



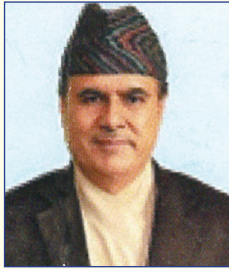
**NEPAL RASTRA BANK**  
**ANNUAL FINANCIAL STATEMENTS**  
**Fiscal Year 2075-2076 (A.D. 2018/2019)**



# NEPAL RASTRA BANK



**Dr. Chiranjibi Nepal**  
Governor/Chairman



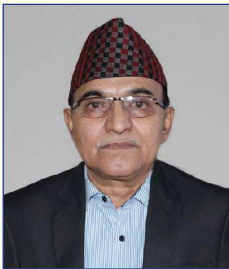
**Dr. Rajan Khanal**  
Secretary, MOF/Director



**Mr. Chintamani Siwakoti**  
Deputy Governor/Director



**Mr. Shiba Raj Shrestha**  
Deputy Governor/Director



**Dr. Sri Ram Poudyal**  
Director



**Mr. Ramjee Regmi**  
Director



**CA. Dr. Suvod Kumar Karna**  
Director



**Pradeep Raj Poudyal**  
Executive Director  
Financial Management Department





# नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय  
बालुवाटार, काठमाडौं  
Central Office  
Baluwatar, Kathmandu

## FOREWORD

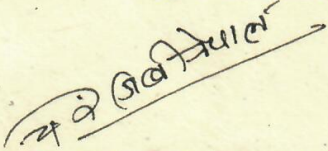
Nepal Rastra Bank is committed to making the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058. As per our commitment and requirement of the Act, NRB prepares annual report for each fiscal year, which includes the Balance Sheet, Profit & Loss and the particulars relating to it.

This report consists of the audited Statement of Financial Position of the Bank as of 31<sup>st</sup> Asadh 2076 (16<sup>th</sup> July 2019), related Statement of Net Income & Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the fiscal year together with explanatory notes to the accounts forming integral part of the financial statements .

The Financial Statements on Nepal Rastra Bank's Annual Accounts for the fiscal year 2075/76 B.S. (2018/19) has been prepared and presented hereby fully complying the existing Norms such as Nepal Financial Reporting Standards (NFRS) and International Financial Reporting Standards (IFRS) where applicable with no audit qualifications regarding the same.

I express my heartfelt gratitude to the statutory auditors - Office of the Auditor General, CA Prabin Dhoj Joshi, CA Tek Nath Acharya and CA Jitendra Mishra for their valuable suggestions and observations. I would also like to thank all concerned employees and expert committee members for their explicit contributions and efforts for successful completion of audit works as well as preparation and publication of these Financial Statements.

I am confident 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)





महालेखापरीक्षकको कार्यालय  
Office of the Auditor General



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बबरमहल, काठमाडौं, नेपाल  
Babar Mahal, Kathmandu, Nepal

Ref. No. :2076/77 - 324

February 28, 2020

**Independent Auditor's Report**

The Governor  
Nepal Rastra Bank  
Baluwatar, Kathmandu.

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Nepal Rastra Bank (NRB), which comprise the statement of financial position as at 31<sup>st</sup> Ashad 2076 (16 July 2019), statement of net income and other comprehensive income, statement of cash flows, statement of changes in equity for the year then ended and notes comprising of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of NRB as at 31<sup>st</sup> Ashad 2076, and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs) and other IFRS where applicable.

**Basis for Opinion**

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of NRB and we comply with ethical requirements for the audit of NRB in accordance with INTOSAI (International Organization of Supreme Audit Institutions) Fundamental Auditing Principles. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Description of Key Audit Matter	Overview of Audit Procedures Performed	Indication of Outcome of Audit Procedures and Observation
I. Payment of interim dividend of Rs. 2 billion to Government of Nepal (GoN). NRB Act does not provide for interim dividend payment and there was no practice of payment of such interim dividend in the past. The dividend amount was paid as per letter from Ministry of Finance (MoF).	<ul style="list-style-type: none"> <li>a. Review the letter from MoF vide which NRB was required to pay interim dividend and review the Board decision</li> <li>b. Discuss with management the past practice and provisions of NRB Act relating to interim dividend</li> <li>c. Communicate the observed issue to the BoD</li> </ul>	Interim dividend was resented as advance to GoN. However, advance to GoN is also not justifiable as per prevailing laws and practices.
II. Verification of quality and quantity of gold and silver amounting to Rs. 20.22 billion not conducted. This issue was reported as key audit issue for more than 3 years.	<ul style="list-style-type: none"> <li>a. Observe physical verification of gold and silver.</li> <li>b. Review the report of quantity and quality testing by management</li> <li>c. Communicate with management if reportable issue still persists</li> </ul>	Physical verification by management counted number of package only and no quantity and quality was verified in the current year also.
III. Interest receivable of Rs. 1,010 million from GoN was not recovered since many years. This issue was recurring key audit issue for several years.	<ul style="list-style-type: none"> <li>a. Review the status of recovery from GoN</li> <li>b. Inquire the progress in settlement of pending issues</li> <li>c. Communicate with management if reportable issue still persists</li> </ul>	The issue was not resolved in 2075/76 also and the management explained that the issue will be resolved in 2076/77 from surplus payable to GoN

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NFRSs and International Financial Reporting Standard (IFRS) wherever applicable NFRS has not been pronounced/updated, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing NRB's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

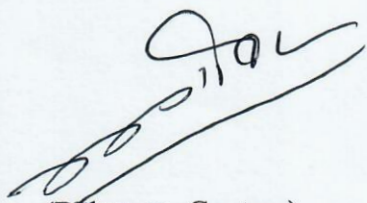


but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



(Baburam Gautam)  
Deputy Auditor General





**NEPAL RASTRA BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**As on 31st Asar, 2076 (16<sup>th</sup> JULY, 2019)**

Figures in NRs.

Particulars	Notes	As on 31-3-2076	As on 32-3-2075
<b>ASSETS</b>			
Cash and Cash Equivalents	4.1	755,847,715,109	847,556,150,188
Trading Assets		-	-
Derivative Assets Held for Risk Management		-	-
Loans and Advances to Bank and Financial Institutions	4.2	22,894,754,410	12,220,303,401
Loans and Advances to Others	4.3	15,049,976,973	12,144,802,143
Overdraft to Government of Nepal		-	-
Gold and Silver at Fair Value	4.4	50,202,241,103	45,467,467,808
Investment Securities	4.5	223,127,793,161	232,984,574,153
Inventories	4.6	2,893,354,348	3,835,795,333
Investment Properties		-	-
Property, Plant and Equipment	4.7	1,596,262,751	948,299,333
Intangible Assets	4.8	90,542,898	114,014,904
Other Assets	4.9	2,304,387	17,312,233
<b>TOTAL ASSETS</b>		<b>1,071,704,945,138</b>	<b>1,155,288,719,496</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial Liabilities held for Trading		-	-
Derivative Liabilities Held for Risk Management		-	-
Bills Payable		221,828,105	115,622,742
Deposits from Bank and Financial Institutions	4.10	185,385,094,042	208,116,242,256
Deposit from Government of Nepal		95,605,371,467	144,165,917,368
Deposits from Others	4.11	21,252,588,039	25,479,607,975
Short Term Borrowings	4.12	-	44,550,000,000
IMF Related Liabilities	4.13	20,789,695,685	21,674,958,091
Staff Liabilities	4.14	1,881,103,006	2,095,039,220
Subordinated Liabilities		-	-
Provisions		-	-
Other Liabilities	4.15	985,889,604	1,403,316,968
Currency in Circulation	4.16	507,060,000,000	494,389,500,000
Surplus Payable to Government of Nepal	4.17 (a)	12,020,000,000	9,000,000,000
<b>Total Liabilities</b>		<b>845,201,569,949</b>	<b>950,990,204,620</b>
<b>EQUITY</b>			
Capital		5,000,000,000	5,000,000,000
Reserves & Surplus	4.17 (b)	221,503,375,189	199,298,514,877
Non-controlling Interest		-	-
<b>TOTAL EQUITY</b>		<b>226,503,375,189</b>	<b>204,298,514,877</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,071,704,945,138</b>	<b>1,155,288,719,496</b>

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

As per our report of even date

-----  
Mr. Pradeep Raj Poudyal  
Executive Director-Financial Management Dept.

-----  
Mr. Baburam Gautam  
Deputy Auditor General

**Board of Directors:**

----- Dr. Chiranjibi Nepal Governor	----- CA. Tek Nath Acharya T.N. Acharya & Co. Chartered Accountants	----- CA. Jitendra Mishra CSC & Co. Chartered Accountants	----- CA. Prabin D. Joshi Prabin Joshi & Co. Chartered Accountants
----- Dr. Rajan Khanal Secretary MOF/Board Member	----- Mr. Chinta Mani Siwakoti Deputy Governor	----- Mr. Shiba Raj Shrestha Deputy Governor	
----- Dr. Sri Ram Poudyal Board Member	----- Mr. Ramjee Regmi Board Member	----- CA. Dr. Suvod Kumar Karn Board Member	Date: 2076/10/15 Place: Kathmandu





**NEPAL RASTRA BANK**  
**STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME**  
For the Year ended on 31st Asar, 2076 (16<sup>th</sup> JULY, 2019)

Figures in NRs.

Particulars	Notes	For the Year Ended	For the Year Ended
		31-03-2076	32-03-2075
Interest Income	4.18	35,770,709,606	32,431,135,623
Interest Expense	4.19	(665,160,304)	(156,622,766)
<b>Net interest Income</b>		<b>35,105,549,302</b>	<b>32,274,512,857</b>
Fee and Commission Income	4.20	102,777,081	100,152,190
Fee and Commission Expense	4.21	(195,791,127)	(516,125,642)
<b>Net Fee and Commission Income</b>		<b>(93,014,046)</b>	<b>(415,973,452)</b>
Net Trading Income		-	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		3,335,856,624	789,682,272
Other Income	4.22	661,343,008	429,723,304
<b>Total Operating Income</b>		<b>39,009,734,889</b>	<b>33,077,944,981</b>
Impairment Allowance on Financial Assets Written back		-	84,899,543
<b>Net Operating Income</b>		<b>39,009,734,889</b>	<b>33,162,844,524</b>
Personnel Expenses	4.23	(2,667,042,095)	(3,298,549,296)
Depreciation, Amortisation and Impairment of Non-Financial Assets	4.24	(149,190,750)	(134,751,851)
Operating Expenses	4.25	(1,761,414,659)	(1,839,298,902)
<b>Distributable Net Income/(Expenditure)</b>		<b>34,432,087,384</b>	<b>27,890,244,475</b>
Foreign Exchange Gain/(Loss) - Unrealised		(2,193,530,153)	38,272,111,979
Gold and Silver Revaluation Gain/(Loss)		(76,037,528)	3,618,022,578
Securities Revaluation Gain/(Loss)		-	-
<b>Net Income/(Expenditure) for the year</b>		<b>32,162,519,703</b>	<b>69,780,379,032</b>
<b>Other Comprehensive Income</b>			
Actuarial gain (Loss) in defined benefit Retirement Schemes		1,341,411,990	1,483,371,084
Net gain (loss) on hedges of net investments		-	-
Net Change in fair value of Cash flow hedges		-	-
Net Change in Fair value of Equity Instruments		724,414,689	(955,264,382)
<b>Other Comprehensive Income</b>		<b>2,065,826,679</b>	<b>528,106,702</b>
<b>Total Comprehensive Income</b>		<b>34,228,346,382</b>	<b>70,308,485,734</b>

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

As per our report of even date

-----  
Mr. Pradeep Raj Poudyal

Executive Director-Financial Management Dept.

**Board of Directors:**

-----

Mr. Baburam Gautam

Deputy Auditor General

-----  
Dr. Chiranjibi Nepal  
Governor

-----  
CA. Tek Nath Acharya  
T.N. Acharya & Co.  
Chartered Accountants

-----  
CA. Jitendra Mishra  
CSC & Co.  
Chartered Accountants

-----  
CA. Prabin D. Joshi  
Prabin Joshi & Co.  
Chartered Accountants

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Dr. Rajan Khanal  
Secretary MOF/Board Member

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Mr. Chinta Mani Siwakoti  
Deputy Governor

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Mr. Shiba Raj Shrestha  
Deputy Governor

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Dr. Sri Ram Poudyal  
Board Member

-----  
Mr. Ramjee Regmi  
Board Member

-----  
CA. Dr. Suvod Kumar Karn  
Board Member

Date: 2076/10/15  
Place: Kathmandu





**NEPAL RASTRA BANK**  
**STATEMENT OF CASH FLOWS**

For the Year ended on 31st Asar, 2076 (16th JULY, 2019)

Figures in NRs.

PARTICULARS	For the Year Ended 31-3-2076	For the Year Ended 32-3-2075
<b>Cash Flow From Operating Activities</b>		
Net Income/(Expenditure) for the year	32,162,519,703	69,780,379,032
<b>Adjustments</b>		
Depreciation & Amortisation	149,190,750	134,751,851
Dividend Income	(14,022,986)	(62,332,657)
Provisions no Longer Required Written Back	-	(84,899,543)
Grant Income	-	-
Profit from Sale of Assets/ Investments	(7,036,678)	(73,847,508)
Assets Written Off	-	-
Interest paid on IMF Liabilities	114,976,450	76,400,976
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(3,486,071)	4,578,042
Foreign Exchange Gain/(Loss) - Unrealised	2,193,530,153	(38,272,111,979)
Net Gold and Silver Revaluation Gain/(Loss)	76,037,528	(3,618,022,578)
Securities Revaluation Gain/(Loss)	-	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,341,411,990	1,483,371,084
<b>Cash Flow From Operation Before Inc / Dec in Operating Assets</b>	<b>36,013,120,839</b>	<b>29,368,266,720</b>
<b>(Increase)/Decrease in Operating Assets</b>	<b>(12,622,177,007)</b>	<b>(6,302,330,039)</b>
Loans & Advances	(13,579,625,838)	(5,597,737,293)
Inventories	942,440,985	(750,295,878)
Other Assets	15,007,847	45,703,132
<b>Increase/(Decrease) in Operating Liabilities</b>	<b>(120,593,872,265)</b>	<b>(27,620,823,017)</b>
Government Deposit	(48,560,545,901)	(49,586,769,863)
Deposit Liabilities	(26,958,168,150)	(4,987,969,359)
Bills Payable	106,205,363	(117,979,578)
Short Term Borrowings	(44,550,000,000)	30,150,000,000
IMF Deposit	-	262,837,718
Staff Liabilities	(213,936,214)	(3,696,558,381)
Other Liabilities	(417,427,364)	355,616,445
<b>Net Cash Flow From Operating Activities</b>	<b>Total (A)</b>	<b>(4,554,886,337)</b>
<b>Cash Flow From Investing Activities</b>		
Net (Incr)/Decr in Investment Securities	10,581,195,681	(34,268,671,890)
Gold & Silver	(4,810,810,823)	415,656,960
Purchase of Property, Plant & Equipment	(780,302,393)	(121,579,044)
Sale of Property, Plant & Equipment	14,651,310	106,185,093
Purchase of Intangible Assets	(994,400)	(1,133,672)
Dividend Income	14,022,986	62,332,657
<b>Net Cash Flow From Investing Activities</b>	<b>Total (B)</b>	<b>(33,807,209,897)</b>
<b>Cash Flow From Financing Activities</b>		
Bank Note Issued	12,670,500,000	63,399,500,000
Increase/Decrease in ECF/RCF Loan & SDR Allocation	(885,262,406)	(147,565,089)
Interest paid on IMF Liabilities	(114,976,450)	(76,400,976)
Surplus Paid to GON	(9,000,000,000)	(7,500,000,000)
<b>Net Cash Flow From Financing Activities</b>	<b>Total (C)</b>	<b>55,675,533,934</b>
<b>Net Cash Flow for the Year (A+B+C)</b>	<b>(89,514,904,927)</b>	<b>17,313,437,701</b>
Revaluation Gain or Loss on Foreign Exchange	(2,193,530,153)	38,272,111,979
Cash and Cash Equivalent at the Beginning of the Year	847,556,150,188	791,970,600,508
<b>Cash and Cash Equivalent at the end of the Year</b>	<b>755,847,715,109</b>	<b>847,556,150,188</b>

As per our report of even date

-----  
Mr. Pradeep Raj Poudyal  
Executive Director-Financial Management Dept.

