



महालेखापरीक्षकको कार्यालय
Office of the Auditor General
बबरमहल/अनामनगर, काठमाडौं, नेपाल
Babarmahal / Anamnagar, Kathmandu, Nepal

Ref.No.-45/2082-083

Date:-11/16/2025

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Nepal Rastra Bank ("the Bank" or "NRB" hereafter)** which comprise the Statement of Financial Position as at Ashad 32, 2082, (July 16, 2025), 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 32, 2082, (July 16, 2025), 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 Standards on Auditing (NSAs). 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 Handbook of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of the Code of Ethics for Professional Accountants 2023. 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.

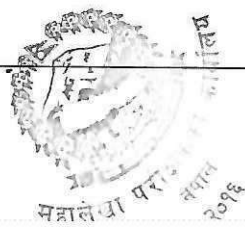
Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of financial statements of the current period. 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. We have determined the matters described below to be the key audit matters in our report.

B. B. Acharya

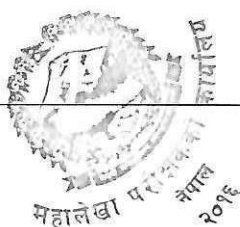
Key Audit Matters	The risk	How the matters were addressed in our audit
<p>Investment in foreign securities and term deposits with foreign banks:</p> <p>NRB's balances held in foreign securities and term deposits with foreign banks amounting to NPR 2,230.05 billion, equivalent to 83.48 % of NRB's total assets, impact of which is significantly material to the financial statements.</p>	<p>NRB holds a huge amount of its assets in foreign currency. Considering the nature of these investments, their impairment assessment requires judgement and significant estimates. Further, the value of foreign investment fluctuates along with the change in foreign currency exchange rates resulting in foreign exchange gain loss which are material. The measurement, presentation and disclosures of the investment in foreign securities and term deposits and recognition of income from those investments require management judgement and hence has been identified as a Key Audit Matter.</p>	<p>Our audit procedures to address the risk of material misstatement relating to the foreign investments, which was considered to be a significant risk included:</p> <ul style="list-style-type: none"> • Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of investments in foreign currencies, • Obtaining direct confirmation from the related banks to confirm the balances of the investment reported in the financial statements. Upon receipt of the confirmations, necessary reconciliations were made, and • Detailed analysis of exchange rates used and valuation procedures, recalculation of interest income, and evaluation of recognition, measurement, presentation and disclosures in the financial statements in accordance with applicable NFRSs. <p>Based on our procedures performed we concluded that the investment in foreign securities disclosed in the financial statements are acceptable.</p>
<p>Balances with International Monetary Fund (IMF):</p> <p>NRB's assets held with International Monetary Fund (IMF) at the year-end amounted to NPR 23.55</p>	<p>Due to the unique structure, terms, valuation, foreign currency translation and periodic interest accrual of the IMF holdings and allocations, it</p>	<p>Our audit procedures to address the risk of material misstatement relating to IMF holdings and allocations included verification of the SDR holdings provided by the IMF and allocations with information published on the IMF</p>

B. B. Adhikari



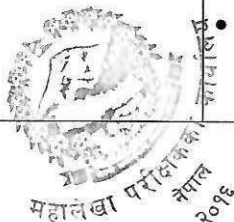
Key Audit Matters	The risk	How the matters were addressed in our audit
<p>billion equivalent to 0.88% of total assets, impact of which is material to the financial statements. NRB has been allocated SDR on the basis of member's quota. Liabilities with IMF represent 2.01% of the total liabilities of the NRB.</p> <p>NRB's disclosures relating to transactions with IMF are included in Note 5. 14 of the financial statements.</p>	<p>was considered key audit matters to our audit.</p>	<p>website, obtaining direct confirmation from IMF and subsequently testing the exchange rates used to translate those amounts into the reporting currency as at the year end. Furthermore, we examined relevant documents and the basis of computation of interest income on SDR holding and expenses on SDR allocation and transactions undertaken during the year.</p> <p>Based on our audit procedures performed, we concluded that the balances with IMF in both assets and liabilities reported in the financial statements are acceptable.</p>
<p>Valuation of Gold and Silver:</p> <p>NRB maintained gold and silver as stock for minting purposes and for reserves. The value of gold and silver maintained as reserves for notes in circulation amounts to NPR 55.42 billion.</p> <p>NRB's disclosures about gold and silver are included in Note 5.1 of the financial statements.</p>	<p>The valuation of these gold and silver are carried out in line with the international market which is subject to market volatility and other external economic factors.</p> <p>Due to the unique nature of the asset's valuation methodology adopted and associated risk, it was considered key audit matters.</p>	<p>Our audit procedures included reviewing the valuation methodology adopted (rate published by Federation of Nepal Gold and Silver Dealers Association) and carrying out the physical verification of gold and silver on a sample basis.</p> <p>Based on our procedures performed, we concluded that the valuation of gold and silver carried out consistently and disclosed in the financial statements are acceptable.</p>
<p>Transaction with Government of Nepal:</p> <p>NRB acts as the banker, advisor and fiscal agent of the Government of Nepal (GoN) and is primarily responsible for managing banking transactions on behalf of GoN including loan and grant received from foreign</p>	<p>Given the unique nature as well as the high volume of transactions undertaken by NRB on behalf of the GoN, it was considered key audit matter.</p>	<p>Our audit procedures to address the risk of material misstatement relating to Deposit, advances and payments of Government included:</p> <ul style="list-style-type: none"> Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of Deposit of Government, and

B-B Adhikari



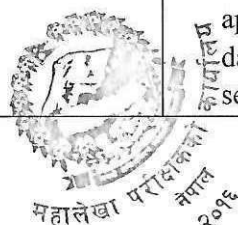
Key Audit Matters	The risk	How the matters were addressed in our audit
<p>countries and entities, collection and administration of funds of various ministries and the national exchequer.</p> <p>NRB's assets held as advances and receivable from Government amounts to NPR 260.55million. Similarly, Deposit of Government is NPR 70.84 billion.</p>		<ul style="list-style-type: none"> Confirm the balances from records maintained by the Financial Comptroller General Office (FCGO), Nepal and reconciliation mechanism of NRB to reconcile the balances with the record of the FCGO. NRB's disclosure about the advances and receivable from Government and Deposit of Government are included in Note 4.9 and Note 4.21 of the financial statements respectively. <p>Based on our procedure performed, we concluded that the balances with the Government of Nepal reported in the financial statements are acceptable.</p>
<p>Currency in Circulation:</p> <p>The balance of currency in circulation represents the value of all bank notes issued in Nepal and the liability is measured at face value of all bank notes issued less any bank notes cancelled/destroyed and withdrawn from circulation and maintained in the note chest vault of NRB.</p> <p>NRB's disclosures about currency in circulation are included in Note 4.23 of the financial statements</p>	<p>Issuance of banknotes is one of the key roles of NRB as defined in the Nepal Rastra Bank Act, 2058 and is a key audit matter due to:</p> <ul style="list-style-type: none"> Significant importance to the users of the financial statements, The balance is significantly material to the NRB's financial statements, and Complexity in assessing the accuracy of the liability for banknotes that are in circulation in the economy of Nepal. 	<p>We performed the following audit procedures in relation to currency in circulation:</p> <ul style="list-style-type: none"> Tested those general controls which are relevant to the accurate recording of the issuance and return of bank notes within the system responsible for recording the balance of currency in circulation, We performed a comparison of current year's movements against the prior periods focusing on the number of bank notes issued by denomination, and Our audit procedures included communicating with the concerned department to

B.B. Adhikari



Key Audit Matters	The risk	How the matters were addressed in our audit
		<p>understand the note issue process and carrying out physical inspection of notes held at NRB vault including note chest against currency in circulation on sample basis.</p> <p>Based on the procedure we performed we concluded that the balance of currency circulation disclosed in the financial statements are acceptable.</p>
<p>IT System and Control:</p> <p>The financial information of NRB is primarily generated through NRB's IT systems, which is continuously undergoing changes to meet its operating needs and to address internal and external threats.</p>	<p>The primary information for the financial statements is generated from the IT system and its controls. Therefore, we considered NRB's IT system as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of NRB's IT access controls over the information systems that are critical to financial reporting, • Tested IT general controls (logical access, changes management and aspects of IT operational controls) including testing of request for access to systems, • Tested NRB's periodic review of access rights and reviewed requests for changes to system for appropriate approval and authorization, • Considered the control environment relating to various interfaces, configurations and other application layer control, and • Performed test of IT General Controls to evaluate the application development and database, hosting platforms and segregation of incompatible

B.B. Adhikari



Key Audit Matters	The risk	How the matters were addressed in our audit
		<p>duties relevant to application and database change management.</p> <p>Based on the procedures performed, we considered the change managements, segregation of duties, controls and outputs in relation to financial accounting and reporting systems to be acceptable.</p>

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

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 that 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 Nepal Rastra Bank is enclosed along 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

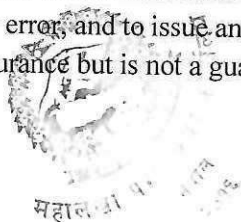
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged 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

B. B. Adhikari



accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B.B. Adhikari

Baikuntha Bahadur Adhikari
(Deputy Auditor General)

Nepal Rastra Bank

Statement of Financial Position

As at 32 Asar 2082

(all amounts in Nepalese Rupees unless otherwise stated)

ASSETS	Note	32 Asar 2082	31 Asar 2081
Foreign currency financial assets			
Cash and balances with banks	4.1	195,522,615,444	131,658,377,029
Derivative financial assets		-	-
IMF related assets	4.2	23,552,113,844	23,991,803,148
Term deposit with foreign banks	4.3	561,777,218,459	598,508,477,426
Investments in foreign securities	4.4	1,668,276,021,551	1,127,741,874,366
Other receivables	4.5	-	-
Total foreign currency financial assets		2,449,127,969,298	1,881,900,531,969
Foreign currency non-financial assets			
Investment in Gold Certificates	4.6	118,193,529,311	83,322,433,218
Total foreign currency non-financial assets		118,193,529,311	83,322,433,218
Total foreign currency assets		2,567,321,498,609	1,965,222,965,187
Local currency financial assets			
Balances with banks		8,394,919	6,144,630
Investment in Government securities	4.7	15,185,270,309	23,047,152,978
Investment in bonds & term deposit	4.8	6,822,515,860	7,381,089,826
Advances and receivable from Government	4.9	260,548,220	1,946,658,278
Loan and advances to bank and financial institutions	4.10	118,231,579	118,433,601
Other loan and advances	4.11	9,144,728,192	9,399,741,857
Equity investment	4.12	5,005,736,072	4,302,806,764
Other receivables	4.13	2,063,528	1,745,467
Total local currency financial assets		36,547,488,679	46,203,773,401
Local currency non-financial assets			
Gold and silver assets	4.14	55,416,574,175	44,003,521,309
Inventories	4.15	1,922,307,587	1,449,807,211
Property, plant and equipment	4.16	6,309,276,910	6,437,994,139
Intangible assets	4.17	35,291,595	43,330,321
Other assets	4.18	3,687,102,248	3,662,986,225
Total local currency non-financial assets		67,370,552,515	55,597,639,205
Total local currency assets		103,918,041,194	101,801,412,606
Total assets		2,671,239,539,803	2,067,024,377,793

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

Mr. Rajan Dev Bhattarai
Acting Executive Director
Financial Management Department

Dr. Ravindra Prasad Pandey
Board Member

Dr. Shankar Prasad Acharya
Board Member

Mr. Chintamani Siwakoti
Board Member

As per our report of even date

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA Durga Prasad Gnawali
N.B.S.M. & Associates

CA Sudarshan Raj Pandey
S.R Pandey & Co.

Dr. Ghanshyam Upadhyaya
Secretary MOF/Board Member

Prof. Dr. Biswo Nath Poudel
Governor

CA Bijay Kumar Agrawal
B.K Agrawal & Co.

Mr. Baikuntha Bahadur Adhikari
Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank

Statement of Financial Position

As at 32 Asar 2082

(all amounts in Nepalese Rupees unless otherwise stated)

Liabilities & Equity	Note	32 Asar 2082	31 Asar 2081
Foreign currency financial liabilities			
Derivative financial liabilities		-	-
Deposit of bank and financial institutions	4.19	10,493,587,420	12,868,855,095
IMF related liabilities	4.20	41,237,741,376	38,953,389,315
Total foreign currency financial liabilities		51,731,328,796	51,822,244,410
Local currency financial liabilities			
Bills Payable		54,245,636	111,732,583
Deposit of bank and financial institutions	4.19	388,635,552,440	290,718,269,398
Deposit of Government	4.21	70,837,099,174	63,953,391,009
Deposit of other institutions	4.22	12,502,055,256	20,063,196,070
Currency in circulation	4.23	750,112,422,154	680,048,802,701
Due to bank and financial institutions	4.24	654,050,000,000	355,450,000,000
IMF related liabilities	4.20	12,464,816,036	11,859,006,209
Surplus payable to Government		42,000,000,000	37,223,820,561
Other liabilities	4.25	2,027,025,539	1,592,587,318
Total local currency financial liabilities		1,932,683,216,235	1,461,020,805,849
Other liabilities			
Pension and other employment benefits payable	4.26	10,798,671,487	5,363,189,944
Total local currency liabilities		1,943,481,887,722	1,466,383,995,793
Total liabilities		1,995,213,216,518	1,518,206,240,203
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves	4.27	671,026,323,285	543,818,137,590
Total equity		676,026,323,285	548,818,137,590
Total liabilities and equity		2,671,239,539,803	2,067,024,377,793

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

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Financial Management Department

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Mr. Baikuntha Bahadur Adhikari
Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income For the year ended 32 Asar 2082

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	32 Asar 2082	31 Asar 2081
OPERATING INCOME			
Foreign currency income and expenses			
Interest income on foreign currency financial assets	4.28	96,167,221,419	79,785,220,115
Interest expense on foreign currency financial liabilities	4.29	(1,352,545,497)	(1,618,999,680)
Net foreign currency income		94,814,675,922	78,166,220,435
Local currency income and expenses			
Interest income on local currency financial assets	4.30	1,627,366,258	3,336,345,665
Interest expense on local currency financial liabilities	4.31	(9,132,334,287)	(2,186,034,052)
Net local currency income		(7,504,968,029)	1,150,311,613
Net interest income		87,309,707,893	79,316,532,048
Other income			
Fee and commission income	4.32	18,162,871	120,714,523
Income on Gold Certificates	4.33	537,156,642	422,354,601
Gain or loss on sale of securities			
Realized gain/loss on foreign exchange transaction		(89,057,429)	(257,261,092)
Other income	4.34	997,072,635	920,665,908
Less: Fee and commission expense	4.35	(61,268,732)	(92,444,169)
Net other income		1,402,065,987	1,114,029,771
Allowance for ECL (loss)/gain on financial assets	4.36	(244,294,013)	(185,852,877)
Total net operating income		88,467,479,867	80,244,708,942
OPERATING EXPENSES			
Personnel expenses	4.37	5,063,361,907	3,873,034,981
Note printing expense		773,605,902	410,882,145
Administrative expenses	4.38	1,662,687,548	1,815,754,984
Depreciation, amortisation and impairment	4.39	485,174,069	382,716,123
Total operating expenses		7,984,829,426	6,482,388,233
Net profit/(loss) before revaluation gain/loss		80,482,650,441	73,762,320,709
Revaluation gain/(loss)			
Gold and silver revaluation gain/(loss)		46,886,685,765	26,596,033,683
Net foreign exchange revaluation gain/(loss)		45,029,959,182	14,995,429,467
Net profit/(loss) for the year		172,399,295,388	115,353,783,859

