair value is recognized through OCI. Any subsequent recovery in the fair value of an impaired financial instruments through other comprehensive income is recognized through OCI. Any subsequent recovery in the fair value of such instruments is always recognized in 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:

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

- 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.

3.7 Cash and Cash Equivalents

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

3.8 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 in 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 income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure. Further, the difference in the book value of the trading assets and the disposal proceeds is recognized in profit or loss.

3.9 Loans and Advances to Banks and Financial Institutions

NRB acts as a banker of all Banks and Financial Institutions. Loans and advances to Banks and Financial Institutions include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities. The criteria for the recognition, measurement and disposal of such loans and advances are already explained in Note 3.9(Financial assets). These loans are recognized at amortized cost owing to the business model opted by the bank and cash flow characteristics of the instruments.

3.10 Loan and Advances to Others

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as other parties. The Bank provides various types of loans at concessional/subsidized rate to its employee as per the Staff Bylaws of the Bank. As per NFRS 9, Fair value of a long term loan or receivable that carries no or below market rate interest, shall be measured as present value of all future cash receipts discounted at prevailing market rate of interest. Accordingly, the difference between the present value and the actual transaction amount is recognized as “Deferred Employee Benefit”. Hence, the loans are measured at amortised cost and difference amount between the principal and present value of the loan is booked as deferred employee benefit.

NEPAL RASTRA BANK

Notes Forming part of Financial Statements Fiscal Year 2077-78 (2020-21 AD)

3.11 Investment Securities

The bank invests in various securities for the purpose of foreign exchange management, liquidity management and management of other various funds of the bank. Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction cost, and subsequently accounted for depending on their classification as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

A. Investment measured at Amortized Cost

The Bank shall classify financial assets as subsequently measured at either amortised cost or fair value on the basis of both:

- (a) the bank's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Investments that are measured at amortized cost shall be accounted using Effective Interest Rate (EIR). The difference between the interest calculated based on EIR and the actual interest income is adjusted in the amortized cost of the asset.

B. Investment measured at Fair Value through Profit or Loss (FVTPL)

Investment in shares of other companies may be classified as "Investment measured at Fair Value through Profit and Loss (FVTPL)". In such cases, the shares shall be valued at Fair Value and any changes in the fair value of the shares shall also be recognized in PL account.

C. Investment measured at Fair Value through Other Comprehensive Income (FVTOCI)

Investment in shares of other companies may be classified as "Investment measured at Fair Value through Other Comprehensive Income (FVTOCI)". In such cases, the shares shall be valued at Fair Value and any changes in the fair value of the shares shall also be recognized in Other Comprehensive Income.

3.12 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.

3.13 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 2077-78 (2020-21 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 is expensed in profit or loss account and is not accounted for as under Property, Plant and Equipment. However, in case of land, any value of land is accounted for under Property, Plant and Equipment (limit of Rs 25,000 is not applicable).

Similarly, 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 date they are available for use or in respect of self-constructed assets, from the date that the construction is

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2077-78 (2020-21 AD)

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	5 years
Others	5 years

v. Impairment

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

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

vi. Assets received in grant

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

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

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3.14 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 de-recognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in PL account on disposal.

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3.15 Impairment of Non-Financial Assets

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

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

3.16 Gold and Silver at fair value

Gold and silver held as investment (paper gold as well as reserve gold/silver) is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Appropriation of Net Income/(Expenditure). Any cost incurred to purchase such investment, along with other cost directly associated with such purchase is charged in PL account.

3.17 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.

3.18 Impairment of Non financial assets:

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

3.19 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,

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

3.20 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.

3.21 Provisions

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

3.22 Employee Benefits

- **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.

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A. Defined Contribution Plan

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

i. Contributory Retirement Fund:

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

ii. Welfare Provident Fund:

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

• Defined Benefits Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the Bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

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

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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 withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

3.23 Currency in Circulation

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act, 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are secured by assets including foreign currency and foreign securities etc. as permitted by Nepal Rastra Bank Act, 2058.

The Bank also issues coins of various denominations for circulation. Currency circulation liability does not include the liability on account of coins in circulation, as allowed by the Act.

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 profit or loss. Any amount that has been removed from the economy is accounted for as disposal of Financial Liabilities.

3.24 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

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

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

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

3.25 Unclaimed Account

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

3.26 Bills Payable and Bills Receivable

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

3.27 Consolidation of Project Accounts

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

The projects for which the Bank has entered into separate subsidiary loan agreements with Government of Nepal or has entered into separate project agreements with other funding agencies are consolidated with the Bank's account. For projects which are implemented by the bank on behalf of the GON, the accounts of these projects are not consolidated with bank's financial statements as the Bank has no obligation towards such projects or any other counter party and there is no right of the Bank in assets, liabilities, equity, income and expense of such projects. However, disclosure of financial and other information of such projects is given in the notes.

3.28 Presentation

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

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4 Notes relating to items in the financial statements

4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.7, balances of cash and cash equivalent at the reporting date are as below:

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Cash in Hand & at Vault	10,112,660,692	37,932,848,845
Balances with Other Banks	90,957,723,922	84,277,448,893
GOI Treasury Bills	308,627,239,165	295,073,760,103
US Government Treasury Bills	41,660,690,688	18,051,609,752
Time Deposit	173,447,449,401	119,847,126,559
IMF Related Assets: SDR Holdings	419,318,478	412,972,270
Total Foreign Currency	625,225,082,346	555,595,766,422
Local Currency:		
Cash in Hand & at Vault	-	-
Balances with Other Banks	14,592,208	20,214,306
Total Local Currency	14,592,208	20,214,306
Total	625,239,674,554	555,615,980,728

4.2 Loans and Advances to Bank & Financial Institutions

Please refer accounting policy in Note 3.9. The balances of loans and advances to banks and financial institutions (B/FIs) and microfinance (MFI) are as below:

Particulars	31-03-2078	31-03-2077
Refinance/SLF Loans:		
Commercial Banks	108,867,935,693	7,302,907,919
Development Banks	7,744,481,135	138,799,737
Finance Companies	1,253,574,212	45,766,047
Loan to Micro Finance Institutions	4,837,941,326	-
Less: Allowance for impairment	-	-
Total	122,703,932,366	7,487,473,703
Allowance for impairment		
Balance as on Sawan 1	-	10,000,000
Charge for the year	-	-
Effect of foreign currency movements	-	-
Reversal of Impairment Loss	-	(10,000,000)
Balance as on Asar End	-	-

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

Details of type of refinance/loan provided to banks and financial institutions have been given below:

Particulars	Period	Refinance Rate	31-03-2078	31-03-2077
General Refinance	1 year	3%	78,914,655,011	6,266,769,739
Special/Export Refinance	1 year	1%	12,649,267,913	-
Zero Interest Loan	1 year	0%	2,891,114	1,220,703,964
Loan to SME	1 year	2%	31,137,118,328	-
Total			122,703,932,366	7,487,473,703

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4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.10. The balances are given as below:

Particulars	31-03-2078	31-03-2077
Advance to GON for Business Continuity Loan Programme	1,460,000,000	-
Loans to Sana Kishan Bikas Laghubitta Bittiya Sanstha Ltd.	125,000,000	297,000,000
Balance with Asian Clearing Union (ACU)		
Gross Loans to Employees	4,927,921,951	4,889,447,691
Less: Amortisation Adjustment	(661,783,372)	(643,662,271)
Net Loans to Employees	4,266,138,579	4,245,785,420
Interest Receivable		
Australian Dollar	742,094	26,769,204
Canadian Dollar	1,578,426	4,039,021
Yuan Ren-Min-Bi (China)	1,567,900,201	1,422,418,147
Indian Rupees	-	5,573,889
Nepalese Rupee	2,173,490,380	1,342,118,956
Pound Sterling	-	4,235,834
United States Dollars	318,925,028	1,168,609,144
Interest Receivable	4,062,636,129	3,973,764,195
Advances Recoverable		
Advance to Staff	9,372,603	7,391,072
Sundry Debtors	1,730,681,080	29,049,591
Advance for Construction	1,178,702,860	929,919,790
Prepaid Expenses	81,417,937	85,068,861
Pension Advance Account	2,597,864,646	2,840,427,929
Staff Endowment Policy Advance	8,907,350	10,203,108
Other	443,161	-
Less: Impairment Allowance	(4,179,754)	(4,179,754)
Net Advances Recoverable	5,603,209,883	3,897,880,597
Total	15,516,984,591	12,414,430,212

Loans and advances to employees are provided with/without collateral.

4.4 Gold & Silver at Fair Value

Please refer accounting policy in Note 3.16. The balances are given as below:

Particulars	31-03-2078	31-03-2077
Investment in Paper Gold	44,655,278,083	44,996,868,751
Gold Held in Stock at Fair Value	15,610,737,010	15,543,335,668
Silver Held in Stock at Fair Value	13,750,311,697	10,469,194,456
Total	74,016,326,790	71,009,398,875

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4.5 Investment Securities

Please refer accounting policy in Note 3.11. The balances are given as below:

Particulars	31-03-2078	31-03-2077
At Amortized Cost	685,573,089,344	743,030,359,039
At Fair Value through Other Comprehensive Income (OCI)	3,148,462,011	4,817,700,562
At Fair Value through Profit or Loss	-	-
Total	688,721,551,355	747,848,059,601
a) Investment Securities at Amortized Cost	31-03-2078	31-03-2077
Government Bonds(USD)	65,361,640,349	30,059,869,390
Government Treasury Notes/Bonds (CNY)	137,429,723,433	70,378,126,202
Time Deposit	418,890,812,169	570,599,057,663
Government Bond (GON)	43,369,513,412	44,039,643,610
Government Treasury Bills (GON)	15,460,827,981	21,226,657,174
Saving Certificates (GON)	184,170,000	1,956,365,000
Fixed deposit with Bank & Financial Institutions	5,130,162,000	5,024,400,000
Less individual allowance for impairment	(253,760,000)	(253,760,000)
Total	685,573,089,344	743,030,359,039
Impairment Loss on Amortised Cost Investment		
Balance as on 01-04-2077	253,760,000	253,760,000
Charge for the year	-	-
Reversal of Impairment	-	-
Balance as on 31-03-2078	253,760,000	253,760,000

Deposit amounting Rs.253,760,000 made in problematic financial institution has been provided as allowance for impairment .

b) Investment Securities at Fair Value through OCI	31-03-2078	31-03-2077
Quoted equity securities	168,426,475	2,731,383,998
Unquoted equity securities	2,987,535,536	2,093,816,564
Less: Allowance for impairment of equity securities	(7,500,000)	(7,500,000)
Total	3,148,462,011	4,817,700,562
Impairment Loss on Investment Securities		
Balance as on 01-04-2077	7,500,000	7,500,000
Charge for the year	-	-
Reversal of Impairment	-	-
Balance as on 31-03-2078	7,500,000	7,500,000

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

Impairment allowance has been done for the investment in Agricultural Project Service Center, which is in liquidation and National Productivity and Economic Development Center, whose financial condition is weak .