-----  
Mr. Baburam Gautam  
Deputy Auditor General

**Board of Directors:**

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Governor

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Dr. Sri Ram Poudyal  
Board Member

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Mr. Ramjee Regmi  
Board Member

-----  
CA. Dr. Suvod Kumar Karn  
Board Member

Date: 2076/10/15  
Place: Kathmandu



**NEPAL RASTRA BANK**

**Statement of Changes in Equity**

For the Year ended on 31st Asar, 2076 (16th JULY, 2019)

Figures in NRs.

PARTICULARS	Statutory Reserve						Fair Value Reserve	Revaluation Reserve	Other Reserves	Retained Earning	Total
	Capital	General Reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equilisation Fund	Gold & Silver Equilisation Reserve					
<b>Balance as on 1st Shrawan 2074</b>	5,000,000,000	25,974,792,905	5,086,563,008	1,889,049,010	58,821,697,898	22,599,580,748	3,973,804,991	869,693,096	18,770,988,505	0	142,986,150,161
Adjustment for Prior Period Income (Expense)									(699,061)	4,578,041	3,878,979
<b>Restated Balance</b>	<b>5,000,000,000</b>	<b>25,974,792,905</b>	<b>5,086,563,008</b>	<b>1,889,049,010</b>	<b>58,821,697,898</b>	<b>22,599,580,748</b>	<b>3,973,804,991</b>	<b>869,693,096</b>	<b>18,770,269,444</b>	<b>4,578,041</b>	<b>142,990,029,140</b>
Net Income for the year										69,780,379,032	69,780,379,032
Other Comprehensive Income										528,106,702	528,106,702
<b>Appropriation of Net Income:</b>											
To General Reserve		6,794,952,019								(6,794,952,019)	
To Monetary Liability Reserve			1,512,606,009							(1,512,606,009)	
To Financial Stability Fund				1,512,606,009						(1,512,606,009)	
To Exchange Equilisation Fund					38,272,111,979					(38,272,111,979)	
To Gold & Silver Equilisation Reserve						3,618,022,578				(3,618,022,578)	
To Revaluation Reserve											
To Fair Value Reserve							(955,264,382)			955,264,382	
To Other Reserve								11,334,345,337		(11,334,345,337)	
To Net Cumulative Surplus Fund								97,610,812		(97,610,812)	
<b>Inter Fund Transfer:</b>											
Gold & Silver to General Reserve											
General Reserve to Share Capital											
Other Reserve to Retained Earning											
Other Reserve to General Reserve											
<b>Balance Surplus Transfer to Government</b>											
<b>Balance as on 32nd Asar 2075</b>	<b>5,000,000,000</b>	<b>32,769,744,924</b>	<b>6,599,169,017</b>	<b>3,401,655,019</b>	<b>97,093,809,877</b>	<b>26,217,603,326</b>	<b>3,018,540,609</b>	<b>(0)</b>	<b>30,197,992,102</b>	<b>(3,486,071)</b>	<b>204,298,514,874</b>
Adjustment for Prior Period Income (Expense)											
<b>Restated Balance</b>	<b>5,000,000,000</b>	<b>32,769,744,924</b>	<b>6,599,169,017</b>	<b>3,401,655,019</b>	<b>97,093,809,877</b>	<b>26,217,603,326</b>	<b>3,018,540,609</b>	<b>(0)</b>	<b>30,197,992,102</b>	<b>(3,486,071)</b>	<b>204,295,028,804</b>
Net Income for the year										32,162,519,703	32,162,519,703
Other Comprehensive Income										2,065,826,679	2,065,826,679
<b>Appropriation of Net Income:</b>											
To General Reserve		7,371,159,330								(7,371,159,330)	
To Monetary Liability Reserve			1,788,500,665							(1,788,500,665)	
To Financial Stability Fund				1,788,500,665						(1,788,500,665)	
To Exchange Equilisation Fund					(2,193,530,153)					2,193,530,153	
To Gold & Silver Equilisation Reserve						(76,037,528)				76,037,528	
To Revaluation Reserve											
To Fair Value Reserve							724,414,689			(724,414,689)	
To Other Reserve								12,797,280,027		(12,797,280,027)	
To Net Cumulative Surplus Fund								4,572,616		(4,572,616)	
<b>Inter Fund Transfer:</b>											
Gold & Silver to General Reserve											
General Reserve to Share Capital											
Other Reserve to Retained Earning											
Other Reserve to General Reserve											
<b>Balance Surplus Transfer to Government</b>											
<b>Balance as on 31st Asar 2076</b>	<b>5,000,000,000</b>	<b>40,140,904,254</b>	<b>8,387,669,682</b>	<b>5,190,155,684</b>	<b>94,900,279,724</b>	<b>26,141,565,798</b>	<b>3,742,955,298</b>	<b>(0)</b>	<b>42,999,844,745</b>	<b>(12,020,000,000)</b>	<b>226,503,575,189</b>

**Board of Directors:** As per our report of the even date.

.....	Dr. Chiranjibi Nepal	Secretary MOF/Board Member	.....	Mr. Pradeep Raj Poudyal	Executive Director-Financial Management Dept.	.....	Mr. Baburam Gautam	Deputy Auditor General	.....	Mr. Chintamani Siwakoti	Deputy Governor	.....	Mr. Shiba Raj Shrestha	Deputy Governor
.....	CA. Tek Nath Acharya	Chartered Accountants	.....	CA. Prabin D. Joshi	Chartered Accountants	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	T.N. Acharya & Co.	Chartered Accountants	.....	Prabin Joshi & Co.	Chartered Accountants	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	CA. Jitendra Mishra	Chartered Accountants	.....	CA. Prabin D. Joshi	Chartered Accountants	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	CA. Jitendra Mishra	Chartered Accountants	.....	Prabin Joshi & Co.	Chartered Accountants	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	CA. Prabin D. Joshi	Chartered Accountants	.....	Prabin Joshi & Co.	Chartered Accountants	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	Dr. Sri Ram Poudyal	Board Member	.....	Dr. Sri Ram Poudyal	Board Member	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	Mr. Ramjee Regmi	Board Member	.....	Mr. Ramjee Regmi	Board Member	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	CA. Dr. Suvod Kumar Karn	Board Member	.....	CA. Dr. Suvod Kumar Karn	Board Member	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Date: 2076/10/15  
Place: Kathmandu





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### 1 General Information

Nepal Rastra Bank (hereinafter referred to as 'NRB' or 'the Bank'), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The main activities/objectives of the Bank include:

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

### 2 Basis of Preparation

#### 2.1 Statement of Compliance

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

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

#### 2.2 Responsibility of Financial Statements

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The financial statements are approved by the Board Meeting held on 15th Magh 2076 (29th January 2020).

#### 2.3 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

#### 2.4 Fiscal Year

The financial statements relate to the fiscal year 2075/76 i.e. 1st Sawan 2075 to 31st Asar 2076 corresponding to Gregorian calendar 17th July 2018 to 16th July 2019. The previous year was 1st Sawan 2074 to 32nd Asar 2075 (16th July 2017 to 16th July 2018).

#### 2.5 Use of Estimates, Assumptions or Judgments

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

Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

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



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

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

### 2.6 Controlling Body

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

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

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

## 3 Significant Accounting Policies

### 3.1 Basis of Measurement

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

Items	Measurement Basis
Non Derivative Financial Instrument at Fair value through profit or Loss	Fair value
Equity investments	Fair value
Gold & Silver Investment other than inventories	Fair value
Inventories (Including gold & silver kept for further processing)	Cost or Net Realisable value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

### 3.2 Basis of Consolidation

The Bank's investment in Rastriya Beema Samsthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done.





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### 3.2.1 Basis of Accounting for Investment in Associates

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

### 3.3 Interest Income/(Expenses)

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

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

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

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

### 3.4 Non Interest Income

#### i. Fees and Commission income

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

#### ii. Net trading income

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

#### iii. Net income from financial instruments designated at fair value

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

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

#### iv. Other Income

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements

Fiscal Year 2075-76 (2018-19 AD)

- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.

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

### 3.5 Leases

Payment made under operating leases are recognized in Statement of Net Income. The lease rental is adjusted for inflation rate periodically and the same amount is booked as operating lease expense which the bank believes is more representative than the straight line method in line with para 33 of NAS-17.

### 3.6 Foreign Currency Transaction

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

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

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

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

### 3.7 Income tax

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

### 3.8 Financial Assets and Financial Liabilities

#### i) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued, subordinated liabilities on the date of which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

#### ii) Classification

##### Financial assets:

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

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

- At amortised cost: Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, Such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

- At fair value through profit or loss: Financial assets are classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.

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

### **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 expired. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

### **(iii) Derecognition**

#### **Financial assets**

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

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in income or expenditure. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate assets or liability.

#### **Financial Liabilities**

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

### **(iv) Offsetting**

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



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### (v) Amortized cost measurement

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

### (vi) Fair value measurement

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

### (vii) Identification and measurement of impairment

#### Financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

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

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





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

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

### **Non financial assets**

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

(viii) Designation at fair value through Profit or Loss.

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

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

### **3.9 Cash and Cash Equivalents**

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

### **3.10 Trading Assets and Liabilities**

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

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure.

### **3.11 Loans and Advances to Banks and Financial Institutions**

Loans and advances to Banks and Financial Institutions include non derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities.

### **3.12 Loan and Advances to Others**

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as parties. The Bank provides various types of loans to its employee as per the Staff Bylaws of the Bank. The loans are measured at amortised cost and difference amount between the principal and present value of the loan is charged as expenses under personnel expenses.



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### 3.13 Investment Securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction cost, and subsequently accounted for depending on their classification as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

### 3.14 Investment Property

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

### 3.15 Property and Equipment

#### i. Recognition and Measurement

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. 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 to be 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 in to the Bank. Ongoing repair and maintenance are expensed as incurred.

If significant part of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of Net Income.

#### ii. Depreciation

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 life 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 required.

The estimated useful lives of the significant items of Property & Equipment are as follows:

<u>Class of assets</u>	<u>Estimated useful life</u>
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 years
Vehicles	5 years
Others	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### iii. Assets received in grant

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

### 3.16 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. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Software, useful life of which have been defined by terms of contract or conditions for use are amortized on straight-line basis over the useful life of asset.

Software, useful life of which have not been clearly defined by terms of contract or condition of use as well have a definite useful lives due to technological obsolescence are amortized on straight-line basis over estimated useful life of ten years and five years for business application software and other software respectively.

### 3.17 Impairment of Non Financial Assets

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

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

### 3.18 Gold and Silver at fair value

Gold and silver held as investment (paper gold as well as reserve gold/silver) is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Appropriation of Net Income/(Expenditure).

### 3.19 Inventories

Inventories are carried at cost or net realizable value whichever is less. Cost for 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 Net Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed off at the time of purchase.

Gold and silver stock physically held for minting and processing purpose are also treated as inventories and 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 (NAS 2.23).

### 3.20 Deposits and Borrowings

Deposits and borrowings (debt securities issued) are the source of funds of the bank in addition to its reserves.

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

### 3.21 Provisions

A provision is recognized if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### 3.22 Employee Benefits

#### i. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in 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 employees render the service are discounted at their present value. 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 (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 Statement of Net Income 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 Statement of Net Income as the related services are accounted.

#### ii. Defined Benefits Plan

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

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

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





## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

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

**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 valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

**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.

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

### iii. Other long term employee benefits

The group net obligation in respect of long term employee benefits is the amount of future benefits that employees earned in return or their service in the current and prior period. That benefit is discounted to determine its present value. Remeasurements are recognized in Statement of Net Income in the period in which they arise.

### iv. Termination Benefits

The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

### v. Short term employee benefits

Short term employees benefits are expenses as the related services is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably.

## 3.23 Currency in Circulation

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act, 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

value in the balance sheet. These liabilities are secured by assets including foreign currency and foreign securities etc. as permitted by Nepal Rastra Bank Act, 2058.

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

### 3.24 Transactions on Repurchase Obligations (Repo) and Reverse Repo

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

a) Securities sold subject to repurchase arrangements (Repo) are recorded as refinance and loan to banks. 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 deposits and other balances of 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.

