



नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
Central Office
Baluwatar, Kathmandu

FOREWORD

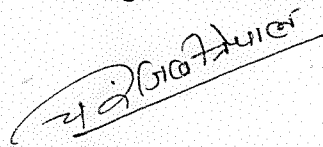
This financial report on Nepal Rastra Bank's Annual Accounts for the fiscal year 2071/72 B.S. (2014/15) has been prepared and presented hereby in accordance with the International Norms, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Nepal Accounting Standards (NAS) as far as practicable in our context.

This report consists of the audited Statement of Financial Position of the Bank as of 31st Asadh 2072 (16th July 2015), 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, G.P Rajbahak & Co. and LDSA Associates for their valuable suggestions and observations. I throughout would also like to thank all the concerned staffs and expert committees for their explicit contributions for the 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. Chiranjibi Nepal)

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 31ST ASADH, 2072 (16TH JULY, 2015)

| PARTICULARS | Note | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|---|------|-------------------------|-------------------------|
| ASSETS | | | |
| Foreign Currency Financial Assets | | | |
| Cash and Bank Balances | 1 | 36,536,975,471 | 32,537,909,759 |
| IMF Related Assets : Special Drawing Right Holdings | | 4,119,794,209 | 5,488,119,248 |
| Investments | 2 | 686,405,859,194 | 555,880,479,341 |
| Other Receivables | | 1,612,794,945 | 1,022,408,013 |
| Total Foreign Currency Assets | | 728,675,423,819 | 594,928,916,361 |
| Local Currency Financial Assets | | | |
| Cash and Bank Balances | | 3,703,331,845 | 6,432,623,698 |
| Investments in Government Securities | 3 | 23,393,930,517 | 29,038,710,569 |
| GON Overdraft | | - | - |
| Investments in Financial and Other Institutions | 4 | 2,407,211,888 | 1,528,910,670 |
| Other Investments | 5 | 15,096,487,000 | 14,918,621,000 |
| Loans & Receivables and Refinance | 6 | 7,918,102,710 | 5,935,936,213 |
| Other Receivables | 7 | 2,933,278,319 | 3,690,892,903 |
| Sub-Total | | 55,452,342,279 | 61,545,695,053 |
| Other Assets | | | |
| Gold and Silver Stock | 8 | 1,713,541,745 | 701,129,138 |
| Other Inventories | 9 | 2,101,384,476 | 2,654,213,271 |
| Property, Plant & Equipment | 10 | 763,066,404 | 691,507,794 |
| Intangible Assets | 11 | 184,936,117 | 204,809,344 |
| Other Assets | | 357,108,080 | 366,190,887 |
| Sub-Total | | 5,120,036,822 | 4,617,850,434 |
| Total Local Currency Assets | | 60,572,379,101 | 66,163,545,487 |
| Total Assets | | 789,247,802,920 | 661,092,461,848 |

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

As per our report of the even date.

.....
Pradip Raj Pandey
(Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Lok Darshan Regmi
(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)

.....
(Sukdev Khatri)
Deputy Auditor General

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

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

Date: 2072/09/07
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION

AS ON 31ST ASADH, 2072 (16TH JULY, 2015)

| PARTICULARS | Note | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|---|------|-------------------------------|-------------------------------|
| <u>LIABILITIES</u> | | | |
| Foreign Currency Financial Liabilities | | | |
| Deposit from Banks and Other Agencies | 12 | 3,119,269,500 | 2,060,832,427 |
| IMF Related Liabilities | 13 | 15,690,325,500 | 17,612,855,208 |
| Other Liabilities | 14 | 340,593,703 | 149,340,057 |
| Total Foreign Currency Liabilities | | <u>19,150,188,703</u> | <u>19,823,027,692</u> |
| Local Currency Financial Liabilities | | | |
| IMF Related Deposit Liabilities | 15 | 8,361,984,449 | 7,030,604,523 |
| GON Deposit | | 34,529,399,452 | 23,334,581,772 |
| Deposit and Other Balances | 16 | 203,998,489,372 | 185,899,915,770 |
| Bills Payable | | 388,903,157 | 1,005,959,657 |
| Staff Liabilities | 17 | 15,934,081,941 | 12,871,285,299 |
| Other Payables | 18 | 65,531,046,992 | 20,563,407,798 |
| Sub-Total | | <u>328,743,905,363</u> | <u>250,705,754,819</u> |
| Other Liabilities | | | |
| Currency in Circulation | 19 | 319,080,000,000 | 273,250,000,000 |
| Surplus Payable to GoN | | 7,000,000,000 | 7,000,000,000 |
| Sundry Liabilities | 20 | 4,191,134,970 | 5,176,768,632 |
| Sub-Total | | <u>330,271,134,970</u> | <u>285,426,768,632</u> |
| Total Local Currency Liabilities | | <u>659,015,040,333</u> | <u>536,132,523,451</u> |
| EQUITY | | | |
| Capital | | 3,000,000,000 | 3,000,000,000 |
| Reserves | 21 | 108,082,573,884 | 102,136,910,705 |
| Total Equity | | <u>111,082,573,884</u> | <u>105,136,910,705</u> |
| Total Liabilities and Equity | | <u>789,247,802,920</u> | <u>661,092,461,848</u> |

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.

.....
Pradip Raj Panday
(Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Lok Darshan Regmi
(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)

.....
(Sukdev Khatri)
Deputy Auditor General

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

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

Date: 2072/09/07
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st ASHADH, 2072 (16th JULY, 2015)

| PARTICULARS | Note | For the Year Ended 31-3-2072 <u>NRs.</u> | For the Year Ended 32-3-2071 <u>NRs.</u> |
|---|------|--|--|
| Operating Income: | | | |
| Income from Foreign Currency Financial Assets | | | |
| Interest Income | 23 | 17,359,935,344 | 14,836,956,104 |
| Commission Income | 24 | 16,827,248 | 2,089,018 |
| Sub-Total | | 17,376,762,592 | 14,839,045,122 |
| Expenses on Foreign Currency Financial Liabilities | | | |
| Interest Expenses | 25 | 5,895,791 | 9,568,784 |
| Agency and Service Charge | 26 | 27,075,395 | 21,522,886 |
| Sub-Total | | 32,971,186 | 31,091,670 |
| Net Income from Foreign Currency | | 17,343,791,406 | 14,807,953,452 |
| Income from Local Currency Financial Assets | | | |
| Interest Income | 23 | 974,441,197 | 1,482,184,656 |
| Commission Income | 24 | 54,382,228 | 59,386,491 |
| Sub-Total | | 1,028,823,425 | 1,541,571,147 |
| Expenses on Local Currency Financial Liabilities | | | |
| Interest Expenses | 25 | 143,576,270 | 34,885,548 |
| Agency and Service Charge | 26 | 157,958,682 | 148,524,107 |
| Sub-Total | | 301,534,952 | 183,409,655 |
| Net Income from Local Currency Financial assets | | 727,288,473 | 1,358,161,492 |
| Other Operating Income | 27 | 386,210,776 | 187,656,200 |
| Total Net Operating Income | | 18,457,290,655 | 16,353,771,144 |
| General, Administrative Expenses & Provisions | 28 | 7,693,461,579 | 7,557,268,158 |
| Profit before Foreign Exchange and Revaluation Gain/(Loss) | | 10,763,829,076 | 8,796,502,986 |
| Net Foreign Exchange Gain | | 2,528,753,969 | 4,237,837,030 |
| Net Gold and Silver Revaluation Gain/(Loss) | | (1,224,363,057) | 515,927,005 |
| Securities Revaluation Gain/(Loss) | | (858,021) | 289,378 |
| NET PROFIT FOR THE YEAR | | 12,067,361,967 | 13,550,556,399 |
| Other Comprehensive Income | | | |
| Changes in Fair Value of Investment in Equity Instruments | | 878,301,218 | 1,026,956,250 |
| Actuary Gain on Defined Benefit Plan of Employee Benefit | | - | (278,584,203) |
| Other Comprehensive Income for the Year | | 878,301,218 | 748,372,047 |
| TOTAL COMPREHENSIVE INCOME | | 12,945,663,185 | 14,298,928,446 |

Notes 23 to 28 are Integral Parts of the Statement of Comprehensive Income

As per our report of the even date.

.....
Pradip Raj Panday
(Executive Director)

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Lok Darshan Regmi
(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)

.....
(Sukdev Khatri)
Deputy Auditor General

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

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

Date: 2072/09/07
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st ASHADH, 2072 (16th JULY, 2015)

| PARTICULARS | For the Year Ended 31-3-2072 NRs. | For the Year Ended 32-3-2071 NRs. |
|--|---|---|
| Cash Flow From Operating Activities: | | |
| Total Comprehensive Income for the Year | 12,945,663,185 | 14,298,928,446 |
| Adjustments: | | |
| Gold and Silver Revaluation (gain)/loss (Net) | 1,224,363,057 | (515,927,005) |
| Revaluation (Gain) or Loss on Foreign Exchange | (2,290,312,874) | (4,265,005,927) |
| Securities Revaluation Gain | (877,443,197) | (1,027,245,628) |
| Actuarial Gain/Loss | - | 278,584,203 |
| Depreciation & Amortisation | 86,503,030 | 86,188,938 |
| Note Printing Expenses | 1,080,986,721 | 923,518,005 |
| Dividend Income | (7,365,111) | (6,767,324) |
| Provisions no Longer Required Written Back | (255,301,310) | (18,208,463) |
| Grant Income | (115,825) | (245,446) |
| Profit from Sale of Assets/ Investments | (4,470,262) | (806,484) |
| Assets Written Off | 191,212 | 39,854 |
| Interest paid on ECF Loan & ACU | 5,692,245 | 9,588,339 |
| Loan and advances | - | - |
| Diminution in value of investment | - | - |
| Provision for Doubtful Sundry Accruals | - | - |
| Provision for Doubtful Investment | - | 2,500,000 |
| Provision Others | - | - |
| Cash Flow From Operation Before Inc / Dec in Operating Assets | 11,908,390,872 | 9,765,141,509 |
| (Increase)/Decrease in Operating Assets | (8,215,077,779) | (3,165,307,152) |
| Refinance & Loans | (1,982,166,497) | 1,004,702,273 |
| Gold & Silver | (5,881,063,815) | (1,452,643,245) |
| Inventories | (528,157,926) | (2,283,704,337) |
| Other Receivable | 176,310,459 | (433,661,843) |
| Increase/(Decrease) in Operating Liabilities | 77,612,438,504 | 75,769,271,231 |
| Government Deposit | 11,194,817,680 | 22,818,496,828 |
| SDR Allocation | (465,665,058) | 346,014,063 |
| Deposit Liabilities | 20,488,390,601 | 38,817,340,374 |
| Bills Payable | (617,056,500) | 268,054,071 |
| Deferred Staff Liabilities | 3,062,796,642 | 3,840,005,033 |
| Other Liabilities | 44,934,788,802 | 20,360,633,482 |
| Sundry Liabilities | (985,633,662) | (10,681,272,620) |
| Net Cash Flow From Operating Activities | Total (A) 81,305,751,597 | 82,369,105,588 |
| Cash Flow From Investing Activities: | | |
| Net (Incr)/Decr in Government Securities and Bank Deposits | (43,600,387,009) | 37,019,617,876 |
| Sale/Purchase of Investment in Financial Institutions | 4,800,000 | (45,880,000) |
| Purchase of Investments-Other | 72,635,310 | (343,902,537) |
| Purchase of Property, Plant & Equipment | (134,620,316) | (211,200,737) |
| Sale of Property, Plant & Equipment | 4,789,058 | 1,356,250 |
| Purchase of Intangible Assets | (3,892,049) | (1,153,730) |
| Dividend Income | 7,365,111 | 6,767,324 |
| Net Cash Flow From Investing Activities | Total (B) (43,649,309,896) | 36,425,604,446 |
| Cash Flow From Financing Activities: | | |
| Bank Note Issued | 45,830,000,000 | 39,790,000,000 |
| Increase/Decrease in ECF Loan & ACU | (1,456,864,650) | (1,076,547,049) |
| Interest Paid on ECF Loan & ACU | (5,692,245) | (9,588,339) |
| Surplus Paid to GON | (7,000,000,000) | (5,500,000,000) |
| Net Cash Flow From Financing Activities | Total (C) 37,367,443,105 | 33,203,864,612 |
| Net Cash Flow for the Year (A+B+C) | 75,023,884,807 | 151,998,574,646 |
| Revaluation Gain or Loss on Foreign Exchange | 2,290,312,874 | 4,265,005,927 |
| Cash and Cash Equivalent at the Beginning of the Year | 491,317,147,855 | 335,053,567,282 |
| Cash and Cash Equivalent at the end of the Year (Note - 29) | 568,631,345,536 | 491,317,147,855 |