I) Investment in quoted equity securities includes the following:

Particulars	31-03-2078	31-03-2077
RMDC Laghubitta Bittiya Sanstha Ltd.	-	-
Citizen Investment Trust	-	2,657,138,858
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	168,426,475	74,245,140
Total	168,426,475	2,731,383,998

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The shares are revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, ratio of share price of promoter share is considered as 50% of Public Share. Further disclosure has been given in point 5.14.1.

II) Investment in unquoted equity securities includes the following:

Particulars	31-03-2078	31-03-2077
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	726,744,705	814,850,779
National Productivity and Eco. Dev.	2,500,000	2,500,000
Deposit & Credit Guarantee Fund	1,652,222,519	1,027,600,000
Nepal Clearing House	105,524,004	85,480,402
Credit Information Bureau	177,814,448	130,367,070
National Banking Institute	28,587,097	27,018,313
Total	2,987,535,536	2,093,816,564

Fair Value of the shares investment in unquoted equity securities have been arrived based on the latest available audited financial statement of respective entities. Further disclosure has been given in point 5.6.1.2 (i) and 5.14.2.

III) Selection of Presentation criteria

Investment Securities at fair value through other comprehensive income includes the investment in equity instruments which were made under specific directives or policies of the Government of Nepal and other relevant statutes and are not held for trading purpose. Accordingly, the bank has made an irrevocable election to present those in investment securities at fair value through other comprehensive income.

4.6 Inventories

Please refer accounting policy in Note 3.17. The details of balance are as follows:

Particulars	31-03-2078	31-03-2077
Gold Held in Stock at Cost	1,691,268,802	1,985,480,673
Silver Held in Stock at Cost	53,768,750	60,581,245
Security Note Stock	-	-
Coin Stock	31,490,826	45,529,000
Other Metal Stock	12,581,687	12,582,262
Numismatic Stock	22,485,498	22,485,498
Dispensary Stock	453,799	591,134
Total Inventories	1,812,049,362	2,127,249,812
Less: Allowance for non-moving stocks		
Non-moving Numismatic Stock	(22,465,540)	(22,465,540)
Non-moving Other Metal Stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	-	(3,375,258)
Total Allowance for non-moving stocks	(31,181,540)	(34,556,798)
Total Inventories Net of Allowance for non-moving stocks	1,780,867,822	2,092,693,014

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4.7 Property, Plant and equipment

Please see accounting policy in Note 3.13. The details are given as below:

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%	20%	20%	20%	20%	10%	20%		
Original Cost	Balance as on 1st Sawan 2076	193,834,552	782,593,793	226,958,363	361,021,204	117,845,518	170,918,299	59,261,475	5,507,858	572,369,260	2,490,310,321
	Addition during the Year	-	54,726,627	26,674,743	111,083,280	5,634,540	19,817,414	5,898,176	308,892	1,284,362,298	1,508,505,970
	Disposal/Write Off/Adjustment	-	-	(13,517,241)	(20,650,364)	(1,496,760)	(11,483,460)	(1,009,404)	-	(28,815,930)	(76,973,159)
	Balance as on 31st Asar 2077	193,834,552	837,320,420	240,115,865	451,454,120	121,983,298	179,252,253	64,150,247	5,816,750	1,827,915,628	3,921,843,132
Accumulated Depreciation	Balance as on 1st Sawan 2076	-	327,732,318	150,681,246	167,904,599	103,820,416	115,399,337	23,793,409	4,718,240	-	894,049,564
	Depreciation for the Year	-	24,091,726	28,378,020	65,557,953	4,463,252	19,803,682	4,686,388	214,593	-	147,195,614
	Disposal/Write Off/Adjustment	-	-	(12,995,343)	(16,419,480)	(1,496,744)	(11,239,334)	(1,009,388)	-	-	(43,160,289)
	Balance as on 31st Asar 2077	-	351,824,044	166,063,923	217,043,072	106,786,924	123,963,685	27,470,409	4,932,833	-	998,084,889
Net Book Value as on 31st Asar 2077		193,834,552	485,496,376	74,051,942	234,411,048	15,196,374	55,288,568	36,679,838	883,917	1,827,915,628	2,923,758,243
Original Cost	Balance as on 1 st Sawan 2077	193,834,552	837,320,420	240,115,865	451,454,120	121,983,298	179,252,253	64,150,247	5,816,750	1,827,915,628	3,921,843,132
	Addition during the Year	-	55,459,923	54,400,083	98,600,000	1,809,133.73	11,040,697.05	1,439,941	287,137.49	509,297,681	732,334,596
	Disposal/Write Off/Adjustment	(861,400)	(107,531,567)	(20,630,503)	(11,936,885)	(4,007,541)	(12,106,253)	(829,180)	(4)	(14,217,070)	(172,120,403)
	Balance as on 31st Asar 2078	192,973,152	785,248,776	273,885,445	538,117,235	119,784,891	178,186,697	64,761,008	6,103,883	2,322,996,239	4,482,057,325
Accumulated Depreciation	Balance as on 1st Sawan 2077	-	351,824,044	166,063,923	217,043,072	106,786,924	123,963,685	27,470,409	4,932,833	-	998,084,889
	Depreciation for the Year	-	24,231,546	31,455,551	71,707,328	4,895,830	19,585,750	5,099,477	234,539	-	157,210,021
	Disposal/Write Off/Adjustment	-	(34,485,832)	(20,222,050)	(9,765,850)	(4,007,530)	(11,842,047)	(829,169.04)	-	-	(81,152,478)
	Balance as on 31st Asar 2078	-	341,569,758	177,297,424	278,984,550	107,675,224	131,707,388	31,740,717	5,167,372	-	1,074,142,432
Net Book Value as on 31st Asar 2078		192,973,152	443,679,018	96,588,021	259,132,685	12,109,667	46,479,309	33,020,291	936,511	2,322,996,239	3,407,914,893

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Notes Forming part of Financial Statements
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4.8 Intangible Assets

Please refer accounting policies in Notes 3.14. The details of balance are as follows:

Particulars		Computer Software				Total Assets
		Useful Life Defined by Contractual Agreements	Other Useful Life		Capital Work in Progress	
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1st Sawan 2076	1,763,930	13,273,223	229,272,935	-	244,310,088
	Addition during the Year	757,665	8,200,000	11,086,389	-	20,044,054
	Disposal/Write Off/Adjustment	-	1,091,300	1,091,300	-	
	Balance as on 31st Asar 2077	2,521,595	20,381,923	241,450,624	-	264,354,142
Accumulated Amortisation	Balance as on 1st Sawan 2076	1,758,681	10,623,533	141,384,975	-	153,767,189
	Depreciation for the Year	194,643	825,428	23,375,890	-	24,395,961
	Disposal/Write Off/Adjustment	-	45,220	45,220	-	
	Balance as on 31st Asar 2077	1,953,324	11,403,741	164,806,085	-	178,163,150
Net Book Value as on 31st Asar 2077		568,271	8,978,182	76,644,539	-	86,190,992
Original Cost	Balance as on 1st Sawan 2077	2,521,595	20,381,923	241,450,624	-	264,354,142
	Addition during the Year	-	3,291,044	834,375		4,125,419
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31st Asar 2078	2,521,595	23,672,967	242,284,999	-	268,479,561
Accumulated Amortisation	Balance as on 1st Sawan 2077	1,953,324	11,403,741	164,806,085	-	178,163,150
	Depreciation for the Year	252,530	2,066,208	24,135,372	-	26,454,110
	Disposal/Write Off/Adjustment			-		-
	Balance as on 31st Asar 2078	2,205,854	13,469,949	188,941,457	-	204,617,260
Net Book Value as on 31st Asar 2078		315,741	10,203,018	53,343,542	-	63,862,301

4.9 Other Assets

Particulars	31-03-2078	31-03-2077
Deposits	1,481,138	1,566,478
Deferred Employees Benefits	661,783,372	643,662,271
Project Assets	-	-
Other Receivables	46,574,423	37,625
Total	709,838,933	645,266,374

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4.10 Deposits from banks and financial institutions

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

Particulars	31-03-2078	31-03-2077
Foreign Currency	12,803,557,028	8,306,752,738
Local Currency	236,827,368,666	289,545,520,059
Total	249,630,925,694	297,852,272,797

Deposit from bank and financial institutions include amount deposited by Bank & Financial Institutions for cash reserve ratio (CRR), among others. All deposits are non interest bearing.

4.11 Deposits from Others

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

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Public Enterprises	293,887,057	297,172,379
Other Organisations	588,058	594,628
Total Foreign Currency	294,475,115	297,767,007
Local Currency:		
Public Enterprises	9,533,209,940	6,110,965,777
Margin Deposit in LCs	8,950,262,664	12,259,639,140
Other Organisations	677,187,384	64,803,818
Total Local Currency	19,160,659,988	18,435,408,735
Total	19,455,135,103	18,733,175,742

All deposits are non interest bearing and current in nature.

