



महालेखा परीक्षकको कार्यालय  
Office of the Auditor General

Corporate Audit Division

Reference No 2065/66-76



AUDIT REPORT

Phone: 4262381

4262415

4262417

A.G.Fax No.: 977-1-4262649

Fax: 977-1-4262798

Post Box: 13328

बबरमहल, काठमाडौं, नेपाल

Babar Mahal, Kathmandu, Nepal

Date - January 08, 2009

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

1. We have audited the accompanying Balance Sheet of Nepal Rastra Bank (NRB), as of 31<sup>st</sup> Ashadh, 2065 (15<sup>th</sup> July, 2008) and the related Income Statement, Cash Flow Statement and Statement of Changes in Equity for the year then ended. These financial statements are the responsibility of the NRB's management. Our responsibility is to express our opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Nepal Standards on auditing, relevant practices and International Standards on Auditing (ISA) wherever applicable and also with our own guidelines. Those Standards or relevant practices and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. A Management letter highlighting audit observations in detail has been provided to the management for improvement in accounting and internal control system and financial reporting of the NRB.
4. The following are some of the important issues that have impact on the financial position and operating results of the NRB.
  - 4.1 The NRB has not complied with the following provisions of the NRB Act 2058 and its bye-laws:

- Investment made in the shares of various financial institutions and other organizations (Gramin Bikash Banks, Agricultural Project Services Center, Rastriya Beema Sansthan, Deposit and Credit Guarantee Corporation, Nepal Stock Exchange Ltd., National Productivity and Economic Development, CSI Development Bank, Credit Information Bureau, and Citizen Investment Trust) as disclosed in note 5 to the financial statements are not disposed off. (Section 7.1 & 7.2).
- Financial statements are not prepared in conformity with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) with respect to IFRS/IAS mentioned in point no. 4.2 of this report. (Section 40 & 90).
- Investment in Government Bonds of Rs.4 billion 800 million and 358 thousands has been issued to NRB by the Ministry of Finance, Nepal Government. The NRB has made available the fund to the IMF on behalf of Nepal Government payable as per provision of Britton Woods Agreement Act, 2018 at free of interest and is renewed at every five years. (Section 75.1 & 4).

Investment of Rs.6 million 933 thousands on interest free Development Bond was made on 2045-10-17 for 20 years maturing on 2065-10-16. (Section 75.1 & 4).

- NRB has been disbursing for the pension paid by the commercial banks to the retired government employees as reimbursable from the government. There is an outstanding of Rs. 237 million 883 thousand reimbursable at the end of the period. This amount is pending for a long period, which is tantamount to the interest free loans provided to the Government of Nepal. (Section 75.1 & 4).
- The investment of Rs.253 million 400 thousands has been made as seed capital for the establishment of Rural Self Reliance Fund (RSRF) in earlier year with the purpose of long term financing to the financial institutions for the priority sector in terms of monetary policy 2060. This is not permitted as per the provision of Nepal Rastra Bank Act, 2058, Section 7.
- Investment in Government Securities during the five months period of 2064/65 has exceeded the limit of 10 percent of the Government previous year revenue. (Section 75.7).

#### 4.2 Following International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) are not complied with:

##### (a) Framework for the Preparation and Presentation of Financial Statements:

- Impairment testing of interest accrued has not been carried out for recognition of income required for treating asset (Para 49.a and 89).
- Rs. 2 million 104 thousands shown as receivable from one of the staffs declared bankrupt by the court has not been written off (Para 85).
- Provisions are not made for expenses incurred for studying abroad and attending training programs and seminars. (Para 49.b and 91).

##### (b) Presentation of Financial Statements (IAS-1):

- The provision of Rs.1 million 570 thousands for cash in transit insurance premium has been shortly provided for (Para 25).
  - Receivable from and payable to the same parties are presented in sundry debtors as well as in sundry creditors without setting off (Para 32).
  - Market maker expense of Rs.57 million 909 thousands to be accounted in the year 2065/66 has been accounted to expense in the year 2064/65. (Para 25).
  - Loan of Rs.2 billion 425 million and 274 thousands and Rs.1 billion 811 million and 383 thousands received under subsidiary loan agreement with Nepal Government and provided to Rastriya Banijya Bank (RBB) and Nepal Bank Limited (NBL) respectively has not been incorporated as assets and liability in the financial statements of the bank (Para 32).
  - Community Ground Water Irrigation Sector (CGWIS) Project being managed by the Micro Finance Department of NRB has not been consolidated in the financial statements (Para 32).
- (c) Inventories (IAS – 2): The smarika stock has been understated by Rs.8 million 756 thousands affecting the income by the same amount (Para 9 and 34).
- (d) Accounting Policies, Changes in Accounting Estimates and Errors (IAS – 8): Prior year expenses amounting to Rs. 23 million 571 thousands have been presented on the face of the Income Statement instead of reinstatement of the comparative amounts of the prior period (Para 42 and 43).
- (e) Property, Plant and Equipment (IAS-16):
- Fixed assets purchased in previous and current year amounting to Rs. 25 thousands per unit has been charged as expense. Similarly, Rs. 4 million 911 thousands incurred for consultancy fee and other expenses for construction of proposed building at Thapathali premises has not been written off even after abandonment of the project (Para 7).
  - Consultancy fee of Rs. 3 million 122 thousands incurred for the preparation of design, drawing and cost estimate for construction of the Mint Department building was charged to expense. This needs to be capitalized to the value of the asset being created. (Para 7).
  - Fixed assets are not recognized on the basis of ownership, status, useful life, derecognition, depreciation and certain disclosure requirements has also not been complied with (Para 50, 51, 61, 67 and 73).
- (f) Employees Benefits (IAS -19):
- Liability of Rs.320 million and 804 thousands was provided for Gratuity and Pension based on actuarial valuation of 15<sup>th</sup> July, 2005. Fresh actuarial valuation considering subsequent year's changes in number of employees due to voluntary retirement scheme, employees emoluments and other benefits is not carried out for calculating the liability.(Para 64 and 67).



- The liability for Medical Fund and Employees' Security Fund are being provided based on predefined factors and not on the actuarial valuation (Para 64 and 67).
- (g) Accounting for Government Grants and Disclosure of Government Assistance (IAS – 20): Grant of Rs.336 million and 527 thousands provided by Nepal Government to NRB under Financial Sector Technical Assistance Project and Financial Sector Reengineering Project has not been accounted and disclosed in the financial statement of the bank. (Para 20 and 24).
- (h) Impairment of Assets (IAS – 36): The status and physical condition of fixed assets and inventories are not known in absence of physical verification (Para 9, 59 and 60).
- (i) Provisions, Contingent Liabilities and Contingent Assets (IAS-37):
- The unclaimed amounts Rs.73 million 187 thousands transferred to income have not been disclosed in the financial statements as contingent liability (Para 86).
  - Provision for membership fee and expenses (approved budget Rs.8 million 250 thousands) for cost sharing programme payable to SEACEN for the FY 2064/65 has not been made (Para 14 and 36).
  - Provision for land rent payable to Guthi Sansthan for 1-15-7-2 bigha of land in Janakpur has not been ascertained and provided for from the beginning. (Para 14 and 36).
  - Provision has not been made for coins amounting to Rs.2 million 600 thousands found in unusable condition due to rust. (Para 14 and 36).
  - Provision for loss of various counterfeit foreign currency notes amounting to Rs. 307 thousands has not been made.
- (j) Intangible Assets (IAS – 38): The software purchased has been amortized over the period of five years without considering finite and indefinite useful life (Para 97, 107 and 109).
- (k) Financial Instruments: Recognition and Measurement (IAS -39): All investments in foreign Treasury Bills have been initially recognized at cost price and classified as held to maturity but subsequent measurement has not been done at amortised cost using the effective interest method (Para 46).
- (l) Non-current Assets Held for Sale and Discontinued Operations (IFRS – 5): List of damaged, unusable and obsolete fixed assets which are not in use and cannot be used from economical point of view is not prepared (Para 6, 15 and 38).
- 4.3 Ad hoc provision of Rs.220 million for Staff Welfare Provident Fund as staff incentive has been made in addition to Rs.31 million 419 thousands charged at the rate of 12 percent of salaries.



- 4.4 Investment in treasury bills amounting to Rs.5 billion 12 million 288 thousands (equivalent Indian Rupees 3 billion 132 million 680 thousands) made by Reserve Bank of India on behalf of NRB as per standing instruction of NRB has been accounted to agency bank balance instead of investment. As a result the investment is understated and the agency balance is overstated by that amount.
- 4.5 Request for the reimbursement of brokerage fee of Rs.1 million 927 thousands relating to Nagarik Bachat Patra 2071 was rejected by the Financial Comptroller General Office (FCGO) vide its letter dated 2064/08/11. This has not been disclosed as contingent asset in financial statement.
- 4.6 The bank has received newly printed Rs.1,000 denomination 28200 thousands notes and issued 6100 thousands notes for circulation. The cost of printing of which has not been accounted for in absence of valuation.
- 4.7 Interest receivable on government overdraft amounting to Rs. 15 million 265 thousands and Rs.15 million 77 thousands for the year 2062/63 and Aswin 2064 respectively has not been accounted.
- 4.8 Rs.73 million 187 thousands not claimed for more than five years including Rs.68 million 620 thousands due to KFW has been accounted to income. No memorandum record has been maintained for the same.
- 4.9 There is a net credit balance of Rs.501 million 343 thousands (debit balance of Rs. 152 billion 44 million 469 thousands and credit balance of Rs. 152 billion 545 million 812 thousands) in General Account. In absence of reconciliation of such amounts, the probable impact of the same on the Bank's financial statement are not known. The outstanding in the pay order account has net debit balance of Rs.47 million 641 thousands, which usually should have credit balance.
5. In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give true and fair view of the financial position of Nepal Rastra Bank as of 31<sup>st</sup> Ashadh, 2065 (15<sup>th</sup> July, 2008) and the results of its operations and its Cash flows and Changes in the Equity for the year then ended in accordance with IAS/IFRS, relevant practices and prevailing Laws.



(Bachchu Ram Dahal)  
Acting Auditor General

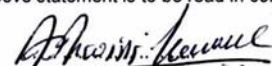
**NEPAL RASTRA BANK**  
**BALANCE SHEET AS ON 31st ASHADH, 2065 (15th JULY, 2008)**

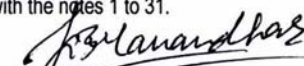
Particulars	Note	As on 31-3-2065 NRs.	As on 32-3-2064 NRs.
<b>ASSETS</b>			
<b>Foreign Currency Financial Assets</b>			
Cash and Bank Balances	3	80,208,220,260	67,404,058,408
SDR Holdings - with IMF		630,644,378	587,487,220
Investments	3a	89,713,416,527	62,250,364,145
Other Receivables		581,825,029	804,463,349
<b>Sub-Total</b>		<b>171,134,106,194</b>	<b>131,046,373,122</b>
<b>Other Assets</b>			
Gold		3,104,097,755	2,023,389,329
<b>Sub-Total</b>		<b>3,104,097,755</b>	<b>2,023,389,329</b>
<b>Total Foreign Currency Assets</b>		<b>174,238,203,949</b>	<b>133,069,762,451</b>
<b>Local Currency Financial Assets</b>			
Cash in Hand		1,464,511,943	1,307,083,855
Investments in Government Securities	4	23,726,135,607	20,088,315,734
GON Overdraft		-	-
Investments in Financial and Other Institutions	5	338,716,500	357,349,555
Other Investments	6	4,401,393,000	3,296,886,000
Refinance & Loans	7	2,923,185,167	4,129,888,300
Other Receivables	8	2,608,780,329	7,218,402,607
<b>Sub-Total</b>		<b>35,462,722,546</b>	<b>36,397,926,051</b>
<b>Other Assets</b>			
Gold and Silver	9	345,142,904	362,758,019
Other Inventories	10	264,370,284	587,801,686
Property, Plant & Equipment	11a	545,470,972	572,851,320
Intangible Assets	11b	921,888	552,086
Project Assets	12	519,785,869	564,220,288
<b>Sub-Total</b>		<b>1,675,691,917</b>	<b>2,088,183,399</b>
<b>Total Local Currency Assets</b>		<b>37,138,414,463</b>	<b>38,486,109,450</b>
<b>Total Assets</b>		<b>211,376,618,412</b>	<b>171,555,871,901</b>

**Contingent Assets**

23c

The above statement is to be read in conjunction with the notes 1 to 31.