Note 29 is the Integral Part of the Statement of Cash Flows

.....
Pradip Raj Panday
(Executive Director)

As per our report of the even date.

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Lok Darshan Regmi
(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)

.....
(Sukdev Khatri)
Deputy Auditor General

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

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

Date: 2072/09/07
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st ASHADH, 2072 (16th JULY, 2015)

NRs.

| PARTICULARS | Capital | Statutory Reserve | | | Gold & Silver Equilisation Reserve | Fair Value Reserve | Revaluation Reserve | Actuary Gain/Loss Reserve | Other Reserves | Retained Earning | Total |
|--|----------------------|-----------------------|----------------------------------|----------------------------------|--|-----------------------|------------------------|---------------------------------|-----------------------|----------------------|------------------------|
| | | General Reserve | Monetary Liability Reserve | Exchange Equilisation Fund | | | | | | | |
| 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 | 97,837,982,259 |
| Adjustment for Prior Period Income | | | | | | | | | | | - |
| Restated Balance | 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 | 97,837,982,259 |
| Net Profit for the year | | | | | | | | | | 13,550,556,399 | 13,550,556,399 |
| Other Comprehensive Income | | | | | | 1,026,956,250 | | (278,584,203) | | | 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 | | | | | (515,927,005) | - |
| To Revaluation Reserve | | | | | | | 289,378 | | | (289,378) | - |
| To Other Reserve | | | | | | | | | 168,505,757 | (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 | | | | | | | | | | (7,000,000,000) | (7,000,000,000) |
| Balance as on 1st Shrawan 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 | 855,767,574 | - | 8,586,974,360 | (218,160,552) | 105,136,910,705 |
| Net Profit for the year | | | | | | | | | | 12,067,361,967 | 12,067,361,967 |
| Other Comprehensive Income | | | | | | 878,301,218 | | - | | - | 878,301,218 |
| Appropriation of Profit: | | | | | | | | | | | |
| To General Reserve | | 1,123,982,900 | | | | | | | | (1,123,982,900) | - |
| To Monetary Liability Reserve | | | 539,205,481 | | | | | | | (539,205,481) | - |
| To Exchange Equilisation Fund | | | | 2,290,312,874 | | | | | | (2,290,312,874) | - |
| To Gold & Silver Equilisation Reserve | | | | | (1,224,363,057) | | | | | 1,224,363,057 | - |
| To Revaluation Reserve | | | | | | | (858,021) | | | 858,021 | - |
| To Other Reserve | | | | | | | | | 2,120,921,238 | (2,120,921,238) | - |
| Inter Fund Transfer: | | | | | | | | | | | |
| Gold & Silver to General Reserve | | | | | | | | | | | - |
| Other Reserve to General Reserve | | 76,605,926 | | | | | | | (76,605,926) | | - |
| Balance Profit Transfer to Government | | | | | | | | | | (7,000,000,000) | (7,000,000,000) |
| Balance as on 31st Asadh 2072 | 3,000,000,000 | 21,745,438,676 | 3,489,959,379 | 64,644,789,078 | 4,480,191,136 | 2,235,996,388 | 854,909,553 | - | 10,631,289,672 | (0) | 111,082,573,884 |

Board of Directors:

As per our report of the even date.

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Lok Darshan Regmi
(Director/Secretary MOF)

.....
Pradip Raj Panday
(Executive Director)

.....
(Sukdev Khatri)
Deputy Auditor General

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

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

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(CA. Gopal Prasad Rajbahak)
Chartered Accountant
Kathmandu

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(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

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

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

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

Date: 2072/09/07
Place : Kathmandu

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|---|-------------------------|-------------------------|
| NOTE - 1: CASH AND BANK BALANCES | | |
| Cash in Hand | 14,303,231,270 | 12,058,740,446 |
| Balance with Banks in Demand Deposits | 22,233,744,201 | 20,479,169,313 |
| Asian Clearing Union | - | - |
| Total | 36,536,975,471 | 32,537,909,759 |
| NOTE - 2: INVESTMENTS | | |
| i. Treasury Bills | | |
| US Government Treasury Bills | 15,170,924,651 | 14,384,833,134 |
| GOI Treasury Bills | 173,882,165,798 | 135,683,427,779 |
| Other Treasury Bills | 10,289,208,161 | 415,360,000 |
| Sub -Total | 199,342,298,611 | 150,483,620,913 |
| ii. Other | | |
| US Government Treasury Notes/Bond | 60,579,350,351 | 958,875,004 |
| Other Government Notes/Bond | 46,718,723,257 | 22,626,757,641 |
| Investment in Mid Term Instrument | 7,842,427,539 | 8,691,201,766 |
| Investment in Fixbis | 7,172,535,534 | 7,449,373,607 |
| Investment in Repurchase Agreement (Repo) | 58,125,602,000 | 40,110,588,469 |
| Balance with Banks in Time Deposits | 287,097,848,512 | 309,677,276,701 |
| Gold | 19,527,073,391 | 15,882,785,239 |
| Sub -Total | 487,063,560,584 | 405,396,858,428 |
| Grand Total | 686,405,859,194 | 555,880,479,341 |
| Above Investments are Classified as Follows: | | |
| Loans and Receivables | - | - |
| Held-for-trading | 77,652,675,391 | 55,993,373,709 |
| Held-to-maturity | 593,582,259,153 | 462,875,514,858 |
| Available-for-sale | 15,170,924,651 | 14,384,833,134 |
| Total | 686,405,859,194 | 533,253,721,701 |
| NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES | | |
| Government Treasury Bills | 17,965,212,474 | 22,048,574,714 |
| Saving Certificates | 528,992,000 | 1,284,068,000 |
| Government Bond | 4,899,726,043 | 4,949,991,745 |
| Development Bond 2071 Gha | - | 756,076,110 |
| Total | 23,393,930,517 | 29,038,710,569 |
| Above Investments are Classified as Follows: | | |
| Loans and Receivables | 4,871,051,043 | 4,871,051,043 |
| Held-for-trading | - | - |
| Held-to-maturity | 28,675,000 | 835,016,812 |
| Available-for-sale | 18,494,204,474 | 23,332,642,714 |
| Total | 23,393,930,517 | 29,038,710,569 |

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|--|-------------------------|-------------------------|
| NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS | | |
| | % of holding | |
| (a) Investment in Shares of Subsidiaries | | |
| Sudur Pashchimanchal Grameen Bikash Bank Ltd. | - | 40,050,000 |
| Agricultural Project Services Centre | 62.50 | 5,000,000 |
| Rastriya Beema Sansthan - Life Insurance | 55.56 | 1,000,000 |
| Sub-Total | 6,000,000 | 46,050,000 |
| (b) Investment in Shares of Associates | | |
| Nepal Stock Exchange Ltd. | 34.60 | 12,080,500 |
| National Productivity and Economic Development | 31.52 | 2,500,000 |
| Sub-Total | 14,580,500 | 14,580,500 |
| (c) Other Investments | | |
| Shares: | | |
| Deposit & Credit Guarantee Corporation | 10.00 | 107,580,000 |
| Nepal Clearing House | 10.00 | 15,000,000 |
| Rural Microfinance Development Centre | 6.58 | 21,045,000 |
| Pashchimanchal GBB | - | 6,000,000 |
| Nepal Development Bank | - | 16,000,000 |
| Credit Information Bureau | 10.25 | 3,500,000 |
| Citizen Investment Trust | 13.35 | 2,236,006,388 |
| National Banking Training Centre | 10.00 | 5,000,000 |
| Nepal Grameen Bikas Bank Limited | 3.05 | 46,050,000 |
| Sub-Total | 2,434,181,388 | 1,531,830,170 |
| Total | 2,454,761,888 | 1,592,460,670 |
| Less: Provision for diminution in the value | 47,550,000 | 63,550,000 |
| Total | 2,407,211,888 | 1,528,910,670 |

NOTE - 5: OTHER INVESTMENTS

Investment of Funds:

| | | |
|---|-----------------------|-----------------------|
| Fixed Deposits with Commercial Banks and Financial Institutions | 15,790,732,000 | 15,863,367,310 |
| Less: Provision for doubtful Investment | 947,645,000 | 1,198,146,310 |
| Sub-Total | 14,843,087,000 | 14,665,221,000 |
| Other Investments: | | |
| Investment in Rural Self Reliance Fund | 253,400,000 | 253,400,000 |
| Sub-Total | 253,400,000 | 253,400,000 |
| Grand Total | 15,096,487,000 | 14,918,621,000 |