4.12 Short Term Borrowings

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

Particulars	31-03-2078	31-03-2077
NRB Bonds	-	-
Deposit Collection-Auction	-	-
Reverse Repo Liabilities	-	-
Total	-	-

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

4.13 IMF Related Liabilities

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

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Special Drawing Right Allocation	11,562,630,914	11,198,956,855
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	-	-
Loan under Extended Credit Facility (ECF)	-	-
Total Foreign Currency	11,562,630,914	11,198,956,855
Local Currency:		
IMF Account No 1	11,461,453,112	9,704,281,089
IMF Account No 2	889,298	889,298
Total Local Currency	11,462,342,410	9,705,170,387
Total	23,024,973,324	20,904,127,242

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4.14 Staff Liabilities

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

Particulars	31-03-2078	31-03-2077
Medical Fund (Includes Medical Earning Fund, Interest, etc)	1,168,631,579	1,151,044,189
Welfare Provident Fund	649,274,118	606,029,818
Liability for Staff Leave Encashment	956,207,913	921,908,527
Liability for Retired Staff	680,134,692	677,464,689
Gratuity and Pension Fund	18,789,259,309	19,037,326,365
Less: Plan Assets	(19,541,916,973)	(19,432,685,089)
	(752,657,664)	(395,358,724)
Staff Security Fund	1,971,672,919	1,956,932,094
Less: Plan Assets	(1,918,811,721)	(1,723,117,729)
	52,861,198	233,814,365
Total	2,754,451,836	3,194,902,864

4.15 Other liabilities

Particulars	31-03-2078	31-03-2077
Interest Payable	1,267,588	1,634,446
Asian Clearing Union	964,112,683	68,747,235
Earnest Money	-	-
Loan from Nepal Government for Project Operation	88,050,000	101,000,000
Unclaimed Account	80,120,303	78,788,722
General Account	6,972,436	6,972,436
Other Liabilities	544,900,999	694,006,675
a) Provision for Expenses	47,033,933	46,001,020
b) Taxes Payable	74,527,169	71,419,875
c) Others	423,339,897	576,585,780
Total	1,685,424,009	951,149,514

4.16 Currency in Circulation

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

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

Denomination	31-03-2078	31-03-2077
1	160,762,360	160,858,760
2	184,894,074	184,772,946
5	2,902,510,160	2,923,801,335
10	4,495,896,570	4,570,469,090
20	5,233,616,940	5,396,753,860
25	57,140,500	57,214,450
50	10,344,729,600	10,617,115,200
100	20,459,179,400	19,969,249,500
250	87,426,250	87,426,250
500	148,254,321,000	149,327,536,000
1000	477,333,282,000	386,443,435,000
Total	669,513,758,854	579,738,632,391

Total currency in circulation has been netted off with the cash balance at vault in the bank. The details of total currency in circulation, cash at vault and net currency in circulation has been presented as below :

Particulars	31-03-2078	31-03-2077
Gross amount of Currency in Circulation	683,500,000,000	588,060,000,000
The amount that has been set off for Cash at Vault	13,986,241,146	8,321,367,609
Net Currency in Circulation balance	669,513,758,854	579,738,632,391

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

The Board of Directors of the Bank has appropriated the following amount to different funds during the year as required by Nepal Rastra Bank Act, 2058 and the balance amount will be paid to GON as per the said Act.

Particulars	F.Y 2077-78	F.Y 2076-77
Net Income/(Expenditure) for the year	30,555,609,373	107,946,124,588
Foreign Exchange Gain/(Loss) - Unrealised	(8,192,211,285)	(58,927,429,280)
Net Gold and Silver Revaluation Gain/(Loss)	(2,934,500,765)	(20,807,318,228)
Transfer from Fair Value Reserve	2,657,128,858	657,398,041
Transfer to Fair Value Reserve	(26,051,220)	
Surplus/(Deficit) Due to Changes in Accounting Policies	(1,078,225,216)	(1,409,520,304)
Surplus Available for Distribution	20,981,749,745	27,459,254,817
Less: Appropriations		
General Reserve	(6,608,900,534)	(8,984,388,463)
Monetary Liability Reserve	(967,823,509)	(1,394,004,100)
Financial Stability Fund	(967,823,509)	(1,394,004,100)
Development Fund	(4,650,000,000)	(9,120,000,000)
Development Finance Project Mobilisation Fund	(8,056,486)	(11,810,896)
Banking Development Fund	-	(450,000,000)
Mechanisation Fund	-	(550,000,000)
Gold Replacement Fund	(1,099,822,926)	(172,003,576)
Mint Development Fund	-	(450,000,000)
Net Cumulative Surplus Fund	(17,676,108)	(11,268,898)
Transfer to Retained Earnings	-	(1,078,225,216)
Balance Payable to Government of Nepal	6,661,646,673	6,000,000,000

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability. The deficit amount of Rs. 1,078,225,216 pertaining to previous year is transferred to retained earnings due to changes in accounting policies.

4.17 (b) Reserves & Surplus

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

Particulars	31-03-2078	31-03-2077
Capital Reserve:		
Gold and Silver Equalization Reserve	49,883,384,792	46,948,884,026
Statutory Reserve:		
General Reserve	55,734,193,251	49,125,292,717
Monetary Liabilities Reserve	10,749,497,291	9,781,673,782
Financial Stability Fund	7,551,983,293	6,584,159,784
Exchange Equalization Fund	162,019,920,289	153,827,709,004
Net Cumulative Surplus Fund	1,360,864,592	1,343,188,484
Other Reserves and Funds:		
Development Fund	51,595,989,244	46,945,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
Development Finance Project Mob. Fund	291,144,361	283,087,875
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	1,942,421,510	842,598,584
Rural Self Reliance Fund (GS Fund)	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement F	57,664,566	57,664,566
Actuarial Gain Reserve	2,402,077,192	1,394,048,212
Fair Value Reserve for Equity Instruments	2,481,127,051	4,124,304,382
Retained Earnings	-	(1,078,225,216)
Total Reserves and Funds	350,976,233,099	325,086,341,111

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

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4.18 Interest Income

See accounting policy 3.1 . Interest income includes the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Assets		
Income on Bonds/Treasury Bills	13,198,348,868	15,443,565,106
Income from Fixed Term Deposit	4,134,659,462	9,989,407,173
Interest Income from Foreign Gold Deposit	142,503,806	129,407,677
Interest Income on Call Deposit	22,609,358	408,727,387
Sub-total	17,498,121,494	25,971,107,343
Local Currency Financial Assets		
Government Securities	2,458,528,704	2,698,396,899
Investment in Financial and Other Institutions	326,105,071	428,876,991
Loans and Refinance	1,660,273,408	636,005,137
Sub-total	4,444,907,183	3,763,279,027
Total Interest Income from Financial Assets	21,943,028,677	29,734,386,370

4.19 Interest Expenses

See accounting policy in Note 3.1. Interest expenses include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	8,566,249	57,807,978
Others	1,232,511	12,803,520
Sub-total	9,798,760	70,611,498
Local Currency Financial Liabilities		
Deposit Collection	77,793,413	10,360,892
Reverse Repo	35,429,904	17,296,760
NRB Bond	-	-
Sub-total	113,223,317	27,657,652
Total Interest Expense on Financial Liabilities	123,022,077	98,269,150

4.20 Fee and commission income

See accounting policy in Note 3.2(i). Fee and commission income include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Assets		
On Currency Exchange	1,113,682	1,036,933
Sub-total	1,113,682	1,036,933
Local Currency Financial Assets		
Government Transaction & Other services	90,928,839	168,569,853
Sub-total	90,928,839	168,569,853
Total Commission Income from Financial Assets	92,042,521	169,606,786

4.21 Fee and commission expense

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Liabilities		
Commission & Charges	98,371,004	23,206,644
Sub-total	98,371,004	23,206,644
Local Currency Liabilities		
Agency Expenses	1,969,655	975,556
Sub-total	1,969,655	975,556
Total Agency and Service Charge	100,340,659	24,182,200

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4.22 Net Trading Income

See accounting policy in Note 3.2(ii). Net Trading Income include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Profit/(loss) on sale of trading assets	147,243,754	-
Revaluation gain/(loss) on trading assets	(72,427,150)	-
Other income on trading assets	-	-
Total	74,816,604	-

4.23 Other Income

See accounting policies in Notes 3.2 (iv). Other income comprises the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Income from Mint (Sale of Coin)	54,026	110,208
Gain from Sale of Precious Metals and Coins	952,642,658	194,055,951
Fine/Penalty Charge	14,253,517	47,023,769
Profit on Sale of Assets	1,745,456	3,041,208
Profit/(Loss) on Sale of Investment Securities	(181,325,100)	536,163,920
Dividend Income	65,036,629	39,188,282
Project Income/(Loss)	8,056,486	11,810,896
Grant Income	123	476,098,050
Miscellaneous	76,523,049	145,489,330
Total	936,986,844	1,452,981,613

Out of total dividend income of Rs. 65,036,629, Rs 35,596,721 has been received on account of the shares of Citizen Investment Trust. Total 4,362,176 Kitta shares of Citizend Investment Trust were sold on 2078/03/20 because of the decision of the management for divestment of shares that were in excess of the prescribed threshold as per Nepal Rastra Bank Act, 2058. As at the date of de-recognition, the fair value of the disposed share was Rs 609.13 and cumulative gain/(loss) on disposal of the same was Rs 2,657,128,858. Cumulative gain/loss has been transferred within equity during the period on account of such derecognition.

4.24 Personnel expenses

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

Particulars	F.Y 2077-78	F.Y 2076-77
Salary	627,870,663	633,428,401
Allowances	635,209,443	645,873,069
Provident Fund Contribution	62,787,066	63,342,840
Staff Welfare	76,094,407	79,108,553
Staff Welfare Provident Fund	574,436,075	530,265,000
Pension & Gratuity Fund	316,285,188	286,326,903
Staff Security Fund	75,066,772	83,155,616
Staff Leave Compensation	144,221,939	160,258,061
Staff Medical Fund	117,785,852	282,818,814
Finance Cost under NFRS on Staff Loan	72,750,541	72,917,765
Others	13,770,963	16,991,577
Total	2,716,278,909	2,854,486,599

4.25 Depreciation, amortisation and impairment of non financial assets

Particulars	F.Y 2077-78	F.Y 2076-77
Depreciation on Property & Equipment	157,210,020	147,195,614
Impairment of Property & Equipment	72,914,784	-
Amortisation of intangible assets	26,454,110	24,395,961
Impairment of intangible assets	-	-
Total	256,578,914	171,591,575

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4.26 Operating expenses

Particulars	F.Y 2077-78	F.Y 2076-77
Directors Fees and Expenses	6,094,836	7,103,606
Note Printing Charges	1,639,375,055	837,684,032
Mint Expenses	1,593	3,991,197
Security charges	61,258,332	58,904,474
Remittance Charges	38,300,267	36,693,734
Travelling Expenses	47,651,435	165,733,226
Insurance Charges	122,602,657	123,229,273
Repair & Maintenance	22,950,679	23,109,067
Banking Promotion	28,919,160	42,487,864
Audit Fees and Expenses	2,553,977	2,627,061
Assets Written Off	269,952	389,034
Utilities Expenses	40,075,100	47,434,221
Postal and Communication Expenses	19,291,693	19,265,217
House Rent	45,033,973	41,510,635
Training Seminar and Membership	52,490,939	49,520,489
Expenses on Miscellaneous Assets	4,685,616	9,013,356
Consumable Expenses	11,944,942	23,872,678
Books and Periodicals	8,069,328	8,521,620
Software Annual Maintenance Charges	112,725,437	83,812,833
Meeting Fee and Expense	23,752,498	23,052,015
Advertisement	11,529,373	10,108,398
Wages	47,614,287	22,970,319
Miscellaneous Expenses	54,208,240	78,011,432
Total	2,401,399,369	1,719,045,781

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5. Significant Disclosures

5.1. Gold and Silver

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

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

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)
Investment in Paper Gold	5,863.058408	44,655,278,083	5,863.058408	44,996,868,751
Gold held in Stock	1,953.662100	15,610,737,010	1,953.662100	15,543,335,668
Silver held in Stock	121,522.860782	13,750,311,697	121,522.860782	10,469,194,456
Total		74,016,326,790		71,009,398,875

Fair value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Fine Gold (9999) has been considered for the purpose of fair value.

