



Nepal Rastra Bank

Annual Financial Statements
For the year ended 32nd Ashadh, 2064
(16th July 2007)



महालेखा परीक्षकको कार्यालय
Office of the Auditor General

Phone: 4262381

4262415

4262417

A.G. FaxNo.: 977-1-4262649

Fax: 977-1-4262798

Post Box: 13328

बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal

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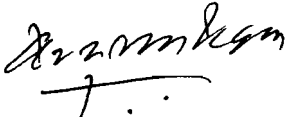
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AUDIT REPORT

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

1. We have audited the accompanying Balance Sheet of Nepal Rastra Bank (NRB), Kathmandu, as of 32nd Ashadh, 2064 (16th July, 2007) 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 an 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, 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.
- 3.1 Following provisions of the NRB Act, 2002 are not complied with:
 - Investment made by NRB in the shares of various financial institutions and other organizations as disclosed in note 5 to the financial statements are not still disposed off. (Sec 7.1 & 7.2).
 - Financial statements of the bank are not prepared in conformity with the International Financial Reporting Standards (IFRS)/IAS. (Sec.40 & 90)
 - Provisions of Rs.190 million made for Staff Welfare Provident Fund as staff incentive with a charge to profit is not compliance with. (Sec. 41)
 - Approved budget was not sent to the Government during the relevant fiscal year. (Sec. 43).
 - Investment in IMF bonds for discharge of government's obligation is made at free of interest. (Sec.75.1&4)
 - NRB Investment in Government securities is more than 10% of the Government's previous year revenue. (Sec. 75.7)

- Financial statements along with all required reports are not prepared and submitted to the Government within four months of the expiry of the financial year 2063/064 (2006-07) (Sec.91 & 93)
- 3.2 Following International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) are not complied with:
- Framework for the Preparation and Presentation of Financial Statements
 - Presentation of Financial Statements (IAS-1)
 - Inventories (IAS-2)
 - Cash flow Statements (IAS-7)
 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS-8)
 - Events After the Balance Sheet Date (IAS – 10)
 - Property, Plant and Equipment (IAS-16)
 - Employees Benefits (IAS -19)
 - Accounting for Government Grants and Disclosure of Government Assistance (IAS – 20)
 - The Effect of changes in Foreign Exchange Rates (IAS - 21)
 - Related Party Disclosures (IAS - 24)
 - Consolidated and Separate Financial Statements (IAS – 27)
 - Financial Instruments: Disclosures and Presentation (IAS-32)
 - Impairment of Assets (IAS – 36)
 - Provisions, Contingent Liabilities and Contingent Assets (IAS-37)
 - Intangible Assets (IAS – 38)
 - Financial Instruments: Recognition and Measurement (IAS -39).
 - Non-current Assets Held for Sale and Discontinued Operations (IFRS – 5)
- 3.3 Actuarial valuation carried out in July 2005 for the Bank's obligation toward gratuity and pension after change in assumptions has not been updated including for the medical fund and employees' security fund as required by IAS 19. In the absence of the said actuarial valuation, adequacy of the fund could not be tested.
- 3.4 Besides above, other significant matters relating to financial infirmities, irregularities, ineffectiveness of internal controls, non compliances etc. are annexed herewith in Annexure-1.
4. 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, Kathmandu as of 32nd Ashadh, 2064 (16th July, 2007) 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 and relevant practices.


 (Bachchu Ram Dahal)
 Acting Auditor General

Annexure-1

(Relating to para 3.4 of the Audit Report)

1 Foreign Currency Bank Balance and investment

- (a) Investment Policy for Foreign Exchange Reserve Management and Operational Guidelines prepared in the fiscal year 2064/65 (in October 2007) are yet to be approved by the Board.
- (b) The investment decision has not been made on the basis of research and analysis of currency risk and investment opportunities available in the international market and no major decision has been taken to diversify the investment portfolio except investment in BIS investment pool series 'C' in USD and call accounts of Australian dollars in order to minimize all sorts of risks and maximize return.
- (c) All investments in US Treasury Bill have been initially recognized at cost price but subsequent measurement has not been done at amortised cost using the effective interest method as specified in Para 46 of the IAS-39 "Financial Instrument: Recognition and Measurement".
- (d) There is no approved market intervention guideline or policy to facilitate and make the intervention procedures transparent. The market intervention procedures adopted by NRB is not being followed strictly to purchase excess foreign currency that the commercial banks have and sell the foreign currency required to the commercial banks.
- (e) Purchase of USD 922.95 million and sale of USD 7.20 million during 2063/64 in the market intervention has been accounted at published buying rate incurring notional loss of Rs.67,80,00 thousands even though the actual buying rate is higher than the published buying rate prevailing on the value date against Para 21 of the IAS - 21 "The Effects of Changes in Foreign Exchange Rates".
- (f) **Deposit in Foreign Banks & Reconciliation (Kathmandu Banking Office):**
 - Given to understand that various foreign banks are authorized at its own initiation under automatic investment program either to transfer or invest from the regular bank account to the interest bearing call account or treasury bills as per NRB's standing instructions issued to those concerned banks. However, none of such instruction letters are available at NRB office for verification / examination. In absence of such documents, the execution or application of terms and conditions of the transfers could not be tested.
 - No accounting entries / ledgers have been passed or maintained for the transfer of fund from the regular bank account to the call account or

Treasury bill account. The interest income is booked as credited in the bank statement without any initiation to test its correctness.

- No interest income has been accrued on such call or investment account.
- Year-ends balance certificates for the call deposit/treasury bill accounts were not available.
- Instances of difference in foreign currency balance translation has been noticed at the year-end's exchange rate causing book balance understated by Rs.1,49 thousands.

Name of Bank	City Bank, NY
Conversion rate	64.85
Foreign Currency	US \$35,20,140
As per General Ledger	Rs.22,81,32,190
Actual Conversion	Rs.22,82,81,079
Difference	Rs.1,48,889

2 Investment in Government Securities:

<u>Particulars</u>	<u>Rs.'000</u>
Government Treasury Bills	13,749,486
Saving Certificate	348,058
IMF Bond	4,472,150
Other Bonds & Securities	<u>1,518,621</u>
Total: This year	<u>20,088,315</u>
Last year	<u>15,572,024</u>

2.1 Secondary Market

NRB Act 2002, Section 75 (7) prohibits the possession of total National Saving Bond/Citizen Saving Bond and investment on Treasury Bills value exceeding 10 % of the previous year's central revenue with the exception of bonds purchased under Section 75 (8). The amount invested as on Ashad end 2064 is Rs.14,097,544 thousands. When this figure compared with previous year's central revenue amounting Rs.72,282,086 thousands as per figure available from Financial Comptroller General Office, it comes to be 19.50 percentage.

However the bank has pledged the commitment by putting the clarification on Note # 4 attached to the Balance Sheet to take necessary steps to bring the investment within the limit prescribed by NRB Act 2002, as in the previous year, but no time frame found to have given.

2.2 IMF Bond

- Domestic Investment on IMF Bonds is amounted to Rs.4,47,21,50 thousands as on 32nd Ashadh 2064.
- The interest free IMF bond amounting to Rs. 4,47,21,50 thousand was issued to NRB by the Ministry of Finance (MoF), Nepal Government. The fund made

is available to IMF on behalf of Nepal Government in accordance with the provisions of Britton Woods Agreement Act 2018. As per Section 75(4) of the NRB Act, 2058, NRB is prohibited to provide interest free credit facility to or on behalf of Nepal Government.

- (c) On every maturity of IMF Bonds, the bank is renewing the Bonds upon the receipt of letter from the Ministry of Finance (MoF) lately for another 5 years without any cash realization. No timely renewal is made.

2.3 Development Bond

- (a) Investment on Development Bonds as on 32nd Ashadh 2064 are as follows.

Particulars	Amount in Rs '000
Interest bearing Development Bond	1,50,94,00
Non interest bearing Development Bond	92,21
Total:	1,51,86,21

- (b) As shown above, the non-interest bearing development bond is found to have been aggregated with interest bearing. Also, Section 75(4) of NRB Act, 2002 prohibits the extension of financial assistance to Nepal Government through purchase of debt securities without interest bearing.

As per the management's explanations, the interest free bond was purchased for 20 years in BS 2044.

- (c) Interest income from investment on Development Bond amounting to Rs. 2,95,59 thousands remained unrealized till the balance sheet date.

3 Investment in Financial and other Institutions:

NRB has made investments in financial and other institutions as follows:

<u>Particulars</u>	<u>Investment in Rs.'000</u>
a. Investment in shares of 5 subsidiary companies	128,35
b. Investment in shares of 4 associates	35,683
c. Other investments:	
5 institution's shares	60,055
Rural Self Reliance Fund seed capital	<u>253,400</u>
Total Investment	477,488
Total Provision for loss	<u>120,138</u>
Net Investment	<u>357,350</u>

The country of incorporation and proportion of voting power if different from proportion of ownership interest are not disclosed as required by Para 41 (a) of IAS – 27.

3.1 Rural Self Reliance Fund (RSRF) seed capital

- (a) The contribution of Rs.25,34,00 thousands made by NRB for the establishment of RSRF seed capital in the earlier year with the purpose of long term

financing to the financial institutions for the priority sector lending such as tea, cardamom, cold storage etc. in terms of monetary policy 2060 is still being shown under the investment.

- (b) Contribution of the seed capital to RSRF as per the cabinet decision has been accounted as investment even though it is not clear whether or not the amount is investment and refundable to NRB. Such investment is not permitted under Section 7 and 75 (1) of the NRB Act 2002.

3.2 Investment over the limit

Section 7(2) (K) of NRB Act, 2002 prohibits investment in shares of various banks and/or financial institutions exceeding 10 % of total capital of such institutions. But most of its investment found to have crossed the ceiling.

- (a) Investment in companies and institutions in excess of 10% of the total paid up capital of the respective companies and financial institutions prior to the enforcement of NRB Act, 2002 is not divested completely for compliance with the Section 7(2)(K) of the NRB Act 2002.

4 Investment of NRB's earmarked funds

- (a) The gold replacement fund of Rs.8,66,00 thousands created to buy gold has not been used even during this fiscal year.
- (b) Internal control weakness was found in recording minutes of the Investment Committee meetings.
- (c) Investment Committee meeting held on 2064/01/10 decided to recommend for reinvestment of Rs.11,67,52 thousands maturing in various dates of Chaitra 2063 and Baisakh 2064 only after some of the fixed deposits have already matured.
- (d) Some of the fixed deposit receipts of investments relating to various funds were only in the name of the respective funds without NRB's name. E.g. investment of Rs. 1,00,00 thousands in the name of "Land Building Advance Insurance Premium Account".

5 Refinance

- (a) Details of refinance to financial institutions and commercial banks as on 32nd Ashadh, 2064 is as follows:

		Rs.'000
Particulars	Amount (Rs.)	Provision
Financial Institutions		
NIDC	46,40,25	46,40,25
Agriculture Development Bank	1,00	100
Tashimanachal Development Bank	70,00	-
Sudur Pachimanchal G.B.B	1,00,00	1,00,00
Total	48,11,25	47,40,25
Commercial Banks		
Machhapuchhre Bank Ltd.	8,08,10	-
Total	8,08,10	-
Grand Total	56,19,35	47,40,25

(b) Refinance to NIDC

Balance confirmation as regards to the principal and interest outstanding is not available.

6 Bills Purchase

- (a) Domestic Bills purchased consists Rs. 5,79,79,02 thousands. More than 95 % of the amounts including Katmandu Banking Office's outstanding of Rs.5,39,87,30 thousands relate to the principal and interest paid out by NRB on Government Saving Bonds clubbed under Bills Purchase Account as receivable / reimbursable from HMG.
- (b) NRB did not seem to have taken concrete initiation for speedy recovery from the government for such payments resulting thereby the fund being tied up without any interest cost. NRB needs to consider charging interest at the rate applicable for government overdraft account on such dues.
- (c) These transactions have been done without taking any commission.
- (d) Confirmation as to the outstanding amount has not been asked for by NRB.

