



नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
Central Office
Baluwatar, Kathmandu

Foreword

This financial report on Nepal Rastra Bank's Annual Accounts for the fiscal year 2070/71 B.S. (2013/14) has been prepared and presented hereby in accordance with the International norms, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Nepal Accounting Standards (NAS) as far as practicable in our context.

This report consists of the audited Statement of Financial Position of the Bank as of 32nd Ashadh 2071 (16th July 2014), related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the fiscal year together with explanatory notes to the accounts forming the part thereof.

As usual, the Bank is committed to make the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058.

I express my heartfelt gratitude to the statutory auditors – Office of the Auditor General of Nepal, CA. Komal Bahadur Chitracar and CA. Gopal Prasad Rajbahak along with their team for their valuable suggestions and observations. I throughout would also like to thank all the concerned staffs and expert committees for their explicit contributions to the timely preparation and publication of current fiscal year annual report.

It is my firm belief that annual publication of the financial statements along with relevant information would enhance transparency and trustworthiness of the Bank among its stakeholders.

(Dr. Yuba Raj Khatiwada)



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बबरमहल, काठमाडौं, नेपाल

Babar Mahal, Kathmandu, Nepal

Date: February 25, 2015

Ref. 2071/72-315



AUDITORS' REPORT

To,
The Governor
Nepal Rastra Bank
Baluwatar, Kathmandu

1. Report on Annual Financial Statements

We have audited the accompanying Statement of Financial Position of Nepal Rastra Bank (NRB) as of 32nd Asadh 2071 (16th July 2014), the related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory notes forming part of the financial statements.

2. Management's Responsibility for the Financial Statements.

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

3. Auditors' Responsibility

Our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with the Nepal Standards on Auditing (NSA) & Relevant practices and International Standards on Auditing (ISA), wherever applicable, and the audit guidelines issued by the Office of Auditor General of Nepal (OAGN). Those standards or relevant practices require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, But not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence that we obtained is sufficient and appropriate to provide a basis for or qualified audit opinion.

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"सुशासन प्रवर्द्धनका लागि स्वतन्त्र, सक्षम र प्रभावकारी लेखापरीक्षण संस्था"

4. Basis for Qualified Opinion

The following are issues those have impact on financial position and operating results of NRB and provide the bases for issue of qualified audit opinion:

NRB did not comply with the various provisions of the Nepal Rastra Bank Act 2058 as listed below.

4.1.1 Non-compliance with IFRS - Whereas Section 40 & 90 of the Act require NRB to prepare financial statements as per internationally recognized standards and practices and whereas NRB declares to be compliant with International Financial Reporting Standards (IFRS), there were the following deviations:

a) *Liability for staff retirement benefit*

Whereas *IAS 19* does not permit deferring of provision for defined benefit plans for employees and does require actuarial loss or gain to be taken as other comprehensive income, there was short provision of NRs. 3.95 billion and the actuarial loss was taken to profit or loss.

b) *Spare parts*

Whereas *IAS 16.8* requires spare parts and servicing equipment to be charged in profit and loss as consumed, spare parts in stock was taken as current assets.

c) *Summarized financial information of Associates*

Whereas *IAS 28.37* requires summarized financial information including the amounts of total assets, total liabilities, revenues and profit or loss of associates, either individually or in groups that are not accounted for using the equity method to be disclosed, such a disclosure was not presented.

d) *Financial information of Subsidiaries*

Whereas *IAS 27.9* requires presentation of consolidated financial statements upon consolidating the accounts of subsidiaries, such statement was not presented.

e) *Investments- 'Held to maturity'*

Whereas *IAS 39.46* requires the investment held to maturity to be amortized using effective interest rate method, 7 investments classified under 'Held to maturity' with the total value of NRs.22.05 billion were not amortized accordingly.

f) *Investments- 'Available for sale'*

Whereas *IAS 39.46* requires the investment available for sale to be measured at fair value, 11 investments in domestic saving certificates with the total value of NRs. 1.28 billion were not measured accordingly.

4.1.2 Investment in Share - Whereas Section 7 of the Act set statutory limit for investment in shares of 10% of paid- up capital of respective company, the investment in shares was in excess of the limit in the case of six companies which exceeded the statutory limit.

4.1.3 Appropriation of Profit - Whereas Section 41 of the Act requires appropriation of profit to be based on Net Profit, however, profit was appropriated on the basis of the balance of profit after transferring certain items to related Reserve Funds, which included exchange gain, gain on sale gold and silver and gain on revaluation of investments.

4.1.4 Coins-in-Circulation - Whereas Section 59 of the Act requires coins-in-circulation to be treated as monetary liability, the same was instead treated as income.

4.1.5 Financial Assistance - Whereas Section 75.1 of the Act does not permit providing any kind of financial assistance to government owned institutions, seed capital money amounting to NRs.253.40 million was invested in the Rural Self Reliance Fund.

- 4.1.6 **Credit to the government** - Whereas Section 75.2 of the Act does not permit granting of credit to the government for a period exceeding 180 days, no interest was charged on the unreimbursed balance of pension paid on behalf of the government which was outstanding for a longer period.
- 4.1.7 **Contribution to IMF** - Whereas Section 75. 4 of the Act requires the government to issue bonds at prevalent rate of interest against the credit extended by the Bank, interest- free government bonds amounting to NRs. 4.87 billion were issued against Nepal's quota of contribution to IMF.
- 4.2 **Deposit Liability** - The balance in the account of the Government of Nepal NRs. 23.33 billion as Deposit liability was pending confirmation from the Office of Financial Comptroller General.
- 4.3 **Equity of the transactions** - We were not able to quantify the impact on the Equity of the transactions not reconciled with branches amounting to NRs. 214.88 million which was included in Other Sundry Liabilities.
- 4.4 **Gold & Silver**- Physical verification of gold and silver was not conducted since F/Y 2060-61 and F/Y 2059-650 respectively. The amount shown as Gold and silver stock of Rs 701.13 million (Gold 19,53,662 gm and Silver 12,24,66,722 gm) does not represent the true value.

4.5 **Staff Allowance & Welfare**

Bank's staffs are provided with seven types of allowances payable to all staffs and seven other allowances, payable to a particular group or specific staffs. These allowances are exclusive of Provident Fund, Medical Fund, Pension & Gratuity Fund, Staff Security Fund and Staff Leave Compensations. In addition to such allowances, bank contributes for 12% of salary drawn during the year to Provident Fund Contribution. On top of all these, Bank's board allocates amount to the Staff Welfare Provident Fund every year. Such allocation made by Bank's Board was Rs 260 million, Rs 280 million and Rs. 300.5 million in the year 2068/69, 2069/70 and 2070/71 respectively.

As explained above, an amount of Rs 913.46 million was spent on staff allowance and Staff Welfare Provident Fund in F/Y 2070/71. This amount is 161 % of (salary including annual grade) expenses of the bank in F/Y 2070/71. Bank's management is expected to be thoughtful to motivate staffs through financial and non- financial measures and should also reconsider and such benefits to staffs are unreasonably high as compared to other government and public entities.

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

5. **Qualified opinion**

In our opinion, except for the effects of the matters described in above paragraphs- point no 4.1 to 4.6, the financial statements give true and fair view of the financial position of Nepal Rastra Bank as of 32nd Asadh 2071 (16th July 2014) and its financial performance, its cash flows and changes in the equity for the year then ended in accordance with IAS/IFRS, relevant practice and prevailing Laws.


(Sukdev Khatry)

Deputy Auditor General





NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 32ND ASHADH, 2071 (16TH JULY, 2014)

PARTICULARS	Note	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	1	32,537,909,759	26,624,084,083
IMF Related Assets : Special Drawing Right Holdings		5,488,119,248	6,636,028,947
Investments	2	555,880,479,341	440,643,635,517
Other Receivables		1,022,408,013	532,506,856
Total Foreign Currency Assets		594,928,916,361	474,436,255,403
Local Currency Financial Assets			
Cash and Bank Balances		6,432,623,698	4,635,398,459
Investments in Government Securities	3	29,038,710,569	29,856,287,801
GON Overdraft		-	-
Investments in Financial and Other Institutions	4	1,528,910,670	458,574,420
Other Investments	5	14,918,621,000	14,556,510,000
Loans & Receivables and Refinance	6	5,935,936,213	6,940,638,486
Other Receivables	7	3,690,892,903	4,069,624,116
Sub-Total		61,545,695,053	60,517,033,282
Other Assets			
Gold and Silver Stock	8	701,129,138	413,618,489
Other Inventories	9	2,654,213,271	1,294,026,939
Property, Plant & Equipment	10	691,507,794	542,780,222
Intangible Assets	11	204,809,344	227,842,133
Other Assets		366,190,887	43,698,988
Sub-Total		4,617,850,434	2,521,966,771
Total Local Currency Assets		66,163,545,487	63,039,000,053
Total Assets		661,092,461,848	537,475,255,456

Contingent Assets

22c

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....
Dev Kumar Dhakal
(Acting Executive Director)

Board of Directors:-

.....
Dr. Yuba Raj Khatriwada
(Governor)

.....
Suman Prasad Sharma
(Director/Secretary MOF)

.....
Gopal Prasad Kaphle
(Deputy Governor)

.....
Maha Prasad Adhikari
(Deputy Governor)

.....
Dr. Sri Ram Poudyal
(Director)

.....
Dr. Ram Hari Aryal
(Director)

.....
Bal Krishna Man Singh
(Director)

.....
(CA. Komal Bahadur Chitracar)
Chartered Accountant
Kathmandu

.....
(CA. Gopal Prasad Rajbahak)
Chartered Accountant
Kathmandu

Date: 2071/07/27
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
 AS ON 32ND ASHADH, 2071 (16TH JULY, 2014)

PARTICULARS	Note	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	12	2,060,832,427	1,592,904,299
IMF Related Liabilities	13	17,612,855,208	18,343,388,194
Other Liabilities	14	149,340,057	79,196,981
Total Foreign Currency Liabilities		19,823,027,692	20,015,489,474
Local Currency Financial Liabilities			
IMF Related Deposit Liabilities	15	7,030,604,523	7,030,604,523
GON Deposit		23,334,581,772	516,084,944
Deposit and Other Balances	16	185,899,915,770	147,550,503,523
Bills Payable		1,005,959,657	734,091,341
Staff Liabilities	17	12,871,285,299	8,752,696,063
Other Payables	18	20,563,407,798	219,815,394
Sub-Total		250,705,754,819	164,803,795,788
Other Liabilities			
Currency in Circulation	19	273,250,000,000	233,460,000,000
Surplus Payable to GoN		7,000,000,000	5,500,000,000
Sundry Liabilities	20	4,958,608,080	15,858,041,251
Sub-Total		285,208,608,080	254,818,041,251
Total Local Currency Liabilities		535,914,362,899	419,621,837,039
EQUITY			
Capital		3,000,000,000	3,000,000,000
Reserves	21	102,355,071,257	94,837,928,943
Total Equity		105,355,071,257	97,837,928,943
Total Liabilities and Equity		661,092,461,848	537,475,255,456

Contingent Liabilities and Commitments

22b

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....
 Dev Kumar Dhakal
 (Acting Executive Director)

Board of Directors:-

.....
 Dr. Yuba Raj Khatriwada
 (Governor)

.....
 Suman Prasad Sharma
 (Director/Secretary MOF)

.....
 Gopal Prasad Kaphle
 (Deputy Governor)

.....
 Maha Prasad Adhikari
 (Deputy Governor)

.....
 Dr. Sri Ram Poudyal
 (Director)

.....
 Dr. Ram Hari Aryal
 (Director)

.....
 Bal Krishna Man Singh
 (Director)

.....
 (CA. Komal Bahadur Chitracar)
 Chartered Accountant
 Kathmandu

.....
 (CA. Gopal Prasad Rajbahak)
 Chartered Accountant
 Kathmandu

Date: 2071/07/27
 Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 32ND ASHADH, 2071 (16TH JULY 2014)

PARTICULARS	Note	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	23	14,836,956,104	9,398,346,054
Commission Income	24	2,089,018	44,444,998
Sub Total		14,839,045,122	9,442,791,052
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	25	9,568,784	7,004,816.00
Agency and Service Charge	26	21,522,886	7,455,852.00
Sub Total		31,091,670	14,460,668
Net Income from Foreign Currency		14,807,953,452	9,428,330,384
Income from Local Currency Financial Assets			
Interest Income	23	1,482,184,656	2,144,092,714
Commission Income	24	59,386,491	47,257,816
Sub Total		1,541,571,147	2,191,350,530
Expenses on Local Currency Financial Liabilities			
Interest Expenses	25	34,885,548	114,884,495
Agency and Service Charge	26	148,524,107	298,255,610
Sub Total		183,409,655	413,140,105
Net Income from Local Currency Financial assets		1,358,161,492	1,778,210,425
Other Operating Income	27	187,656,200	486,106,778
Total Net Operating Income		16,353,771,144	11,692,647,587
General, Administrative Expenses & Provisions	28	7,339,107,606	3,281,820,417
Profit before Foreign Exchange and Revaluation Gain/(Loss)		9,014,663,538	8,410,827,170
Net Foreign Exchange Gain		4,237,837,030	15,562,870,559
Net Gold and Silver Revaluation Gain/(Loss)		515,927,005	(1,653,891,818)
Securities Revaluation Gain/(Loss)		289,378	853,028,937
NET PROFIT FOR THE YEAR		13,768,716,951	23,172,834,848
Other Comprehensive Income			
Changes in Fair Value of Investment in Equity Instruments		1,026,956,250	209,851,320
Actuary Gain on Defined Benefit Plan of Employee Benefit		(278,584,203)	278,584,203
Other Comprehensive Income for the Year		748,372,047	488,435,523
TOTAL COMPREHENSIVE INCOME		14,517,088,998	23,661,270,371

Notes 23 to 28 are integral parts of the Statement of Comprehensive Income

As per our report of the even date.