  
(Ashwini Kumar Thakur)  
Executive Director

  
(Krishna Bahadur Manandhar)  
Acting Governor

  
(.....)  
Auditor General





**Board of Directors :-**


  
Rameshwor Khanal

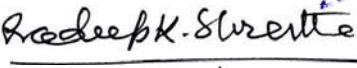
  
Dr. Parthibeshwar Prasad Timilsina

As per our report of the even date

  
Dr. Bishwambher Pyakuryal

  
Shambu Sharan Prasad Kayastha

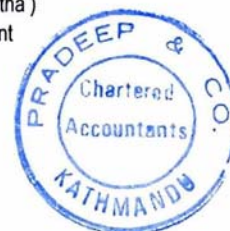
  
(Sundar Man Shrestha)  
Chartered Accountant  
Kathmandu

  
(Pradeep Kumar Shrestha)  
Chartered Accountant  
Kathmandu

  
Bir Bikram Rayamajhi (Dy. Governor)



Date :  
Place : Kathmandu



**NEPAL RASTRA BANK**  
**BALANCE SHEET AS ON 31st ASHADH, 2065 (15th JULY, 2008)**

Particulars	Note	As on 31-3-2065 NRs.	As on 32-3-2064 NRs.
<b>LIABILITIES</b>			
<b>Foreign Currency Financial Liabilities</b>			
Deposit from Banks and Other Agencies	13	593,501,492	216,050,629
IMF Related Liabilities	14	6,568,637,566	4,725,480,484
Other Liabilities	15	8,488,994	42,463,655
<b>Total Foreign Currency Liabilities</b>		<b>7,170,628,052</b>	<b>4,983,994,768</b>
<b>Local Currency Financial Liabilities</b>			
Deposit and Other Balances	16	45,177,872,241	37,577,863,043
Bills Payable		679,983,024	5,875,198,391
Staff Liabilities	17	3,205,327,427	2,498,048,656
Other Payables	18	234,645,611	216,616,002
<b>Sub-Total</b>		<b>49,297,828,303</b>	<b>46,167,726,092</b>
<b>Other Liabilities</b>			
Currency in Circulation	19	112,950,000,000	91,310,000,000
Surplus Payable to GON		3,702,670,477	3,437,999,825
Sundry Liabilities	20	1,309,276,491	667,082,022
Project Liability	21	519,785,869	564,220,288
<b>Sub-Total</b>		<b>118,481,732,837</b>	<b>95,979,302,135</b>
<b>Total Local Currency Liabilities</b>		<b>167,779,561,141</b>	<b>142,147,028,227</b>
<b>EQUITY</b>			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	33,426,429,219	21,424,848,906
<b>Total Equity</b>		<b>36,426,429,219</b>	<b>24,424,848,906</b>
<b>Total Liabilities and Equity</b>		<b>211,376,618,412</b>	<b>171,555,871,901</b>

**Contingent Liabilities and Commitments** 23b

The above statement is to be read in conjunction with the notes 1 to 31.

  
(Ashwini Kumar Thakur)  
Executive Director


  
(Krishna Bahadur Manandhar)  
Acting Governor

  
Auditor General  
As per our report of the even date

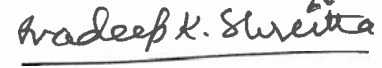


**Board of Directors :-**

  
Rameshwar Khanal

  
Dr. Parthibeshwar Prasad Timilsina

  
(Sundar Man Shrestha)  
Chartered Accountant  
Kathmandu

  
(Pradeep Kumar Shrestha)  
Chartered Accountant  
Kathmandu

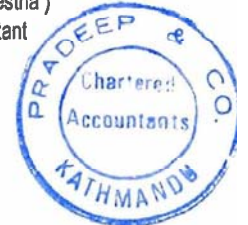
  
Dr. Bishwambher Pyakuryal

  
Shambu Sharan Prasad Kayastha

  
Bir Bikram Rayamajhi (Dy. Governor)



Date :  
Place : Kathmandu



NEPAL RASTRA BANK

INCOME STATEMENT  
FOR THE YEAR ENDED 31st ASHADH, 2065 (15th JULY, 2008)

Particulars	Note	2064-65 NRs.	2063-64 NRs.
<b>Operating Income:</b>			
<b>Income from Foreign Currency Financial Assets</b>			
Interest Income	24	5,455,501,890	6,429,637,268
Commission Income	25	226,669,758	208,576,375
		<b>5,682,171,649</b>	<b>6,638,213,643</b>
<b>Expenses on Foreign Currency Financial Liabilities</b>			
Interest Expenses	26	54,263,805	52,893,347
Agency and Service Charge	27	3,941,481	5,564,485
		<b>58,205,287</b>	<b>58,457,832</b>
<b>Net Income from Foreign Currency</b>		<b>5,623,966,362</b>	<b>6,579,755,811</b>
<b>Income from Local Currency Financial Assets</b>			
Interest Income	24	1,316,625,728	989,232,040
Commission Income	25	29,889,600	51,700,209
		<b>1,346,515,329</b>	<b>1,040,932,249</b>
<b>Expenses on Local Currency Financial Liabilities</b>			
Interest Expenses	26	245,122,682	317,923,891
Agency and Service Charge	27	419,680,610	278,590,393
		<b>664,803,292</b>	<b>596,514,284</b>
<b>Net Income from Local Currency Financial assets</b>		<b>681,712,037</b>	<b>444,417,965</b>
Other Operating Income	28	872,256,711	943,934,208
<b>Total Net Operating Income</b>		<b>7,177,935,111</b>	<b>7,968,107,984</b>
General, Administrative Expenses & Provisions	29	2,512,280,716	2,292,458,493
<b>Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment</b>		<b>4,665,654,395</b>	<b>5,675,649,491</b>
Foreign Exchange Gain/(Loss) (Net)		9,735,433,407	(12,960,007,190)
Gold and Silver Revaluation Gain/(Loss) (Net)			
- Amount Transferred from Gold & Silver Equalisation Reserve	31(XV)(i)	1,080,708,426	(221,787,508)
- Securities Revaluation		247,025,108	21,231,168
- other			
Prior Year Adjustment		(23,570,546)	(26,309,022)
<b>Net Profit/(Loss) for the year</b>		<b>15,705,250,790</b>	<b>(7,511,223,061)</b>
<b>Net Profit/(Loss) for Appropriation</b>			
Net Profit/(Loss) for the year		15,705,250,790	(7,511,223,061)
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		(9,735,433,407)	11,584,053,828
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XV)(i)	(1,080,708,426)	221,787,508
Amount Transferred to Gold Replacement Fund	31(XV)(ii)	(9,903,899)	(64,651,980)
Securities Revaluation Fund		(247,025,108)	(21,231,168)
<b>Profit available for distribution</b>		<b>4,632,179,950</b>	<b>4,208,735,127</b>
General Reserve		465,300,000	423,400,000
Monetary Liability Reserve		235,000,000	210,500,000
Development Fund		218,800,000	130,000,000
Dev. Fin. Projects Mob. Fund		10,409,473	6,835,302
Surplus to be transferred to GON		3,702,670,477	3,437,999,825
<b>Total</b>		<b>4,632,179,950</b>	<b>4,208,735,127</b>

The above statement is to be read in conjunction with the notes 1 to 31.

(Ashwini Kumar Thakur)  
Executive Director

(Krishna Bahadur Manandhar)  
Acting Governor

Auditor General

As per our report of the even date

Board of Directors :-

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

(Sundar Man Shrestha)  
Chartered Accountant  
Kathmandu

(Pradeep Kumar Shrestha)  
Chartered Accountant  
Kathmandu

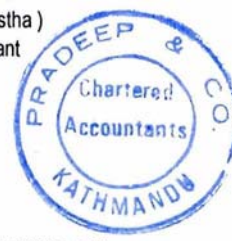
Dr. Bishwambher Pyakuryal

Shambu Sharan Prasad Kayastha

Bir Bikram Rayamajhi (Dy. Governor)



Date :  
Place : Kathmandu

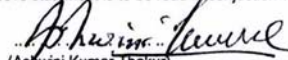


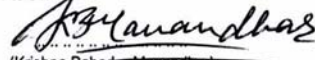


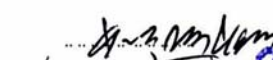
**NEPAL RASTRA BANK**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31st ASHADH, 2065 (15th JULY, 2008)**

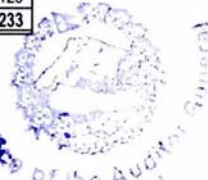
Particulars	2064-65 (NRs.)	2063-64 (NRs.)
<b>Cash flow from operating activities:</b>		
Profit for the Year	15,705,250,790	(7,511,223,061)
<b>Adjustments</b>		
Gold and Silver revaluation gain/(loss) (Net)	(1,080,708,426)	221,787,508
- Other	-	-
- Revaluation gain or loss on foreign exchange	(9,735,433,407)	12,960,007,190
Securities revaluation	(247,025,108)	(21,231,168)
Depreciation	46,039,452	62,002,523
Prior period adjustment	23,570,546	26,309,022
Note printing expenses	229,960,250	396,629,897
Dividend Income	(9,640,880)	(3,083,995)
Profit from sale of assets	(318,929,668)	(174,474,298)
Sundry balances written off	1,795,488	-
Interest paid on PRGF Loan & ACU	54,175,635	51,665,037
Provision for :		
Loan and advances	(231,912,000)	(175,641,069)
Diminution in value of investment	(23,869,000)	(5,815,000)
Doubtful of recovery on sundry accrued	(47,641,290)	(36,413,210)
Provision for inventory & spare parts	-	17,010
<b>Cash flow from operation before inc / dec in operating assets</b>	<b>4,365,632,383</b>	<b>5,790,536,386</b>
<b>(Increase)/Decrease in operating assets</b>	<b>6,427,807,801</b>	<b>(3,244,933,929)</b>
GON overdraft	-	1,071,000,511
Refinance & loans	1,438,615,134	(310,720,634)
Other receivable	4,878,106,400	(3,908,595,917)
Gold & silver	17,615,115	65,566,410
Inventories	93,471,152	(162,184,299)
<b>Increase/(Decrease) in operating liabilities</b>	<b>4,257,212,074</b>	<b>6,455,536,726</b>
SDR Allocation	108,359,554	(77,853,087)
Deposit liabilities	7,977,460,060	2,483,859,946
Bills payable	(5,195,215,367)	4,270,398,775
Deferred staff liabilities	706,278,771	65,779,255
Other liabilities	18,134,587	82,038,488
Sundry liabilities	642,194,469	(368,686,651)
<b>Operating cash flow before prior period adjustment</b>	<b>15,050,652,258</b>	<b>9,001,139,184</b>
Prior period adjustment	(23,570,546)	(26,309,022)
<b>Cash flow from operating activities</b>	<b>15,027,081,711</b>	<b>8,974,830,160</b>
<b>Cash flow from Investing activities:</b>		
Net Decrease in Government Securities and Bank Deposits	5,393,801,079	(4,211,860,541)
Sale of Investment in Financial Institutions	361,431,724	230,712,243
Purchase of Investments-other	(351,771,487)	(6,480,592,227)
Fixed assets including WIP	(19,028,906)	(112,647,181)
Dividend income	9,640,880	3,083,995
<b>Total (B)</b>	<b>5,394,073,290</b>	<b>(10,571,303,711)</b>
<b>Cash flow from financing activities:</b>		
Bank note issued	21,640,000,000	6,680,000,000
Increase in PRGF Loan & ACU	1,700,717,888	2,394,511,058
Interest paid on PRGF Loan & ACU	(54,175,635)	(51,665,037)
Surplus transferred to GON	(3,437,999,825)	(3,419,267,177)
<b>Total (C)</b>	<b>19,848,542,428</b>	<b>5,603,578,844</b>
<b>Net cash flow for the year (A+B+C)</b>	<b>40,269,697,430</b>	<b>4,007,105,293</b>
Revaluation gain or loss on foreign exchange	9,735,433,407	(12,960,007,190)
Cash and cash equivalent at the beginning of the year	125,047,170,233	134,000,072,129
<b>Cash and cash equivalent at the end of the year (Note - 30)</b>	<b>175,052,301,070</b>	<b>125,047,170,233</b>

The above statement is to be read in conjunction with the notes 1 to 31.