7 Sundry Debtors/Receivables

7.1 Pension Receivable A/c

<u>Particulars</u>	<u>Rs.'000</u>
Government Staff Pension	90,801
Army Pension	7,091
Teachers' Pension	<u>43,544</u>
	<u>141,436</u>

NRB has been disbursing the pension as reimbursable from the government, but found pending for long period. No confirmation is available.

As per Section 75 of NRB Act, 2058, no interest free credit facility should be provided to Nepal Government.

7.2 Remittance

The foreign currency notes sent for collection but returned back due to counterfeit has also been showing in the sundry debtors as receivable since years and years with the least chance of recovery without creation of any provision for loss. For example, in Kathmandu Banking Office, it is amounted to Rs.307 thousands. Such counterfeit notes should be derecognized from the books of account as per Para 49(a) and 89 of 'Framework for the Preparation and Presentation of Financial Statements'.

7.3 Sundry Debtors Interest Accrued

- (a) The sundry debtors interest accrued of Rs.53,29,72 thousands represent the interest receivable on loan, advances and other investments of which Rs.5,09,39 thousands has been provided for doubtful i.e. interest suspense, at Central Office level. Interest income other than institutional loan has been recognized on accrual basis.
- (b) Interest of Rs. 45,59 thousand, Rs. 1,17,82 thousand and Rs. 82 thousands of promissory note Kha, special bond 2060 Ga and treasury bill 13 ka totaling Rs.1,64,23 thousands in KBO has been brought forward since 2060/03/32, 2060/09/30 and 2062/04/07 respectively.
- (c) Impairment testing should be carried out for such interest accrued. Interest accrued that may not be recovered should not be treated as asset as per Para 49(a) and 89 of 'Framework for the Preparation and Presentation of Financial Statements'.
- (d) Some of the personal receivable amounts are outstanding for last many years. No attempt was made to investigate these matters and analyze periodically to find out the status of recovery for legal action and write off. Amount of Rs.21,04 thousands receivable from one of the staffs who was declared bankrupt by Court has not been written off. Similarly, amount receivable from deceased staff has neither been recovered nor written off.
- (e) Para 49 (a), 85 and 89 of 'Framework for the Preparation and Presentation of Financial Statements' has not been complied with because of not writing off the amounts that can not be recovered and not making provision for possible unrecoverable amounts.
- (f) Sundry debtors related to advances given for studying abroad, attending training programs and seminars, travel, and office expenses are being accounted to expenses in the fiscal year in which bills are submitted and not in the fiscal year in which expenses are incurred. Such practice is inconsistent with Para 49 (b), para 91 of 'Framework for the Preparation and Presentation of Financial Statements', Para 14, 36 and 59 of IAS 37 'Provisions, Contingent liabilities and Contingent Assets' and Para 25 of IAS – 1 "Presentation of Financial Statements".

- (g) The claim for insurance claim of Rs.7,06,00 thousands for the amount of currency chest (Nepali and Indian rupees) looted during then conflict from Rastriya Banfiya Bank Arphakhachi, Achham, jumla and Nepal Bank Dolpa rejected by Rastriya Beema Sansthan has been made but not written off even though no legal action was taken to pursue claim.
- (h) Rs.1,79,61 thousands is shown as outstanding in the name of the Financial Management Department against the Para 49(a) and 89 of 'Framework for the Preparation and Presentation of Financial Statements'.
- (i) Credit balance of sundry debtors is netted off against debit amounts and showing net amount in the financial statements, which is inconsistent with the Para 32 of IAS -1 "Presentation of Financial Statements".
- (j) Interest of Rs.79,84,33 thousands accrued on foreign investment but not due at the year end to be accounted to interest accrued has been wrongly accounted to Sundry Debtors Accrued and grouped under other receivables in the Balance Sheet.

8 Purity of Gold Stock

The 99.5% of purity of gold adjusted to 46,813.322 Fine Troy Ounce (converted to 1456.057074 Kgs. instead of 1456.05708318 Kgs.) by the bank has been valued and adjusted accordingly to the revaluation reserve. If the weight of gold has not been adjusted based on the said purity, the valuation may change.

9 Other Inventories

9.1 Numismatics:

Numismatics is revalued at market price. The difference between the sale price and ledger price (cost price) has been transferred to sundry creditors' account. Any increase in the price on account of revaluation should be transferred to the separate revaluation reserve. Presently numismatics is valued at inflated cost, instead of valuing them at the lower of cost or net realizable value. This is not acceptable as per Para 9 of IAS – 2 "Inventories".

- (a) As per the details provided, the actual difference between the total value of numismatics at the sales price and the ledger price (Kathmandu Banking Office) appears to Rs.85,70 thousands but Rs.10,131 thousands has been found credited to the sundry creditors account with discrepancy of Rs.15,61 thousands. Proper reconciliation is lacking thereby requiring for necessary adjustment to the revenue account.
- (b) **Smarika (Dhangadhi):** Inventory of silver coin smarika is revalued as per the value fixed by the Mint Department (i.e. at market price) as and when the price gets changed. Any surplus/deficit that gives rise on account of such revaluation is charged to the Profit from Mint account that ultimately is transferred to the Profit & Loss Account six monthly. Indeed the silver coins

are in the form of inventory and therefore should be valued at lower of cost or net realizable value as per Para 9 of IAS – 2 “Inventories”.

9.2 Security Printing Note Stock A/c (PCS)

The cost of the newly printed currency notes received and the issues are routed through the PCS a/c.

The summary of annual note consumption and the stock as on the year end is given below with the ratio of stock available in terms of days over the consumption:

Denomination	Consumption	Stock	Quantity in '000'
			No of days stock
1	3,00	18,50	2251
2	16,00	1,45,50	3319
5	4,08,50	6,67,50	596
10	3,37,00	40,00	43
20	1,40,50	3,91,50	1017
50	1,91,50	70,00	133
100	2,47,00	1,53,50	227
500	62,00	24,00	141
1000	44,50	9,50	78

The bank has discontinued the printing of currency note denomination of Re. 1 and Rs. 2.

9.3 Other Stock

- There are differences between ledger balance and store balance of stationery, stationery in transit, dispensary, spare parts and other stocks.
- Physical verification of stock was not carried out during the year. As a result, the status and physical condition of stationery items could not be ascertained.
- Provision for obsolete, damaged, non-moving stationery stock has not been provided and shortage of stock has not been written off. As a result the Para 34 of IAS - 2 “Inventories” have not been complied with in respect of accounting consumption, measurement of inventories, and recognition of expenses of obsolete, damaged and non-moving stock.
- Rs.1,804 thousands has been short accounted to stock for 91 medals of 25 years service by accounting to expenses twice.

10 Fixed Assets

- Straight line method has been followed for depreciation of fixed assets at the rate approved by the board.

- (b) Without creation of any asset too, a sum of Rs.24,67 thousands on account of construction (deep boring and toilet construction) found capitalized at year end on the basis of cost estimation only without any authenticated documents for the cost incurred and the completion certificate (KBO), which is against Para Para 49(a) and para 89 of 'Framework for the Preparation and Presentation of Financial Statements'
- (c) Expenditures of revenue nature were treated as Capital expenditure during the year under audit. Also, expenditures of Capital nature were grouped under non-related heading.(Nepalgunj Branch)
- (d) Physical verification of fixed assets was not carried out during the year.
- (e) The list of damaged, unusable and obsolete items was not prepared for accounting of impairment of assets.
- (f) Classification of assets has not been done properly as assets of similar nature classified under different groups.
- (g) Land ownership certificates of Birgunj and Janakpur have not been obtained.
- (h) The NRB has not complied with the provisions of the Para 50, 51, 61, 67 and certain disclosure requirements of Para 73 of IAS – 16 "Property, Plant and Equipment" in respect of ownership, status, useful life, derecognition, depreciation and disclosure, Para 6, 15 and 38 of IFRS – 5 "Non-current Assets Held for Sale and Discontinued Operations" and Para 9 and 59 and 60 of IAS – 36 "Impairment of Assets" in respect of impairment of fixed assets.
- (i) Purchase of 1 set of "Oracle Database 10G Standard Edition – 15 Users" at Rs.479 thousands from "Nepa Soft Solutions P. Ld." has been classified as tangible assets under 'Computer Equipment'. Software should be classified separately as an intangible asset and should be amortized over its useful life as required by Para 8, and 97 of IAS - 38 "Intangible Assets".

11 Building construction

- (a) Rs. 49,11 thousands consisting consultancy fee of Rs.47,11 thousands and other expenses of Rs.2,00 thousands incurred for the construction of proposed building at Thapathali premises has not been written off even after abandonment of the project due to prohibition imposed by the Archeology Department, which is inconsistent with Para 7 of IAS – 16 "Property, Plant and Equipment".
- (b) The building under construction expenses of Rs.2,20 thousands incurred for central office have been carried forward from the fiscal year 2055/56 without any adjustments.
- (c) Excess amount of Rs.2,37 thousands has been approved for payment of and paid for running bill of the construction of the Birgunj Branch Office premises.

12 Government account and interest

As per details of government overdraft provided by the NRB, interest of Rs.31,61 thousands has been charged to the Government @2.4216% for 31 days for the month of Aswin 2063 only. The details do not include monthly debit balance amounts of KA 1-4-1 to KA 1-5-5 and KA 6 KHA accounts for the months of Poush 2063 to Ashadh 2064. Similarly, monthly credit balance amounts include amounts of GA 1-5 accounts. As a result, there was credit balances in the government accounts and no overdraft to the Government in any other months except Aswin 2063. The credit balance of Rs.3,12,25,31 thousands at the year end has been shown under deposit and other liabilities in the Balance Sheet. Therefore, the details provided by NRB do not seem to be actual statement of monthly balances of debit and credit accounts of the Government.

No confirmation has been obtained from the government.

13 Commission on Government Transaction

Commission of Rs.17,93,40 thousands (Previous Year Rs.24,49,02 thousands) has been accounted except commission payable for fourth quarter to NBL, RBB and EBL. In the absence of receipt of actual amount of transactions of the fourth quarter from the respective banks, commission of Rs.1,95,72 thousands payable to these banks based on average commission paid for the first nine months has not been accounted. This is non-compliance with the Para 49 (b), 91 of 'Framework for the Preparation and Presentation of Financial Statements' and Para 25 of the IAS – 1 "Presentation of Financial Statements" in respect of accrual basis of accounting.

14 Staff Liabilities

14.1 Staff Welfare Provident Fund

The NRB has contributed Rs.2,42,25 thousands to this fund in this fiscal year as per NRB's rules which requires contribution of 12 percent of salaries paid to employees to this fund. In addition to the above contribution, an ad hoc contribution of Rs.190 million has been allocated to the staff welfare provident fund as staff incentive with a charge to the revenue account under staff cost.

14.2 Provision For Leave Encashment

- (a) Provision for leave encashment has been created at respective branch offices, but there was no uniformity on the creation of the said provision. At some branches, even no worksheet for the provisioning calculation was available. Adequacy of provision is not known.
- (b) The provision of Rs. 6,22,04 thousands was made for accumulated leave in this fiscal year on accrual basis considering the entire accumulated leave days as short term employee benefits and by applying the last drawn gross salary at the balance sheet date as per Para 11 of IAS – 19 "Employees Benefits".

(c) Provision for leave encashment has been accounted to salary as well as to various allowances by some of the branch offices against the requirement of the Para 29 of IAS - 1 "Presentation of financial statement".