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

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Financial Management Department

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Mr. Baikuntha Bahadur Adhikari
Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended 32 Asar 2082
(all amounts in Nepalese Rupees unless otherwise stated)

	Note	32 Asar 2082	31 Asar 2081
Net profit/(loss) for the year		172,399,295,388	115,353,783,859
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain from Equity Investment at FVOCI		693,191,508	635,186,270
Sub total		693,191,508	635,186,270
Items that will not be reclassified to profit or loss:			
Property revaluation gain/loss			
Re-measurement gain from defined benefit plan		(3,783,833,487)	101,846,034
Sub total		(3,783,833,487)	101,846,034
Total other comprehensive income		(3,090,641,979)	737,032,304
Total comprehensive income		169,308,653,409	116,090,816,163

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Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank
Statement of Changes in Equity
For the year ended 32 Asar 2082
(all amounts in Nepalese Rupees unless otherwise stated)

Note	Capital	General reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equalisation Fund	Gold and Silver Equalisation Reserve	Fair Value Reserve	Actuarial Gain Reserve	Open Market Operation Stabilization Fund	Other reserve	Retained Earning	Total
Balance as at 1 Sawan 2080	5,000,000,000	76,120,125,947	15,194,655,781	11,997,141,783	206,818,097,401	65,766,495,953	3,025,140,244	2,532,245,736	2,196,772,113	81,300,467,030	-	469,951,141,988
Net profit/(loss) for the year											115,353,783,859	115,353,783,859
Other comprehensive income for the year							635,186,270	101,846,034				737,032,304
Appropriation of profit :												-
General reserve		11,274,655,157									(11,274,655,157)	-
Monetary liability reserve			3,688,116,035								(3,688,116,035)	-
Financial stability fund				3,688,116,035							(3,688,116,035)	-
Open Market Operation Stabilization Fund									10,666,821,436		(10,666,821,436)	-
Exchange equalisation fund					14,995,429,467						(14,995,429,467)	-
Gold and silver equalisation reserve						26,596,033,683					(26,596,033,683)	-
Other reserve										7,091,153,478	(7,091,153,478)	-
Net cumulative surplus fund										129,638,007	(129,638,007)	-
Inter fund transfer											-	-
Administrative expense reimbursement/ adjustment of RSRF											-	-
Surplus transfer to Government											(37,223,820,561)	(37,223,820,561)
Balance as at 31 Asar 2081	5,000,000,000	87,394,781,104	18,882,771,816	15,685,257,818	221,813,526,868	92,362,529,636	3,660,326,514	2,634,091,770	12,863,593,549	88,521,258,515	-	548,818,137,590
Balance as at 1 Sawan 2081	5,000,000,000	87,394,781,104	18,882,771,816	15,685,257,818	221,813,526,868	92,362,529,636	3,660,326,514	2,634,091,770	12,863,593,549	88,521,258,515	-	548,818,137,590
Adjustment for Prior Period Income(Expense)										(100,292,215)		(100,292,215)
Restated Balance	5,000,000,000	87,394,781,104	18,882,771,816	15,685,257,818	221,813,526,868	92,362,529,636	3,660,326,514	2,634,091,770	12,863,593,549	88,420,966,300	-	548,717,845,375
Net profit/(loss) for the year											172,399,295,388	172,399,295,388
Other comprehensive income for the year							693,191,508	(3,783,833,487)				(3,090,641,979)
Appropriation of profit :												-
General reserve		16,250,973,601									(16,250,973,601)	-
Monetary liability reserve			4,024,132,522								(4,024,132,522)	-
Financial stability fund				4,024,132,522							(4,024,132,522)	-
Open Market Operation Stabilization Fund									10,473,483,632		(10,473,483,632)	-
Exchange equalisation fund					45,029,959,182						(45,029,959,182)	-
Gold and silver equalisation reserve						46,886,685,765					(46,886,685,765)	-
Other reserve										1,807,077,854	(1,807,077,854)	-
Net cumulative surplus fund										1,902,850,310	(1,902,850,310)	-
Inter fund transfer											-	-
Administrative expense reimbursement/ adjustment of RSRF										(175,499)		(175,499)
Surplus transfer to Government											(42,000,000,000)	(42,000,000,000)
Balance as at 32 Asar 2082	5,000,000,000	103,645,754,705	22,906,904,338	19,709,390,340	266,843,486,050	139,249,215,401	4,353,518,022	(1,149,741,717)	23,337,077,181	92,130,718,965	-	676,026,323,285

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

Mr. Rajan Dev Bhattarai
Acting Executive Director
Financial Management Department

Dr. Ravindra Prasad Pandey
Board Member

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S.R Pandey & Co.

CA Bijay Kumar Agrawal
B.K Agrawal & Co.

Mr. Baikuntha Bahadur Adhikari
Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank
Statement of Cash Flows
For the year ended 32 Asar 2082
(all amounts in Nepalese Rupees unless otherwise stated)

	32 Asar 2082	31 Asar 2081
Cash flows from operating activities		
Interest income received	96,650,221,494	83,121,565,780
Fees, commission and other income received	1,464,987,442	1,381,653,043
Interest expense paid	(10,484,879,784)	(3,805,033,732)
Personnel expense paid	(3,411,713,851)	(3,117,608,908)
Fees and commission Expense paid	(61,268,732)	(92,444,169)
Note printing expense paid	(773,605,902)	(410,882,145)
Administrative expense paid	(1,662,687,548)	(1,815,754,984)
Net cash flow from operating activities before changes in operating assets and liabilities	81,721,053,119	75,261,494,885
Net (increase)/decrease in operating assets		
Loan and advances to BFIs	175,498	1,549,797,399
Other loan and advances	254,669,451	(1,473,964,953)
Advances and receivable from Government	1,462,289,498	(340,658,278)
Inventories	(472,500,376)	137,330,122
Other receivables	(458,623)	33,594,325
Other assets	(24,116,023)	(1,325,127,414)
Net increase/(decrease) in operating liabilities		
Deposit of bank and financial institutions	95,542,015,367	16,481,621,279
Deposit of Government	6,883,708,165	18,863,943,393
Deposit of other institutions	(7,561,140,814)	2,111,402,574
Due to Bank and Other Financial Institutions	298,600,000,000	295,450,000,000
Other liabilities	301,776,858	200,978,422
Cash flow from changes in operating assets and operating liabilities	394,986,419,001	331,688,916,869
Net cash flow from operating activities	476,707,472,120	406,950,411,754
Cash flows from investing activities		
Net purchase of property and equipment	(344,833,759)	(1,196,280,524)
Purchase of intangible assets	(3,584,354)	3,913,729
Sale of property and equipment	4,029,006	8,014,435
Net Sale/(purchase) of securities	(215,258,485,440)	(298,843,488,875)
Receipt from/(Investment) in term deposit	(6,601,053,610)	(104,620,791,992)
Net purchase of gold and silver	-	(360,615,532)
Net purchase of equity instruments	(9,737,800)	1,843,877,778
Dividend income received	82,940,200	70,973,442
Net cash flow from investing activities	(222,130,725,757)	(403,094,397,539)

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Mr. Baikuntha Bahadur Adhikari
Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

Nepal Rastra Bank
Statement of Cash Flows
For the year ended 32 Asar 2082
(all amounts in Nepalese Rupees unless otherwise stated)

	32 Asar 2082	31 Asar 2081
Cash flows from financing activities		
Net increase/(decrease) in currency in circulation	70,063,619,453	54,260,930,171
Lease payments	(25,293,298)	(10,606,821)
Net increase/(decrease) in liabilities with IMF	2,958,852,264	(213,996,617)
Interest paid on IMF related liabilities	(68,690,376)	10,016,248
Surplus paid to Government	(37,223,820,561)	(25,000,000,000)
Net cash flow from financing activities	35,704,667,482	29,046,342,981
Net increase/(decrease) in cash and cash equivalents	290,281,413,845	32,902,357,196
Exchange rate effect on cash and cash equivalents	44,940,901,753	14,738,168,375
ECL effect on cash and cash equivalents	-	-
Cash and cash equivalents as at the beginning of the year	672,804,191,641	625,163,666,070
Cash and cash equivalents as at the end of the year	1,008,026,507,239	672,804,191,641

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

Cash and cash equivalent includes following assets:

Assets	32 Asar 2082	31 Asar 2081
Foreign currency cash in hand	23,999,547,422	25,243,089,889
Balances with other central banks	100,360,702,752	51,280,897,155
Balances with banks	71,173,713,139	55,129,172,928
SDR Holdings	23,405,205,370	23,791,069,016
Term deposit with maturity upto 3 months	274,000,000	43,819,360,000
Treasury bills with maturity upto 3 months	788,813,338,556	473,540,602,653
Total	1,008,026,507,239	672,804,191,641

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Deputy Auditor General
Office of the Auditor General

Date: 28/07/2082

Place: Kathmandu

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2081-82 (2024-25 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 Nepal Rastra Bank Act, 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The primary objectives of the Bank are to maintain economic stability; price stability as well as external sector stability, promote financial access and develop secured, healthy and stable payment systems. In order to attain these objectives, the Bank's principal functions include:

- a. Formulating necessary monetary and foreign exchange policies
- b. Issuing Nepalese currency notes and coins and maintaining record of Nepalese currency in 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 Bank's financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also include interpretations (IFRIC and SIC) as issued by International Accounting Standards Board.

The Bank's financial statements include Statement of Financial Position, Statement of Net Income and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to Accounts. The Bank's assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity, and expenses are classified as per their nature.

2.2 Basis of Measurement

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

Items	Measurement Basis
Financial Instruments at Fair value through profit or Loss	Fair value
Debt Instruments and other similar financial Instruments	Fair value as well as Amortized Cost
Equity investments	Fair value
Monetary Gold	Fair value
Inventories (Including gold & silver kept for further processing)	Cost or Net realizable value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2081-82 (2024-25 AD)

2.3 Responsibility of Financial Statements

The Management 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 Bank's financial statements are approved by the Board Meeting held on 28th Kartik 2082.

2.4 Presentation of Financial Statements

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

The Bank's Cash Flow Statement has been prepared by using the "Direct Method" in accordance with the NAS 7- Statement of Cash Flow. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined in point No. 3.2 of the NAS 7- Statement of Cash Flow.

2.5 Functional and Presentation Currency

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

2.6 Materiality and Aggregation

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

2.7 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the 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 the Statement of Financial Position.

2.8 Comparative Information

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

2.9 Fiscal Year

The financial statements relate to the fiscal year 2081/82 i.e. 1st Shrawan 2081 to 32nd Asar 2082 corresponding to Gregorian calendar 16th July 2024 to 16th July 2025. The previous year was 1st Shrawan 2080 to 31st Asar 2081 (17th July 2023 to 15th July 2024).

2.10 Use of Estimates, Assumptions or Judgments

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

The financial statements have been prepared on going concern basis. Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2081-82 (2024-25 AD)

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

- Key assumptions used in discounted cash flow projections
- Measurement of defined benefit obligations
- Provisions and contingencies
- Determination of net realizable value
- Determination of useful life of the property, plants and equipment
- Determination of capitalization value and useful life of the intangible assets

2.11 Controlling Body

The controlling body of the Bank is the Government of Nepal (GoN) holding 100 percent of its share 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 of Nepal.
- 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 of Nepal or related entities except where agreement states otherwise.

2.12 Basis of Consolidation

As per NFRS 10- Consolidated Financial Statements, “an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.” The Bank’s investment in Rastriya Beema Sansthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done. These investments are accounted at fair value through other comprehensive income as per NFRS 9.

2.13 Basis of Accounting for Investment in Associates

NAS 28 mentions that an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method. Further, the standard clarifies that significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Bank’s investment in National Productivity and Economic Development Ltd. is in excess of 20% of the paid up capital of the entity. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2081-82 (2024-25 AD)

being the associates of the Bank does not meet, the equity accounting for such investment has not been done. These investments are accounted at fair value through other comprehensive income as per NFRS 9.

2.14 Changes in Accounting Policies

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

3 Significant Accounting Policies

3.1 Financial Assets and Financial Liabilities

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

A. Financial Assets

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

(i) Recognition

The Bank initially recognizes loans and advances, deposit with other bank, investment in securities on the date of which the Bank becomes a party to the instruments. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

(ii) Classification and measurement

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

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

- Financial assets measured at amortized cost:

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

Following financial instruments are measured at amortized cost:

a) Cash in hand and balance with banks

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2081-82 (2024-25 AD)

b) IMF related assets

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

c) Term deposit with banks

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

d) Investments in Government securities

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

e) Loan and advances to bank and financial institutions

Loan and advances to bank and financial institutions stand for loan and advances made as per monetary policy instrument. This includes standing liquidity facilities, repo transactions, lender of last resort and refinance facilities. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment using expected credit loss method. Allowance for impairment loss on standing liquidity facility and repo transactions are determined at zero due to nature of transaction. These transactions are fully secured by collateral of Nepal Government securities.

f) Other Loan and Advances

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

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

Financial assets measured at fair value through other comprehensive income include investment in equity instruments of other entities. The Bank has made irrevocable election at initial

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2081-82 (2024-25 AD)

recognition to recognize the changes in fair value through other comprehensive income. All investments in equity instrument of other entities are classified under this heading. These investments are initially measured at fair value. The initial fair value is the transaction value. Transaction cost, if any is recognized in the investment amount. The subsequent measurement of these assets is done at fair value. The fair value is market value of particular instrument. If market value is not available for any instruments, its fair value is determined by adopting valuation method. The change in fair value is recognized in other comprehensive income.

- **Financial assets measured at fair value through profit or loss:**

All financial assets other than measured at amortized cost and at fair value through other comprehensive income are measured at financial assets measured at fair value through profit or loss. Assets classified under this class are measured at fair value. Transaction cost is recognized in statement of net income. The change in fair value is recognized to statement of net income. There is no any asset classified under this heading during the year.

(iii) **De-recognition**

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

On de-recognition of financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the consideration received (including any new assets obtained less any new liability assumed) is recognized in income or expenditure. Any interest in transferred financial assets that does not qualify for de-recognition that is created or retained by the Bank is recognized as a separate assets or liability.

B. Financial liabilities

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

i) Recognition and Measurement

All financial liabilities are recognized initially on the trade date, which is the date that the bank becomes a party to the contractual provisions of the instrument except for Debt Securities which are initially recognized on the date that they are issued. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

ii) De-recognition

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

C. Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Please refer to Note 2.7 for further details.

