



Nepal Rastra Bank

Annual Financial Statements
For the year ended 31st Ashadh, 2066
(15th July 2009)



नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
Central Office
Baluwatar, Kathmandu

Foreword

This financial report on Bank's annual accounts for the fiscal year 2065/066 B.S. (2008/09) has been prepared and presented hereby in accordance with the international norms, International Financial Reporting Standard (IFRS)/International Accounting Standards (IAS) and National Accounting Standards (NAS) as far as practicable in our context.

This report consists of the audited balance sheet of the Bank as of 31st Ashad 2066 (15th July 2009), related income statement, cash flow statement and statement of change in equity for the fiscal year together with explanatory notes to the accounts forming the part thereof.

As usual, the Bank is committed to make the financial information more transparent, credible and relevant to external users by adopting International Financial Reporting Standard (IFRS)/International Accounting Standards (IAS) as Accounting Framework as per requirement of Nepal Rastra Bank Act, 2002 for preparation and presentation of financial statements, setting of policies, practices and making necessary disclosures of financial information as required by these standards.

Finally, I would like to extend my sincere thanks to the statutory auditor, Office of the Auditor General of Nepal, auditors Mr. Jitendra Bahadur Rajbhandari (Chartered Accountant) and Mr. Pradeep Kumar Shrestha (Chartered Accountant) for their suggestions and remarks. I would also like to thank all the concerned staff and expert committees for their contributions in preparing and publishing annual report of this fiscal year.

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

(Dr. Yuba Raj Khatiwada)



महालेखा परीक्षकको कार्यालय Office of the Auditor General

Phone : 4262381

4262415

4262417

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

Fax : 977-1-4262798

Post Box : 13328

बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal

R.N. 2066/67-94

Date : April 16, 2010

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 31st Ashadh 2066 (15th July 2009) and the related Income Statement, Cash Flow Statement and Statement of Changes in Equity for the year then ended. These financial statements are the responsibility of the NRB's management. Our responsibility is to express our opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Nepal Standards on auditing, relevant practices and International Standards on Auditing (ISA) wherever applicable and also the guidelines issued by the Office of the Auditor General of Nepal. Those Standards or relevant practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. The following are some of the important issues that have impact on financial position and operating results of the NRB.
 - 3.1 The following provisions of the NRB Act 2058 and its bye-laws are not complied with:
 - Investment made in the shares of various financial institutions and other organizations as disclosed in note 5 to the financial statements are not disposed off. (Section 7.1 & 7.2).
 - Financial statements are not prepared in conformity with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS). (Section 40 & 90).
 - Investment in government bonds of Rs. 4,80,03,58 thousands issued by Ministry of Finance, Nepal Government for the fund made available to International Monetary Fund on behalf of Nepal Government is made at free of interest. (Section 75.1 & 4).
 - NRB has been disbursing the pension as reimbursable from the government, but found pending for long period, which tantamount to the interest free loans provided to Government. (Section 75.1 & 4).

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- The investment of Rs. 25,34,00 thousands has been made for the establishment of Rural Self Reliance Fund (RSRF) seed capital in the earlier year with the purpose of long term financing to the financial institutions for the priority sector in terms of monetary policy 2060. (Section 7 & 75).
- Monthly data of investment in Government securities of the fiscal year was not made available to ensure that investment has not exceeded the limit of 10 percent of the Government's previous year revenue. (Section 75.7).
- Overdraft of Rs. 8,83,57,95 thousands provided to Nepal Government has exceeded 5 percent of previous year's total revenue of Rs.1,07,62,24,81 thousands by 3.21 percent. (Section 75.5)
- Rs.5,18,82 thousands has been short appropriated to general reserve to fund the annual capital expenditure of Rs.8,66,42 thousands in FY 2065/66. (Section 41.1Ga).

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

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

- Counterfeit foreign currency notes of Rs. 3,07 thousands has not been derecognized from the books of account (Para 49.a and 89).
- Impairment testing of interest accrued has not been carried out for recognition of income required for treating asset (Para 49.a and 89).
- Amount of Rs. 21,04 thousands receivable from one of the staff declared bankrupt by the court has not been written off (Para 85).
- Provision for expenses incurred for studying abroad and attending training programs and seminar, travel, and office expenses are not made (Para 49.b and 91).