14.3 Gratuity and Pension Fund

Liability of Rs.32,08,04 thousands was provided for gratuity and pension based on the actuarial valuation carried out on 15th July, 2005. The fresh actuarial valuation of gratuity and pension was not carried out even though there was voluntary retirement during the subsequent year in 2062/63 and 2063/64 and revision in pay scale and allowances of employees, change in the number of employees and pensioners, change in discounting factor, etc. In the absence of new actuarial valuation, adequacy of the fund could not be ascertained as per IAS - 19 "Employee Benefits".

14.4 Medical Fund

The amount of liability Rs. 5,76,81 thousands for medical benefit payable to staff at the time of retirement is provided based on their service period, their last salary scale irrespective of the actual amount of salaries, pre-defined factor for each level and multiplying by 55 instead of providing based on actuarial valuation for the medical benefit liability to be paid on retirement, resignation or termination as required by Para 64 and 67 of IAS -19 'Employees Benefits'

14.5 Staff Security Fund

The liability for 'Staff Security Fund' has been calculated by dividing the product of each completed year of service, their last salary scale, pre-defined factor for completed year of service and multiplication factor of 55 by pre-defined factor for 30 years and provision of Rs. 8,92,03 thousands has been provided instead of providing based on actuarial valuation as per provision of the 64 and 67 of IAS - 19 "Employee Benefits".

15 Currency in Circulation

(a) The summary of securities as against the note in circulation as of the year-end is as follows:

(Rs. in million)			
S. No.:	Particulars	Rs.	%
1.	Agency bank balance of Central Office(CO)	61,530.6	67.39
2.	Foreign government Treasury bill of CO	25,607.7	28.04
3.	IMF bond of Nepal Government	4,171.7	4.57
Total:		91,310.0	100

(b) Reconciliation of the currency-chest balance:

Chest transactions pending for accounting adjustment at Currency Management Department is given below:

(Rs. in "000")

Particulars	Rs.	Rs.
N.B.L. Musikot Chest Balance :		
As per NBL bank statement		1,85,00
Less double posting for the amount with drawn on 2064-03-22 and 2064-03-32		1,00,00
As per the NRB statement		85,00

The currency chest balance has shown short by Rs.1 crore in the books of NRB on account of double booking for withdrawal. The currency circulation is affected to the same extent.

16 Sundry Liabilities

16.1 Sundry Creditors

- (a) The amount collected from the clients for the courier charges etc. in connection with the establishment of letter of credit used to be credited to sundry creditor's account. But no reconciliation between the amount so collected and the actual expense incurred has been prepared and adjusted the accounts on time (KBO).
- (b) Some of the payable amounts not claimed for two years or more have not been transferred to the unclaimed account as per policy of the bank taken on 2060/02/27 by the Board.
- (c) As per policy decision taken by the Board on 2060/02/27, Rs.1,47,33 thousands not claimed for more than five years has been accounted to income. Out of this amount, Rs.1,23,71 thousands is related to agency reconciliation of foreign banks and Rs.11,00 thousands and Rs.3,01 thousands are unclaimed amount of Kathmandu Banking Office and Mint Department respectively. This policy of accounting the five years overdue payable amounts is not consistent with the general accounting practice and natural law. The debtor can not exercise the right of creditor and wave the liability unilaterally. Unless and until there is a valid legal ground that the amount is not payable to the creditor or unless the creditors themselves wave their right, debtor should not account payable amounts to income.

16.2 General Account (Inter office Account)

- (a) The reconciliation of inter branch transaction accounts is done at the Central Office level. But no concrete efforts were noticed in getting the reconciliation pending items cleared/settled on time. The concerned branch offices are unknown of the reconciliation status as the central office has no practice of making available the reconciliation statement to the branches for their review and follow up actions. Many pending items are even found to be of years old. But in absence of the aging group of the pending amount, the status of

reconciliation could not be reported and also the probable impact of the same on the Bank's income statement and the financial statement are not known.

Net Debit Balance:

This year there is an unusual debit balance of Rs.108,072 thousands (last year credit balance Rs.686,787 thousands) as below and found netted it off to the surry liabilities instead of disclosing separately in the asset side of balance sheet which is against the Para 32 of IAS - 1 "Presentation of financial statement".

Total Debit Pending	Rs. 866,843 thousands
Total credit Pending	<u>Rs. 758,771 thousands</u>
Difference	<u>Rs.108,072 thousands</u>

- (b) Inter branch transactions of each month has been accounted to the respective "branch items in transit account" but adjustment of inter branch transactions of each month is being accounted to "N. R. Bank general account" instead of respective "branch items in transit account". The credit balance of Rs.616,62,79 thousands under General Account includes debit balance of Rs.6,60,21,54 thousands (consisting Rs.1,50,76,39 thousands credited on 2055/10/01 and Rs.8,10,97,93 thousands debited on 2060/03/32) under "Branches up to 55/09/30 (Non-Operating) account". The details of "Branches up to 2055/09/30 (Non-Operating) account" and "items in transit adjustment account" were not made available for our verification.

16.3 Liabilities not recognized

Rs 17,56 thousands to be paid to the Khani Nirman Sewa & Pashupati Construction JV for pitching works done in the Janakpur office premises against the claim as per the decision of the arbitration tribunal dated 2064/5/13, and Rs. 75 thousands to be paid to the tribunal for the administration expenses incurred by the tribunal have not been accounted to liabilities as required by Para 8 of IAS - 10 "Events after the Balance Sheet Date", and Para 14 of IAS - 37 "Provisions, Contingent Liabilities and Contingent Assets" .

17 Share Capital and Reserves

Various reserves created for specific purposes have neither been utilized nor need of these funds have been reviewed.

17.1 Gold and Silver Equalization Fund

The decrease of Rs.22,17,88 thousands in value of 1456.05708318 kg. (46813.322 Fine Troy Ounce) of gold pledged with Commerzbank has been charged to Gold and Silver Equalization Reserve through Income Statement in this fiscal year.

17.2 Exchange Equalization Fund

The year-end's cash, bank and investment balance in foreign currencies have been converted into the Nepali currency at the buying exchange rate prevailing as on that date. The conversion difference, if gain, is transferred to the Exchange Equalization Fund as carrying amount to the following year and in the case of loss after set off to the available fund is ultimately charged to the revenue.

This year the bank has sustained the exchange loss of Rs. 12,96,00,07 thousands (last year, gain Rs.6,23,36,48 thousands) and written back the accumulated fund balance of Rs.11,58,40,54 thousands from the previous year's account with net effect of loss Rs.1,37,59,53 thousands to the revenue.

We reported to the management that the bank could have minimize the exchange loss leading there by to more gain, had it been able to manage the foreign currency holding/placement with proper analysis of exchange rate risk and swapping the weaker currencies to the strong ones.

The management responds that the placement was made for collection as well as obligation and commitment; however necessary arrangement will be made as suggested by the auditors.

17.3 Profit Distribution

(a) The bank has shown Rs.4,20,87,35 thousands including gain of Rs. 68,35 thousands from micro finance projects as profit available for distribution after writing back the previous years' accumulated exchange equalization fund of Rs.11,58,40.54 thousands to the Income Statement of the year. Otherwise, the loss for the year would be Rs.7,37,53,19 thousands.

(b) The Board has appropriated the above stated profit under section 41 of NRB Act as below:

<u>Transferred to:</u>	<u>Rs.'000</u>	<u>%</u>
a. General Reserve	423,400	10
b. Monetary Liability Reserve	210,500	5
c. Development Fund	130,000	3.1
d. Dev. Fin. Mobilization Fund	6,835	0.2
e. Government of Nepal	<u>3,438,000</u>	<u>81.7</u>
Total	<u>4,208,735</u>	<u>100</u>

18 Budget

The budget approved by the Board was not sent to the Nepal Government during the relevant fiscal year as required by the Section 43 of the NRB Act.

19 Dividend Income

Dividend income is accounted for on cash basis. The dividend income accounted for this year is Rs.30,84 thousands.

20 Profit from Sale of Investment

The Bank has sold 71,980 shares of Rastriya Beema Sansthan out of 290,993 shares. The average cost per share is Rs.2.75 after taking into consideration the bonus shares. The profit of Rs.14,11.80 thousands on sale of these shares has been accounted to 'Profit from Sale of Investment' debiting 'Items in Transit KBO' in the central office while amounts received for sale of shares have been accounted in the KBO and Branch Offices under Sundry Creditors. Because of this accounting treatment, sundry creditors as well as branch account has been overstated by the amount of profit from sale of investment.

21 Staff Remuneration

No remuneration tax on the payment of Special allowance, Acting allowance, and overtime allowance has been deducted by way of computation of income from remuneration as per the provision of Income Tax Act,2002. (Section 8(2a, 2b))

The usual practice adopted by NRB in the case of such payment is by way of deduction of TDS at 15%. Implications of such practice may lead to excess or shortage of tax liabilities, as the case may be.

22 Commission on Letter of Guarantee

Many cases of commission income either under charged or omitted have found during the audit.

23 Depreciation and Amortization

(a) Depreciation has been calculated on straight-line method at a rate approved by the Board without considering the useful life of the asset, the pattern in which the asset's economic benefits are consumed and the salvage value of the assets at the end of its useful life.

(b) Depreciation has been charged on computer software instead of amortization of such intangible assets.

(c) The NRB has not complied with the Para 50, 51, 60, 67 and certain disclosure requirements of Para 73 of IAS – 16 "Property, Plant and Equipment", Para 15 of IFRS – 5 "Non-current Assets Held for Sale and Discontinued Operations" and Para 97 and 118 of IAS – 38 "Intangible Assets" in respect of estimation of useful life, accounting depreciation expenses and disclosure requirements.

24 Insured Amount and Insurance Expenses

(a) Insured sum of building, furniture & fixture and vehicle insurance has been determined on adhoc basis without referring realizable value or book value.

(b) As per the management's response, the bank's vault has not been insured as there was an adequate security measures.

25 Toda Chalan Expense - Aviation Transport Expense

(a) During the year, Currency Management Department has booked Rs.2,95,47 thousands for transportation of currency notes by air to the various bank branches situated at different places.

- Funds were transferred through Nepal Army Helicopter.
- With straight negotiation basis only the rate offer letter dated 2061/12/29 was obtained (ref= Aka/Charter/4/061/062/41 of No.11 Bahini Adda). The rate was subject to change in the price variances in aviation fuel duly supported by NOC letter.
- Expenses were booked as and when disbursement made with debit to the Toda Chalan account and to the Sundry debtors, if payment made on behalf of outside branch offices for their fund transfer.
- Expense found to have booked in a lot for the various bills lately by a month or two.
- In absence of authenticated 'Register' maintained for fund transfer, there is a risk of even the double payment as well as omission of accruing the expense.

(b) Note Kosh (Remittance) – Nepalgunj Branch

- The helicopter charter job service for fund transfer to different remote district was awarded to M/s. Air Dynasty Heli Service @ US \$ 1,200 per hour on only one tender basis, who had earlier quoted US \$ 800 per hour, but cancelled after opening the two tenders received due to total number of tender received was less than minimum requirement .
- This sudden hike in tariff by Air Dynasty was result of information gathered from the 1st tender submission.
- The above rate of US \$1,200 was approved by the Governor after Nepalgunj branch had forwarded its recommendation to the Procurement Committee for approval on 2063/08/21.
- Of the total expenditure of Rs.1.56 Crore, an amount to the extent of 33.33% of previous quoted price as reported by NRB Internal Auditor was excessively disbursed due to carelessness on the part of branch administration.
- In reply to the audit report, the Board has instructed the management to probe the matter in detail.

(c) Helicopter Charter (Pokhara Branch)

- Air Dynasty Heli Services Pvt. Ltd was awarded the contract for the transfer of fund @ \$1,100 per hr without announcing tender.