.....
Dev Kumar Dhakal
(Acting Executive Director)

Board of Directors:-

.....
Dr. Yuba Raj Khatriwada
(Governor)

.....
Suman Prasad Sharma
(Director/Secretary MOF)

.....
Gopal Prasad Kaphle
(Deputy Governor)

.....
Maha Prasad Adhikari
(Deputy Governor)

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Dr. Sri Ram Poudyal
(Director)

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Dr. Ram Hari Aryal
(Director)

.....
Bal Krishna Man Singh
(Director)

(Sukdev Khatri)
Deputy Auditor General

.....
(CA. Komal Bahadur Chitracar)
Chartered Accountant
Kathmandu

.....
(CA. Gopal Prasad Rajbahak)
Chartered Accountant
Kathmandu

Date: 2071/07/27
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 32ND ASHADH, 2071 (16TH JULY 2014)

PARTICULARS	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
Cash Flow From Operating Activities:		
Total Comprehensive Income for the Year	14,517,088,998	23,661,270,371
Adjustments:		
Gold and Silver Revaluation (gain)/loss (Net)	(515,927,005)	1,653,891,818
Revaluation (Gain) or Loss on Foreign Exchange	(4,265,005,927)	(15,562,870,559)
Securities Revaluation Gain	(1,027,245,628)	(1,062,880,257)
Actuarial Gain/Loss	278,584,203	(278,584,203)
Depreciation & Amortisation	86,188,938	67,581,918
Note Printing Expenses	923,518,005	593,176,992
Dividend Income	(6,767,324)	(1,561,737)
Provisions no Longer Required Written Back	(18,208,463)	(62,250,227)
Grant Income	(245,446)	(245,380)
Profit from Sale of Assets/ Investments	(806,484)	(4,245,354)
Assets Written Off	39,854	635,846
Interest paid on ECF Loan & ACU	9,588,339	6,962,045
Provision for Doubtful Sundry Accruals	-	-
Provision for Doubtful Investment	2,500,000	-
Provision Others	-	3,775,258
Cash Flow From Operation Before Inc / Dec in Operating Assets	9,983,302,061	9,014,656,531
(Increase)/Decrease in Operating Assets	(3,165,307,152)	(6,329,558,751)
Refinance & Loans	1,004,702,273	(2,353,665,572)
Gold & Silver	(1,452,643,245)	(5,118,191,923)
Inventories	(2,283,704,337)	(31,632,209)
Other Receivable	(433,661,843)	1,173,930,953
Increase/(Decrease) in Operating Liabilities	75,551,110,679	32,779,834,487
Government Deposit	22,818,496,828	(10,473,211,214)
SDR Allocation	346,014,063	679,565,898
Deposit Liabilities	38,817,340,374	28,052,371,859
Bills Payable	268,054,071	(112,314,158)
Deferred Staff Liabilities	3,840,005,033	498,473,586
Other Liabilities	20,360,633,482	(14,365,498)
Sundry Liabilities	(10,899,433,172)	14,149,314,013
Net Cash Flow From Operating Activities	Total (A)	35,464,932,266
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Government Securities and Bank Deposits	37,019,617,876	(113,512,249,751)
Sale/Purchase of Investment in Financial Institutions	(45,880,000)	(43,343,000)
Purchase of Investments-Other	(343,902,537)	(3,698,454,773)
Purchase of Property, Plant & Equipment	(211,200,737)	(64,133,054)
Sale of Property, Plant & Equipment	1,356,250	4,577,442
Purchase of Intangible Assets	(1,153,730)	(83,719,513)
Dividend Income	6,767,324	1,561,737
Net Cash Flow From Investing Activities	Total (B)	(117,395,760,911)
Cash Flow From Financing Activities:		
Bank Note Issued	39,790,000,000	32,210,000,000
Increase/Decrease in ECF Loan & ACU	(1,076,547,049)	(597,808,495)
Interest Paid on ECF Loan & ACU	(9,588,339)	(6,962,045)
Surplus Paid to GON	(5,500,000,000)	(4,227,000,000)
Net Cash Flow From Financing Activities	Total (C)	27,378,229,460
Net Cash Flow for the Year (A+B+C)	151,998,574,646	(54,552,599,185)
Revaluation Gain or Loss on Foreign Exchange	4,265,005,927	15,562,870,559
Cash and Cash Equivalent at the Beginning of the Year	335,053,567,282	374,043,295,908
Cash and Cash Equivalent at the end of the Year (Note - 29)	491,317,147,855	335,053,567,282

Note 29 is the integral part of the Statement of Cash Flows

.....
Dev Kumar Dhakal
(Acting Executive Director)

As per our report of the even date.

Board of Directors:-

.....
Dr. Yuba Raj Khatriwada
(Governor)

.....
Suman Prasad Sharma
(Director/Secretary MOF)

.....
Gopal Prasad Kaphle
(Deputy Governor)

.....
Maha Prasad Adhikari
(Deputy Governor)

.....
Dr. Sri Ram Poudyal
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Bal Krishna Man Singh
(Director)

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(CA. Komal Bahadur Chitracar)
Chartered Accountant
Kathmandu

(Sukdev Khatri)
Deputy Auditor General

.....
(CA. Gopal Prasad Rajbahak)
Chartered Accountant
Kathmandu

Date: 2071/07/27
Place : Kathmandu



NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 32nd ASHADH, 2071 (16th JULY, 2014)

PARTICULARS	Statutory Reserve					Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Actuary Gain/Loss Reserve	Other Reserves	Retained Earning	Total
	Capital	General Reserve	Monetary Liability Reserve	Exchange Equilisation Fund								
Balance as on 1st Shrawan 2069	3,000,000,000	16,492,203,778	2,080,978,400	42,526,599,726		6,842,519,006	120,887,600	2,449,259	-	8,613,885,942	-	79,679,523,711
Adjustment for Prior Period Income											(2,811,824)	(2,811,824)
Restated Balance	3,000,000,000	16,492,203,778	2,080,978,400	42,526,599,726		6,842,519,006	120,887,600	2,449,259	-	8,613,885,942	(2,811,824)	79,676,711,887
Net Profit for the year							209,851,320		278,584,203		23,172,834,848	23,172,834,848
Other Comprehensive Income												488,435,523
Appropriation of Profit:												
To General Reserve		1,357,537,200									(1,357,537,200)	-
To Monetary Liability Reserve			420,398,100								(420,398,100)	-
To Exchange Equilisation Fund				15,562,870,559							(15,562,870,559)	-
To Gold & Silver Equilisation Reserve						(1,653,891,818)		853,028,937			1,653,891,818	-
To Revaluation Reserve										1,130,026,738	(853,028,937)	-
To Other Reserve											(1,130,026,738)	-
Inter Fund Transfer:												
Gold & Silver to General Reserve												-
Other Reserve to General Reserve		1,149,768,420								(1,149,768,420)		-
Balance Profit Transfer to Government												
Balance as on 1st Shrawan 2070	3,000,000,000	18,999,509,398	2,501,376,500	58,089,470,285		5,188,627,188	330,738,920	855,478,196	278,584,203	8,594,144,260	53,309	97,837,982,258
Net Profit for the year							1,026,956,250		(278,584,203)		13,768,716,951	13,768,716,951
Other Comprehensive Income												748,372,047
Appropriation of Profit:												
To General Reserve		1,369,664,795									(1,369,664,795)	-
To Monetary Liability Reserve			449,377,398								(449,377,398)	-
To Exchange Equilisation Fund				4,265,005,927							(4,265,005,927)	-
To Gold & Silver Equilisation Reserve						515,927,005		289,378			(515,927,005)	-
To Revaluation Reserve										168,505,757	(289,378)	-
To Other Reserve											(168,505,757)	-
Inter Fund Transfer:												
Gold & Silver to General Reserve												-
Other Reserve to General Reserve		175,675,657								(175,675,657)		-
Balance Profit Transfer to Government												
Balance as on 32nd Asadh 2071	3,000,000,000	20,544,849,850	2,950,753,898	62,354,476,212		5,704,554,193	1,357,695,170	855,767,573	-	8,586,974,360	-	105,355,071,256

Board of Directors:

As per our report of the even date.

..... Dr. Yuba Raj Khatiwada (Governor)	..... Suman Prasad Sharma (Director/Secretary MOF)	..... Dev Kumar Dhakal (Acting Executive Director)	..... (Sukdev Khatri) Deputy Auditor General
..... Gopal Prasad Kaphle (Deputy Governor)	..... Maha Prasad Adhikari (Deputy Governor)	..... (C.A. Komal Bahadur Chitrakar) Chartered Accountant Kathmandu	..... (C.A. Gopal Prasad Rajbhadak) Chartered Accountant Kathmandu
..... Dr. Sri Ram Poudyal (Director)	..... Dr. Ram Hari Aryal (Director)	..... Bal Krishna Man Singh (Director)	..... Date: 2071/07/27 Place : Kathmandu



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 1: CASH AND BANK BALANCES		
Cash in Hand	12,058,740,446	6,645,722,239
Balance with Banks in Demand Deposits	20,479,169,313	19,978,361,844
Asian Clearing Union	-	-
Total	32,537,909,759	26,624,084,083
NOTE - 2: INVESTMENTS		
i. Treasury Bills		
US Government Treasury Bills	14,384,833,134	14,249,194,400
GOI Treasury Bills	135,683,427,779	107,427,580,379
Other Treasury Bills	415,360,000	-
Sub -Total	150,483,620,913	121,676,774,779
ii. Other		
US Government Treasury Notes/Bond	958,875,004	949,449,048
Other Government Notes/Bond	22,626,757,641	-
Investment in Mid Term Instrument	8,691,201,766	8,389,781,637
Investment in Fixbids	7,449,373,607	7,575,023,362
Investment in Repurchase Agreement (Repo)	40,110,588,469	37,107,129,476
Balance with Banks in Time Deposits	309,677,276,701	250,743,751,576
Gold	15,882,785,239	14,201,725,639
Sub -Total	405,396,858,428	318,966,860,737
Grand Total	555,880,479,341	440,643,635,517
Above investments are classified as follows:		
Loans and receivables	-	-
Held-for-trading	55,993,373,709	51,308,855,115
Held-to-maturity	462,875,514,858	375,085,586,002
Available-for-sale	14,384,833,134	14,249,194,400
Total	533,253,721,701	440,643,635,517
NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES		
Government Treasury Bills	22,048,574,714	12,968,932,488
Saving Certificates	1,284,068,000	2,719,118,000
Government Bond	4,949,991,745	13,374,657,448
Development Bond 2071 Gha	756,076,110	793,579,865
Total	29,038,710,569	29,856,287,801
Above investments are classified as follows:		
Loans and receivables	4,871,051,043	13,374,657,448
Held-for-trading	-	-
Held-to-maturity	835,016,812	793,579,865
Available-for-sale	23,332,642,714	15,688,050,488
Total	29,038,710,569	29,856,287,801