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2081-82 (2024-25 AD)

D. Amortized cost measurement

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

E. Fair value measurement

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

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. The fair value measurement is based on the presumption that the transaction to sell the assets or transfer the liability takes place in the principal market. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

F. Impairment of financial assets

The Bank recognizes loss allowances for expected credit loss (ECL) on the financial instruments that are measured at amortized cost. Loss allowance on financial assets measured at fair value through other comprehensive income is not recognized as this class of assets includes investment in equity instrument only which are measured at fair value. The loss allowance is recognized in profit or loss.

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

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

NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2081-82 (2024-25 AD)

Measurement of allowances for expected credit loss

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

- **Exposure at Default**

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

- **Probability of Default (PD)**

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

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

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

- **Loss Given Default (LGD)**

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

Write off

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

G. Designation at fair value through Profit or Loss

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

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

3.2 Cash and Cash Equivalents

Cash and Cash Equivalents include notes, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an

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insignificant risk of changes in their fair value. The Bank holds Cash and Cash Equivalents for management of its short-term commitments and it is carried at amortized cost in the Statement of Financial Position. Allowance for expected credit loss is recognized on Cash and Cash Equivalents.

3.3 Trading Assets and Liabilities

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

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

3.4 Gold and Silver

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

3.5 Foreign Currency Transaction

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

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

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

An amount equivalent to the net exchange gain/loss during the year is transferred to/from ‘Exchange Equalization Fund’ through Statement of Appropriation.

3.6 Income tax

Income of the Bank is exempted from taxes under section 8 of the Nepal Rastra Bank Act, 2058 as well as Section 10 of Income Tax Act, 2058.

3.7 Property, Plant and Equipment

Property, plant and equipments 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.

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i. Recognition

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

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

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

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

ii. Measurement

a. Initial Measurement

The cost of an item of property, plant and equipments 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 assets 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 Equipments are measured using cost model. Hence, the value of the assets 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 equipments 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 equipments (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 equipments are depreciated from immediate next month of the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Similarly, while disposing any depreciable assets, 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 equipments. 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 Equipments 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, Plant and Equipments are as follows:

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

v. Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets under Property, Plant and Equipments 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, equipments acquired under grant are recognized as "Grant Assets" at nominal value and included under respective head of property, plant and equipments.

3.8 Intangible Assets

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

i. Recognition

An intangible asset shall be recognized if, and only if:

- a. The asset is identifiable
- b. It is probable that the economic benefits that are attributable with the item will flow to the Bank; and
- c. Cost of the asset can be measured reliably.

ii. Measurement

Intangible assets are measured initially at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. Subsequently, the intangible assets are measured at cost less accumulated amortization and any impairment losses. Costs incurred in the ongoing maintenance of software

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are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific assets 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 formed-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 Statement of Net Income on disposal.

3.9 Leases

Payments made under operating leases are accounted as per NFRS 16. At the inception of the lease, the Bank recognizes right of use assets and lease liabilities. Right of use assets is measured at cost which comprises the amount of initial measurement of lease liabilities, any lease payments made at or before the commencement of the lease less any incentives received, any initial direct cost incurred by the Bank and an estimated cost of dismantling and removing the underlying asset. The right of use assets is subsequently depreciated using straight line method from the commencement date to the end of the lease term. In addition, the right of use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

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

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3.10 Investment Property

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

3.11 Impairment of Non-Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine where there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The Bank assesses whether events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

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

3.12 Inventories

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

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

3.13 Deposits and Borrowings

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

Further, deposits and borrowings (including debts securities issued) are initially measured at fair value minus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

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3.14 IMF Related Liabilities

IMF Related Liabilities include Special Drawing Rights (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 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 Statement of Net Income.

3.15 Currency in Circulation

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the Nepal Rastra Bank 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 in circulation liability does not include the liability on account of coins in circulation, as allowed by the Act.

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

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

3.16 Transactions on Repurchase Obligations (Repo) and Reverse Repo

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

- a. Securities purchased under Repurchase Agreement (Repo) are recognized as loans and advances to BFIs under the heading of refinance and loan to banks. Interest income on Repo facility is recognized as per effective interest rate method. The difference between the purchase price and sale price is recognized as interest income over the tenure of the facility using effective interest rate.
- b. Securities sold under Reverse Repurchase Agreement ('Reverse Repo') are recognized as short term borrowings. Interest expense on Reserve Repo is recognized as per effective interest rate method. The difference between the sale price and purchase price is recognized as interest expenses over the tenure of the facility using effective interest rate.

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

3.17 Bills Payable and Bills Receivable

The Bank carries out the function of repayment of Government securities and interest thereon on behalf of the Government of Nepal (GON). Bills Payable primarily represents the year end undisbursed or unadjusted amount of payments received from GON in respect of interest/repayment liabilities of such securities. The year-end balance of Bills Purchased represents the amounts paid by the Bank to the security holders but the corresponding claim adjustment with Bills Payable is pending.

3.18 Provisions

A provision is recognized if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash

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flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Where the Bank expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable to be received.

3.19 Employee Benefits

- **Short term employee benefits**

Short term employee benefits are the benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably. These includes salary, overtime, various allowance, staff Welfare etc.

- **Post Employment Benefits**

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

A. Defined Contribution Plan

A defined contribution plan is a post employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expenses in the Statement of Net Income in the periods during which the related services 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 of the Bank are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in Statement of Net Income as the related services are accounted.

B. Defined Benefits Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value.

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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 the statement of other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in other comprehensive income. The Bank determines the net interest expenses (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 benefit 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 unit credit method. All expenses related to defined benefit plans in employee benefit are expensed in Statement of Net Income.

• Other long term employee benefits

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

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i. Leave Encashment

As per Nepal Rastra Bank Staff By-Law, 2068: Rule 86, 87 and 91, the employees are entitled to en-cash their un-utilized accumulated leave at the time of retirement or any other prescribed time as decided by the management of the Bank. Home leave, Sick leave and Special Leave are defined benefit plans which are recognized when the leave remains un-availed at the time of closing date. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date.

ii. Staff Medical Fund

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(d). Incremental liability is provided for and transferred to this Fund.

• Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

3.20 Interest Income and Expenses

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

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

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

Interest income on stage 1 and stage 2 financial assets measured at amortized cost is recognized on gross carrying amount. Interest income on stage 3 financial assets is recognized on net carrying amount.

Interest income on investments from certain banks and financial institutions which are declared as problematic and receipt of interest from which is not forthcoming are not recognized.

3.21 Non Interest Income

i. Fees and Commission income

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

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ii. Net trading income

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

iii. Net income from financial instruments designated at fair value

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

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

iv. Other Income and Expenses

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

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.
- Profit/loss from sale of precious metal and coins are recognized when the sale is made.
- Grant income is not recognized until there is reasonable certainty that the entity will comply with the conditions attaching to it, and that the grant will be received. Grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognized in statement of net income of the period in which it becomes receivable.

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

3.22 Note Printing Expenses

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

3.23 Unclaimed Account

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

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3.24 Contingent Liabilities and Commitments

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

3.25 Consolidation of Project Accounts

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

The projects for which the Bank has entered into separate subsidiary loan agreements with Government of Nepal or has entered into separate project agreements with other funding agencies are consolidated with the Bank's account. For projects which are implemented by the Bank on behalf of the GON, the accounts of these projects are not consolidated with the 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 expenses of such projects. Disclosure of such projects is given in the notes.

3.26 Events Occurring after the Reporting Date

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

Nepal Rastra Bank

Notes to the financial statements

As at 32 Asar 2082

(all amounts in Nepalese Rupees unless otherwise stated)

4.1	Cash and balances with banks	32 Asar 2082	31 Asar 2081
	Foreign currency cash in hand	23,999,547,422	25,243,089,889
	Balances with other central banks	100,360,702,752	51,280,897,155
	Balances with foreign banks	71,165,317,087	55,123,027,468
	Money at overnight placements with other central banks	-	-
	Interest receivable	23,678,678	35,000,282
	Less: Allowances for expected credit loss	(26,630,495)	(23,637,765)
	Total cash and balance with banks	195,522,615,444	131,658,377,029
4.2	IMF related assets	32 Asar 2082	31 Asar 2081
	Special drawing right holding	23,405,205,370	23,791,069,016
	Interest receivable	146,908,474	200,734,132
	Less: Allowances for expected credit loss	-	-
	Total IMF related assets	23,552,113,844	23,991,803,148
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.3	Term deposit with foreign banks	32 Asar 2082	31 Asar 2081
	Term deposit with maturity of 3 months or less	274,000,000	43,819,360,000
	Term deposit with maturity of more than 3 months	558,266,487,853	551,169,998,743
	Interest receivable	3,720,024,798	3,975,886,250
	Less: Allowances for expected credit loss	(483,294,192)	(456,767,567)
	Total term deposit with banks	561,777,218,459	598,508,477,426
4.4	Investment in foreign securities	32 Asar 2082	31 Asar 2081
	Investment measured at amortised cost		
	Treasury bills	788,813,338,556	473,540,602,653
	Treasury Notes	611,778,943,853	425,622,066,365
	Mid Term Instruments (MTI)	164,166,295,695	126,282,230,415
	Coupon bonds	95,421,600,620	96,453,226,913
	Interest receivable	8,892,112,518	6,425,308,468
	Less: Allowances for expected credit loss	(796,269,691)	(581,560,448)
	Investment measured at fair value through OCI		
	Treasury bills		
	Treasury Notes		
	Coupon bonds		
	Less: Allowances for expected credit loss	-	-
	Investment measured at fair value through profit or loss		
	Treasury bills		
	Treasury Notes		
	Coupon securities		
	Coupon bonds		
	Total investment in securities	1,668,276,021,551	1,127,741,874,366

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4.5	Other receivables	32 Asar 2082	31 Asar 2081
	Receivable from Asian Clearing Union		
	Other receivable	-	-
	Less: Allowances for expected credit loss	-	-
	Total interest and other receivable	-	-
4.6	Investment in Gold Certificates	32 Asar 2082	31 Asar 2081
	Investment in paper gold	117,904,935,071	82,431,302,171
	Trading gold	-	-
	Interest receivable on paper gold	288,594,240	891,131,047
	Total investment in gold certificates	118,193,529,311	83,322,433,218
	Details disclosure regarding the investment in gold is provided in Note 5.1		
4.7	Investment in Government securities	32 Asar 2082	31 Asar 2081
	Investment in treasury bills	245,398,000	-
	Investment in bond	11,781,247,570	20,362,590,200
	Investment in Government bond issued for IMF related liabilities	3,023,415,618	2,438,302,023
	Interest receivable	135,209,121	246,260,755
	Less: Allowances for expected credit loss	-	-
	Total investment in Government securities	15,185,270,309	23,047,152,978
4.8	Investment in bonds & term deposit	32 Asar 2082	31 Asar 2081
	Investment in corporate bonds	-	-
	Term deposit with Bank and Financial Institutions	6,789,800,000	7,284,800,000
	Interest receivable	59,180,047	122,829,432
	Less: Allowances for expected credit loss	(26,464,187)	(26,539,606)
	Total fixed deposit with Bank and Financial Institutions	6,822,515,860	7,381,089,826
4.9	Advances and receivables from Government	32 Asar 2082	31 Asar 2081
	Overdraft provided to Government	-	-
	Advance payment to Government	-	1,460,000,000
	Receivable from Government - IMF Bond	260,548,220	262,837,718
	Advance to project/fund operated by Government	-	-
	Interest Receivable	-	223,820,560
	Less: Allowances for expected credit loss	-	-
	Total advance to Government	260,548,220	1,946,658,278

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4.10	Loan and advances to bank and financial institutions	32 Asar 2082	31 Asar 2081
	Standing liquidity facility	-	-
	Refinance	-	-
	Lender of last resort	-	-
	Securities purchased under repurchase agreement	-	-
	Other loans to BFIs	118,247,542	118,423,040
	Interest receivable	-	26,553
	Less: Allowances for expected credit loss	(15,963)	(15,992)
	Total Loan and advances to bank and financial institutions	118,231,579	118,433,601
4.11	Other loan and advances	32 Asar 2082	31 Asar 2081
	Staff loans	11,224,100,867	11,257,077,314
	Less: Amortization	(3,598,818,384)	(3,580,874,113)
	Pension advance	1,440,611,864	1,652,831,031
	Travelling advances to staff	12,670,020	5,062,201
	Advance for construction	13,640,139	14,950,303
	Staff endowment policy advance	4,659,850	5,854,850
	Other advance	45,508,067	42,140,288
	Interest receivable	2,355,769	2,699,983
	Less: Allowances for expected credit loss	-	-
	Total other loan and advances	9,144,728,192	9,399,741,857
4.12	Equity investment	32 Asar 2082	31 Asar 2081
	Investment in equity instruments measured at fair value through OCI		
	Cost price	652,218,050	642,480,250
	Fair Value Changes	4,353,518,022	3,660,326,514
	Total equity investment	5,005,736,072	4,302,806,764
	Details disclosure regarding the equity investment is provided in Note 5.6.5		
4.13	Other receivables	32 Asar 2082	31 Asar 2081
	Dividend receivable	-	-
	Sundry debtors	-	-
	Deposits	1,361,463	1,360,679
	Other receivables	8,418,033	7,960,194
	Less: Allowances for expected credit loss	(7,715,968)	(7,575,406)
	Total interest and other receivables	2,063,528	1,745,467

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4.14	Gold and silver assets	32 Asar 2082	31 Asar 2081
	Gold held in reserve at cost	27,351,269	27,351,269
	Silver held in reserve at cost	20,406,443	20,406,443
	Changes in fair value	55,368,816,463	43,955,763,597
	Total gold and silver assets	55,416,574,175	44,003,521,309
	Details disclosure regarding the gold and silver assets is provided in Note 5.1		
	Current year Income available for distribution		
4.15	Inventories	32 Asar 2082	31 Asar 2081
	Gold stock	1,653,930,869	1,092,816,617
	Silver stock	90,358,947	81,897,402
	Coin stock	172,971,329	270,083,340
	Numismatic stock	3,778,067	3,778,067
	Other metal stock	31,285,014	31,752,520
	Dispensary stock	1,164,901	660,805
	Gross inventories	1,953,489,127	1,480,988,751
	Less: Write down of inventories to net realizable value	-	-
	Coin stock	(22,465,540)	(22,465,540)
	Other metal stock	(8,716,000)	(8,716,000)
	Net inventories	1,922,307,587	1,449,807,211

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4.16 Property, Plant and equipment