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

- The provision of Rs. 49,23 thousands for cash in transit insurance premium has been short provided for the fiscal year 2064/65 and adhoc additional insurance premium of Rs. 1,80,00 thousands has been accounted for cash in transit insurance of fiscal year 2065/66 (Para 25).
- Expenses incurred for studying abroad and attending training programs and seminar travel, and office expenses are not accounted in the fiscal year in which expenses are incurred (Para 25).
- Rs. 24,95,63 thousands received for repayment of government bonds has been accounted to Sundry Creditors without adjusting against the matured bonds of Rs.3,69,47,70 thousands (Para 32).
- Loan of Rs. 1,83,80,70 thousands and Rs. 2,43,04,53 thousands provided by NRB to Nepal Bank Limited (NBL) and Rastriya Banijya Bank (RBB) respectively from loan received under subsidiary loan agreement from Nepal Government has not been incorporated as assets and liability in the financial statements (Para 32).
- Community Ground Water Irrigation Sector (CGWIS) Project being managed by the Micro Finance Department of NRB have not been consolidated in the financial statements (Para 32).


(c) Accounting Policies, Changes in Accounting Estimates and Errors (IAS – 8): Prior Year net income amounting to Rs. 1,44,73 thousands has been presented on the face of the Income Statement instead of reinstatement of the comparative amounts of the prior period (Para 42 and 43).

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- (d) Property, Plant and Equipment (IAS-16):
- Fixed assets purchased in the previous year and current year costing up to Rs. 25,000 per unit has been charged to expense. Rs. 49,11 thousands incurred for consultancy fee and other expenses for construction of proposed building at Thapathali premises has not been written off even after abandonment of the project (Para 7).
 - Fixed assets are not recognized on the basis of ownership, status, useful life, derecognition, depreciation and certain disclosure requirements has also not been complied with (Para 50, 51, 61, 67 and 73).
- (e) Employees Benefits (IAS -19):
- Liability of Rs. 32,08,04 thousands was provided for gratuity and pension based on the actuarial valuation carried out on 15th July 2005 only without fresh actuarial valuation considering changes in number of employees due to voluntary retirement scheme, employees emoluments and other benefits in subsequent years (Para 64 and 67).
 - The liability for medical fund and employees' security fund are being provided based on predefined factors and not on the actuarial valuation (Para 64 and 67).
- (f) Accounting for Government Grants and Disclosure of Government Assistance (IAS – 20): Grant of Rs. 37,42,41 thousands provided by Nepal Government under Financial Sector Technical Assistance Project and Financial Sector Reengineering Project has not been accounted and disclosed (Para 20 and 24).
- (g) Impairment of Assets (IAS – 36):
- The status and physical condition of stationery and spare parts and fixed assets are not known in the absence of physical verification (Para 9, 59 and 60).
 - Provision for loss of various counterfeit foreign currency notes amounting to Rs.3,07 thousands has not been made (Para 9, 59 and 60).
- (h) Provisions, Contingent Liabilities and Contingent Assets (IAS-37):
- Provision for expenses incurred for studying abroad, attending training programs and seminars, travel, and office expenses are not made in the year of expenses (Para 14, 36 and 59).
 - Commission of Rs. 6,21,56 thousands payable to commercial banks for handling government and cash in transit insurance of Rs. 49,23 thousands for the fiscal year 2064/65 has been short accounted (Para 14, 36 and 59).
 - Short provision of Rs. 18,28,30 thousands has been made for medical benefit calculated based on predefined factors (Para 14 and 36).
 - The unclaimed amounts of Rs. 894,68 transferred to income have not been disclosed in the financial statements as contingent liability (Para 86).
 - Provision for land rent payable to Guthi Sansthan for 1-15-7-2 bigha of land of Janakpur from the beginning has not been ascertained and provided for (Para 14 and 36).
 - Claim for brokerage commission on primary issue and segmented interest has neither been made during the current fiscal year nor disclosed in the notes as contingent assets (Para 89).