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS		As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS			
	% of holding		
(a) Investment in shares of Subsidiaries			
Sudur Pashchimanchal Grameen Bikash Bank Ltd.	68.46	40,050,000	40,050,000
Agricultural Project Services Centre	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		46,050,000	46,050,000
(b) Investment in shares of Associates			
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.52	2,500,000	2,500,000
Sub-Total		14,580,500	14,580,500
(c) Other Investments Shares:			
Deposit & Credit Guarantee Corporation	10.00	107,580,000	61,700,000
Nepal Clearing House	10.00	15,000,000	15,000,000
Rural Microfinance Development Centre	6.58	21,045,000	21,045,000
Pashchimanchal GBB	10.00	6,000,000	6,000,000
Nepal Development Bank	5.00	16,000,000	16,000,000
Credit Information Bureau	10.25	3,500,000	3,500,000
Citizen Investment Trust	13.35	1,357,705,170	330,748,920
National Banking Training Centre	10.00	5,000,000	5,000,000
Sub-Total		1,531,830,170	458,993,920
Total		1,592,460,670	519,624,420
Less: Provision for diminution in the value		63,550,000	61,050,000
Total		1,528,910,670	458,574,420
NOTE - 5: OTHER INVESTMENTS			
Investment of funds:			
Fixed deposits with commercial banks and Financial Institutions		15,863,367,310	15,519,464,773
Less: Provision for doubtful Investment		1,198,146,310	1,216,354,773
Sub-Total		14,665,221,000	14,303,110,000
Other Investments:			
Investment in Rural Self Reliance Fund		253,400,000	253,400,000
Sub-Total		253,400,000	253,400,000
Grand Total		14,918,621,000	14,556,510,000



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 6: LOANS & RECEIVABLES AND REFINANCE		
LOANS AND RECEIVABLES		
Loans to Employees	4,012,947,525	4,193,014,230
Loan to Other Organisations	12,000,000	-
Sub-Total	4,024,947,525	4,193,014,230
REFINANCE		
Refinance to Commercial Banks	1,920,988,688	2,177,624,256
Securities purchased under resale agreement	-	-
Refinance to Financial Institutions	-	580,000,000
	1,920,988,688	2,757,624,256
Less: Provision for doubtful Loans	10,000,000	10,000,000
Sub-Total	1,910,988,688	2,747,624,256
Total	5,935,936,213	6,940,638,486
NOTE - 7: OTHER RECEIVABLE		
Interest Accrued	2,270,201,817	2,153,706,809
Less: Provision for doubtful amounts	-	-
Less: Interest suspense	470,984,821	310,165,695
Net Interest Accrued	1,799,216,996	1,843,541,113
Advances Recoverable	1,759,838,274	1,842,401,569
Less: Provision for doubtful amounts	10,329,878	10,329,878
Net Advance Recoverable	1,749,508,396	1,832,071,691
Deposits	1,674,504	1,672,504
Project income recoverable	15,223,570	-
Bills Purchased	125,269,437	392,338,808
Total	3,690,892,903	4,069,624,116
NOTE - 8: GOLD & SILVER STOCK		
Gold held in Stock	612,924,161	350,689,509
Silver held in Stock	88,204,977	62,928,980
Total Gold and silver stock	701,129,138	413,618,489
NOTE - 9: OTHER INVENTORIES		
Security Note Stock	2,067,232,881	594,126,034
Coin Stock	574,568,586	687,462,911
Numismatic and Medallion coins	22,465,540	24,437,829
Other Metal Stock	24,461,508	22,578,096
Dispensory stock	441,808	379,121
Total Inventories	2,689,170,323	1,328,983,991
Less: Provisions for:		
Non-moving Numismatic and Medallion coins	(22,465,794)	(22,465,794)
Non-moving Other Metal stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	(3,775,258)	(3,775,258)
Total Inventories net of Provisions	2,654,213,271	1,294,026,939



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 10 : STATEMENT OF PROPERTY, PLANT & EQUIPMENT

PARTICULARS	Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
		3%	20%	20%	20%	20%	10%	20%		
Depreciation Rate										
Balance as on 1 st Shrawan 2069	31,349,239	567,326,005	156,130,785	208,323,799	109,908,164	98,670,413	20,510,769	4,712,802	28,433	1,196,960,410
Addition during the Year	-	3,650,545	31,486,307	2,865,000	774,000	8,522,771	1,238,395	55,000	15,541,035	64,133,053
Disposal/Write Off/Adjustment	(14,686)	(708,673)	(5,780,657)	(20,503,118)	(1,318,141)	(4,794,866)	(184,622)	(132,065)		(33,436,828)
Balance as on 31 st Ashadh 2070	31,334,553	570,267,876	181,836,436	190,685,681	109,364,023	102,398,319	21,564,542	4,635,738	15,569,468	1,227,656,635
Balance as on 1 st Shrawan 2069	-	200,836,655	121,317,613	142,182,138	94,309,474	75,988,073	16,727,521	4,452,129		655,813,603
Depreciation for the Year	-	16,848,119	13,087,224	20,604,980	4,491,057	5,890,348	746,699	108,658		61,777,084
Disposal/Write Off/Adjustment	-	(439,097)	(6,683,185)	(19,863,108)	(523,714)	(5,049,516)	(81,655)	(73,999)		(32,714,274)
Balance as on 31 st Ashadh 2070	-	217,245,676	127,721,653	142,924,009	98,276,817	76,828,905	17,392,566	4,486,788	-	684,876,413
Net Book Value as on 31st Ashadh 2070	31,334,553	353,022,200	54,114,783	47,761,671	11,087,206	25,569,414	4,171,976	148,950	15,569,468	542,780,222
Balance as on 1 st Shrawan 2070	31,334,553	570,267,876	181,836,436	190,685,681	109,364,023	102,398,319	21,564,542	4,635,737	15,569,468	1,227,656,636
Addition during the Year	162,500,000	28,879,048	10,487,851	3,392,730	3,256,504	3,615,859	570,121	49,494	9,357,615	222,109,223
Disposal/Write Off/Adjustment	-	-	(10,209,889)	(5,125,603)	(942,400)	(3,470,866)	-	(34,465)	(10,908,486)	(30,691,709)
Balance as on 32 nd Ashadh 2071	193,834,553	599,146,925	182,114,398	188,952,807	111,678,127	102,543,313	22,134,663	4,650,766	14,018,597	1,419,074,150
Balance as on 1 st Shrawan 2070	-	217,245,676	127,721,651	142,924,009	98,276,817	76,828,905	17,392,566	4,486,788		684,876,412
Depreciation for the Year	-	17,183,908	15,611,241	15,745,230	4,672,251	7,967,851	796,068	25,870		62,002,419
Disposal/Write Off/Adjustment	-	(53,710)	(10,209,734)	(4,575,850)	(942,398)	(3,496,317)	-	(34,465)		(19,312,475)
Balance as on 32 nd Ashadh 2071	-	234,375,874	133,123,158	154,093,389	102,006,670	81,300,438	18,188,634	4,478,192	-	727,566,356
Net Book Value as on 31st Ashadh 2071	193,834,553	364,771,051	48,991,240	34,859,418	9,671,457	21,242,874	3,946,030	172,574	14,018,597	691,507,794

Allowances for obsolescences has been made for Rs. 3,352,949 on Building under Construction which is presented under Capital Work in Progress



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 11 : INTANGIBLE ASSETS

PARTICULARS		Computer Software				Total Assets
		Useful Life defined by Contractual Agreements	Other Useful Life		Capital Work in Progress	
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1 st Shrawan 2069	6,440,752	3,659,148	-	146,315,762	156,415,662
	Addition during the Year	472,340	290,000	229,272,935	82,957,173	312,992,448
	Disposal/Write Off/Adjustment				(229,272,935)	(229,272,935)
	Balance as on 31 st Ashadh 2070	6,913,092	3,949,148	229,272,935	-	240,135,175
Accumulated Amortisation	Balance as on 1 st Shrawan 2069	3,520,622	2,967,585	-	-	6,488,207
	Depreciation for the Year	1,323,794	659,825	3,821,216		5,804,834
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31 st Ashadh 2070	4,844,416	3,627,410	3,821,216	-	12,293,042
Net Book Value as on 31 st Ashadh 2070		2,068,676	321,738	225,451,719	-	227,842,133
Original Cost	Balance as on 1 st Shrawan 2070	6,913,092	3,949,148	229,272,935	-	240,135,175
	Addition during the Year		950,330		203,400	1,153,730
	Disposal/Write Off/Adjustment					-
	Balance as on 32 nd Ashadh 2071	6,913,092	4,899,478	229,272,935	203,400	241,288,905
Accumulated Amortisation	Balance as on 1 st Shrawan 2070	4,844,416	3,627,410	3,821,216	-	12,293,042
	Depreciation for the Year	939,606	319,620	22,927,293		24,186,519
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 32 nd Ashadh 2071	5,784,023	3,947,029	26,748,509	-	36,479,561
Net Book Value as on 31 nd Ashadh 2071		1,129,069	952,449	202,524,426	203,400	204,809,344



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES		
Deposit from Banks and Financial Institutions	1,424,678,999	1,592,330,608
Foreign Diplomatic Missions and other agencies	636,153,427	573,691
Total	2,060,832,427	1,592,904,299
NOTE - 13: IMF RELATED LIABILITIES		
Special Drawing Right Allocation	10,133,765,128	9,787,751,065
Interest Bearing Loan :		
Loan under Extended Credit Facility (ECF)	4,244,004,160	4,099,094,040
Loan under Rapid Credit Facility (RCF)	3,235,085,920	4,456,543,089
Total	17,612,855,208	18,343,388,194
NOTE - 14: OTHER LIABILITIES		
Interest Payable	1,517,249	1,653,043
Bills Payable	-	3,814,245
Asian Clearing Union	130,825,826	73,729,693
Others	16,996,982	
Total	149,340,057	79,196,981
NOTE -15: IMF Related Deposit Liabilities		
IMF Account No 1	7,029,851,169	7,029,851,169
IMF Account No 2	753,354	753,354
Total	7,030,604,523	7,030,604,523
NOTE -16: DEPOSIT AND OTHER BALANCES		
Deposits from Banks and Financial Insitutions	172,159,909,996	138,594,187,046
Balances of Other Insitutions	11,239,980,017	5,391,982,581
Earnest Money	6,092,685	20,598,830
Money Changer	10,644,000	10,959,500
Margin against LCs	2,483,289,072	3,532,775,567
Total	185,899,915,770	147,550,503,523

Balances of Banks and Financial institutions also include the Cash Reserve Ratio (CRR) required to be maintained by commercial banks. Balances of Other Institutions include deposit of government corporations, companies and local authorities etc.



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 17: STAFF LIABILITIES		
Medical Fund (Includes Medical earning fund, interest, etc)	370,432,311	434,010,639
Welfare Provident Fund	68,939,471	58,749,140
Gratuity and Pension Fund	9,829,898,334	5,919,408,146
Staff Security Fund	1,632,609,835	1,468,349,389
Liability for Staff Leave Encashment	781,755,545	715,584,569
Liability for Retired staff insurance premium	187,649,803	156,594,181
Other payable to staff	-	-
Total	12,871,285,299	8,752,696,063
NOTE - 18: OTHER PAYABLES		
Reverse Repo Liabilities	20,000,000,000	-
Insurance Premium collected from Staff	193,808,164	219,088,414
Less: Advance Insurance Premium paid on behalf of Staff	-	-
Other Payables of Project	369,599,634	726,980
Total	20,563,407,798	219,815,394
NOTE -19: CURRENCY IN CIRCULATION		
Currency in Circulation	273,250,000,000	233,460,000,000
The Currency in Circulation liabilities are supported by following securities :		
Foreign currency balance held abroad	257,642,268,000	217,852,268,000
Foreign Securities	15,607,732,000	15,607,732,000
Government Securities	-	-
Total	273,250,000,000	233,460,000,000

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 20: SUNDRY LIABILITIES		
Sundry creditors	305,000,000	2,780,050,000
Unclaimed Account	3,657,045	3,657,045
Bills Collection	5,749,931	-
Less: Bills Lodged	5,749,931	-
Pension Payable to NRB Ex-Staff	50,585,053	39,842,185
General Account	214,882,068	484,130,342
Deferred Grant Income	231,773	477,219
Other Liabilities	4,384,252,140	12,549,884,460
Total	4,958,608,080	15,858,041,251