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

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	Weight (Kg, Gm, Mg)	Value (NRs.)	Weight (Kg, Gm, Mg)	Value (NRs.)
Gold held in Stock	564.35500	1,691,268,802	649.81192	1,985,480,673
Silver held in Stock	3,037.37785	53,768,750	3,211.31155	60,581,245
Total		1,745,037,552		2,046,061,918

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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	Previous Year
1	US Dollar	119.04	120.37
2	UK Pound Sterling	164.83	150.69
3	Euro	140.39	136.81
4	Swiss Franc	129.53	128.10
5	Australian Dollar	88.67	83.68
6	Canadian Dollar	95.21	88.35
7	Singapore Dollar	87.8	86.38
8	Japanese Yen	1.77	1.121
9	Chinese Yuan	18.4	17.15
10	Saudi Arabian Riyal	31.74	32.09
11	Qatari Riyal	32.69	33.06
12	Thai Baht	3.64	3.81
13	UAE Dirham	32.41	32.77
14	Malaysian Ringgit	28.34	28.18
15	South Korean Won	0.1036	0.0998
16	Swedish Kroner	13.75	13.16
17	Danish Kroner	18.88	18.38
18	Hong Kong Dollar	15.33	15.53
19	Kuwait Dinar	395.76	391.33
20	Bahrain Dinar	315.75	319.25
21	SDR	169.79	164.4497
22	Indian Rupees	1.60	1.60

5.3. Related Parties and Transactions with them

5.3.1. Key Management Personnel

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

S.N	Name	Post	Date	R e m a r k s
1	Mr. Maha Prasad Adhikari	Governor	2076.12.24	
2	Mr. Madhu Kumar Marasini	Finance Secretary	2078.04.18	
3	Mr. Sishir Kumar Dhungana	Finance Secretary	2076.11.01	Discharge of position w.e.f. 2078.04.17
4	Dr. Neelam Dhungana (Timsina)	Deputy Governor	2077.11.25	
5	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
6	Mr. Chinta Mani Siwakoti	Deputy Governor	2072.11.19	retired w.e.f. 2077.11.19

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7	Mr. Shiba Raj Shrestha	Deputy Governor	2072.11.19	retired w.e.f. 2077.11.19
8	Dr. Sri Ram Poudyal	Board Member	2074.01.03	
9	Mr. Ramjee Regmi	Board Member	2074.01.03	
10	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	
11	Mr. Bhuban Kadel	Executive Director	2072.12.03	
12	Dr. Nephil Matangi Maskay	Executive Director	2073.01.12	
13	Mr. Dev Kumar Dhakal	Executive Director	2074.12.14	
14	Mr. Mukunda Kumar Chhetri	Executive Director	2074.12.14	
15	Mr. Pitambar Bhandari	Executive Director	2074.12.14	
16	Mr. Rishikesh Bhatta	Executive Director	2075.05.12	
17	Mr. Pradeep Raj Poudyal	Executive Director	2075.06.18	
18	Dr. Gunakar Bhatta	Executive Director	2075.07.06	
19	Mr. Naresh Shakya	Executive Director	2076.02.31	
20	Mr. Suman Kumar Adhikari	Executive Director	2076.03.11	
21	Dr. Prakash Kumar Shrestha	Executive Director	2076.03.11	
22	Mr. Revati Prasad Nepal	Executive Director	2076.10.13	
23	Mr. Ramu Poudel	Executive Director	2077.01.12	
24	Mr. Vishrut Thapa	Executive Director	2077.01.12	
25	Mr. Ram Bahadur Manandhar	Executive Director	2077.01.12	
26	Mr. Dayaram Sharma	Acting Executive Director	2077.12.04	
27	Mr. Tulashi Prasad Ghimire	Acting Executive Director	2077.12.04	

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

i. Transactions with Key Management Personnel

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	74,688,900	80,895,741
Post-employment and other long term benefits	24,191,300	36,676,251
Total	98,880,200	117,571,992

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Meeting Fees/ Incidental Expenses to Directors	12,236,904	10,387,750
Loan Facilities	108,305,819	109,167,092

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ii. Salary, Benefits and Other Facilities of Board Members

Board Members are entitled for meeting allowance of NRs.5,000.00 per meeting. In addition, non-executive board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, driver facility, and medicine facilities. Details of such salary, benefits and other facilities provided to executive as well as non-executive board members for FY 2077/78 are provided below:

Name	Post	Salary	Board Meeting Allowance	Other Allowances & Facilities
Mr. Maha Prasad Adhikari	Governor	1,394,400	225,000	1,643,003
Mr. Sishir Kumar Dhungana	Finance Secretary/ Board Member	-	220,000	2,88,000
Dr. Neelam Dhungana(Timsina)	Deputy Governor	1,215,000	80,000	2,363,724
Mr. Bam Bahadur Mishra	Deputy Governor	1,137,600	80,000	2,262,241
Mr. Chinta Mani Siwakoti	Former Deputy Governor	790,956	140,000	895,648
Mr. Shiba Raj Shrestha	Former Deputy Governor	790,956	135,000	895,648
Dr. Sri Ram Poudyal	Board Member	-	225,000	792,880
Mr. Ramjee Regmi	Board Member	-	210,000	792,880
CA.Dr. Suvod Kumar Karn	Board Member	-	195,000	792,880
	Total	5,328,912	1,510,000	10,726,904

5.3.2. Government of Nepal

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

i. Transactions with Government of Nepal

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

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year		
Commission Income received from GON	78,093,958	132,945,281
Payment made to GON from surplus (As per Financial Statement of Previous Year)	6,000,000,000	9,009,660,010
Adjustment of Interest Receivable from Surplus Payable to Government	-	1,010,339,989
Balances at the year end		
Deposit from GON	209,577,874,327	142,340,191,367
Receivable from GON on sales of shares of CIT	1,661,646,673	-
Advance to GON for Business Continuity Loan	1,460,000,000	-
Investment in Treasury Bills (GON)	15,460,827,981	21,226,657,174
Investment in Bonds (GON)	43,369,513,412	44,039,643,610
Investment in Saving Certificates (GON)	184,170,000	1,956,365,000

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ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2078 as per the records of the bank was a surplus balance of NRs. 209,577,874,327 (P.Y. NRs.142,340,191,367). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position..

5.4. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is NRs.6,972,436 (PY NRs. 6,972,436) which is presented as general account under the accounts head “Other liabilities”.

5.5. Assets Received in Grant

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

5.6. Financial Instruments

Financial Risk Management–Overview

Risk Management 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

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5.6.1. Credit Risk

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

5.6.1.1.Exposure to Credit Risk

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

a) By Nature of Assets

Particulars	As on 31-3-2078	As on 31-3-2077
Cash Equivalents	615,127,013,862	517,683,131,883
Loans and Advances to Bank and Financial Institutions	122,703,932,366	7,487,473,703
Loans and Advances to Others	15,516,984,591	12,414,430,212
Gold and Silver	80,493,962,992	71,009,398,875
Investment Securities	688,721,551,355	747,848,059,601
Other Assets	709,838,933	645,266,374
TOTAL ASSETS	1,523,273,284,099	1,357,087,760,648

b) By Geographical Region

Particulars	As on 31-3-2078	As on 31-3-2077
India	313,266,303,335	297,317,957,049
USA	153,960,858,395	88,368,411,608
Germany	356,863,871	220,397,735
Switzerland	79,740,865,713	119,394,797,711
United Kingdom	27,778,419,111	20,388,489,506
France	19,538,928,000	22,540,225,535
Japan	551,577,548	1,940,657,751
Netherland	-	-
Bahrain	85,988,548,683	130,902,466,437
Australia	-	-
Singapore	234,600,614,225	244,176,237,510
Canada	1,177,566,907	128,657,511
Belgium	33,047,047	-
Hong Kong	116,356,899,487	147,455,439,898
U.A.E	60,127,990,299	43,379,185,339
China	138,307,889,809	70,367,257,457
Iran	-	-
Bangladesh	35,331,389,051	12,673,516,560
Thailand	-	-
Nepal	256,155,522,618	157,834,063,041
Total	1,523,273,284,099	1,357,087,760,648

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c) By Nature of the Entity

Particulars	As on 31-3-2078	As on 31-3-2077
Central Banks	62,770,591,518	45,645,338,212
Bank for International Settlement	12,134,632,596	60,458,945,764
Foreign Government	548,139,101,751	396,028,181,479
International Monetary Fund	419,318,478	412,972,270
Foreign Commercial Banks	693,824,916,254	757,163,931,982
Domestic Banks and FIs	127,594,926,574	12,278,328,009
Government of Nepal	59,014,511,393	67,155,813,656
Equity Instruments	3,148,462,011	4,817,700,562
Other Parties	16,226,823,524	13,126,548,714
Total	1,523,273,284,099	1,357,087,760,648

d) By Credit Rating

ParticularsRating		As on 31-3-2078		As on 31-3-2077	
		Amount (NRs.)	%	Amount (NRs.)	%
<u>Foreign Currency</u> Financial Assets					
	AAA	59,612,514,396	3.91	50,939,273,547	3.75
	AA+	-	-	-	-
	AA-	73,256,503,405	4.81	18,055,500,000	1.33
	AA	-	-	-	-
	A+	51,878,337,664	3.41	53,865,342,650	3.97
	A	255,034,548,720	16.75	263,956,638,353	19.45
	A-	7,992,142,321	0.52	7,996,578,400	0.59
	BB+	64,876,800,000	4.26	-	-
	BBB-	86,583,748,683	5.69	192,625,596,437	14.19
	Other*	718,053,965,408	47.10	672,270,440,320	49.53
Total		1,317,288,560,597	86.45	1,259,709,369,707	92.82
<u>Local Currency</u> Financial Assets					
	Other*	205,984,723,502	13.55	97,378,390,941	7.18
Total Financial Assets		1,523,273,284,099	100.00	1,357,087,760,648	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

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5.6.1.2. Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at 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 Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance/Loan	Allowances for Doubtful Receivables
Balance as on 31st Asar 2076	7,500,000	253,760,000	10,000,000	2,335,832
Impairment Loss Recognized	-	-	-	1,843,922
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	10,000,000	-
Balance as on 31st Asar 2077	7,500,000	253,760,000	-	4,179,754
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	-	-
Balance as on 31st Asar 2078	7,500,000	253,760,000	-	4,179,754

Financial Assets 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.