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- (j) Non-current Assets Held for Sale and Discontinued Operations (IFRS – 5): List of damaged, unusable and obsolete fixed assets which are not in uses and cannot be used from economical point of view is not prepared (Para 6, 15 and 38).
- 3.3 Rs. 18,87 thousands accounted to stale Check Account in the fiscal year 2061/62 and 2062/63 has not been written off.
- 3.4 There is difference of Rs. 33,92,70 thousands between the balances shown in books of account and the records maintained at Public Debt Department for interests on Government Bonds and Principal.
- 3.5 Printing cost of Rs.5, Rs.20, Rs.50 and Rs.100 denomination notes has not been accounted to Security Printing Note Stock. Expenditures for 9,700 thousands of Rs.20 notes and 227 thousands of Rs.100 notes issued during first to third quarter of FY 2065/66 have not been accounted.
- 3.6 Ad hoc provision of Rs. 16,00,00 thousands for Staff Welfare Provident Fund as staff incentive has been made in addition to Rs. 3,91,69 thousands charged at the rate of 12 percent of salaries.
- 3.7 Interest on government overdraft amounting to Rs. 1,52,65 thousands and Rs. 1,50,77 thousands receivable for the fiscal year 2062/63 and 2064/65 respectively has not been accounted.
- 3.8 Brokerage commission on primary issue and segmented period interest has not been claimed with Nepal government for the current fiscal year.
- 3.9 Rs. 1,519 thousands and Rs. 2,319 thousands not claimed for more than five years and payable to NIDC and Staff Account Section respectively has been accounted to income. Memorandum record of the amounts of Rs.8,94,68 thousands not claimed for more than five years and accounted to income in the fiscal year 2061/62 to 2065/66 has not been maintained.
- 3.10 The general accounts representing interoffice transactions have credit balance of Rs. 1,96,44,37 thousands after setting off 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” without any details. Some of the interoffice accounts in the Branch Offices show debit balance instead of credit balances and vice versa.
- 3.11 Interoffice transactions relating to Note Kosh shows net credit balance of Rs. 4,35,87 thousands in Note Kosh Account instead of nil balance.
4. A separate management letter highlighting audit observation in detail is issued on April, 16,2010 to the management for improvement.
5. In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give true and fair view of the financial position of Nepal Rastra Bank as of 31st Ashadh 2066 (15th July 2009) and the results of its operations and its Cash flows and Changes in the Equity for the year then ended in accordance with IAS/IFRS, relevant practices and prevailing Laws.


(Ramesh Raj Satyal)
Acting Auditor General

NEPAL RASTRA BANK
BALANCE SHEET AS ON 31st ASHADH, 2066 (15th JULY, 2009)

Particulars	Note	As on 31-3-2066 NRs.	As on 31-3-2065 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	3	129,018,822,624	80,208,220,260
SDR Holdings - with IMF		555,366,917	630,644,378
Investments	3a	95,432,500,926	89,713,416,527
Other Receivables		419,083,326	581,825,029
Sub-Total		225,425,773,793	171,134,106,194
Other Assets			
Gold		3,319,458,932	3,104,097,755
Sub-Total		3,319,458,932	3,104,097,755
Total Foreign Currency Assets		228,745,232,725	174,238,203,949
Local Currency Financial Assets			
Cash in Hand		1,824,859,620	1,464,511,943
Investments in Government Securities	4	29,255,862,582	23,726,135,607
GON Overdraft		8,835,795,125	-
Investments in Financial and Other Institutions	5	320,035,500	338,716,500
Other Investments	6	4,934,769,000	4,401,393,000
Refinance & Loans	7	2,327,394,002	2,923,185,167
Other Receivables	8	3,340,144,403	2,608,780,329
Sub-Total		50,838,860,232	35,462,722,546
Other Assets			
Gold and Silver	9	325,676,038	345,142,904
Other Inventories	10	323,069,583	264,370,284
Property, Plant & Equipment	11a	532,930,222	545,470,972
Intangible Assets	11b	2,506,945	921,888
Project Assets	12	493,664,078	519,785,869
Sub-Total		1,677,846,866	1,675,691,917
Total Local Currency Assets		52,516,707,098	37,138,414,463
Total Assets		281,261,939,822	211,376,618,412

Contingent Assets 23c

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

.....
(Manmohan Kumar Shrestha)
Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(Ramesh Raj Satyal)
Acting Auditor General

Board of Directors :-

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

.....
(Pradeep Kumar Shrestha)

.....
(JB Rajbhandari)