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 21: RESERVES		
Capital Reserve:		
Gold and Silver Equalization Reserve	5,704,554,193	5,188,627,188
Statutory Reserve:		
General Reserve	20,544,849,850	18,999,509,397
Monetary Liabilities Reserve	2,950,753,898	2,501,376,500
Exchange Equalization Fund	62,354,476,212	58,089,470,277
Other Reserves and Funds:		
Development Fund	5,741,080,922	5,687,503,359
Banking Development Fund	801,941,806	781,941,807
Development Finance Project Mob. Fund	209,088,356	203,766,088
Liquidity Stabilization fund	100,000,000	87,000,000
Mechanisation Fund	791,316,414	791,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	76,605,926	175,675,657
Investment Revaluation Reserve	855,767,574	855,478,196
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	1,357,695,170	330,738,920
Actuarial Gain/Loss Fund	-	278,584,203
Project Split Interest Reserve Fund	4,233,489	4,233,489
Total Reserves and Funds	102,355,071,257	94,837,928,943

The Board of Directors of the Bank has appropriated the following amount to different fund during the year

Net Profit for the year	13,768,716,951	23,172,834,849
Transfer (to)/from Exchange Equalisation Fund	(4,265,005,927)	(15,562,870,559)
Transfer (to)/from Gold & Silver Equalisation Reserve	(515,927,005)	1,653,891,818
Securities Revaluation Fund	(289,378)	(853,028,937)
Surplus/(Deficit) due to Restatement of Prior Period Errors	53,309	(2,811,824)
Profit available for distribution	8,987,547,950	8,408,015,347
General Reserve	1,369,664,795	1,357,537,200
Monetary Liability Reserve	449,377,398	420,398,100
Development Fund	53,577,563	640,000,000
Dev. Fin. Projects Mob. Fund	5,322,268	15,280,400
Liquidity Stabilization Fund	13,000,000	25,000,000
Mechanization Fund	-	200,000,000
Banking Development Fund	20,000,000	74,070,681
Gold Replacement Fund	76,605,926	175,675,657
Surplus to be transferred to GON	7,000,000,000	5,500,000,000
Surplus due to Restatement of Prior Period Errors	-	53,309
Total	8,987,547,950	8,408,015,347



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 22a : Movement of Provisions.

PARTICULARS	As on 31-3-2070	Addition	Withdrawn	Adjustment	As on 32-3-2071
Leave encashment	715,584,569	183,580,127	(117,409,151)	-	781,755,545
Gratuity and Pension Fund	5,919,408,146	3,255,535,548	(484,094,816)	1,139,049,456	9,829,898,334
Staff Security Fund	1,468,349,389	697,145,449	(143,644,180)	(389,240,823)	1,632,609,835
Staff Medical Earning Fund	434,010,639	69,585,942	(133,164,269)	-	370,432,311
Diminution in value of investment in Shares	61,050,000	2,500,000	-	-	63,550,000
Provision for advance recoverable	10,329,878	-	-	-	-
Provision for doubtful loans	10,000,000	-	-	-	10,000,000
Nuisematic and Medallion Coins	22,465,793	-	-	-	22,465,793
Provision for non moving metal stock	8,716,000	-	-	-	8,716,000
Provision for Unissuable Note Stock	3,775,258	-	-	-	3,775,258
Provision for other investments	1,216,354,773	-	(18,208,463)	-	1,198,146,310
Provision for building in construction	3,352,949	-	-	-	3,352,949
Total	9,873,397,393	4,208,347,067	(896,520,879)	749,808,633	13,924,702,335

PARTICULARS

NOTE - 22b: Contingent Liabilities and Commitments

	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
Letters of Credit	41,380,802,027	39,749,417,595
Guarantees Issued	-	-
Unclaimed account transfer to P/L account	100,066,715	100,066,715
Capital Commitment	13,045,733	29,061,255
Total	41,493,914,475	39,878,545,565

Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, hence it is not shown as contingent liabilities of the bank.



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
NOTE - 23: INTEREST INCOME		
Foreign Currency Financial Assets		
Treasury bills & Deposits	14,836,956,104	9,392,957,675
SDR Holding & Asian Clearing Union	-	5,388,379
SUB - TOTAL	14,836,956,104	9,398,346,054
Local Currency Financial Assets		
Government Securities	783,532,822	1,417,911,882
Investment in financial and other institutions	622,226,608	669,404,505
Overdraft to Government	-	-
Loans and Refinance	76,425,226	56,776,327
SUB - TOTAL	1,482,184,656	2,144,092,714
Total interest income from financial assets	16,319,140,760	11,542,438,768
	1,405,759,429.90	
NOTE - 24: COMMISSION INCOME		
Foreign Currency Financial Assets		
On Currency exchange	2,089,018	44,444,998
Local Currency Financial Assets		
Government transaction & Other services	59,386,491	47,257,816
Total Commission income from financial assets	61,475,509	91,702,814
NOTE - 25: INTEREST EXPENSES		
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	9,588,339	6,962,045
Others	(19,556)	42,771
SUB - TOTAL	9,568,784	7,004,816
Local Currency Financial Liabilities		
Government Securities	34,885,548	114,884,495
SUB - TOTAL	34,885,548	114,884,495
Total Interest Expense on Financial Liabilities	44,454,332	121,889,310
NOTE - 26: AGENCY AND SERVICE CHARGE		
Foreign Currency Liabilities		
Service Charge	-	-
Commission	21,522,886	7,455,852
SUB - TOTAL	21,522,886	7,455,852
Local Currency Liabilities		
Agency Expenses	148,524,107	298,255,610
SUB - TOTAL	148,524,107	298,255,610
Total Agency and Service Charge	170,046,993	305,711,462
Agency Expenses includes agency commission paid to the following banks for operating government accounts.		
Nepal Bank Ltd.	91,200,000	105,000,000
Rastriya Baniya Bank	57,300,000	177,600,000
Nepal Bangladesh Bank	-	2,700,000
Everest Bank Ltd	-	1,200,000
Total	148,500,000	286,500,000



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
NOTE - 27: OTHER OPERATING INCOME		
Income from Mint (Sale of coin)	443,237	110,845,928
Gain from Sale of Precious Metals and Coins	76,605,926	175,675,657
Fine/Penalty Charge	10,514,729	13,468,650
Profit from Sale of Assets	806,484	4,245,354
Dividend Income	6,767,324	1,561,737
Provision on Investment Written Back (Net)	18,208,463	62,250,227
Project Income	5,322,268	14,803,545
Grant Income	245,446	245,380
Miscellaneous	68,742,324	103,010,300
Total	187,656,200	486,106,778



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	Note	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS			
Staff Costs	28 a	5,687,544,456	1,835,851,032
Depreciation and amortization		86,188,938	67,581,918
Directors Fees and Expenses		4,725,420	2,945,161
Note Printing charges		923,518,005	593,176,992
Mint Expenses		393,569	97,314,884
Security charges		18,647,239	18,538,741
Remittance charges		53,253,861	53,750,817
Travelling expenses		171,231,742	168,663,749
Insurance charges		70,990,482	57,355,126
Repair & Maintenance		13,032,059	21,360,449
Provisions on loans & advances, Investments, etc.	28 b	2,500,000	3,775,258
Miscellaneous	28 c	307,081,835	361,506,289
Total		7,339,107,606	3,281,820,417
28 a Staff Costs			
Salary		566,234,121	482,934,742
Allowances		543,374,938	389,188,792
Provident Fund Contribution		58,215,591	49,622,143
Staff Welfare (Including Medical fund contribution)		69,585,942	62,322,546
Staff Welfare Provident Fund		305,000,000	280,000,000
Pension & Gratuity Fund		3,255,535,548	186,182,609
Staff Security Fund		697,145,449	100,859,809
Staff leave compensations		183,580,127	186,800,567
Others		8,872,739	97,939,824
Total		5,687,544,456	1,835,851,032
28 b Provision on loans & advances, Investments, etc.			
Provision for Unissuable Note Stock		-	3,775,258
Provision for retired Staff Insurance Premium		-	-
Provision for Doubtful investment and Others		2,500,000	-
Provision for sundry Accrued		-	-
Total		2,500,000	3,775,258
28 c Miscellaneous Expenses			
Banking Promotion		70,206,236	22,616,260
Audit Fees and Expenses		1,555,696	1,606,998
Sundry Balances Written Off		-	-
Assets Written Off		39,854	635,846
Others		235,280,049	336,647,185
Total		307,081,835	361,506,289



NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
NOTE - 29: CASH AND CASH EQUIVALENT		
Foreign currency cash and bank balance	32,407,083,933	26,550,354,390
Foreign currency time deposits	248,945,737,986	130,872,857,869
Local currency in hand	6,432,623,698	4,635,398,459
SDR holdings	5,488,119,248	6,636,028,947
Investment in Treasury Bills/Notes	150,483,620,913	121,676,774,779
Investment in Fixbis	7,449,373,607	7,575,023,362
Investment in repurchase agreement (Repo)	40,110,588,469	37,107,129,476
Total	491,317,147,855	335,053,567,282



NEPAL RASTRA BANK
NFY 2070/71 (2013/14 AD)

**NOTE 30: GENERAL INFORMATION, SIGNIFICANT ACCOUNTING POLICIES
AND OTHER EXPLANATORY DISCLOSURES**

A. General Information and Significant Accounting Policies

1. Incorporation

Nepal Rastra Bank (NRB), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058. The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The main activities of the Bank include:

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

2. Fiscal Year

The financial statements relate to the fiscal year 2070/71 i.e. 1st Shrawan 2070 to 32nd Ashadh 2071 corresponding to Gregorian calendar 16th July 2013 to 16th July 2014. The previous year was 1st Shrawan 2069 to 31st Ashadh 2070 (16th July 2012 to 15th July 2013). The corresponding information presented in the financial statements for the previous year are rearranged and reclassified in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", wherever necessary.

3. Directors' Responsibility Statement

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The Board has approved the financial statements for the year ended 32nd Ashadh 2071 on **Kartik 27, 2071 (November 13, 2014)**.

4. Controlling Body

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

- Acting as the fiscal agent and financial advisor of the Government;
- Acting as a banker to the Government;
- Acting as the agent of Government or its agencies and institutions, provide guarantees, participate in loans to Government and related institutions;
- Acting as agent of Government, the Bank issues securities of Government, purchases unsubscribed portion of any issue and amounts set aside for the Bank;
- Acting as the agent of Government, the Bank manages public debt and foreign reserves.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

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

Transactions with the Government and state controlled enterprises/entities, outstanding balances and commitments are not disclosed in consonance with IAS 24.25.

5. Basis of Preparation

The significant accounting policies applied in the preparation of financial statements are set out below. These policies are consistently applied to all the years presented, except for the changes in accounting policies presented in para 7 below.

Financial Statements Components and Presentation

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income shown in one single statement, the Statement of Changes in Equity, the Statement of Cash flows and the notes to the accounts.

The financial statements are prepared, as far as possible, in accordance with the International Financial Reporting Standards (IFRS). The deviations, if any, from IFRS are noted wherever applicable. The standards that are not fully complied with included IAS 39 – Financial Instruments Recognition and Measurement, IAS 28 – Investment in associates, IAS 27 – Consolidated and Separate Financial statements, IAS 16 – Property, Plant and Equipment and IAS-19 Employee Benefits.

Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

Cash flow information is prepared, on a cash basis, using the indirect method.

Basis of Recognition and Measurement

The financial statements are prepared on an accrual basis of accounting and interest income is recognized in the effective interest rate method.

The financial statements are prepared on the historical cost measurement basis except for the following material items in the Statement of Financial Position.

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value
- 'Available for Sale' financial assets, except for equity investments whose fair value are not available, are measured at fair value
- Derivative financial instruments are measured at fair value
- Inventories are measured at cost or net realizable value whichever is lower.
- Gold investment assets other than Inventories are measured at fair value
- Gratuity and Pension Fund; and Staff Security Fund are measured at present value of Defined Benefits Obligation.

Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank's functional currency. The figures are rounded to nearest integer, except otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, liabilities, incomes and expenses. The actual result may differ from these estimates. Management believes that the underlying assumptions are appropriate and that the financial statements present the financial position and results fairly.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year 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 of the intangible assets

6. Significant Accounting Policies

i. Revenue Recognition

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. Revenue is not recognized during the period in which its recoverability of income is not probable. Accordingly, interest income from certain banks and financials which are declared as problematic and receipt of interest from which is not forthcoming are not recognized. Interest incomes are recognized on effective interest rate method whereas other incomes are recognized on an accrual basis of accounting.

ii. Financial Instruments

The financial instruments, consisting of financial assets and financial liabilities, are segregated between foreign currency and local currency items. Financial assets and liabilities are set off and net amount presented in the Statement of Financial Position when and only when, the Bank has a legal right to offset the amount and intends either to settle it on a net basis or to realize the asset and settle the liability simultaneously.

a. Financial Assets

All financial assets are recognized initially on trade date, which is the date when the Bank becomes a party to the contractual provisions of the instruments except for Loans and advances which is recognized on the date of origination. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flow in which substantially all risk and rewards of the ownership of the financial assets is transferred. Any interest in such transferred financial assets that are created or retained by the Bank is recognized as a separate asset or liability.