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|--|-------------------------|-------------------------|
| | | |
| NOTE - 6: LOANS & RECEIVABLES AND REFINANCE | | |
| LOANS AND RECEIVABLES | | |
| Loans to Employees | 4,666,599,428 | 4,012,947,525 |
| Loan to Other Organisations | 31,000,000 | 12,000,000 |
| Sub-Total | 4,697,599,428 | 4,024,947,525 |
| REFINANCE | | |
| Refinance to Commercial Banks | 3,230,503,281 | 1,920,988,688 |
| Securities Purchased Under Resale Agreement | - | - |
| Refinance to Financial Institutions | - | - |
| | 3,230,503,281 | 1,920,988,688 |
| Less: Provision for Doubtful Loans | 10,000,000 | 10,000,000 |
| Sub-Total | 3,220,503,281 | 1,910,988,688 |
| Total | 7,918,102,710 | 5,935,936,213 |
| | | |
| NOTE - 7: OTHER RECEIVABLE | | |
| Interest Accrued | 2,034,187,919 | 2,270,201,817 |
| Less: Provision for Doubtful Amounts | - | - |
| Less: Interest Suspense | 489,803,509 | 470,984,821 |
| Net Interest Accrued | 1,544,384,410 | 1,799,216,996 |
| Advances Recoverable | 1,314,005,129 | 1,759,838,274 |
| Less: Provision for Doubtful Amounts | 10,329,878 | 10,329,878 |
| Net Advance Recoverable | 1,303,675,251 | 1,749,508,396 |
| Deposits | 1,676,504 | 1,674,504 |
| Project Income Recoverable | 20,545,838 | 15,223,570 |
| . | 62,996,316 | 125,269,437 |
| Total | 2,933,278,319 | 3,690,892,903 |
| | | |
| NOTE - 8: GOLD & SILVER STOCK | | |
| Gold Held in Stock | 1,610,653,876 | 612,924,161 |
| Silver Held in Stock | 102,887,870 | 88,204,977 |
| Total Gold and Silver Stock | 1,713,541,745 | 701,129,138 |
| | | |
| NOTE - 9: OTHER INVENTORIES | | |
| Security Note Stock | 1,617,408,259 | 2,067,232,881 |
| Coin Stock | 472,476,420 | 574,568,586 |
| Numismatic and Medallion Coins | 23,366,886 | 22,465,540 |
| Other Metal Stock | 22,485,498 | 24,461,508 |
| Dispensory Stock | 604,465 | 441,808 |
| Total Inventories | 2,136,341,527 | 2,689,170,323 |
| 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 | 2,101,384,476 | 2,654,213,271 |

CASTRABANK
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 | |
|--------------------------|--|--------------------|------------------------|-------------------|---------------------|------------------|-----------------------|------------------|--------------------------|-------------------|
| Depreciation Rate | | 3% | 20% | 20% | 20% | 20% | 10% | 20% | | |
| Or i n d | Balance as on 1 st Shrawan 2070 | 31,334,552 | 570,267,876 | 181,836,436 | 190,685,681 | 109,364,023 | 102,398,319 | 21,564,542 | 4,635,737 | 15,569,468 |
| | Addition during the Year | 162,500,000 | 28,879,048 | 10,487,851 | 3,392,730 | 3,256,504 | 3,615,859 | 570,122 | 49,494 | 9,357,615 |
| | Disposal/Write Off/Adjustment | - | - | (10,209,889) | (5,125,603) | (942,400) | (3,470,866) | - | (34,465) | (10,908,486) |
| | Balance as on 32 nd Ashadh 2071 | 193,834,552 | 599,146,925 | 182,114,398 | 188,952,807 | 111,678,127 | 102,543,313 | 22,134,663 | 4,650,766 | 14,018,597 |
| Ac c u n t | 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 | |
| | Depreciation for the Year | - | 17,183,908 | 15,611,241 | 15,745,230 | 4,672,251 | 7,967,851 | 796,068 | 25,870 | |
| | Disposal/Write Off/Adjustment | - | (53,710) | (10,209,734) | (4,575,850) | (942,398) | (3,496,317) | - | (34,465) | |
| | 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 | - |
| | as on 32nd Ashadh 2071 | 193,834,552 | 364,771,051 | 48,991,240 | 34,859,418 | 9,671,457 | 21,242,874 | 3,946,030 | 172,574 | 14,018,597 |
| Or i n d | Balance as on 1 st Shrawan 2071 | 193,834,552 | 599,146,925 | 182,114,398 | 188,952,807 | 111,678,127 | 102,543,313 | 22,134,663 | 4,650,766 | 14,018,597 |
| | Addition during the Year | - | 13,280,354 | 26,792,828 | 74,761,900 | 1,749,631 | 15,758,698 | 1,059,535 | 89,330 | 11,437,870 |
| | Disposal/Write Off/Adjustment | - | - | (6,765,720) | (18,712,319) | (3,075,234) | (3,445,924) | (197,470) | - | (10,309,829) |
| | Balance as on 31 st Ashadh 2072 | 193,834,552 | 612,427,278 | 202,141,506 | 245,002,388 | 110,352,524 | 114,856,087 | 22,996,728 | 4,740,096 | 15,146,638 |
| Ac c u n t | Balance as on 1 st Shrawan 2071 | - | 234,375,874 | 133,123,155 | 154,093,389 | 102,006,670 | 81,300,441 | 18,188,632 | 4,478,183 | |
| | Depreciation for the Year | - | 17,809,260 | 16,456,164 | 14,742,572 | 4,272,651 | 8,594,682 | 825,944 | 36,482 | |
| | Disposal/Write Off/Adjustment | - | - | (6,765,589) | (18,393,642) | (3,075,220) | (3,445,888) | (192,366) | - | |
| | Balance as on 31 st Ashadh 2072 | - | 252,185,134 | 142,813,730 | 150,442,319 | 103,204,102 | 86,449,235 | 18,822,210 | 4,514,666 | - |
| | as on 31st Ashadh 2072 | 193,834,552 | 360,242,144 | 59,327,777 | 94,560,069 | 7,148,422 | 28,406,851 | 4,174,518 | 225,431 | 15,146,638 |

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

| Total Assets |
|---------------------|
| |
| 1,227,656,635 |
| 222,109,224 |
| (30,691,709) |
| 1,419,074,150 |
| 684,876,412 |
| 62,002,419 |
| (19,312,475) |
| 727,566,356 |
| 691,507,794 |
| 1,419,074,149 |
| 144,930,145 |
| (42,506,496) |
| 1,521,497,798 |
| 727,566,345 |
| 62,737,754 |
| (31,872,705) |
| 758,431,394 |
| 763,066,404 |

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 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 |
| Accumultaed 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 32nd Ashadh 2071 | | 1,129,069 | 952,449 | 202,524,426 | 203,400 | 204,809,344 |
| Original Cost | Balance as on 1 st Shrawan 2071 | 6,913,092 | 4,899,478 | 229,272,935 | 203,400 | 241,288,905 |
| | Addition during the Year | | 2,229,009 | | 1,663,040 | 3,892,049 |
| | Disposal/Write Off/Adjustment | | | | | - |
| | Balance as on 31 st Ashadh 2072 | 6,913,092 | 7,128,487 | 229,272,935 | 1,866,440 | 245,180,954 |
| Accumultaed Amortisation | Balance as on 1 st Shrawan 2071 | 5,784,023 | 3,947,029 | 26,748,509 | - | 36,479,561 |
| | Depreciation for the Year | 647,916 | 190,066 | 22,927,293 | | 23,765,276 |
| | Disposal/Write Off/Adjustment | - | - | - | - | - |
| | Balance as on 31 st Ashadh 2072 | 6,431,939 | 4,137,095 | 49,675,803 | - | 60,244,837 |
| Net Book Value as on 31st Ashadh 2072 | | 481,153 | 2,991,392 | 179,597,132 | 1,866,440 | 184,936,117 |

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 | As on 32-3-2071 |
|---|------------------------|------------------------|
| | NRs. | NRs. |
| NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES | | |
| Deposit from Banks and Financial Institutions | 2,619,265,290 | 1,424,678,999 |
| Foreign Diplomatic Missions and Other Agencies | 500,004,210 | 636,153,427 |
| Total | 3,119,269,500 | 2,060,832,427 |
| NOTE - 13: IMF RELATED LIABILITIES | | |
| Special Drawing Right Allocation | 9,668,100,070 | 10,133,765,128 |
| Interest Bearing Loan : | | |
| Loan under Rapid Credit Facility (RCF) | 4,048,984,400 | 4,244,004,160 |
| Loan under Extended Credit Facility (ECF) | 1,973,241,030 | 3,235,085,920 |
| Total | 15,690,325,500 | 17,612,855,208 |
| NOTE - 14: OTHER LIABILITIES | | |
| Interest Payable | 1,033,950 | 1,517,249 |
| Bills Payable | - | - |
| Asian Clearing Union | 354,859,626 | 130,825,826 |
| Others | (15,299,872) | 16,996,982 |
| Total | 340,593,703 | 149,340,057 |
| NOTE -15: IMF Related Deposit Liabilities | | |
| IMF Account No 1 | 8,361,125,768 | 7,029,851,169 |
| IMF Account No 2 | 858,681 | 753,354 |
| Total | 8,361,984,449 | 7,030,604,523 |
| NOTE -16: DEPOSIT AND OTHER BALANCES | | |
| Deposits from Banks and Financial Insitutions | 189,641,903,978 | 172,159,909,996 |
| Balances of Other Insitutions | 12,657,083,879 | 11,239,980,017 |
| Earnest Money | 7,071,373 | 6,092,685 |
| Money Changer | 10,756,000 | 10,644,000 |
| Margin Against LCs | 1,681,674,142 | 2,483,289,072 |
| Total | 203,998,489,372 | 185,899,915,770 |

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 31-3-2072 NRs. |
|---|---------------------------------------|
| | <hr/> |
| NOTE - 17: STAFF LIABILITIES | |
| Medical Fund (Includes Medical Earning Fund, Interest, etc) | 231,473,695 |
| Welfare Provident Fund | 73,064,262 |
| Gratuity and Pension Fund | 12,760,494,941 |
| Staff Security Fund | 1,875,701,464 |
| Liability for Staff Leave Encashment | 821,357,804 |
| Liability for Retired Staff | 171,989,774 |
| Other Payable to Staff | - |
| Total | <hr/> 15,934,081,941 <hr/> |

| | |
|---|-----------------------------------|
| NOTE - 18: OTHER PAYABLES | |
| Deposit Collection-Auction | 60,000,000,000 |
| Reverse Repo Liabilities | 5,000,000,000 |
| Insurance Premium Collected from Staff | 161,554,981 |
| Less: Advance Insurance Premium Paid on Behalf of Staff | - |
| Other Payables of Project | 369,492,012 |
| Total | <hr/> 65,531,046,992 <hr/> |

NOTE -19: CURRENCY IN CIRCULATION

| | |
|-------------------------|-----------------|
| Currency in Circulation | 319,080,000,000 |
|-------------------------|-----------------|

The Currency in Circulation Liabilities are Supported by Following Securities :

| | |
|--------------------------------------|------------------------------------|
| Foreign Currency Balance Held Abroad | 303,472,268,000 |
| Foreign Securities | 15,607,732,000 |
| Government Securities | - |
| Total | <hr/> 319,080,000,000 <hr/> |

ON

As on 32-3-2071
NRs.