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Chartered Accountant

Chartered Accountant

Kathmandu

Kathmandu

Krishna Bahadur Manandhar (Dy. Governor) Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19

Place : Kathmandu

NEPAL RASTRA BANK
BALANCE SHEET AS ON 31st ASHADH, 2066 (15th JULY, 2009)

Particulars	Note	As on 31-3-2066 NRs.	As on 31-3-2065 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	13	904,923,484	593,501,492
IMF Related Liabilities	14	6,975,677,693	6,568,637,566
Other Liabilities	15	2,373,545	8,488,994
Total Foreign Currency Liabilities		7,882,974,722	7,170,628,052
Local Currency Financial Liabilities			
Deposit and Other Balances	16	73,676,923,159	45,177,872,241
Bills Payable		1,121,290,448	679,983,024
Staff Liabilities	17	3,776,318,598	3,205,327,427
Other Payables	18	217,180,433	234,645,611
Sub-Total		78,791,712,638	49,297,828,303
Other Liabilities			
Currency in Circulation	19	141,210,000,000	112,950,000,000
Surplus payable to GON		2,530,000,000	3,702,670,477
Sundry Liabilities	20	3,423,198,222	1,309,276,491
Project Liability	21	493,664,078	519,785,869
Sub-Total		147,656,862,300	118,481,732,837
Total Local Currency Liabilities		226,448,574,938	167,779,561,141
EQUITY			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	43,930,390,162	33,426,429,219
Total Equity		46,930,390,162	36,426,429,219
Total Liabilities and Equity		281,261,939,822	211,376,618,412

Contingent Liabilities and Commitments 23b

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

.....
(Manmohan Kumar Shrestha)
Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(Ramesh Raj Satyal)
Acting Auditor General

Board of Directors :-

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

.....
(Pradeep Kumar Shrestha)
Chartered Accountant
Kathmandu

.....
(J.B.Rajbhandari)
Chartered Accountant
Kathmandu

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor) Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19
Place : Kathmandu

NEPAL RASTRA BANK

INCOME STATEMENT

FOR THE YEAR ENDED 31st ASHADH, 2066 (15th JULY, 2009)

Particulars	Note	2065-66 NRs.	2064-65 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	24	4,477,104,007	5,455,501,890
Commission Income	25	311,117,876	226,669,758
		<u>4,788,221,884</u>	<u>5,682,171,649</u>
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	26	41,443,694	54,263,805
Agency and Service Charge	27	5,148,289	3,941,481
		<u>46,591,983</u>	<u>58,205,287</u>
Net Income from Foreign Currency		4,741,629,901	5,623,966,362
Income from Local Currency Financial Assets			
Interest Income	24	1,579,568,703	1,316,625,728
Commission Income	25	4,217,594	29,889,600
		<u>1,583,786,297</u>	<u>1,346,515,329</u>
Expenses on Local Currency Financial Liabilities			
Interest Expenses	26	172,458,274	245,122,682
Agency and Service Charge	27	583,759,774	419,680,610
		<u>756,218,048</u>	<u>664,803,292</u>
Net Income from Local Currency Financial assets		827,568,250	681,712,037
Other Operating Income	28	546,610,074	872,256,711
Total Net Operating Income		6,115,808,224	7,177,935,110
General, Administrative Expenses & Provisions	29	2,921,425,027	2,512,280,716
Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment		3,194,383,197	4,665,654,395
Foreign Exchange Gain/(Loss) (Net)		9,357,932,645	9,735,433,407
Gold and Silver Revaluation Gain/(Loss) (Net)			
- Amount Transferred from Gold & Silver Equalisation Reserve	31(XV)(i)	215,361,177	1,080,708,426
- Securities Revaluation		251,810,964	247,025,108
- other			
Prior Year Adjustment		14,472,960	(23,570,546)
Net Profit/(Loss) for the year		13,033,960,943	15,705,250,790
Net Profit/(Loss) for Appropriation			
Net Profit/(Loss) for the year		13,033,960,943	15,705,250,790
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		(9,357,932,645)	(9,735,433,407)
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XV)(i)	(215,361,177)	(1,080,708,426)
Amount Transferred to Gold Replacement Fund	31(XV)(ii)	(48,900,460)	(9,903,899)
Securities Revaluation Fund		(251,810,964)	(247,025,108)
Profit available for distribution		3,159,955,697	4,632,179,950
General Reserve		319,300,000	465,300,000
Monetary Liability Reserve		160,000,000	235,000,000
Development Fund		139,524,248	218,800,000
Dev. Fin. Projects Mob. Fund		8,631,449	10,409,473
Liquidity Stabilization Fund		2,500,000	0
Surplus to be transferred to GON		2,530,000,000	3,702,670,477
Total		3,159,955,697	4,632,179,950