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

Particulars		Land	Building	Temporary Structure	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Right of Use Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%	20%	20%	20%-25%	20%	20%	10%	20%			
Original Cost	Balance as on 1st Sawan 2080	360,623,152	882,113,840		377,642,041	722,035,891	549,276,051	203,827,013	83,545,773	6,821,310	179,181,148	3,820,006,590	7,185,072,809
	Addition during the Year		98,261,227	1,448,196	112,048,515	55,400,000	68,894,986	17,815,362	24,390,047	689,872	24,983,768	877,211,670	1,281,143,642
	Disposal/Write Off/Adjustment		(6,720,757)		(9,026,712)	(26,715,254)	(1,904,050)	(6,500,155)	(221,163)	(320,711)		(97,630,815)	(149,039,617)
	Balance as on 31st Asar 2081	360,623,152	973,654,310	1,448,196	480,663,844	750,720,637	616,266,987	215,142,220	107,714,657	7,190,471	204,164,916	4,599,587,445	8,317,176,835
Accumultaed Depreciation	Balance as on 1st Sawan 2080	-	387,897,736		231,575,379	458,436,885	195,967,316	156,244,623	42,134,489	5,618,135	82,768,508	-	1,560,643,071
	Depreciation for the Year		27,910,578	271,209	80,850,726	98,167,688	93,957,197	17,918,696	7,289,662	411,102	39,620,298		366,397,156
	Disposal/Write Off/Adjustment		(4,707,410)		(7,994,696)	(26,715,245)	(1,904,048)	(6,025,607)	(189,818)	(320,707)			(47,857,530)
	Balance as on 31st Asar 2081	-	411,100,904	271,209	304,431,409	529,889,328	288,020,465	168,137,712	49,234,333	5,708,530	122,388,806	-	1,879,182,696
Net Book Value as on 31st Asar 2081		360,623,152	562,553,406	1,176,987	176,232,435	220,831,309	328,246,522	47,004,508	58,480,324	1,481,941	81,776,110	4,599,587,445	6,437,994,139
Original Cost	Balance as on 1st Sawan 2081	360,623,152	973,654,310	1,448,196	480,663,844	750,720,637	616,266,987	215,142,220	107,714,657	7,190,471	204,164,916	4,599,587,445	8,317,176,835
	Addition during the Year		7,008,462,839	9,230,919	53,402,393	36,489,500	643,311	18,921,482	32,201,274	1,638,211		206,006,725	7,366,996,654
	Disposal/Write Off/Adjustment		(2,269,301,090)	-	(42,475,442)	(72,224,795)	(10,667,444)	(12,155,247)	(742,623)	(87,509)		(4,788,377,258)	(7,196,031,408)
	Balance as on 32nd Asar 2082	360,623,152	5,712,816,059	10,679,115	491,590,795	714,985,342	606,242,854	221,908,455	139,173,308	8,741,173	204,164,916	17,216,912	8,488,142,081
Accumultaed Depreciation	Balance as on 1st Sawan 2081	-	411,100,904	271,209	304,431,409	529,889,328	288,020,465	168,137,712	49,234,333	5,708,530	122,388,806	-	1,879,182,696
	Depreciation for the Year		148,831,059	2,650,464	78,121,609	88,395,857	101,043,757	16,544,386	10,171,275	618,962	25,613,001		471,990,370
	Disposal/Write Off/Adjustment		(51,428,157)	319,203	(40,874,521)	(57,485,892)	(10,667,406)	(11,341,004)	(742,610)	(87,508)			(172,307,895)
	Balance as on 32nd Asar 2082	-	508,503,806	3,240,876	341,678,497	560,799,293	378,396,816	173,341,094	58,662,998	6,239,984	148,001,807	-	2,178,865,171
Net Book Value as on 32nd Asar 2082		360,623,152	5,204,312,253	7,438,239	149,912,298	154,186,049	227,846,038	48,567,361	80,510,310	2,501,189	56,163,109	17,216,912	6,309,276,910

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4.17 Intangible Assets

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

Particulars		Computer Software			Capital Work in Progress	Total Intangible Assets
		Useful Life Defined by Contractual Agreements	Other Useful Life			
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1st Sawan 2080	20,065,540	43,365,821	243,872,285	-	307,303,646
	Addition during the Year	8,894,230	1,049,202	275,000		10,218,432
	Disposal/Write Off/Adjustment				-	-
	Balance as on 31st Asar 2081	28,959,770	44,415,023	244,147,285	-	317,522,078
Accumulated Amortisation	Balance as on 1st Sawan 2080	6,314,730	20,076,414	233,668,452	-	260,059,596
	Depreciation for the Year	6,032,881	6,319,158	1,480,122	-	13,832,161
	Disposal/Write Off/Adjustment		300,000			300,000
	Balance as on 31st Asar 2081	12,347,611	26,695,572	235,148,574	-	274,191,757
Net Book Value as on 31st Asar 2081		16,612,159	17,719,451	8,998,711	-	43,330,321
Original Cost	Balance as on 1st Sawan 2081	28,959,770	44,415,023	244,147,285		317,522,078
	Addition during the Year	2,260,000	1,324,360	-		3,584,360
	Disposal/Write Off/Adjustment	(7,845,815)	-	-		
	Balance as on 32nd Asar 2082	23,373,955	45,739,383	244,147,285	-	321,106,438
Accumulated Amortisation	Balance as on 1st Sawan 2081	12,347,611	26,695,572	235,148,574		274,191,757
	Depreciation for the Year	3,881,891	6,253,982	1,487,208		11,623,081
	Disposal/Write Off/Adjustment	(7,845,810)	-	-		(7,845,810)
	Balance as on 32nd Asar 2082	8,383,692	32,949,554	236,635,782	-	277,969,028
Net Book Value as on 32nd Asar 2082		14,990,263	12,789,829	7,511,503	-	35,291,595

4.18 Other Assets

Particulars	32 Asar 2082	31 Asar 2081
Deferred Employees Benefits	3,598,818,384	3,580,874,113
Project Assets	-	-
Prepaid expense	88,283,864	82,112,112
Other Assets		
Total	3,687,102,248	3,662,986,225

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4.19	Deposit of bank and financial institutions	32 Asar 2082	31 Asar 2081
	<i>Foreign Currency</i>		
	Deposit of commercial banks	10,435,799,865	12,847,372,512
	Deposit of development banks	57,787,555	21,482,583
	Deposit of finance companies	-	-
	Deposit of microfinance financial institutions	-	-
	Total foreign currency deposit	10,493,587,420	12,868,855,095
	<i>Local Currency</i>		
	Deposit of commercial banks	353,411,871,330	259,450,328,603
	Deposit of development banks	26,061,323,480	23,529,331,854
	Deposit of finance companies	6,362,021,232	5,548,059,069
	Deposit of microfinance financial institutions	2,800,336,398	2,190,549,872
	Total local currency deposit	388,635,552,440	290,718,269,398
	Total deposit of bank and financial institutions	399,129,139,860	303,587,124,493
4.20	IMF related liabilities	32 Asar 2082	31 Asar 2081
	<i>Foreign Currency</i>		
	Special Drawing Right allocation	40,980,517,183	38,627,474,746
	Interest bearing loans	-	-
	Interest payable	257,224,193	325,914,569
	Total foreign currency IMF related liabilities	41,237,741,376	38,953,389,315
	<i>Local Currency</i>		
	IMF account no.1	12,461,652,312	11,855,996,232
	IMF account no.2	3,163,724	3,009,977
	Total local currency IMF related liabilities	12,464,816,036	11,859,006,209
	Total IMF related liabilities	53,702,557,412	50,812,395,524
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.21	Deposit of Government	32 Asar 2082	31 Asar 2081
	Deposit of Central Government	(69,863,090,776)	(99,491,721,176)
	Deposit of Province Government	56,884,247,107	69,227,910,373
	Deposit of Local Authorities	83,815,942,843	94,217,201,812
	Total deposit of Government	70,837,099,174	63,953,391,009
4.22	Deposit of other institutions	32 Asar 2082	31 Asar 2081
	Deposit of public enterprises	2,554,758,886	2,249,194,159
	Deposit of Government for Interest Subsidy & Subsidies Loan	2,023,587,721	8,811,688,206
	LC margin deposit	5,986,549,456	8,445,825,910
	Deposit of other organisations	1,937,159,193	556,487,795
	Total deposit of other institutions	12,502,055,256	20,063,196,070
4.23	Currency in Circulation	32 Asar 2082	31 Asar 2081
	Currency Issued (Denomination)		
	1	160,974,635	160,997,039
	2	185,078,660	185,151,436
	5	3,762,508,930	3,640,451,885
	10	5,845,712,010	5,867,673,450
	20	7,678,744,540	7,524,263,040
	25	57,020,075	57,047,200

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	50	13,611,079,400	14,685,951,900
	100	31,413,289,000	30,394,594,800
	250	87,421,250	87,423,250
	500	165,135,885,500	130,670,884,000
	1000	533,472,286,000	446,805,562,000
	Gross Amount of Currency in Circulation	761,410,000,000	690,150,000,000
	Less: Cash at Vault of the Bank	(11,297,577,846)	(10,101,197,299)
	Net Amount of Currency in Circulation	750,112,422,154	680,048,802,701
4.23.1	Reserve against currency in circulation	32 Asar 2082	31 Asar 2081
	Foreign Treasury Bills	750,112,422,154	473,540,602,653
	Foreign Bank Balance (Including Term Deposits)	-	206,508,200,048
	Total	750,112,422,154	680,048,802,701
4.24	Due to bank and financial institutions	32 Asar 2082	31 Asar 2081
	Holding of NRB bond issued	-	-
	Deposit collection	377,450,000,000	950,000,000
	Reverse repo liabilities	-	-
	Standing Deposit Facility	276,600,000,000	354,500,000,000
	Total due to bank and financial institutions	654,050,000,000	355,450,000,000
4.25	Other liabilities	32 Asar 2082	31 Asar 2081
	Payable to Asian Clearing Union	178,096,167	130,217,162
	Deposit & Earnest money	46,834,350	24,753,000
	Unclaimed account	54,064,405	57,360,703
	Unclaimed Deposit of Bank and Financial Institutions	49,019,517	24,119,003
	Lease liabilities	68,016,924	93,310,222
	Loan from Government for project operation	-	-
	Provision for expense	86,315,071	2,765,845
	Taxes payable	73,267,947	41,786,447
	Payable to retired staff	324,807,634	334,754,908
	Other liabilities	1,146,603,524	883,520,028
	Total other liabilities	2,027,025,539	1,592,587,318
4.26	Pension and other employment benefits payable	32 Asar 2082	31 Asar 2081
	Pension and gratuity fund	24,368,286,017	20,674,784,248
	Less: Plan Assets for pension and gratuity fund	(19,341,500,033)	(19,764,593,229)
	Staff security fund	3,157,721,143	2,810,347,436
	Less: Plan Assets for staff security fund	(2,133,000,447)	(2,245,050,687)
	Leave encashment	1,742,473,465	1,404,336,645
	Staff medical fund	2,123,902,027	1,628,982,456
	Welfare Provident fund	880,789,315	854,383,075
	Total pension and other employment benefit payable	10,798,671,487	5,363,189,944

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4.27 Reserve	32 Asar 2082	31 Asar 2081
General Reserve	103,645,754,705	87,394,781,104
Monetary Liabilities Reserve	22,906,904,338	18,882,771,816
Financial Stability Fund	19,709,390,340	15,685,257,818
Open Market Operation Stabilization Fund	23,337,077,181	12,863,593,549
Exchange Equalization Fund	266,843,486,049	221,813,526,867
Gold and Silver Equalization Reserve	139,249,215,401	92,362,529,636
Net Cumulative Surplus Fund	3,971,688,506	2,169,130,410
Development Fund	77,595,989,244	76,595,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
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	5,606,163,443	4,799,085,589
Rural Self Reliance Fund	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement Fund)	50,912,107	51,087,606
Actuarial Gain Reserve	(1,149,741,717)	2,634,091,770
Fair Value Reserve	4,353,518,021	3,660,326,514
Impact on Retained Earning due to ECL & Lease	-	-
Total Reserves	671,026,323,285	543,818,137,590

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

Particulars	32 Asar 2082	31 Asar 2081
Net Income/(Expenditure) for the year	169,308,653,409	116,090,816,163
Less:		
Foreign Exchange Gain/(Loss) - Unrealised	(45,029,959,182)	(14,995,429,467)
Net Gold and Silver Revaluation Gain/(Loss)	(46,886,685,765)	(26,596,033,683)
Transfer to Fair Value Reserve	(693,191,508)	(635,186,270)
Transfer to Actuarial Reserve	3,783,833,487	(101,846,034)
Current year Income available for distribution	80,482,650,441	73,762,320,709
Transfer from Open Market Operation Stabilization Fund	9,026,516,368	2,088,750,238
Surplus before appropriations	89,509,166,809	75,851,070,947
Less: Appropriations		
General Reserve	(16,250,973,601)	(11,274,655,157)
Monetary Liability Reserve	(4,024,132,522)	(3,688,116,035)
Financial Stability Fund	(4,024,132,522)	(3,688,116,035)
Open Market Operation Stabilization Fund	(19,500,000,000)	(12,755,571,674)
Mint Development Fund	-	-
Mechanisation Fund	-	-
Banking Development Fund	-	-
Development Fund	(1,000,000,000)	(6,000,000,000)
Development Finance Project Mobilisation Fund	-	-
Gold Replacement Fund	(807,077,854)	(1,091,153,478)
Net Cumulative Surplus Fund	(1,902,850,310)	(129,638,007)
Balance Payable to Government of Nepal	42,000,000,000	37,223,820,561

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4.28 Interest income on foreign currency financial assets	32 Asar 2082	31 Asar 2081
Interest income on term/demand deposit	29,709,614,495	34,189,325,627
Interest income on Foreign Securities	62,039,115,830	41,499,583,052
Interest income on fixed income securities	3,539,921,690	3,009,534,429
Interest income on SDR holdings	878,569,404	1,086,777,007
Other FCY interest income	-	-
Total	96,167,221,419	79,785,220,115
4.29 Interest expense on foreign currency financial liabilities	32 Asar 2082	31 Asar 2081
Interest on SDR Allocation	1,328,096,568	1,578,272,946
Interest on interest bearing loans	-	-
Other interest expense	24,448,929	40,726,734
Total	1,352,545,497	1,618,999,680
4.30 Interest income on local currency financial assets	32 Asar 2082	31 Asar 2081
Interest income on Treasury Bills	19,527,486	950,733,324
Interest income on Government bonds	925,940,294	1,247,100,940
Interest income on Refinance	-	38,235,619
Interest income on Standing Liquidity Facility and Repo	-	748,110
Other LCY interest income	681,898,478	1,099,527,672
Total	1,627,366,258	3,336,345,665

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4.31 Interest expense on local currency financial liabilities	32 Asar 2082	31 Asar 2081
Interest expense on Deposit Collection	5,155,464,319	1,186,248,874
Interest expense on Reverse Repo	-	25,564,380
Interest expense on SDF	3,871,052,049	876,936,984
Interest expense on Lease Liabilities	4,094,353	5,076,838
Other interest expense	101,723,566	92,206,976
Total	9,132,334,287	2,186,034,052
4.32 Fee and commission income	32 Asar 2082	31 Asar 2081
Commission Income	5,213,115	109,794,706
Letter of credit commission	817,448	719,973
RTGS fee	12,132,308	10,199,844
Total	18,162,871	120,714,523
4.33 Income on Gold Certificates	32 Asar 2082	31 Asar 2081
Income on Paper Gold	537,156,642	422,354,601
Gain or loss on revaluation of trading gold	-	-
Total	537,156,642	422,354,601
4.34 Other income	32 Asar 2082	31 Asar 2081
Income from Mint (Sale of Coin)	8,989	11,754
Gain from Sale of Precious Metals and Coins	269,921,211	668,798,876
Provisions written back	435,500	3,094,112
Fine/Penalty Charge	154,251,557	33,569,234
Profit/(Loss) on Sale of Investment Securities	-	-
Profit/loss on Sale of Assets	4,029,006	8,014,435
Dividend Income	82,940,200	70,973,442
Project Income/(Loss)	-	-
Grant Income	-	-
Miscellaneous income	485,486,172	136,204,055
Total Other Income	997,072,635	920,665,908