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

i. Impairment for equity instruments

The investments of the bank in the following entities have been impaired and impairment loss has been provided for:

Name of Entity	As on 31-03-2078			As on 31-03-2077		
	Amount of Equity investment	Impairment Amount	Net Assets	Amount of Equity investment	Impairment Amount	Net Assets
Agricultural Project Services Centre	5,000,000	5,000,000	-	5,000,000	5,000,000	-
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	2,500,000	2,500,000	-
Total	7,500,000	7,500,000	-	7,500,000	7,500,000	-

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ii. Impairment for investment in Fixed Deposit

Detail relating to impaired investment in fixed deposit is as under:

Name of Entity	As on 31-03-2078			As on 31-03-2077		
	Amount of Fixed Deposit	Impairment Amount	Net Assets	Amount of Fixed Deposit	Impairment Amount	Net Assets
Capital Merchant Banking and Finance Ltd.	188,360,000	188,360,000	-	188,360,000	188,360,000	-
Crystal Finance Ltd.	23,800,000	23,800,000	-	23,800,000	23,800,000	-
Himalaya Finance Ltd.	41,600,000	41,600,000	-	41,600,000	41,600,000	-
Total	253,760,000	253,760,000	-	253,760,000	253,760,000	-

The above institutions have been declared problematic by the bank and the outstanding amount is overdue since long. We have been corresponding on regular basis for repayment of such amount along with interest accrued.

iii. Impairment for Refinance/Loans

No impairment allowance for refinance/loans has been provided as there are no indications for impairment on refinance/loans.

iv. Impairment for Receivables

Impairment for receivables includes impairment of NRs.4,179,754 (P.Y. NRs. 4,179,754) in respect to advances to staffs who have already left the bank.

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5.6.1.3. Credit Quality

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) formed by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the acceptable standard. In case of domestic investment, investment is made in the counterparty who meets the minimum standard level set by the credit policy. An analysis of credit quality of financial assets not impaired is as follows:

Counterparties	As on 31-3-2078	As on 31-3-2077
External Credit Rating at least AAA/BBB- from credit rating agency	599,234,595,189	587,438,929,387
Non Rated Counterparties	94,590,321,065	169,725,002,596
Central Banks	62,770,591,518	45,645,338,211
Bank for International Settlement	12,134,632,596	60,458,945,764
Foreign Government	548,139,101,751	396,028,181,479
International Monetary Fund	419,318,478	412,972,270
Government of Nepal	59,014,511,393	67,155,813,656
Financial Assets with Other Counterparties:	146,970,212,109	30,222,577,285
- Party with Normal Risk	146,704,772,355	29,957,137,531
- Party with High Risk	265,439,754	265,439,754
Total	1,523,273,284,099	1,357,087,760,648

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
	2078/03/31	2077/03/31	
Securities purchased under Resale Agreement	100	100	Government Securities
Refinance to BFIs	100	100	Good Loans of BFIs
Standing Liquidity Facilities	100	100	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

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will always have sufficient liquidity to meet its liabilities when due, provide finance to maintain liquidity in financial market and provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with other central banks, demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation.

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

5.6.2.1. Assets Held for Managing Liquidity Risk

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

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

5.6.2.2. Maturity Profile of Financial Assets

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	615,127,013,862	90,972,316,130	524,154,697,732			
Loans and Advances to Bank and Financial Institutions	122,703,932,366			122,703,932,366		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Advance Payment to GON						

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Balance with ACU						
Net Loans to Employees	4,266,138,579	132,676,910	251,702,176	511,936,629	597,259,401	2,772,563,463
Interest Receivable	4,062,636,129	487,516,335	650,021,781	2,925,098,013		
Advance to Staff	9,372,603	937,260	1,405,890	6,279,645	468,630	281,178
Sundry Debtors	1,726,501,326		1,035,900,796	517,950,397	172,650,133	
Prepaid Expenses	81,417,937	977,015	4,070,897	76,370,025		
Pension Advance Account	2,597,864,646	33,772,240	51,957,293	155,871,879	226,014,224	2,130,249,010
Staff Endowment Policy Advance	8,907,350					8,907,350
Other	443,161			443,161		
Investment Securities						
US Government Treasury Notes/Bonds	65,361,640,349				41,633,336,677	23,728,303,672
Government Treasury Notes/Bonds (CNY)	137,429,723,433	-	11,074,513,156	19,997,897,599	106,357,312,678	
Investment in Mid-term Instruments						
Notice Deposit (JPY)						
Government Bond (GON)	43,369,513,412				43,369,513,412	
Fixed deposit with Bank & Financial Institutions	4,876,402,000	-	252,600,000	4,623,802,000		
Government Treasury Bills (GON)	15,460,827,981	-	14,288,448,981	1,172,379,000		
Saving Certificates (GON)	184,170,000		-		184,170,000	
Loan to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.	125,000,000					125,000,000
Quoted equity securities	168,426,475					168,426,475
Unquoted equity securities	2,980,035,536					2,980,035,536
Other Assets	709,838,933					709,838,933
Total	1,021,249,806,078	91,628,195,890	551,765,318,702	152,691,960,714	192,540,725,155	32,623,605,617

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Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	517,683,131,883	84,297,663,199	433,385,468,684			
Loans and Advances to Bank and Financial Institutions	7,487,473,703			7,487,473,703		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Advance Payment to GON						
Balance with ACU						
Net Loans to Employees	4,245,785,420	132,043,927	250,501,340	509,494,250	594,409,959	2,759,335,944
Interest Receivable	3,973,764,195	476,851,703	635,802,271	2,861,110,220		
Advance to Staff	7,391,072	739,107	1,108,661	4,952,018	369,554	221,732
Sundry Debtors	24,869,837		14,921,902	7,460,951	2,486,984	
Prepaid Expenses	85,068,861	1,020,826	4,253,443	79,794,592		
Pension Advance Account	2,840,427,929	36,925,563	56,808,559	170,425,676	247,117,230	2,329,150,902
Staff Endowment Policy Advance	10,203,108					10,203,108
Other						
Investment Securities						
US Government Treasury Notes/Bonds	30,059,869,390			12,040,331,312	18,019,538,078	
Government Treasury Notes/Bonds (CNY)	70,378,126,202	6,827,706,379	6,750,870,263	2,177,703,572	54,621,845,989	
Investment in Mid-term Instruments						
Notice Deposit (JPY)						
Government Bond (GON)	44,039,643,610				44,039,643,610	
Fixed deposit with Bank & Financial Institutions	4,770,640,000	271,900,000	2,979,800,000	1,518,940,000		
Government Treasury Bills (GON)	21,226,657,174	9,330,750	5,712,482,518	15,504,843,906		
Saving Certificates (GON)	1,956,365,000				1,956,365,000	
Loan to Sana Kisan	297,000,000					297,000,000

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Bikas LaghubittaBittiyaSa nsta Ltd.						
Quoted equity securities	2,731,383,998					2,731,383,998
Unquoted equity securities	2,086,316,564					2,086,316,564
Other Assets	645,266,374					645,266,374
Total	714,549,384,320	92,054,181,454	449,792,017,641	42,362,530,200	119,481,776,403	10,858,878,622

5.6.2.3. Maturity Profile of Financial Liabilities

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	358,166,889	358,166,889	-	-	-	-
Deposits from Bank and Financial Institutions	249,630,925,694	49,926,185,139	12,803,557,028	24,963,092,569	161,938,090,958	-
Deposit from Government of Nepal	209,577,874,327	44,011,353,609	50,298,689,838	67,064,919,785	48,202,911,095	-
Deposits from Others	19,455,135,103	4,669,232,425	4,474,681,073	10,311,221,605	-	-
Short Term Borrowings	-	-	-	-	-	-
IMF Related Liabilities	23,024,973,324	-	-	889,298		23,024,084,026
Staff Liabilities	2,754,451,836	1,329,408,810	137,722,592	736,430,066	275,445,184	275,445,184
Other Liabilities	1,685,424,009		1,685,424,009		-	-
Total	506,486,951,182	100,294,346,872	69,400,074,540	103,076,553,323	210,416,447,237	23,299,529,210

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Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	322,458,714	322,458,714	-		-	-
Deposits from Bank and Financial Institutions	297,852,272,797	59,570,454,559	8,306,752,738	29,785,227,280	200,189,838,220	-
Deposit from Government of Nepal	142,340,191,367	29,891,440,187	34,161,645,928	45,548,861,237	32,738,244,014	-
Deposits from Others	18,733,175,742	4,495,962,178	4,308,630,421	9,928,583,143	-	-
Short Term Borrowings	-	-	-		-	-
IMF Related Liabilities	20,904,127,242	-	-	889,298		20,903,237,944
Staff Liabilities	3,194,902,864	1,283,494,507	159,745,143	1,112,682,642	319,490,286	319,490,286
Other Liabilities	951,149,513		951,149,513		-	-
Total	484,298,278,240	95,563,810,145	47,887,923,745	86,490,664,601	233,247,572,520	21,108,307,229

5.6.3. Market Risk

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

5.6.3.1. Currency Risk:

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

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

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Current Year Figures (NRs.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
Particulars	56.47	0.90	0.12	0.28	15.12	0.64	0.03	0.07
Cash and Cash Equivalents	483,977,836,221	11,968,306,315	1,542,567,705	3,734,586,324	52,522,519,413	8,522,820,618	419,318,478	898,798,831
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	318,925,028	742,094			1,567,900,201	1,578,426		
Gold and Silver	51,132,914,285							
Investment Securities	214,171,195,135				146,662,862,600			
Other Assets								
Total Financial Assets	749,600,870,669	11,969,048,409	1,542,567,705	3,734,586,324	200,753,282,214	8,524,399,044	419,318,478	898,798,831
Bills Payable	17,975							
Deposits from Bank and Financial Institutions	1,764,148,055	55,194,622	10,425,545,948	247,601,493	-	-	-	264,591,104
Deposit from Government of Nepal								
Deposits from Others	294,478,683							
Short Term Borrowings								
IMF Related Liabilities							11,562,630,914	
Staff Liabilities								
Other Liabilities								
Total Financial Liabilities	2,058,644,713	55,194,622	10,425,545,948	247,601,493	0	0	11,562,630,914	264,591,104
Net Financial Position Exposure	747,542,225,956	11,913,853,787	-8,882,978,243	3,486,984,831	200,753,282,214	8,524,399,044	-11,143,312,436	634,207,727