- As per the NRB Expenditure Provision Regulation, if the work is urgent and tendering process will affect the work of the branch, the approval of Governor is required before entering into any agreement.
- The aforesaid requirement is found not complied by the bank.
- Also, one of the clauses of the tender document requires the service provider to submit performance bond amounting Rs.5 lac at the time of agreement. However, the performance bond was not found submitted by the service provider.

26 Minting of Re.1 coin

On receipt of minted coins at Mint Division, sales account is credited with face value debiting the coin stock.

The total minting cost including incidental expense of 15 crore pieces of Re.1 coin appeared to Rs.15,87,35,040 as against the face value of Rs.15 crores thereby making loss of Rs.87,35,040.

27 Procurements: (under probe)

Based on the report of the auditor regarding the procurement of goods and services without proper compliances of the Bank's regulations, the Board has instructed the management to probe the matter in detail. (Nepalgunj Branch).

28 Prior Period Adjustment.

Presentation of Prior Year expenses amounting to Rs. 26,309 thousands on the face of the Income Statement is inconsistent with the requirements of Para 42 and 43 of IAS – 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The NRB has mentioned in the management response that "as per NRB Act,2002, the equity can not be touched for any purposes other than the loss of the bank. Since the local law of the land prevails to IAS/IFRS hence it cannot be taken as non-compliance of the standards". However, this fact has not been mentioned in the notes 31(x) relating to prior year adjustment.

29 Grants provided by Nepal Government for NRB Reengineering

(a) Grant of Rs.238,661 thousands provided by Nepal Government to NRB for the Nepal Rastra Bank under Financial Sector Technical Assistance Project and Financial Sector Reengineering Project has not been accounted as income for revenue expenses and deferred income for assets and expenditures incurred from the grant as expenses for revenue expenses and depreciation of assets as required by the Paragraphs 20 and 24 of IAS – 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

(b) The NRB has also not disclosed the following matters as required by Para 39 of IAS – 20:

- the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;
- the nature and extent of government grants recognized in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
- unfulfilled conditions and other contingencies attaching to government assistance that has been recognized.

30 Loan for RBB and NBL Restructuring Project

The Nepal Government has provided loan to Nepal Rastra Bank as per subsidiary loan agreement entered between the Nepal Government and Nepal Rastra Bank that is ultimately given to Rastriya Banijya Bank (RBB) and Nepal Bank Limited (NBL) as a loan as per subsidiary loan agreement entered between RBB/NBL and NRB. Loan of Rs.1,764,181 thousands and Rs.2,354,592 thousands provided to NBL and RBB respectively has not been shown such loan taken from government as asset and loan given to RBB/NBL as liability by offsetting loan taken and given, which is not allowed as per Para 32 of IAS – 1 ‘Presentation of Financial Statements’.

31 Cash Flow Statements

As unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows and hence this amount is presented separately from cash flows from operating, investing and financing activities, the effect of exchange rate changes on cash and cash equivalent held or due in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalent at the beginning and the end of the period as per Para 28 of IAS – 7 ‘Cash Flow Statements’. However, such disclosure is not made in the cash flow statements.

32 Comparative Figures

Corresponding previous year’s figures of micro finance projects assets, liabilities, income and expenses (shown total amounts only in the schedules) and repurchase agreement have not been shown on the face of the financial statements as required by Para 36 of IAS -1 “Presentation of Financial Statements”.

33 Internal Audit

On going through the report, the scope of coverage by the internal audit was found reasonably enhanced compared to the last year. We feel that the emphasis should also be given to the financial statement audit for better coverage, assessing the risk areas and test of many procedural part of IAS/IFRS compliance.

34 Micro Finance Projects

- (a) Certain Groundwater Irrigation Sector (CGIS) Project and Rural Self Reliance Fund (RSRF) being managed by the Micro Finance Department of NRB have not been consolidated in the financial statements of the NRB like other micro finance projects which is inconsistent with the Para 32 of IAS – 1 “Presentation of Financial statements”.
- (b) Accumulated profit of Rs.13,538 thousands from micro finance projects has been shown under project liability in the financial statement instead of showing under reserves.
- (c) Confirmation of loan received from ADB and GoN has not been received.
- (d) Loans have been provided without any collateral securities against institutional guarantee as per the policy of the micro finance projects. Classification and loan loss provision were not in full compliance with the NRB directives. Loan loss provision has been provided as if loan has been disbursed against collateral whereas 100% loan loss provision should be provided for loan provided against guarantee as per NRB’s Directives issued to banks and financial institutions. Loan loss provision has not been provided for by the Poverty Alleviation Project in Western Tarai (PAPWT) and Third Livestock Development Project (TLDP). If the directives issued to the banks and financial institutions are not applicable to the loan provided by the micro finance projects, separate Directive to provide loan loss provision for such loans should be issued.
- (e) The gain or loss due to change in exchange rate of foreign currency of loan of CGISP is not being accounted.
- (f) The government has provided loan to Nepal Rastra Bank for implementation of Poverty Alleviation Project in Western Tarai (PAPWT) by signing Subsidiary Loan Agreement out of loan received from International Monetary Fund. The subsidiary agreement states that loan in Nepali rupees equivalent to USD not exceeding USD 3,448,496 will be granted to NRB but the agreement does not mention who will bear the foreign exchange loss at the time of loan repayment if incurred. The project should obtain confirmation regarding who will bear foreign exchange loss incurred due to devaluation of Nepali rupee at the time of loan repayment from the Government.
- (g) As all the loan has been provided on the basis of group guarantee system without collateral as per Clause 23 of the Schedule 6 of the Loan Agreement entered between the ADB and GoN by the CGISP, all sub-borrowers have to contribute to the Guarantee Fund to be used to cover defaults on sub-loans and the GoN should contribute equal amount of contribution made by the Water Users Group to the Guarantee Fund for a period of about three years with a ceiling of USD 50 as per Clause 25 of the Schedule 6 of the Loan Agreement entered between the ADB and GoN. However, the Guarantee

Fund has not been maintained to cover default amount of loan as per agreement.

- (h) Provision of Rs.6,216 thousands 242 for interest payable up to FY 2062/63 was made for loan received from ADB for CGWISP but interest payable for the current year was not made. We were informed that as interest payable amount is less than the interest provision, no interest provision was provided in this year without providing the detail calculation of interest payable to us for verification.
- (i) Interest of Rs.2,998 thousands payable to GoN for loan taken for Micro Credit Project for Women (MCPW) for the period 2006/11/15 to 2007/7/16 has not been accounted.
- (j) The amount of interest recovered by the Participating Financial Institutions in excess of 14% is accounted to the split interest reserve fund to meet the losses incurred because of loan write off by Production Credit for Rural Women project (PCRW). Interest earned on investment of split interest reserve fund and compensation paid to PFIs has been directly accounted to Split Interest Reserve Fund. Expenses and incomes should be accounted to the Income Statement and transfer such excess interest to Split Interest Reserve Fund.
- (k) Accrued interest payable of Rs. 860 thousands on loan from GoN by PCRW up to Ashad end 2064 has been added to the amount of surplus income of Rs. 1,097,049 of FY 2062/63 instead of showing separately in the balance sheet.
- (l) Premium of Rs.1,860 thousands paid for purchase of Development Bond 2072 of face value of Rs. 28,675,000 in the fiscal year 2062/63 by the MCPW has been accounted to cost of investment instead of amortizing it over the maturity period of the bond as the interest on such bond is received in each fiscal year and not on maturity.
- (m) Interest income of Rs.41 thousands received from development bond and interest of Rs. 2,544 thousands and Rs. 301 thousands accrued up to Ashad end 2064 and receivable on fixed deposit in Nepal Investment Bank and Nepal Merchant Banking Finance respectively has not been accounted in the fiscal year 2063/64. The said amount of Rs. 2,845 thousands has been realized and accounted in the FY 2064/65.

NEPAL RASTRA BANK
BALANCE SHEET AS ON 32nd ASHADH, 2064 (16th JULY, 2007)

Particulars	Note	As on 32-3-2064 NRs.	As on 32-3-2063 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	3	67,404,058,408	95,226,572,227
SDR Holdings - with IMF		587,487,220	665,576,486
Investments	3a	61,562,954,145	36,739,045,175
Loan	3b	687,410,000	-
Other Receivables		804,463,349	789,314,112
Sub-Total		131,046,373,122	133,420,508,000
Other Assets			
Gold		2,023,389,329	2,245,176,837
Sub-Total		2,023,389,329	2,245,176,837
Total Foreign Currency Assets		133,069,762,451	135,665,684,837
Local Currency Financial Assets			
Cash in Hand		1,307,083,855	1,629,233,535
Investments in Government Securities	4	20,088,315,734	15,752,023,688
GON Overdraft		-	1,071,000,511
Investments in Financial and Other Institutions	5	357,349,555	407,772,500
Other Investments	6	3,296,886,000	3,166,536,000
Refinance & Loans	7	4,129,888,300	3,643,526,596
Other Receivables	8	7,218,402,607	3,288,542,716
Sub-Total		36,397,926,051	28,958,635,546
Other Assets			
Gold and Silver	9	362,758,019	428,324,429
Other Inventories	10	587,801,686	822,264,298
Property, Plant & Equipment	11	573,403,406	522,758,748
Project Assets	12	564,220,288	-
Sub-Total		2,088,183,399	1,773,347,474
Total Local Currency Assets		38,486,109,450	30,731,983,020
Total Assets		171,555,871,901	166,397,667,857

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 :-

As per our report of the even date

Vidhyadhar Mallik

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 : 2064.09.13
Place : Kathmandu

NEPAL RASTRA BANK
BALANCE SHEET AS ON 32nd ASHADH, 2064 (16th JULY, 2007)

Particulars	Note	As on 32-3-2064 NRs.	As on 32-3-2063 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	13	216,050,629	282,826,937
IMF Related Liabilities	14	4,725,480,484	2,448,475,939
Other Liabilities	15	42,463,655	7,155,707
Total Foreign Currency Liabilities		4,983,994,768	2,738,458,583
Local Currency Financial Liabilities			
Deposit and Other Balances	16	37,577,863,043	35,027,226,789
Bills Payable		5,875,198,391	1,604,799,616
Staff Liabilities	17	2,498,048,656	2,432,269,401
Other Payables	18	216,616,002	135,805,825
Sub-Total		46,167,726,092	39,200,101,631
Other Liabilities			
Currency in Circulation	19	91,310,000,000	84,630,000,000
Surplus Payable to GON		3,437,999,825	3,419,267,177
Sundry Liabilities	20	667,082,022	1,035,768,673
Project Liability	21	564,220,288	-
Sub-Total		95,979,302,135	89,085,035,850
Total Local Currency Liabilities		142,147,028,227	128,285,137,481
EQUITY			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	21,424,848,906	32,374,071,792
Total Equity		24,424,848,906	35,374,071,792
Total Liabilities and Equity		171,555,871,901	166,397,667,857

Contingent Liabilities 23

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 :-

As per our report of the even date

Vidhyadhar Mallik

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(Sundar Man Shrestha)
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Chartered Accountant
Kathmandu

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2064.09.13
Place : Kathmandu

NEPAL RASTRA BANK

INCOME STATEMENT
FOR THE YEAR ENDED 32nd ASHADH, 2064 (16th JULY, 2007)