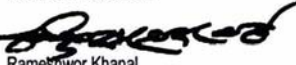
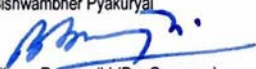
  
 (Ashwini Kumar Thakur)  
 Executive Director



  
 (Krishna Bahadur Manandhar)  
 Acting Governor

  
 Auditor General  
 As per our report of the even date




Board of Directors :-

  
 Rameshwar Khanal  
 30  
 Dr. Bishwambher Pyakuryal  
  
 Bir Bikram Rayamajhi (Dy. Governor)

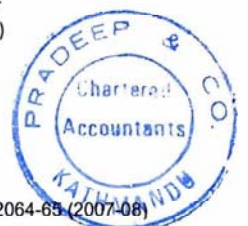
  
 Dr. Parthibeshwar Prasad Timilsina  
  
 Shambhu Sheeran Prasad Kayastha

  
 (Sundar Man Shrestha)  
 Chartered Accountant  
 Kathmandu

  
 (Pradeep Kumar Shrestha)  
 Chartered Accountant  
 Kathmandu



Date :  
 Place : Kathmandu



**NEPAL RASTRA BANK**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31st ASHADH, 2065 (15th JULY, 2008)**

Particulars	NRs.			
	Balance as at 32.03.2064	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at 31.03.2065
Capital	3,000,000,000			3,000,000,000
General Reserve	11,343,700,000	698,327,005		12,042,027,005
Monetary Liability Reserve	988,600,000	235,000,000		1,223,600,000
Exchange Equilisation Fund		9,735,433,407		9,735,433,407
Gold & Silver Equilisation Reserve	2,001,335,090	1,080,708,426		3,082,043,516
Employees Welfare Fund	234,027,004		(234,027,004)	
Grameen Swabalamban Kosh	253,400,000			253,400,000
Other Reserve Funds	6,582,555,644	239,113,371		6,821,669,015
Security Revaluation Fund	21,231,168	247,025,108		268,256,276
<b>Total</b>	<b>24,424,848,906</b>	<b>12,235,607,317</b>	<b>(234,027,004)</b>	<b>36,426,429,219</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 32nd ASHADH, 2064 (16th JULY, 2007)**

Particulars	NRs.			
	Balance as at 32.03.2063	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at 32.03.2064
Capital	3,000,000,000			3,000,000,000
General Reserve	10,920,300,000	423,400,000		11,343,700,000
Monetary Liability Reserve	778,100,000	210,500,000		988,600,000
Exchange Equilisation Fund	11,584,053,828	(11,584,053,828)		
Gold & Silver Equilisation Reserve	2,223,122,598	(221,787,508)		2,001,335,090
Employees Welfare Fund	234,027,004			234,027,004
Grameen Swabalamban Kosh	253,400,000			253,400,000
Other Reserve Funds	6,381,068,362	201,487,282		6,582,555,644
Security Revaluation Fund		21,231,168		21,231,168
<b>Total</b>	<b>35,374,071,792</b>	<b>(10,949,222,886)</b>		<b>24,424,848,906</b>

The above statement is to be read in conjunction with the notes 1 to 31.

*(Signature)*  
(Ashwini Kumar Thakur)  
Executive Director

*(Signature)*  
(Krishna Bahadur Manandhar)  
Acting Governor

*(Signature)*  
Auditor General  
As per our report of the even date

Board of Directors :-

*(Signature)*  
Rameshwar Khanal

*(Signature)*  
Dr. Parthibeshwar Prasad Timilsina

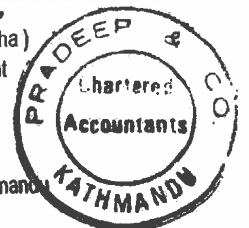
*(Signature)*  
(Sundar Man Shrestha)  
Chartered Accountant  
Kathmandu

*(Signature)*  
(Pradeep Kumar Shrestha)  
Chartered Accountant  
Kathmandu

*(Signature)*  
Dr. Bishwambher Pyakuryal

*(Signature)*  
Shambu Sharan Prasad Kayastha

*(Signature)*  
Bir Bikram Rayamajhi (Dy. Governor)



Date :  
Place : Kathmandu

## Notes to be read as part of the Financial Statements

### 1. General information

These are the financial statements of Nepal Rastra Bank, the central bank of Nepal, incorporated under the NRB Act, 2012 repealed by NRB Act 2058 (2002 AD). In these financial statements Nepal Rastra Bank has been referred as "NRB" or the "Bank".

The central office of the NRB is located at Baluwatar, Kathmandu, Nepal and the Bank's jurisdiction is spread throughout Nepal.

The main activities of the Bank include:

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

These financial statements apply to the financial year ended 31st Ashadh, 2065 (15<sup>th</sup> July, 2008).

The Board of Directors of the Bank has approved these financial statements on 24th Kartik, 2065 (9th November, 2008)

### 2. Summary of significant Accounting Policies

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the Nepal Accounting Standards (NAS) as well as International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), with the exception of following:

Standards partly complied (pending certain improvements and refinements given hereinafter under respective paras):

IAS 1:	Presentation of Financial Statements
IAS 8:	Accounting Policies, Changes in Accounting Estimates and Errors.
IAS 16:	Property, Plant and Equipments
IAS 19:	Employee Benefits
IAS 20:	Accounting for Government Grants and Disclosure of Government Assistance
IAS 36:	Impairment of Assets
IAS 37:	Provisions, Contingent Liabilities and Contingent Assets
IAS 38:	Intangible Assets
IAS 39:	Financial Instrument; Recognition and measurements
IFRS 5:	Non-current Assets held for sale and discontinued operation

#### 2.2 Accounting Convention

These financial statements have been prepared under historical cost except for certain items e.g. gold (other than inventory), certain investments shown hereunder specifically, which have been carried at revalued/fair value and amortized cost.

#### 2.3 Currency in circulation

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 at its face value. The assets stated in Note 19 of these financial statements back these liabilities.

The Bank also issues coins of different denomination for circulation but such coins are not included in currency circulation liability of the bank. Since coins issued by NRB have not been treated, as liability the bank has not been kept records of coins issue so far. Therefore, total coins circulation up to the current F/Y is not quantified.

## 2.4 Financial assets / Instruments

Financial assets/instruments are segregated between foreign currency and local currency items to reflect more objective presentation of the bank's financial position and performance.

### 2.4.1 Classification

#### Held for trading

A financial instrument is considered as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets include debt and equity securities and loans and receivables acquired by the Bank with the intention of making a short-term profit.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; investment in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprise loans and advances including bonds purchased at original issuance.

#### Held-to-maturity investments

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity (e.g., debt securities) that the Bank has the positive intent and ability to hold till maturity. These include certain purchased loans and advances, certain debt instruments, and foreign treasury bills.

#### Available-for-sale financial assets

All financial assets that are not classified in another category are classified as available-for-sale. These include investment in certain saving certificates, and investment in financial and other institutions.

### 2.4.2 Recognition

The Bank recognizes financial assets held for trading and available-for-sale assets on the date the asset is transferred to the Bank. Any gains and losses arising from changes in fair value of the assets such as BIS investment Pool Series 'C' and gold are recognized.

Held-to-maturity assets and originated loans and receivables are recognized on the day the asset is acquired.

### 2.4.3 Measurement

All financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges. After initial recognition, subsequent measurement bases are described below.

Subsequent to initial recognition, gold in investment and all available-for-sale assets (BISIP Pool Series 'C') are measured at fair value, and the instruments that do not have a quoted market price in an active market or fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses. Gains and losses arising from a change in the fair value of available for sale assets (BISIP Pool Series 'C') are recognized in equity through income statement. Gains and losses arising from a change in the fair value of trading instruments are recognized in the Income Statement. Investments in subsidiaries, associates and other entities made under the specific directives or policies of the government and other relevant statutes are also valued at cost less impairment loss.

All non-trading financial liabilities, loans and receivables including those originated by the Bank and held-to-maturity assets except BIS mid term instrument (MTI) and US Government Treasury Notes/Bonds, are measured at cost less impairment losses. BIS mid term instrument (MTI) and US Government Treasury Notes/Bonds are subsequently measured at amortized cost. Amortized cost is calculated on the original effective interest method.

### 2.4.4 Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction.

Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, the fair values are estimated by other techniques such as discounted cash flows etc.

#### 2.4.5 De-recognition

A financial asset is de-recognized when the Bank loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire or surrendered. Financial liabilities are de-recognized when extinguished.

Available-for-sale assets and assets held for trading are de-recognized when sold and corresponding receivables from the buyer for the payment are recognized when the asset is transferred to the buyer.

Held-to-maturity instruments and originated loans and receivables are de-recognized on receipt of money or money's worth their against.

#### 2.5 Transactions on repurchase obligations (Repo) and reverse repo

The Bank enters into transaction of repurchase (Repo) and reverse repo of securities at agreed rates for specified periods of time. These are recorded as follows:

- i) Securities sold under arrangements to repurchase recorded as investment in government securities. The obligation to repurchase is shown as liabilities for securities sold under agreement to repurchase and the difference between the sale and repurchase value is accrued on a pro rata basis and recorded as expense.
- ii) In case of purchase under resale obligations, the securities are recorded as loans at the purchase price and the difference between the purchase and resale price is accrued over the period and recorded as income.

#### 2.6 Foreign Currency Transactions

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

#### 2.7 Gold and Silver (other than inventory)

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

#### 2.8 Gold and silver stock and other inventories

Gold and silver stock and other inventories are carried at cost or net realizable value whichever is less. Cost for Gold and Silver is determined on the basis of specific identification of their individual cost (As per Para 23 of IAS 2) where as for other inventories is determined under the First In First Out (FIFO) method. Other assets (store items) except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to income statement from fiscal year 2064/065. Entire purchase of Items with non-durable nature as well as durable items costing per unit cost of NRs. Twenty five thousand or less are expensed through income statement at the time of purchase from F/Y 2064/065

#### 2.9 Property, Plant & Equipment

Fixed assets are stated at cost less accumulated depreciation wherever applicable.

Depreciation is calculated using the straight-line method so as to "write off" these assets over their original expected useful life but life of these assets has not been reviewed in subsequent years.

Depreciation on additions is charged for the whole year, if the asset is put to use within first nine months of the accounting year. No depreciation is charged on the assets purchased and/or put to use in the later three months of the year. Similarly, no depreciation is charged in the year in which assets are deleted.

Fixed assets having value of NRs. Twenty five thousand or less (previously Rs. 1000 or less) are charged directly to expenses account of income statement from F/y 2064/065.

#### 2.10 Assets received in grant

Grants or donation received on account of capital expenditure are recorded as "grant assets" with corresponding credit to "grant assets reserve" under the head Capital Reserve. These are amortized over the useful life of the relevant assets. The grant received from GON under Financial Sector Technical Assistance Project (Phase I) and Financial Sector Restructuring Project (Phase II) will be accounted on the completion of these Projects.

#### 2.11 Employee benefits

##### Contributory Retirement Fund

All permanent employees are entitled for participation in employee's provident fund (now Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of salary to this fund, which is separately administered as a defined contribution plan. The Bank's obligations for contributions to the above Fund are recognized as an expense in the income statement as incurred.

##### Gratuity and Pension Scheme

Employees who have worked for five years or more but less than twenty years are eligible for gratuity, which is based on last drawn salary and completed years of service. Similarly employees having service period of twenty years or more are eligible for pension, which is based on last drawn salary and completed years of service.

Up to 15<sup>th</sup> July 2005 the bank had calculated Pension and Gratuity liability on reasonable estimates basis and recognized expense based on the same. Effective from that date the bank has actuarially valued its pension and gratuity liability for the first time. The defined benefit liability arising from such actuarial valuation after adjusting the liability charged under the existing system had been recognized as expense. This however has been amortised on a straight-line basis over five years commencing from financial year 2004/2005 in accordance with the transitional provisions. This year a fourth installment has been charged to the income Statement. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the Income Statement on straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the Income Statement. Since the actuarial valuation regarding this scheme has not been done in this year additional provision has not been provided.

##### Welfare Provident Fund

Certain amounts as prescribed by the Board are transferred to this fund, which is meant to be a defined benefit scheme for the welfare of the employees. Contributions by the Bank are expensed on actual incurrence.

##### 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. Contributions by the Bank are expensed on actual incurrence.

##### Staff Security Fund

Staff security fund is a defined benefit plan and accounted for based on obligation dischargeable to employees at balance sheet date.

##### Leave encashment

The Bank makes annual provision in respect of liability for employee's leave based on obligation dischargeable to employees at balance sheet date considering it as short-term employee benefit.

#### 2.12 Revenue recognition

Incomes and expenses are recognized on accrual basis.

### 2.13 Taxation

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

### 2.14 Cash and cash equivalents

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

### 2.15 Impairment

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 income statement whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Provisions for possible losses on loans and advances have been provided on the basis of financial position of borrower and appropriate estimation made by the management. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to income statement. 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 income statement.

### 2.16 Segment reporting

The Bank presents assets and liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency. The Bank considers that this reporting approach provide appropriate segmental reporting of the Bank's activities which are more fully described in Note 1.

### 2.17 Directors' responsibility statement

The Board of Directors of the Bank is responsible for preparation of the annual financial statements and for the estimates and judgments used in them.

### 2.18 Change in accounting policy.

Fixed assets costing per unit price of NRs. Twenty five thousand or less are charged directly to expenses account of income statement from fiscal year 2064/065. In previous year, such cost that is charged to income statement was NRs. one thousand or less.

Likewise, other assets (store items) and items with non-durable nature are charged to expenses account of income statement at the time of purchase from fiscal year 2064/065. In previous year, such items were treated as stock or stationery items (assets) and were charged to the expenses account of income statement when used or consumed. The change in accounting policy has resulted in decrease in assets and increases in expenses by about Rs. 198 lacs, as it is not being material, it is not disclosed separately.

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 3: CASH AND BANK BALANCES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Cash in Hand	3,833,170,983	2,819,993,731
Balance with Banks in Demand Deposits	19,785,747,784	12,921,391,085
Balance with Banks in Time Deposits	56,243,055,391	51,662,673,592
Asian Clearing Union	346,246,103	-
<b>Total</b>	<b>80,208,220,260</b>	<b>67,404,058,408</b>

Interest on time deposit and demand deposit (where ever applicable) were earned at various rates ranging from 0.50% to 7.65% per annum (P.Y. 0.50% to 6.31% per annum).