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4.35 Fee and commission expense	32 Asar 2082	31 Asar 2081
Agency commission and service charges	61,268,732	91,273,169
Other fee and commission expense	-	1,171,000
Total	61,268,732	92,444,169

4.36 Allowance for ECL (loss)/gain on financial assets	32 Asar 2082	31 Asar 2081
Cash & Bank Balance	(2,993,032)	(4,882,970)
Investment in Securities	(214,709,242)	(279,927,987)
Term Deposit	(26,451,205)	98,147,556
Loans and advances to BFIs	28	209,222
Other Receivables	(140,562)	601,302
Total	(244,294,013)	(185,852,877)

The details of movement and stagewise information on allowance for expected credit loss/gain is further disclosed in note no. 5.6.1.2

4.37 Personnel expenses	32 Asar 2082	31 Asar 2081
Salary	894,454,693	872,921,802
Allowances	1,082,426,058	1,046,533,648
Provident Fund Contribution	89,523,313	87,292,180
Staff Welfare Provident Fund Contribution	860,360,607	838,171,636
Pension & Gratuity Expense	481,309,569	335,718,660
Staff Security Expense	209,142,289	124,886,214
Staff Leave Compensation	493,848,189	229,012,600
Staff Medical Fund Contribution	655,151,572	97,919,671
Amortisation of deferred employees benefits	267,716,318	213,747,501
Others	29,429,299	26,831,069
Total	5,063,361,907	3,873,034,981

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4.38 Administrative expenses	32 Asar 2082	31 Asar 2081
Directors Fees and Expenses	9,433,127	8,469,162
Mint Expenses	166,874	229,119,535
Security charges	306,719,464	284,677,123
Fund Transfer Expense	50,839,078	37,631,575
Travelling Expenses	354,793,338	420,579,044
Insurance Charges	105,199,475	107,431,965
Repair & Maintenance	66,921,078	46,846,747
Banking Promotion	88,803,621	113,453,856
Audit Fees and Expenses	5,122,386	4,782,945
Utilities Expenses	68,668,357	68,187,976
Postal and Communication Expenses	27,677,843	21,905,615
House Rent	22,705,156	6,808,415
Training Seminar and Membership	45,957,623	34,884,917
Expenses on Miscellaneous Assets	17,290,637	10,938,545
Consumable Expenses	25,614,696	20,119,756
Books and Periodicals	13,591,425	13,404,873
Software Annual Maintenance Charges	137,227,601	118,351,956
Meeting Fee and Expense	41,779,487	48,731,202
Advertisement	8,547,123	9,585,335
Wages	108,702,905	95,707,153
Miscellaneous Expenses	156,926,254	114,137,289
Total	1,662,687,548	1,815,754,984
4.39 Depreciation, amortisation and impairment	32 Asar 2082	31 Asar 2081
Depreciation on Property & Equipment	446,377,370	326,792,907
Impairment of Property & Equipment	1,560,618	2,470,755
Amortisation of intangible assets	11,623,080	13,832,163
Impairment of intangible assets	-	-
Depreciation on Right of Use Assets	25,613,001	39,620,298
Total	485,174,069	382,716,123

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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 32 nd Asar 2082		As on 31 st Asar 2081	
	Weight (Kg)	Total Fair Value (NRs.)	Weight (Kg)	Total Fair Value (NRs.)
Investment in Paper Gold	7,280.53	117,904,935,071	7,280.53	82,431,302,171
Trading gold	-	-	-	-
Gold held in reserve	1,953.66	32,159,231,828	1,953.66	24,605,397,318
Silver held in reserve	120,037.90	23,257,342,347	120,037.90	19,398,123,991
Total		173,321,509,246		126,434,823,480

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

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

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Weight (Kg)	Value (NRs.)	Weight (Kg)	Value (NRs.)
Gold held in Stock	347.62	1,653,930,869	306.1465	1,092,816,617
Silver held in Stock	3505.89	90,358,947	3,660.35	81,897,402
Total		1,744,289,816		1,174,714,019

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 (2081/82)	Previous Year (2080/81)
1	US Dollar	137.00	133.36
2	UK Pound Sterling	184.19	173.29
3	Euro	159.91	145.46
4	Swiss Franc	171.93	149.14
5	Australian Dollar	89.90	90.47
6	Canadian Dollar	100.08	97.82

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7	Singapore Dollar	106.90	99.45
8	Japanese Yen	0.926	0.845
9	Chinese Yuan	19.10	18.39
10	Saudi Arabian Riyal	36.53	35.56
11	Qatari Riyal	37.59	36.57
12	Thai Baht	4.22	3.69
13	UAE Dirham	37.30	36.31
14	Malaysian Ringgit	32.30	28.56
15	South Korean Won	0.0993	0.097
16	Swedish Kroner	14.20	12.71
17	Danish Kroner	21.43	19.49
18	Hong Kong Dollar	17.45	17.08
19	Kuwait Dinar	448.40	436.39
20	Bahrain Dinar	363.40	353.74
21	SDR	187.57	176.8
22	Indian Rupees	1.6	1.6
23	Omani Rial	355.83	-

5.3. Related Parties Disclosure

5.3.1. Key Management Personnel

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

S.N.	Name	Post	Date	Remarks
1	Prof. Dr. Biswo Nath Poudel	Governor	2082.02.06	
2	Mr. Maha Prasad Adhikari	Governor	2076.12.24	Discharge position w.e.f 2081.12.24
3	Mr. Madhu Kumar Marasini	Finance Secretary	2081.01.12	Discharge position w.e.f 2081.04.14
4	Dr. Ram Prasad Ghimire	Finance Secretary	2081.04.17	Discharge position w.e.f 2081.10.28
5	Dr. Ghanshyam Upadhyaya	Finance Secretary	2081.11.01	
6	Dr. Neelam Dhungana (Timsina)	Deputy Governor	2077.11.25	
7	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
8	Mr. Chinta Mani Siwakoti	Board Member	2079.02.06	
9	Dr. Shankar Prasad Acharya	Board Member	2079.02.06	
10	Dr. Ravindra Prasad Pandey	Board Member	2080.01.26	
11	Rishikesh Bhatta	Executive Director	2075.05.12	
12	Pradeepraj Poudyal	Executive Director	2075.06.18	

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S.N.	Name	Post	Date	Remarks
13	Gunakar Bhatta	Executive Director	2075.07.06	
14	Naresh Shakya	Executive Director	2076.02.30	
15	Revati Prasad Nepal	Executive Director	2076.10.13	
16	Ramu Paudel	Executive Director	2077.01.12	
17	Vishrut Thapa	Executive Director	2077.01.12	
18	Dayaram Sharma	Executive Director	2078.06.19	
19	Guru Prasad Paudel	Executive Director	2078.09.23	
20	Bimal Raj Khanal	Executive Director	2078.12.01	
21	Kiran Pandit	Executive Director	2081.11.01	
22	Satyendra Timilsina	Executive Director	2081.12.04	
23	Chet Prasad Uprety	Executive Director	2081.12.31	
24	Roshan Kumar Shigdel	Executive Director	2081.12.31	
25	Ram Sharan Kharel	Executive Director	2081.12.31	
26	Dilli Ram Pokhrel	Executive Director	2082.02.13	
27	Dirgha Bahadur Rawal	Executive Director	2082.02.19	
28	Nishchal Adhikari	Executive Director	2082.03.27	
29	Dev Kumar Dhakal	Executive Director	2074.12.15	Discharge position w.e.f. 2081.08.06
30	Nephil Matangi Maskay	Executive Director	2074.10.25	Discharge position w.e.f. 2081.10.25
31	Ram Bahadur Manandhar	Executive Director	2077.01.12	Discharge position w.e.f. 2081.12.02
32	Suman Kumar Adhikari	Executive Director	2076.03.11	Discharge position w.e.f. 2081.12.24
33	Mukunda Kumar Chhetri	Executive Director	2074.12.28	Discharge position w.e.f. 2081.12.28
34	Pitambar Bhandari	Executive Director	2074.12.28	Discharge position w.e.f. 2081.12.28
35	Prakash Kumar Shrestha	Executive Director	2076.03.11	Discharge position w.e.f. 2082.02.10
36	Tulashi Prasad Ghimire	Executive Director	2078.06.19	Discharge position w.e.f. 2082.02.17
37	Ram Prasad Gautam	Executive Director	2081.08.16	Discharge position w.e.f. 2082.03.25

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

i. Transactions with Key Management Personnel

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	123,613,219	94,829,399
Post-employment and other long term benefits	146,977,767	5,140,976
Total	270,590,986	99,970,375

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Meeting Fees/Incidental Expenses to Directors	19,025,210	18,513,579
Loan Facilities	173,435,000	167,399,000
Total	192,460,210	185,912,579

ii. Salary, Benefits and Other Facilities of Board Members

Members of the Bank's board are entitled to a meeting allowance of NRs. 9,000 per meeting. Additionally, executive board members receive a salary along with various allowances. All board members are also entitled to benefits including fuel, vehicle repair, telephone, newspaper, internet, driver services, and medical facilities. The details of salaries, benefits, and other facilities provided to both executive and non-executive board members for the fiscal year 2081/82 are presented below:

Amount in NRs.

S.N.	Name	Post	Salary	Board Meeting Allowance	Other Allowances & Facilities
1	Prof. Dr. Biswo Nath Poudel	Governor	250,065	117,000	316,538
2	Mr. Maha Prasad Adhikari	Governor	1,188,903	288,000	4,110,403
3	Mr. Madhu Kumar Marasini	Finance Secretary	-	36,000	42,548
4	Dr. Ram Prasad Ghimire	Finance Secretary	-	162,000	189,532
5	Dr. Ghanshyam Upadhyaya	Finance Secretary	-	225,000	116,040
6	Dr. Neelam Dhungana (Timsina)	Deputy Governor	1,460,400	369,000	4,608,731
7	Mr. Bam Bahadur Mishra	Deputy Governor	1,460,400	378,000	4,347,739
8	Mr. Chinta Mani Siwakoti	Board Member	-	432,000	819,280
9	Dr. Shankar Prasad Acharya	Board Member	-	369,000	813,120
10	Dr. Ravindra Prasad Pandey	Board Member	-	414,000	871,280
TOTAL			4,359,768	2,790,000	16,235,210

5.3.2. Government of Nepal

The Bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 (currently replaced by Nepal Rastra Bank Act, 2058) and the Government of Nepal (GON) is the controlling body of the Bank holding 100% of its capital.

i. Transactions with Government of Nepal

The transaction with GON and the status of year end balances with GON are as follows:

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Particulars	Current Year (NRs.)	Previous Year (NRs.)
Transactions during the year		
Commission Income received from GON	-	105,997,589
Payment made to GON from surplus (As per Financial Statement of Previous Year)	37,223,820,561	25,000,000,000
Adjustment of Receivable from Surplus Payable to GON	-	-
Balances at the year end		
Deposit from GON	70,837,099,174	63,953,391,009
Advance to GON for Business Continuity Loan	-	1,460,000,000
Investment in Treasury Bills (GON)	245,398,000	-
Investment in Bonds (GON)	11,795,993,188	18,887,992,223
Investment in Saving Certificates (GON)	3,008,670,000	3,912,900,000
Interest and Commission Receivable	135,209,121	465,260,755

ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 32nd Asar 2082 as per the records of the Bank is a surplus balance of NRs. 70,837,099,174 (PY NRs. 63,953,391,009). The Government transactions are being verified by the Comptroller General's Office of GON on regular interval.

5.4. Inter-Office Transactions

There is no any net balance at the end of the year on inter-office transactions.

5.5. Assets Received in Grant

The various assets received as grants under the Financial Sector Restructuring Project (Phase I and Phase II) were valued at NRs. 11,585,586, with a written-down balance of NRs. 7 (PY NRs. 7) at the end of the fiscal year. With the technical and financial assistance of the Department for International Development (DFID), a Disaster Recovery Site was established in Biratnagar, valued at approximately NRs. 232,059,005 (comprising NRs. 89,344,232, USD 240,463, and GBP 646,544), which also had a written-down balance of NRs. 16 (PY NRs. 16) at year-end. Additionally, under the auspices of the Financial, Commonwealth &

Development Office of the UK, the development of the Supervisory Information System (SIS) had been successfully completed and handed over. The associated computer hardware and software for this system were valued at NRs. 141,820,115 with a written-down balance of NRs. 26 (PY NRs. 26) at the end of the fiscal year.

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5.6. Financial Instruments

Financial Risk Management- Overview

Risk Management Framework

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

The Bank's risk management policies are established to identify and analyze the risk faced by the Bank, set appropriate risk limits and control, and monitor risks and adherence to the limit. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how the management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal Audit Department. Internal Audit Department undertakes both regular and ad hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

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

5.6.1. Credit Risk

Credit risk is the risk of financial loss to a party if a customer or counterparty to a financial instruments fails to meet its contractual obligation. The Bank's credit risk in relation to the financial instruments is the risk that its customer or counterparty 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 is as follows:

a) By Nature of Assets

Particulars	Amount in NRs.	
	As on 32.03.2082	As on 31.03.2081
Foreign currency financial assets		
Cash and balances with banks	195,522,615,444	131,658,377,029
Derivative financial assets	-	-
IMF related assets	23,552,113,844	23,991,803,148
Term deposit with foreign banks	561,777,218,459	598,508,477,426

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Investments in foreign securities	1,668,276,021,551	1,127,741,874,366
Other receivables	-	-
Total foreign currency financial assets	2,449,127,969,298	1,881,900,531,969
Local currency financial assets		
Balances with Banks	8,394,919	6,144,630
Investment in Government securities	15,185,270,309	23,047,152,978
Investment in bonds & term deposit	6,822,515,860	7,381,089,826
Advances and receivable from Government	260,548,220	1,946,658,278
Loan and advances to bank and financial institutions	118,231,579	118,433,601
Other loan and advances	9,144,728,193	9,399,741,857
Equity investment	5,005,736,072	4,302,806,764
Other receivables	2,063,527	1,745,467
Total local currency financial assets	36,547,488,679	46,203,773,401
Total financial assets	2,485,675,457,977	1,928,104,305,370

b) By Geographical Region

Amount in NRs.