### 3.25 Unclaimed Account

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

### 3.26 Bills Payable and Bills Receivable

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

### 3.27 Consolidation of Project Accounts

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

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

### 3.28 Presentation

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



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### 4 Notes relating to items in the financial statements

#### 4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.9, balances of cash and cash equivalent at the reporting date are as below:

Particulars	31-03-2076	32-03-2075
<b>Foreign Currency:</b>		
Cash in Hand & at Vault	15,550,851,739	32,276,351,028
Balances with Other Banks	80,612,597,573	98,530,337,509
GOI Treasury Bills	220,338,423,350	235,503,932,213
US Government Treasury Bills	16,311,683,916	16,354,309,087
Time Deposit	418,855,585,681	454,376,878,804
Investment in FIXBIS	-	2,174,478,354
Investment in Repurchase Agreements	-	-
IMF Related Assets: SDR Holdings	354,810,632	164,054,814
<b>Total Foreign Currency</b>	<b>752,023,952,891</b>	<b>839,380,341,809</b>
<b>Local Currency:</b>		
Cash in Hand & at Vault	3,809,821,027	8,155,854,685
Balances with Other Banks	13,941,191	19,953,694
<b>Total Local Currency</b>	<b>3,823,762,218</b>	<b>8,175,808,379</b>
<b>Total</b>	<b>755,847,715,109</b>	<b>847,556,150,188</b>

#### 4.2 Loans and Advances to Bank & Financial Institutions

Please refer accounting policy in Note 3.11. The balances of loans and advances to banks and financial institutions (B/FIs) and microfinance (MFI) are as below:

Particulars	31-03-2076	32-03-2075
<b>Refinance/SLF Loans:</b>		
Commercial Banks	21,282,538,229	11,756,876,381
Development Banks	1,406,378,153	221,000,000
Finance Companies	205,838,028	210,427,020
Loan to Micro Finance Institutions	10,000,000	42,000,000
Less: Allowance for impairment	(10,000,000)	(10,000,000)
<b>Total</b>	<b>22,894,754,410</b>	<b>12,220,303,401</b>
<b>Allowance for impairment</b>		
Balance as on 01-04-2075	10,000,000	10,000,000
Charge for the year	-	-
Effect of foreign currency movements	-	-
Unwind of discount	-	-
<b>Balance as on 31-03-2076</b>	<b>10,000,000</b>	<b>10,000,000</b>

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





## NEPAL RASTRA BANK

### Notes Forming part of Financial Statements

Fiscal Year 2075-76 (2018-19 AD)

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

Particulars	Period	Refinance Rate	31-03-2076	32-03-2075
General Refinance	1 year	4%	19,313,678,409	9,993,957,858
Special/Export Refinance	1 year	1%	866,118,842	402,125,496
Zero Interest Loan	6 months	0%	2,214,993,159	1,824,220,046
Standing Liquidity Facility	3 days	6.5%	500,000,000	-
<b>Total</b>			<b>22,894,790,410</b>	<b>12,220,303,401</b>

#### 4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.12. The balances are given as below:

Particulars	31-03-2076	32-03-2075
Receivable from GON against payment to IMF	-	-
Advance Payment to GON	2,000,000,000	-
Balance with Asian Clearing Union (ACU)		
Gross Loans to Employees	3,637,363,702	4,783,283,731
Less: Amortisation Adjustment	(198,464,626)	(1,246,720,971)
<b>Net Loans to Employees</b>	<b>3,438,899,076</b>	<b>3,536,562,760</b>
<b>Interest Receivable</b>		
Australian Dollar	45,840,435	85,362,439
Canadian Dollar	16,739,419	15,723,868
Yuan Ren-Min-Bi (China)	1,093,520,762	1,121,904,696
Nepalese Rupee	2,830,806,706	3,070,689,979
Pound Sterling	6,320,474	9,824,167
United States Dollars	1,842,824,495	1,486,543,397
<b>Interest Receivable</b>	<b>5,836,052,291</b>	<b>5,790,048,546</b>
<b>Advances Recoverable</b>		
Advance to Staff	8,427,189	12,017,500
Sundry Debtors	125,024,421	403,752,167
Advance for Construction	948,834,161	-
Prepaid Expenses	614,978	945,099
Pension Advance Account	2,684,059,189	2,393,372,855
Staff Endowment Policy Advance	10,401,500	9,977,500
Other	-	461,548
Less: Impairment Allowance	(2,335,832)	(2,335,832)
<b>Net Advances Recoverable</b>	<b>3,775,025,606</b>	<b>2,818,190,838</b>
<b>Total</b>	<b>15,049,976,973</b>	<b>12,144,802,143</b>

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

#### 4.4 Gold & Silver at Fair Value

Please refer accounting policy in Note 3.18. The balances are given as below:

Particulars	31-03-2076	32-03-2075
Investment in Paper Gold	31,837,001,290	28,078,523,145
Gold Held in Stock at Fair Value	10,753,933,029	9,514,334,427
Silver Held in Stock at Fair Value	7,611,306,784	7,874,610,236
<b>Total</b>	<b>50,202,241,103</b>	<b>45,467,467,808</b>



## NEPAL RASTRA BANK

### Notes Forming part of Financial Statements

Fiscal Year 2075-76 (2018-19 AD)

#### 4.5 Investment Securities

Please refer accounting policy in Note 3.13. The balances are given as below:

Particulars	31-03-2076	32-03-2075
At Amortized Cost	218,863,558,942	229,454,754,044
At Fair Value through Other Comprehensive Income (OCI)	4,264,234,218	3,529,820,109
At Fair Value through Profit or Loss		
<b>Total</b>	<b>223,127,793,161</b>	<b>232,984,574,153</b>

a) Investment Securities at Amortized Cost	31-03-2076	32-03-2075
Government Treasury Notes/Bonds(USD)	65,589,931,430	65,546,403,362
Government Treasury Notes/Bonds (CNY)	59,059,765,279	58,989,291,902
Investment in Mid term Instruments (MTI)	2,730,109,799	8,387,708,224
Notice Deposit (JPY)	-	18,701,060,000
Time Deposit	22,062,665,446	-
Government Bond (GON)	225,339,574	216,672,667
Fixed deposit with Bank & Financial Institutions	3,964,832,000	3,585,959,000
Government Treasury Bills (GON)	18,431,422,742	25,600,825,674
Saving Certificates (GON)	46,799,852,672	48,427,193,215
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Less individual allowance for impairment	(253,760,000)	(253,760,000)
<b>Total</b>	<b>218,863,558,942</b>	<b>229,454,754,044</b>

Impairment Loss on Available for Sale Investment Securities		
Balance as on 01-04-2075	253,760,000	330,653,903
Charge for the year	-	-
Reversal of Impairment	-	(76,893,903)
<b>Balance as on 31-03-76</b>	<b>253,760,000</b>	<b>253,760,000</b>

Interest amount of Rs.8,56,52,051.37 has been accrued on deposit amounting Rs.25,37,60,000.00 made in problematic financial institution and the same hasn't been booked as income.

b) Investment Securities at Fair Value through OCI	31-03-2076	32-03-2075
Quoted equity securities	1,926,257,845	1,448,320,962
Unquoted equity securities	2,345,476,374	2,088,999,147
Less: Allowance for impairment of equity securities	(7,500,000)	(7,500,000)
<b>Total</b>	<b>4,264,234,218</b>	<b>3,529,820,109</b>
Impairment Loss on Investment Securities		
Balance as on 01-04-2075	7,500,000	7,500,000
Charge for the year	-	-
Reversal of Impairment	-	-
<b>Balance as on 31-03-76</b>	<b>7,500,000</b>	<b>7,500,000</b>

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

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



## NEPAL RASTRA BANK

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

### I) Investment in quoted equity securities includes the following:

Particulars	31-03-2076	32-03-2075
RMDC Laghubitta Bittiya Sanstha Ltd.	105,792,675	95,881,291
Citizen Investment Trust	1,767,041,375	1,298,216,945
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	53,423,794	54,222,726
<b>Total</b>	<b>1,926,257,845</b>	<b>1,448,320,962</b>

The shares investment in RMDC Laghubitta Bittiya Sanstha Ltd. has been revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC .

### II) Investment in unquoted equity securities includes the following:

Particulars	31-03-2076	32-03-2075
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	999,382,248	1,046,014,465
National Productivity and Eco. Dev.	2,500,000	2,500,000
Deposit & Credit Guarantee Fund	1,143,088,259	884,055,389
Nepal Clearing House	61,001,402	47,178,000
Credit Information Bureau	107,189,098	82,899,198
National Banking Institute	26,315,367	20,352,096
<b>Total</b>	<b>2,345,476,374</b>	<b>2,088,999,147</b>

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

### III) Selection of Presentation criteria

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

#### 4.6 Inventories

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

Particulars	31-03-2076	32-03-2075
Gold Held in Stock at Cost	1,789,665,516	2,114,210,086
Silver Held in Stock at Cost	64,295,747	66,380,138
Security Note Stock	957,679,167	1,440,296,928
Coin Stock	79,596,342	203,718,006
Other Metal Stock	13,449,497	22,906,167
Numismatic Stock	22,824,571	22,487,221
Dispensary Stock	800,559	753,838
<b>Total Inventories</b>	<b>2,928,311,400</b>	<b>3,870,752,384</b>
Less: Impairment Allowance		
Non-moving Numismatic Stock	(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)
<b>Total Allowance for Impairment</b>	<b>(34,957,052)</b>	<b>(34,957,052)</b>
<b>Total Inventories Net of Allowance for Impairment</b>	<b>2,893,354,348</b>	<b>3,835,795,333</b>





**NEPAL RASTRA BANK**

Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.7 Property and equipment**

Please see accounting policy in Note 3.15. The details are given as below:

Particulars	Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate		3%	20%	20%	20%	20%	10%	20%		
Balance as on 1st Sawan 2074	193,834,552	727,395,236	218,238,525	268,551,292	111,354,213	141,979,046	43,467,755	4,829,873	19,199,920	1,728,850,414
Addition during the Year	-	47,691,347	5,910,888	25,458,900	3,375,485	20,776,595	5,680,699	386,900	12,298,230	121,579,044
Disposal/Write Off/Adjustment	-	-	(7,332,103)	(32,822,048)	(2,962,132)	(5,991,699)	(40,071)	-	(28,893,387)	(78,041,440)
Balance as on 32nd Asar 2075	193,834,552	775,086,583	216,817,310	261,188,144	111,767,566	156,763,942	49,108,382	5,216,773	2,604,763	1,772,388,016
Balance as on 1st Sawan 2074	-	282,654,304	119,307,996	140,302,155	102,006,422	93,466,670	17,159,967	4,507,910	-	759,405,424
Depreciation for the Year	-	22,088,573	28,724,334	37,436,064	2,807,682	15,819,511	3,413,180	97,773	-	110,387,117
Disposal/Write Off/Adjustment	-	-	(5,582,765)	(31,568,583)	(2,962,128)	(5,550,313)	(40,070)	-	-	(45,703,857)
Balance as on 32nd Asar 2075	-	304,742,877	142,449,565	146,169,636	101,851,977	103,735,869	20,533,077	4,605,683	-	824,088,683
<b>Net Book Value as on 32<sup>nd</sup> Asar 2075</b>	<b>193,834,552</b>	<b>470,343,706</b>	<b>74,367,745</b>	<b>115,018,508</b>	<b>9,915,590</b>	<b>53,028,073</b>	<b>28,575,305</b>	<b>611,090</b>	<b>2,604,763</b>	<b>948,299,333</b>
Balance as on 1 <sup>st</sup> Sawan 2075	193,834,552	775,086,583	216,817,310	261,188,144	111,767,566	156,763,942	49,108,382	5,216,773	2,604,763	1,772,388,016
Addition during the Year	-	7,724,204	27,979,391	135,894,795	7,571,111	20,307,123	10,708,987	352,285	569,764,497	780,302,393
Disposal/Write Off/Adjustment	-	(216,994)	(17,838,342)	(36,061,735)	(1,493,160)	(6,152,766)	(555,895)	(61,200)	-	(62,380,091)
Balance as on 31 <sup>st</sup> Asar 2076	193,834,552	782,593,793	226,958,359	361,021,204	117,845,518	170,918,299	59,261,475	5,507,858	572,369,260	2,490,310,318
Balance as on 1 <sup>st</sup> Sawan 2075	-	304,742,877	142,449,565	146,169,636	101,851,977	103,735,869	20,533,077	4,605,683	-	824,088,683
Depreciation for the Year	-	23,072,985	25,107,032	51,875,205	3,434,590	17,264,338	3,796,439	173,755	-	124,724,344
Disposal/Write Off/Adjustment	-	(83,544)	(16,875,348)	(30,140,241)	(1,468,151)	(5,600,870)	(536,107)	(61,198)	-	(54,765,460)
Balance as on 31 <sup>st</sup> Asar 2076	-	327,732,318	150,681,249	167,904,599	103,818,416	115,399,337	23,793,409	4,718,240	-	894,047,567
<b>Net Book Value as on 31<sup>st</sup> Asar 2076</b>	<b>193,834,552</b>	<b>454,861,475</b>	<b>76,277,109</b>	<b>193,116,605</b>	<b>14,027,101</b>	<b>55,518,963</b>	<b>35,468,066</b>	<b>789,618</b>	<b>572,369,260</b>	<b>1,596,262,751</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.8 Intangible assets and goodwill**

Please refer accounting policies in Notes 3.16. The details of balance are as follows:

Particulars	Computer Software				Total Assets	
	Useful Life Defined by Contractual Agreements	Other Useful Life		Capital Work in Progress		
		20%	10%			
<b>Amortisation Rate</b>						
Original Cost	Balance as on 1st Sawan 2074	1,763,930	11,145,151	229,272,935	-	242,182,016
	Addition during the Year		1,133,672			1,133,672
	Disposal/Write Off/Adjustment					-
Accumultaed Amortisation	Balance as on 32nd Asar 2075	1,763,930	12,278,823	229,272,935	-	243,315,688
	Balance as on 1st Sawan 2074	1,241,842	8,163,818	95,530,390	-	104,936,050
	Depreciation for the Year	258,420	1,179,021	22,927,292		24,364,734
	Disposal/Write Off/Adjustment					-
	Balance as on 32nd Asar 2075	1,500,262	9,342,840	118,457,682	-	129,300,783
	<b>Net Book Value as on 32nd Asar 2075</b>	<b>263,668</b>	<b>2,935,983</b>	<b>110,815,253</b>	<b>-</b>	<b>114,014,904</b>
Original Cost	Balance as on 1st Sawan 2075	1,763,930	12,278,823	229,272,935	-	243,315,688
	Addition during the Year		994,400			994,400
	Disposal/Write Off/Adjustment					-
Accumultaed Amortisation	Balance as on 31st Asar Asar 2076	1,763,930	13,273,223	229,272,935	-	244,310,088
	Balance as on 1st Sawan 2075	1,500,262	9,342,840	118,457,682	-	129,300,783
	Depreciation for the Year	258,420	1,280,693	22,927,293		24,466,406
	Disposal/Write Off/Adjustment					-
	Balance as on 31st Asar 2076	1,758,681	10,623,533	141,384,975	-	153,767,190
	<b>Net Book Value as on 31st Asar 2076</b>	<b>5,249</b>	<b>2,649,690</b>	<b>87,887,959</b>	<b>-</b>	<b>90,542,898</b>

**4.9 Other Assets**

Particulars	31-03-2076	32-03-2075
Deposits	1,558,228	1,663,378
Project Assets	-	6,661,172
Other Receivables	746,158	8,987,683
<b>Total</b>	<b>2,304,387</b>	<b>17,312,233</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.10 Deposits from banks and financial institutions**

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

Particulars	31-03-2076	32-03-2075
Foreign Currency	10,075,679,634	3,114,280,834
Local Currency	175,309,414,408	205,001,961,421
<b>Total</b>	<b>185,385,094,042</b>	<b>208,116,242,256</b>

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

**4.11 Deposits from Others**

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

Particulars	31-03-2076	32-03-2075
<b>Foreign Currency:</b>		
Public Enterprises	301,795,165	404,716,417
Other Organisations	540,238	540,140
<b>Total Foreign Currency</b>	<b>302,335,404</b>	<b>405,256,557</b>
<b>Local Currency:</b>		
Public Enterprises	7,131,814,089	12,495,870,285
Margin Deposit in LCs	12,804,495,388	11,877,413,870
Other Organisations	1,013,943,158	701,067,264
<b>Total Local Currency</b>	<b>20,950,252,635</b>	<b>25,074,351,419</b>
<b>Total</b>	<b>21,252,588,039</b>	<b>25,479,607,975</b>

All deposits are non interest bearing and current in nature.