Particulars	Note	2063-64 NRs.	2062-63 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	24	6,429,637,268	4,466,725,818
Commission Income	25	208,576,375	228,951,042
		6,638,213,643	4,695,676,860
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	26	52,893,347	36,801,802
Agency and Service Charge	27	5,564,485	5,547,468
		58,457,832	42,349,270
Net Income from Foreign Currency		6,579,755,811	4,653,327,590
Income from Local Currency Financial Assets			
Interest Income	24	989,232,040	1,075,744,890
Commission Income	25	51,700,209	47,193,429
		1,040,932,249	1,122,938,319
Expenses on Local Currency Financial Liabilities			
Interest Expenses	26	317,923,891	200,468,290
Agency and Service Charge	27	278,590,393	279,949,225
		596,514,284	480,417,515
Net Income from Local Currency Financial assets		444,417,965	642,520,804
Other Operating Income	28	943,934,208	1,259,772,123
Total Net Operating Income		7,968,107,984	6,555,620,517
General, Administrative Expenses & Provisions	29	2,292,458,493	2,018,435,718
Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment		5,675,649,491	4,537,184,800
Foreign Exchange Gain/(Loss) (Net)		(12,960,007,190)	6,233,648,145
Gold and Silver Revaluation Gain/(Loss) (Net)		-	-
- Adjustment on Transfer of Gold and Silver to Inventory		-	-
- Amount Transferred from Gold & Silver Equalisation Reserve		-	-
- Other	31(XV)(i)	(221,787,508)	847,984,185
Securities Revaluation		21,231,168	-
Prior Year Adjustment		(26,309,022)	2,206,247
Net Profit/(Loss) for the year		(7,511,223,061)	11,621,023,376
Net Profit/(Loss) for Appropriation			
Net Profit/(Loss) for the year		(7,511,223,061)	11,621,023,376
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		11,584,053,828	(6,233,648,145)
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XV)(i)	221,787,508	(847,984,185)
Amount Transferred to Gold Replacement Fund	31(XV)(ii)	(64,651,980)	(265,307,075)
Securities Revaluation Fund		(21,231,168)	-
Profit available for distribution		4,208,735,127	4,274,083,972
General Reserve		423,400,000	432,900,000
Monetary Liability Reserve		210,500,000	213,800,000
Development Fund		130,000,000	200,010,744
Dev. Fin. Projects Mob. Fund		6,835,302	8,106,050
Surplus transferred to GON		3,437,999,825	3,419,267,177
Total		4,208,735,127	4,274,083,972

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 :-

As per our report of the even date

Vidhyadhar Mallik

Dr. Parthibeshwar Prasad Timilsina

(Sundar Man Shrestha)
Chartered Accountant
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(Pradeep Kumar Shrestha)
Chartered Accountant
Kathmandu

Dr. Bishwambher Pyakuryal

Shambu Sharan Prasad Kayastha

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2064.09.13
Place : Kathmandu

NEPAL RASTRA BANK
CASH FLOW STATEMENT
FOR THE YEAR ENDED 32nd ASHADH, 2064 (16th JULY, 2007)

Particulars	2063-64 (NRs.)	2062-63 (NRs.)
Cash flow from operating activities:		
Profit for the Year	(7,511,223,061)	11,621,023,376
Adjustments		
Gold and Silver revaluation gain/(loss) (Net)	-	
- Other	221,787,508	(847,984,185)
- Revaluation adjustment for gold / silver reserves sold during the year	-	-
Securities Revaluation	(21,231,168)	-
Depreciation	62,002,523	66,749,204
Prior period adjustment	(26,309,022)	(2,206,247)
Note printing expenses	396,629,897	385,832,965
Dividend Income	(3,083,995)	(4,445,900)
Profit from sale of share investment	(174,474,298)	-
Sundry balances written off	-	14,976
Interest paid on PRGF Loan & ACU	51,665,037	32,888,593
Provision for :		
Loan and advances	(175,641,069)	(88,609,180)
Diminution in value of investment	(5,815,000)	16,000,000
Doubtful of recovery on sundry accrued	(36,413,210)	-
Provision for inventory & spare parts	17,010	-
Cash flow from operation before inc / dec in operating assets	(7,222,088,848)	11,179,263,602
(Increase)/Decrease in operating assets	(3,932,343,929)	1,470,868,443
GON overdraft	1,071,000,511	1,552,008,579
Refinance & loans	(998,130,634)	81,781,455
Other receivable	(3,908,595,917)	(161,240,076)
Gold & silver	65,566,410	650,556,144
Inventories	(162,184,299)	(652,237,660)
Increase/(Decrease) in operating liabilities	6,455,536,726	4,855,397,709
SDR Allocation	(77,853,087)	55,477,356
Deposit liabilities	2,483,859,946	5,105,087,042
Bills payable	4,270,398,775	(996,906,433)
Deferred staff liabilities	65,779,255	233,849,678
Other liabilities	82,038,488	10,820,822
Sundry liabilities	(368,686,651)	447,069,245
Operating cash flow before prior period adjustment	(4,698,896,051)	17,505,529,754
Prior period adjustment	26,309,022	2,206,247
Cash flow from operating activities	(4,672,587,029)	17,507,736,001
Cash flow from investing activities:		
Net Decrease in Government Securities and Bank Deposits	(4,211,860,541)	11,821,246,669
Sale of Investment in Financial Institutions	230,712,243	47,445,000
Purchase of Investments-other	(6,480,592,227)	-
Fixed assets including WIP	(112,647,181)	(69,721,710)
Dividend income	3,083,995	4,445,900
Total (B)	(10,571,303,711)	11,803,415,860
Cash flow from financing activities:		
Bank note issued	6,680,000,000	10,110,000,000
Increase in PRGF Loan & ACU	2,394,511,058	94,528,002
Interest paid on PRGF Loan & ACU	(51,665,037)	(32,888,593)
Surplus transferred to GON	(3,419,267,177)	(1,611,281,788)
Total (C)	5,603,578,844	8,560,357,620
Net cash flow for the year (A+B+C)	(9,640,311,896)	37,871,509,481
Cash and cash equivalent at the beginning of the year	134,000,072,129	96,128,562,648
Cash and cash equivalent at the end of the year (Note - 30)	124,359,760,233	134,000,072,129

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 :-

As per our report of the even date

Vidhyadhar Mallik

Dr. Parthibeshwar Prasad Timilsina

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 : 2064.09.13
Place : Kathmandu

NEPAL RASTRA BANK

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

(Amount in NRs.)

Particulars	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
Secutiry Revaluation Fund	-	21,231,168	-	21,231,168
Total	35,374,071,792	(10,949,222,886)	-	24,424,848,906

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 32nd ASHADH, 2063 (16th JULY, 2006)**

(Amount in NRs.)

Particulars	Balance as at 01.04.2062	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at 32.03.2063
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	10,487,400,000	432,900,000	-	10,920,300,000
Monetary Liability Reserve	564,300,000	213,800,000	-	778,100,000
Exchange Equilisation Fund	5,350,405,683	6,233,648,145	-	11,584,053,828
Gold & Silver Equilisation Reserve	1,375,138,413	847,984,185	-	2,223,122,598
Employees Welfare Fund	234,027,004	-	-	234,027,004
Grameen Swabalamban Kosh	253,400,000	-	-	253,400,000
Other Reserve Funds	5,907,644,493	473,423,869	-	6,381,068,362
Total	27,172,315,593	8,201,756,199	-	35,374,071,792

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 :-

As per our report of the even date

Vidhyadhar Mallik

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 : 2064.09.13
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 the kingdom of Nepal.

These financial statements apply to the financial year ended 32nd Ashadh, 2064 (16th July, 2007).

The Board of Directors of the Bank has approved these financial statements on 13th Poush 2064 (28th December 2007).

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 7:	Cash Flow Statements
IAS 19:	Employee Benefits
IAS 24:	Related Party Disclosures – partly complied as practicable
IAS 32:	Financial Instruments: Disclosure and Presentation
IAS 39:	Financial Instruments: Recognition and Measurement

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.

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 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. These coins are recorded at cost.

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.

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 money; goods or services directly to a debtor with no intention of trading the receivable or making short-term profit and comprise loans and advances including bonds purchased at original issuance.

Held-to-maturity investments

Held-to-maturity asset are financial assets with fixed or determinable payments and fixed maturity (e.g., debt securities) that the Bank has the positive intent and ability to hold till maturity. 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.

Recognition

The Bank recognizes financial assets held for trading and available-for-sale assets on the date the asset is transferred to the Bank. From this date, any gains and losses arising from changes in fair value of the assets are recognized.

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

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 all trading instruments and all available-for-sale assets are measured at fair value, except that 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 are recognized directly in equity and when the financial assets are sold/disposed-off the cumulative gain or loss recognized in equity is transferred to Profit & Loss Account. 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 are measured at amortized cost less impairment losses. Amortized cost is calculated on the original effective interest method.

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.

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 there 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 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 specific basis where as for other inventories is determined under the First In First Out (FIFO) method.

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 expected useful life.

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. one thousand or less are charged directly to Profit and Loss Account.

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.

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 15th 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 third 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.

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 reasonable estimates.

Leave encashment

The Bank makes annual provision in respect of liability for employee's leave based on reasonable estimates.

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 that are readily convertible to cash, and are subject to an insignificant risk of changes in value.

2.15 Impairment

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized 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 financials 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 the Profit and Loss Account. 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 Profit and Loss Account.

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.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 3: CASH AND BANK BALANCES

Cash in Hand
Balance with Banks in Demand Deposits
Balance with Banks in Time Deposits
Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
2,819,993,731	3,661,184,023
12,921,391,085	38,891,126,422
51,662,673,592	52,674,261,782
67,404,058,408	95,226,572,227

Interest on time deposit and demand deposit (where ever applicable) were earned at various rates ranging from 0.50% to 6.31% per annum (P.Y. 0.22%% to 5.75% per annum).

NOTE - 3 a: INVESTMENTS

i. Treasury Bills

US Government Treasury Bills
GOI Treasury Bills

Sub -Total

ii. Other

BIS investment pool series 'C'
US Government Treasury Notes/Bond

Sub -Total

Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
52,289,830,227	32,363,794,991
2,771,300,523	4,375,250,184
-	-
55,061,130,750	36,739,045,175
3,263,731,168	-
3,238,092,227	-
6,501,823,395	-
61,562,954,145	36,739,045,175

Investments in US Treasury Bill and Government Of India Treasury Bill have been recognised and classified as "Held to maturity".

NOTE - 3 b: LOAN

Repurchase Agreement

Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
687,410,000	-
687,410,000	-

NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

Government Treasury Bills
Saving Certificates
IMF Bonds
Other Bonds and securities

Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
13,749,485,669	9,167,936,680
348,058,400	309,706,700
4,472,150,294	4,755,758,937
1,518,621,371	1,518,621,371
20,088,315,734	15,752,023,688

Above investments are classified as follows:

Originated Loans	15,268,107,040	10,686,558,051
Held-to-maturity	4,472,150,294	4,755,758,937
Available-for-sale	348,058,400	309,706,700
Total	20,088,315,734	15,752,023,688

1. IMF Bonds 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 32.3.2064 NRs.	As on 31.3.2063 NRs.
(a) Investment in shares of Subsidiaries			
Madhyamanchal GBB	74.00	44,400,000	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 Sansithan - Life Insurance	55.56	1,000,000	1,000,000
Purwanchal GBB		-	40,050,000
Sub-Total		128,350,000	168,400,000
(b) Investment in shares of Associates			
Deposit & Credit Guarantee Corporation	47.13	20,500,000	20,500,000
Rastriya Beema Sansithan-Non-Life Insurance	22.05	602,055	800,000
Nepal Stock Exchange Ltd.	34.61	12,080,500	12,080,500
National Productivity and Economic Development	31.65	2,500,000	2,500,000
Sub-Total		35,682,555	35,880,500
(c) Other Investments			
Shares:			
CSI Development Bank	14.29	16,000,000	16,000,000
Rural Microfinance Development Centre	8.42	21,045,000	21,045,000
Pashchimanchal GBB	10.00	6,000,000	6,000,000
Nepal Development Bank	6.50	16,000,000	16,000,000
Credit Information Bureau	10.00	1,000,000	1,000,000
Citizen Investment Trust	0.03	10,000	16,000,000
Rural Self Reliance Fund (Seed Capital)		253,400,000	253,400,000
Sub-Total		313,455,000	329,445,000
Total		477,487,555	533,725,500
Less: Provision for diminution in the value		120,138,000	125,953,000
		357,349,555	407,772,500

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 Sansithan-Non-Life Insurance, Citizen Investment Trust, Madhyamanchal Gramin Bikas Bank (GBB) and Purwanchal 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 Sansithan (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 quoted investment and the market values prevailing as on the date of the balance sheet are as follows:

	As on 32.3.2064 NRs.	As on 32.3.2063 NRs.
Citizen Investment Trust @ Rs. 352 per share (P.Y. Rs. 266)	35,200	42,560,000
Rastriya Beema Sansithan-Non-Life Insurance total 219013 shares @ Rs. 2150 per share (including 282,993 Bonus Shares of Rs. 100/- each less 71,980 shares sold in F.Y 2063/64 (P.Y. Rs. 1750)	470,877,950	424,364,500
Nepal Development Bank @ Rs. 153 per share (P.Y. Rs. 102)	24,480,000	16,320,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 6: OTHER INVESTMENTS

Investment of funds

Saving Certificates
Other Bonds and securities
Fixed deposits with commercial banks

Total

As on 32.3.2064 NRs.	As on 32.3.2063 NRs.
-	7,805,000
-	1,418,407,000
3,296,886,000	1,740,324,000
3,296,886,000	3,166,536,000

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 32.3.2064 NRs.	As on 32.3.2063 NRs.
80,810,000	329,165,000
1,790,000,000	1,570,000,000
481,124,510	766,627,510
2,251,979,300	1,627,400,666
4,603,913,810	4,293,193,176
474,025,510	649,666,580
4,129,888,300	3,643,526,596

Interest on refinance and loans were earned at various rates ranging from 1.5% to 6.5% per annum (P.Y. 1.50% to 9% per annum).