370,432,311

68,939,471

9,829,898,334

1,632,609,835

781,755,545

187,649,803

-

12,871,285,299

20,000,000,000

193,808,164

-

369,599,634

20,563,407,798

273,250,000,000

257,642,268,000

15,607,732,000

-

273,250,000,000

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 | As on 32-3-2071 |
|--------------------------------------|-----------------------------|-----------------------------|
| | NRs. | NRs. |
| NOTE - 20: SUNDRY LIABILITIES | | |
| Sundry Creditors | 376,049,997 | 305,000,000 |
| Unclaimed Account | 3,480,540 | 3,657,045 |
| Bills Collection | 1,701,000 | 5,749,931 |
| Less: Bills Lodged | <u>1,701,000</u> | <u>5,749,931</u> |
| Pension Payable to NRB Ex-Staff | 73,908,545 | 50,585,053 |
| General Account | 186,608,845 | 214,882,068 |
| Deferred Grant Income | 115,948 | 231,773 |
| Other Liabilities | 3,550,971,095 | 4,602,412,692 |
| Total | <u>4,191,134,970</u> | <u>5,176,768,632</u> |

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|---|-------------------------|-------------------------|
| NOTE - 21: RESERVES | | |
| Capital Reserve: | | |
| Gold and Silver Equalization Reserve | 4,480,191,137 | 5,704,554,193 |
| Statutory Reserve: | | |
| General Reserve | 21,745,438,676 | 20,544,849,850 |
| Monetary Liabilites Reserve | 3,489,959,379 | 2,950,753,898 |
| Exchange Equalization Fund | 64,644,789,078 | 62,354,476,212 |
| Other Reserves and Funds: | | |
| Development Fund | 7,289,756,571 | 5,741,080,922 |
| Banking Development Fund | 831,941,806 | 801,941,806 |
| Development Finance Project Mob. Fund | 226,625,456 | 209,088,356 |
| Liquidity Stabilization fund | 600,000,000 | 100,000,000 |
| 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 | 24,708,491 | 76,605,926 |
| Investment Revaluation Reserve | 854,909,552 | 855,767,574 |
| Rural Self Reliance Fund (GS Kosh) | 253,400,000 | 253,400,000 |
| Fair Value Reserve for Equity Instruments | 2,235,996,388 | 1,357,695,170 |
| Project Split Interest Reserve Fund | 4,233,489 | 4,233,489 |
| Deficit Due to Restatement of Prior Period Errors | - | (218,160,552) |
| Total Reserves and Funds | 108,082,573,884 | 102,136,910,705 |

The Board of Directors of the Bank has Appropriated the Following Amount to Different Fund During the Year

| | | |
|---|-----------------------|-----------------------|
| Net Profit for the Year | 12,067,361,967 | 13,550,556,399 |
| Transfer (to)/from Exchange Equalisation Fund | (2,290,312,874) | (4,265,005,927) |
| Transfer (to)/from Gold & Silver Equalisation Reserve | 1,224,363,057 | (515,927,005) |
| Securities Revaluation Fund | 858,021 | (289,378) |
| Surplus/(Deficit) Due to Restatement of Prior Period Errors | (218,160,552) | 53,309 |
| Profit Available for Distribution | 10,784,109,619 | 8,769,387,398 |
| General Reserve | 1,123,982,900 | 1,369,664,795 |
| Monetary Liability Reserve | 539,205,481 | 449,377,398 |
| Development Fund | 1,548,675,648 | 53,577,563 |
| Development Finance Project Mobilisation Fund | 17,537,099 | 5,322,268 |
| Liquidity Stabilization Fund | 500,000,000 | 13,000,000 |
| Banking Development Fund | 30,000,000 | 20,000,000 |
| Gold Replacement Fund | 24,708,491 | 76,605,926 |
| Surplus to be Transferred to GON | 7,000,000,000 | 7,000,000,000 |
| Surplus/(Deficit) Due to Restatement of Prior Period Errors | - | (218,160,552) |
| Total | 10,784,109,619 | 8,769,387,398 |

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 22a : Movement of Provisions.

| Particulars | As on 32-3-2071 | Addition | Withdrawn | Adjustment | As on 31-3-2072 |
|---|-----------------------|----------------------|------------------------|--------------------|-----------------------|
| Leave Encashment | 781,755,545 | 194,567,614 | (154,965,354) | - | 821,357,804 |
| Gratuity and Pension Fund | 9,829,898,334 | 3,000,000,000 | (665,305,537) | 595,902,144 | 12,760,494,941 |
| Staff Security Fund | 1,632,609,835 | 600,000,000 | (356,908,371) | - | 1,875,701,464 |
| Staff Medical Earning Fund | 370,432,311 | 360,613,782 | (133,164,269) | (366,408,130) | 231,473,695 |
| Diminution in Value of Investment in Shares | 63,550,000 | - | (16,000,000) | - | 47,550,000 |
| Provision for Advance Recoverable | 10,329,878 | - | - | - | 10,329,878 |
| Provision for Doubtful Loans | 10,000,000 | - | - | - | 10,000,000 |
| Nuismatic 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 | 1,198,146,310 | - | (250,501,310) | - | 947,645,000 |
| Provision for Building in Construction | 3,352,949 | - | - | - | 3,352,949 |
| Total | 13,935,032,213 | 4,155,181,396 | (1,576,844,841) | 229,494,014 | 16,742,862,783 |

NOTE - 22b: Contingent Liabilities and Commitments

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|--|-------------------------|-------------------------|
| Letters of Credit | 33,872,646,191 | 41,380,802,027 |
| Guarantees Issued | - | - |
| Unclaimed Account Transfer to P/L Account | 100,066,715 | 100,066,715 |
| Capital Commitment (Construction of New Buildings and related Works at Baluwater & Thapathali) | 42,229,656 | 13,045,733 |
| Total | 34,014,942,562 | 41,493,914,475 |

1. 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.

NOTE - 22c: Contingent Assets

| PARTICULARS | As on 31-3-2072 NRs. | As on 32-3-2071 NRs. |
|--|-------------------------|-------------------------|
| Insurance claim lodged with Rastriya Beema Company against the loss of Property caused by Mega Earthquake 2072 Baisakh | 11,322,000 | - |
| Total | 11,322,000 | - |

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

| PARTICULARS | For the Year Ended 31-3-2072 NRs. | For the Year Ended 32-3-2071 NRs. |
|--|---|---|
| NOTE - 23: INTEREST INCOME | | |
| Foreign Currency Financial Assets | | |
| Treasury Bills & Deposits | 17,359,935,344 | 14,836,956,104 |
| SDR Holding & Asian Clearing Union | - | - |
| Sub-total | 17,359,935,344 | 14,836,956,104 |
| Local Currency Financial Assets | | |
| Government Securities | 442,231,376 | 783,532,822 |
| Investment in Financial and Other Institutions | 454,786,409 | 622,226,608 |
| Overdraft to Government | - | - |
| Loans and Refinance | 77,423,413 | 76,425,226 |
| Sub-total | 974,441,197 | 1,482,184,656 |
| Total Interest Income from Financial Assets | 18,334,376,541 | 16,319,140,760 |
| NOTE - 24: COMMISSION INCOME | | |
| Foreign Currency Financial Assets | | |
| On Currency Exchange | 16,827,248 | 2,089,018 |
| Local Currency Financial Assets | | |
| Government Transaction & Other services | 54,382,228 | 59,386,491 |
| Total Commission Income from Financial Assets | 71,209,476 | 61,475,509 |
| NOTE - 25: INTEREST EXPENSES | | |
| Foreign Currency Financial Liabilities | | |
| SDR Allocation & ECF Loan | 5,692,245 | 9,588,339 |
| Others | 203,547 | (19,556) |
| Sub-total | 5,895,791 | 9,568,784 |
| Local Currency Financial Liabilities | | |
| Government Securities | 143,576,270 | 34,885,548 |
| Sub-total | 143,576,270 | 34,885,548 |
| Total Interest Expense on Financial Liabilities | 149,472,062 | 44,454,332 |
| NOTE - 26: AGENCY AND SERVICE CHARGE | | |
| Foreign Currency Liabilities | | |
| Service Charge | - | - |
| Commission | 27,075,395 | 21,522,886 |
| Sub-total | 27,075,395 | 21,522,886 |
| Local Currency Liabilities | | |
| Agency Expenses | 157,958,682 | 148,524,107 |
| Sub-total | 157,958,682 | 148,524,107 |
| Total Agency and Service Charge | 185,034,077 | 170,046,993 |
| Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts. | | |
| Nepal Bank Ltd. | 55,800,000 | 91,200,000 |
| Rastriya Banijya Bank | 92,100,000 | 57,300,000 |
| Nepal Bangladesh Bank | - | - |
| Everest Bank Ltd | - | - |
| Total | 147,900,000 | 148,500,000 |

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

| PARTICULARS | For the Year Ended | For the Year Ended |
|---|--------------------|--------------------|
| | 31-3-2072 | 32-3-2071 |
| | NRs. | NRs. |
| NOTE - 27: OTHER OPERATING INCOME | | |
| Income from Mint (Sale of Coin) | 341,248 | 443,237 |
| Gain from Sale of Precious Metals and Coins | 24,708,491 | 76,605,926 |
| Fine/Penalty Charge | 24,538,938 | 10,514,729 |
| Profit from Sale of Assets | 4,470,262 | 806,484 |
| Dividend Income | 7,365,111 | 6,767,324 |
| Provision on Investment Wtitten Back (Net) | 255,301,310 | 18,208,463 |
| Project Income | 17,537,099 | 5,322,268 |
| Grant Income | 115,825 | 245,446 |
| Miscellaneous | 51,832,492 | 68,742,324 |
| Total | 386,210,776 | 187,656,200 |