**4.12 Short Term Borrowings**

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

Particulars	31-03-2076	32-03-2075
NRB Bonds	-	-
Deposit Collection-Auction	-	44,550,000,000
Reverse Repo Liabilities	-	-
<b>Total</b>	<b>-</b>	<b>44,550,000,000</b>

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

**4.13 IMF Related Liabilities**

Particulars	31-03-2076	32-03-2075
<b>Foreign Currency:</b>		
Special Drawing Right Allocation	10,468,255,853	10,475,488,916
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	876,817,665	1,754,847,008
Loan under Extended Credit Facility (ECF)	-	-
<b>Total Foreign Currency</b>	<b>11,345,073,518</b>	<b>12,230,335,924</b>
<b>Local Currency:</b>		
IMF Account No 1	9,443,743,425	9,443,743,425
IMF Account No 2	878,742	878,742
<b>Total Local Currency</b>	<b>9,444,622,167</b>	<b>9,444,622,167</b>
<b>Total</b>	<b>20,789,695,685</b>	<b>21,674,958,091</b>





## NEPAL RASTRA BANK

### Notes Forming part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

#### 4.14 Staff Liabilities

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

Particulars	31-03-2076	32-03-2075
Medical Fund (Includes Medical Earning Fund, Interest, etc)	536,315,205	593,320,954
Welfare Provident Fund	554,492,224	518,419,539
Liability for Staff Leave Encashment	897,654,092	981,879,599
Liability for Retired Staff	593,464,996	527,358,878
Gratuity and Pension Fund	18,589,350,597	18,710,462,476
Less: Plan Assets	(19,170,360,000)	(19,391,142,000)
	<b>(581,009,403)</b>	<b>(680,679,524)</b>
Staff Security Fund	1,892,985,892	2,168,339,774
Less: Plan Assets	(2,012,800,000)	(2,013,600,000)
	<b>(119,814,108)</b>	<b>154,739,774</b>
<b>Total</b>	<b>1,881,103,006</b>	<b>2,095,039,220</b>

#### 4.15 Other liabilities

Particulars	31-03-2076	32-03-2075
Interest Payable	25,369,322	20,957,582
Asian Clearing Union	126,976,089	193,763,757
Earnest Money	-	-
Insurance Premium Collected from Staff	87,593,610	95,731,091
Other Payables of Project	-	30,501
Payable against GON Bonds	-	-
Unclaimed Account	106,631,904	84,855,262
General Account	6,972,436	6,978,943
Deferred Grant Income	123	123
Other Liabilities	632,346,121	1,000,999,709
<b>Total</b>	<b>985,889,604</b>	<b>1,403,316,968</b>

#### 4.16 Currency in Circulation

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

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

Denomination	31-03-2076	32-03-2075
1	161,033,483	161,067,956
2	185,362,442	185,513,184
5	2,679,628,395	2,403,814,900
10	4,144,479,450	3,673,117,530
20	4,986,427,480	4,523,894,180
25	57,243,300	57,347,350
50	10,618,303,600	8,550,438,650
100	17,310,639,600	17,206,082,500
250	87,420,750	87,427,750
500	110,432,982,500	101,386,029,000
1000	356,396,479,000	356,154,767,000
<b>Total</b>	<b>507,060,000,000</b>	<b>494,389,500,000</b>

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 3,809,821,027 (P.Y. NRs. 8,155,854,685).



## NEPAL RASTRA BANK

### Notes Forming part of Financial Statements

Fiscal Year 2075-76 (2018-19 AD)

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

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

Particulars	F.Y 2075-76	F.Y 2074-75
<b>Net Income/(Expenditure) for the year</b>	<b>32,162,519,703</b>	<b>69,780,379,032</b>
Foreign Exchange Gain/(Loss) - Unrealised	2,193,530,153	(38,272,111,979)
Net Gold and Silver Revaluation Gain/(Loss)	76,037,528	(3,618,022,578)
Securities Revaluation Gain/(Loss)	-	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,341,411,990	1,483,371,084
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(3,486,071)	4,578,042
Reversal of Project Split Interest Reserve Fund	-	4,233,491
Reversal of Investment Revaluation Reserve	-	869,693,096
Reversal of Net Cumulative Surplus Fund	-	-
<b>Surplus Available for Distribution</b>	<b>35,770,013,303</b>	<b>30,252,120,186</b>
<b>Less: Appropriations</b>		
General Reserve	(7,371,159,330)	(6,794,952,019)
Monetary Liability Reserve	(1,788,500,665)	(1,512,606,009)
Financial Stability Fund	(1,788,500,665)	(1,512,606,009)
Development Fund	(11,825,000,000)	(11,000,000,000)
Development Finance Project Mobilisation Fund	(1,504,219)	(18,958,350)
Banking Development Fund	(150,000,000)	(110,000,000)
Mechanisation Fund	(200,000,000)	(150,000,000)
Gold Replacement Fund	(520,775,808)	(55,386,987)
Mint Development Fund	(100,000,000)	-
Net Cumulative Surplus Fund	(4,572,616)	(97,610,812)
<b>Balance Payable to Government of Nepal</b>	<b>12,020,000,000</b>	<b>9,000,000,000</b>

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability.

#### 4.17 (b) Reserves & Surplus

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

Particulars	31-03-2076	32-03-2075
<b>Capital Reserve:</b>		
Gold and Silver Equalization Reserve	26,141,565,798	26,217,603,326
<b>Statutory Reserve:</b>		
General Reserve	40,140,904,254	32,769,744,924
Monetary Liabilities Reserve	8,387,669,682	6,599,169,017
Financial Stability Fund	5,190,155,684	3,401,655,019
Exchange Equalization Fund	94,900,279,724	97,093,809,877
Net Cumulative Surplus Fund	776,017,850	771,445,233
<b>Other Reserves and Funds:</b>		
Development Fund	37,825,989,244	26,000,989,244
Banking Development Fund	1,151,941,806	1,001,941,806
Development Finance Project Mob. Fund	271,276,979	269,772,761
Mechanisation Fund	1,341,316,414	1,141,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	647,712,943	547,712,943
Gold Replacement Fund	670,595,008	149,819,200
Investment Revaluation Reserve	-	-
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	3,742,955,298	3,018,540,609
Project Split Interest Reserve Fund	-	-
<b>Total Reserves and Funds</b>	<b>221,503,375,189</b>	<b>199,298,514,877</b>

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



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.18 Interest Income**

See accounting policy 3.3 . Interest income includes the following:

Particulars	F.Y 2075-76	F.Y 2074-75
<b>Foreign Currency Financial Assets</b>		
Income on Bonds/Treasury Bills	18,028,748,904	17,779,430,091
Income from Fixed Term Deposit	12,584,954,198	9,789,862,243
Interest Income from Foreign Gold Deposit	106,977,372	365,128,103
Interest Income on Call Deposit	826,903,774	450,356,670
<b>Sub-total</b>	<b>31,547,584,248</b>	<b>28,384,777,107</b>
<b>Local Currency Financial Assets</b>		
Government Securities	2,903,563,002	2,946,647,805
Investment in Financial and Other Institutions	504,395,556	515,394,605
Loans and Refinance	815,166,800	584,316,107
<b>Sub-total</b>	<b>4,223,125,358</b>	<b>4,046,358,517</b>
<b>Total Interest Income from Financial Assets</b>	<b>35,770,709,606</b>	<b>32,431,135,623</b>

**4.19 Interest Expenses**

See accounting policy in Note 3.3. Interest expenses include the following:

Particulars	F.Y 2075-76	F.Y 2074-75
<b>Foreign Currency Financial Liabilities</b>		
SDR Allocation & ECF Loan	114,976,450	76,400,976
Others	15,141,303	9,641,494
<b>Sub-total</b>	<b>130,117,753</b>	<b>86,042,470</b>
<b>Local Currency Financial Liabilities</b>		
Deposit Collection	532,179,181	64,704,506
Reverse Repo	2,863,369	5,875,790
NRB Bond	-	-
<b>Sub-total</b>	<b>535,042,550</b>	<b>70,580,296</b>
<b>Total Interest Expense on Financial Liabilities</b>	<b>665,160,304</b>	<b>156,622,766</b>

**4.20 Fee and commission income**

See accounting policy in Note 3.4(i). Fee and commission income include the following:

Particulars	F.Y 2075-76	F.Y 2074-75
<b>Foreign Currency Financial Assets</b>		
On Currency Exchange	1,208,925	1,233,655
<b>Sub-total</b>	<b>1,208,925</b>	<b>1,233,655</b>
<b>Local Currency Financial Assets</b>		
Government Transaction & Other services	101,568,156	98,918,535
<b>Sub-total</b>	<b>101,568,156</b>	<b>98,918,535</b>
<b>Total Commission Income from Financial Assets</b>	<b>102,777,081</b>	<b>100,152,190</b>

**4.21 Fee and commission expense**

Particulars	F.Y 2075-76	F.Y 2074-75
<b>Foreign Currency Liabilities</b>		
Commission & Charges	69,914,783	24,473,751
<b>Sub-total</b>	<b>69,914,783</b>	<b>24,473,751</b>
<b>Local Currency Liabilities</b>		
Agency Expenses	125,876,345	491,651,891
<b>Sub-total</b>	<b>125,876,345</b>	<b>491,651,891</b>
<b>Total Agency and Service Charge</b>	<b>195,791,127</b>	<b>516,125,642</b>

**Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts.**

Nepal Bank Ltd.	18,600,000	55,800,000
Rastriya Banijya Bank	30,200,000	90,600,000
Agriculture Development Bank	2,500,000	7,500,000
<b>Total</b>	<b>51,300,000</b>	<b>153,900,000</b>





**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.22 Other Income**

See accounting policies in Notes 3.4 (iv). Other income comprises the following:

Particulars	F.Y 2075-76	F.Y 2074-75
Income from Mint (Sale of Coin)	392,236	264,545
Gain from Sale of Precious Metals and Coins	548,902,926	62,539,138
Fine/Penalty Charge	20,513,888	114,285,634
Profit from Sale of Assets	7,036,678	73,847,508
Dividend Income	14,022,986	62,332,657
Project Income/(Loss)	1,504,219	18,958,350
Grant Income	-	-
Miscellaneous	68,970,076	97,495,472
<b>Total</b>	<b>661,343,008</b>	<b>429,723,304</b>

**4.23 Personnel expenses**

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

Particulars	F.Y 2075-76	F.Y 2074-75
Salary	528,806,033	599,390,594
Allowances	594,987,003	593,896,207
Provident Fund Contribution	52,880,604	59,939,060
Staff Welfare (Including Medical Fund Contribution)	168,004,430	178,867,499
Staff Welfare Provident Fund	491,150,000	446,500,000
Pension & Gratuity Fund	240,322,012	550,602,809
Staff Security Fund	93,958,940	190,052,952
Staff Leave Compensation	120,604,978	253,157,179
Finance Cost under NFRS on Staff Loan	354,505,979	403,369,767
Others	21,822,116	22,773,230
<b>Total</b>	<b>2,667,042,095</b>	<b>3,298,549,296</b>

**4.24 Depreciation, amortisation and impairment of non financial assets**

Particulars	F.Y 2075-76	F.Y 2074-75
Depreciation on Property & Equipment	124,724,344	110,387,117
Impairment of Property & Equipment	-	-
Amortisation of intangible assets	24,466,406	24,364,734
Impairment of intangible assets	-	-
<b>Total</b>	<b>149,190,750</b>	<b>134,751,851</b>



**NEPAL RASTRA BANK**  
Notes Forming part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**4.25 Operating expenses**

Particulars	F.Y 2075-76	F.Y 2074-75
Directors Fees and Expenses	6,095,466	6,200,085
Note Printing Charges	853,756,241	947,474,424
Mint Expenses	984,130	1,102,497
Security charges	56,323,875	55,876,464
Remittance Charges	51,106,804	54,067,690
Travelling Expenses	207,930,042	242,822,895
Insurance Charges	130,966,546	97,153,904
Repair & Maintenance	107,186,880	79,089,740
Banking Promotion	47,408,479	55,506,586
Audit Fees and Expenses	2,664,050	2,941,611
Assets Written Off	621,613	481,848
Utilities Expenses	45,774,789	42,407,231
Postal and Communication Expenses	18,040,274	15,327,847
House Rent	12,577,168	2,774,094
Training Seminar and Membership	46,632,459	39,302,916
Expenses on Miscellaneous Assets	6,092,333	6,275,112
Consumable Expenses	22,465,783	19,715,989
Books and Periodicals	7,987,874	8,526,003
Finance Cost under NFRS on GON Bonds	-	46,804,273
Miscellaneous Expenses	136,799,854	115,447,691
<b>Total</b>	<b>1,761,414,659</b>	<b>1,839,298,902</b>



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5. Significant Disclosures

##### 5.1. Gold and Silver

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

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

Particulars	As on 31 <sup>st</sup> Asar 2076		As on 32 <sup>nd</sup> Asar 2075	
	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)
Investment in Paper Gold	5,863.058993	31,837,001,290	5,863.058993	28,078,523,145
Gold held in Stock	1,953.662100	10,753,933,029	1,953.662100	9,514,334,427
Silver held in Stock	122,466.722182	7,611,306,784	122,466.722182	7,874,610,236
<b>Total</b>		<b>50,202,241,103</b>		<b>45,467,467,808</b>