#### NOTE - 3 a: INVESTMENTS

##### i. Treasury Bills

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
US Government Treasury Bills	44,331,891,318	52,289,830,227
GOI Treasury Bills	18,599,777,074	2,771,300,523
<b>Sub -Total</b>	<b>62,931,668,392</b>	<b>55,061,130,750</b>

##### ii. Other

BIS investment pool series 'C'	3,694,451,246	3,263,731,168
US Government Treasury Notes/Bond	1,370,076,158	3,238,092,227
Investment in Mid Term Instrument	3,406,168,745	-
Investment in Fixbis	13,568,776,253	-
Investment in Repurchase Agreement (Repo)	4,742,275,734	687,410,000
<b>Sub -Total</b>	<b>26,781,748,135</b>	<b>7,189,233,395</b>
<b>Total</b>	<b>89,713,416,527</b>	<b>62,250,364,145</b>

Investments in US Treasury Bill and Government Of India Treasury Bill have been recognised and classified as "Held to maturity" but not valued at fair value.

#### NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Government Treasury Bills	17,555,932,257	13,749,485,669
Saving Certificates	1,362,913,000	348,058,400
Government Bond	4,800,357,504	4,472,150,294
Other Bonds and securities	6,932,846	1,518,621,371
<b>Total</b>	<b>23,726,135,607</b>	<b>20,088,315,734</b>

Above investments are classified as follows:

Originated Loans	17,562,865,103	15,268,107,040
Held-to-maturity	4,800,357,504	4,472,150,294
Available-for-sale	1,362,913,000	348,058,400
<b>Total</b>	<b>23,726,135,607</b>	<b>20,088,315,734</b>

1. Government Bond represent the bonds issued by GON in favour of Nepal Rastra Bank for the discharge of GON obligation to the IMF, which has been recognised by the Bank. These bonds are non- interest bearing.

2. According to NRB Act 2058, NRB is not eligible to hold investment in GON securities more than 10% of Government's previous years revenue. Steps are being taken to bring the above investments, within the limit prescribed by NRB Act 2058.



## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 5: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

	% of holding	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
<b>(a) Investment in shares of Subsidiaries</b>			
Madhyamanchal GBB		-	44,400,000
Sudur Pashchimanchal GBB	68.46	40,050,000	40,050,000
Madhya Pashchimanchal GBB	63.17	37,900,000	37,900,000
Agricultural Project Services Center	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
		-	-
Sub-Total		83,950,000	128,350,000
<b>(b) Investment in shares of Associates</b>			
Deposit & Credit Guarantee Corporation	29.29	20,500,000	20,500,000
Rastriya Beema Sansthan-Non-Life Insurance		-	602,055
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.65	2,500,000	2,500,000
		-	-
Sub-Total		35,080,500	35,682,555
<b>(c) Other Investments</b>			
Shares:			
CSI Development Bank	14.29	16,000,000	16,000,000
Rural Microfinance Development Centre	6.58	21,045,000	21,045,000
Pashchimanchal GBB	10.00	6,000,000	6,000,000
Nepal Development Bank	5.00	16,000,000	16,000,000
Credit Information Bureau	10.25	3,500,000	1,000,000
Citizen Investment Trust	13.35	10,000	10,000
Rural Self Reliance Fund (Seed Capital)		253,400,000	253,400,000
Sub-Total		315,955,000	313,455,000
Total		434,985,500	477,487,555
Less: Provision for diminution in the value		96,269,000	120,138,000
		338,716,500	357,349,555

Investment in shares of all the above institutions have been recognised as "Available-for-sale".

- According to NRB Act 2058, NRB is not eligible to hold investment in share in excess of 10 percent of their share capital.
- The Bank has already offloaded the investments in Rastriya Beema Sansthan-Non-Life Insurance and Madhyamanchal Gramin Bikas Bank (GBB) and is still offloading all those investments/ loans that are in excess of limit prescribed by section 7(2)(a) of NRB Act 2058.
- The investment in Grameen Bikas Banks (GBB) were initially made for the development of rural banking and now the bank has off loaded the holding in these institutions except in Sudur Pashchimanchal GBB and Madhya Pashchimanchal GBB.
- Investment in Rastriya Beema Sansthan (Life-Insurance): NRB has received 41,667 Bonus Shares of Rs. 100 each in this investment which makes total shareholding of NRB 51,667 shares.
- The details of the investment quoted and the market values prevailing as on the date of the balance sheet are as follows:

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Citizen Investment Trust total 80100 shares @ Rs. 422 per share (P.Y. Rs. 352) (Including 80,000 bonus share received this year), cost of investment Rs.10,000 (Previous Year's Rs. 10,000)	33,802,200	35,200
Rastriya Beema Sansthan-Non-Life Insurance total 147033 shares (entire holding by NRB) of Rs. 100/- is sold at the rate of Rs.1450 per share.	-	470,877,950
Nepal Development Bank @ Rs. 302 per share (P.Y. Rs. 153), cost of investment Rs.16,000,000 (Previous Year's cost of investment 16,000,000)	48,320,000	24,480,000

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 6: OTHER INVESTMENTS

Investment of funds
Fixed deposits with commercial banks
Total

As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
4,401,393,000	3,296,886,000
4,401,393,000	3,296,886,000

The above investments have been recognised and valued as "Held-to-maturity".

The above investements are earmarked against employees funds, development related and other funds of the bank.

Interest earned on investments related to the employees funds(other than gratuity, pension and staff security fund) are credited to the respective funds.

#### NOTE - 7: REFINANCE AND LOANS

Refinance to Commercial Banks
Securities purchased under resale agreement
Refinance to Financial Institutions
Loans to Employees
Less: Provision for doubtful Loans
Total

As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
60,655,000	80,810,000
600,000,000	1,790,000,000
249,113,510	481,124,510
2,255,530,167	2,251,979,300
3,165,298,677	4,603,913,810
242,113,510	474,025,510
2,923,185,167	4,129,888,300

Interest on refinance and loans were earned at various rates ranging from 1.5% to 6.5% per annum (P.Y. 1.50% to 6.5% per annum).

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 8: OTHER RECEIVABLE

	As on 31.3.2065	As on 32.3.2064
	NRs.	NRs.
Interest Accrued	487,528,993	
Less: Provision for doubtful amounts	3,297,869	
Deposits	1,916,080	1,886,650
Advances Recoverable	1,297,117,267	
Less: Provision for doubtful amounts	-	
Other recoverable	10,409,473	14,910,605
Bills Purchased	815,106,385	5,870,788,072
<b>Total</b>	<b>2,608,780,329</b>	<b>7,218,402,607</b>

#### NOTE - 9: GOLD & SILVER STOCK

	As on 31.3.2065	As on 32.3.2064
	NRs.	NRs.
Gold held in Stock	287,421,762	305,145,536
Silver held in Stock	57,721,142	57,612,483
<b>Total Gold and silver stock</b>	<b>345,142,904</b>	<b>362,758,019</b>

#### NOTE - 10: OTHER INVENTORIES

	As on 31.3.2065	As on 32.3.2064
	NRs.	NRs.
Security Note Stock	70,782,777	258,095,988
Coin Stock	177,294,498	281,571,462
Numismatic and Medallion coins	35,370,659	
Less: Provision for non-moving coins	22,465,540	
Other Metal Stock	11,755,213	
Less: Provision for non-moving stock	8,716,000	
Stationary and other sundry items	348,677	
Less: Provision for non-moving items	-	
<b>Total Inventories</b>	<b>264,370,284</b>	<b>587,801,686</b>

NEPAL RASTRA BAN  
Notes forming part of the Balance Sheet

N TE - 11a. STATEMENT OF PROPERTY, PLANT & EQUIPMENT

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 32 Ashadh 2064	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31 Ashadh 2065	Upto 32 Ashadh 2064	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto 31 Ashadh 2065	As at 31 Ashadh 2065	As at 32 Ashadh 2064
Land		31,359,398	-	-	24,845	31,334,553	-	-	-	-	-	31,334,553	31,359,398
Building	3	501,713,126	-	6,486,914	2,586,133	505,613,907	120,809,255	-	15,013,209	35,870	135,786,594	369,827,313	379,680,646
Furniture and Fixture	10	93,579,745	-	2,864,052	38,668,397	57,775,400	67,159,901	-	3,439,403	27,061,594	43,537,710	14,237,690	26,419,844
Office Equipment	20	87,697,359	-	2,553,788	11,055,592	79,195,555	71,739,628	-	5,362,963	9,630,625	67,471,966	11,723,589	15,957,730
Vehicles	20	173,196,334	-	5,566,372	11,912,782	166,849,924	130,563,466	-	11,612,388	11,385,393	130,790,461	36,059,463	42,632,868
Machinery Equipment	15	64,552,723	-	717,606	2,365,629	62,904,700	56,621,456	-	2,771,789	1,829,223	57,564,022	5,340,678	7,876,032
Computer Equipments	20	107,426,291	52,800	14,309,914	13,428,039	108,360,966	85,699,103	-	7,452,197	9,717,400	83,433,900	24,927,066	19,844,437
Miscellaneous	15	9,436,261	-	168,262	4,287,802	5,316,721	6,862,118	-	259,499	3,126,827	3,994,790	1,321,931	2,601,128
Total		-	-	-	-	-	-	-	-	-	-	-	-
Capital Work-in-Progress		46,479,237	-	17,702,858	13,483,406	50,698,689	-	-	-	-	-	50,698,689	46,479,237
Grand Total		1,115,440,476	52,800	50,369,766	97,812,625	1,068,050,416	539,454,927	-	45,911,447	62,786,932	522,579,443	545,470,972	572,851,320
Previous year		1,008,227,586	340,224	137,808,679	30,568,754	1,115,807,734	490,394,553	339,100	62,002,523	10,331,848	542,404,328	573,403,406	-

N TE - 11b. INTANGIBLE ASSETS (COMPUTER SOFTWARE)

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at 32 Ashadh 2064	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31 Ashadh 2065	Upto 32 Ashadh 2064	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 31 Ashadh 2065	As at 31 Ashadh 2065	As at 32 Ashadh 2064
Computer Software (old)	20	1,317,933	-	-	-	1,317,933	765,847	-	128,005	39,102	854,750	463,183	552,086
Kaspersky Enterprise Space Security (100 User)				245,926		245,926	-	-	-	-	-	245,926	-
M/S Window 2003 Server R2 Standard Licence				105,542		105,542						105,542	-
M/S Window 2003 Server Licence													
M/S Window 2003 Client Access for 25													
Symantec AV Endpoint Antivirus Software				107,237		107,237						107,237	-
Grand Total		1,317,933	-	458,705		1,776,638	765,847	-	128,005	39,102	854,750	921,888	552,086
Previous year		-	-	-	-	-	-	-	-	-	-	-	-

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

NOTE - 12: PROJECTS ASSETS: \*

(Amount in NRs.)

Assets	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Current account	2,028,296	5,064,876	15,317,336	7,569,736	-	29,980,244
	(6,788,736)	(43,417,247)	(19,489,355)	(8,937,211)		(78,632,550)
Imprest Account	-	-		-		-
	-	-		-		-
Investment in fixed deposit	128,034,918	138,138,775	30,481,370	45,776,000	-	342,431,062
	(144,534,918)	(91,307,200)	(30,000,000)	(45,776,000)		(311,618,118)
Investment in GON bonds	-	-		-		-
	-	-		-		-
Loans to Banks, FIs, and NGOs	225,000	3,511,180	80,315,330	56,255,081	-	140,306,591
	(425,000)	(18,274,080)	(86,585,251)	(64,350,712)		(169,635,043)
Fixed assets	-	-	-	-	-	-
	-	-	-	-	(42,280)	(42,280)
Interest receivables	2,361,827	2,341,572	887,747	1,476,826	-	7,067,972
	(801,854)	(2,187,854)	(447,917)	(854,672)		(4,292,297)
Principal (Instalment) receivables	-	-	-	-	-	-
	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
	-	-	-	-	-	-
Current Year Total	132,650,041	149,056,403	127,001,783	111,077,643	-	519,785,869
Previous Year Total	(152,550,508)	(155,186,381)	(136,522,523)	(119,918,596)	(42,280)	(564,220,288)

\*These figures have been taken from financial statements of the projects. These projects are run by NRB under separate subsidiary loan agreements entered into with GON.

Figures in brackets represent the corresponding figures of the previous year.

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE - 13: DEPOSIT FROM BANKS AND OTHER AGENCIES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Deposit from Banks	586,797,671	203,736,713
Foreign Diplomatic Missions and other agencies	6,703,821	12,313,916
<b>Total</b>	<b>593,501,492</b>	<b>216,050,629</b>

#### NOTE - 14: IMF RELATED LIABILITIES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
SDR Allocation	917,811,866	809,452,312
Loan under Poverty Reduction and Growth Facility (PRGF)	5,650,825,700	3,916,028,172
<b>Total</b>	<b>6,568,637,566</b>	<b>4,725,480,484</b>

The Bank transacts with IMF as an agent of the government in respect of quota where in case of 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:

(1) country's quota with the IMF is recorded by the NRB as depository of the Government and exchange gain/loss arising on quota are borne by government.