Financial assets (Non-derivative) are classified into the following categories: (a) Financial assets at fair value through profit or loss, (b) Held to maturity, (c) Loans and advances and (d) available for sale.

Financial Assets at Fair Value through Profit or Loss

Financial assets are designated as at fair value through profit or loss if the Bank manages such investments and make purchase and sale decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Held-to-Maturity Financial Assets

Held-to-maturity asset are financial assets with fixed or determinable payments and fixed maturity (e.g., debt securities) that the Bank has the positive intent and ability to hold till maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; investment in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprise loans and advances including bonds purchased at original issuance. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables financial assets are measured at amortized cost using effective interest rate method less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables, loans provided to employees.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, as far as such fair value is available, and changes therein, other than impairment losses which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise investment in equity instruments.

b. Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the bank becomes a party to the contractual provisions of the instrument except for Debt securities which are initially recognized on the date that they are issued. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expires. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest method.

c. Fair Value

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



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

d. Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date in case there is an indication of such impairment.

iii. Currency in Circulation

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

The Bank also issues coins of various denominations for circulation. However, currency circulation liability does not include the liability on account of coins in circulation.

iv. Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase (Repo) and reverse repo of securities are recorded as follows:

- a) Securities sold subject to repurchase arrangements (Repo) are recorded as investment in Government securities. The obligation to repurchase is shown as liabilities for securities sold under agreement to repurchase and the difference between the sale and repurchase value is accrued on a pro rata basis and recorded as expense.
- b) Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the statement of financial position.

v. Foreign Currency Transactions and Balances Translations

Income and expenditure denominated in foreign currency are translated into Nepalese Rupees on the basis of exchange rate prevailing on the value date. Assets and liabilities in foreign currencies as at the yearend are translated into Nepalese Rupees on buying exchange rate prevailing on the balance sheet date. Exchange differences are taken to revenue. An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Comprehensive Income.

vi. Gold Replacement Fund

Gold Replacement Fund is created for the purpose of replenishing the stock of gold and silver sold. An amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account.

vii. Gold and Silver (other than inventories)

Gold and Silver other than those held as inventory is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Statement of comprehensive Income.

viii. Gold and Silver Stock and Other Inventories

Gold and silver stock and other inventories are carried at cost or net realizable value whichever is less. Cost for gold and silver is determined on the basis of specific identification of their individual cost (IAS 2.23). Cost for other inventories is determined



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

under the weighted average method. Other stores except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to Statement of Comprehensive Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed through Statement of Comprehensive income at the time of purchase.

ix. Property, Plant & Equipment

Property, Plant and Equipment are measured at cost less accumulated depreciation less accumulated impairment loss if any. Cost comprises purchase price including nonrefundable duties and taxes; and any directly attributable cost incurred in bringing the asset to their present location and condition necessary for it being capable of operating in the manner intended by the management but excluding trade discounts and rebates. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Bank. Ongoing repair and maintenance are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Depreciation is charged on straight-line method over the estimated useful lives of current and comparative years of significant items of property, plant and equipment. Useful lives and residual values are reviewed on each reporting date and adjusted if appropriate.

Useful life of the various classes of assets is estimated as per below.

<u>Class of Assets</u>	<u>Useful Life</u>
Buildings	Over 33 Years
Furniture and Fixture	10 Years
Vehicles	5 Years
Office and Computer Equipment	5 Years
Machinery Equipment	5 Years
Others	5 Years

x. Intangible Assets

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the Bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. 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 lives 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 and are amortized on straight-line basis over estimated useful life of ten years and five years respectively for business application software and other software.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognized in profit or loss as incurred.

xi. Assets Received in Grant

Equipment acquired under grant is recognized as "Grant Assets" and included under respective head of property, plant and equipment with corresponding credit to "Deferred Grant Income" under the head of Other Liabilities.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

xii. Employee Benefits

a. Short Term Employees Benefit

Short term employees' benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Defined Contribution Plan

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

1) Contributory Retirement Fund

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

2) Welfare Provident Fund

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

3) Staff Medical Fund

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

c. Defined Benefit Plan

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



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

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

1) Gratuity and Pension Scheme

Gratuity and Pension Scheme is a defined benefit obligation under which employees having service period for five years or more but less than twenty years are eligible for gratuity, which is based on last pay-scale of staff's existing designation and completed years of service. Similarly, employees having service period of twenty years or more are eligible for pension, which is based on last pay-scale of staff's existing designation and completed years of service. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in profit or loss

2) Staff Security Fund

Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty month salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in profit or loss

3) Leave Encashment

The employees are entitled to en-cash their un-utilized accumulated leave at their retirement or after vesting of certain period. Home leave and Sick leave are defined benefit plans which are recognized when the leave does not occur. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date

xiii. Taxation

Income of the NRB is exempted from taxes under section 8 of the NRB Act, 2058 as well as section 10 of the Income Tax Act, 2058 and as such no provision in this respect has been made.

xiv. Cash and Cash Equivalents

Cash and cash equivalents include cash at vault and agency bank account balances, short-term and highly liquid investments maturing within 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value.

xv. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is presented as General Account under Sundry Liabilities.

**NEPAL RASTRA BANK****NOTES FORMING PART OF FINANCIAL STATEMENTS****xvi. 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 Comprehensive Income.

xvii. Impairment**a. Impairment of Financial Assets**

The Bank assesses at each reporting date that whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria used to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Breach of contract, such as default or delinquency in interest or principal payments
- It becomes probable that the borrower or issuer will enter bankruptcy or other financial reorganization;
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise considers;
- Disappearance of an active market for that financial asset because of financial difficulties; etc.

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

b. Impairment of Non-financial Assets

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



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

xviii. Bills Payable and Bills Receivable

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

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

7. Changes in Accounting Policies

There were no changes in accounting policies adopted by the bank from the previous year. However any deviation from such the policies has been explained in the following sections.

**NEPAL RASTRA BANK****NOTES FORMING PART OF FINANCIAL STATEMENTS****B. Significant Disclosures****8. Gold and Silver**

A sum of NRs. 76,605,926 (P.Y. Rs 175,675,657) was appropriated out of net profit this year to the "Gold Replacement Fund". During the current year, the Bank bought 13,952.19 (PY 103,806.32) fine troy ounces of gold with cost price of NRs. 1,727,998,204 (PY NRs. 12,985,963,139). The amount of NRs. 175,675,657 (PY NRs. 1,149,768,420) was transferred from Gold Replacement Fund to General Reserve Account. The quantity and market value of gold and silver held as inventory at the yearend were as follows:

Particulars	As on 32nd Ashadh 2071		As on 31st Ashadh 2070	
	Weight (Kg, Gm, Mg)	Total Market Value	Weight (Kg, Gm, Mg)	Total Market Value
Gold (Investment)	3944.335.219	15,882,785,239	3633.300.459	14,202,571,494
Gold held in Stock	2395.068.738	9,644,302,598	2333.789.250	9,122,782,178
Silver held in Stock	126,006.573.919	8914965105	125,755.940.000	9,004,064,730
Total		34,442,052,942		32,329,418,402

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

9. Yearend Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	95.90	95.00
2	Sterling Pound	164.61	143.56
3	Euro	130.56	124.08
4	Swiss Franc	107.51	100.36
5	Australian Dollar	89.91	85.96
6	Canadian Dollar	89.35	91.39
7	Japanese Yen	0.94	0.96
8	Singapore Dollar	77.23	75.26
9	SDR	148.81	143.73
10	Chinese Yen	15.45	15.58
11	Indian Rupees	1.60	1.60

10. Investment in Shares

The investment in shares in some cases exceeded the statutory limit (ten percent of the paid up capital of respective company) as such investments were made before the enactment of the Nepal Rastra Bank Act 2058. The Bank is in the process of offloading the excessive investments. Further disclosures relating to the investments in shares are as per below.



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- The investment in shares of Citizen Investment Trust was measured at fair value. As the market value of the other shares was not available, they were measured at cost. Impairment loss was recognized on the basis of objective evidence.
- Investment in Citizen's Investment Trust included 400,403 (PY 288,260) bonus shares distributed up to FY 2069/70 out of total 400,503 (PY 288,360) shares with market value of NRs. 3,380 (PY NRs. 1,147) each.
- Investment in Rastriya Beema Sansthan (Life-Insurance) included 41,667 bonus shares out of total 51,667 shares (PY 41,667 bonus shares out of total 51,667 shares).
- Investment in Deposit and Credit Guarantee Corporation included 924,060 (PY 612,638) bonus shares out of total 1,999,860 shares. (P.Y. 1,229,638 shares) and additional investment 458,800 (PY 412,000) shares made during the year.
- Investment in Credit Information Centre Limited included 14,400 bonus shares out of 49,400 shares (PY 49,400 shares).
- Nepal Development Bank Ltd. and Agricultural Project Services Center were in liquidation.

The Bank did not exercise control or significant influence on the entities except for regulatory purposes.

11. Related Parties

11.1. Key Management Personnel

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

S.N.	Name of the Key Management Personnel	Post
1	Yuba Raj Khatriwada	Governor
2	Gopal Prasad Kaphle	Deputy Governor
3	Maha Prasad Adhikari	Deputy Governor
4	Suman Prasad Sharma	Non-Executive Director
5	Dr. Sri Ram Poudyal	Non-Executive Director
6	Dr. Ram Hari Aryal	Non-Executive Director
7	Bal Krishna Man Singh	Non-Executive Director
8	Lila Prakash Sitaula (retired w.e.f. 2070.06.29)	Special Class Officer
9	Bishnu Nepal	Special Class Officer
10	Ramjee Regmi	Special Class Officer
11	Bhaskar Mani Gyawali	Special Class Officer
12	Manmohan Kumar Shrestha	Special Class Officer
13	Lok Bahadur Khadka	Special Class Officer
14	Pradeep Raj Pandey	Special Class Officer
15	Hari Prasad Kaphle	Special Class Officer
16	Trilochan Pangen	Special Class Officer
17	Dr. Min Bahadur Shrestha	Special Class Officer
18	Mahesh Bhattarai	Special Class Officer
19	Naresh Dhakal (retired w.e.f. 2071.01.23)	Special Class Officer
20	Shiba Raj Shrestha	Special Class Officer
21	Narayan Prasad Paudel	Special Class Officer
22	Nara Bahadur Thapa	Special Class Officer

In addition to salaries, non- cash benefits were provided to special class officers and the Board members. Special class officers and three of Board members (Governor and deputy governors) were entitled to termination benefits including pension. The data relating to compensation paid to key management personnel were as follows:

**NEPAL RASTRA BANK****NOTES FORMING PART OF FINANCIAL STATEMENTS**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	24,713,183	22,921,478
Post-employment benefits	14,014,723	10,869,596
Other long term benefits	8,978,514	3,143,993
Total	47,706,420	36,935,067

The transactions, if any, with director-related or key management personnel – related entities which occurred in the normal course of NRB's operations were conducted on terms no more favorable than similar transactions with other clientele.

11.2. Transactions with Related Parties

The transactions with the related parties and the status of yearend balances with them were as per below.

Particulars	Current Year (NRs.)			Previous Year (NRs.)		
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	Key Management Personnel
Employees Benefits	-	-	47,706,420	-	-	36,935,067
Sitting Fees/ Incidental Expenses to Directors	-	-	4,725,420	-	-	2,945,161
Insurance Premium paid	70,990,482	-	-	57,355,126	-	-
Balances as on Ashadh End	-	-	-	-	-	-
Staff Loan (net of premium collection)	-	-	28,129,637	-	-	21,895,784
Provision for Diminution in Value of Investment	45,050,009	.....	.....	45,050,000		

12. Assets Received in Grant

The various assets in grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586 (PY NRs. 11,585,586) , out of which there was a written down balance of Rs 231,773 (PY NRs. 477,219) at the yearend. During the year no grant assets were received.

13. Financial Instruments**13.1. Financial Risk Management - Overview**

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

A. Credit Risk

B. Liquidity Risk

C. Market Risk

Risk Management Framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank risk management framework. The Board of Directors has established 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 on its activities.