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 8: OTHER RECEIVABLE

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
Interest Accrued	532,972,044	
Less: Provision for doubtful amounts	50,939,158	
Deposits	<u>1,886,650</u>	1,899,824
Advances Recoverable	919,384,394	
Less: Provision for doubtful amounts	70,600,000	
Other recoverable	<u>14,910,605</u>	8,075,303
Bills Purchased	5,870,788,072	1,594,680,232
Total	7,218,402,607	3,288,542,716

NOTE - 9: GOLD & SILVER STOCK

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
Gold held in Stock	305,145,536	394,504,948
Silver held in Stock	57,612,483	33,819,481
Total Gold and silver stock	362,758,019	428,324,429

NOTE - 10: OTHER INVENTORIES

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
Security Note Stock	258,095,988	646,810,463
Coin Stock	281,571,462	122,135,794
Numismatic and Medallion coins	62,306,218	
Less: Provision for non-moving coins	22,465,540	
Other Metal Stock	<u>11,757,157</u>	
Less: Provision for non-moving stock	8,716,000	
Stationary and other sundry items	8,097,673	
Less: Provision for non-moving items	2,845,272	
Total Inventories	587,801,686	822,264,298

NEPAL RASTRA BANK
Notes forming part of the Balance Sheet

NOTE - 11: STATEMENT OF PROPERTY, PLANT & EQUIPMENT

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 31 Ashadh 2063	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 32 Ashadh 2064	Upto 31 Ashadh 2063	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto 32 Ashadh 2064	As at 32 Ashadh 2064	As at 31 Ashadh 2063
Land		13,291,197	-	18,068,201	-	31,359,398	-	-	-	-	-	31,359,398	13,291,197
Building	3	480,693,427	-	22,012,176	32,149	502,673,454	108,145,396	-	14,847,412	-	122,992,808	379,680,646	376,451,744
Furniture and Fixture	10	89,468,486	7,807	4,700,622	597,170	93,579,745	61,649,013	6,686	6,071,059	566,857	67,159,901	26,419,844	29,224,130
Office Equipment	20	82,486,471	273,072	5,344,096	406,280	87,697,359	64,257,115	273,070	7,569,028	359,584	71,739,629	15,957,730	17,810,285
Vehicles	20	139,695,807	-	42,084,012	8,583,484	173,196,335	119,279,693	-	19,777,889	8,494,115	130,563,467	42,632,868	20,416,114
Machinery Equipment	15	59,458,821	-	5,093,902	-	64,552,723	53,460,524	-	3,216,167	-	56,676,691	7,876,032	6,053,537
Computer Equipments	20	99,239,353	59,345	8,402,145	839,371	106,861,472	77,269,264	59,344	9,939,862	803,521	86,464,949	20,396,523	22,006,290
Miscellaneous	15	7,774,026	-	1,741,775	107,790	9,408,011	6,333,548	-	581,106	107,771	6,806,883	2,601,128	1,385,454
Total		972,107,588	340,224	107,446,929	10,566,244	1,069,328,497	490,394,553	339,100	62,002,523	10,331,848	542,404,328	526,924,169	486,638,750
Capital Work-in-Progress		36,119,998	-	30,361,750	20,002,511	46,479,237	-	-	-	-	-	46,479,237	36,119,998
Grand Total		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	522,758,748
Previous Year		969,280,100	2,769,881	68,183,944	30,524,844	1,009,709,080	444,314,823	151,506	66,749,204	24,265,200	486,950,332	522,758,748	

NOTE - 12: PROJECTS ASSETS: *

(Amount in NRs.)

Assets	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Current account	6,788,736	43,417,247	19,489,355	8,937,211	-	78,632,550
Imprest Account	-	-	-	-	-	-
Investment in fixed deposit	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	425,000	18,274,080	86,585,251	64,350,712	-	169,635,043
Fixed assets	-	-	-	-	42,280	42,280
Interest receivables	801,854	2,187,854	447,917	854,672	-	4,292,297
Principal (Instalment) receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Current Year Total	152,550,508	155,186,381	136,522,523	119,918,596	42,280	564,220,288
Previous Year Total	(156,102,833)	(159,387,481)	(155,103,351)	(125,647,066)	(105,700)	(596,346,431)

*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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 13: DEPOSIT FROM BANKS AND OTHER AGENCIES

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
Deposit from Banks	203,736,713	272,916,772
Foreign Diplomatic Missions and other agencies	12,313,916	9,910,165
Total	216,050,629	282,826,937

NOTE - 14: IMF RELATED LIABILITIES

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
SDR Allocation	809,452,312	887,305,399
Loan under Poverty Reduction and Growth Facility (PRGF)	3,916,028,172	1,561,170,540
Total	4,725,480,484	2,448,475,939

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 Profit and Loss account.

THE POSITION OF THE IMFASSETS AND LIABILITIES

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2007

Particlars	Local Currency	SDR Equivalents
Currency Holding		
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)
Total Currency Holdings	7,140,448,532.87	71,310,875
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
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		

COMPARATIVE FIGURE AS ON APRIL 30, 2006

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)	2,318,061,941.12	21,719,846
No. 1 Account	5,354,387,929.80	50,169,705
No. 2 Account	1,170,185.99	10,964
Valuation adjustments:		
Securities and No. 1 Account	(62,920,138.36)	(589,551)
No. 2 Account	(9,498.57)	(89)
Total Currency Holdings	7,610,690,419.98	71,310,875
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
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 .00936983 per currency unit as on April 30, 2005		

SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2007

Particlars	Local Currency	SDR Equivalents
Currency Holding		
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	-	-
Total Currency Holdings	7,140,448,532.87	71,310,875
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
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		

COMPARATIVE FIGURE AS ON JULY 16, 2006

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)	2,318,061,941.12	21,719,846
No. 1 Account	5,354,387,929.80	50,169,705
No. 2 Account	1,170,185.99	10,964
Valuation adjustments:		
Securities and No. 1 Account	(62,920,138.36)	(589,551)
No. 2 Account	(9,498.57)	(89)
Total Currency Holdings	7,610,690,419.98	71,310,875
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 15: OTHER LIABILITIES

Accrued Interest
Asian Clearing Union
Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
8,384,017	7,155,707
34,079,638	-
42,463,655	7,155,707

NOTE - 16: DEPOSIT AND OTHER BALANCES

Balances of GON
Deposits from Banks and Financial Institutions
Balances of Other Institutions
IMF Account No 1
IMF Account No 2
Earnest Money
Money Changer
Margin against LCs
Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
3,122,531,203	-
25,478,831,833	24,717,629,047
2,673,684,664	2,072,669,477
4,821,283,448	5,354,373,680
1,103,143	1,184,436
5,250,214	3,300,369
6,060,000	5,000,000
1,469,118,538	2,873,069,779
37,577,863,043	35,027,226,789

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

Medical Fund
Welfare Provident Fund
Gratuity and Pension Fund
Staff Security Fund
Liability for Staff Leave Encashment
Liability for Retired staff insurance premium
Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
249,533,456	532,687,803
214,698,271	161,676,250
1,402,101,436	1,244,832,747
322,197,131	251,739,091
202,143,825	124,418,704
107,374,537	116,914,806
2,498,048,656	2,432,269,401

NOTE - 18: OTHER PAYABLES

Insurance Premium collected from Staff
Less: Advance Insurance Premium paid on behalf of Staff
Total

As on 32.3.2064	As on 32.3.2063
NRs.	NRs.
1,060,206,163	888,097,967
(843,590,161)	(752,292,142)
216,616,002	135,805,825

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE -19: CURRENCY IN CIRCULATION

Currency in Circulation

As on 32.3.2064 NRs.	As on 32.3.2063 NRs.
91,310,000,000	84,630,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs. 1,307,083,855 (P.Y. NRs. 1,629,233,535).

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 32.3.2064 NRs.	As on 32.3.2063 NRs.
61,530,568,000	54,850,568,000
25,607,732,000	25,607,732,000
4,171,700,000	4,171,700,000
91,310,000,000	84,630,000,000

The amount of currency 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 32.3.2064 Face Value (NRs.)	As on 32.3.2063 Face Value (NRs.)
169,094,574	173,110,553
193,482,176	202,419,892
719,268,340	654,095,410
1,111,836,260	935,244,140
1,026,139,200	1,064,349,780
112,977,825	129,354,350
2,109,080,700	1,716,629,000
5,630,752,800	4,865,519,000
82,559,375	83,859,625
21,852,115,750	20,094,193,250
58,302,693,000	54,711,225,000
91,310,000,000	84,630,000,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 20: SUNDRY LIABILITIES

		As on 32.3.2064	As on 32.3.2063
		NRs.	NRs.
Projects run by Micro Finance Department - Liabilities	-		596,346,431
Less: - Assets	-	-	(596,346,431)
Sundry creditors		681,188,167	245,550,608
Unclaimed		77,455,625	88,139,131
Bills Collection	90,040,713		26,527,628
Less: Bills Lodged	(90,040,713)	-	(26,527,628)
Pension Payable to NRB Ex-Staff		16,510,633	15,292,185
General Account	19b	(108,072,403)	686,786,749
Total		667,082,022	1,035,768,673

NOTE - 21: PROJECTS LIABILITIES: *

(Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Loans from IFAD/ADB	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
Sundry Payables	740,534	7,000	868,674	7,000	-	1,623,208
Profit transferred to NRB	5,403,105	2,629,381	2,394,242	3,111,596	-	13,538,324
Current Year Total	152,550,508	155,186,381	136,522,523	119,918,596	42,280	564,220,288
Previous Year Total	(156,102,833)	(159,387,481)	(155,103,351)	(125,647,066)	(105,700)	(596,346,431)

*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 BANK

Notes forming part of the Balance Sheet

NOTE - 22: RESERVES

	As on 32.3.2064 NRs.	As on 32.3.2063 NRs.
Capital Reserve		
Gold and Silver Equalization Reserve	2,001,335,090	2,223,122,598
Statutory Reserve		
General Reserve	11,343,700,000	10,920,300,000
Monetary Liabilities Reserve	988,600,000	778,100,000
Exchange Equalization Fund	-	11,584,053,828
Other Reserves and Funds		
Development Fund	4,336,897,806	4,206,897,806
Banking Development Fund	527,087,319	527,087,319
Development Finance Project Mob. Fund	87,287,242	80,451,940
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	234,027,004
Gold Replacement Fund	930,659,416	866,007,436
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Securities Revaluation Fund	21,231,168	-
Total Reserves and Funds	21,424,848,906	32,374,071,792

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 Profit and Loss Account 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 FIs 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 on 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 (earlier held as reserves) sold during the year.