(2) exchange gains or losses in respect of borrowings under PRGF and other facilities of the IMF, allocation of SDRs and holding of SDRs are recognized in the Income Statement.

THE POSITION OF THE IMFASETS AND LIABILITIES

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2008

Particlars	Local Currency	SDR Equivalents
<b>Currency Holding</b>		
Securities (Quota subscription by GON)	2,318,061,941	22,132,902
No. 1 Account	4,821,297,698	46,033,847
No. 2 Account	1,088,893	10,397
Valuation adjustments:		
Securities and No. 1 Account	328,157,147	3,133,251.0
No. 2 Account	50,063	478
<b>Total Currency Holdings</b>	<b>7,468,655,742</b>	<b>71,310,875</b>
<b>Other Information</b>	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR .00954802 per currency unit as on April 30, 2008		

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2007

Particlars	Local Currency	SDR Equivalents
<b>Currency Holding</b>		
Securities (Quota subscription by GON)	2,318,061,941.12	23,150,230
No. 1 Account	5,354,387,929.80	53,473,683
No. 2 Account	1,170,185.99	11,687
Valuation adjustments:		
Securities and No. 1 Account	(533,090,231.35)	(5,323,913)
No. 2 Account	(81,292.69)	(812)
<b>Total Currency Holdings</b>	<b>7,140,448,532.87</b>	<b>71,310,875</b>
<b>Other Information</b>	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR .00998689 per currency unit as on April 30, 2007		

SUMMARY STATEMENT OF POSITION AS ON JULY 15, 2008

Particlars	Local Currency	SDR Equivalents
<b>Currency Holding</b>		
Securities (Quota subscription by GON)	2,318,061,941.12	22,132,902
No. 1 Account	5,149,454,845.17	49,167,098
No. 2 Account	1138956.04	10,875
Valuation adjustments:		
Securities and No. 1 Account	-	-
No. 2 Account	-	-
<b>Total Currency Holdings</b>	<b>7,468,655,742</b>	<b>71,310,875</b>
<b>Other Information</b>	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR 0.00883058 per currency unit as on July 15, 2008		

SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2007

Particlars	Local Currency	SDR Equivalents
<b>Currency Holding</b>		
Securities (Quota subscription by GON)	2,318,061,941.12	23,150,230
No. 1 Account	4,821,297,698.45	48,149,770
No. 2 Account	1,088,893.30	10,875
Valuation adjustments:		
Securities and No. 1 Account	-	-
No. 2 Account	-	-
<b>Total Currency Holdings</b>	<b>7,140,448,532.87</b>	<b>71,310,875</b>
<b>Other Information</b>	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-

1. Converted into SDR at the rate of SDR 0.0100127 per currency unit as on July 16, 2007



## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE - 15: OTHER LIABILITIES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Accrued Interest	8,488,994	8,384,017
Asian Clearing Union	-	34,079,638
<b>Total</b>	<b>8,488,994</b>	<b>42,463,655</b>

#### NOTE -16: DEPOSIT AND OTHER BALANCES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Balances of GON	3,929,183,838	<b>3122531203</b>
Deposits from Banks and Financial Insitutions	31,475,752,853	25,478,831,833
Balances of Other Insitutions	2,595,679,133	2,673,684,664
IMF Account No 1	5,149,440,595	4,821,283,448
IMF Account No 2	1,153,206	1,103,143
Earnest Money	2,593,977	5,250,214
Money Changer	6,879,500	6,060,000
Margin against LCs	2,017,189,139	1,469,118,538
<b>Total</b>	<b>45,177,872,241</b>	<b>37,577,863,043</b>

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

#### NOTE - 17: STAFF LIABILITIES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Medical Fund	529,313,995	249,533,456
Welfare Provident Fund	251,892,491	214,698,271
Gratuity and Pension Fund	1,519,742,601	1,402,101,436
Staff Security Fund	444,646,826	322,197,131
Liability for Staff Leave Encashment	346,143,299	202,143,825
Liability for Retired staff insurance premium	113,588,215	107,374,537
<b>Total</b>	<b>3,205,327,427</b>	<b>2,498,048,656</b>

#### NOTE - 18: OTHER PAYABLES

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Insurance Premium collected from Staff	1,164,702,087	1,060,206,163
Less: Advance Insurance Premium paid on behalf of Staff	(930,056,476)	(843,590,161)
<b>Total</b>	<b>234,645,611</b>	<b>216,616,002</b>

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE -19: CURRENCY IN CIRCULATION

Currency in Circulation

As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
112,950,000,000	91,310,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs. 1,464,511,943 (P.Y. NRs. 1,307,083,855).

The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are supported by assets including foreign currency, foreign securities and government securities as follows :

Foreign currency balance held abroad

Foreign Securities

Government Securities

As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
83,170,568,000	61,530,568,000
25,607,732,000	25,607,732,000
4,171,700,000	4,171,700,000
<b>112,950,000,000</b>	<b>91,310,000,000</b>

The amount of currency note issued by the bank and in circulation at the balance sheet date are as follows:

#### Denomination

##### Notes

1  
2  
5  
10  
20  
25  
50  
100  
250  
500  
1000

As on 31.3.2065 Face Value (NRs.)	As on 32.3.2064 Face Value (NRs.)
166,491,984	169,094,574
187,343,996	193,482,176
874,276,785	719,268,340
1,101,376,670	1,111,836,260
1,396,268,240	1,026,139,200
95,029,750	112,977,825
1,935,578,550	2,109,080,700
6,286,308,400	5,630,752,800
81,844,375	82,559,375
33,135,277,250	21,852,115,750
67,690,204,000	58,302,693,000
<b>112,950,000,000</b>	<b>91,310,000,000</b>

NEPAL RASTRA BAN

Notes forming part of the Balance Sheet

N TE - 20 S NDR LIABILITIES		As on 31.3.2065	As on 32.3.2064
		NRs.	NRs.
Sundry creditors		786,532,358	681,188,167
Unclaimed		4,404,993	77,455,625
Bills Collection	79,558,806		90,040,713
Less: Bills Lodged	<u>(79,558,806)</u>	-	<u>(90,040,713)</u>
Pension Payable to NRB Ex-Staff		16,995,578	16,510,633
General Account	19b	<u>501,343,562</u>	<u>(108,072,403)</u>
Total		<u><u>1,309,276,491</u></u>	<u><u>667,082,022</u></u>

N TE - 21 PROJECTS LIABILITIES (Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	T TAL
Loans from IFAD/ADB	128,106,010	146,900,000	117,296,471	109,500,000	-	501,802,481
	(146,406,868)	(152,550,000)	(129,026,118)	(116,800,000)	-	(544,782,986)
ADB grants	-	-	-	-	-	-
	-	-	-	-	(42,280)	(42,280)
Exchange fluctuation account	-	-	-	-	-	-
	-	-	-	-	-	-
Split interest reserve	-	-	4,233,489	-	-	4,233,489
	-	-	(4,233,489)	-	-	(4,233,489)
Sundry Payables	650,780	9,226	792,226	15,360	-	1,467,592
	(740,534)	(7,000)	(868,674)	(7,000)	-	(1,623,208)
Provisions	-	-	1,872,834	-	-	1,872,834
	-	-	-	-	-	-
Profit transferred to NRB	3,893,251	2,147,176	2,806,763	1,562,283	-	10,409,473
	(5,403,105)	(2,629,381)	(2,394,242)	(3,111,596)	-	(13,538,324)
Current year Total	132,650,041	149,056,403	127,001,783	111,077,643	-	519,785,869
Previous year Total	(152,550,508)	(155,186,381)	(136,522,523)	(119,918,596)	(42,280)	(564,220,288)

\*These figures have been taken from financial statements of the projects. These projects are run by NRB under separate subsidiary loan agreements signed by the NRB with GON.

Figures in brackets represent the corresponding figures of the previous year.

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

19b. NRB general account represents NRB inter-office transactions, and the year end balances are under reconciliation. No material adjustments, in this respect, are expected to arise.

NEPAL RASTRA BAN

Notes forming part of the Balance Sheet

**NOTE - 22: RESERVES**

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Capital Reserve:		
Gold and Silver Equalization Reserve	3,082,043,516	2,001,335,090
Statutory Reserve		
General Reserve	12,042,027,004	11,343,700,000
Monetary Liabilities Reserve	1,223,600,000	988,600,000
Exchange Equalization Fund	9,735,433,407	-
Development Fund	4,555,697,806	4,336,897,806
Banking Development Fund	527,087,319	527,087,319
Development Finance Project Mobilization Fund	97,696,715	87,287,242
Mechanisation Fund	91,316,414	91,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Employees Welfare Fund	-	234,027,004
Gold Replacement Fund	940,563,315	930,659,416
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Securities Revaluation Fund	268,256,276	21,231,168
<b>Total Reserves and Funds</b>	<b>33,426,429,219</b>	<b>21,424,848,906</b>

- 1 Reserves/ Funds other than capital reserve ( gold and silver equalization reserve) represent appropriation out of the profits, which are statutory or specific in nature. All the specific funds / reserve are created with the approval of the Board.
- 2 Gold and Silver Equalization Reserve  
This 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 through income statement.
- 3 Exchange Equalization Fund  
Represents net exchange gains on various foreign currency assets and liabilities. An amount equivalent to net exchange gain/loss is appropriated from/to income statement and adjusted in the opening balance of such reserve.
- 4 General reserve  
  
Under Section 41 (kha) of the NRB Act, 2058, the NRB has to transfer to the general reserve fund not less than 10 percent of the net profit every year. Accordingly, 10 percent of the net profit is transferred to this reserve.
- 5 Monetary Liabilities Reserve  
Under Section 41 (ka) of the NRB Act, 2058, the Bank is required to maintain a monetary liability reserve to meet its financial liability. Accordingly, five percent of the net profit is transferred to this reserve.
- 6 Development Fund  
Specific fund created in order to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions.
- 7 Banking Development Fund  
  
This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars.
- 8 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.
- 9 Mechanization Fund

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system.

10 Scholarship Fund

This fund was created to meet the amount required for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank.

11 Mint Development Fund

This fund was created to meet the heavy capital expenditure required for construction of factory building and installation of machinery for minting activities.

12 Employees welfare fund

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

13 Gold Replacement Fund

This fund has been created for replacing the gold / silver sold during the year.

14 Rural Self Reliance Fund (GS osh)

This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc.

15 Securities Revaluation Fund

This fund was created in FY 2063/64. It represents unrealized gain on fair valuation of investment in securities. Any gain/loss on fair valuation of investment in securities is taken to/from this fund through income statement

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

NOTE - 23a : Movement of Provisions.

Particulars	As on 32.3.2064 NRs (1)	Addition (2)	Adjustments (3)	Payment/ Writeback (4)	As on 31.3.2065 NRs. (5=1+2+3-4)
Leave encashment	202,143,825	203,913,024	7,205,800	67,119,350	346,143,299
Gratuity and Pension Fund	1,402,101,436	320,803,476	2,282,404	205,444,716	1,519,742,600
Staff Security Fund	322,197,131	143,373,808	-	20,924,111	444,646,827
Medical Fund	249,531,975	290,013,198	-	19,046,677	520,498,496
Diminution in value of investment	120,138,000	-	-	23,869,000	96,269,000
Provision for doubtful loans	474,025,510	-	-	231,912,000	242,113,510
Nuismatic and Medallion Coins	22,465,540	-	-	-	22,465,540
Provision for non moving metal stock	8,716,000	-	-	-	8,716,000
Provison for non moving stationary and other sundry items	2,845,272	-	-	2,845,272	-
<b>Total</b>	<b>2,804,164,688</b>	<b>958,103,506</b>	<b>9,488,204</b>	<b>571,161,126</b>	<b>3,200,595,272</b>

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE - 23b: Contingent Liabilities and Commitments

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Letters of Credit	130,961,980	186,570,309
Guarantees Issued	9,358,676	-
Claims not acknowledged as debt	82,355	729,750
Other	15,528,129	14,132,339
<b>Total</b>	<b>155,931,140</b>	<b>201,432,398</b>

- 1 Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank.
- 2 Claims not acknowledged as debt consist of legal and other claims pending against the Bank as at 32nd Ashadh, 2064. No provision on such claims have been made, as the Bank is of the opinion that it is unlikely that any significant liabilities with respect to these will arise.
- 3 Guarantees issued are backed by counter guarantees from corresponding banks.
- 4 Contingent liability in respect of possible payment of Rs. 14,371,094 to obtain ownership on 50 % land having total area of 1-15-7-2 bigha where janakpur office is situated is included in the head 'other'