S. No.	Particulars	As on 32.03.2082	As on 31.03.2081
1	Bahrain	48,129,650,863	72,536,162,985
2	Canada	10,159,543,778	-
3	China	96,905,378,890	97,660,618,707
4	Hongkong	72,373,258,126	138,904,228,300
5	India	595,736,218,184	440,434,524,707
6	Spain	33,354,843,338	33,183,659,335
7	Qatar	68,625,118,470	55,208,255,724
8	Singapore	167,396,278,723	152,053,436,239
9	Switzerland	284,457,288,934	274,939,735,484
10	U.A.E	44,158,615,152	-
11	USA	833,588,723,278	486,359,861,475
12	Nepal	232,130,931,869	177,919,920,028
	Total	2,487,015,849,605	1,929,200,402,984
	<i>Less: Expected Credit Loss</i>	<i>(1,340,391,627)</i>	<i>(1,096,097,614)</i>
	Grand Total	2,485,675,457,977	1,928,104,305,370

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c) By Nature of the Entity

Amount in NRs.

S. No.	Particulars	As on 32.03.2082	As on 31.03.2081
1	Bank for International Settlements	230,047,639,841	190,384,661,635
2	Central Banks	99,838,855,452	48,888,735,996
3	Foreign Commercial Banks	570,317,800,607	593,991,005,341
4	International Monetary Fund	23,552,113,844	23,991,803,148
5	Foreign Government	1,502,678,206,508	1,000,463,201,741
6	Domestic Banks and FIs	6,967,227,589	9,209,899,586
7	Government of Nepal	15,445,818,529	23,309,990,695
8	Equity Instruments	5,005,736,072	4,302,806,764
9	Other Parties	33,162,451,163	34,658,298,078
	Total	2,487,015,849,604	1,929,200,402,984
	<i>Less: Expected Credit Loss</i>	(1,340,391,627)	(1,096,097,614)
	Grand Total	2,485,675,457,977	1,928,104,305,370

d) By Credit Rating

Particulars	As on 32.03.2082		As on 31.03.2081	
	Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency				
AAA	22,567,769,943	0.91%	79,418,855,976	4.12%
AA+	886,060,955,225	35.65%	489,284,457,268	25.38%
AA	4,429,075,859	0.18%	787,265,923	0.04%
AA-	124,876,766,692	5.02%	122,582,793,801	6.34%
A+	235,443,913,675	9.47%	240,559,963,528	12.46%
A	195,498,498,387	7.87%	148,377,995,062	7.70%
A-	47,519,134,047	1.91%	47,029,622,346	2.42%
BBB+	1,669,818,488	0.07%	1,481,525,453	0.08%
BB+	-	0.00%	-	0.00%
BB	-	0.00%	-	0.00%
BBB-	654,745,251,574	26.34%	514,018,022,894	26.64%
Other*	277,622,979,784	11.17%	239,421,995,501	12.42%
Total	2,450,434,163,673	98.58%	1,882,962,497,752	97.60%
<i>Less: Expected Credit Loss</i>	(1,306,194,375)		(1,061,965,783)	
Total Foreign Currency Financial Assets	2,449,127,969,298		1,881,900,531,969	
Local Currency				

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Other*	36,581,685,931	1.47%	46,237,905,232	2.40%
Less: Expected Credit Loss	(34,197,252)		(34,131,831)	
Total Financial Assets	2,485,675,457,977	100%	1,928,104,305,370	100%

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

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

5.6.1.2. Loss Allowances for Expected Credit Loss

The Bank had recognized the allowances for impairment based on Incurred Loss model as per the requirement of NAS 39: Financial Instruments- Recognition and Measurement. From the fiscal year 2078-79, the Bank has changed its accounting policy to recognize allowance for impairment based on Expected Credit Loss model as per the requirement of NFRS 9: Financial Instruments. The change in models of accounting for allowances for impairment has resulted into the changes in accounting policy and has been required by NFRS 9. Impairment on financial asset is measured at the end of each reporting period and the movement in the allowances for impairment of financial assets during the year is as follows:

Amount in NRs.

Particulars	Allowances for Expected Credit Loss for					
	Bank Balance	Investment in Securities	Term Deposits	Loans and advances to BFIs	Other Receivable	Total
Balance as on 31st Asar 2080	18,755,626	301,632,462	581,454,728	225,213	8,176,708	910,244,737
Impairment Loss Recognized	4,882,970	279,927,783	-	-	-	284,810,752
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss	-	-	(98,147,556)	(209,222)	(601,302)	(98,958,079)
Balance as on 31st Asar 2081	23,638,596	581,560,245	483,307,172	15,991	7,575,406	1,096,097,410
Impairment Loss Recognized	2,993,033	214,709,445	26,451,204	-	140,562	244,294,245
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss	-	-	-	(27)	-	(27)
Balance as on 32nd Asar 2082	26,631,629	796,269,690	509,758,377	15,963	7,715,968	1,340,391,627

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Credit Exposure Movement- ECL Stage wise

Amount in NRs.

Allowances for Expected Credit Loss for	Balance as on 32 nd Asar 2082				Balance as on 31 st Asar 2081			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Bank Balance	22,197,229	-	4,434,400	26,631,629	19,204,196	-	4,434,400	23,638,596
Investment in Securities	796,269,690	-	-	796,269,690	581,560,245	-	-	581,560,245
Term Deposits	484,211,250	-	25,547,126	509,758,377	457,760,046	-	25,547,126	483,307,172
Loan and advances to BFIs	15,963	-	-	15,963	15,991	-	-	15,991
Other Receivables	2,428,716	-	5,287,252	7,715,968	2,288,052	-	5,287,354	7,575,406
Total	1,312,897,757	-	35,268,778	1,340,391,627	1,060,828,529	-	35,268,881	1,096,097,410

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

5.6.1.3. Credit Quality

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

Amount in NRs.

Counterparties	As on 32.03.2082	As on 31.03.2081
External Credit Rating at least AAA/BBB- from credit rating agency	570,294,121,929	594,188,564,514
Non Rated Counterparties	24,023,226,099	25,045,530,718
Central Banks	99,838,855,452	48,888,735,996
Bank for International Settlement	230,047,639,841	190,384,661,635
Foreign Government	1,502,678,206,508	1,000,463,201,741
International Monetary Fund	23,552,113,844	23,991,803,148
Government of Nepal	15,445,818,529	23,309,990,695
Financial Assets with Other Counterparties:		
Party with Normal Risk	21,074,641,551	22,866,688,686
Party with High Risk	61,225,851	61,225,851
Total	2,487,015,849,604	1,929,200,402,984
<i>Less: Expected Credit Loss</i>	<i>(1,340,391,627)</i>	<i>(1,096,097,614)</i>
Grand Total	2,485,675,457,977	1,928,104,305,370

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5.6.1.4. Collateral held and other credit enhancement

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

Type of Credit Exposure	% of Exposure subject to collateral requirement		Principal type of collateral held
	As on 32.03.2082	As on 31.03.2081	
Securities purchased under Resale Agreement	110	110	Government Securities
Refinance to BFIIs	100	100	Good Loans of BFIIs
Standing Liquidity Facilities	110	110	Government Securities
Loans to Staff	100-125	100-125	Land and Buildings, Insurance Policies, Retirement Fund Balance, and Accrued Retirement Benefits.

5.6.2. Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or other financial assets. The Bank's approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, provide finance to maintain liquidity in financial market and provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. In order to control liquidity risk, the Bank has maintained sufficient balance in the current account with other central banks, demand and call deposits with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligations.

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

5.6.2.1. Assets Held for Managing Liquidity Risk

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

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

5.6.2.2. Maturity Profile of Financial Assets and Financial Liabilities

The Bank's remaining contractual maturities and other forms of financial assets and financial liabilities at the end of the reporting period are shown in the table 1.

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Table 1

The contractual maturities and other forms of financial assets and financial liabilities as at 32.03.2082

(Current Year Figures (NRs.))

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	up to 1 month	1-3 months	3-12 months	1 -3 Years	More than 3 Years
Foreign currency financial assets						
Cash and balances with banks	195,549,245,938	195,549,245,938				
Derivative financial assets	-					
IMF related assets	23,552,113,844	23,552,113,844				
Term deposit with foreign banks	562,260,512,651	3,857,024,798	137,000,000	558,266,487,853	-	-
Investments in foreign securities	1,669,072,291,241	259,128,452,711	275,051,793,440	625,853,289,486	488,565,022,509	20,473,733,093
Other receivables	-					
Total foreign currency financial assets	2,450,434,163,674	482,086,837,292	275,188,793,440	1,184,119,777,339	488,565,022,509	20,473,733,093
Local currency financial assets						
Balances with banks	8,396,052	8,396,052				
Investment in government securities	15,185,270,309	1,579,970,947	245,398,000	4,545,660,797	2,996,572,780	5,817,667,785
Investment in bonds & term deposit	6,848,980,047	334,780,047	747,700,000	5,766,500,000		
Advances and receivable from Government	260,548,220	260,548,220				
Loan and advances to bank and financial institutions	118,247,542			118,247,542		
Other loan and advances						
Staff loan	11,224,100,867	349,069,537	662,221,951	1,346,892,104	1,571,374,121	7,294,543,153
Pension advance	1,440,611,864	44,803,029	84,996,100	172,873,424	201,685,661	936,253,650
Travelling advances to staff	12,670,020	12,670,020				
Staff endowment policy advance	4,659,850	4,659,850				
Other advance	45,508,067	45,508,067				
Interest receivable	2,355,769	2,355,769				
Equity investment	5,005,736,072					5,005,736,072

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Total local currency financial assets	40,157,084,678	2,642,761,538	1,740,316,051	11,950,173,867	4,769,632,562	19,054,200,661
Total financial assets	2,490,591,248,353	484,729,598,830	276,929,109,492	1,196,069,951,206	493,334,655,071	39,527,933,754
Foreign currency financial liabilities						
Derivative financial liabilities	-					
Deposit of bank and financial institutions	10,493,587,420		10,493,587,420			
IMF related liabilities	41,237,741,377	41,237,741,377				
Total foreign currency financial liabilities	51,731,328,797	41,237,741,377	10,493,587,420	-	-	-
Local currency financial liabilities						
Bills payable	54,245,636	54,245,636				
Deposit of bank and financial institutions	388,635,552,439	77,727,110,488		38,863,555,244	272,044,886,707	
Deposit of government	70,837,099,174	14,875,790,827	17,000,903,802	22,667,871,736	16,292,532,810	
Deposit of other institutions	12,502,055,255	3,000,493,261	2,875,472,709	6,626,089,285		
IMF related liabilities	12,464,816,037	12,464,816,037				
Other liabilities	2,027,025,538		2,027,025,538			
Total local currency financial liabilities	486,520,794,079	108,122,456,248	21,903,402,049	68,157,516,265	288,337,419,517	-
Total Financial Liabilities	538,252,122,876	149,360,197,625	32,396,989,469	68,157,516,265	288,337,419,517	-
Net Financial Assets Position	1,952,339,125,476	335,369,401,205	244,532,120,023	1,127,912,434,941	204,997,235,554	39,527,933,754

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Fiscal Year 2081-82 (2024-25 AD)

Previous Year Figures (NRs.)

	Contractual and Other Cash Flows					
Particulars	Carrying Amount	up to 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Foreign currency financial assets						
Cash and balances with banks	131,682,014,794	131,682,014,794				
Derivative financial assets	-					
IMF related assets	23,991,803,148	23,991,803,148				
Term deposit with foreign banks	598,965,244,993	199,652,085,522	365,293,366,089	34,019,793,382	-	-
Investments in foreign securities	1,128,323,434,814	179,363,087,651	255,777,281,123	229,984,198,515	458,606,037,574	4,592,829,951
Other receivables	-					
Total foreign currency financial assets	1,882,962,497,749	534,688,991,115	621,070,647,212	264,003,991,897	458,606,037,574	4,592,829,951
Local currency financial assets						
Balances with banks	6,145,460	6,145,460				
Investment in government securities	23,047,152,978	246,260,755		8,581,342,630	5,591,045,600	8,628,503,993
Investment in bonds & term deposit	7,407,629,432	148,429,432		7,259,200,000		
Advances and receivable from Government	1,946,658,278	1,946,658,278				
Loan and advances to bank and financial institutions	118,449,593			118,449,593		
Other loan and advances						
Staff loan	11,257,077,314	350,095,104	664,167,562	1,350,849,278	1,575,990,824	7,315,974,546
Pension advance	1,652,831,031	48,749	1,804,119	39,287,057	280,883,383	1,330,807,723
Travelling advances to staff	5,062,201	5,062,201				
Staff endowment policy advance	5,854,850	5,854,850				
Other advance	55,588,947	55,588,947				
Interest receivable	2,699,983	2,699,983				
Equity investment	4,302,806,764					4,302,806,764
Total local currency financial assets	49,807,956,831	2,766,843,759	665,971,681	17,349,128,558	7,447,919,807	21,578,093,026
Total financial assets	1,932,770,454,580	537,455,834,874	621,736,618,893	281,353,120,455	466,053,957,381	26,170,922,977
Foreign currency financial liabilities						

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Derivative financial liabilities	-					
Deposit of bank and financial institutions	12,868,855,095		12,868,855,095			
IMF related liabilities	38,953,389,315	38,953,389,315				
Total foreign currency financial liabilities	51,822,244,410	38,953,389,315	12,868,855,095	-	-	-
Local currency financial liabilities						
Bills payable	111,732,583	111,732,583				
Deposit of bank and financial institutions	290,718,269,398	58,143,653,879		29,071,826,940	203,502,788,579	
Deposit of government	63,953,391,009	13,430,212,112	15,348,813,842	20,465,085,123	14,709,279,932	
Deposit of other institutions	20,063,196,070	4,815,167,057	4,614,535,095	10,633,493,918		
IMF related liabilities	11,859,006,209	11,859,006,209				
Other liabilities	1,592,587,319		1,592,587,319			
Total local currency financial liabilities	388,298,182,588	88,359,771,840	21,555,936,256	60,170,405,981	218,212,068,511	-
Total Financial Liabilities	440,120,426,998	127,313,161,155	34,424,791,351	60,170,405,981	218,212,068,511	-
Net Financial Assets Position	1,492,650,027,582	410,142,673,719	587,311,827,542	221,182,714,474	247,841,888,870	26,170,922,977

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Fiscal Year 2081-82 (2024-25 AD)

5.6.3. Market Risk

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

5.6.3.1. Currency Risk

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

The summary quantitative data about the Bank's exposure to currency risk at the reporting period is shown in the table 2.