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

.....
(Manmohan Kumar Shrestha)
Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(Ramesh Raj Satyal)
Acting Auditor General

Board of Directors :-

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

.....
(Pradeep Kumar Shrestha)
Chartered Accountant
Kathmandu

.....
(J.B.Rajbhandari)
Chartered Accountant
Kathmandu

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Date : 2066.9.19

Place : Kathmandu

Krishna Bahadur Manandhar (Dy. Governor) Bir Bikram Rayamajhi (Dy. Governor)

NEPAL RASTRA BANK
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st ASHADH, 2066 (15th JULY, 2009)

Particulars	2065-66 (NRs.)	2064-65 (NRs.)
Cash flow from operating activities:		
Profit for the Year	13,033,960,943	15705250790
Adjustments		
Gold and Silver revaluation gain/(loss) (Net)	(215,361,177)	-1080708426
- Other	-	
- Revaluation gain or loss on foreign exchange	(9,357,932,645)	(9,735,433,407)
Securities revaluation	(251,810,964)	-247025108.3
Depreciation	53,487,372	46039451.68
Prior period adjustment	(14,472,960)	23570545.53
Note printing expenses	243,068,023	229960250.2
Dividend Income	(3,468,350)	-9640880
Profit from sale of assets	-	-318929668
Sundry balances written off	-	1795488
Interest paid on PRGF Loan & ACU	41,443,694	54175634.77
Provision for :		
Loan and advances	(151,376,131)	-231912000
Diminution in value of investment	(19,219,000)	-23869000
Doubtful of recovery on sundry accrued	-	-47641289.54
Provision for inventory & spare parts	253	0
Cash flow from operation before inc / dec in operating assets	3,358,319,061	4,365,632,383
(Increase)/Decrease in operating assets	(8,939,550,906)	6,427,807,801
GON overdraft	(8,835,795,125)	0
Refinance & loans	747,167,297	1438615134
Other receivable	(568,622,370)	4878106400
Gold & silver	19,466,866	17615114.67
Inventories	(301,767,575)	93471152
Increase/(Decrease) in operating liabilities	31,982,116,877	4,257,212,075
SDR Allocation	69,004,267	108359554
Deposit liabilities	28,810,472,911	7977460060
Bills payable	441,307,424	-5195215367
Deferred staff liabilities	570,991,172	706278770.9
Other liabilities	(23,580,628)	18134586.56
Sundry liabilities	2,113,921,731	642,194,469
Operating cash flow before prior period adjustment	26,400,885,030	15,050,652,258
Prior period adjustment	14,472,960	(23,570,546)
Cash flow from operating activities	26,415,357,990	15,027,081,712
Cash flow from investing activities:		
Net Decrease in Government Securities and Bank Deposits	(15,239,675,928)	5393801079
Sale of Investment in Financial Institutions	37,899,999	361431724
Purchase of Investments-other	(3,734,469,689)	(351,771,487)
Fixed assets including WIP	(42,531,680)	-19028905.53
Dividend income	3,468,350	9640880
Total (B)	(18,975,308,948)	5,394,073,290
Cash flow from financing activities:		
Bank note issued	28,260,000,000	21640000000
Increase in PRGF Loan & ACU	338,035,857	1700717888
Interest paid on PRGF Loan & ACU	(41,443,694)	-54175634.77
Surplus transferred to GON	(3,702,670,477)	-3437999825
Total (C)	24,853,921,686	19,848,542,428
Net cash flow for the year (A+B+C)	32,293,970,728	40,269,697,430
Revaluation gain or loss on foreign exchange	9,357,932,645	9,735,433,407
Cash and cash equivalent at the beginning of the year	175,052,301,070	125,047,170,233
Cash and cash equivalent at the end of the year (Note - 30)	216,704,204,443	175,052,301,070