#### NOTE - 23c: Contingent Assets

	As on 31.3.2065 NRs.	As on 32.3.2064 NRs.
Land where Janakpur office is situated.	14,371,094	-
<b>Total</b>	<b>14,371,094</b>	<b>-</b>

- 1 This contingent asset is in respect of possible ownership of 50 % of land where janakpur office is situated. The land has total area of 1-15-7-2 bigha and Nepal Rastra Bank may require to pay Rs.14,371,094 to obtain remaining 50% ownership of the land

## NEPAL RASTRA BAN

### Notes forming part of the Income Statement

#### N TE - 24 INTEREST INC ME

	2064-65 NRs.	2063-64 NRs.
Foreign Currency Financial Assets		
Treasury bills & Deposits	5,428,999,258	6,403,900,797
SDR Holding	26,502,632	25,736,471
Interest income from Foreign Currency Financial Assets	5,455,501,890	6,429,637,268
Local Currency Financial Assets		
Government Securities	250,963,118	753,991,639
Investment in financial and other institutions	1,050,495,672	171,201,207
Overdraft to Government	-	3,161,388
Loans and Refinance	15,166,938	60,877,806
Interest income from Local Currency Financial Assets	1,316,625,728	989,232,040
Total interest income from financial assets	6,772,127,618	7,418,869,308

#### N TE - 25 C MMISSI N INC ME

	2064-65 NRs.	2063-64 NRs.
Foreign Currency Financial Assets		
On Currency exchange	226,669,758	208,576,375
Local Currency Financial Assets		
Government transaction & Other services	29,889,600	51,700,209
Total Commission income from financial assets	256,559,358	260,276,584

#### N TE - 26 INTEREST E PENSES

	2064-65 NRs.	2063-64 NRs.
Foreign Currency Financial Liabilities		
SDR Allocation & PRGF Loan	54,175,635	51,719,807
Others	88,170	1,173,540
Sub Total	54,263,805	52,893,347
Local Currency Financial Liabilities		
Government Securities	245,122,682	317,923,891
Sub Total	245,122,682	317,923,891
Total Interest Expense on Financial Liabilities	299,386,487	370,817,238

#### N TE - 27 AGENC AND SERVICE CHARGE

	2064-65 NRs.	2063-64 NRs.
Foreign Currency Liabilities		
Service Charge	-	-
Commission	3,941,481	5,564,485
Sub Total	3,941,481	5,564,485
Local Currency Liabilities		
Agency Expenses	419,680,610	278,590,393
Sub Total	419,680,610	278,590,393
Total Agency and Service Charge	423,622,091	284,154,878

Agency Expenses includes agency commission paid to the following banks for operating government accounts.

	2064-65 NRs.	2063-64 NRs.
Nepal Bank Ltd.	156,620,430	64,979,245
Rastriya Banijya Bank	233,934,816	108,661,338
Nepal Bangladesh Bank	2,997,640	3,193,134
Everest Bank Ltd	4,064,498	2,505,970
Total	397,617,384	179,339,687



## NEPAL RASTRA BANK

### Notes forming part of the Income Instatement

#### NOTE - 28: OTHER OPERATING INCOME

	2064-65 NRs.	2063-64 NRs.
Income from Mint (Sale of coin)	59,265,461	169,397,121
Gain from sale of precious metals and coins	50,570,630	283,059,155
Fine/Penalty charge	1,890,122	2,472,259
Profit from sale of investments	318,929,668	174,474,298
Dividend Income	9,640,880	3,083,995
Provision on Investment written back (Net)	23,869,000	5,815,000
Provision on Loans & Advances written back (Net)	231,912,000	175,641,069
Doubtful on sundry accrued written back (Net)	47,641,290	36,413,210
Project income	28,635,270	21,923,732
Miscellaneous	99,902,391	71,654,369
<b>Total</b>	<b>872,256,711</b>	<b>943,934,208</b>

28 a. Income from Projects account run by Micro Finance Department are as follows:

(Amount in NRs.)

Income	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Interest income	10,121,518	8,197,676	5,256,303	5,017,493	-	28,592,990
	(4,796,465)	(7,757,760)	(4,039,717)	(5,266,369)	-	(21,860,312)
Other income	-	-	-	-	42,280	42,280
	-	-	-	-	(63,420)	(63,420)
<b>Current Year Total</b>	<b>10,121,518</b>	<b>8,197,676</b>	<b>5,256,303</b>	<b>5,017,493</b>	<b>42,280</b>	<b>28,635,270</b>
<b>Previous Year Total</b>	<b>(4,796,465)</b>	<b>(7,757,760)</b>	<b>(4,039,717)</b>	<b>(5,266,369)</b>	<b>(63,420)</b>	<b>(21,923,732)</b>

Figures in brackets represent the corresponding figures of the previous year

**NEPAL RASTRA BAN**  
Notes forming part of the Income Statement

**N TE - 29 GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS**

		2064-65	2063-64
		NRs.	NRs.
Staff Costs	29a	1,817,621,514	1,298,309,650
Depreciation and amortization		46,039,452	62,002,523
Directors Fees and Expenses		1,506,205	1,424,389
Note Printing charges	29b	229,960,250	396,629,900
Mint Expenses		15,762,708	161,154,222
Security charges		18,503,842	18,503,842
Remittance charges		58,797,779	74,406,289
Travelling expenses		53,021,092	48,235,576
Insurance charges		41,538,999	41,146,169
Repair & Maintenance		13,048,149	9,904,000
Provisions on loans & advances, Investments, etc.	29c	8,029,311	17,010
Project expenses	29e	18,225,797	15,088,430
Miscellaneous	29d	190,225,617	165,636,493
Total		2,512,280,716	2,292,458,493

**29a Staff Costs**

	2064-65	2063-64
	NRs.	NRs.
Salary	269,103,411	238,510,616
Allowances	444,463,748	305,449,628
Provident Fund Contribution	23,883,180	19,217,480
Staff Welfare (Including Medical fund contribution)	328,200,321	81,905,622
Staff Welfare Provident Fund	220,000,000	190,000,000
Pension & Gratuity Fund	320,803,476	320,803,476
Staff Security Fund	143,373,808	89,203,004
Others	67,793,570	53,219,824
Total	1,817,621,514	1,298,309,650

All leave compensations are included in the allowances.

**29b Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued.**

**29c Provision on loans & advances, Investments, etc.**

	2064-65	2063-64
	NRs.	NRs.
Provision for retired Staff Insurance Premium	8,029,311	-
Provision for Inventory & Spare Parts	-	17,010
Total	8,029,311	17,010

**29d Miscellaneous Expenses**

	2064-65	2063-64
	NRs.	NRs.
Banking Promotion	11,463,968	42,661,834
Audit Fees and Expenses	1,008,113	6,151,613
Sundry balances written off	1,795,488	-
Others	175,958,048	116,823,046
Total	190,225,617	165,636,493

29e Expenses from Projects account run by Micro Finance Department are as follows:

(Amount in NRs.)

Expenses	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Interest IFAD	-	-	2,443,676	3,449,250	-	5,892,926
	-	-	(2,678,269)	(3,668,250)	-	(6,346,519)
Interest ADB	6,222,292	6,045,500	-	-	-	12,267,792
	(2,257,106)	(6,271,500)	-	-	-	(8,528,606)
Audit Fee	3,500	3,500	3,500	3,500	-	14,000
	(3,955)	(3,955)	(3,955)	(1,500)	-	(13,365)
Meeting, training and others	2,475	1,500	2,364	2,460	42,280	51,079
	(22,875)	(30,755)	(60,300)	(22,590)	(63,420)	(199,940)
Depreciation	-	-	-	-	-	-
	-	-	-	-	-	-
Profit transferred to NRB Central Office	3,893,251	2,147,176	2,806,763	1,562,283	-	10,409,473
	(2,512,529)	(1,451,550)	(1,297,193)	(1,574,029)	-	(6,835,302)
(Loss transferred to ADB grants)	-	-	-	-	-	-
	-	-	-	-	-	-
Current Year Total	10,121,518	8,197,676	5,256,303	5,017,493	42,280	28,635,270
Previous Year Total	(4,796,465)	(7,757,760)	(4,039,717)	(5,266,369)	(63,420)	(21,923,731)

Figures in brackets represent the corresponding figures of the previous year.

NOTE - 30: CASH AND CASH EQUIVALENT

	2064-65 NRs.	2063-64 NRs.
Foreign currency cash and bank balance	80,781,526,260	67,404,058,408
Local currency in hand	1,464,511,943	1,307,083,855
SDR holdings	630,644,378	587,487,220
Investment in Treasury Bills/Notes	73,864,566,502	55,061,130,750
Investment in Fixbis	13,568,776,253	-
Investment in repurchase agreement (Repo)	4,742,275,734	687,410,000
Total	175,052,301,070	125,047,170,233

## I. Financial year

The financial statements relate to the financial year i.e.1st Shrawon 2064 to 31st Ashadh 2065 corresponding to Gregorian calendar 17th July 2007 to 15th July 2008. The previous year was 1st Shrawon 2063 to 32 Ashadh 2064 (17th July 2006 to 16th July 2007). The corresponding information presented in the financial statements for the previous year has been rearranged and reclassified, wherever necessary, in order to facilitate comparison.

## II. Currency of Presentation

All amounts in Nepalese Rupees (NRs.) are rounded to nearest rupees, unless otherwise stated.

## III. Capital

Capital includes NRs. 2,990 million transferred from General Reserve.

## I . Bills payable and Bills Receivable

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

## . Quantity and market value of gold and silver

The quantity and market value of gold and silver including those held as inventory are as follows (market value based on closing rate prevailing on last working day of the bank's financial year in London Market):

Particulars	Weight (Kg, gm, mg)	Market Price (NRs.) Per Grams.	Total Market value (NRs.)
Gold	1,456.057.075 (1,456.057.075)	2131.851 (1,389.636)	3,104,097,756 (2,023,389,329)
Gold held in Stock	2,967.999.100 (3,002.994.346)	2131.851 (1,389.636)	6,327,331,849 (4,173,069,051)
Silver held in Stock	137,730.086.124 (137,489.628.300)	42.240 (27.271)	5,817,718,838 (3,749,479,653)
Current year Total			13,398,882,466
Previous year Total			(9,945,938,033)

Figures in bracket represent the corresponding figures of the previous year.

## I. Year end exchange rates

The year-end exchange rates for major currencies considered for realignment of foreign currency assets and liabilities were as follows:

S.No.	Currency	NRs.	
		31st Ashadh 2065	32 <sup>nd</sup> Ashadh 2064
1	US Dollar	68.50	64.85
2	Sterling Pound	135.89	131.43
3	Euro	108.72	89.27
4	Swiss Frank	66.97	53.80
5	Australian Dollar	66.29	56.26
6	SDR	113.24	99.41

- II. NRB general account  
NRB general account represents NRB inter-office transactions and balances under reconciliation of the entries in progress.

III. Consolidation of Subsidiaries

The Bank's investments in four entities as mentioned in Note 5 (a) are in excess of 50% of the capital of those entities. These investments have been made under the specific directives or policies of the Government and other relevant statutes.

The management of the Bank as such does not exercise significant influence or control over these entities except for any regulatory purposes.

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

(a) the parent is itself a wholly-owned subsidiary, or is a partially- owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to the parent not presenting consolidated financial statements.

(b) the parent's debt or equity instruments are not traded in public market ( a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets,.

(c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instrument in a public market, and

(d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

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

I . Related Parties

i. Government

In the normal course of its operations, the Bank enters into transactions with related parties. Related Parties include GON; as ultimate owner of the Bank, various Government Departments and state controlled enterprises/entities.

Transactions entered into with GON include:

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

The Bank doesn't ordinarily collect any commission, fees or other charges for services, which it renders, to the government or related entities except where agreement has stated otherwise.

ii. Financial and other institutions:

The Bank does not exercise significant influence or control over its subsidiaries, associates and other entities except for any regulatory purposes where substantial investments have been made. These subsidiaries, associates and other entities are incorporated under relevant act of Government of Nepal and are carrying out the business activities in domestic market only. These investments have been made under the specific directives or policies of the Government and other relevant statutes. Investments made in these entities along with percentage of holdings have been disclosed in Note 5. There are no any transactions of bank with its subsidiaries, associates and other entities. Banks investment in its subsidiaries, associates and other entities along with respective provision for diminution in value of such investment are as under.