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Notes Forming Part of Financial Statements

Fiscal Year 2081-82 (2024-25 AD)

Table 2
The summary quantitative data about the Bank's exposure to currency risk at the reporting period
Current Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	XDR
% of Net Total Financial Position Exposure	60.84%	7.96%	3.81%	0.13%	0.99%	0.13%	0.08%	1.48%	-0.74%
Foreign Currency Financial Assets									
Cash and balances with banks	116,466,817,834	40,148,050,381	3,267,407,405	407,506,008	443,810,023	3,073,876,181	3,631,218,862	16,191,620,662	-
Derivative financial assets	-	-	-	-	-	-	-	-	-
IMF related assets	-	-	-	-	-	-	-	-	23,552,113,844
Term deposit with foreign banks	390,375,681,937	53,858,974,654	72,419,991,774	2,758,418,753	23,217,008,493	-	-	19,630,437,039	-
Investments in foreign securities	960,696,080,312	96,905,378,890	15,734,613,855	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Total foreign currency financial assets	1,467,538,580,083	190,912,403,926	91,422,013,034	3,165,924,761	23,660,818,516	3,073,876,181	3,631,218,862	35,822,057,701	23,552,113,844
Foreign Currency Financial Liabilities									
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
Deposit of bank and financial institutions	8,127,802,825	-	125,823,563	-	10,765,346	-	1,771,836,061	295,363,547	-
IMF related liabilities	-	-	-	-	-	-	-	-	41,237,741,376
Total foreign currency financial liabilities	8,127,802,825	-	125,823,563	-	10,765,346	-	1,771,836,061	295,363,547	41,237,741,376
Net Foreign Currency Exposure	1,459,410,777,258	190,912,403,926	91,296,189,471	3,165,924,761	23,650,053,170	3,073,876,181	1,859,382,801	35,526,694,154	(17,685,627,532)

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Previous Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Net Total Financial Position Exposure	62.16%	9.73%	1.81%	0.15%	1.22%	0.13%	0.04%	1.23%	-0.79%
Foreign Currency Financial Assets									
Cash and balances with banks	109,066,430,119	17,533,822,872	3,329,414,473	382,689,890	1,150,265,212	2,446,357,758	6,517,443,295	12,895,158,849	-
Derivative financial assets	-	-	-	-	-	-	-	-	-
IMF related assets	-	-	-	-	-	-	-	-	23,791,069,016
Term deposit with foreign banks	502,467,145,392	66,454,967,646	-	2,505,448,962	17,355,482,992	-	-	10,195,102,302	-
Investments in foreign securities	555,210,576,325	97,660,618,707	30,560,471,704	-	4,433,464,948	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Total foreign currency financial assets	1,166,744,151,837	181,649,409,224	33,889,886,177	2,888,138,852	22,939,213,153	2,446,357,758	6,517,443,295	23,090,261,151	23,791,069,016
Foreign Currency Financial Liabilities									
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
Deposit of bank and financial institutions	6,678,280,117	-	125,001,872	-	97,913,227	-	5,713,145,652	206,534,238	-
IMF related liabilities	-	-	-	-	-	-	-	-	38,627,474,746
Total foreign currency financial liabilities	6,678,280,117	-	125,001,872	-	97,913,227	-	5,713,145,652	206,534,238	38,627,474,746
Net Foreign Currency Exposure	1,160,065,871,720	181,649,409,224	33,764,884,305	2,888,138,852	22,841,299,926	2,446,357,758	804,297,643	22,883,726,913	(14,836,405,730)

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Besides above currency exposures, the Bank's net foreign currency exposure also consists of major portion of Indian currency (INR) which stands 25.03% (PY 23.98%) of total net financial position exposure. Since, the exchange rate of Nepalese rupee is pegged to INR, the net exposure position of INR has not been presented in above table. Net foreign currency exposure denominated in currencies other than stated above and INR, has amounted to 0.3% (PY 0.34%) of the total foreign currency reserve.

5.6.3.2. Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD, SDR, JPY and SAR against Nepalese rupee at the end of reporting period would have affected the value of financial instruments denominated in a foreign currency and increased (decreased) in profit or loss by the amount shown below. This analysis is based on foreign exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast cash flows.

Amount in NRs.

Currency	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2082		For the Year Ended 2081	
	Strengthening	Weakening	Strengthening	Weakening
USD	145,941,077,726	(145,941,077,726)	116,006,587,172	(116,006,587,172)
AUD	2,365,005,317	(2,365,005,317)	2,284,129,992	(2,284,129,992)
EUR	3,552,669,415	(3,552,669,415)	2,288,372,691	(2,288,372,691)
GBP	9,129,618,947	(9,129,618,947)	3,376,488,430	(3,376,488,430)
CNY	19,091,240,393	(19,091,240,393)	18,164,940,922	(18,164,940,922)
CAD	316,592,476	(316,592,476)	288,813,885	(288,813,885)
SDR	(1,768,562,753)	1,768,562,753	(1,483,640,573)	1,483,640,573
JPY	185,938,280	(185,938,280)	80,429,764	(80,429,764)
SAR	307,387,618	(307,387,618)	244,635,776	(244,635,776)
Total	179,120,967,419	(179,120,967,419)	141,250,758,059	(141,250,758,059)

5.6.3.3. Interest Rate Risk

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

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

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

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Amount in NRs.

Particulars	Weighted Average Interest Rate %	As on 32.03.2082	As on 31.03.2081
<i>Interest Sensitive Financial Assets</i>			
Balances with Other Banks	3.51%	171,526,019,838	106,403,924,623
GOI Treasury Bills	5.83%	595,736,218,184	440,434,524,707
US Government Treasury Bills	4.29%	193,077,120,372	33,106,077,946
Time Deposit (less than 3 months)	4.08%	274,000,000	43,819,360,000
IMF Related Assets: SDR Holdings	2.93%	23,405,205,370	23,791,069,016
General Refinance		-	-
Special/Export Refinance		-	-
Zero Interest Loan		-	-
Loan to MSME		-	-
Standing Liquidity Facility		-	-
<i>Loan to Employees</i>			
House loan Uninsured	1.00%	350,000	375,000
House Repair Loan Uninsured	1.00%	1,739,419,054	2,209,273,639
Vehicle Loan Uninsured	3.00%	-	161,000
Staff Loan Uninsured 2068	1.00%	708,605,748	744,840,020
US Government Treasury Notes/Bonds	4.01%	611,778,943,853	425,622,066,365
Government Treasury Notes/Bonds (CNY)	2.11%	95,421,600,620	96,453,226,913
Investment in Mid-term Instruments	4.23%	164,166,295,695	126,282,230,415
Time Deposit- Investment	4.08%	558,266,487,853	551,169,998,743
Fixed Deposit with Bank & Financial Institutions	3.73%	6,789,800,000	7,284,800,000
Government Treasury Bills (GON)		245,398,000	-
Saving Certificates (GON)	9.49%	3,008,670,000	3,912,900,000
Total Interest Sensitive Financial Assets		2,426,144,134,586	1,861,234,828,387
<i>Interest Sensitive Financial Liabilities</i>			
IMF Related Liabilities	2.93%	53,445,333,220	50,486,480,955
Short Term Borrowings			
Total Interest Sensitive Financial Liabilities		53,445,333,220	50,486,480,955
Net Interest Sensitive Financial Position		2,372,698,801,365	1,810,748,347,432

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5.6.3.4. Other Market Prices Risk

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

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 are shown in the table 3.

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Table 3

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

Amount in NRs.

Particulars	Fair Value through OCI	Amortized Cost	Cash & Balances with banks	Financial Liabilities	Total Carrying Amount	Fair Value
Foreign currency financial assets						
Cash and balances with banks			195,522,615,444		195,522,615,444	195,522,615,444
Derivative financial assets					-	-
IMF related assets		23,552,113,844			23,552,113,844	23,552,113,844
Term deposit with foreign banks		561,777,218,459			561,777,218,459	561,777,218,459
Investments in foreign securities		1,668,276,021,551			1,668,276,021,551	1,668,276,021,551
Other receivables					-	-
Total foreign currency financial assets	-	2,253,605,353,854	195,522,615,444	-	2,449,127,969,298	2,449,127,969,298
Local currency financial assets						
Balances with banks			8,394,919		8,394,919	8,394,919
Investment in government securities		15,185,270,309			15,185,270,309	15,185,270,309
Investment in bonds & term deposit		6,822,515,860			6,822,515,860	6,822,515,860
Advances and receivable from government		260,548,220			260,548,220	260,548,220
Loan and advances to bank and financial institutions		118,231,579			118,231,579	118,231,579
Other loan and advances		9,144,728,192			9,144,728,192	9,144,728,192
Equity investment	5,005,736,072				5,005,736,072	5,005,736,072
Other receivables		2,063,528			2,063,528	2,063,528
Total local currency financial assets	5,005,736,072	31,533,357,688	8,394,919	-	36,547,488,679	36,547,488,679
Total financial assets	5,005,736,072	2,285,138,711,542	195,531,010,363	-	2,485,675,457,977	2,485,675,457,977
Foreign currency financial liabilities						
Derivative financial liabilities	-	-			-	-
Deposit of bank and financial institutions				10,493,587,420	10,493,587,420	10,493,587,420

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IMF related liabilities				41,237,741,376	41,237,741,376	41,237,741,376
Total foreign currency financial liabilities	-	-	-	51,731,328,796	51,731,328,796	51,731,328,796
Local currency financial liabilities						
Bills payable				54,245,636	54,245,636	54,245,636
Deposit of bank and financial institutions				388,635,552,440	388,635,552,440	388,635,552,440
Deposit of government				70,837,099,174	70,837,099,174	70,837,099,174
Deposit of other institutions				12,502,055,256	12,502,055,256	12,502,055,256
Currency in circulation				750,112,422,154	750,112,422,154	750,112,422,154
Due to bank and financial institutions				654,050,000,000	654,050,000,000	654,050,000,000
IMF related liabilities				12,464,816,036	12,464,816,036	12,464,816,036
Surplus payable to government				42,000,000,000	42,000,000,000	42,000,000,000
Other liabilities				2,027,025,539	2,027,025,539	2,027,025,539
Total local currency financial liabilities	-	-	-	1,932,683,216,235	1,932,683,216,235	1,932,683,216,235
Total Financial Liabilities	-	-	-	1,984,414,545,031	1,984,414,545,031	1,984,414,545,031
Net Financial Assets Position	5,005,736,072	2,285,138,711,542	195,531,010,363	(1,984,414,545,031)	501,260,912,946	501,260,912,946

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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 the fair value. The fair value hierarchy has three different levels and gives the highest priority to the quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs. The different levels are defined as follow.

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

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

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

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

Current Year Figures (NRs.)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	5,005,736,072	5,005,736,072		5,005,736,072	
Total financial assets at fair value	5,005,736,072	5,005,736,072		5,005,736,072	

Previous Year Figures (NRs.)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	4,302,806,764	4,302,806,764		4,302,806,764	
Total financial assets at fair value	4,302,806,764	4,302,806,764		4,302,806,764	

5.7. Employees Benefits - Defined Benefit Plans

The Bank currently offers two defined benefit post-employment plans to its employees, based on the length of service and amount of compensation. These post-employment benefit plans are 'Gratuity or Pension Plan' and 'Staff Security Plan'. The Bank also offers two other long term benefits: "Staff Medical Fund" and "Leave Encashment". A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The Bank determines the net interest expenses (income) on the net defined benefit liability (assets) 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 (assets). 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.

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The 'Gratuity or Pension Plan' and 'Staff Security Plan' are funded plan wherein the Bank makes earmarked investment out of fund created for these plans. 'Leave encashment' and "Staff Medical Fund" are not a funded plan.

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

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

Amount Recognized in the Statement of Financial Position

Amount in NRs.

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	24,368,286,017	3,157,721,143	20,674,784,248	2,810,347,437
Fair Value of Plan Assets/Current Balance of Provision Account	(19,341,500,033)	(2,133,000,447)	(19,764,593,229)	(2,245,050,688)
Net Liability/ (Assets)	5,026,785,984	1,024,720,696	910,191,019	565,296,749

Changes in Fair Value of Defined Benefit Obligations

Amount in NRs.

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Obligation	20,674,784,248	2,810,347,437	19,799,326,845	2,781,136,386
Transfer in/(out) obligation		10,000		
Current Service Cost	481,309,569	209,142,289	335,718,660	124,886,214
Interest Cost	1,797,850,925	242,591,101	1,781,939,416	250,302,275
Actuarial Losses (Gains)	2,870,915,461	134,189,169	205,985,660	-272,504,513
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,456,574,186)	(238,558,853)	(1,448,186,333)	(73,472,925)
Closing Obligation	24,368,286,017	3,157,721,143	20,674,784,248	2,810,347,437

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Changes in Fair Value of Plan Assets

Amount in NRs.

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	19,764,593,229	2,245,050,688	19,433,209,385	2,122,731,894
Investment adjustment	-	-	-	-
Expected Return	1,737,592,664	201,125,796	1,748,988,845	191,045,870
Actuarial Gains (Losses)	(704,111,674)	(74,617,183)	30,581,332	4,745,849
Contribution by Employer	-	-	-	-
Benefits Paid	(1,456,574,186)	(238,558,854)	(1,448,186,333)	(73,472,925)
Closing Fair Value	19,341,500,033	2,133,000,447	19,764,593,229	2,245,050,688

Amount Recognized in the Statement of Comprehensive Income

Amount in NRs.

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	541,567,830	250,607,594	368,669,231	184,142,619
Actuarial Income/(Loss) Recognized in OCI	(3,575,027,135)	(208,806,352)	(175,404,328)	277,250,362
Total Employee Benefit Income /(Expense)	(3,033,459,305)	41,801,242	193,264,903	461,392,981

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	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 Fls	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	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	7.50%	7.50%	9%	9%
Expected Return on Plan Asset	7.50%	7.50%	9%	9%
Future Salary Increase	10.00%	10.00%	10%	10%
Future Pension Increase	6.67%	-	6.67%	-
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

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

Particulars	Change	As on 32 nd Asar 2082		As on 31 st Asar 2081	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	14.65%	9.16%	12.64%	7.92%
	1%	-11.73%	-7.80%	-10.36%	-6.85%
Salary & Pension Increment Rate	-1%	-11.43%	-7.70%	-10.18%	-6.85%
	1%	13.98%	8.84%	12.20%	8%

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

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

Amount in NRs.

Years	Pension or Gratuity Plan	Staff Security Plan
2026	1,418,602,385	249,316,944
2027	1,558,164,977	965,462,055
2028	1,619,057,291	276,503,045
2029	1,672,326,713	107,589,680
2030	1,717,125,122	92,059,462
2031-2035	9,207,888,695	903,513,866

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5.8. Employees Benefits - Other Long Term Benefit Plan

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

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

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

5.9. Other Employee Benefits

- Staff Welfare Fund: The Bank provides 12% of basic salary as staff welfare fund each year. During the year, the Bank has provided NRs. 107,417,807 (PY NRs. 104,666,745) as staff welfare fund.
- Staff Welfare Provident Fund: Each year, an amount as approved by the board of directors of the Bank, with an increment not exceeding 10% of amount approved by the board in previous year is provided in Staff Welfare Provident Fund. Total expenses under this heading amounts to NRs. this year 752,942,800 (PY NRs. 733,504,891).
- The Bank provides staff medical fund facility to the staff, of which payments are made as per the eligible medical claim while rest amount is paid at the retirement time. NRs. 197,539,804 (PY NRs. 129,821,324) is expensed as staff medical fund this year.