14 Rural Self Reliance Fund (GS Kosh)

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

15 Securities Revaluation Fund

This fund was created on 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 profit and loss account.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23: Contingent Liabilities

Letters of Credit	
Guarantees Issued	
Claims not acknowledged as debt	
Other	
Total	

	As on 32.3.2064	As on 32.3.2063
	NRs.	NRs.
Letters of Credit	186,570,309	-
Guarantees Issued	-	649,663
Claims not acknowledged as debt	729,750	-
Other	14,132,339	-
Total	201,432,398	649,663

- 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.

NEPAL RASTRA BANK
Notes forming part of the Income Statement

NOTE - 24: INTEREST INCOME

Foreign Currency Financial Assets

Treasury bills & Deposits

SDR Holding

Interest income from Foreign Currency Financial Assets

Local Currency Financial Assets

Government Securities

Investment in financial and other institutions

Overdraft to Government

Loans and Refinance

Interest income from Local Currency Financial Assets

Total interest income from financial assets

	2063-64 NRs.	2062-63 NRs.
Treasury bills & Deposits	6,403,900,797	4,446,092,020
SDR Holding	25,736,471	20,633,798
Interest income from Foreign Currency Financial Assets	6,429,637,268	4,466,725,818
Local Currency Financial Assets		
Government Securities	753,991,639	769,621,312
Investment in financial and other institutions	171,201,207	194,957,934
Overdraft to Government	3,161,388	55,032,249
Loans and Refinance	60,877,806	56,133,395
Interest income from Local Currency Financial Assets	989,232,040	1,075,744,890
Total interest income from financial assets	7,418,869,308	5,542,470,708

NOTE - 25: COMMISSION INCOME

Foreign Currency Financial Assets

On Currency exchange

Local Currency Financial Assets

Government transaction & Other services

Total Commission income from financial assets

	2063-64 NRs.	2062-63 NRs.
On Currency exchange	208,576,375	228,951,042
Local Currency Financial Assets		
Government transaction & Other services	51,700,209	47,193,429
Total Commission income from financial assets	260,276,584	276,144,471

NOTE - 26: INTEREST EXPENSES

Foreign Currency Financial Liabilities

SDR Allocation & PRGF Loan

Others

Sub Total

Local Currency Financial Liabilities

Government Securities

Sub Total

Total Interest Expense on Financial Liabilities

	2063-64 NRs.	2062-63 NRs.
SDR Allocation & PRGF Loan	51,719,807	35,120,426
Others	1,173,540	1,681,376
Sub Total	52,893,347	36,801,802
Local Currency Financial Liabilities		
Government Securities	317,923,891	200,468,290
Sub Total	317,923,891	200,468,290
Total Interest Expense on Financial Liabilities	370,817,238	237,270,092

NOTE - 27: AGENCY AND SERVICE CHARGE

Foreign Currency Liabilities

Service Charge

Commission

Sub Total

Local Currency Liabilities

Agency Expenses

Sub Total

Total Agency and Service Charge

	2063-64 NRs.	2062-63 NRs.
Service Charge	-	-
Commission	5,564,485	5,547,468
Sub Total	5,564,485	5,547,468
Local Currency Liabilities		
Agency Expenses	278,590,393	279,949,225
Sub Total	278,590,393	279,949,225
Total Agency and Service Charge	284,154,878	285,496,693

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

Nepal Bank Ltd.

Rastriya Banijya Bank

Nepal Bangladesh Bank

Everest Bank Ltd

Total

	2063-64 NRs.	2062-63 NRs.
Nepal Bank Ltd.	64,979,245	92,216,637
Rastriya Banijya Bank	108,661,338	148,843,525
Nepal Bangladesh Bank	3,193,134	3,842,006
Everest Bank Ltd	2,505,970	
Total	179,339,687	244,902,168

NEPAL RASTRA BANK

Notes forming part of the Income Instatement

NOTE - 28: OTHER OPERATING INCOME

	2063-64 NRs.	2062-63 NRs.
Income from Mint (Sale of coin)	169,397,121	31,408,920
Gain from sale of precious metals and coins	283,059,155	1,048,863,694
Fine/Penalty charge	2,472,259	5,404,027
Profit from sale of investments	174,474,298	4,445,900
Dividend Income	3,083,995	4,445,900
Provision on Investment written back (Net)	5,815,000	-
Provision on Loans & Advances written back (Net)	175,641,069	88,609,180
Doubtful on sundry accrued written back (Net)	36,413,210	-
Profit from Projects	-	8,106,050
Project income	21,923,732	-
Liabilities no longer required written back	-	724,309
Miscellaneous	71,654,369	67,764,142
Total	943,934,208	1,259,772,123

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	4,796,465	7,757,760	4,039,717	5,266,369	-	21,860,312
Other income					63,420	63,420
Current Year Total	4,796,465	7,757,760	4,039,717	5,266,369	63,420	21,923,732
Previous Year Total	(8,021,178)	(8,061,038)	(5,492,303)	(5,434,501)	(991,978)	(28,000,998)

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

NEPAL RASTRA BANK
Notes forming part of the Income Statement

NOTE - 29: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS

		2063-64 NRs.	2062-63 NRs.
Staff Costs	29a	1,298,309,650	1,192,105,329
Depreciation		62,002,523	66,749,204
Directors Fees and Expenses		1,424,389	1,179,256
Note Printing charges	29b	396,629,900	385,832,965
Mint Expenses		161,154,222	22,553,767
Security charges		18,503,842	18,503,842
Remittance charges		74,406,289	87,968,355
Travelling expenses		48,235,576	43,456,150
Insurance charges		41,146,169	28,807,686
Repair & Maintenance		9,904,000	8,522,096
Provisions on loans & advances, Investments, etc.	29c	17,010	16,000,000
Project expenses	29e	15,088,430	-
Miscellaneous	29d	165,636,493	146,757,069
Total		2,292,458,493	2,018,435,718

29a Staff Costs

	2063-64 NRs.	2062-63 NRs.
Salary	238,510,616	282,924,260
Allowances	305,449,628	179,522,782
VRS Incentive	-	-
Provident Fund Contribution	19,217,480	19,384,814
Staff Welfare (Including Medical fund contribution)	81,905,622	111,754,019
Staff Welfare Provident Fund	190,000,000	161,200,000
Pension & Gratuity Fund	320,803,476	320,803,476
Staff Security Fund	89,203,004	60,364,202
Others	53,219,824	56,151,775
Total	1,298,309,650	1,192,105,329

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.

	2063-64 NRs.	2062-63 NRs.
Provision for doubtful Loans & Advances	-	-
Provision for Diminution in the value of Investments	-	16,000,000
Provision for Looted Notes	-	-
Provision for retired Staff Insurance Premium	-	-
Provision for Inventory & Spare Parts	17,010	-
Provision for sundry Accrued	-	-
Total	17,010	16,000,000

29d Miscellaneous Expenses

	2063-64 NRs.	2062-63 NRs.
Banking Promotion	42,661,834	38,735,274
Audit Fees and Expenses	6,151,613	783,368
Sundry balances written off	-	14,976
Others	116,823,046	107,223,450
Total	165,636,493	146,757,069

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	-	-	2,678,269	3,668,250	-	6,346,519
Interest ADB	2,257,106	6,271,500	-	-	-	8,528,606
Audit Fee	3,955	3,955	3,955	1,500	-	13,365
Meeting, training and others	22,875	30,755	60,300	22,590	63,420	199,940
Depreciation	-	-	-	-	-	-
Profit transferred to NRB Central Office	2,512,529	1,451,550	1,297,193	1,574,029	-	6,835,302
(Loss transferred to ADB grants)	-	-	-	-	-	-
Current Year Total	4,796,465	7,757,760	4,039,717	5,266,369	63,420	21,923,731
Previous Year Total	(8,021,178)	(8,061,038)	(5,492,303)	(5,434,501)	(991,978)	(28,000,998)

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

NOTE - 30: CASH AND CASH EQUIVALENT

	2063-64 NRs.	2062-63 NRs.
Foreign currency cash and bank balance	67,404,058,408	94,966,216,933
Investment in Treasury Bills	55,061,130,750	36,739,045,175
SDR holdings	587,487,220	665,576,486
Local currency in hand	1,307,083,855	1,629,233,535
Total	124,359,760,233	134,000,072,129

NOTE - 31: OTHER NOTES

I. Financial Year

The financial statements relate to the financial year Bikram Sambat 2063-64 corresponding to Gregorian calendar Mid July 2006-07. The previous year was 2062-63 (Mid July 2005-06).

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.

IV. 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.

V. 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 (1,455.894.310)	1,389.636 (1,542.129)	2,023,389,329 (2,245,176,836)
Gold held in Stock	3,002.994.346 (3,282.098.640)	1,389.636 (1,542.129)	4,173,069,051 (5,061,419,494)
Silver held in Stock	137,489.628.300 (138,509.285.900)	27.271 (27.542)	3,749,479,653 (3,814,822,752)
Current Year Total			9,945,592,196
Previous Year Total			(11,121,419,082)

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

VI. Year end exchange rates

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

(Amount in NRs.)

S.No.	Currency	32 nd Ashadh 2064	32 nd Ashadh 2063
1	US Dollar	64.85	74.10
2	Sterling Pound	131.43	136.17
3	Euro	89.27	93.82
4	Swiss Frank	53.80	60.09
5	Australian Dollar	56.26	55.57
6	SDR	99.413	109.479

VII. NRB general account

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

VIII. Consolidation of Subsidiaries

The Bank's investments in five 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. In view of the Bank's management, consolidation of these subsidiaries will not reflect the true nature and substance of the central banking operations and objectives.

IX. Related Parties

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 unsubscribed 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.

The Bank does not exercise significant influence or control over its subsidiaries and other entities except for any regulatory purposes where substantial investments have been made.

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.

The bank has contributed NRs. 19,221,834.16 on account of employees provident Fund to the retirement fund where it has significant influence, as the key management personnel are the trustees of the said Fund.

Name of the Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Mr. Krishna Bahadur Manandhar	Acting Governor
2.	Mr. Bir Bikram Rayamajhi	Deputy Governor
3.	Mr. Keshav Prasad Acharya	Executive Director
4.	Mr. Tul Raj Basyal	Executive Director
5.	Mr. Ganesh Kumar Shrestha	Executive Director
6.	Mr. Surendra Man Pradhan	Executive Director
7.	Dr. Yub Raj Khatiwada	Executive Director
8.	Mr. Sushil Ram Mathema	Executive Director
9.	Mr. Ram Prasad Adhikari	Executive Director
10.	Mr. Bholu Ram Shrestha	Executive Director
11.	Mr. Gopal Prasad Kafle	Executive Director
12.	Mr. Rabindra Prasad Pandey	Executive Director
13.	Mr. Lila Prakash Sitaula	Executive Director
14.	Mr. Ashwini Kumar Thakur	Executive Director
15.	Mr. Bishnu Nepal	Executive Director
16.	Mr. Gokul Ram Thapa	Executive Director
17.	Mr. Ramjee Regmi	Executive Director

Salary and related expenses to key management personnel are NRs. 15,105,300 (previous year – NRs. 7,340,694). As at 16th July 2007 an amount of NRs. 17,474,169 (Previous year – NRs. 6,908,000) 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 Board members and 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.