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Previous Year Figures (NRs.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
Particulars	55.73	2.70	0.66	0.73	13.11	0.74	0.03	0.38
Cash and Cash Equivalents	572,820,709,003	34,980,132,229	8,517,140,643	9,423,523,383	98,256,243,775	9,535,491,490	412,972,270	4,928,345,148
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	1,168,609,144	26,769,204		4,235,834	1,422,418,147	4,039,021		
Gold and Silver	44,996,868,751							
Investment Securities	104,207,789,390	-			70,378,126,202			-
Other Assets								
Total Financial Assets	723,193,976,288	35,006,901,433	8,517,140,643	9,427,759,217	170,056,788,124	9,539,530,511	412,972,270	4,928,345,148
Bills Payable	1,565							
Deposits from Bank and Financial Institutions	1,833,158,073	25,570,253	5,817,025,467	202,975,758	-	-	-	385,986,286
Deposit from Government of Nepal								
Deposits from Others	297,767,006							
Short Term Borrowings								
IMF Related Liabilities							11,198,956,855	
Staff Liabilities								
Other Liabilities								
Total Financial Liabilities	2,130,926,644	25,570,253	5,817,025,467	202,975,758	0	0	11,198,956,855	385,986,286
Net Financial Position Exposure	721,063,049,644	34,981,331,180	2,700,115,176	9,224,783,460	170,056,788,124	9,539,530,511	-10,785,984,585	4,542,358,862

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.01% (PY 23.39%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 2.36% (PY 2.55%) of the total foreign currency reserve.

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5.6.3.2. Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD, SDR and JPY 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 2078		For the Year Ended 2077	
	Strengthening	Weakening	Strengthening	Weakening
USD	74,754,222,596	-74,754,222,596	72,106,304,964	-72,106,304,964
AUD	1,191,385,379	-1,191,385,379	3,498,133,118	-3,498,133,118
EUR	-888,297,824	888,297,824	270,011,518	-270,011,518
GBP	348,698,483	-348,698,483	922,478,346	-922,478,346
CNY	20,075,328,221	-20,075,328,221	17,005,678,812	-17,005,678,812
CAD	852,439,904	-852,439,904	953,953,051	-953,953,051
SDR	-1,114,331,244	1,114,331,244	-1,078,598,458	1,078,598,458
JPY	63,420,773	-63,420,773	454,235,886	-454,235,886
Total	95,282,866,288	-95,282,866,288	94,132,197,237	-94,132,197,237

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5.6.3.3. Interest Rate Risk:

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

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

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

Particulars	Weighted Average Interest Rate %	As on 31-03-2078	As on 31-03-2077
<u>Interest Sensitive Financial Assets</u>			
Balances with Other Banks	0.20	90,957,723,922	84,277,448,893
GOI Treasury Bills	3.39	308,627,239,165	295,073,760,103
US Government Treasury Bills	0.03	41,660,690,688	18,051,609,752
Time Deposit (less than 3 month)	0.27	173,447,449,401	119,847,126,559
Investment in FIXBIS	-	-	-
IMF Related Assets: SDR Holdings	0.073	419,318,478	412,972,270
General Refinance	3	78,914,655,011	6,266,769,739
Special/Export Refinance	1	12,649,267,913	-
Zero Interest Loan	-	2,891,114	-
Loan to SME	2	31,137,118,328	-
Standing Liquidity Facility	-	-	-
<u>Loans to Employees</u>			
House loan Uninsured	1	450,000	475,000
House Repair Loan Uninsured	1	552,429,433	655,170,157
Vehicle Loan Uninsured	3	0	7,767,500
Staff Loan Uninsured 2068	1	715,143,133	764,793,133
Investment in Paper Gold	0.38	44,655,278,083	44,996,868,751
US Government Treasury Notes/Bonds	0.50	65,361,640,349	30,059,869,390
Government Treasury Notes/Bonds (CNY)	3.21	137,429,723,433	70,378,126,202
Investment in Mid-term Instruments	-	-	-
Notice Deposit (JPY)	-	-	-
Time Deposit-Investment	0.27	418,890,812,169	570,599,057,663
Fixed deposit with Bank & Financial	7.65	5,130,162,000	5,024,400,000

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Institutions			
Government Treasury Bills (GON)	3.85	15,460,827,981	21,226,657,174
Saving Certificates (GON)	3.41	184,170,000	1,956,365,000
Total Interest Sensitive Financial Assets		1,426,196,990,601	1,269,599,237,286
<u>Interest Sensitive Financial Liabilities</u>			
IMF Related Liabilities	0.073	23,024,973,324	20,904,127,242
Short Term Borrowings	-	-	-
Total Interest Sensitive Financial Liabilities		23,024,973,324	20,904,127,242
Net Interest Sensitive Financial Position		1,403,172,017,277	1,248,695,110,044

5.6.3.4. Other Market Prices Risk

Equity price risk arises from investment as fair value through Other Comprehensive Income as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 9 institutions. All the investments were measured at fair value.

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5.6.4. Classification and Fair Value of financial assets

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

Particulars	Fair Value through PL	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Cash &Cash Equivalents				625,239,674,554		625,239,674,554	625,239,674,554
Loans and Advances to Bank and Financial Institutions			122,703,932,366			122,703,932,366	122,703,932,366
Loans and Advances to Others			15,516,984,591			15,516,984,591	15,516,984,591
Gold and Silver	6,477,636,202	74,016,326,790				80,493,962,992	80,493,962,992
Investment Securities		3,148,462,011	685,573,089,344			688,721,551,355	688,721,551,355
Other Assets			709,838,933			709,838,933	709,838,933
Total Financial Assets	6,477,636,202	77,164,788,801	824,503,845,234	625,239,674,554	-	1,533,385,944,791	1,533,385,944,791
Bills Payable					358,166,889	358,166,889	358,166,889
Deposits from Bank and Financial Institutions					249,630,925,694	249,630,925,694	249,630,925,694
Deposit from Government of Nepal					209,577,874,327	209,577,874,327	209,577,874,327
Deposits from Others					19,455,135,103	19,455,135,103	19,455,135,103
Short Term Borrowings					0	0	0
IMF Related Liabilities					23,024,973,324	23,024,973,324	23,024,973,324
Staff Liabilities					2,754,451,836	2,754,451,836	2,754,451,836
Other Liabilities					1,685,424,009	1,685,424,009	1,685,424,009
Total Financial Liabilities		-	-	-	506,486,951,182	506,486,951,182	506,486,951,182
Net Financial Position	6,477,636,202	77,164,788,801	824,503,845,234	625,239,674,554	(506,486,951,182)	1,026,898,993,609	1,026,898,993,609

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5.6.5. Fair Value Hierarchy

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

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

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

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

The details showing the carrying amounts of financial assets and liabilities and segregating them to Amortized Cost and Fair Value and segregating Fair Value to Level 1 – 3 inputs are presented below:

As at 31 st Ashad 2078		Carrying Value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets						
Financial assets carried at amortized cost						
<u>Cash Equivalents</u>		615,127,013,862				
<i>Balance with Other Banks</i>		90,972,316,130	90,972,316,130			
<i>Treasury Bills</i>		350,287,929,853	350,287,929,853			
<i>Investments</i>		419,318,478	419,318,478			
<i>Time Deposit</i>		173,447,449,401	173,447,449,401			

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Loans & Advances to BFIs		122,703,932,366	122,703,932,366			
Loans & Advances to Others		<u>15,516,984,591</u>				
<i>Receivables from Government & International Agencies</i>		1,460,000,000	1,460,000,000			
<i>Loans to Sana Kisan Bikas laghubitta Bittiya Sanstha Ltd,</i>		125,000,000	125,000,000			
<i>Loans to Employees</i>		4,266,138,579	4,266,138,579			
<i>Interest Receivables</i>		4,062,636,129	4,062,636,129			
<i>Other Advances</i>		5,603,209,883	5,603,209,883			
Gold & Silver at fair value		80,493,962,992		80,493,962,992		
<u>Investment Securities</u>		<u>688,721,551,355</u>				
<i>Investment Securities at Amortized Cost</i>		685,573,089,344	685,573,089,344			
<i>At Fair Value through Other Comprehensive Income (OCI)</i>		3,148,462,011			168,426,475	2,980,035,536
Other Assets		709,838,933				709,838,933
Total Financial Assets		1,523,273,284,099	1,438,921,020,163	80,493,962,992	168,426,475	3,689,874,469
Financial Liabilities						
Financial liabilities carried at amortized cost:						
Bills Payable		358,166,889	358,166,889			
Deposits from Bank and Financial Institutions		249,630,925,694	249,630,925,694			
Deposit from Government of Nepal		209,577,874,327	209,577,874,327			
Deposits from Others		19,455,135,103	19,455,135,103			
Short Term Borrowings		-	-			
IMF Related Liabilities		23,024,973,324	23,024,973,324			
Staff Liabilities		2,754,451,836				2,754,451,836
Other Liabilities		1,685,424,009	1,685,424,009			
Total Financial Liabilities		506,486,951,182	503,732,499,346	-	-	2,754,451,836