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

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

Particulars	As on 31 <sup>st</sup> Asar 2076		As on 32 <sup>nd</sup> Asar 2075	
	Weight (Kg, Gm, Mg)	Value (NRs.)	Weight (Kg, Gm, Mg)	Value (NRs.)
Gold held in Stock	592.963420	1,789,665,516	781.311607	2,114,210,086
Silver held in Stock	3259.507650	64,295,747	3614.048202	66,380,138
<b>Total</b>		<b>1,853,961,263</b>		<b>2,180,590,224</b>





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5.2. Year-end Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	109.36	109.34
2	UK Pound Sterling	137.25	144.71
3	Euro	123.34	127.77
4	Swiss Franc	111.39	109.15
5	Australian Dollar	76.89	81.21
6	Canadian Dollar	83.92	83.10
7	Singapore Dollar	80.65	80.06
8	Japanese Yen	1.014	0.973
9	Chinese Yuan	15.91	16.34
10	Saudi Arabian Riyal	29.16	29.16
11	Qatari Riyal	30.04	30.03
12	Thai Baht	3.54	3.28
13	UAE Dirham	29.77	29.77
14	Malaysian Ringgit	26.62	26.99
15	South Korean Won	0.0927	0.0967
16	Swedish Kroner	11.68	12.31
17	Danish Kroner	16.52	17.14
18	Hong Kong Dollar	13.97	13.93
19	Kuwait Dinar	359.34	361.34
20	Bahrain Dinar	290.09	290.03
21	SDR	153.7198	153.826
22	Indian Rupees	1.60	1.60

#### 5.3. Related Parties and Transactions with them

##### 5.3.1. Key Management Personnel

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

S.N	Name	Post	Date	Remarks
1	Dr. Chiranjibi Nepal	Governor	2071.12.08	
2	Dr. Rajan Khanal	Finance Secretary	2074.12.26	
3	Chinta Mani Siwakoti	Deputy Governor	2072.11.19	
4	Shiba Raj Shrestha	Deputy Governor	2072.11.19	
5	Dr. Sri Ram Poudyal	Board Member	2074.01.03	
6	Ramjee Regmi	Board Member	2074.01.03	
7	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	
8	Narayan Prasad Paudel	Executive Director	2069.06.07	retired w.e.f. 2076.02.25
9	Nara Bahadur Thapa	Executive Director	2070.03.03	retired w.e.f. 2076.02.25



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

10	Janak Bahadur Adhikari	Executive Director	2070.08.11	retired w.e.f. 2076.02.10
11	Bhisma Raj Dhungana	Executive Director	2071.05.15	retired w.e.f. 2076.02.25
12	Laxmi Prapanna Niroula	Executive Director	2071.05.15	
13	Shankar Prashad Acharya	Executive Director	2071.08.18	retired w.e.f. 2075.04.28
14	Maheshwor Lal Shrestha	Executive Director	2072.07.16	
15	Bhuban Kadel	Executive Director	2072.12.03	
16	Dr.Nephil Matangi Maskay	Executive Director	2073.01.12	
17	Upendra Kumar Paudel	Executive Director	2073.04.23	retired w.e.f. 2075.06.08
18	Dr. Bhubanesh Prasad Pant	Executive Director	2073.06.01	retired w.e.f. 2075.06.17
19	Neelam Dhungana	Executive Director	2074.02.14	
20	Jhalak Sharma Acharya	Executive Director	2074.09.19	retired w.e.f. 2076.02.25
21	Dev Kumar Dhakal	Executive Director	2074.12.14	
22	Mukunda Kumar Chhetri	Executive Director	2074.12.14	
23	Pitambar Bhandari	Executive Director	2074.12.14	
24	Sunil Udash	Executive Director	2075.02.14	
25	Rishikesh Bhatta	Executive Director	2075.05.12	
26	Pradeep Raj Poudyal	Executive Director	2075.06.18	
27	Gunakar Bhatta	Executive Director	2075.07.06	
28	Naresh Shakya	Executive Director	2076.02.31	
29	Suman Kumar Adhikari	Executive Director	2076.03.11	
30	Prakash Kumar Shrestha	Executive Director	2076.03.11	
31	Sarita Bhatta (adhikari)	Executive Director	2076.03.11	

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

### i. Transactions with Key Management Personnel

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	75,933,312	70,808,464
Post-employment benefits	96,671,018	35,767,108
Other long term benefits	-	-
<b>Total</b>	<b>172,604,330</b>	<b>106,575,571</b>

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Meeting Fees/ Incidental Expenses to Directors	8,925,042	6,200,085
Loan Facilities	73,984,100	89,937,115



## Nepal Rastra Bank

### Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

#### ii. Salary, Benefits and Other Facilities of Board Members

Board Members are entitled for meeting allowance of NRs. 5,000.00 per meeting. In addition, non-executive board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, medicine & facilities. Details of such salary, benefits and other facilities provided to executive as well as non-executive board members for FY 2075/76 are provided below:

Name	Post	Salary	Board Meeting Allowances	Other Allowances & Facilities
Dr. Chiranjibi Nepal	Governor	1,180,800	285,000	2,072,399
Dr. Rajan Khanal	Finance Secretary/Board Member		200,000	121,000
Mr. Chinta Mani Siwakoti	Deputy Governor	1,054,800	240,000	2,661,839
Mr. Shiba Raj Shrestha	Deputy Governor	1,054,800	275,000	2,641,774
Dr. Sri Ram Poudyal	Board Member		285,000	540,885
Mr. Ramjee Regmi	Board Member		270,000	300,885
CA.Dr. Suvod Kumar Karn	Board Member		235,000	540,820
	<b>Total</b>	<b>3,290,400</b>	<b>1,790,000</b>	<b>8,879,602</b>

#### 5.3.2. Government of Nepal

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

#### i. Transactions with Government of Nepal

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
<b>Transactions during the year</b>		
Commission Income received from GON	101,568,156	98,918,534
Payment made to GON from surplus (As per Financial Statement of Previous Year)	9,000,000,000	7,500,000,000
Advance payment to GON	2,000,000,000	-
<b>Balances at the year end</b>		
Deposit from GON	95,605,371,467	144,165,917,369
Interest Receivable from GON	1,010,339,989	1,010,339,989
Advance payment to GON	2,000,000,000	-
Investment in Treasury Bills (GON)	18,431,422,742	25,600,825,674
Investment in Bonds (GON)	225,339,574	216,672,667
Investment in Saving Certificates (GON)	46,799,852,672	48,427,193,215

#### ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31<sup>st</sup> Asar 2076 as per the records of the bank was a surplus balance of NRs. 95,605,371,467 (P.Y. NRs. 144,165,917,368). 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



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

insignificant and will not have material impact on financial position. The surplus balance of Government Treasury position as of 32<sup>nd</sup> Asar 2075 was finalized at Poush end 2075.

#### 5.4. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is NRs. 6,972,435.72 (PY NRs. 6,978,943.02) which is presented as general account under Other liabilities.

#### 5.5. Assets Received in Grant

The various assets received as grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586, out of which there was a written down balance of NRs. 123 (PY NRs.123) at the yearend. During the year, assets used in UNCDF/NRB/UNNATI-Access to Finance Project (A2F) were received as grant after the completion of the project which were recognized at nominal value of NRs. 21.

#### 5.6. Financial Instruments

##### *Financial Risk Management–Overview*

##### Risk Management Framework

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

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

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

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

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

##### 5.6.1. Credit Risk

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





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5.6.1.1. Exposure to Credit Risk

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

a) By Nature of Assets

Particulars	As on 31-3-2076	As on 32-3-2075
Cash Equivalents	736,487,042,343	807,123,944,475
Loans and Advances to Bank and Financial Institutions	22,894,754,410	12,220,303,401
Loans and Advances to Others	15,049,976,973	2,144,802,143
Gold and Silver	50,202,241,103	45,467,467,808
Investment Securities	223,127,793,161	232,984,574,153
Other Assets	2,304,387	17,312,233
<b>TOTAL ASSETS</b>	<b>1,047,764,112,376</b>	<b>1,109,958,404,214</b>

b) By Geographical Region

Particulars	As on 31-3-2076	As on 32-3-2075
India	223,315,857,841	240,523,189,482
USA	124,290,297,087	126,162,164,066
Germany	273,481,782	192,077,300
Switzerland	33,224,194,558	54,016,971,573
United Kingdom	13,543,713,120	4,073,288,713
France	26,218,785,493	28,164,274,635
Japan	1,621,926,459	5,642,751,247
Netherland	-	-
Bahrain	106,558,898,611	61,970,358,189
Australia	-	-
Singapore	141,548,748,897	68,670,617,918
Canada	9,366,587	79,169,937
Belgium	-	-
Hong Kong	117,862,358,254	203,526,814,568
U.A.E	26,114,927,068	21,902,272,015
China	59,504,974,363	60,000,571,621
Iran	-	-
Bangladesh	17,107,436,144	28,630,894,020
Thailand	-	-
Nepal	156,569,146,112	206,402,988,929
<b>Total</b>	<b>1,047,764,112,376</b>	<b>1,109,958,404,214</b>



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

c) By Nature of the Entity

Particulars	As on 31-3-2076	As on 32-3-2075
Central Banks	44,674,832,075	43,387,687,461
Bank for International Settlement	6,156,486,180	11,039,549,998
Foreign Government	355,404,957,553	363,505,143,562
International Monetary Fund	354,810,632	164,054,814
Foreign Commercial Banks	529,526,727,770	585,905,722,484
Domestic Banks and FIs	26,619,767,601	15,572,456,095
Government of Nepal	67,456,614,988	74,244,691,556
Equity Instruments	4,517,634,218	3,783,220,109
Other Parties	13,052,281,359	12,355,878,134
<b>Total</b>	<b>1,047,764,112,376</b>	<b>1,109,958,404,214</b>

d) By Credit Rating

Particulars	Rating	As on 31-3-2076		As on 32-3-2075	
		Amount (NRs.)	%	Amount (NRs.)	%
<u>Foreign Currency</u>					
Financial Assets					
	AAA	20,870,199,866	1.99	34,823,423,050	3.14
	AA+	-	-	126,162,164,066	11.37
	AA-	33,722,888,590	3.22	38,127,522,188	3.44
	AA	-	-	4,073,288,713	0.37
	A+	35,783,286,448	3.42	67,926,813,980	6.12
	A	130,172,053,135	12.42	223,479,906,218	20.14
	A-	-	-	5,631,938,097	0.51
	BBB+	35,651,905,966	3.40	-	-
	BBB-	167,800,498,611	16.02	320,061,418,189	28.84
	Other*	512,116,981,594	48.88	183,521,920,063	16.54
<b>Total</b>		<b>936,117,814,210</b>	<b>89.34</b>	<b>1,003,808,394,563</b>	<b>90.45</b>
<u>Local Currency</u>					
Financial Assets					
	Other**	109,646,298,166	10.66	106,150,009,651	9.55
<b>Total Financial Assets</b>		<b>1,047,764,112,376</b>	<b>100.00</b>	<b>1,109,958,404,214</b>	<b>100.00</b>

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

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



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

**5.6.1.2. Impairment Losses**

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

Particulars	Allowances for			
	Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance/Loan	Allowances for Doubtful Receivables
<b>Balance as on 31<sup>st</sup>Asar 2074</b>	<b>7,500,000</b>	<b>330,653,903</b>	<b>10,000,000</b>	<b>10,329,878</b>
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	76,893,903	-	7,994,046
<b>Balance as on 32<sup>nd</sup>Asar 2075</b>	<b>7,500,000</b>	<b>253,760,000</b>	<b>10,000,000</b>	<b>2,335,832</b>
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	-	-
<b>Balance as on 31<sup>st</sup>Asar 2076</b>	<b>7,500,000</b>	<b>253,760,000</b>	<b>10,000,000</b>	<b>2,335,832</b>

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

**i. Impairment for equity instruments**

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

Name of Entity	As on 31-03-2076			As on 32-03-2075		
	Amount of Equity investment	Impairment Amount	Net Assets	Amount of Equity investment	Impairment Amount	Net Assets
Agricultural Project Services Centre	5,000,000	5,000,000	-	5,000,000	5,000,000	-
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	2,500,000	2,500,000	-
<b>Total</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>-</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>-</b>



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

**ii. Impairment for investment in fixed deposit**

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

Name of Entity	As on 31-03-2076			As on 32-03-2075		
	Amount of Fixed Deposit	Impairment Amount	Net Assets	Amount of Fixed Deposit	Impairment Amount	Net Assets
Capital Merchant Banking and Finance Ltd.	188,360,000	188,360,000	-	188,360,000	188,360,000	-
Crystal Finance Ltd.	23,800,000	23,800,000	-	23,800,000	23,800,000	-
Himalaya Finance Ltd.	41,600,000	41,600,000	-	41,600,000	41,600,000	-
<b>Total</b>	<b>253,760,000</b>	<b>253,760,000</b>	<b>-</b>	<b>253,760,000</b>	<b>253,760,000</b>	<b>-</b>

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

**iii. Impairment for Refinance/Loans**

The bank has provided loans at subsidized rate to one of the existing Grameen Bikas Bank (currently merged to Grameen Bikas Laghubitta Bittiya Sanstha Ltd.) and the loan has been matured since long. But it is yet to realize the amount and hence made provision for the impairment for full amount.

Name of Entity	As on 31-03-2076			As on 32-03-2075		
	Amount of Loan	Impairment Amount	Net Assets	Amount of Loan	Impairment Amount	Net Assets
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	10,000,000	10,000,000	-	10,000,000	10,000,000	-
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>

**iv. Impairment for Receivables**

Impairment for receivables includes impairment of NRs.2,335,832 (P.Y. NRs.2,335,832) in respect to advances to staffs who have already left the bank.