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

| PARTICULARS | Note | For the Year Ended 31-3-2072 NRs. | For the Year Ended 32-3-2071 NRs. |
|---|-------------|---|---|
| NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS | | | |
| Staff Costs | 28 a | 5,707,985,227 | 5,687,544,456 |
| Depreciation and Amortization | | 86,503,030 | 86,188,938 |
| Directors Fees and Expenses | | 5,100,612 | 4,725,420 |
| Note Printing Charges | | 1,080,986,721 | 923,518,005 |
| Mint Expenses | | 263,424 | 393,569 |
| Security charges | | 38,502,214 | 18,647,239 |
| Remittance Charges | | 42,769,892 | 53,253,861 |
| Travelling Expenses | | 207,996,452 | 171,231,742 |
| Insurance Charges | | 83,812,263 | 70,990,482 |
| Repair & Maintenance | | 33,834,202 | 13,032,059 |
| Provisions on Loans & Advances, Investments, etc. | 28 b | - | 2,500,000 |
| Miscellaneous | 28 c | 405,707,543 | 525,242,387 |
| Total | | 7,693,461,579 | 7,557,268,158 |
| 28 a Staff Costs | | | |
| Salary | | 606,857,549 | 566,234,121 |
| Allowances | | 545,212,304 | 543,374,938 |
| Provident Fund Contribution | | 62,287,668 | 58,215,591 |
| Staff Welfare (Including Medical Fund Contribution) | | 360,613,782 | 69,585,942 |
| Staff Welfare Provident Fund | | 335,500,000 | 305,000,000 |
| Pension & Gratuity Fund | | 3,000,000,000 | 3,255,535,548 |
| Staff Security Fund | | 600,000,000 | 697,145,449 |
| Staff Leave Compensations | | 194,567,614 | 183,580,127 |
| Others | | 2,946,309 | 8,872,739 |
| Total | | 5,707,985,227 | 5,687,544,456 |
| 28 b Provision on Loans & Advances, Investments, etc. | | | |
| Provision for Unissuable Note Stock | | - | - |
| Provision for Retired Staff Insurance Premium | | - | - |
| Provision for Doubtful investment and Others | | - | 2,500,000 |
| Provision for Sundry Accrued | | - | - |
| Total | | - | 2,500,000 |
| 28 c Miscellaneous Expenses | | | |
| Banking Promotion | | 90,851,636 | 70,206,236 |
| Audit Fees and Expenses | | 1,305,569 | 1,555,696 |
| Sundry Balances Written Off | | - | - |
| Assets Written Off | | 191,212 | 39,854 |
| Others | | 313,359,127 | 453,440,602 |
| Total | | 405,707,543 | 525,242,387 |

NEPAL RASTRA BANK

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

| PARTICULARS | As on 31-3-2072 | As on 32-3-2071 |
|--|------------------------|------------------------|
| | NRs. | NRs. |
| NOTE - 29: CASH AND CASH EQUIVALENT | | |
| Foreign Currency Cash and Bank Balance | 36,182,115,845 | 32,407,083,933 |
| Foreign Currency Time Deposits | 259,985,667,494 | 248,945,737,986 |
| Local Currency in Hand | 3,703,331,845 | 6,432,623,698 |
| SDR Holdings | 4,119,794,209 | 5,488,119,248 |
| Investment in Treasury Bills/Notes | 199,342,298,611 | 150,483,620,913 |
| Investment in Fixbis | 7,172,535,534 | 7,449,373,607 |
| Investment in Repurchase Agreement (Repo) | 58,125,602,000 | 40,110,588,469 |
| Total | 568,631,345,537 | 491,317,147,855 |

Nepal Rastra Bank

NFY 2071/72 (2014/15 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 2071/72 i.e. 1st Shrawan 2071 to 31st Ashadh 2072 corresponding to Gregorian calendar 17th July 2014 to 16th July 2015. The previous year was 1st Shrawan 2070 to 32nd Ashadh 2071 (16th July 2013 to 16th July 2014). 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 31st Ashadh 2072 on Poush 07, 2072 (December 22, 2015).

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 unsubscribe 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.

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.

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.

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.

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 issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are 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 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.

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 be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in 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 valuated 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 three months salary. The bank measures the obligation of this plan as valuated 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 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.

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.

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 in to 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.

B. Significant Disclosures

8. Gold and Silver

A sum of NRs. 24,708,491 (P.Y. NRs 76,605,926) was appropriated out of net profit this year to the "Gold Replacement Fund". During the current year, the Bank bought 8,596.90 (PY 13,952.19) fine troy ounces of gold with cost price of NRs. 1,102,450,405 (PY NRs. 1,727,998,204). The amount of NRs. 76,605,926 (PY NRs. 175,675,657) 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 31 st Ashadh 2072 | | As on 32 nd Ashadh 2071 | |
|----------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | Weight (Kg, Gm, Mg) | Total Market Value (NRs.) | Weight (Kg, Gm, Mg) | Total Market Value (NRs.) |
| Gold (Investment) | 5,188.474.290 | 19,527,073,390.61 | 3,944.335.219 | 15,882,785,239 |
| Gold held in Stock | 2,632.567.975 | 9,907,801,202 | 2,395.068.738 | 9,644,302,598 |
| Silver held in Stock | 126,202.478.081 | 6,192,755,599 | 126,006.573.919 | 8,914,965,105 |
| Total | | 35,627,630,192 | | 34,442,052,942 |

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 | 101.14 | 95.90 |
| 2 | Sterling Pound | 158.01 | 164.61 |
| 3 | Euro | 111.48 | 130.56 |
| 4 | Swiss Franc | 106.78 | 107.51 |
| 5 | Australian Dollar | 75.46 | 89.91 |
| 6 | Canadian Dollar | 79.30 | 89.35 |
| 7 | Japanese Yen | 0.818 | 0.94 |
| 8 | Singapore Dollar | 74.22 | 77.23 |
| 9 | SDR | 141.97 | 148.81 |
| 10 | Chinese Yuan | 16.29 | 15.45 |
| 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.

- The investment in shares of Citizen Investment Trust was measured as 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 out of total 400,503 (PY 288,360) shares with market value of Rs. 3,380 (PY Rs. 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 924060 (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).
- Agricultural Project Services Center was in liquidation.
- Sudur Paschimanchal Grameen Bikash Bank Ltd. and Paschimanchal GBB were merged with similar other institution to form "Nepal Grameen Bikas Bank Ltd". The Bank has started its commercial operation since 2071 Shrawan 30. NRB had received 199,988 shares (3.053%) of Rs. 100 each of Nepal Grameen Bikas Bank Ltd. as per the share swap ratio of merged institutions. The share investment in Grameen Bikas Bank Ltd. was recorded at cost.
- **Consolidation of Financials of Subsidiaries:**
The Bank's investments in two entities as mentioned in Note 4 (a) are in excess of 50% of the capital of those entities. These investments were made under the specific directives or policies of the Government and other relevant statutes.

With regard to consolidation of accounts, International Accounting Standard (IAS) 27 para 10 states that a parent is not required to present consolidated financial statements if and only if:

- the parent is itself a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- the parent's debt or equity instruments are not traded in a public market;
- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS.

Keeping in view above facts Nepal Rastra Bank has not prepared consolidated financial statements for these subsidiaries.

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 | Dr. Chiranjibi Nepal (w.e.f. 2071.12.6) | Governor |
| 2 | Dr. Yuba Raj Khatiwada (retired w.e.f. 2071.12.5) | Governor |
| 3 | Gopal Prasad Kaphle | Deputy Governor |
| 4 | Maha Prasad Adhikari | Deputy Governor |
| 5 | Suman Prasad Sharma | Non-Executive Director |
| 6 | Dr. Sri Ram Poudyal | Non-Executive Director |
| 7 | Dr. Ram Hari Aryal | Non-Executive Director |
| 8 | Bal Krishna Man Singh | Non-Executive Director |
| 9 | Bishnu Nepal (retired w.e.f. 2071.5.9) | Special Class Officer |
| 10 | Ramjee Regmi (retired w.e.f. 2071.5.9) | Special Class Officer |
| 11 | Bhaskar Mani Gyawali (retired w.e.f. 2071.5.15) | Special Class Officer |
| 12 | Manmohan Kumar Shrestha | Special Class Officer |
| 13 | Lok Bahadur Khadka (retired w.e.f. 2071.8.18) | Special Class Officer |
| 14 | Pradip Raj Panday | Special Class Officer |
| 15 | Hari Prasad Kaphle | Special Class Officer |
| 16 | Trilochan Pangei | Special Class Officer |
| 17 | Dr. Min Bahadur Shrestha | Special Class Officer |
| 18 | Mahesh Bhattarai | Special Class Officer |
| 19 | Shiba Raj Shrestha | Special Class Officer |
| 20 | Narayan Prasad Paudel | Special Class Officer |
| 21 | Nara Bahadur Thapa | Special Class Officer |
| 22 | Dr. Binod Atreya | Special Class Officer |
| 23 | Janak Bahadur Adhikari | Special Class Officer |
| 24 | Bhisma Raj Dhungana | Special Class Officer |
| 25 | Chintamani Siwakoti | Special Class Officer |
| 26 | Laxmi Prapanna Niraula | Special Class Officer |
| 27 | Shankar Prasad Acharya | Special Class Officer |
| 28 | Rajan Bikram Shah | 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:

| Particulars | Current Year (NRs.) | Previous Year (NRs.) |
|------------------------------|----------------------------|-----------------------------|
| Short term employee benefits | 32,510,335 | 24,713,183 |
| Post-employment benefits | 11,374,679 | 14,014,723 |
| Other long term benefits | 14,169,175 | 8,978,514 |
| Total | 58,054,189 | 47,706,420 |

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 | - | - | 58,054,189 | - | - | 47,706,420 |
| Sitting Fees/ Incidental Expenses to Directors | - | - | 5,100,612 | - | - | 4,725,420 |

| | | | | | | |
|---|------------|-------|---------------|------------|-------|---------------|
| Insurance Premium paid | 83,812,263 | - | - | 70,990,482 | - | - |
| Balances as on Ashadh End | - | - | - | - | - | - |
| Staff Loan (net of premium collection) | - | - | 4,666,599,428 | - | - | 3,819,139,362 |
| Provision for Diminution in Value of Investment | 5,000,000 | | | 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 NRs. 115,948 (PY NRs.231,773) 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 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 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 | 60,579,350,351 | 23,585,632,644 |
| Investment in Mid Term Instruments (BIS) | 7,842,427,539 | 8,691,201,766 |
| Special Drawing Rights Holdings | 4,119,794,209 | 5,488,119,248 |
| Term Deposit Investments | 70,065,969,694 | 55,374,245,293 |
| Investment in Gold Instruments | 19,527,073,391 | 15,882,785,239 |
| Government of Nepal Securities | 23,393,930,517 | 28,959,769,866 |
| Investments in Equity Instruments | 2,407,211,888 | 1,076,684,670 |
| Other investments | 15,096,487,000 | 14,818,621,000 |
| Loans and Refinance | 7,918,102,710 | 5,935,936,213 |
| Other Receivables | 4,546,073,264 | 4,718,766,751 |
| Cash and Cash Equivalent | 568,631,345,536 | 491,240,487,031 |
| Total Financial Assets | 784,127,766,098 | 655,772,249,722 |

b) By Geographical Region:

| | Current Year (NRs.) | Previous Year (NRs.) |
|----------------|------------------------|-------------------------|
| India | 336,933,221,219 | 273,260,489,180 |
| USA | 144,801,623,331 | 64,258,698,286 |
| Germany | 7,898,055,059 | 4,923,597,432 |
| Switzerland | 23,084,706,324 | 37,073,625,933 |
| United Kingdom | 30,518,541,156 | 33,334,109,879 |
| France | 34,320,659,908 | 36,111,141,336 |
| Japan | 21,802,409,687 | 17,875,008,177 |
| Netherland | 5,020,734,226 | 10,920,690,000 |
| Australia | 385,883,901 | 5,216,451,380 |
| Singapore | 2,173,823,268 | 19,936,990,180 |
| Canada | 4,635,771,698 | 3,602,246,434 |
| Sweden | 3,001,439,784 | - |
| Hong Kong | 36,240,614,670 | 33,312,213,855 |
| U.A.E | 18,881,747,780 | 15,439,050,368 |
| China | 55,799,698,768 | 31,077,363,242 |
| Thailand | 47,620,919 | 19,733,389 |
| Nepal | 58,581,214,400 | 69,410,840,652 |
| Total | 784,127,766,098 | 655,772,249,722 |