The Bank's risk management policies are established to identify and analyze the risk faced by the Bank, to set appropriate risk limits and control, and to monitor risks and adherence



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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 role and obligations.

The Bank Audit Committee oversees how management monitors compliance with the Bank 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. Internal Audit undertakes both regular and ad hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

A. Credit Risk:

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

Exposure to Credit Risk

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

a) By Nature of Assets

	Current Year (NRs.)	Previous Year (NRs.)
US Government Treasury Notes	23,585,632,644	949,449,048
Investment in Mid Term Instruments (BIS)	8,691,201,766	8,389,781,637
Special Drawing Rights Holdings	5,488,119,248	6,636,028,947
Term Deposit Investments	55,374,245,293	127,537,974,761
Investment in Gold Instruments	15,882,785,239	14,201,725,639
Government of Nepal Securities	28,959,769,866	29,856,287,801
Investments in Equity Instruments	1,076,684,670	458,574,420
Other investments	14,818,621,000	253,400,000
Loans and Refinance	5,935,936,213	6,940,638,486
Other Receivables	4,718,766,751	4,602,130,972
Cash and Cash Equivalent	491,240,487,031	335,053,567,282
Total Financial Assets	655,772,249,722	534,879,558,993



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b) By Geographical Region:

	Current Year (NRs.)	Previous Year (NRs.)
India	273,260,489,180	226,804,744,210
USA	64,258,698,286	59,482,141,552
Germany	4,923,597,432	28,491,151,374
Switzerland	37,073,625,933	26,581,329,322
United Kingdom	33,334,109,879	39,032,648,847
France	36,111,141,336	12,857,854,109
Japan	17,875,008,177	16,276,702,297
Denmark	-	100,601,709
Netherland	10,920,690,000	
Australia	5,216,451,380	7,780,815,749
Singapore	19,936,990,180	2,792,248,929
Canada	3,602,246,434	10,490,235,445
Sweden	-	9,069,371,506
Hong Kong	33,312,213,855	9,115,113,571
U.A.E	15,439,050,368	11,213,899,821
China	31,077,363,242	185,397,890
Thailand	19,733,389	-
Nepal	69,410,840,652	74,679,032,354
Total	655,772,249,722	534,953,288,685

c) By Nature of the Entity:

	Current Year (NRs.)	Previous Year (NRs.)
Central Banks	58,888,992,284	39,365,254,772
Bank for International Settlement	19,739,426,598	19,236,148,248
Foreign Government	158,054,091,032	121,749,463,886
International Monetary Fund	5,488,119,248	6,636,028,947
Foreign Commercial Banks	325,560,061,940	264,945,477,217
Domestic Banks and FIs	16,476,209,688	20,120,630,142
Government of Nepal	28,959,769,866	29,856,287,801
Equity Instruments	1,076,684,670	458,574,420
Cash in Hand	18,414,703,320	11,281,120,698
Other Parties	23,114,191,076	21,304,302,554
Total	655,772,249,722	534,953,288,685

d) By Credit Rating

Particulars	Rating	Current Year		Previous Year	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	20,267,095,188	3.09	758,807,434	0.14
	AA+	55,433,789,772	8.45	52,309,216,106	9.78
	AA-	73,472,676,721	11.20	54,152,438,724	10.12
	A+	45,018,816,941	6.87	31,321,126,522	5.85
	A1(ICRA)*	-	-	28,799,501,065	5.38
	A	65,538,907,870	9.99	37,580,890,300	7.03
	A-	1,068,472,921	0.16	18,372,840,461	3.43
	BBB+	78,933,556	0.01	-	-
	BBB-	107,672,934,251	16.42	91,071,392,645	17.02
	Not Rated	226,377,289,077	34.52	160,070,042,146	30
Total		594,928,916,296	90.72	474,436,255,403	88.69
Local Currency Financial Assets	Not Rated	60,843,333,426	9.28	60,517,033,282	11.31
Total Financial Assets		655,772,249,722	100.00	534,953,288,685	100.00

All of the above ratings are as per S&P except as stated below:

* Rating as per Indian Credit Rating Agency (ICRA)



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Government Securities

Investment in Government securities included Nepal Government securities like treasury bills, saving certificates and bonds; and US Government treasury notes. These investments were around 28.52% (PY 29%) of the total financial assets and were considered risk free investments.

Cash and Cash Equivalents

Cash and cash equivalents comprised cash in hand, balance in demand deposit and call account of foreign banks; and treasury bills and term deposit with original maturity period of up to three months. Cash in hand and balance with bank in demand deposit and call account was classified as loans and receivables and treasury bills and term deposits were classified as held to maturity financial assets and measured at amortized cost. Cash and cash equivalents were around 74.91% (PY 63%) of the total financial assets. The Cash and cash equivalents held with central banks of foreign countries; bank and financial institutions were rated A to AAA as based on credit rating.

Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date and the movement in the allowances for impairment in respect of financial assets during the year is as follows:

Particulars	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance	Allowances for Doubtful Receivables
Balance as on 1st Shrawan 2069	61,050,000	1,278,605,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	(62,250,227)	-	-
Balance as on 31st Ashadh 2070	61,050,000	1,216,354,773	10,000,000	10,329,878
Impairment Loss Recognized	25,00,000	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	(18,208,463)	-	-
Balance as on 32nd Ashadh 2071	63,550,000	1,198,146,310	10,000,000	10,329,878

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

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) established by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the expectable standard. In case of domestic investment, investment is made in the counterparty whose meet the minimum standard level set by the credit policy like nonperforming assets of the counter party should be within the limit of 5% of the total loans and advances made by the counterparty, not declared as problematic by the Bank etc. An analysis of credit quality of financial assets not impaired is as follows:



NEPAL RASTRA BANK
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Counterparties	Current Year (NRs.)	Previous Year (NRs.)
External Credit Rating at least AAA/BBB- from credit rating agency	309,880,801,618	264,945,477,217
Non Rated Counterparties	48,365,604,764	
Central Banks	58,888,992,284	39,365,254,772
Bank for International Settlement	19,739,426,598	19,236,148,248
Foreign Government	158,054,091,032	121,749,463,886
International Monetary Fund	5,488,119,248	6,636,028,947
Government of Nepal	28,959,769,866	29,856,287,801
Financial Assets with Other Counterparties:	26,395,444,312	
- Parties with Normal Risk	25,097,709,661	51,866,893,163
- Parties with High Risk	1,297,734,651	1,297,734,651
Total	655,772,249,722	534,953,288,685

B. Liquidity Risk

Liquidity Risk is the risk that the Bank will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or other financial assets. The Bank 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; to provide finance to maintain liquidity in financial market and to provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with the other central banks; demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation as of central bank. In addition to cash and cash equivalent, the Bank also holds balance in term deposit with maturity period of 6 months in foreign banks.

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

Assets Held for Managing Liquidity Risk

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

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



NEPAL RASTRA BANK

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Financial Liabilities

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	188,048,866,863	188,038,222,863	10,644,000	-	-
IMF Related Liabilities	17,612,855,208	-	636,898,240	5,568,395,360	11,407,561,608
IMF Related Deposit	7,030,604,523	-	-	-	7,030,604,523
GON Deposit	23,334,581,772	-	23,334,581,772	-	-
Bills Payable	868,980,500	868,980,500	-	-	-
Staff Liabilities	8,786,148,106	439,371,782	927,974,717	4,479,401,048	2,939,400,559
Other Payables	20,562,820,018	20,000,000,000	193,808,164	-	369,011,854
Other Liabilities	149,339,992	149,339,992	-	-	-
Total	266,394,196,982	209,495,915,137	25,103,906,893	10,047,796,408	21,746,578,544

Previous year figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	149,143,407,822	145,590,033,426	-	3,553,374,396	-
IMF Related Liabilities	18,343,388,194	-	-	-	18,343,388,194
IMF Related Deposit	7,030,604,523	-	-	-	7,030,604,523
GON Deposit	516,084,944	-	516,084,944	-	-
Bills Payable	734,091,342	734,091,342	-	-	-
Staff Liabilities	8,752,696,063	89,111,187	803,844,187	2,827,346,249	5,032,394,440
Other Payables	219,815,394	36,635,899	183,179,495	-	-
Other Liabilities	79,196,981	79,196,981	-	-	-
Total	184,819,285,263	146,529,068,835	1,503,108,626	6,380,720,645	30,406,387,157

C. Market Risk

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

i) Currency Risk:

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



NEPAL RASTRA BANK NOTES FORMING PART OF FINANCIAL STATEMENTS

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

Current Year Figures (NRs.)

Particulars	USD 48.56%	AUD 6.43%	EUR 5.93%	GBP 4.65%	CNY 7.16%	CAD 1.32%	SDR 0.92%
Cash Balances	1,203,573,099	4,501,344	223,875,149	28,816,627	14,219,624	4,462,586	-
Demand Deposits	44,367,334,588	1,568,238,703	2,129,188,071	1,858,101,249	7,989,817,245	1,158,140,989	-
Time Deposit	209,714,220,915	30,348,264,237	32,940,540,598	25,782,607,553	11,629,584,388	6,711,432,618	-
Govt. & Other Debt Securities	15,343,708,138	-	-	-	22,626,757,641	-	-
Other Investments	2,396,992,384	6,294,209,382	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	5,488,119,248
Bills Purchased	149,604	-	-	6,584	-	-	-
Other Receivables	435,629,737	100,333,209	61,684,669	12,333,065	400,527,419	10,921,968	-
Gold Investment	15,882,785,239	-	-	-	-	-	-
Total Financial Assets	289,344,393,703	38,315,546,876	35,355,288,487	27,681,865,078	42,660,906,315	7,884,958,161	5,488,119,248
Deposit of Banks & Fls	1,127,307,569	4,970,787	180,366,721	102,507,399	-	-	-
Deposit Others	384,177,687	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	10,133,765,128
Loan from IMF	-	-	-	-	-	-	7,479,090,080
Other Liabilities	8,631	-	101,467,478	150,499,631	-	-	-
Bills Payables	-	-	-	-	-	-	-
Total Financial Liabilities	1,511,493,887	4,970,787	281,834,199	253,007,030	-	-	17,612,855,208
Net Financial Position Exposure	287,832,899,816	38,310,576,089	35,073,454,288	27,428,858,048	42,660,906,315	7,884,958,161	-12,124,735,960

Previous Year Figures (NRs.)

Particulars	USD 51.55%	AUD 7.51%	EUR 6.31%	GBP 4.97%	CNY 2.41%	CAD 1.68%	SDR 1.40%
Cash Balances	4,454,743	120,465	757,030	177,855	1,191,353	247,145	-
Demand Deposits	473,614,877	27,426,106	33,466,588	22,630,895	-	11,876,664	-
Time Deposit	1,757,854,068	315,995,115	206,705,316	141,410,785	735,309,984	74,714,650	-
Govt. & Other Debt Securities	159,985,721	-	-	-	-	-	-
Other Investments	24,982,918	69,990,745	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	46,171,067
Bills Purchased	18,100	-	-	-	-	-	-
Other Receivables	3,775,756	1,170,332	179,461	87,341	1,618,165	115,031	-
Gold Investment	11,681,332	-	-	-	-	-	-
Total Financial Assets	2,436,367,515	414,702,763	241,108,395	164,306,876	738,119,502	86,953,490	46,171,067
Deposit of Banks & Fls	14,370,646	108,616	1,199,798	360,251	-	-	-
Deposit Others	6,039	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	68,099,599
Loan from IMF	-	-	-	-	-	-	59,527,000
Other Liabilities	26,427,821	-	-	-	-	-	-
Bills Payables	16,211	-	-	-	-	-	-
Total Financial Liabilities	40,820,717	108,616	1,199,798	360,251	-	-	127,626,599
Net Financial Position Exposure	2,395,546,798	414,594,147	239,908,597	163,946,625	738,119,502	86,953,490	-81,455,532

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.72% (PY 23.83%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 0.30% (PY 1.74%) of the total foreign currency reserve.



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD and SDR against Nepalese rupee at the end of reporting period would have been affected in measurement 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.