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As at 31 st Ashad 2077		Carrying Value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets						
Financial assets carried at amortized cost						
<u>Cash Equivalents</u>		<u>517,683,131,883</u>				
<i>Balance with Other Banks</i>		84,297,663,199	84,297,663,199			
<i>Treasury Bills</i>		313,125,369,855	313,125,369,855			
<i>Investments</i>		412,972,270	412,972,270			
<i>Time Deposit</i>		119,847,126,559	119,847,126,559			
<i>Loans & Advances to BFIs</i>		7,487,473,703	7,487,473,703			
<u>Loans & Advances to Others</u>		<u>12,414,430,212</u>				
<i>Receivables from Government & International Agencies</i>		-	-			
<i>Loans to Sana Kisan Bikas Laghu Bitta Bittiya Sanstha Ltd,</i>		297,000,000				
<i>Loans to Employees</i>		4,245,785,420	4,245,785,420			
<i>Interest Receivables</i>		3,973,764,195	3,973,764,195			
<i>Other Advances</i>		3,897,880,598	3,897,880,598			
<i>Gold & Silver at fair value</i>		71,009,398,875		71,009,398,875		
<u>Investment Securities</u>		<u>747,848,059,601</u>				
<i>Investment Securities at Amortized Cost</i>		743,030,359,039	743,030,359,039			
<i>At Fair Value through Other Comprehensive Income (OCI)</i>		4,817,700,562		814,850,779	2,731,383,998	1,271,465,785
<i>Other Assets</i>		645,266,374				645,266,374
Total Financial Assets		1,357,087,760,648	1,280,615,394,837	71,824,249,654	2,731,383,998	1,916,732,159
Financial Liabilities						
Financial liabilities carried at amortized cost:						
<i>Bills Payable</i>		322,458,714	322,458,714			
<i>Deposits from Bank and Financial Institutions</i>		297,852,272,797	297,852,272,797			

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Deposit from Government of Nepal		142,340,191,367	142,340,191,367			
Deposits from Others		18,733,175,742	18,733,175,742			
Short Term Borrowings		-	-			
IMF Related Liabilities		20,904,127,242	20,904,127,242			
Staff Liabilities		3,194,902,864				3,194,902,864
Other Liabilities		951,149,513	951,149,513			
Total Financial Liabilities		484,298,278,240	481,103,375,376	-	-	3,194,902,864

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5.7. Employees Benefits - Defined Benefit Plans

The Bank currently offers two defined benefit post-employment plans to its employees, based on length of service and amount of compensation. These post-employment benefits plans are ‘Gratuity or Pension Plan’ and ‘Staff Security Plan’. The bank also offers two other long term benefits: “Staff Medical Fund” and “Leave Encashment”. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under ‘Gratuity or Pension Plan’ and ‘Staff Security Plan’ is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

The ‘Gratuity and Pension Plan’ and ‘Staff Security Plan’ are funded plan wherein the bank makes earmarked investment out of fund created for these plans. ‘Leave encashment’ and “Staff Medical Fund” are not a funded plan.

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

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

Amount Recognized in the Statement of Financial Position

Particulars	As on 31 st Asar 2078		As on 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	18,789,259,309	1,971,672,919	19,037,326,365	1,956,932,094
Fair Value of Plan Assets/Current Balance of Provision Account	(19,541,916,973)	(1,918,811,721)	(19,432,685,089)	(1,723,117,729)
Net Liability /(Asset)	(752,657,664)	52,861,198	(395,358,724)	233,814,365

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Obligation	19,037,326,365	1,956,932,094	18,589,350,597	1,892,985,892
Current Service Cost	316,285,188	75,066,772	286,326,903	83,155,616
Interest Cost	1,659,860,352	168,285,089	1,440,636,425	141,516,835
Actuarial Losses (Gains)	(1,035,345,466)	(54,415,502)	(116,197,002)	87,324,649
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,188,867,130)	(174,195,534)	(1,162,790,558)	(248,050,898)

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Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Closing Obligation	18,789,259,309	1,971,672,919	19,037,326,365	1,956,932,094

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	19,432,685,089	1,723,117,729	19,170,360,000	2,012,800,000
Investment adjustment	(339,852,414)	2,552,497	(581,009,403)	(233,951,219)
Expected Return	1,695,442,637	157,763,443	1,487,117,178	158,794,758
Actuarial Gains (Losses)	(57,491,209)	(24,240,779)	519,007,872	(158,794,758)
Contribution by Employer	-	233,814,365	-	192,319,846
Benefits Paid	(1,188,867,130)	(174,195,534)	(1,162,790,558)	(248,050,898)
Closing Fair Value	19,541,916,973	1,918,811,721	19,432,685,089	1,723,117,729

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	(280,702,903)	(85,588,418)	(239,846,150)	(65,877,693)
Actuarial Income/(Loss) Recognized in OCI	977,854,257	30,174,723	635,204,874	(167,936,672)
Total Employee Benefit Income /(Expense)	697,151,354	(55,413,695)	395,358,724	(233,814,365)

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	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%

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Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	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%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.70%	-	6.70%	-
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

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

Particulars	Change	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	12.08%	12.23%	12.10%	11.93%
	+1%	-9.96%	-10.31%	-9.98%	-10.08%
Salary & Pension Increment Rate	-1%	-7.49%	-9.49%	-7.49%	-9.26%
	+1%	8.56%	10.99%	8.55%	10.71%
Mortality Rate	1 year setback	3.00%	0.09%	2.65%	0.09%
	1 year set forward	-3.00%	-0.10%	-2.63%	-0.10%

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

The expected maturity profile for defined benefit obligations of Pension or Gratuity Plan

Particulars	Asar end 2078 (%)	Asar end 2077 (%)
Less than 5 years	12	14
Between 5-10 years	23	24
Between 10-15 years	10	11
Between 15-20 years	11	10
Over 20 years	43	42
Total	100	100

The expected maturity profile for defined benefit obligations of Staff Security Plan

	Asar end 2078 (%)	Asar end 2077 (%)
Less than 5 years	15	13
Between 5-10 years	17	16
Between 10-15 years	7	8
Between 15-20 years	16	15
Over 20 years	45	48
Total	100	100

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5.8. Employees Benefits – Other Long Term Benefits Plan

The Bank currently offers accumulated leave as other long term benefits plan. The bank's net obligation in respect of other long term benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net other long term benefit liability (asset) for the period by applying discount rate used to measure the other long term benefit obligation at the beginning of the period to the net other long term benefit liability (asset). The obligation under 'Accumulated Leave' is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

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

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

5.9. Other Employee Benefits

- Staff Welfare: the bank provides 12% of basic salary as staff welfare fund. During the year the bank has provided NRs. 74,962,930(PY. NRs. 75,475,095 as staff welfare fund.
- Staff Welfare Provident Fund: The bank provides after the approval from the board of directors up to 10% of last year profit as staff welfare provident fund to be credited into the retirement fund. Total expenses under this head amounts to NRs. 574,436,075 (PY. NRs. 530,265,000).
- The bank provides staff medical fund facility to the staffs of which payments are made as per the eligible medical claim while rest amount is paid at the retirement. NRs. 117,785,852 (PY. NRs. 282,818,814) is expensed as staff medical fund.

5.10. Reserves

The Bank has maintained different reserves and funds. Some of the reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act, 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the net income. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalization Reserve and respective Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10%, 5% and 5% of net income available for appropriation to General Reserve, Monetary Liability Reserve and Financial Stability Reserve respectively. In addition, an amount equal to the capital expenditure included in annual budget shall be appropriated to General Reserve and the amount decided by Board will be maintained in Net Cumulative Surplus Reserve. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount is annually allocated by the Board of Directors out of the each year's Net Income to that reserves and funds. Impacts resulting from other comprehensive income are directly transferred to respective reserves. The Board of Directors is

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authorized by Nepal Rastra Bank Act to allocate a part of Net Income to these reserves and funds. The details of statutory and other reserve and funds are as follows:

5.10.1. Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 967,823,509 (P.Y. NRs. 1,394,004,100) was appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 967,823,509 P.Y. NRs. 1,394,004,100) was appropriated to this fund.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net income available for appropriation of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs. 6,608,900,534 (P.Y.NRs. 8,984,388,463) is appropriated in General Reserve during the year.

d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount as decided by the board shall be allocated and kept in such reserve. This year NRs. 17,676,108 (P.Y. NRs. 11,268,898) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 8,192,211,285 (P.Y. revaluation gain of NRs.58,927,429,280) which is equivalent to net exchange gain was appropriated to this fund during the year.

f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net income of the year. Accordingly, an amount of NRs. 2,934,500,765(P.Y. revaluation gain of NRs. 20,807,318,228) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated to this fund.

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5.10.2. Other Reserve and Funds

Board of Directors of the Bank is authorized by section 41 (1)(ga) of the NRB Act to appropriate the remaining Net Income in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive of the Bank and the Board of Directors appropriate some part of the net income available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose of the reserve or fund as mentioned in the Account Directive. The following reserves/funds have been maintained:

a) Development Fund

This is the specific fund created as per Monetary Policy of the Bank to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 4,650,000,000 (P.Y. NRs. 9,120,000,000) has been allocated to this fund during the year.

b) Banking Development Fund

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of net income to this fund. No amount (P.Y. NRs. 450,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually. Accordingly, an amount of NRs 8,056,486 (P.Y.NRs. 11,810,896) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

d) Mechanization Fund

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. No amount (P.Y. NRs. 550,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund

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

f) Mint Development Fund

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. No amount (P.Y. NRs. 450,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

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g) Gold Replacement Fund

This fund has been created for replacing the gold / silver sold during the year. An amount equal to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs 1,099,822,926 (P.Y. NRs. 172,003,576) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh)

This fund was created as per the NRB Monetary Policy to provide wholesale credit for lending purpose to the deprived sector through MFIs, corporate and NGOs and refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year.

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

This fund was created out of the surplus fund amounting Rs. 61,390,949 received while transferring the RSRF Program to Sana Kisan Bikas Laghubitta Bittyta Sanstha Ltd. The fund is utilized to provide reimbursement of the administrative expense subsidy as claimed by the cooperatives in case of the loans and advances disbursed and approved till the date of transfer of RSRF program to Sana Kisan Bikas Laghubitta Bittyta sanstha Ltd. Accordingly, administrative expense subsidy amounting to Rs. 3,726,384 has been reimbursed till previous year . However, no amount has been reimbursed in the current fiscal year to Sana Kisan Bikas Laghubitta Bittyta Sanstha Ltd.

j) Actuarial Reserve

This reserve is created out of the actuarial gain in defined benefit retirement schemes recognized in Other Comprehensive Income (OCI). Any actuarial loss in defined benefit retirement schemes recognized in OCI shall be expensed through this reserve. An amount of Rs. 1,008,028,980 (PY. NRs. 467,268,203) has been transferred to Actuarial Gain Reserve.

k) Fair Value Reserve

Fair Value Reserve is created for maintaining the gain of investment in equity instrument classified as Investment measured at Fair Value through Other Comprehensive Income. During the year, a gain of Rs.987,900,306 has been transferred to the reserve from Other Comprehensive Income. Similarly, an amount of Rs. 2,631,077,638 which is the cumulative surplus of the investment sold during the year has been released to retained earnings from the reserve.