S. No.	Financial and Other Institutions	NRB's Investment At Cost Rs.	Provision Made up to F/Y 063.64 Rs.	Provision/ (Write Back) F/Y 064.65 Rs	Provision Up to F/Y 064.65 Rs.
a.	Investment in share of Subsidiaries				
1	Sudur Pashchimanchal GBB	40,050,000.00	40,050,000.00	-	40,050,000.00
2	Madhya Pashchimanchal GBB	37,900,000.00	25,772,000.00	(6,553,000.00)	19,219,000.00
3	Agriculture Project Service Centre	5,000,000.00	5,000,000.00	-	5,000,000.00
4	Rastriya Bima Sansthan-Life insurance	1,000,000.00	-		
b.	Investment in share of Associates				
1	Deposit & Credit Guarantee Corporation	20,500,000.00	-		
2	Nepal Stock Exchange Ltd.	12,080,500.00	-		
3	National Productivity and Economic Development	2,500,000.00	-		
c.	Other Investments				
1	CSI Development Bank	16,000,000.00	16,000,000.00	-	16,000,000.00
2	Rural Microfinance Development Centre	21,045,000.00	-	-	-
3	Pashchimanchal GBB	6,000,000.00	-		
4	Nepal Bikash Bank	16,000,000.00	16,000,000.00	-	16,000,000.00
5	Credit Information Bureau	3,500,000.00	-		
6	Citizen Investment Trust	10,000.00	-		
7	Rural Self Reliance Fund (Seed Capital)	253,400,000.00	-		
	Total	434,985,500.00	102,822,000.00	(6,553,000.00)	96,269,000.00

iii. Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Krishana Bahadur Manandhar	Acting Governor
2.	Bir Bikram Rayamajhi	Deputy Governor
3.	Surendra Man Pradhan	Executive Director
4.	Dr. Yubaraj Khatiwada	Executive Director
5.	Sushil Ram Mathema	Executive Director
6.	Bhola Ram Shrestha	Executive Director
7.	Gopal Prasad Kafle	Executive Director
8.	Ravindra Prasad Pandey	Executive Director
9.	Lila Prakash Sitaula	Executive Director
10.	Ashwini Kumar Thakur	Executive Director
11.	Bishnu Nepal	Executive Director
12.	Gokul Ram Thapa	Executive Director
13.	Ramjee Regmi	Executive Director

Salary and related expenses to key management personnel are NRs. 12,698,752 (previous year – NRs. 15,105,300). As at 15th July 2008 an amount of NRs. 13,189,728 (Previous year – NRs. 17,474,169) was receivable from key managerial personnel as approved loan and advances made by the Bank at the same standard rate of interest with that of other loan and advances provided to employees.

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

The above information has been compiled to the extent ascertainable and available from the records of the Bank.

Prior Year Adjustment

This includes adjustments relating to amount reversed from liabilities towards some ex-employees and other revenue expenses not booked in previous years.

## I. Risk Management

The Bank is primarily subject to interest rate risk, credit risk, foreign currency risk and liquidity risk. Nepal Rastra Bank, being the central bank of the country, is largely instrumental in policy related matters, and accordingly the risk management framework differs from the risk management framework for most other financial institutions. The key risk from the Bank's prospective includes risk on foreign currency assets and interest rate risk on the foreign and local currency assets.

**Interest Rate Risk** Interest rate risk is the risk that the value of financial assets will fluctuate due to change in market interest rate. The Bank's exposure to interest rate risks and the maturities of assets and liabilities are provided in Table 1 annexed. The Bank has kept substantial investments on short-term loans thereby controlling the interest rate risk to significant extent.

**Credit Risk** Credit risks in relation to a financial instrument is the risk that one party fails to discharge an obligation in accordance with agreed terms and cause the other party to incur a financial loss. 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 viz. Standard & Poor credit ratings. Under Standard & Poor credit ratings, AAA is the highest quality rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal; AA is the high grade rating, indicating a strong capacity, and A is an upper medium grade indicating a strong capacity; BBB is the lowest investment grade, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories. NR indicates the entity/issuer has not been rated. The concentration of credit risk of the Bank's foreign exchange reserve is provided in Table 2 annexed.

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

**Liquidity Risk** Liquidity risks are the risks that the Bank will encounter difficulty in raising funds to meet commitments associated with the financial instruments. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with the other central banks and investment in very high liquid securities.

## II. Concentration of funding

The details of year-end concentration of funding are provided in Table 3 annexed.

## III. Fair values

The carrying value of agency bank balances, investments in foreign currency Treasury bills, other held for trading/available for sale investments, Deposits and other balances are considered to approximate their fair value. BIS investment pool series 'C' has been measured in fair value at balance sheet date thereby transferring unrealized gain of Rs.247, 025,108 to securities revaluation fund through income statement. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with its' fair value are as under.

Name of Instruments	Cost of Investment As on 31.3.2065	NRs.
		Fair alue As on 31.3.2065
US Government Treasury Notes/Bonds	1,370,076,158	1,373,572,138
US Government Treasury Bills	44,331,891,318	44,451,176,865

Name of Instruments	Cost of Investment As on 31.3.2065	NRs.
		Fair alue As on 32.3.2064
US Government Treasury Notes/Bonds	3,238,092,227	3,285,789,861
US Government Treasury Bills	52,289,830,227	52,587,694,114

#### I . Disclosure of obligation under pension and gratuity.

Before 2004/05, liability under pension and gratuity of employees would be provided for on the basis of best estimation made by management. During the financial year 2004/05 the liability was determined on the basis of actuarial valuation. The differential amount of obligation in respect of actuarial valuation and management best estimation is being provided for on straight-line basis over the period of 5 years commencing from fiscal year 2004/05. The status is reflected from under mentioned table.

NRs.

Present value of liability as on 15th July 2005	Liability as per books as on 15th July 2005	Total Deficit	Recogni ed up to 16th July 2008	Balance to be recogni ed in future years
2,269,949,049	791,995,665	1,477,953,384	1,258,001,104	219,952,280

#### . Gold and Silver

i. Gold (other than inventory) till the financial year 2060/61 was valued at a price revalued in year 2043. In terms of the board resolution dated 2062/09/18 the said gold has been valued at price prevailing in London Bullion Market at the close of the year. Increase in value thereof amounting to Rs. Rs. 1,080,708,426 has been taken to "Gold and Silver Equalizations Reserve" through Income Statement..

ii. An amount of Rs 9,903,899 has been appropriated from the Income Statement and kept in Gold Replacement Fund" for replacing the Gold/Silver sold during the year (out of reserves).

#### I. Pro ects Asset and Liability

The total Asset and Liability of projects run by Nepal Rastra Bank (NRB) under separate subsidiary loan agreement signed by the NRB with Nepal Government would be netted off under Note.20 Sundry Liabilities. Likewise, income and expenses of projects used to be incorporated in financial statement on net basis until F/y 2062/063. From F/y 2063/64, the asset, liability, income and expenses of projects are incorporated in financial statement without netting it off. Separate disclosure of individual asset, liability, income and expenses of projects are made in notes to the account.

#### II. Restatement of previous year s presentation.

- i. In, F/y 2063/064 repurchases agreement (Repo) for NRs. 687,410,000 was presented as loan assets on the face of balance sheet. Its effect was shown in operating activities of cash flow statement. This year such repurchase agreement has been presented as investment and corresponding presentation of balance sheet has also been restated. In cash flow statement this year it has been treated as cash and cash equivalent restating corresponding year's cash flow statement. This effects increasing cash and cash equivalent NRs.124, 359,760,233 of previous year by NRs. 687,410,000 to NRs. 125,047,170,233.
- ii. Intangible asset has been separately presented on the face of the balance sheet. Last year it was included in property plant and equipment. However, the same has been restated in corresponding year's presentation of this year's balance sheet.
- iii. Revaluation gain on foreign exchange treating it as unrealized gain has been deducted from profit for the year in cash flow statement. The effect of rate changes is reported in cash flow statement in order to reconcile cash and cash equivalent at the beginning and end of the period with restatement of corresponding year's presentation.
- iv. Local treasury bills, developments bonds, fixed deposit investment, US government treasury bills and treasury notes maturing within three months from the balance sheet date and which, are subject to insignificant change in value at maturity are presented in cash and cash equivalent of cash flow statement.

#### III. Number of employees

2065 Ashadh	2064 Ashadh
1517	1531



I . Events occurred after Balance Sheet Date

- i. The exchange rate of Nepalese currency vis-à-vis some of the foreign currencies has largely changed after the balance sheet date. The change in exchange rate of NRs. vis-à-vis major other currencies are depicted hereunder:  
NRs.

S.No.	Currency	24th artik 2065	31 <sup>st</sup> Ashadh 2065	Increase / (Decrease)	Estimated Financial Statements Impact
1	US Dollar	76.15	68.50	7.65	9,893,773,248
2	Sterling Pound	119.17	135.89	(16.72)	(2,325,689,525)
3	Euro	97.27	108.72	(11.45)	(2,120,236,262)
4	Swiss Frank	65.00	66.97	(1.97)	(5,589,179)
5	Australian Dollar	50.78	66.29	(15.51)	(2,719,092,527)
5	Canadian Dollar	63.46	67.76	(4.3)	(177,286,021)
6	JPY	0.78	0.642	0.138	290,337,834
7	SDR	113.47	113.24	0.23	(12,077,807)
				Total	2,824,139,761

This change in exchange rate results in increase in net foreign currency assets, exchange equalization fund and Net profit/(loss) for the period of the bank. The increase is estimated to be around NRs. 2,824,139,761 in each head.

- ii. Gold and silver prices have also largely changed after the balance sheet date. The change price of the gold and silver with its estimated financial impact are shown below:

S.No.	Particular	24 th artik 2065	31 <sup>st</sup> Ashadh 2065	Increase / (Decrease)	Estimated Financial Statements Impact
1	Gold per gram	1847.220	2131.851	(284.631)	(414,438,981)
2	Silver per gram	25.045	42.240	(17.195)	

The change in price results in decrease in foreign currency financial assets (Gold investment), Reserve (Gold and Silver equalization Reserve) and Net profit/(loss) for the period of the bank. The financial statements impact is estimated to be around NRs. 414,438,981 in each head.

Gold and silver stock is carried at cost or net realizable value whichever is less. The market price of these items is still higher than cost hence it's estimated impact on financial statements has not been quantified.

- iii. In addition to above, there was no material event occurred subsequent to the balance sheet date that requires adjustments or disclosure in the financial statements.

NEPAL RASTRA BANK

Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

Particulars	Weighted Average Interest Rate %	2007-08 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Foreign Currency Financial Assets					
Cash and Bank Balance	4.64	80,208,220,260	80,208,220,260	-	-
Investment in Foreign Currency	2.04	86,018,965,282	82,612,796,537	-	3,406,168,745
IMF Related Assets	2.97	630,644,378	630,644,378	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	166,857,829,920	163,451,661,176	0	3,406,168,745
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		581,825,029	581,825,029	-	-
Other Securities		3,694,451,245	-	-	3,694,451,245
Total Non Interest Sensitive Foreign Currency Financial Assets		4,276,276,274	581,825,029	-	3,694,451,245
Total Foreign Currency Financial Assets	B	171,134,106,194	164,033,486,205	0	7,100,619,990
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	0.11	6,568,637,566	917,811,866	-	5,650,825,700
Asian Clearing Union		0	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	6,568,637,566	917,811,866	-	5,650,825,700
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		593,501,492	593,501,492	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		8,488,994	8,488,994	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		601,990,486	601,990,485	-	-
Total Foreign Currency Financial Liabilities	D	7,170,628,052	1,519,802,352	-	5,650,825,700
Foreign Currency Interest Rate Sensitivity Gap (A-C)		160,289,192,354	162,533,849,310	0	(2,244,656,955)
Total Gap (B-D)		163,963,478,142	162,513,683,853	0	1,449,794,290

Comparative Figure as on 16 July 2007 of Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

Particulars	Weighted Average Interest Rate %	2006-07 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Foreign Currency Financial Assets					
Cash and Bank Balance	4.80	67,404,058,408	67,404,058,408	-	-
Investment in Foreign Currency	4.79	58,986,632,977	57,041,462,251	646,929,414.06	1,298,241,311.86
IMF Related Assets	4.25	587,487,220	587,487,220	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	126,978,178,605	124,345,597,879	646,929,414	1,298,241,312
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		804,463,349	804,463,349	-	-
Other Securities		3,263,731,168	-	-	3,263,731,168
Total Non Interest Sensitive Foreign Currency Financial Assets		4,068,194,517	804,463,349	-	3,263,731,168
Total Foreign Currency Financial Assets	B	131,046,373,122	125,150,061,228	646,929,414	4,561,972,480
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	1.14	4,725,480,484	809,452,312	-	3,916,028,172
Asian Clearing Union		34,079,638	34,079,638	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	4,759,560,122	843,531,950	-	3,916,028,172
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		216,050,629	216,050,629	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		8,384,017	8,384,017	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		224,434,646	224,434,646	-	-
Total Foreign Currency Financial Liabilities	D	4,983,994,768	1,067,966,596	-	3,916,028,172
Foreign Currency Interest Rate Sensitivity Gap (A-C)		122,218,618,483	123,502,065,929	646,929,414	(2,617,786,860)
Total Gap (B-D)		126,062,378,354	124,082,094,632	646,929,414	645,944,308

Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

Particulars	Weighted Average Interest Rate %	2007-08 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	3.89	18,925,778,103	9,969,470,133	7,669,903,970	1,286,404,000
GON Overdraft		-	-	-	-
Other Investments	6.88	4,401,393,000	881,218,000	3,520,175,000	-
Refinance & Loans	5.26	667,655,000	667,655,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	23,994,826,103	11,518,343,133	11,190,078,970	1,286,404,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,464,511,943	1,464,511,943	-	-
Investment in Government Securities		4,800,357,504	2,276,829,103	1,417,940,490	1,105,587,911
Investment in Financial & Other Institutions		338,716,500	-	-	338,716,500
Refinance & Loans (Loans to employees)		2,255,530,167	-	-	2,255,530,167
Other Receivables		2,608,780,329	2,608,780,329	-	-
Total Non Interest Sensitive Local Currency Financial Assets		11,467,896,443	6,350,121,375	1,417,940,490	3,699,834,577
Total Local Currency Financial Assets	F	35,462,722,546	17,868,464,508	12,608,019,460	4,986,238,577
Interest Sensitive Local Currency Financial Liabilities		-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		45,177,872,241	45,177,872,241	-	-
Bills Payable		679,983,024	679,983,024	-	-
Staff Liabilities		3,205,327,427	-	-	3,205,327,427
Other Payables		234,645,611	234,645,611	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		49,297,828,303	46,092,500,877	-	3,205,327,427
Total Local Currency Financial Liabilities	H	49,297,828,303	46,092,500,877	-	3,205,327,427
Local Currency Interest Rate Sensitivity Gap (E-G)		23,994,826,103	11,518,343,133	11,190,078,970	1,286,404,000
Total Gap (F-H)		(13,835,105,757)	(28,224,036,369)	12,608,019,460	1,780,911,151

Comparative Figure as on 16 July 2007 of Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

Particulars	Weighted Average Interest Rate %	2006-07 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	3.49	15,616,165,440	11,479,621,206	3,760,396,025	376,148,209
GON Overdraft		-	-	-	-
Other Investments	4.80	3,296,886,000	143,932,000	3,131,952,000	21,002,000
Refinance & Loans	6.47	1,877,909,000	1,877,909,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	20,790,960,440	13,501,462,206	6,892,348,025	397,150,209
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,307,083,855	1,307,083,855	-	-
Investment in Government Securities		4,472,150,294	-	-	4,472,150,294
Investment in Financial & Other Institutions		357,349,555	-	-	357,349,555
Refinance & Loans (Loans to employees)		2,251,979,300	-	-	2,251,979,300
Other Receivables		7,218,402,607	7,218,402,607	-	-
Total Non Interest Sensitive Local Currency Financial Assets		15,606,965,611	8,525,486,462	-	7,081,479,149
Total Local Currency Financial Assets	F	36,397,926,051	22,026,948,668	6,892,348,025	7,478,629,358
Interest Sensitive Local Currency Financial Liabilities		-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		37,577,863,043	37,577,863,043	-	-
Bills Payable		5,875,198,391	5,875,198,391	-	-
Staff Liabilities		2,498,048,656	-	-	2,498,048,656
Other Payables		216,616,002	216,616,002	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		46,167,726,092	43,669,677,436	-	2,498,048,656
Total Local Currency Financial Liabilities	H	46,167,726,092	43,669,677,436	-	2,498,048,656
Local Currency Interest Rate Sensitivity Gap (E-G)		20,790,960,440	13,501,462,206	6,892,348,025	397,150,209
Total Gap (F-H)		(9,769,800,041)	(21,642,728,768)	6,892,348,025	4,980,580,702

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Table 2 Credit Exposure by Credit Rating

Particulars	Credit Rating	2007/08		2006/07	
		NRs.	Financial Assets	NRs.	Financial Assets
Foreign Currency Financial Assets	A-	8,048,484,806	3.90%	2,380,552,775	1.42%
	A+	15,222,439,029	7.37%	2,051,294,880	1.23%
	A	13,618,453,846	6.59%	3,255,195,210	1.94%
	AA	9,047,765,558	4.38%	1,980,491,730	1.18%
	AA+	5,539,797,025	2.68%	2,711,891,118	1.62%
	AA-	7,008,655,226	3.39%	11,893,613,938	7.10%
	AAA	81,368,296,636	39.39%	97,214,210,389	58.06%
	BB		0.00%	2,771,300,523	1.66%
	BBB	28,445,904	0.01%	26,889,734	0.02%
	NR *	31,251,768,164	15.13%	6,760,932,825	4.04%
Total Foreign Currency Financial Assets		171,134,106,194	82.83	131,046,373,122	78.26
Local Currency Financial Assets	NR *	35,462,722,546	17.17%	36,397,926,051	21.74%
Total Local Currency Financial Assets		35,462,722,546	17.17	36,397,926,051	21.74
Total Financial Assets		206,596,828,740	100.00	167,444,299,173	100.00

NR represents not rated.

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Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July, 2008 were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign Currency									
Financial Assets									
Cash and Bank Balances	80,208,220,260	-	-	-	76,375,049,278	-	-	-	3,833,170,982
SDR holdings - with IMF	630,644,378	-	-	-	-	-	-	630,644,378	-
Investments in Foreign Currency	89,713,416,527	-	-	-	-	25,411,671,977	64,301,744,550	-	-
Other receivables	581,825,029	-	-	-	-	-	-	-	581,825,029
Sub-Total	171,134,106,194	-	-	-	76,375,049,278	25,411,671,977	64,301,744,550	630,644,378	4,414,996,011
Other Assets									
Gold	3,104,097,755	-	-	-	-	3,104,097,755	-	-	-
Sub-Total	3,104,097,755	-	-	-	-	3,104,097,755	-	-	-
Total Foreign Currency Assets	174,238,203,949	-	-	-	76,375,049,278	28,515,769,731	64,301,744,550	630,644,378	4,414,996,011
Local Currency									
Financial Assets									
Cash in hand	1,464,511,943	-	-	-	-	-	-	-	1,464,511,943
Investments in Government Securities	23,726,135,607	23,726,135,607	-	-	-	-	-	-	-
GON Overdraft	-	-	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	338,716,500	-	-	-	338,716,500	-	-	-	-
Other Investments	4,401,393,000	-	-	-	4,401,393,000	-	-	-	-
Refinance & Loans	2,923,185,167	-	-	2,255,530,167	667,655,000	-	-	-	-
Other Receivables	2,608,780,329	-	815,106,385	-	-	-	-	-	1,793,673,944
Sub-Total	35,462,722,546	23,726,135,607	815,106,385	2,255,530,167	5,407,764,500	-	-	-	3,258,185,887
Other Assets									
Gold & Silver	345,142,904	-	-	-	-	-	-	-	345,142,904
Other Inventories	264,370,284	-	-	-	-	-	-	-	264,370,284
Property, Plant & Equipment	545,470,972	-	-	-	-	-	-	-	545,470,972
Intangible Assets	921,888	-	-	-	-	-	-	-	921,888
Project Asset	519,785,869	-	-	-	-	-	-	-	519,785,869
Sub-Total	1,675,691,917	-	-	-	-	-	-	-	1,675,691,918
Total Local Currency Assets	37,138,414,463	23,726,135,607	815,106,385	2,255,530,167	5,407,764,500	-	-	-	4,933,877,805
Total Assets	211,376,618,412	23,726,135,607	815,106,385	2,255,530,167	81,782,813,778	28,515,769,731	64,301,744,550	630,644,378	9,348,873,816

Comparative figures as at 16th July, 2007 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign Currency									
Financial Assets									
Cash and Bank Balances	67,404,058,408	-	-	-	64,584,064,677	-	-	-	2,819,993,731
SDR holdings - with IMF	587,487,220	-	-	-	-	-	-	587,487,220	-
Investments in Foreign Currency	62,250,364,145	-	-	-	-	3,951,141,168	58,299,222,977	-	-
Other receivables	804,463,349	-	-	-	-	-	-	-	804,463,349
Sub-Total	131,046,373,122	-	-	-	64,584,064,677	3,951,141,168	58,299,222,977	587,487,220	3,624,457,079
Other Assets									
Gold	2,023,389,329	-	-	-	-	2,023,389,329	-	-	-
Sub-Total	2,023,389,329	-	-	-	-	2,023,389,329	-	-	-
Total Foreign Currency Assets	133,069,762,451	-	-	-	64,584,064,677	5,974,530,498	58,299,222,977	587,487,220	3,624,457,079
Local Currency									
Financial Assets									
Cash in hand	1,307,083,855	-	-	-	-	-	-	-	1,307,083,855
Investments in Government Securities	20,088,315,734	20,088,315,734	-	-	-	-	-	-	-
GON Overdraft	-	-	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	357,349,555	-	-	-	357,349,555	-	-	-	-
Other Investments	3,296,886,000	-	-	-	3,296,886,000	-	-	-	-
Refinance & Loans	4,129,888,300	-	-	2,251,979,300	1,877,909,000	-	-	-	-
Other Receivables	7,218,402,607	-	5,870,788,072	-	-	-	-	-	1,347,614,535
Sub-Total	36,397,926,051	20,088,315,734	5,870,788,072	2,251,979,300	5,532,144,555	-	-	-	2,654,698,390
Other Assets									
Gold & Silver	362,758,019	-	-	-	-	-	-	-	362,758,019
Other Inventories	587,801,686	-	-	-	-	-	-	-	587,801,686
Property, Plant & Equipment	573,403,406	-	-	-	-	-	-	-	573,403,406
Intangible Assets	-	-	-	-	-	-	-	-	-
Project Asset	564,220,288	-	-	-	-	-	-	-	564,220,288
Sub-Total	2,088,183,399	-	-	-	-	-	-	-	2,088,183,399
Total Local Currency Assets	38,486,109,450	20,088,315,734	5,870,788,072	2,251,979,300	5,532,144,555	-	-	-	4,742,881,789
Total Assets	171,555,871,901	20,088,315,734	5,870,788,072	2,251,979,300	70,116,209,232	5,974,530,498	58,299,222,977	587,487,220	8,367,338,868

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Table 3b Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July 2008 are as follows

	Total NRs.	G N NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	thers NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	593,501,492	-	-	586,797,671	-	6,703,821
IMF Related Liabilities	6,568,637,566	-	-	-	6,568,637,566	-
Others	8,488,994	-	-	-	8,488,994	-
Total Foreign Currency Financial Liabilities	7,170,628,052	-	-	586,797,671	6,577,126,560	6,703,821
Local Currency Financial Liabilities						
Deposit and other balances	45,177,872,241	-	-	31,475,752,853	5,150,593,800	8,551,525,587
Bills payables	679,983,024	-	679,983,024	-	-	-
Staff Liabilities	3,205,327,427	-	-	-	-	3,205,327,427
Other payables	234,645,611	-	-	-	-	234,645,611
Total Local Currency Financial Liabilities	49,297,828,303	-	679,983,024	31,475,752,853	5,150,593,800	11,991,498,625
Total Financial Liabilities	56,468,456,355	-	679,983,024	32,062,550,525	11,727,720,360	11,998,202,447
Other Liabilities						
Currency in circulation	112,950,000,000	-	111,485,488,057	-	-	1,464,511,943
Surplus payable to GON						
Sundry Liabilities	1,309,276,491	-	-	-	-	1,309,276,491
Project liability	519,785,869	-	-	-	-	519,785,869
Total Other Liabilities	114,779,062,360	-	111,485,488,057	-	-	3,293,574,303
Total Liabilities	171,247,518,715	-	112,165,471,082	32,062,550,525	11,727,720,360	15,291,776,750

Comparative figures as at 16th July 2007 for significant end-of-year concentration of funding are as follows

	Total NRs.	G N NRs.	Public NRs.	Com. Banks & F.I. NRs.	Supernational F.I. NRs.	thers NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	216,050,629	-	-	203,736,713	-	12,313,916
IMF Related Liabilities	4,725,480,484	-	-	-	4,725,480,484	-
Others	42,463,655	-	-	-	42,463,655	-
Total Foreign Currency Financial Liabilities	4,983,994,768	-	-	203,736,713	4,767,944,140	12,313,916
Local Currency Financial Liabilities						
Deposit and other balances	37,577,863,043	-	-	25,478,831,833	4,822,386,591	7,276,644,619
Bills payables	5,875,198,391	-	5,875,198,391	-	-	-
Staff Liabilities	2,498,048,656	-	-	-	-	2,498,048,656
Other payables	216,616,002	-	-	-	-	216,616,002
Total Local Currency Financial Liabilities	46,167,726,092	-	5,875,198,391	25,478,831,833	4,822,386,591	9,991,309,277
Total Financial Liabilities	51,151,720,860	-	5,875,198,391	25,682,568,546	9,590,330,730	10,003,623,193
Other Liabilities						
Currency in circulation	91,310,000,000	-	90,002,916,145	-	-	1,307,083,855
Surplus payable to GON	3,437,999,825	3,437,999,825	-	-	-	-
Sundry Liabilities	667,082,022	-	-	-	-	667,082,022
Project liability	564,220,288	-	-	-	-	564,220,288
Total Other Liabilities	95,979,302,135	-	90,002,916,145	-	-	2,538,386,165
Total Liabilities	147,131,022,995	-	95,878,114,536	25,682,568,546	9,590,330,730	12,542,009,358