c) By Nature of the Entity:

| | Current Year (NRs.) | Previous Year (NRs.) |
|-----------------------------------|------------------------|------------------------|
| Central Banks | 77,449,098,640 | 58,888,992,284 |
| Bank for International Settlement | 18,637,276,233 | 19,739,426,598 |
| Foreign Government | 282,035,360,188 | 158,054,091,032 |
| International Monetary Fund | 4,119,794,209 | 5,488,119,248 |
| Foreign Commercial Banks | 309,041,675,801 | 325,560,061,940 |
| Domestic Banks and FIs | 22,761,189,710 | 16,476,209,688 |
| Government of Nepal | 23,393,930,517 | 28,959,769,866 |
| Equity Instruments | 2,407,211,888 | 1,076,684,670 |
| Cash in Hand | 18,006,563,115 | 18,414,703,320 |
| Other Parties | 26,275,665,798 | 23,114,191,076 |
| Total | 784,127,766,098 | 655,772,249,722 |

d) By Credit Rating

| Particulars | Rating | Current Year | | Previous Year | |
|--------------------------------------|--------|------------------------|--------------|------------------------|--------------|
| | | Amount (NRs.) | % | Amount (NRs.) | % |
| Foreign Currency Financial Assets | | | | | |
| | AAA | 9,177,009,016 | 1.17 | 20,267,095,188 | 3.09 |
| | AA+ | 133,859,713,609 | 17.07 | 55,433,789,772 | 8.45 |
| | AA- | 47,173,077,031 | 6.02 | 73,472,676,721 | 11.20 |
| | A+ | 76,765,638,139 | 9.79 | 45,018,816,941 | 6.87 |
| | A | 48,583,435,291 | 6.20 | 65,538,907,870 | 9.99 |
| | A- | 2,170,877,149 | 0.28 | 1,068,472,921 | 0.16 |
| | BBB+ | 810,180,019 | 0.10 | 78,933,556 | 0.01 |
| | BBB- | 100,789,223,411 | 12.85 | 107,672,934,251 | 16.42 |
| | NR** | 309,346,270,153 | 39.45 | 226,377,289,077 | 34.52 |
| Total | | 728,675,423,819 | 92.93 | 594,928,916,296 | 90.72 |
| Local Currency Financial Assets | NR ** | 55,452,342,279 | 7.07 | 60,843,333,426 | 9.28 |
| Total Financial Assets | | 784,127,766,098 | 100.00 | 655,772,249,722 | 100.00 |

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

** Not rated

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 34.82% (PY 28.52%) 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 72.45% (PY 74.91%) 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 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 |
| Impairment Loss Recognized | - | - | - | - |
| Amount Written Off | (11,200,000) | - | - | - |
| Reversal of Impairment Loss | (4,800,000) | (250,501,310) | - | - |
| Balance as on 31st Ashadh 2072 | 47,550,000 | 947,645,000 | 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:

| Counterparties | Current Year (NRs.) | Previous Year (NRs.) |
|---|--------------------------------|---------------------------------|
| External Credit Rating at least AAA/BBB- from credit rating agency | 280,751,545,772 | 309,880,801,618 |
| Non Rated Counterparties | 69,803,321,621 | 48,365,604,764 |
| Central Banks | 77,449,098,640 | 58,888,992,284 |
| Bank for International Settlement | 18,637,276,233 | 19,739,426,598 |
| Foreign Government | 282,035,360,188 | 158,054,091,032 |
| International Monetary Fund | 4,119,794,209 | 5,488,119,248 |
| Government of Nepal | 23,393,930,517 | 28,959,769,866 |
| Financial Assets with Other Counterparties: | 27,937,438,918 | 26,395,444,312 |
| - Party with Normal Risk | 26,942,243,918 | 25,097,709,661 |
| - Party with High Risk | 995,195,000 | 1,297,734,651 |
| Total | 784,127,766,098 | 655,772,249,722 |

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.

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 | Carrying Amount | Contractual and Other Cash Flows | | | More than 5 Year |
|----------------------------------|------------------------|----------------------------------|-----------------------|------------------------|-----------------------|
| | | 2 Months or Less | 2 -12 Months | 2 -5 Year | |
| Deposit (Banks & Other Agencies) | 207,117,758,872 | 15,783,449,753 | 1,692,430,142 | 189,641,903,978 | |
| IMF Related Liabilities | 15,690,325,500 | - | 556,522,400 | 4,704,885,800 | 10,428,917,300 |
| IMF Related Deposit | 8,361,984,449 | - | - | - | 8,361,984,449 |
| GON Deposit | 34,529,399,452 | - | 34,529,399,452 | - | - |
| Bills Payable | 388,903,157 | 388,903,157 | - | - | - |
| Staff Liabilities | 15,934,081,941 | 403,465,709 | 1,640,311,671 | 5,195,759,059 | 8,694,547,742 |
| Other Payables | 65,530,812,399 | 65,000,000,000 | 161,554,981 | - | 369,257,419 |
| Other Liabilities | 340,593,703 | 340,593,703 | - | - | - |
| Total | 347,893,859,473 | 81,916,412,322 | 38,580,218,646 | 199,542,548,837 | 27,854,706,909 |

Previous Year Figures (NRs.)

| Particulars | Carrying Amount | Contractual and Other Cash Flows | | | More than 5 Year |
|----------------------------------|------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| | | 2 Months or Less | 2 -12 Months | 2 -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 |

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, CNY, EURO and AUD.

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 | AUD | EUR | GBP | CNY | CAD | SDR |
|--|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | 50.01% | 4.56% | 3.90% | 3.84% | 10.17% | 0.99% | 0.57% |
| Cash Balances | 2,450,729,206 | 188,641,322 | 384,233,657 | 195,804,412 | 83,741,514 | 15,699,814 | - |
| Demand Deposits | 66,461,432,485 | 1,722,610,426 | 2,213,591,877 | 5,231,133,148 | 10,578,800,864 | 498,454,074 | - |
| Time Deposit | 197,557,829,322 | 25,868,763,891 | 25,792,978,960 | 22,581,071,756 | 15,782,930,240 | 6,686,809,876 | - |
| Govt. & Other Debt Securities | 75,750,275,002 | - | - | - | 46,718,723,257 | - | - |
| Other Investments | 2,516,429,757 | 5,325,997,782 | - | - | - | - | - |
| SDR Holdings | - | - | - | - | - | - | 4,119,794,209 |
| Bills Purchased | 26,296 | - | - | 3,160 | - | - | - |
| Other Receivables | 445,952,340 | 123,647,671 | 21,109,611 | 12,186,415 | 1,000,087,351 | 7,366,356 | - |
| Gold Investment | 19,527,073,391 | - | - | - | - | - | - |
| Total Financial Assets | 364,709,747,800 | 33,229,661,092 | 28,411,914,105 | 28,020,198,892 | 74,164,283,227 | 7,208,330,119 | 4,119,794,209 |
| Deposit of Banks & FIs | 2,300,268,473 | 2,667,924 | 190,816,610 | 91,445,672 | - | - | - |
| Deposit Others | 405,169,252 | - | - | - | - | - | - |
| SDR Allocation | - | - | - | - | - | - | 9,668,100,070 |
| Loan from IMF | - | - | - | - | - | - | 6,022,225,430 |
| Other Liabilities | - | - | - | - | - | - | - |
| Bills Payables | - | - | - | - | - | - | - |
| Total Financial Liabilities | 2,705,437,725 | 2,667,924 | 190,816,610 | 91,445,672 | - | - | 15,690,325,500 |
| Net Financial Position Exposure | 362,004,310,074 | 33,226,993,168 | 28,221,097,494 | 27,928,753,220 | 74,164,283,227 | 7,208,330,119 | 11,570,531,291 |

Previous Year Figures (NRs.)

| Particulars | USD | AUD | EUR | GBP | CNY | CAD | SDR |
|--|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------|
| | 48.56% | 6.43% | 5.93% | 4.65% | 7.16% | 1.32% | 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 & FIs | 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 |

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 25.45% (PY 24.72%) 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 0.51% (PY 0.30%) of the total foreign currency reserve.

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.

| | Impact on Profit or Loss | | | |
|--------------|---|-------------------------|--------------------------------|-------------------------|
| | In case of Strengthening or Weakening of Currency by 10% | | | |
| | For the Year Ended 2072 | | For the Year Ended 2071 | |
| | Strengthening | Weakening | Strengthening | Weakening |
| USD | 36,200,431,007 | (36,200,431,007) | 28,783,289,982 | (28,783,289,982) |
| AUD | 3,322,699,317 | (3,322,699,317) | 3,831,057,609 | (3,831,057,609) |
| EUR | 2,822,109,749 | (2,822,109,749) | 3,507,345,429 | (3,507,345,429) |
| GBP | 2,792,875,322 | (2,792,875,322) | 2,742,885,805 | (2,742,885,805) |
| CNY | 7,416,428,323 | (7,416,428,323) | 4,266,090,632 | (4,266,090,632) |
| CAD | 720,833,012 | (720,833,012) | 788,495,816 | (788,495,816) |
| SDR | (1,157,053,129) | 1,157,053,129 | (1,212,473,596) | 1,212,473,596 |
| Total | 52,118,323,601 | (52,118,323,601) | 42,706,691,676 | (42,706,691,676) |

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 31st Ashadh 2072 | As on 32nd Ashadh 2071 |
|--|---|--|--|
| <u>Interest Sensitive Financial Assets</u> | | | |
| Bank Balance | 0.25 | 22,233,744,201 | 75,514,834,303 |
| Investment in Foreign Currency | 1.12 | 426,484,210,233 | 381,811,225,784 |
| IMF Related Assets | 0.10 | 4,119,794,209 | 5,488,119,248 |
| Government Securities | 6.00 | 283,315,579,479 | 203,029,023,424 |
| Other Investments | 5.89 | 15,096,487,000 | 14,818,621,000 |
| Refinance & Loans | 0.98 | 7,918,102,710 | 5,935,936,213 |
| Total Interest Sensitive Financial Assets | | 759,167,917,831 | 686,597,759,971 |
| <u>Interest Sensitive Financial Liabilities</u> | | | |
| IMF Related Liabilities | 0.1 | 8,361,984,449 | 7,030,604,523 |
| Total Interest Sensitive Financial Liabilities | | 8,361,984,449 | 7,030,604,523 |
| Net Interest Sensitive Financial Position | | 750,805,933,382 | 679,567,155,448 |

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 11 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.