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5.6.1.3. Credit Quality

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

Counterparties	As on 31-3-2076	As on 32-3-2075
External Credit Rating at least AAA/BBB- from credit rating agency	23,921,042,988	413,393,643,476
Non Rated Counterparties	505,605,684,782	172,318,315,251
Central Banks	44,674,832,075	43,387,687,461
Bank for International Settlement	6,156,486,180	11,039,549,998
Foreign Government	355,404,957,553	363,505,143,562
International Monetary Fund	354,810,632	164,054,814
Government of Nepal	67,456,614,988	74,244,691,556
Financial Assets with Other Counterparties:	44,189,683,178	31,711,554,338
- Party with Normal Risk	43,916,087,347	31,631,722,264
- Party with High Risk	273,595,832	273,595,831
<b>Total</b>	<b>1,047,764,112,376</b>	<b>1,109,958,404,214</b>

#### 5.6.2. Liquidity Risk

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

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

##### 5.6.2.1. Assets Held for Managing Liquidity Risk

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

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



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

**5.6.2.2. Maturity Profile of Financial Assets**

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	736,487,042,343	80,626,538,764	655,860,503,579			
Loans and Advances to Bank and Financial Institutions	22,894,754,410			22,894,754,410		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Advance Payment to GON Balance with ACU	2,000,000,000	2,000,000,000				
Gross Loans to Employees	3,438,899,076	106,949,761	202,895,045	412,667,889	481,445,871	2,234,940,510
Interest Receivable	5,836,052,291	700,326,275	933,768,367	4,201,957,649		
Advance to Staff	8,427,189	842,719	1,264,078	5,646,216	421,359	252,816
Sundry Debtors	122,688,589		73,613,154	36,806,577	12,268,859	
Prepaid Expenses	614,978	7,380	30,749	576,849		
Pension Advance Account	2,684,059,189	34,892,769	53,681,184	161,043,551	233,513,149	2,200,928,535
Staff Endowment Policy Advance	10,401,500					10,401,500
Other						
<b>Investment Securities</b>						
US Government Treasury Notes/Bonds	65,589,931,430			96,633,241	10,913,426,674	54,579,871,515
Government Treasury Notes/Bonds (CNY)	59,059,765,279	2,207,725,376	7,072,278,516	22,410,419,378	27,369,342,009	
Investment in Mid-term Instruments	2,730,109,799			29,708,278	2,700,401,521	
Notice Deposit (JPY)						
Government Bond (GON)	225,339,574				225,339,574	
Fixed deposit with Bank &	3,711,072,000	21,200,000	819,900,000	2,869,972,000		



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

Financial Institutions						
Government Treasury Bills (GON)	18,431,422,742	9,330,750	5,712,482,518	12,709,609,474		
Saving Certificates (GON)	46,799,852,672		77,540,000	1,324,472,106	36,963,698,382	8,434,142,183
Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	1,926,257,845					1,926,257,845
Unquoted equity securities	2,337,976,374					2,337,976,374
Other Assets	2,304,387					2,304,387
<b>Total</b>	<b>974,550,371,665</b>	<b>85,707,813,794</b>	<b>670,807,957,190</b>	<b>67,154,267,620</b>	<b>78,899,857,399</b>	<b>71,980,475,663</b>

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	807,123,944,475	80,626,538,764	726,497,405,712			
Loans and Advances to Bank and Financial Institutions	12,220,303,401			12,220,303,401		
<b>Loans and Advances to Others</b>					-	
Receivable from GON against payment to IMF	-					
Balance with Asian Clearing Union (ACU)	-					
Gross Loans to Employees	3,536,562,760	176,828,138	176,828,138	353,656,276	530,484,414	2,298,765,794
Interest Receivable	5,790,048,546	579,004,855	579,004,855	4,632,038,836		
Advance to Staff	12,017,500	1,201,750	1,802,625	8,051,725	600,875	360,525
Sundry Debtors	401,416,335		240,849,801	120,424,901	40,141,634	
Prepaid Expenses	945,099	9,451	47,255	888,393		
Pension Advance Account	2,393,372,855	23,933,729	47,867,457	47,867,457	239,337,285	2,034,366,927
Staff Endowment Policy Advance	9,977,500					9,977,500
Other	461,548				461,548	
<b>Investment Securities</b>						
US Government Treasury Notes/Bonds	65,546,403,362			20,554,522,183	30,805,550,966	14,186,330,213
Government Treasury Notes/Bonds (CNY)	58,989,291,902	6,344,751,218	1,197,604,829	30,257,366,894	21,189,568,960	
Investment in Mid-term Instruments	8,387,708,224			8,387,708,224		
Notice Deposit (JPY)	18,701,060,000				5,610,318,000	13,090,742,000
Government Bond (GON)	216,672,667					216,672,667
Fixed deposit with Bank & Financial Institutions	3,332,199,000			3,332,199,000		



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

Government Treasury Bills (GON)	25,600,825,674		25,600,825,674			
Saving Certificates (GON)	48,427,193,215					48,427,193,215
Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	1,448,320,962					1,448,320,962
Unquoted equity securities	2,081,499,147					2,081,499,147
Other Assets	17,312,233					17,312,233
<b>Total</b>	<b>1,064,490,936,406</b>	<b>87,752,267,904</b>	<b>754,342,236,345</b>	<b>79,915,027,291</b>	<b>58,416,463,682</b>	<b>84,064,941,183</b>

**5.6.2.3. Maturity Profile of Financial Liabilities**

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	221,828,105	221,828,105	-		-	-
Deposits from Bank and Financial Institutions	185,385,094,042	37,077,018,808	10,075,679,634	18,538,509,404	119,693,886,195	-
Deposit from Government of Nepal	95,605,371,467	20,077,128,008	22,945,289,152	30,593,718,870	21,989,235,437	-
Deposits from Others	21,252,588,039	5,100,621,129	4,888,095,249	11,263,871,661	-	-
Short Term Borrowings	-	-	-		-	-
IMF Related Liabilities	20,789,695,685	-	-	878,742		20,788,816,943
Staff Liabilities	1,881,103,006	1,147,957,220	94,055,150	262,870,035	188,110,301	188,110,301
Other Liabilities	985,889,604		985,889,604		-	-
<b>Total</b>	<b>326,121,569,948</b>	<b>63,624,553,270</b>	<b>38,989,008,790</b>	<b>60,659,848,711</b>	<b>141,871,231,934</b>	<b>20,976,927,244</b>





**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	115,622,742	115,622,742				
Deposits from Bank and Financial Institutions	208,116,242,256	41,623,248,451	3,460,173,528	20,811,624,226	142,221,196,051	
Deposit from Government of Nepal	144,165,917,368	57,666,366,947	86,499,550,421			
Deposits from Others	25,479,607,975	5,095,921,595	20,383,686,380			
Short Term Borrowings	44,550,000,000	14,400,000,000				
IMF Related Liabilities	21,674,958,091				21,674,958,091	
Staff Liabilities	2,095,039,220	1,045,778,416	419,007,844	211,245,116	209,503,922	209,503,921.97
Other Liabilities	1,403,316,968		1,403,316,968			
<b>Total</b>	<b>447,600,704,619</b>	<b>119,946,938,152</b>	<b>112,165,735,141</b>	<b>21,022,869,341</b>	<b>164,105,658,064</b>	<b>209,503,922</b>

### 5.6.3. Market Risk

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

#### 5.6.3.1. Currency Risk:

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

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



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### Current Year Figures (NRs.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
<b>Particulars</b>	<b>57.04</b>	<b>3.31</b>	<b>0.16</b>	<b>0.79</b>	<b>11.00</b>	<b>0.92</b>	<b>0.04</b>	<b>0.39</b>
Cash and Cash Equivalents	418,738,361,457	31,407,074,745	1,546,487,266	7,494,640,081	44,491,710,996	8,779,486,700	354,810,632	3,732,526,679
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	1,842,824,495	45,840,435		6,320,474	1,093,520,762	16,739,419		
Gold and Silver	31,837,001,290							
Investment Securities	90,382,706,675	-			59,059,765,279			-
Other Assets								
<b>Total Financial Assets</b>	<b>542,800,893,918</b>	<b>31,452,915,180</b>	<b>1,546,487,266</b>	<b>7,500,960,555</b>	<b>104,644,997,037</b>	<b>8,796,226,120</b>	<b>354,810,632</b>	<b>3,732,526,679</b>
Bills Payable	1,422							
Deposits from Bank and Financial Institutions	1,474,772,184	22,992,813	8,084,995,066	212,943,860	-	-	-	253,690,833
Deposit from Government of Nepal								
Deposits from Others	302,335,404							
Short Term Borrowings								
IMF Related Liabilities							11,345,073,518	
Staff Liabilities								
Other Liabilities								
<b>Total Financial Liabilities</b>	<b>1,777,109,009</b>	<b>22,992,813</b>	<b>8,084,995,066</b>	<b>212,943,860</b>	<b>0</b>	<b>0</b>	<b>11,345,073,518</b>	<b>253,690,833</b>
<b>Net Financial Position Exposure</b>	<b>541,023,784,908</b>	<b>31,429,922,366</b>	<b>-6,538,507,800</b>	<b>7,288,016,695</b>	<b>104,644,997,037</b>	<b>8,796,226,120</b>	<b>-10,990,262,886</b>	<b>3,478,835,846</b>

#### Previous Year Figures (NRs.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
<b>Particulars</b>	<b>54.79</b>	<b>3.62</b>	<b>0.45</b>	<b>1.77</b>	<b>10.45</b>	<b>0.80</b>	<b>0.02</b>	<b>1.93</b>
Cash and Cash Equivalents	469,621,700,195	31,715,381,105	4,628,912,527	18,303,424,884	48,120,145,415	8,307,221,003	164,054,814	1,300,375,611
Loans and Advances to Bank and Financial Institutions								



**Nepal Rastra Bank**  
**Notes Forming Part of Financial Statements**  
**Fiscal Year 2075-76 (2018-19 AD)**

Loans and Advances to Others	1,680,307,154	85,362,439		9,824,167	1,121,904,696	15,723,868		
Gold and Silver	28,078,523,145							
Investment Securities	68,253,577,277	5,680,534,309			58,989,291,902			18,701,060,000
Other Assets								
<b>Total Financial Assets</b>	<b>567,634,107,771</b>	<b>37,481,277,852</b>	<b>4,628,912,527</b>	<b>18,313,249,051</b>	<b>108,231,342,013</b>	<b>8,322,944,871</b>	<b>164,054,814</b>	<b>20,001,435,611</b>
Bills Payable								
Deposits from Bank and Financial Institutions	1,165,867,060	2,514,353	1,636,484,067	147,324,175				
Deposit from Government of Nepal								
Deposits from Others	540,140							
Short Term Borrowings								
IMF Related Liabilities							12,230,335,924	
Staff Liabilities								
Other Liabilities	4,920		54,251,461					
<b>Total Financial Liabilities</b>	<b>1,166,412,120</b>	<b>2,514,353</b>	<b>1,690,735,528</b>	<b>147,324,175</b>	<b>0</b>	<b>0</b>	<b>12,230,335,924</b>	<b>0</b>
<b>Net Financial Position Exposure</b>	<b>566,467,695,651</b>	<b>37,478,763,499</b>	<b>2,938,176,999</b>	<b>18,165,924,876</b>	<b>108,231,342,013</b>	<b>8,322,944,871</b>	<b>12,066,281,110</b>	<b>20,001,435,611</b>

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.49% (PY 24.44%) 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 1.87% (PY 1.75%) of the total foreign currency reserve.



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

### 5.6.3.2. Sensitivity Analysis of Currency Risk

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

#### Impact on Profit or Loss

##### In case of Strengthening or Weakening of Currency by 10%

	For the Year Ended 2076		For the Year Ended 2075	
	Strengthening	Weakening	Strengthening	Weakening
USD	54,102,378,491	-54,102,378,491	56,646,769,565	-56,646,769,565
AUD	3,142,992,237	-3,142,992,237	3,747,876,350	-3,747,876,350
EUR	-653,850,780	653,850,780	293,817,700	-293,817,700
GBP	728,801,670	-728,801,670	1,816,592,488	-1,816,592,488
CNY	10,464,499,704	-10,464,499,704	10,823,134,201	-10,823,134,201
CAD	879,622,612	-879,622,612	832,294,487	-832,294,487
SDR	-1,099,026,289	1,099,026,289	-1,206,628,111	1,206,628,111
JPY	347,883,585	-347,883,585	2,000,143,561	-2,000,143,561
<b>Total</b>	<b>67,913,301,229</b>	<b>-67,913,301,229</b>	<b>74,954,000,241</b>	<b>-74,954,000,241</b>

### 5.6.3.3. Interest Rate Risk:

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

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

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

Particulars	Weighted Average Interest Rate %	As on 31-03-2076	As on 32-03-2075
<b><u>Interest Sensitive Financial Assets</u></b>			
Balances with Other Banks	0.23	80,612,597,573	98,530,337,509
GOI Treasury Bills	6.21	220,338,423,350	235,503,932,213
US Government Treasury Bills	2.25	16,311,683,916	16,354,309,087
Time Deposit	2.46	418,855,585,681	454,376,878,804
Investment in FIXBIS	-	-	2,174,478,354
IMF Related Assets: SDR Holdings	1.08	354,810,632	164,054,814
General Refinance	4	19,313,678,409	9,993,957,858





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

Special/Export Refinance	1	866,118,842	402,125,496
Standing Liquidity Facility	6.5	500,000,000	-
<b>Loans to Employees</b>			
House loan Uninsured	1	1,332,864	1,358,700
House Repair Loan Uninsured	1	679,857,964	783,105,532
Vehicle Loan Uninsured	3	18,643,296	45,247,931
Staff Loan Uninsured 2068	1	574,512,694	655,742,445
Investment in Paper Gold	0.4	31,837,001,290	28,078,523,145
US Government Treasury Notes/Bonds	1.71	65,589,931,430	65,546,403,362
Government Treasury Notes/Bonds (CNY)	3.43	59,059,765,279	58,989,291,902
Investment in Mid-term Instruments	1.5	2,730,109,799	8,387,708,224
Notice Deposit (JPY)	-	-	18,701,060,000
Time Deposit	2.74	22,062,665,446	-
Fixed deposit with Bank & Financial Institutions	10.14	3,711,072,000	3,332,199,000
Government Treasury Bills (GON)	3.91	18,431,422,742	25,600,825,674
Saving Certificates (GON)	3.68	46,799,852,672	48,427,193,215
<b>Total Interest Sensitive Financial Assets</b>		<b>1,008,649,065,880</b>	<b>1,075,661,205,751</b>
<b><u>Interest Sensitive Financial Liabilities</u></b>			
IMF Related Liabilities	1.05	20,789,695,685	21,674,958,091
Short Term Borrowings	-	-	44,550,000,000
<b>Total Interest Sensitive Financial Liabilities</b>		<b>20,789,695,685</b>	<b>66,224,958,091</b>
<b>Net Interest Sensitive Financial Position</b>		<b>987,859,370,195</b>	<b>1,009,436,247,660</b>

#### 5.6.3.4. Other Market Prices Risk

Equity price risk arises from investment as fair value through Other Comprehensive Income as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 11 institutions. All the investments were measured at fair value.