CURRENCY	Impact on Profit or Loss In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2071		For the Year Ended 2070	
	Strengthening	Weakening	Strengthening	Weakening
USD	28,783,289,982	(28,783,289,982)	24,315,316,008	(24,315,316,008)
AUD	3,831,057,609	(3,831,057,609)	3,563,851,282	(3,563,851,282)
EUR	3,507,345,429	(3,507,345,429)	2,976,785,877	(2,976,785,877)
GBP	2,742,885,805	(2,742,885,805)	2,353,617,748	(2,353,617,748)
CNY	4,266,090,632	(4,266,090,632)	1,142,608,990	(1,142,608,990)
CAD	788,495,816	(788,495,816)	794,667,940	(794,667,940)
SDR	(1,212,473,596)	1,212,473,596	(1,170,735,925)	1,170,735,925
Total	42,706,691,676	(42,706,691,676)	33,976,111,922	(33,976,111,922)

ii) Interest Rate Risk:

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

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

The Bank 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 was as below:

Particulars	Weighted Average Interest Rate %	As on 32 nd Ashadh 2071	As on 31 st Ashadh 2070
Interest Sensitive Financial Assets			
Bank Balance	0.25	75,514,834,303	75,514,834,303
Investment in Foreign Currency	2.73	381,811,225,784	381,811,225,784
IMF Related Assets	0.12	5,488,119,248	5,488,119,248
Government Securities	7.69	203,029,023,424	203,029,023,424
Other Investments	7.84	14,818,621,000	14,800,412,537
Refinance & Loans	2.16	5,935,936,213	5,935,936,213
Total Interest Sensitive Financial Assets		686,597,759,971	686,579,551,508
Interest Sensitive Financial Liabilities			
IMF Related Liabilities	0.12	7,030,604,523	18,343,388,194
Total Interest Sensitive Financial Liabilities		7,030,604,523	18,343,388,194
Net Interest Sensitive Financial Position		679,567,155,448	472,530,718,489



NEPAL RASTRA BANK

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iii) Other Market Prices Risk

Equity price risk arises from available-for-sale equity securities as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 13 institutions. All the investments were measured at cost except in one case where the shares were listed and closing price was available hence such shares were measured at fair value.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Classification and Fair Value of Financial Assets

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

Particulars	Fair Value through P/L	Available for Sale	Held to Maturity	Loans & Receivable	Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Bank Balance				38,970,533,457		38,970,533,457	38,970,533,457
SDR of IMF				5,488,119,248		5,488,119,248	5,488,119,248
Foreign Government Securities	14,384,833,134		159,684,420,424			174,069,253,558	174,069,253,558
GON Securities		23,332,642,714	756,076,110	5,049,991,745		29,138,710,569	29,138,710,569
Equity Instruments:							-
Measured at Fair Value		905,479,170				905,479,170	905,479,170
Measured at Cost		171,205,500				171,205,500	NA
Gold Investment	15,882,785,239					15,882,785,239	15,882,785,239
Other Investment:							
Measured at Fair Value	40,110,588,469					40,110,588,469	40,110,588,469
Measured at Amortized Cost			340,636,473,075			340,636,473,075	NA
Loans and Refinance				5,935,936,213		5,935,936,213	NA
Other Receivables				4,576,321,694		4,576,321,694	NA
Total Financial Assets	70,378,206,843	24,409,327,384	501,076,969,608	60,020,902,357	-	655,885,406,192	
Bank & Other Agencies Deposit						174,220,742,423	174,220,742,423
Liability towards IMF					17,612,855,208	17,612,855,208	17,612,855,208
IMF Related Deposit					7,030,604,523	7,030,604,523	7,030,604,523
GON Deposit					23,334,581,772	23,334,581,772	23,334,581,772
Other Deposit					13,733,913,089	13,733,913,089	13,733,913,089
Staff Liabilities					12,871,285,299	12,871,285,299	12,871,285,299
Bills Payables					868,980,500	868,980,500	868,980,500
Other Liabilities					20,712,434,999	20,712,434,999	20,712,434,999
Total Financial Liabilities	-	-	-	-	270,385,397,813	270,385,397,813	270,385,397,813
Net Financial Position	70,378,206,843	24,409,327,384	501,076,969,608	60,020,902,357	-270,385,397,813	385,500,008,379	

**NEPAL RASTRA BANK****NOTES FORMING PART OF FINANCIAL STATEMENTS****14. Employees Benefits****(I) Defined Benefit Plans**

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and level of compensation. These post-employment benefits plans are 'Gratuity or Pension Plan', 'Staff Security Plan' and 'Leave Encashment Plan'. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; that benefit is discounted to determine its present value. The bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan' and 'Staff Security Plan' is calculated by a qualified actuary once in every three years using projected unit credit method. The previous actuarial valuation of the obligations was done in 2010 and accordingly during the year the obligation is calculated by a qualified actuary. 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. In case of the 'Leave Encashment Plan', employees are entitled to accumulate maximum of 120 days leave which shall be paid at the retirement and leave excess of 120 days is en-cashed by employees during the year in which the related service is rendered. The obligation in respect of leave encashment is measured by the management on the basis of best estimation.

The gratuity or pension plan and staff security plan are funded plan wherein the bank makes earmarked investment out of fund created for these plans. Interest income on gratuity or pension plan is credited the fund whereas interest income of staff security plan is recognized as income of the bank. Leave encashment is not a funded plan.

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

As per the actuarial valuation of obligation for the various two defined benefit plans, viz., the Gratuity and Pension plan and the Staff Security Fund, the additional provision to be recognized after adjustment was NRs. 7,905,361,995 as per detail below.

	<i>Funded Plans (NRs.)</i>		
	Gratuity & Pension Fund	Staff Security Fund	Total
Present value of obligation as per Actuarial Valuation	13,085,433,882	2,329,755,284	15,415,189,166
Liability recognized in previous year	(5,910,184,559)	(1,321,058,409)	(7,231,242,968)
Actuarial (gain)/loss of previous year	(664,178,226)	385,594,023	(278,584,203)
Additional Provision Required	6,511,071,097	1,394,290,898	7,905,361,995

The management decided to amortize the obligation with the provision of NRs. 3,952,680,998 this year. The balance was deferred to be provided after considering the actuarial report in the next year. The deviations, if any, from IAS 19 in this connection is recognized on practical grounds.

The management believes that the recognition actuarial losses/gain over the period of two years shall be systematic and faster recognition of losses/gain than would be recognized in other comprehensive income. The details of net liabilities recognized in balance sheet, unrecognized



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

actuarial losses, changes in fair value of plan assets, changes in present value of obligation and the amount recognized in statement of comprehensive income and other comprehensive income are disclosed as below:

Amount Recognized in the Statement of Financial Position

Particulars	As on 32 nd Ashadh 2071			As on 31 st Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Present Value of Obligations	13,085,433,882	23,326,61,992	781,755,545	5,919,408,145	1,468,349,389	715,584,569
Fair Value of Plan Assets	7,026,256,690	13650,10,00	-	6,509,211,932	1,008,401,869	-
Net Liability /(Asset)	6,059,177,192	9676,51,993	781,755,545	589,803,787	(459,947,520)	(715,584,569)
Unrecognised Actuarial Losses	3,255,535,548	697,145,449	-	-	-	-
Net Liabilities/(Assets) Recognised in Statement of Financial Position	2,803,641,644	270,506,544	781,755,545	589,803,787	(459,947,520)	(715,584,569)

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 32 nd Ashadh 2071			For the Year Ended 31 st Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Opening Obligation	5,919,408,145	14683,49,389	715,584,569	6,333,263,487	1,084,937,844	607,072,254
Current Service Cost	199,145,614	976,69,705	121,039,683	84,770,830	85,966,148	132,164,065
Interest Cost	473,552,652	117,467,951	62,540,444	489,396,086	82,673,336	54,636,503
Actuarial Losses (Gains)	6,977,422,287	792,819,127	-	(556,397,423)	317,814,348	-
Losses (Gains) on Curtailments	-	-	-	-	-	-
Benefits Paid	(484,094,816)	(1436,44,180)	(117,409,151)	(431,624,835)	(103,042,287)	(78,288,252)
Closing Obligation	13,085,433,882	23326,61,992	781,755,545	5,919,408,145	1,468,349,389	715,584,569

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 32 nd Ashadh 2071		For the Year Ended 31 st Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	6,511,942,792	1,008,401,869	3,683,430,000	686,090,000
Expected Return	520,955,423	80,672,150	387,984,307	67,779,675
Actuarial Gains (Losses)	(48,415,054)	(80,672,150)	107,780,803	(67,779,675)
Distribution on Settlements	-	-	-	-
Contribution by Employer	525,868,345	500,252,311	2,764,372,517	425,354,156
Benefits Paid	(484,094,816)	(143,644,180)	(431,624,835)	(103,042,287)
Closing Fair Value	7,026,256,690	1,365,010,000	6,511,942,792	1,008,401,869



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 32 nd Ashadh 2071			For the Year Ended 31 st Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded	Unfunded		Funded	Unfunded	
Current Service Cost	199,145,614	976,69,705	121,039,683	84,770,830	85,966,148	132,164,065
Interest Cost	473,552,652	1174,67,951	62,540,444	489,396,086	82,673,336	54,636,503
Expected Return on Plan Asset	(520,955,423)	(80,672,150)	-	(387,984,307)	(67,779,675)	-
Actuarial Losses Recognized in P/L	3,103,792,705	562,679,943				
Past Service Cost	-	-	-	-	-	-
Curtailements & Settlements	-	-	-	-	-	-
Total Employee Benefit Expense	3,255,535,548	697,145,449	183,580,127	186,182,609	100,859,809	186,800,587

Amount Recognized in the Other Comprehensive Income

Particulars	For the Year Ended 32 nd Ashadh 2071		For the Year Ended 31 st Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Actuarial gain/(loss) on Obligation	556,397,423	(317,814,348)	556,397,423	(317,814,348)
Actuarial (gain)/loss on Plan Assets	(107,780,803)	67,779,675	(107,780,803)	67,779,675
Total (gain) / loss for the year	(664,178,226)	385,594,023	(664,178,226)	385,594,023

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 32 nd Ashadh 2071		For the Year Ended 31 st Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	85.40%	100%	99.49%	98.08%
Others	14.60%	-	0.41%	1.92%
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 32 nd Ashadh 2071		For the Year Ended 31 st Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	7.5%	7.5%
Future Pension Increase	6.667%	6.667%	5%	5%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%



NEPAL RASTRA BANK

NOTES FORMING PART OF FINANCIAL STATEMENTS

15. Reserves

The Bank maintains various 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 for the appropriation of the profit. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss; and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalisation Reserve and Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10% and 5% of net profit to General Reserve and Monetary Liability Reserve respectively. However, the bank has departed with this provision of the Act and appropriated 10% and 5% of Balance of Net Profit available after appropriation of foreign exchange revaluation and other revaluation gain/loss to Foreign Exchange Equalisation and Revaluation Reserve respectively to the General Reserve and Monetary Liability Reserve respectively. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount annually allocated by the Board of Directors out the each year's profit to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of profit to these reserves and funds. The details of statutory and other reserve and funds are as follows:

I. Statutory Reserves:

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section an amount equal to five percent of the net profit of each year shall be allocated from the profit and kept in such reserve unless the amount kept reaches to five percent of the total monetary liability of the Bank shown in the balance sheet. Accordingly, an amount equal to five percent of net profit available for appropriation has been allocated to the reserve. The amount deposited in such reserve shall be used only for the purpose of fulfilling the financial liability of the Bank. This year NRs. 44,393,037 (PY NRs. 420,398,100) was appropriated to this fund.

b) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net profit of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, the Board of Directors has appropriated an amount equal to 10% of the net profit available for appropriation plus amount of capital budget of the Bank for the year which is NRs. 1,369,696,074 (PY NRs. 1,357,537,200) was appropriated during the year. The amount allocated to this reserve shall be used only for the purpose of recovering the loss.

c) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (gha) of the NRB Act and per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. Represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 4,265,005,927 (PY NRs. 15,562,870,559) which is equivalent to net exchange gain was appropriated from/to net profit to this fund during the year.



NEPAL RASTRA BANK
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d) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (gha) 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 profit of the year accordingly net gain on revaluation of NRs. 515,927,005 (PY revaluation loss of NRs. 1,653,891,818) was appropriated to this fund.