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 | | | | 40,240,307,316 | | 40,240,307,316 | 40,240,307,316 |
| SDR of IMF | | | | 4,119,794,209 | | 4,119,794,209 | 4,119,794,209 |
| Foreign Government Securities | | | | | | 259,921,648,962 | 259,921,648,962 |
| GON Securities | | | | | | 23,393,930,517 | 23,393,930,517 |
| Equity Instruments: | | | | | | | - |
| Measured at Fair Value | | 2,236,006,388 | | | | 2,236,006,388 | 2,236,006,388 |
| Measured at Cost | | 171,205,500 | | | | 171,205,500 | NA |
| Gold Investment | 19,527,073,391 | | | | | 19,527,073,391 | 19,527,073,391 |
| Other Investment: | | | | | | | |
| Measured at Fair Value | 58,125,602,000 | | | | | 58,125,602,000 | 58,125,602,000 |
| Measured at Amortized Cost | | | 363,674,621,842 | 253,400,000 | | 363,928,021,842 | NA |
| Loans and Refinance | | | | 7,918,102,710 | | 7,918,102,710 | NA |
| Other Receivables | | | | 4,546,073,264 | | 4,546,073,264 | NA |
| Total Financial Assets | 77,652,675,391 | 2,407,211,888 | 363,674,621,842 | 57,078,856,134 | - | 784,127,766,098 | |
| Bank & Other Agencies Deposit | | | | | 205,418,257,357 | 205,418,257,357 | 205,418,257,357 |
| Liability towards IMF | | | | | 15,691,504,135 | 15,690,325,500 | 15,690,325,500 |
| IMF Related Deposit | | | | | 8,361,984,449 | 8,361,984,449 | 8,361,984,449 |
| GON Deposit | | | | | 34,529,399,452 | 34,529,399,452 | 34,529,399,452 |
| Other Deposit | | | | | 1,699,526,515 | 1,699,526,515 | 1,699,526,515 |
| Staff Liabilities | | | | | 15,934,084,181 | 15,934,084,181 | 15,934,084,181 |
| Bills Payables | | | | | 388,903,157 | 388,903,157 | 388,903,157 |
| Other Liabilities | | | | | 69,721,920,130 | 69,721,920,130 | 69,721,920,130 |
| Total Financial Liabilities | - | - | - | - | 351,745,579,376 | 351,744,400,741 | 351,744,400,741 |
| Net Financial Position | 77,652,675,391 | 2,407,211,888 | 363,674,621,842 | 57,078,856,134 | -351,745,579,376 | 432,383,365,358 | |

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 2014 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 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. 6,379,044,361 as per detail below.

| | Funded Plans (NRs.) | | |
|--|-------------------------|---------------------|----------------------|
| | Gratuity & Pension Fund | Staff Security Fund | Total |
| Present value of obligation as per Actuarial Valuation | 15,430,681,540 | 2,410,870,990 | 17,841,552,530 |
| Liability recognized in previous year | 9,829,898,334 | 1,632,609,835 | 11,462,508,169 |
| Actuarial (gain)/loss of previous year | - | - | - |
| Additional provision required | 5,600,783,206 | 778,261,155 | 6,379,044,361 |

The management decided to amortize the obligation with the provision of NRs. 3,600,000,000 this year. The balance was deferred to be provided after considering the actuarial report in the next year. The deviations, if any, from IAS in this connection is recognized on practical grounds.

The management believes that the recognition of 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 the net liabilities recognized in balance sheet, unrecognized 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 31 st Ashadh 2072 | | | As on 32 nd Ashadh 2071 | | |
|---|------------------------------------|---------------------|-----------------------|------------------------------------|---------------------|-----------------------|
| | 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 | 15,430,681,540 | 2,410,870,990 | 821,357,804 | 13,085,433,882 | 23,326,61,992 | 781,755,545 |
| Fair Value of Plan Assets | 10,624,843,690 | 1,491,400,915 | - | 7,026,256,690 | 13650,10,00 | - |
| Net Liability /(Asset) | 4,805,837,850 | 919,470,075 | 821,357,804 | 6,059,177,192 | 9676,51,993 | 781,755,545 |
| Unrecognised Actuarial Losses | 1,885,909,909 | 456,640,611 | - | 3,255,535,548 | 697,145,449 | - |
| Net Liabilities/(Assets) Recognised in Statement of Financial Position | 2,919,927,941 | 462,829,464 | 821,357,804 | 2,803,641,644 | 270,506,544 | 781,755,545 |

Changes in Fair Value of Defined Benefit Obligation

| Particulars | For the Year Ended 31 st Ashadh 2072 | | | For the Year Ended 32 nd Ashadh 2071 | | |
|--------------------------------|---|----------------------|-----------------------|---|---------------------|-----------------------|
| | 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 | 13,085,433,882 | 2,329,755,284 | 781,755,545 | 5,919,408,145 | 1,468,349,389 | 715,584,569 |
| Current Service Cost | 336,790,511 | 128,205,569 | 128,858,990 | 199,145,614 | 976,69,705 | 121,039,683 |
| Interest Cost | 1,046,834,711 | 186,380,423 | 65,708,624 | 473,552,652 | 1174,67,951 | 62,540,444 |
| Actuarial Losses (Gains) | 1,626,927,973 | 8,634,705 | - | 6,977,422,287 | 792,819,127 | - |
| Losses (Gains) on Curtailments | - | - | - | - | - | - |
| Benefits Paid | (665,305,537) | (356,908,371) | (154,965,355) | (484,094,816) | (1436,44,180) | (117,409,151) |
| Closing Obligation | 15,430,681,540 | 2,410,870,990 | 821,357,804 | 13,085,433,882 | 23326,61,992 | 781,755,545 |

Changes in Fair Value of Plan Assets

| Particulars | For the Year Ended 31 st Ashadh 2072 | | For the Year Ended 32 nd Ashadh 2071 | |
|-----------------------------|---|----------------------|---|----------------------|
| | Pension or Gratuity Plan | Staff Security Fund | Pension or Gratuity Plan | Staff Security Fund |
| | Funded | | Funded | |
| Opening Fair Value | 7,026,256,690 | 1,365,010,000 | 6,511,942,792 | 1,008,401,869 |
| Expected Return | 562,100,535 | 109,200,800 | 520,955,423 | 80,672,150 |
| Actuarial Gains (Losses) | (104,015,156) | (30,671,885) | (48,415,054) | (80,672,150) |
| Distribution on Settlements | - | - | - | - |
| Contribution by Employer | 3,805,807,158 | 404,770,371 | 525,868,345 | 500,252,311 |
| Benefits Paid | (665,305,537) | (356,908,371) | (484,094,816) | (143,644,180) |
| Closing Fair Value | 10,624,843,690 | 1,491,400,915 | 7,026,256,690 | 1,365,010,000 |

Amount Recognized in the Statement of Comprehensive Income

| Particulars | For the Year Ended 31 st Ashadh 2072 | | | For the Year Ended 32 nd Ashadh 2071 | | |
|---------------------------------------|---|---------------------|-----------------------|---|---------------------|-----------------------|
| | 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 | 336,790,511 | 128,205,569 | 128,858,990 | 199,145,614 | 976,69,705 | 121,039,683 |
| Interest Cost | 1,046,834,711 | 186,380,423 | 65,708,624 | 473,552,652 | 1174,67,951 | 62,540,444 |
| Expected Return on Plan Asset | (562,100,535) | (109,200,800) | - | (520,955,423) | (80,672,150) | - |
| Actuarial Losses Recognized in P/L | 2,178,475,313 | 394,614,808 | | 3,103,792,705 | 562,679,943 | |
| Past Service Cost | - | - | - | - | - | - |
| Curtailments & Settlements | - | - | - | - | - | - |
| Total Employee Benefit Expense | 3,000,000,000 | 60,000,000 | 194,567,614 | 3,255,535,548 | 697,145,449 | 183,580,127 |

Major Categories of Plan Assets as a Percentage of Total Plans

| Particulars | For the Year Ended 31 st Ashadh 2072 | | For the Year Ended 32 nd Ashadh 2071 | |
|-----------------------------------|---|---------------------|---|---------------------|
| | 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 | 100% | 100% | 85.40% | 100% |
| Others | - | - | 14.60% | - |
| Total | 100% | 100% | 100% | 100% |

Principal Actuarial Assumption at the End of the Reporting Period

| Particulars | For the Year Ended 31 st Ashadh 2072 | | For the Year Ended 32 nd Ashadh 2071 | |
|-------------------------------|---|---------------------|---|---------------------|
| | 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% | 10% | 10% |
| Future Pension Increase | 6.667% | 6.667% | 6.667% | 6.667% |
| Withdrawal Rate | 0.05% | 0.05% | 0.05% | 0.05% |

15. Reserves

The Bank has maintained different reserves and funds. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the 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 of 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. 539,205,481 (P.Y. NRs. 44,393,037) 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. 1,123,982,900 (P.Y. NRs.,1,369,664,795) was appropriated during the year. The management believed that the amount allocated to General Reserve was sufficient to cover the capital expenditures planned for next Fiscal Year and no additional allocation was required for the said purpose. 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.2,290,312,874 (P.Y. NRs.4,265,005,927) which is equivalent to net exchange gain was appropriated from/to net profit to this fund during the year.

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 an amount of Rs.1,224,363,057 (P.Y. revaluation gain of NRs. 515,927,005) which is equivalent to net loss on revaluation of gold and silver 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. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly an amount of NRs.1,548,675,678 (P.Y. NRs.53,577,563) 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.30,000,000 (P.Y. NRs. 20,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund:

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net profit of the projects is allocated to this fund annually. Accordingly, an amount of NRs.17,537,099 (P.Y. NRs. 5,322,268) 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 during the year 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.