5.10. Reserves

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

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5.10.1. Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the Nepal Rastra Bank Act, 2058 and as per the provision of the section, an amount equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year, NRs. 4,024,132,522 (PY NRs. 3,688,116,035) is appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year, NRs. 4,024,132,522 (PY NRs. 3,688,116,035) is appropriated to this fund.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Bank's board not less than 10 percent of the net income available for appropriation shall be allocated in this general reserve fund each year. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs. 16,250,973,601 (PY NRs. 11,274,655,157) 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 Bank's board shall be allocated and kept in such reserve. This year, NRs. 1,902,850,310 (PY NRs. 129,638,007) is appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073 BS.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section, the amount equals to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 45,029,959,182 (PY NRs. 14,995,429,467) which is equivalent to net exchange gain is appropriated to this fund during the year.

f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net income of the year. Accordingly, an amount of NRs. 46,886,685,765 (PY NRs. 26,596,033,683) which is equivalent to net revaluation gain on revaluation of gold and silver is appropriated to this fund.

5.10.2. Other Reserves and Funds

The Board of Directors of the Bank is authorized by section 41 (1) (ga) of the NRB Act to appropriate the remaining net income in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserves and funds as per Accounts Directives of the Bank and the Board of Directors appropriate some part of the net income available for distribution to these reserves and funds annually. The amount kept under these reserves and funds shall be utilized for

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the purpose of the reserves or funds as mentioned in the Account Directives. The following reserves and funds have been maintained:

a) Development Fund

This is the specific fund created as per monetary policy of the Bank to provide support for loan and refinance to banks and financial institutions. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 1,000,000,000 (PY NRs. 6,000,000,000) has been allocated to this fund during the year.

b) Banking Development Fund

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

c) Mechanization Fund

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

d) Scholarship Fund

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

e) Mint Development Fund

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

f) Open Market Operation Stabilization Fund

This fund is created to ensure the adequacy of fund for the expenses related to various monetary instruments issued for liquidity management. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 19,500,000,000 (PY NRs. 12,755,571,674) has been allocated to this fund during this fiscal year.

g) Gold Replacement Fund

This fund has been created for replacing the gold/silver sold during the year. An amount equals to income/ profit from 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. 807,077,854 (PY NRs. 1,091,153,478) 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 is created as per the Monetary Policy of the Bank to provide wholesale credit for lending purpose to the deprived sector through MFIs, corporate and NGOs and refinancing in tea, cardamom

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plantation and production as well as construction of cold storages etc. No amount has been appropriated to this fund during the year.

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

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

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 NRs. -3,783,833,487 (PY NRs. 101,846,034) has been transferred to Actuarial Gain Reserve in this year.

k) Fair Value Reserve

Fair Value Reserve in the Bank is created for maintaining the gain of investment in equity instruments classified as investment measured at fair value through other comprehensive income. A gain of NRs. 693,191,508 (PY NRs. 635,186,270) has been transferred to this reserve from other comprehensive income during the year.

5.11. Foreign Exchange Reserve

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

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	1,814.26	1,400.98
Non-Convertible Foreign Currency	600.38	447.58
Gold Reserve	117.90	82.43
Special Drawing Rights	23.40	23.79
Sub Total	2555.94	1,954.78
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	279	201.36

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Non-Convertible Foreign Currency	8.90	9.29
Sub Total	287.90	210.65
Total Foreign Exchange Reserve of Banking System	2843.84	2,165.43

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

Particulars	Current Year (in %)	Previous Year (in %)
US Treasury Bills	8	1.81
Indian Treasury Bills	22.9	23.28
BIS FIXBIS	2.59	3.3
Bonds/Notes	29.48	28.71
Mid Term Instrument	6.86	6.9
Call Deposits	5.24	3.07
Time Deposit (Currency)	20.70	29.45
Gold Deposit	4.23	3.48
Special Drawing Rights		
Balance with NRB and BFIs		
Total	100	100

5.12. Projects' Assets and Liability

The Government of Nepal, represented by the Ministry of Finance (MOF), and Nepal Rastra Bank (NRB) signed financing and separate agreements with KFW under the Project “Sustainable Economic Development in Rural and Semi-Urban Areas - MSME Finance” (SEDRA) in three separate phases under German Government Financial Cooperation with Nepal. The Project implies a financial contribution to the Government of Nepal to the total amount of EUR 20 million channeled to NRB acting as the Project-Executing Agency, which will use it exclusively to provide loans in Nepalese Rupees to Partner Financial Institutions (PFIs) for further on-lending to local MSMEs (micro, small and medium-sized enterprises) in defined rural and semi-urban areas. The disbursements for the first and second phases of SEDRA have been completed, and the disbursement for the third phase is currently in the pipeline.

As part of the Project, the MOF and NRB shall establish a financing vehicle (Revolving Fund, RF), through which accumulated principal and interest payments from Project PFIs and RF partner banks shall be used to grant new loans to selected local banks with the objective to support expanding their lending to the underserved “missing middle” segment, i.e. Nepali MSMEs demanding loans within the ticket size up to NPR 5 million which has been at the core of the SEDRA Project.

The Financial Position and Income Statements of these projects are as below:

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Statement of Financial Position

Amount in NRs.

Particulars	As on 32 nd Asar 2082	As on 31st Asar 2081
	KFW	KFW
Equity		
Capital Contribution	-	-
Surplus	421,924,321	363,157,272
Financial Risk Fund	-	-
Long- term Liabilities		
Loan from ADB - Non-Current Portion	-	-
Current Liabilities and Provision		
Loan from ADB - Current Portion	-	-
Service Charge due on Loan from ADB	-	-
Loan From GON	1,996,891,651	1,713,792,715
Loan Loss Provision	-	-
Accounts Payable	-	-
Total Equity & Liabilities	2,418,815,973	2,076,949,988
Assets		
Non-Current Assets		
Fixed Assets	-	-
Loan to PFI- Non Current Portion	-	-
Investment	-	-
Current Assets		
Interest Receivables	1,162,351	9,811,811
Loan to PFI- current portion	1,724,066,374	1,568,611,149
Cash and cash equivalents	693,587,247	498,527,027
Total Assets	2,418,815,973	2,076,949,988

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Statement of Comprehensive Income

Amount in NRs.

Particulars	As on 32 nd Asar 2082	As on 31st Asar 2081
	KFW	KFW
A. Income		
Interest Income	58,767,049	82,927,957
From Loan to PFIs	58,767,049	82,927,957
On deposit with Banks	-	-
On Investment	-	-
Other Income	-	-
Loan Loss Provision Written back	-	-
Total Incomes	58,767,049	82,927,957
B. Expenditure		
Administrative Expenses	-	-
Provision for Service Charge	-	-
Loan Loss Provision	-	-
Depreciation	-	-
Total Expenses	-	-
Surplus (Deficit) (A-B)	58,767,049	82,927,957

5.13. Interest in other entities

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

5.13.1. Investment in unquoted securities

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

Amount in NRs.

Particulars	%	No of Shares		Investment at cost		Investment at Fair value	
		32-03-2082	31-03-2081	32-03-2082	31-03-2081	32-03-2082	31-03-2081
Agricultural Project Services Centre Pvt. Ltd.	62.5	5,000	5,000	5,000,000	5,000,000	-	-
Rastriya Jeevan Beema Company Limited	55.56	1,005,667	1,005,667	1,000,000	1,000,000	373,144,324	383,500,672
Nepal Stock Exchange Ltd.	9.51	950,637	950,637	3,321,005	3,321,005	677,984,802	588,339,733
National Productivity and	31.52	25,000	25,000	2,500,000	2,500,000	-	-

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Economic Development Centre Ltd.							
Deposit & Credit Guarantee Fund	10	10,000,000	10,000,000	607,594,000	607,594,000	3,326,911,427	2,784,984,577
Nepal Clearing House Ltd.	9.45	1,006,637	1,006,637	15,000,000	15,000,000	278,104,000	241,170,092
Credit Information Bureau	9.5	414,287	414,287	3,315,096	3,315,096	319,788,135	284,076,596
National Banking Institute	9.5	285,009	187,631	14,487,950	4,750,150	29,803,384	20,735,094
Total				652,218,051	642,480,251	5,005,736,072	4,302,806,764

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

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

5.13.2. Significant Interest in entities

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

Name of Entity	Paid up capital (NRs.)	Investment at Face Value (NRs.)	% of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Jeevan Beema Company Limited	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
National Productivity and Economic Development Centre Ltd.	7,932,500	2,500,000	31.52	Provides research and consultancy services, offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services.	Balaju, Kathmandu

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

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Amount in NRs.

Particulars	Investment at cost		Carrying Amounts	
			(Investment at Fair value)	
	32-03-2082	31-03-2081	32-03-2082	31-03-2081
Agricultural Project Services Centre Pvt. Ltd.	5,000,000	5,000,000	-	-
Rastriya Jeevan Beema Company Limited	1,000,000	1,000,000	383,500,672	383,500,672
National Productivity and Economic Development Centre Ltd.	2,500,000	2,500,000	-	-
Total	8,500,000	8,500,000	383,500,672	383,500,672

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

The carrying amount of NRs. (PY NRs. 383,500,672) as shown in above table has been included under Equity Investment in the Statement of Financial Position. Being all the above entities as limited liability company, this is the maximum exposure to the loss from its significant interest in such entities.

5.13.3. Transactions with the Entities having Significant Interest

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

Amount in NRs.

Entity	Nature of Transaction	FY 2081-82	FY 2080-81
Rastriya Jeevan Beema Company Limited	Insurance Premium paid by the Bank	356,458,094	220,444,309

5.14. Transaction with the International Monetary Fund (IMF)

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

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

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

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Particulars	As on 32 nd Asar 2082		As on 31 st Asar 2081	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
1. For Transaction with Nepal Rastra Bank				
Special Drawing Rights				
Net cumulative allocation	40,980,517,183	218,481,192	38,627,474,746	218,481,192
Holdings	23,405,205,370	124,781,177	23,791,069,016	134,564,870
2. For Transaction with Nepal Government				
Outstanding Purchases & Loans				
RCF Loans	30,098,420,050	160,465,000	29,630,796,000	167,595,000
ECF Arrangements	41,209,129,000	219,700,000	33,291,440,000	188,300,000
Other Information	Per cent of Quota		Per cent of Quota	
Quota	100	156,900,000	100	156,900,000
Currency Holding	89.81	140,918,351	89.81	140,918,351
Reserve Tranche Position	10.2	15,988,749	10.2	15,998,749

The SDR is converted into Nepalese rupees at conversion rate of NRs. (PY NRs.176.8) per SDR.

5.15. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 32, 2082	As on Asar 31, 2081
	NRs.	NRs.
Note Printing Commitments	2,516,423,298	327,963,057
Unclaimed Account Transfer to P/L Account	166,582,326	163,307,652
Capital Commitments	39,240,812	660,711,257
Total	2,722,246,436	992,079,568

Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of bank notes. The capital commitments include costs for the consultancy service for interior design of newly constructed Baluwater and Thapathali building; costs for interior design, furniture & Fixtures of Siddharthanagar Guest house; preparation of masterplan with detailed A/E design and cost estimation for construction of physical infrastructure and Supervision at Surkhet office; preparation of masterplan, cost estimate, BOQ and specification of proposed new Building at Biratnagar office; consultancy service for drawing, design and cost estimate of Pokhara Guest House as per the contract agreements less payments made till the end of the reporting period; which are expected to be settled over the period of the buildings construction. Likewise, capital commitments also include letter of credits opened for procuring Banknote Shredding and Briquetting System (BSBS) and Currency Verification and Processing System (CVPS).

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5.16. Lease liabilities

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

Amount in NRs.

Period	FY 2081-82	FY 2080-81
Less than one year	7,531,544	20,510,674
One year to five years	38,848,217	39,733,966
More than five years	21,637,163	33,065,582
Total Lease Liabilities	68,016,924	93,310,222

5.17. Monetary Operations and Refinance

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

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

Amount in NRs.

Particulars	Value	Interest (min/max)	FV of collateral received
	As on Asar 32, 2082		
1. Monetary Operations			
Assets			
Standing liquidity facility			
Lender of last resort			
Securities purchased under repurchase agreement			
Inter-day liquidity facility			
Liabilities			
Deposit Collection	377,450,000,000	2.8007-3%	
Reverse Repo			
Standing Deposit facility	276,600,000,000	3%	
2. Refinance			

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	As on Asar 31, 2081		
1. Monetary Operations			
<i>Assets</i>			
Standing liquidity facility			
Lender of last resort	-		
Securities purchased under repurchase agreement	-		
Inter-day liquidity facility	-		
<i>Liabilities</i>	-		
Deposit Collection	950,000,000	0.7048-3.1853%	
Reverse Repo	-		
Standing Deposit facility	354,500,000,000	3%	
2. Refinance	-		

5.18. Claims and Litigations against the Bank

There are 194 pending cases (PY 238) filed in the court involving the Bank, either as plaintiff or defendant. It is anticipated that the Bank will not incur significant monetary liabilities in cases other than those initiated by its employees. However, the Bank may incur the loss to the extent of salaries and benefits owed to the 2 employees who have instituted legal suit against the Bank, contingent upon the court's decision. The estimated amount of contingent liability is Rs. 14,418,034.

5.19. Prior Period restatement

Prior period restatement as presented in Statement of Changes in equity amounting to Rs.100,292,215 relates to prior period excess interest booking on Government Bonds.

5.20. Number of Employees

The number of employees holding office at the year-end is 1,200 (PY 1,142).

5.21. 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.

5.22. Events after the Reporting Period

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

5.23. Sustainability Reporting

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

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

In addition to above, various provisions in Unified Directives, mentioned hereafter, also facilitate and encourage adoption of environment friendly measures by the BFIs. Directive No. 3, clause 12 (7) has prescribed loan to value ratio for personal electric vehicle loan at maximum 80 percent, as compared to maximum limit of 50 percent for other vehicle loans. Directive No. 5, clause (10) requires that the BFIs shall identify and assess the environment, social and climate change risk in addition to AML/CFT risk, legal risk, and they have to formulate adequate policy and procedures to manage such risks. Directive No. 6, clause 16 permits the BFIs to utilize the corporate social responsibility fund, created in accordance with the same directive, in activities relating to environment protection, social awareness programs and waste management. Directive No. 17 issued by the Bank has mandatory requirement for the BFIs to provide at least 5 percent of their total loan and advances to the deprived sector and such deprived sector loans shall also include loan of maximum 2 lakh per family provided for acquisition of renewable energy technology like domestic solar power system, solar cooker, solar water pump, biogas, improved water boiler, improved stove loan. Also, Directive No. 17 have mandated commercial banks to lend, by the end of FY 2026-27, at least 15 percent of their total credit in agriculture sector, at least 10 percent in energy sector and at least 15 percent in micro, cottage, small and medium scale industry.

In line with the Monetary Policy for 2022/23, Nepal Rastra Bank (NRB) has developed a Green Finance Taxonomy aimed at promoting the flow of domestic green finance. This initiative seeks to support the issuance of green bonds, climate risk reporting, and address the capital needs of the financial sector. The taxonomy provides a standardized framework for classifying economic activities, helping to enhance the sustainable finance sector and mobilize green investments more effectively. The Bank has also issued reference document on Nepal Green Finance Taxonomy.

The bank is also acquiring electric vehicles to enhance sustainability, reduce carbon emissions, and support its commitment to environmentally responsible practices. Further, to hear the grievances related to consumer protection, sustainable finance and other issues from the stakeholders, grievance handling portal is available on the website of the Bank.