II. Other Reserve and Funds :

Board of Directors of the Bank is authorized by section 41 (2) of the NRB Act to appropriate the remaining profit in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive 2065 of the Bank and the Board of Directors appropriate some part of the net profit available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose the reserve or fund as mentioned in the Account Directive 2065. The following reserves/funds have been maintained:

a) Development Fund:

This is the specific fund created as per Account Directive in order to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. Earmarked investment of this fund has been made. Annually, the amount appropriated by Board of Directors has kept under this fund. Accordingly an amount of NRs. 53,530,646 (P.Y. NRs. 6,400,000,000) has been allocated to this fund during the year.

b) Banking Development Fund:

This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly, an amount of NRs. 20,000,000 (P.Y. NRs. 74,070,681) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund:

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net profit of the projects is allocated to this fund annually. Accordingly, an amount of NRs. 13,000,000 (P.Y. NRs. 14,918,300) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

d) Mechanization Fund:

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. As the management think that there is sufficient fund to this fund, no amount has been appropriated any amount during the year to this fund. In Previous year an amount of NRs. NRs. 200,000,000 was allocated to this fund. Earmarked investment of this fund has been made.

e) Scholarship Fund:

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



NEPAL RASTRA BANK

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f) Mint Development Fund:

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. However, no amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Gold Replacement Fund:

This fund has been created for replacing the gold / silver sold during the year. An amount equals to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs. 76,605,926 (P.Y. NRs. 175,675,657) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh):

This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year. Earmarked investment of this fund has been made.

i) Employees Welfare Fund:

This fund was created in Nepali FY 2015/16 for the welfare of the employees who have suffered financial and other losses due to unprecedented events and any other reasons.

16. Prior Period Errors

The prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into excess booking of income in previous year by NRs. 53,309 than by the reported figure of the previous year expense. This resulted into increase in profit of previous year by the said amount and has been shown in previous year reserve account as surplus due to restatement of prior period errors and has been adjusted with current year profit available for appropriation.

17. Currency in Circulation

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 6,349,370,343 (P.Y. NRs. 4,438,298,077). The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

Denomination	As on 32 nd Ashadh 2071	As on 31 st Ashadh 2070
1	161,507,049	161,796,166
2	187,121,526	188,203,704
5	1,683,935,155	1,511,094,650
10	2,526,784,000	2,205,019,320
20	2,998,957,420	2,495,754,660
25	58,603,750	59,515,500
50	4,752,323,850	3,999,580,550
100	11,064,376,000	9,657,201,200
250	87,630,250	87,836,250
500	77,757,737,000	63,628,178,000
1000	171,971,024,000	149,465,820,000
Total	273,250,000,000	233,460,000,000

The above liability is backed by securities as mentioned in Note 19 of the financial statements



NEPAL RASTRA BANK
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18. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of Gold and Other Precious Metals, Foreign Currencies and Securities denominated in Foreign currency, Special Drawing Rights, Bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

Particulars	(in NRs. billion)	
	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	441.55	340.83
Non-Convertible Foreign Currency	146.27	112.17
Gold Reserve	15.88	14.20
Special Drawing Rights	5.49	6.64
Sub-Total	609.19	473.84
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	85.25	72.32
Non-Convertible Foreign Currency	5.63	6.23
Sub-Total	90.88	78.55
Total Foreign Exchange Reserve of Banking System	700.07	552.39

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	2.05	2.58
Indian Treasury Bills	19.38	19.45
BIS FIXBIS	1.06	1.37
Bonds/Notes	9.16	6.89
Mid Term Instrument	1.24	1.52
Call Deposits	5.11	3.62
Time Deposit	44.24	45.39
Gold Deposit	2.27	2.57
Special Drawing Rights	0.78	1.20
Balance with NRB and BFIs	14.70	15.41
Total	100.00	100.00

19. Projects' Asset and Liability

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



NEPAL RASTRA BANK

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For the Year ended 32nd Ashadh 2071

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
Equity & Liabilities						
Reserve & Surplus	(2,287,784)	2,548,742	13,573,457	10,112,078	1,115,736	25,062,230
Loans	65,700,000	54,902,575	113,000,000	46,918,588	57,013,657	337,534,821
Accounts Payable	-	274,513	476	312,791	-	587,780
Total Equity & Liabilities	63,412,216	57,725,831	126,573,934	57,343,457	58,129,393	363,184,831
Assets						
Loan to PFIs	4,948,673	-	-	7,707,685	-	12,656,358
Investment	-	28,940,703	100,000,000	-	-	128,940,703
Other Receivables	17,836	697,758	1	-	-	715,595
Cash and Bank Balance	58,445,707	28,087,370	26,573,933	49,635,772	58,129,393	220,872,175
Total Assets	63,412,216	57,725,831	126,573,934	57,343,457	58,129,393	363,184,830

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
A. Income						
Interest Income:						
From Loan to PFIs	299,337	2,758,614	8,140,749	3,048,676	-	14,247,377
On Investment	274,926			1,038,201		1,313,128
Loan Loss Prov. Written back	24,411	2,758,614	8,140,749	2,010,475		12,934,249
Other Income	24,993		-	288,569		313,562
		697,758			50,729	748,488
Total Incomes	324,331	3,456,372	8,140,749	3,337,245	50,729	15,309,427
B. Expenditure						
Administrative Expenses						
Interest Expenses	2,135,250	2,126,290	4,689,500	1,036,119		9,987,159
Provision for Service Charge						
Loan Loss Provision						
Depreciation						
Total Expenses	2,135,250	2,126,290	4,689,500	1,036,119	-	9,987,159
Surplus (Deficit) (A-B)	(476,865)	1,218,660	10,122,209	2,301,127	644,053	5,322,268

For the Year ended 31st Ashadh 2070

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
Equity & Liabilities						
Reserve & Surplus	(476,865)	1,218,660	10,122,209	7,810,951	1,064,079	19,739,034
Loans	73,000,000	67,103,148	118,650,000	58,648,236	8,439,000	325,840,383
Accounts Payable	-	335,516	476	390,988		726,980
Total Equity & Liabilities	72,523,135	68,657,323	128,772,685	66,850,175	9,503,079	346,306,397
Assets						
Loan to PFIs	7,423,014	-	-	36,275,974	-	43,698,988
Investment	-	29,206,405	-	-	-	29,206,405
Other Receivables	101	697,758	1	-	-	697,860
Cash and Bank Balance	65,100,021	38,753,160	128,772,684	30,574,202	9,503,079	272,703,145
Total Assets	72,523,135	68,657,323	128,772,685	66,850,175	9,503,079	346,306,397



NEPAL RASTRA BANK NOTES FORMING PART OF FINANCIAL STATEMENTS

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
A. Income						
Interest Income:	1,812,305	3,863,474	14,214,473	4,766,746	-	24,656,998
From Loan to PFIs	495,160	3,863,474		1,282,484		5,641,118
On Investment	1,317,145		14,214,473	3,484,262		19,015,880
Loan Loss Prov. Written back	65,080		823,236	81,428		969,744
Other Income		-			644,053	644,053
Total Incomes	1,877,385	3,863,474	15,037,709	4,848,174	644,053	26,270,795
B. Expenditure						
Administrative Expenses		152,507				152,507
Interest Expenses	2,354,250	2,492,307	4,915,500	1,270,712		11,032,769
Provision for Service Charge						-
Loan Loss Provision						-
Depreciation						-
Total Expenses	2,354,250	2,644,814	4,915,500	1,270,712	-	11,185,276
Surplus (Deficit) (A-B)	(476,865)	1,218,660	10,122,209	3,577,462	644,053	15,085,519

The two projects namely; Community Ground water Irrigation Sector Project (CGISP) and Rural Self Reliance Fund (RSRF) were run by the bank on behalf of the GON. The assets, liabilities, equity, income and expense of such projects were not consolidated in the accounts of the Bank. The Financial Position and Income statements of these projects are as below:

Statement of Financial Position

Particulars	As on 32 nd Ashadh 2071		As on 31st Ashadh 2070	
	CGISP	RSRF	CGISP	RSRF
Equity				
Capital Contribution **	17,548,370	793,400,000	17,548,370	443,400,000
Surplus	92,689,908	125,635,798	84,575,251	117,820,278
Financial Risk Fund	5,200,000		5,200,000	
Long- term Liabilities				
Loan from ADB - Non-Current Portion	150,538,740		157,229,351	
Current Liabilities and Provision				
Loan from ADB - Current Portion	50,179,580		43,488,969	
Service Charge due on Loan from ADB	16,958,610		14,951,427	
Loan Loss Provision	1,064,701	32,985,948	1,294,384	25,988,317
Accounts Payable	320,684	37,208,917	324,944	47,512,647
Total Equity & Liabilities	334,500,593	989,230,662	324,612,697	634,721,242
Assets				
Non-Current Assets				
Fixed Assets	55,820	117,908	83,730	189,466
Loan to PFI- Non Current Portion	84,338,507	67,763,679	106,449,668	453,367,139
Investment		105,000,000		
Current Assets				
Interest Receivables	269,533	57,140	300	18,852,496
Loan to PFI-current portion	22,131,590	542,580,637	22,988,774	83,020,213
Cash and cash equivalents	227,705,142	273,711,299	195,090,226	79,291,928
Total Assets	334,500,593	989,230,662	324,612,697	634,721,242

** Capital Contribution in case of RSRF includes, contribution of the Bank amounting to NRs. 253,400,000 which was shown by way of 'Other investment' under schedule 8 of the financial statements.



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

Statement of Comprehensive Income

Particulars	As on 32 nd Ashadh 2071		As on 31 st Ashadh 2070	
	CGISP	RSRF	CGISP	RSRF
A. Income				
Interest Income:	10,036,860	35,380,111	11,751,679	31,798,270
From Loan to PFIs	6,181,517	28,842,191	7,351,358	21,596,766
On deposit with banks	3,855,343	6,537,920	4,400,322	7,838,376
On Investment		1,990,865		2,363,128
Loan Loss Provision Written back	229,683	-	256,691	118,529
Total Incomes	10,266,543	35,380,111	12,008,370	31,916,799
B. Expenditure				
Administrative Expenses	116,794	22,486,267	93,082	20,212,968
Provision for Service Charge	2,007,183	-	2,007,183	
Loan Loss Provision	-	6,997,630	-	4,736,944
Depreciation	27,910	91,127	27,910	150,143
Total Expenses	2,151,887	29,575,024	2,128,175	25,100,105
Surplus (Deficit) (A-B)	8,114,656	5,805,087	9,880,195	6,816,694

20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 32nd Ashadh 2071 as records of the bank was a surplus balance of NRs. 23,334,581,772 (P.Y. NRs. 516,084,944). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position. The Surplus balance of Government Treasury position as of 31st Ashadh 2070 was finalized at Poush end 2070 as NRs. 184,515,562.

21. Transaction with the International Monetary Fund (IMF)

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

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



NEPAL RASTRA BANK
NOTES FORMING PART OF FINANCIAL STATEMENTS

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

Financial Position in the Fund

Particulars	As on 32 nd Ashadh 2071		As on 31st Ashadh 2070	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
SPECIAL DRAWING RIGHT:				
Net cumulative allocation	10,133,765,128	68,099,599	9,787,751,065	68,099,599
Holdings	5,488,039,040	36,880,000	6,636,028,947	46,171,067
OUTSTANDING PURCHASES & LOANS:				
RCF Loans	4,244,004,160	28,520,000	4,099,094,040	28,520,000
ECF Arrangements	3,235,085,920	21,740,000	4,456,543,089	31,007,000
OTHER INFORMATION	Per cent of Quota			Per cent of Quota
Quota	100.00	71,300,000	100.00	71,300,000
Currency Holding	99.98	71,283,862	99.98	71,283,862
Reserve Tranche Position	0.03	21,774	0.03	21,774

The SDR is converted into Nepalese rupees at conversion rate of NRs 148.808 (P.Y. NRs. 143.727) per SDR.

Financial position in the IMF as on April 30, 2014 and comparative position as on April 30, 2013 has not been presented. However, such information is available in IMF website (www.imf.org).

22. Number of Employees

The number of employees holding office at the yearend was 1,387 (PY 1,388).

23. Events Occurred After Balance Sheet Date

- The change in exchange rates of various foreign currencies after the yearend resulted in increase as of date in net foreign currency assets, exchange equalization fund and net profit/(loss) for the period. The increase is estimated to be NRs. 6,505,703,394 (PY decrease of NRs. 24,696,825,580) as of the date of issuing the financial statements.
- The change in market price of Gold investment (other than inventories) after the yearend resulted in decrease in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The decrease is estimated to be NRs. 1,393,001,226 (PY increase of NRs. 858,980,923) as of the date of issuing the financial statements.
- The changes in market price of investment in equity shares of Citizen Investment Trust after the yearend resulted in decrease in value of investments in shares and an decrease in the Fair value reserve. The decrease is estimated to be NRs. 171,815,787 (PY increase of NRs. 228,669,480) as of the date of issuing the financial statements
- In addition to above, there was no material event occurred subsequent to the balance sheet date that requires adjustments or disclosure in the financial statements.