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. 24,708,491 (P.Y. NRs. 76,605,926) 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 expenses in previous year by NRs.218,160,552 than by the reported figure of the previous year expense. The said amount includes NRs.210,921,425.98 incremental liability against staff medical expense which was not booked in 2070/71 due to the technical error of the GL system which is used in the bank. This resulted into increase in profit of previous year by the said amount and has been shown in previous year reserve account as deficit 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. 3,537,014,663 (P.Y. NRs. 6,349,370,343). 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 31st Ashadh 2072 | As on 32nd Ashadh 2071 |
|---------------------|--|--|
| 1 | 161,357,950 | 161,507,049 |
| 2 | 186,616,650 | 187,121,526 |
| 5 | 1,858,974,025 | 1,683,935,155 |
| 10 | 2,794,427,560 | 2,526,784,000 |
| 20 | 3,418,564,840 | 2,998,957,420 |
| 25 | 58,185,875 | 58,603,750 |
| 50 | 5,693,211,850 | 4,752,323,850 |
| 100 | 11,554,328,500 | 11,064,376,000 |
| 250 | 87,531,750 | 87,630,250 |
| 500 | 88,489,649,000 | 77,757,737,000 |
| 1000 | 204,777,152,000 | 171,971,024,000 |
| Total | 319,080,000,000 | 273,250,000,000 |

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

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:

| (in NRs. billion) | | |
|---|---------------------|----------------------|
| Particulars | Current Year | Previous Year |
| Foreign Exchange Reserve: | | |
| (a) Held by Nepal Rastra Bank | | |
| Convertible Foreign Currency | 517.47 | 441.55 |
| Non-Convertible Foreign Currency | 185.42 | 146.27 |
| Gold Reserve | 19.53 | 15.88 |
| Special Drawing Rights | 4.12 | 5.49 |
| Sub Total | 726.54 | 609.19 |
| (b) Held by Banks and Financial Institutions | | |
| Convertible Foreign Currency | 113.97 | 85.25 |
| Non-Convertible Foreign Currency | 7.03 | 5.63 |
| Sub Total | 121.00 | 90.88 |
| Total Foreign Exchange Reserve of Banking System | 847.54 | 700.07 |

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 | 1.79 | 2.05 |
| Indian Treasury Bills | 20.52 | 19.38 |
| BIS FIXBIS | 0.85 | 1.06 |
| Bonds/Notes | 13.87 | 9.16 |
| Mid Term Instrument | 0.93 | 1.24 |
| Call Deposits | 6.86 | 5.11 |
| Time Deposit | 33.87 | 44.24 |
| Gold Deposit | 2.30 | 2.27 |
| Special Drawing Rights | 0.49 | 0.78 |
| Balance with NRB and BFIs | 18.52 | 14.70 |
| 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:

For the Year ended 31st Ashadh 2072

Statement of Financial Position

| Particulars | PAPWT | MCPW | TLDP | PCRW | RISMP | Total |
|--|-------------------|-------------------|--------------------|-------------------|--------------------|--------------------|
| <u>Equity & Liabilities</u> | | | | | | |
| Reserve & Surplus | 6,522,790 | 3,967,253 | 16,816,864 | 10,777,676 | 4,514,746 | 42,833,921 |
| Loans | 58,400,000 | 42,702,003 | 107,350,000 | 35,188,941 | 126,460,746 | 370,101,691 |
| Accounts Payable | - | 213,510 | 476 | 234,593 | - | 213,986 |
| Total Equity & Liabilities | 64,922,790 | 46,882,766 | 124,167,340 | 46,201,210 | 130,975,492 | 413,149,598 |
| <u>Assets</u> | | | | | | |
| Loan to PFIs | 3,390,330 | - | - | 5,505,489 | - | 8,895,819 |
| Investment | - | 28,675,000 | - | - | - | 28,675,000 |
| Other Receivables | - | 697,758 | 1 | - | - | 697,759 |
| Cash and Bank Balance | 61,532,460 | 17,510,008 | 124,167,339 | 40,695,721 | 130,975,492 | 374,881,020 |
| Total Assets | 64,922,790 | 46,882,766 | 124,167,340 | 46,201,210 | 130,975,492 | 413,149,598 |

Statement of Comprehensive Income

| Particulars | PAPWT | MCPW | TLDP | PCRW | RISMP | Total |
|--------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| A. Income | | | | | | |
| Interest Income: | 4,266,513 | 3,178,783 | 7,706,906 | 1,444,880 | - | 16,597,083 |
| From Loan to PFIs | 1,018,390 | - | - | 216,883 | - | 1,235,273 |
| On Investment | 3,248,123 | 3,178,783 | 7,706,906 | 1,227,997 | - | 15,361,810 |
| Loan Loss Prov. Written back | 6,460,311 | - | - | 22,244 | - | 6,482,555 |
| Other Income | - | - | - | - | 3,399,009 | 3,399,009 |
| Total Incomes | 10,726,824 | 3,178,783 | 7,706,906 | 1,467,125 | 3,399,009 | 26,478,648 |
| B. Expenditure | | | | | | |
| Administrative Expenses | - | - | - | - | - | - |
| Interest Expenses | 1,916,250 | 1,760,273 | 4,463,500 | 801,526 | - | 8,706,956 |
| Provision for Service Charge | - | - | - | - | - | - |
| Loan Loss Provision | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - |
| Total Expenses | 1,916,250 | 1,760,273 | 4,463,500 | 801,526 | - | 8,706,956 |
| Surplus (Deficit) (A-B) | 8,810,574 | 1,418,511 | 3,243,406 | 665,599 | 3,399,009 | 17,771,692 |

For the Year ended 32nd Ashadh 2071

Statement of Financial Position

| Particulars | PAPWT | MCPW | TLDP | PCRW | RISMP | Total |
|--|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| <u>Equity & Liabilities</u> | | | | | | |
| 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 |
| <u>Assets</u> | | | | | | |
| 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: | 299,337 | 2,758,614 | 8,140,749 | 3,048,676 | - | 14,247,376 |
| From Loan to PFIs | 274,926 | | | 1,038,201 | | 1,313,127 |
| On Investment | 24,411 | 2,758,614 | 8,140,749 | 2,010,475 | | 12,934,249 |
| Loan Loss Prov. Written back | 24,993 | | - | 288,569 | | 313,562 |
| Other Income | | 697,758 | | | 50,729 | 748,487 |
| Total Incomes | 324,330 | 3,456,372 | 8,140,749 | 3,337,245 | 50,729 | 15,309,425 |
| 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) | (1,810,920) | 1,330,082 | 3,451,249 | 2,301,126 | 50,729 | 5,322,266 |

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 31 st Ashadh 2072 | | As on 32 nd Ashadh 2071 | |
|---|------------------------------------|----------------------|------------------------------------|----------------------|
| | CGISP | RSRF | CGISP | RSRF |
| <u>Equity</u> | | | | |
| Capital Contribution ** | 17,548,370 | 793,400,000 | 17,548,370 | 793,400,000 |
| Surplus | 106,958,116 | 128,599,717 | 92,689,908 | 125,635,798 |
| Financial Risk Fund | 5,200,000 | | 5,200,000 | |
| <u>Long- term Liabilities</u> | | | | |
| Loan from ADB - Non-Current Portion | 147,193,435 | | 150,538,740 | |
| <u>Current Liabilities and Provision</u> | | | | |
| Loan from ADB - Current Portion | 53,524,885 | | 50,179,580 | |
| Service Charge due on Loan from ADB | 18,965,793 | | 16,958,610 | |
| Loan Loss Provision | 843,385 | 44,194,075 | 1,064,701 | 32,985,948 |
| Accounts Payable | 320,684 | 74,153,043 | 320,684 | 57,611,846 |
| Total Equity & Liabilities | 350,554,668 | 1,040,346,834 | 334,500,593 | 1,009,633,592 |
| <u>Assets</u> | | | | |
| Non-Current Assets | | | | |
| Fixed Assets | 27,910 | 54,251 | 55,820 | 117,908 |
| Loan to PFI- Non Current Portion | 63,964,791 | 55,363,446 | 84,338,507 | 67,763,679 |
| Investment | | | | 105,000,000 |
| Current Assets | | | | |
| Interest Receivables | 154,537 | | 269,533 | 204,60,070 |
| Loan to PFI-current portion | 22,140,278 | 473,717,967 | 22,131,590 | 542,580,637 |
| Cash and cash equivalents | 264,267,152 | 511,211,170 | 227,705,142 | 273,711,299 |
| Total Assets | 350,554,668 | 1,040,346,834 | 334,500,593 | 1,009,633,592 |

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

Statement of Comprehensive Income

| Particulars | As on 31 st Ashadh 2072 | | As on 32 nd Ashadh 2071 | |
|----------------------------------|------------------------------------|-------------------|------------------------------------|-------------------|
| | CGISP | RSRF | CGISP | RSRF |
| A. Income | | | | |
| Interest Income: | 16,169,677 | 36,595,506 | 10,036,860 | 35,380,111 |
| From Loan to PFIs | 4,910,395 | 29,593,913 | 6,181,517 | 28,842,191 |
| On deposit with banks | 11,259,282 | 7,001,594 | 3,855,343 | 6,537,920 |
| On Investment | | 1,616,568 | | 1,990,865 |
| Loan Loss Provision Written back | 221,316 | - | 229,683 | - |
| Total Incomes | 16,390,993 | 38,212,074 | 10,266,543 | 35,380,111 |
| B. Expenditure | | | | |
| Administrative Expenses | 87,692 | 23,969,817 | 116,794 | 22,486,267 |
| Provision for Service Charge | 2,007,183 | | 2,007,183 | - |
| Loan Loss Provision | - | 11,208,127 | - | 6,997,630 |
| Depreciation | 27,910 | 70,211 | 27,910 | 91,127 |
| Total Expenses | 2,122,785 | 35,248,155 | 2,151,887 | 29,575,024 |
| Surplus (Deficit) (A-B) | 14,268,208 | 2,963,919 | 8,114,656 | 5,805,087 |

20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Ashadh 2072 as records of the bank was a surplus balance of NRs. 34,529,399,452 (P.Y. NRs. 23,334,581,772). 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 32nd Ashadh 2071 was finalized at Poush end 2071.

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.

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

Financial Position in the Fund

| Particulars | As on 31 st Ashadh 2072 | | As on 32 nd Ashadh 2071 | |
|--|------------------------------------|-----------------|------------------------------------|-----------------|
| | Local Currency (NRs.) | SDR Equivalents | Local Currency (NRs.) | SDR Equivalents |
| <u>SPECIAL DRAWING RIGHT:</u> | | | | |
| Net cumulative allocation | 9,668,100,070 | 68,099,599 | 10,133,765,128 | 68,099,599 |
| Holdings | 4,119,794,209 | 29,018,766 | 5,488,039,040 | 36,880,000 |
| <u>OUTSTANDING PURCHASES & LOANS:</u> | | | | |
| RCF Loans | 4,048,984,400 | 28,520,000 | 4,244,004,160 | 28,520,000 |
| ECF Arrangements | 1,974,419,665 | 13,907,302 | 3,235,085,920 | 21,740,000 |
| <u>OTHER INFORMATION</u> | | | | |
| | <u>Per cent of Quota</u> | | <u>Per cent of Quota</u> | |
| 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 141.97 (P.Y. NRs. 148.808) per SDR.

Financial position in the IMF as on April 30, 2015 and comparative position as on April 30, 2014 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 1,331 (PY 1,387).

23. Events occurred after Balance Sheet Date

- i. 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. 14,098,439,369 (PY NRs. 6,505,703,394) as of the date of issuing the financial statements.
- ii. 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. 497,374,521 (PY NRs. 1,393,001,226) as of the date of issuing the financial statements.
- iii. The changes in market price of investment in equity shares of Citizen Investment Trust after the yearend resulted in increase in value of investments in shares and an increase in the Fair value reserve. The increase is estimated to be NRs. 286,559,658 (PY decrease of NRs. 171,815,787) as of the date of issuing the financial statements
- iv. 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.