X. 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.

XI. 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.

XII. Concentration of funding

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

XIII. 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 212.31 lacs to securities revaluation fund through profit and loss account. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with its' fair value as on 32 Ashad 2064 are given below.

(Amount in NRs.)		
Name of Instruments	Cost of Investment	Fair Value
US Government Treasury Notes/Bond	3,238,092,227	3,285,789,861
US Government Treasury Bills	52,289,830,227	52,587,694,114

Investments in Government Treasury Notes/Bonds were treated as cash and cash equivalent in previous year. However, this year, the same has been presented under investing activities of cash flow statement.

XIV. 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.

(Amount in NRs.)

Present value of liability as on 15th July 2005	Liability as per books as on 15th July 2005	Total Deficit	Recognized up to 16th July 2007	Balance to be recognized in future years
2,269,949,049	791,995,665	1,477,953,384	937,197,628	540,755,756

XV. 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 Gold Market at the close of the year. Decrease in value thereof amounting to Rs. 2217.87 lacs has been taken to "Gold and Silver Equalizations Reserve" through profit and loss account.

ii. An amount of Rs 646 lacs has been appropriated from the profit and loss account and kept in Gold Replacement Fund" for replacing the Gold/Silver sold during the year (out of reserves).

XVI. Projects' 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 would be incorporated in financial statement on net basis. During this year, the asset, liability, income and expenses of projects are incorporated in financial statement without netting it off. However, the corresponding previous year figure has not been presented retrospectively. Separate disclosure of individual asset, liability, income and expenses of projects are made in notes to the account.

XVII. Number of employees

<u>2064 Ashadh</u> 1531	<u>2063 Ashadh</u> 1555
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XVIII. Events occurring after Balance Sheet Date

- i. Entire share investment in Madhyamanchal Gramin Bikas Bank (GGB) and Rastriya Beema Sansthan -Non-Life Insurance has been disposed of at the rate of Rs 61 and Rs 1450 per share respectively after balance sheet date. The provision for diminution in value of share for GGB has been provided for.
- ii. There was no other material events occurred subsequent to the balance sheet date that required 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 %	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	58,299,222,977	56,354,052,251	646,929,414	1,298,241,312
IMF Related Assets	4.25	587,487,220	587,487,220	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	126,290,768,605	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		3,951,141,168	687,410,000	-	3,263,731,168
Total Non Interest Sensitive Foreign Currency Financial Assets		4,755,604,517	1,491,873,349	-	3,263,731,168
Total Foreign Currency Financial Assets	B	131,046,373,122	125,837,471,228	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)		121,531,208,483	123,502,065,929	646,929,414	(2,617,786,860)
Total Gap (B-D)		126,062,378,354	124,769,504,632	646,929,414	645,944,308

Comparative Figure as on 16 July 2006 of Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

Particulars	Weighted Average Interest Rate %	2005-06 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	4.62	95,226,572,227	95,226,572,227	-	-
Investment in Treasury Bills	4.81	36,739,045,175	34,522,499,979	2,216,545,195.69	-
IMF Related Assets	3.64	665,576,486	665,576,486	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	132,631,193,888	130,414,648,692	2,216,545,195.69	-
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		789,314,112	763,647,053	253,466	25,413,594
Total Non Interest Sensitive Foreign Currency Financial Assets		789,314,112	763,647,053	253,466	25,413,594
Total Foreign Currency Financial Assets	B	133,420,508,000	131,178,295,745	2,216,798,661	25,413,594
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	1.64	2,448,475,939	887,305,399	-	1,561,170,540
Asian Clearing Union		-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	2,448,475,939	887,305,399	-	1,561,170,540
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		282,826,937	282,826,937	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		7,155,707	7,155,707	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		289,982,644	289,982,644	-	-
Total Foreign Currency Financial Liabilities	D	2,738,458,583	1,177,288,043	-	1,561,170,540
Foreign Currency Interest Rate Sensitivity Gap (A-C)		130,182,717,949	129,527,343,293	2,216,545,196	(1,561,170,540)
Total Gap (B-D)		130,682,049,417	130,001,007,702	2,216,798,661	(1,535,756,946)

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

Comparative Figure as on 16 July 2006 of Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

Particulars	Weighted Average Interest Rate %	2005-06 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	3.70	10,996,264,751	3,861,127,000	5,351,828,000	1,783,309,751
GON Overdraft	2.86	1,071,000,511	1,071,000,511	-	-
Other Investments	5.49	3,166,536,000	100,418,000	3,066,118,000	-
Refinance & Loans	4.21	2,016,125,930	2,016,125,930	-	-
Total Interest Sensitive Local Currency Financial Assets	E	17,249,927,192	7,048,671,441	8,417,946,000	1,783,309,751
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,629,233,535	1,629,233,535	-	-
Investment in Government Securities		4,755,758,937	-	-	4,755,758,937
Investment in Financial & Other Institutions		407,772,500	-	-	407,772,500
Refinance & Loans (Loans to employees)		1,627,400,666	-	-	1,627,400,666
Other Receivables		3,288,542,716	3,288,542,716	-	-
Total Non Interest Sensitive Local Currency Financial Assets		11,708,708,354	4,917,776,251	-	6,790,932,103
Total Local Currency Financial Assets	F	28,958,635,546	11,966,447,692	8,417,946,000	8,574,241,854
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		35,027,226,789	35,027,226,789	-	-
Bills Payable		1,604,799,616	1,604,799,616	-	-
Staff Liabilities		2,432,269,401	-	-	2,432,269,401
Other Payables		135,805,825	135,805,825	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		39,200,101,631	36,767,832,230	-	2,432,269,401
Total Local Currency Financial Liabilities	H	39,200,101,631	36,767,832,230	-	2,432,269,401
Local Currency Interest Rate Sensitivity Gap (E-G)		20,251,019,261	8,619,452,994	7,262,331,446	4,369,234,821
Total Gap (F-H)		(10,241,466,085)	(24,801,384,538)	8,417,946,000	6,141,972,453

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Table 2 : Credit Exposure by Credit Rating

Particulars	Credit Rating	2006/07		2005/06	
		NRs.	% Financial Assets	NRs.	% Financial Assets
Foreign Currency Financial Assets	A-	2,380,552,775	1.42%	1,982,369,861	1.22%
	A+	2,051,294,880	1.23%	656,761,984	0.40%
	A	3,255,195,210	1.94%	6,925,852,184	4.27%
	AA	1,980,491,730	1.18%	4,474,337,603	2.76%
	AA+	2,711,891,118	1.62%	92,201,514	0.06%
	AA-	11,893,613,938	7.10%	14,654,384,129	9.02%
	AAA	97,214,210,389	58.06%	95,927,226,249	59.08%
	BB	2,771,300,523	1.66%	4,375,250,184	2.69%
	BBB	26,889,734	0.02%	57,987,145	0.04%
	NR *	6,760,932,825	4.04%	4,274,137,147	2.63%
Total Foreign Currency Financial Assets		131,046,373,122	78.26%	133,420,508,000	82.17%
Local Currency Financial Assets	NR *	36,397,926,051	21.74%	28,958,635,546	17.83%
Total Local Currency Financial Assets		36,397,926,051	21.74%	28,958,635,546	17.83%
Total Financial Assets		167,444,299,173	100.00%	162,379,143,546	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 16th July, 2007 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	3,624,457,080
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	5,974,530,497	58,299,222,977	587,487,220	3,624,457,080
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
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	5,974,530,497	58,299,222,977	587,487,220	8,367,338,869

Comparative figures as at 16th July, 2006 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	95,226,572,227	-	-	-	91,565,388,204	-	-	-	3,661,184,023
SDR holdings - with IMF	665,576,486	-	-	-	-	-	-	665,576,486	-
Investments in Treasury Bills	36,739,045,175	-	-	-	-	-	36,739,045,175	-	-
Other receivables	789,314,112	-	-	-	-	-	-	-	789,314,112
Sub-Total	133,420,508,000	-	-	-	91,565,388,204	-	36,739,045,175	665,576,486	4,450,498,135
Other Assets									
Gold	2,245,176,837	-	-	-	-	2,245,176,837	-	-	-
Sub-Total	2,245,176,837	-	-	-	-	2,245,176,837	-	-	-
Total Foreign Currency Assets	135,665,684,837	-	-	-	91,565,388,204	2,245,176,837	36,739,045,175	665,576,486	4,450,498,135
Local Currency									
Financial Assets									
Cash in hand	1,629,233,535	-	-	-	-	-	-	-	1,629,233,535
Investments in Government Securities	15,752,023,688	15,752,023,688	-	-	-	-	-	-	-
GON Overdraft	1,071,000,511	1,071,000,511	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	407,772,500	-	-	-	407,772,500	-	-	-	-
Other Investments	3,166,536,000	1,426,212,000	-	-	1,740,324,000	-	-	-	-
Refinance & Loans	3,643,526,596	-	-	1,627,400,666	2,016,125,930	-	-	-	-
Other Receivables	3,288,542,716	-	1,594,680,232	-	-	-	-	-	1,693,862,484
Sub-Total	28,958,635,546	18,249,236,199	1,594,680,232	1,627,400,666	4,164,222,430	-	-	-	3,323,096,019
Other Assets									
Gold & Silver	428,324,429	-	-	-	-	-	-	-	428,324,429
Other Inventories	822,264,298	-	-	-	-	-	-	-	822,264,298
Property, Plant & Equipment	522,758,748	-	-	-	-	-	-	-	522,758,748
Sub-Total	1,773,347,475	-	-	-	-	-	-	-	1,773,347,475
Total Local Currency Assets	30,731,983,021	18,249,236,199	1,594,680,232	1,627,400,666	4,164,222,430	-	-	-	5,096,443,494
Total Assets	166,397,667,858	18,249,236,199	1,594,680,232	1,627,400,666	95,729,610,634	2,245,176,837	36,739,045,175	665,576,486	9,546,941,629

NEPAL RASTRA BANK

Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 16th July 2007 were as follows:

	Total NRs.	GON NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others 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	4,767,944,139	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	3,437,999,825	90,002,916,145	-	-	2,538,386,165
Total Liabilities	147,131,022,995	3,437,999,825	95,878,114,536	25,682,568,546	9,590,330,730	12,542,009,358

Comparative figures as at 16th July 2006 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Public NRs.	Com. Banks & F.I. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	282,826,937	-	-	272,916,772	-	9,910,165
IMF Related Liabilities	2,448,475,939	-	-	-	2,448,475,939	-
Others	7,155,707	-	-	-	7,155,707	-
Total Foreign Currency Financial Liabilities	2,738,458,583	-	-	272,916,772	2,455,631,646	9,910,165
Local Currency Financial Liabilities						
Deposit and other balances	35,027,226,789	-	-	24,717,629,047	5,355,558,116	4,954,039,626
Bills payables	1,604,799,616	-	1,604,799,616	-	-	-
Staff Liabilities	2,432,269,401	-	-	-	-	2,432,269,401
Other payables	135,805,825	-	-	-	-	135,805,825
Total Local Currency Financial Liabilities	39,200,101,631	-	1,604,799,616	24,717,629,047	5,355,558,116	7,522,114,852
Total Financial Liabilities	41,938,560,214	-	1,604,799,616	24,990,545,819	7,811,189,762	7,532,025,017
Other Liabilities						
Currency in circulation	84,630,000,000	-	83,000,766,465	-	-	1,629,233,535
Surplus payable to GON	3,419,267,176	3,419,267,176	-	-	-	-
Sundry Liabilities	1,035,768,674	-	-	-	-	1,035,768,674
Project liabilities	-	-	-	-	-	-
Total Other Liabilities	89,085,035,850	3,419,267,176	83,000,766,465	-	-	2,665,002,209
Total Liabilities	131,023,596,064	3,419,267,176	84,605,566,081	24,990,545,819	7,811,189,762	10,197,027,226