# Nepal Rastra Bank

Notes Forming Part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

## 5.6.4. Classification and Fair Value of financial assets

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

Particulars	Fair Value through P/L	Fair Value through OCI	Amortised Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Cash & Cash Equivalents				755,847,715,109		755,847,715,109	755,847,715,109
Loans and Advances to Bank and Financial Institutions			22,894,754,410			22,894,754,410	22,894,754,410
Loans and Advances to Others			15,049,976,973			15,049,976,973	15,049,976,973
Gold and Silver	50,202,241,103					50,202,241,103	50,202,241,103
Investment Securities	4,264,234,218		218,863,558,942			223,127,793,161	223,127,793,161
Other Assets			2,304,387			2,304,387	2,304,387
<b>Total Financial Assets</b>	<b>54,466,475,322</b>	<b>-</b>	<b>256,810,594,711</b>	<b>755,847,715,109</b>		<b>1,067,124,785,142</b>	<b>1,067,124,785,142</b>
Bills Payable					221,828,105	221,828,105	221,828,105
Deposits from Bank and Financial Institutions					185,385,094,042	185,385,094,042	185,385,094,042
Deposit from Government of Nepal					95,605,371,467	95,605,371,467	95,605,371,467
Deposits from Others					21,252,588,039	21,252,588,039	21,252,588,039
Short Term Borrowings							
IMF Related Liabilities					20,789,695,685	20,789,695,685	20,789,695,685
Staff Liabilities					1,881,103,006	1,881,103,006	1,881,103,006
Other Liabilities					985,889,604	985,889,604	985,889,604
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,121,569,948</b>	<b>326,121,569,948</b>	<b>326,121,569,948</b>
<b>Net Financial Position</b>	<b>54,466,475,322</b>	<b>-</b>	<b>256,810,594,711</b>	<b>755,847,715,109</b>	<b>-326,121,569,948</b>	<b>741,003,215,194</b>	<b>741,003,215,194</b>



# Nepal Rastra Bank

Notes Forming Part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

## 5.6.5. Fair Value Hierarchy

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

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

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

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

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

As at 31 <sup>st</sup> Ashad 2076	Carrying Value	At Amortised Cost	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
<b>Financial assets carried at amortized cost</b>					
<u>Cash Equivalents</u>	736,487,042,343				
<i>Balance with Other Banks</i>	80,626,538,764	80,626,538,764			
<i>Treasury Bills</i>	236,650,107,266	236,650,107,266			
<i>Investments</i>	354,810,632	354,810,632			
<i>Time Deposit</i>	418,855,585,681	418,855,585,681			
Loans & Advances to BFIs	22,894,754,410	22,894,754,410			
<u>Loans &amp; Advances to Others</u>	15,049,976,973				
<i>Receivables from Government &amp; International Agencies</i>	2,000,000,000	2,000,000,000			
<i>Loans to Employees</i>	3,438,899,076	3,438,899,076			
<i>Interest Receivables</i>	5,836,052,291	5,836,052,291			
<i>Other Advances</i>	3,775,025,606	3,775,025,606			
Gold & Silver at fair value	50,202,241,103		50,202,241,103		



# Nepal Rastra Bank

Notes Forming Part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

<u>Investment Securities</u>	223,127,793,161				
<i>Investment Securities at Amortized Cost</i>	218,863,558,942	218,863,558,942			
<i>At Fair Value through Other Comprehensive Income (OCI)</i>	4,246,426,287		1,926,257,845		2,337,976,374
Other Assets	2,304,387				2,304,387
<b>Total Financial Assets</b>	<b>1,047,764,112,376</b>	<b>993,295,332,668</b>	<b>50,202,241,103</b>	<b>1,926,257,845</b>	<b>2,340,280,760</b>
<b>Financial Liabilities</b>					
<b>Financial liabilities carried at amortized cost:</b>					
Bills Payable	221,828,105	221,828,105			
Deposits from Bank and Financial Institutions	185,385,094,042	185,385,094,042			
Deposit from Government of Nepal	95,605,371,467	95,605,371,467			
Deposits from Others	21,252,588,039	21,252,588,039			
Short Term Borrowings	-	-			
IMF Related Liabilities	20,789,695,685	20,789,695,685			
Staff Liabilities	1,881,103,006				1,881,103,006
Other Liabilities	985,889,604	985,889,604			
<b>Total Financial Liabilities</b>	<b>326,121,569,948</b>	<b>324,240,466,942</b>	<b>-</b>	<b>-</b>	<b>1,881,103,006</b>
<b>As at 32<sup>nd</sup> Ashad 2075</b>	<b>Carrying value</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets</b>					
<b>Financial assets carried at amortized cost</b>					
<i>Cash Equivalents</i>	807,123,944,475				
<i>Balance with Other Banks</i>	98,550,291,204	98,550,291,204			-
<i>Treasury Bills</i>	251,858,241,300	251,858,241,300			-
<i>Investments</i>	2,338,533,167	2,338,533,167			-
<i>Time Deposit</i>	454,376,878,804	454,376,878,804			-
<i>Loans &amp; Advances to BFIs</i>	12,220,303,401	12,220,303,401			-





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

<u>Loans &amp; Advances to Others</u>	12,144,802,143					
<i>Receivables from Government &amp; International Agencies</i>	-	-				-
<i>Loans to Employees</i>	3,536,562,760	3,536,562,760				-
<i>Interest Receivables</i>	5,790,048,546	5,790,048,546				-
<i>Other Advances</i>	2,818,190,838	2,818,190,838				-
Gold & Silver at fair value	45,467,467,808		45,467,467,808			-
<u>Investment Securities</u>	232,984,574,153					
<i>Investment Securities at Amortized Cost</i>		229,454,754,044	229,454,754,044			
<i>At Fair Value through Other</i>			1,448,320,962	2,081,499,147		
<i>Comprehensive Income (OCI)</i>						17,312,234
Other Assets	17,312,234					
<b>Total Financial Assets</b>	<b>1,09,958,404,214</b>	<b>1,060,943,804,063</b>	<b>45,467,467,808</b>	<b>1,448,320,962</b>	<b>2,081,499,147</b>	<b>2,098,811,380</b>
<b>Financial Liabilities</b>						
<b>Financial liabilities carried at amortized cost:</b>						
Bills Payable	115,622,742	115,622,742				
Deposits from Bank and Financial Institutions	208,116,242,256	208,116,242,256				
Deposit from Government of Nepal	144,165,917,368	144,165,917,368				
Deposits from Others	25,479,607,975	25,479,607,975				
Short Term Borrowings	44,550,000,000	44,550,000,000				
IMF Related Liabilities	21,674,958,091	21,674,958,091				
Staff Liabilities	2,095,039,220					2,095,039,220
Other Liabilities	1,403,316,968	1,403,316,968				
<b>Total Financial Liabilities</b>	<b>447,600,704,620</b>	<b>445,505,665,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,095,039,220</b>



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5.7. Employees Benefits - Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and amount of compensation. These post-employment benefits plans are 'Gratuity or Pension Plan', '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; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan', 'Staff Security Plan' and 'Leave Encashment Plan' is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

The gratuity or pension plan and staff security plan are funded plan wherein the bank makes earmarked investment out of fund created for these plans. Leave encashment is not a funded plan.

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

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

#### Amount Recognized in the Statement of Financial Position

Particulars	As on 31 <sup>st</sup> Asar 2076		As on 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	18,589,350,597	1,892,985,892	18,710,462,476	2,168,339,774
Fair Value of Plan Assets/Current Balance of Provision Account	(19,170,360,000)	(2,012,800,000)	(19,391,142,000)	(2,013,600,000)
<b>Net Liability /( Asset)</b>	<b>(581,009,403)</b>	<b>(119,814,108)</b>	<b>(680,679,524)</b>	<b>154,739,774</b>

#### Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
<b>Opening Obligation</b>	<b>18,710,462,476</b>	<b>2,168,339,774</b>	<b>18,451,547,560</b>	<b>2,673,590,776</b>
Current Service Cost	304,152,427	108,557,408	454,812,717	149,789,143
Interest Cost	1,458,088,602	150,130,107	1,442,112,165	302,762,005
Actuarial Losses (Gains)	(918,851,859)	(66,367,669)	(787,718,964)	(285,841,981)
Losses (Gains) on Curtailments				
Benefits Paid	(964,501,049)	(467,673,728)	(850,291,002)	(671,960,169)
<b>Closing Obligation</b>	<b>18,589,350,597</b>	<b>1,892,985,892</b>	<b>18,710,462,476</b>	<b>2,168,339,774</b>



**Nepal Rastra Bank**  
Notes Forming Part of Financial Statements  
Fiscal Year 2075-76 (2018-19 AD)

**Changes in Fair Value of Plan Assets**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	19,391,142,000	2,013,600,000	15,975,407,000	1,923,466,000
Investment adjustment	(1,299,121,006)			
Expected Return	1,521,919,017	164,728,575	1,346,322,073	146,745,046
Actuarial Gains (Losses)	520,921,037	(164,728,575)	556,555,185	(146,745,046)
Contribution by Employer	-	466,873,728	2,363,148,744	646,341,019
Benefits Paid	(964,501,049)	(467,673,728)	(850,291,002)	(556,207,019)
<b>Closing Fair Value</b>	<b>19,170,360,000</b>	<b>2,012,800,000</b>	<b>19,391,142,000</b>	<b>2,013,600,000</b>

**Amount Recognized in the Statement of Comprehensive Income**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	(240,322,012)	(93,958,940)	190,052,952	550,602,809
Actuarial Losses Recognized in OCI	1,439,772,896	(98,360,906)	(139,096,935)	(1,344,274,149)
<b>Total Employee Benefit Expense</b>	<b>1,199,450,884</b>	<b>(192,319,846)</b>	<b>50,956,017</b>	<b>(793,671,340)</b>

**Major Categories of Plan Assets as a Percentage of Total Plans**

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	100%	100%	100%	100%
Others	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
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	6.70%	6.70%	6.70%	6.70%
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

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

Particulars	Change	For the Year Ended 31 <sup>st</sup> Asar 2076		For the Year Ended 32 <sup>nd</sup> Asar 2075	
		Pension or Gratuity	Staff Security	Pension or Gratuity	Staff Security
Discount Rate	-1%	13.21%	12.15%	13.94%	9.63%
	+1%	-10.80%	-10.22%	-11.44%	-8.24%
Salary & Pension Increment Rate	-1%	-8.03%	-9.32%	-8.53%	-7.38%
	+1%	9.22%	10.80%	9.77%	8.42%
Mortality Rate	1 year setback	3.38%	0.11%	3.05%	0.10%
	1 year setforward	-3.35%	-0.12%	-3.45%	-0.12%

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

## 5.8. Reserves

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

### 5.8.1. Statutory Reserves

#### a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 1,788,500,665 (P.Y. NRs. 1,512,606,009) was appropriated to this fund.



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 1,788,500,665 (P.Y. NRs. 1,512,606,009) was appropriated to this fund.

#### c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net income available for appropriation of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs. 7,371,159,330 (P.Y. NRs. 6,794,952,019) is appropriated in General Reserve during the year.

#### d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount as decided by the board shall be allocated and kept in such reserve. This year NRs. 4,572,616 (P.Y. NRs. 97,610,812) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

#### e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 2,193,530,153 (P.Y. revaluation gain of NRs. 38,272,111,979) which is equivalent to net exchange loss was appropriated from/to net income to/from this fund during the year.

#### f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net income of the year. Accordingly, an amount of NRs. 76,037,528 (P.Y. revaluation gain of NRs. 3,618,022,578) which is equivalent to net revaluation loss on revaluation of gold and silver was appropriated to this fund.

#### 5.8.2. Other Reserve and Funds

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

#### a) Development Fund

This is the specific fund created as per Monetary Policy of the Bank to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 11,825,000,000 (P.Y. NRs. 11,000,000,000) has been allocated to this fund during the year.

#### b) Banking Development Fund

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly,





# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

an amount of NRs. 150,000,000 (P.Y. NRs. 110,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

#### **c) Development Finance Project Mobilization Fund**

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually. Accordingly, an amount of NRs. 1,504,219 (P.Y. NRs. 18,958,350) 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. Accordingly, an amount of NRs. 200,000,000 (P.Y. NRs. 150,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

#### **e) Scholarship Fund**

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

#### **f) Mint Development Fund**

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. Accordingly, an amount of NRs. 100,000,000 (P.Y. NRs. 0) 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 equal to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs. 520,775,808 (P.Y. NRs. 55,386,987) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

#### **h) Rural Self Reliance Fund (GS Kosh)**

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



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

#### 5.9. Prior Period Errors

The prior period errors of NRs. 699,061 discovered during the year relating to a reporting period that is before the earliest prior period presented were adjusted by restating the opening balance of the earliest prior period presented. In addition, additional expenses of NRs. 3,486,071 has been discovered during the year because of the prior period errors and has been adjusted with current year surplus available for appropriation.

Particulars	FY 2075-76	FY 2074-75	As on 01.04.2074
<b>Restatement of Earliest Prior Period Presented:</b>			
<i>Increase / (Decrease) in Property, Plant and Equipment</i>			(699,061)
<b>Restatement of Net cumulative Surplus Fund</b>			(699,061)
Surplus/(Deficit) Due to Prior Period Errors	(3,486,071)		
<b>Total Effect on Equity at 31.03.2076</b>	<b>(4,185,132)</b>		

#### 5.10. Foreign Exchange Reserve

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

Particulars	(in NRs. billion)	
	Current Year	Previous Year
<b>Foreign Exchange Reserve</b>		
<b>(a) Held by Nepal Rastra Bank</b>		
Convertible Foreign Currency	668.03	721.33
Non-Convertible Foreign Currency	234.54	251.77
Gold Reserve	34.25	30.55
Special Drawing Rights	0.35	0.16
<b>Sub Total</b>	<b>937.17</b>	<b>1003.81</b>
<b>(b) Held by Banks and Financial Institutions</b>		
Convertible Foreign Currency	125.51	102.00
Non-Convertible Foreign Currency	10.96	11.19
<b>Sub Total</b>	<b>136.47</b>	<b>113.19</b>
<b>Total Foreign Exchange Reserve of Banking System</b>	<b>1,073.64</b>	<b>1,117.00</b>

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 %)
<b>Foreign Exchange Reserve:</b>		
US Treasury Bills	1.52	1.44
Indian Treasury Bills	20.66	19.73
BIS FIXBIS	-	0.19
Bonds/Notes	11.61	11.09
Mid Term Instrument	0.25	0.74
Call Deposits	2.06	4.64
Time Deposit	46.52	40.09



## Nepal Rastra Bank

### Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

Gold Deposit	3.19	2.48
Special Drawing Rights	0.03	1.58
Balance with NRB and BFIs	14.16	18.01
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

#### 5.11. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of four projects, namely, Poverty Alleviation Project in Western Terai (PAPWT), Micro-Credit Project for Women (MCPW), 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. Out of these four projects, Micro-Credit Project for Women (MCPW) and Raising Income of Small and Medium Farmers Project (RISMFP) have already been closed. The Financial Position and Income statements of these projects are as below:

For the Year ended 31<sup>st</sup> Asar 2076

#### Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	RISMFP	Total
<b>Equity &amp; Liabilities</b>					
Reserve & Surplus	15,422,897	-	37,094,312	-	52,517,209
Loans	29,200,000	-	84,750,000	-	113,950,000
Accounts Payable	-	-	-	-	-
<b>Total Equity &amp; Liabilities</b>	<b>44,622,897</b>	<b>-</b>	<b>121,844,312</b>	<b>-</b>	<b>166,467,209</b>
<b>Assets</b>					
Loan to PFIs	-	-	-	-	-
Investment	39,925,000	-	110,407,000	-	150,332,000
Other Receivables	524,305	-	1,317,072	-	1,841,377
Cash and Bank Balance	4,173,592	-	10,120,240	-	14,293,832
<b>Total Assets</b>	<b>44,622,897</b>	<b>-</b>	<b>121,844,312</b>	<b>-</b>	<b>166,467,209</b>

#### Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	RISMFP	Total
<b>A. Income</b>					
<b>Interest Income</b>	<b>4,920,441</b>	<b>319,146</b>	<b>11,086,054</b>	<b>-</b>	<b>16,325,640</b>
From Loan to PFIs					
On Investment	4,920,441	319,146	11,086,054		16,325,640
Foreign Exchange Gain				(10,160,668)	(10,160,668)
Loan Loss Prov. Written back					
Other Income					
<b>Total Income</b>	<b>4,920,441</b>	<b>319,146</b>	<b>11,086,054</b>	<b>(10,160,668)</b>	<b>6,164,972</b>
<b>B. Expenditure</b>					
Administrative Expenses					
Interest Expenses	1,040,250	61,003	3,559,500		4,660,753
Depreciation					-
<b>Total Expenses</b>	<b>1,040,250</b>	<b>61,003</b>	<b>3,559,500</b>		<b>4,660,753</b>
<b>Surplus (Deficit) (A-B)</b>	<b>3,880,191</b>	<b>258,143</b>	<b>7,526,554</b>	<b>(10,160,668)</b>	<b>1,504,219</b>



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

For the Year ended 32<sup>nd</sup> Asar 2075

#### Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b>Equity &amp; Liabilities</b>						
Reserve & Surplus	11,542,707	5,414,180	29,567,758	-	10,160,668	56,685,313
Loans	36,500,000	6,100,286	90,400,000	-	-	133,000,286
Accounts Payable	-	30,501	-	-	-	30,501
<b>Total Equity &amp; Liabilities</b>	<b>48,042,707</b>	<b>11,544,967</b>	<b>119,967,758</b>	<b>-</b>	<b>10,160,668</b>	<b>189,716,100</b>
<b>Assets</b>						
Loan to PFIs	-	-	-	-	-	-
Investment	45,541,000	-	100,000,000	-	-	145,541,000
Other Receivables	792,975	-	1,374,657	-	6,661,172	8,828,805
Cash and Bank Balance	1,708,732	11,544,967	18,593,101	-	3,499,496	35,346,295
<b>Total Assets</b>	<b>48,042,707</b>	<b>11,544,967</b>	<b>119,967,758</b>	<b>-</b>	<b>10,160,668</b>	<b>189,716,100</b>

#### Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<b>A. Income</b>						
<b>Interest Income</b>	5,806,660	1,550,891	13,636,000	1,467,436	-	22,460,987
From Loan to PFIs				16,683		16,683
On Investment	5,806,660	1,550,891	13,636,000	1,450,753		22,444,304
Foreign Exchange Gain					1,892,431	1,892,431
Loan Loss Prov. Written back				11,122		11,122
Other Income			476	93,250		93,726
<b>Total Income</b>	<b>5,806,660</b>	<b>1,550,891</b>	<b>13,636,476</b>	<b>1,571,809</b>	<b>1,892,431</b>	<b>24,458,267</b>
<b>B. Expenditure</b>						
Administrative Expenses						
Interest Expenses	1,259,250	396,519	3,785,500	58,648		5,499,917
Depreciation						-
<b>Total Expenses</b>	<b>1,259,250</b>	<b>396,519</b>	<b>3,785,500</b>	<b>58,648</b>		<b>5,499,917</b>
<b>Surplus (Deficit) (A-B)</b>	<b>4,547,410</b>	<b>1,154,372</b>	<b>9,850,976</b>	<b>1,513,160</b>	<b>1,892,431</b>	<b>18,958,350</b>

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

#### Statement of Financial Position

Particulars	As on 31st Asar 2076			As on 32nd Asar 2075		
	CGISP	RSRF**	KFW	CGISP	RSRF	KFW
<b>Equity</b>						
Capital Contribution	17,548,370	793,400,000		17,548,370	793,400,000	
Surplus	202,675,719	173,239,439	52,577,569	169,843,182	123,044,553	17,369,322
Financial Risk Fund	5,200,000			5,200,000		
<b>Long- term Liabilities</b>						
Loan from ADB - Non-Current Portion	117,085,687			123,776,297		
<b>Current Liabilities and Provision</b>						



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

Loan from ADB - Current Portion	83,632,633			76,942,023		
Service Charge due on Loan from ADB	24,987,342			22,980,161		
Loan From GON			906,240,347			389,249,226
Loan Loss Provision	186,190	111,038,461		320,958	106,054,784	
Accounts Payable	328,176	30,930,143		326,141	43,278,500	
<b>Total Equity &amp; Liabilities</b>	<b>451,644,118</b>	<b>1,108,608,043</b>	<b>958,817,917</b>	<b>416,937,132</b>	<b>1,065,777,837</b>	<b>406,618,547</b>
<b>Assets</b>						
<b>Non-Current Assets</b>						
Fixed Assets	4	383,223		4	518,872	
Loan to PFI- Non Current Portion	8,193,215.00	5,762,500		18,619,035	18,162,500	
Investment	369,668,000	-		300,000,000	370,000,000	
<b>Current Assets</b>						
Interest Receivables	3,825,208.36	-	14,231,206	3,711,575	11,386,876.72	8,082,906
Loan to PFI-current portion	10,425,820.00	330,862,095	906,240,347	13,476,752	448,562,248	389,249,226
Cash and cash equivalents	59,531,870.25	771,600,225	38,346,364	81,129,766	217,110,340	9,286,416
Sundry Debtors					37,000	
<b>Total Assets</b>	<b>451,644,118</b>	<b>1,108,608,043</b>	<b>958,817,917</b>	<b>416,937,132</b>	<b>1,065,777,837</b>	<b>406,618,547</b>

\*\* The RSRF project, which was run by the bank on behalf of the GON during the reporting period, has been handed over to Sana Kishan Laghubitta Sanstha after the reporting period. Capital Contribution in case of this project includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'investment at fair value through other comprehensive income' under note 4.5 of the financial statements.

#### Statement of Comprehensive Income

Particulars	As on 31st Asar 2076			As on 32nd Asar 2075		
	CGISP	RSRF	KFW	CGISP	RSRF	KFW
<b>A. Income</b>						
<b>Interest Income</b>	<b>34,736,009</b>	<b>57,432,802</b>	<b>44,494,663</b>	<b>41,573,276</b>	<b>53,596,606</b>	<b>8,082,906</b>
From Loan to PFIs	1,428,448	21,954,160	44,494,663	2,157,568	32,762,771	8,082,906
On deposit with banks	33,307,561	35,102,080		39,415,708	20,147,272	
On Investment		376,563			686,563	
Other Income	-	329,272		10,327	537,142	
Loan Loss Provision Written back	134,768	3046568		148,530	5,071,475	
<b>Total Incomes</b>	<b>34,870,776</b>	<b>60,808,642</b>	<b>44,494,663</b>	<b>41,732,133</b>	<b>59,205,223</b>	<b>8,082,906</b>
<b>B. Expenditure</b>						
Administrative Expenses	41,385	2,447,862	-	43,963	26,424,304	-
Provision for Service Charge	2,007,183			2,007,183		
Loan Loss Provision	-	8,030,245	-	-	23,815,953	-





## Nepal Rastra Bank

### Notes Forming Part of Financial Statements Fiscal Year 2075-76 (2018-19 AD)

Depreciation		135,649			128,996	
<b>Total Expenses</b>	<b>2,048,569</b>	<b>10,613,756</b>	<b>-</b>	<b>2,051,146</b>	<b>50,369,253</b>	<b>-</b>
<b>Surplus (Deficit) (A-B)</b>	<b>32,822,208</b>	<b>50,194,886</b>	<b>44,494,663</b>	<b>39,680,987</b>	<b>8,835,970</b>	<b>8,082,906</b>

#### 5.12. Interest in other entities

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

##### 5.12.1. Investment in quoted securities

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

Particulars	% of holding	Investment at cost		Investment at Fair value	
		31-03-2076	32-03-2075	31-03-2076	32-03-2075
RMDC Laghubitta Bittiya Sanstha Ltd.	4.05	21,045,000	21,045,000	105,792,675	95,881,291
Citizen Investment Trust	13.34	13,350,000	13,350,000	1,767,041,375	1,298,216,945
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	3.05	29,998,200	19,998,800	53,423,794	54,222,726
<b>Total</b>		<b>64,393,200</b>	<b>54,393,800</b>	<b>1,926,257,845</b>	<b>1,448,320,962</b>

The fair value of shares in RMDC Laghubitta Bittiya Sanstha Ltd. has been considered on the basis of latest trading price of promoter share of the company in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC to get fair values of other entities.

##### 5.12.2. Investment in unquoted securities

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

Particulars	% of holding	Investment at cost		Investment at Fair value	
		31-03-2076	32-03-2075	31-03-2076	32-03-2075
Agricultural Project Services Centre	62.50	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Ins.	55.56	1,000,000	1,000,000	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500	999,382,248	1,046,014,465
National Productivity and Eco. Dev.	31.52	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10.00	407,594,000	407,594,000	1,143,088,259	884,055,389
Nepal Clearing House	10.00	15,000,000	15,000,000	61,001,402	47,178,000
Credit Information Bureau	10.03	35,00,000	35,00,000	107,189,098	82,899,198
National Banking Institute	15.29	5,000,000	5,000,000	26,315,367	20,352,096
<b>Total</b>		<b>443,174,500</b>	<b>443,174,500</b>	<b>2,337,976,374</b>	<b>2,081,499,147</b>



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

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

#### 5.12.3. Significant Interest in entities

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

Name of Entity	Paid up capital	Investment at Face Value	%age of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar , Kathmandu
Rastriya Beema Sansthan - Life Insurance	181,000,000	100,566,700	55.56	Life insurance service	Ramshahpath , Kathmandu
Nepal Stock Exchange Ltd.	500,000,000	172,998,950	34.60	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar plaza, Kathmandu
National Productivity and Eco. Dev Ltd.	7,931,472	2,500,000	31.52	Provides research and consultancy services, offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services.	Balaju, Kathmandu

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

Particulars	Investment at cost		Carrying Amounts (Investment at Fair value)	
	31-03-2076	32-03-2075	31-03-2076	32-03-2075
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	12,080,500	12,080,500	999,382,248	1,046,014,465
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
<b>Total</b>	<b>20,580,500</b>	<b>20,580,500</b>	<b>1,000,382,248</b>	<b>1,047,014,465</b>

In the absence of audited financial statements of Agricultural Project Services Centre, Rastriya Beema Sansthan and National Productivity & Economic Development Ltd., the bank is not able to estimate the fair value of investment in such entities. Therefore, the bank has made impairment by full amount for the



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

investment in Agricultural Project Service Centre and National Productivity & Economic Development Ltd. and is not expected for its recovery. In addition, Agricultural Project Service Centre is in the process of liquidation since long. In case of Rastriya Beema Sansthan, the bank has expected to recover its investment and hence the fair value is equal to its cost.

The carrying amount of NRs. 2,345,476,374 (PY NRs. 2,081,499,147) as shown in above table has been included under Investment securities in the Statement of Financial Position. Being all the above entities as limited liability Company, this is the maximum exposure to loss from its significant interest in such entities.

#### 5.12.4. Transactions with Entities having Significant Interest

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

Entity	Nature of Transaction	FY 2075-76	FY 2074-75	Remarks
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	156,517,243	97,153,904	
Nepal Stock Exchange Ltd.	Dividend Income received by the bank	-	51,899,685	

#### 5.13. 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 <sup>st</sup> Asar 2076		As on 32 <sup>nd</sup> Asar 2075	
	Local Currency (NRs.)	SDR Equivalent	Local Currency (NRs.)	SDR Equivalent
<b><u>SPECIAL DRAWING RIGHT</u></b>				
Net cumulative allocation	10,468,255,853	68,099,599	10,475,488,916	68,099,599
Holdings	354,810,632	2,308,165	164,054,814	1,066,496
<b><u>OUTSTANDING PURCHASES &amp; LOANS</u></b>				
RCF Loans	876,817,665	5,704,000	1,754,847,008	11,408,000
ECF Arrangements	-	-	-	-
<b><u>OTHER INFORMATION</u></b>	<b><u>Per cent of Quota</u></b>		<b><u>Per cent of Quota</u></b>	
Quota	100	156,900,000	100	156,900,000
Currency Holding	89.82	140,923,637	89.82	140,923,637
Reserve Tranche Position	10.19	15,982,092	10.19	15,981,999



# Nepal Rastra Bank

## Notes Forming Part of Financial Statements

### Fiscal Year 2075-76 (2018-19 AD)

The SDR is converted into Nepalese rupees at conversion rate of NRs. 153.719 (P.Y. NRs. 153.826) per SDR.

#### 5.14. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 31, 2076	As on Asar 32, 2075
	NRs.	NRs.
Letters of Credit	46,108,572,129	43,381,423,248
Unclaimed Account Transfer to P/L Account	103,130,144	103,130,144
Capital Commitments	2,745,630,138	-
<b>Total</b>	<b>48,957,332,411</b>	<b>43,484,553,392</b>

Contingent liabilities in respect of Letter of Credit (LC) are determined on the basis of LCs remaining unexpired at the end of the reporting period. The capital commitments include cost for the construction of the bank's Central Office Building and Banking Office Building as per the contract agreements less payments made till the end of the reporting period; which are expected to be settled over the period of the buildings' construction.

#### 5.15. Non-cancellable Operating Leases

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

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

PARTICULARS	As on Asar 31, 2076	As on Asar 32, 2075
	NRs.	NRs.
Within one year	39,622,933.44	1,173,480.00
Later than one year but not later than five years	24,637,875.57	1,173,480.00
Later than five years	-	-
<b>Total</b>	<b>64,260,809.01</b>	<b>2,346,960.00</b>

#### 5.16. Claims against the bank

There are 82 cases filed in the court against the various decisions of the bank against which the bank is not expected to incur a significant monetary liability.

#### 5.17. Number of Employees

The number of employees holding office at the year-end was 1,024 (PY 954).

#### 5.18. Events after the Reporting Period

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







**NEPAL RASTRA BANK**