5.11. Prior Period Errors

The prior period errors discovered during the year relating to a reporting period that is before the earliest prior period presented were adjusted by restating the opening balance of the earliest prior period presented. In addition, additional income of NRs.10,912,511 has been discovered during the year because of the prior period errors and has been adjusted with respective current year income/expenses.

Particulars	FY 2077-78	FY 2076-77
Increase /(Decrease) in Property, Plant and Equipment		
Surplus/(Deficit) Due to Prior Period Errors	10,912,511	
Total Effect as at 31.03.2078	10,912,511	

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5.12. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act, 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of gold and other precious metals, foreign currencies and securities denominated in foreign currency, special drawing rights, bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	934.25	922.70
Non-Convertible Foreign Currency	318.72	303.52
Gold Reserve	60.27	60.54
Special Drawing Rights	0.42	0.41
Sub Total	1313.65	1287.17
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	137.94	161.28
Non-Convertible Foreign Currency	16.45	14.43
Sub Total	154.39	175.71
Total Foreign Exchange Reserve of Banking System	1,468.04	1,462.89

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	2.85	1.23
Indian Treasury Bills	21.12	20.17
BIS FIXBIS	-	-
Bonds/Notes	13.87	6.87
Mid Term Instrument	0.00	0.00
Call Deposits	18.09	13.95
Time Deposit	28.66	39.00
Gold Deposit	4.12	4.14
Special Drawing Rights	0.03	0.03
Balance with NRB and BFIs	11.26	14.61
Total	100.00	100.00

5.13. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of four projects, namely, Poverty Alleviation Project in Western Terai (PAPWT) and Third Livestock Development Project (TLDP) which were run during the reporting period under subsidiary loan agreements with GON or project agreements with other funding agencies were consolidated with the Bank's financial statements..The Financial Position and Income statements of these projects are as below:

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For the Year ended 31st Asar 2078

Statement of Financial Position

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

Statement of Comprehensive Income

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

For the Year ended 31st Asar 2077

Statement of Financial Position

Particulars	PAPWT	TLDP	Total
<u>Equity & Liabilities</u>			
Reserve & Surplus	19,116,257	45,211,849	64,328,105
Loans	21,900,000	79,100,000	101,000,000
Accounts Payable	-	-	-
Total Equity & Liabilities	41,016,257	124,311,849	165,328,105
<u>Assets</u>			
Loan to PFIs	-	-	-
Investment	35,600,000	115,200,000	150,800,000
Other Receivables	323,337	917,700	1,241,037
Cash and Bank Balance	5,092,920	8,194,149	13,287,068
Total Assets	41,016,257	124,311,849	165,328,105

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Statement of Comprehensive Income

Particulars	PAPWT	TLDP	Total
A. Income			
Interest Income	4,514,610	11,451,037	15,965,647
From Loan to PFIs			
On Investment	4,514,610	11,451,037	15,965,647
Foreign Exchange Gain			
Loan Loss Prov. Written back			
Other Income			
Total Income	821,250	3,333,500	4,154,750
B. Expenditure			
Administrative Expenses			
Interest Expenses	821,250	3,333,500	4,154,750
Depreciation			-
Total Expenses	821,250	3,333,500	4,154,750.00
Surplus (Deficit) (A-B)	3,693,360	8,117,537	11,810,897

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

Statement of Financial Position

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	CGISP	KFW	CGISP	KFW
<u>Equity</u>				
Capital Contribution	17,548,370		17,548,370	
Surplus	265,296,592	141,150,528	238,922,832	103,789,348
Financial Risk Fund	5,200,000		5,200,000	
<u>Long- term Liabilities</u>				
Loan from ADB - Non-Current Portion	103,704,465		110,395,076	
<u>Current Liabilities and Provision</u>				
Loan from ADB - Current Portion	97,013,855		90,323,244	
Service Charge due on Loan from ADB	29,001,709		26,994,526	
Loan From GON		906,240,347		906,240,347
Loan Loss Provision	14,581		81,932	
Accounts Payable	328,176		328,176	
Total Equity & Liabilities	518,107,748	1,047,390,875	489,794,156	1,010,029,695
<u>Assets</u>				
<u>Non-Current Assets</u>				
Fixed Assets	58,764		73,454	
Loan to PFI- Non Current Portion	-		1,789,374	
Investment	365,395,000		359,200,000	

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Current Assets				
Interest Receivables	3,077,644	4,396,274	3,857,736	11,139,032
Loan to PFI-current portion	1,458,092	885,500,119	6,403,841	906,240,347
Cash and cash equivalents	148,118,248	157,494,482	118,469,750	92,650,315.52
Total Assets	518,107,748	1,047,390,875	489,794,156	1,010,029,695

Statement of Comprehensive Income

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	CGISP	KFW	CGISP	KFW
A. Income				
Interest Income	28,363,575	37,361,180	38,191,742	51,211,778
From Loan to PFIs	317,891	37,361,180	784,416	51,211,778
On deposit with banks	28,045,684		37,407,326	
On Investment				
Other Income	-		-	
Loan Loss Provision Written back	67,351		104,258	
Total Incomes	28,430,926	37,361,180	38,296,000	51,211,778
B. Expenditure				
Administrative Expenses	35,293	-	41,704	-
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision	-	-	-	-
Depreciation	14,690	-	-	-
Total Expenses	2,057,166	-	2,048,887	-
Surplus (Deficit) (A-B)	26,373,760	37,361,180	36,247,113	51,211,778

5.14. Interest in other entities

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

5.14.1. Investment in quoted securities

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

Particulars	% of holding	No of Shares	Investment at cost		Investment at Fair value	
			31-03-2078	31-03-2077	31-03-2078	31-03-2077
Citizen Investment Trust			-	13,350,000	-	2,657,138,858
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	2.799	274,982	27,498,200	27,498,200	168,426,475	74,245,140
Total			27,498,200	40,848,200	168,426,475	2,731,383,998

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

5.14.2. Investment in unquoted securities

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

Particulars	% of holding	No of Shares	Investment at cost		Investment at Fair value	
			31-03-2078	31-03-2077	31-03-2078	31-03-2077
Agricultural Project Services Centre	62.50	-	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Ins.	55.56	1,005,667	1,000,000	1,000,000	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	14.60	875,987	5,097,510	5,097,510	726,744,705	814,850,779
National Productivity and Eco. Dev.	31.52	-	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10.00	10,000,000	607,594,000	607,594,000	1,652,222,519	1,027,600,000
Nepal Clearing House	10.00	411,350	15,000,000	15,000,000	105,524,004	85,480,402
Credit Information Bureau	10.03	437,400	3,500,000	3,500,000	177,814,448	130,367,070
National Banking Institute	15.29	76,452	7,645,250	7,645,250	28,587,097	27,018,313
Total			647,336,760	647,336,760	2,980,035,536	2,086,316,564

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

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

5.14.3. Significant Interest in entities

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

Name of Entity	Paid up capital	Investment at Face Value	% of share	Principal Activity	Principal Place of Business
Agricultural Project Services	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu

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Centre Pvt. Ltd.					
Rastriya Beema Sansthan - Life Insurance	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
Nepal Stock Exchange Ltd.	600,000,000	87,598,740	14.60	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar plaza, Kathmandu
National Productivity and Eco.Dev Ltd.	7,932,500	2,500,000	31.52	Provides research and consultancy services, offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services.	Balaju, Kathmandu

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

Particulars	Investment at cost		Carrying Amounts (Investment at Fair value)	
	31-03-2078	31-03-2077	31-03-2078	31-03-2077
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	5,097,510	5,097,510	726,744,705	814,850,779
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
Total	13,597,510	13,597,510	1,015,887,468	815,850,779

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

The carrying amount of NRs 2,980,035,535 (PY NRs. 2,086,316,564) as shown in above tables has been included under Investment securities in the Statement of Financial Position. Being all the above entities as limited liability Company, this is the maximum exposure to loss from its significant interest in such entities.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2077-78 (2020-21 AD)

5.14.4. Transactions with Entities having Significant Interest

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

Entity	Nature of Transaction	FY 2077-78	FY 2076-77
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	184,990,659	181,092,147
Nepal Stock Exchange Ltd.	Dividend Income received by the bank	21,899,685	29,199,580

5.15. Transaction with the International Monetary Fund (IMF)

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

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

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

Financial Position in the Fund

Particulars	As on 31 st Asar 2078		As on 31 st Asar 2077	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
<u>SPECIAL DRAWING RIGHT</u>				
Net cumulative allocation	11,562,630,914	68,099,599	11,198,956,855	68,099,599
Holdings	419,318,478	2,469,630	412,972,270	2,511,238
<u>OUTSTANDING PURCHASES & LOANS</u>				
RCF Loans	-	-	-	-
ECF Arrangements	-	-	-	-
<u>OTHER INFORMATION</u>	<u>Per cent of Quota</u>		<u>Per cent of Quota</u>	
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. 169.79 (P.Y. NRs. 164.4497) per SDR.

Nepal Rastra Bank

Notes Forming Part of Financial Statements

Fiscal Year 2077-78 (2020-21 AD)

5.16. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 31, 2078	As on Asar 31, 2077
	NRs.	NRs.
Note Printing Commitments	4,545,344,251	3,414,846,205
Unclaimed Account Transfer to P/L Account	136,744,740	135,381,177
Capital Commitments	1,352,388,275	1,946,588,256
Total	6,034,477,266	5,496,815,638

Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of notes. The capital commitments include cost for the construction of the bank's Central Office Building and Banking Office Building 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.

5.17. Non-cancellable Operating Leases

The bank leases various buildings under non-cancellable operating leases expiring within one or more than one years. The leases have varying terms, escalation clauses and renewal rights. On renewal, terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

PARTICULARS	As on Asar 31, 2078	As on Asar 31, 2077
	NRs.	NRs.
Within one year	38,511,810.76	30,786,461.61
Later than one year but not later than five years	69,346,928.04	31,782,288.53
Later than five years	42,251,838.66	24,056,813.00
Total	150,110,577.46	86,625,563.14

5.18. Claims against the bank

There are 129 cases filed in the court against the various decisions of the bank against which the bank is not expected to incur a significant monetary liability. However the bank may incur the loss to the extent of the salaries and benefits payable to the then 5 employees who have file the legal suit against the bank.

5.19. Number of Employees

The number of employees holding office at the year-end was 1,061 (PY 1,043).

5.20. Presentation (Regrouping/Rearrangement)

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

5.21. Events after the Reporting Period

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