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

.....
(Manmohan Kumar Shrestha)
Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(Ramesh Raj Satyal)
Acting Auditor General

Board of Directors :-

As per our report of the even date

Rameshwar Khanal

Dr. Parthibeshwar Prasad Timilsina

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Chartered Accountant
Kathmandu

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Chartered Accountant
Kathmandu

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19

Place : Kathmandu

NEPAL RASTRA BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st ASHADH, 2066 (15th JULY, 2009)

Particulars	NRs.			
	Balance as at 31.03.2065	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at 31.03.2066
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	12,042,027,005	319,300,000	-	12,361,327,005
Monetary Liability Reserve	1,223,600,000	160,000,000	-	1,383,600,000
Exchange Equilisation Fund	9,735,433,407	9,357,932,645	-	19,093,366,052
Gold & Silver Equilisation Reserve	3,082,043,516	215,361,177	-	3,297,404,693
Employees Welfare Fund	-	-	-	-
Grameen Swabalamban Kosh	253,400,000	-	-	253,400,000
Other Reserve Funds	6,821,669,015	199,556,156	-	7,021,225,171
Security Revaluation Fund	268,256,276	251,810,964	-	520,067,241
Total	36,426,429,219	10,503,960,943	-	46,930,390,162

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 32nd ASHADH, 2065 (16th JULY, 2008)

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

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

.....
(Manmohan Kumar Shrestha)
Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(Ramesh Raj Satyal)
Acting Auditor General

Board of Directors :-

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

.....
(Pradeep Kumar Shrestha)
Chartered Accountant
Kathmandu

.....
(J.B.Rajbhandari)
Chartered Accountant
Kathmandu

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19
Place : Kathmandu

Notes to be read as part of the Financial Statements

1. General information

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

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

The main activities of the Bank include:

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

These financial statements apply to the financial year ended 31st Ashadh, 2066 (15th July, 2009).

The Board of Directors of the Bank has approved these financial statements on 19th Poush, 2066 (3rd January, 2010).

2. Summary of significant Accounting Policies

2.1 Basis of preparation

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

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

IAS 1:	Presentation of Financial Statements
IAS 8:	Accounting Policies, Changes in Accounting Estimates and Errors.
IAS 16:	Property, Plant and Equipments
IAS 19:	Employee Benefits
IAS 20:	Accounting for Government Grants and Disclosure of Government Assistance
IAS 32:	Currency risk disclosure requirements
IAS 36:	Impairment of Assets
IAS 37:	Provisions, Contingent Liabilities and Contingent Assets
IAS 38:	Intangible Assets
IAS 39:	Financial Instrument; Recognition and measurements
IFRS 5:	Non-current Assets held for sale and discontinued operation

2.2 Accounting Convention

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

2.3 Currency in circulation

Currency notes issued by the Bank are legal tender under the NRB Act 2058. This represents the liability of the Bank towards the holder of the currency note at its face value. The assets stated in Note 19 of these financial statements back these liabilities.

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

2.4 Financial assets / Instruments

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

2.4.1 Classification

Held for trading

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; investment in debt instruments and deposits held in other banks with no intention of trading 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.

2.4.2 Recognition

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

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

2.4.3 Measurement

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

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

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

2.4.4 Fair value

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

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

2.4.5 De-recognition

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

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

Held-to-maturity instruments and originated loans and receivables are de-recognized on receipt of money or money's worth 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 buying exchange rate prevailing on the balance sheet date. Exchange differences are taken to the Income Statement. An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Income Statement.

2.7 Gold and Silver (other than inventory)

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

2.8 Gold and silver stock and other inventories

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

2.9 Property, Plant & Equipment

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

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

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

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

2.10 Intangible Assets

Intangible assets include software purchased by the bank. Software's, useful life of which have been defined by terms of contract or conditions for use, have been classified as "software with defined useful life " and are amortized on straight line basis over the useful life of asset.

Software's, useful life of which have not been clearly defined, are classified as "software with indefinite useful life" . Since, Useful life of software is usually short due to technological obsolescence , "software with indefinite useful life" have been amortized on straight line basis over estimated useful life of ten years and five years respectively for business application software's and other software's.

2.11 Assets received in grant

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

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 fifth and final installment has been charged to the income Statement. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the Income Statement on straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the Income Statement. Since the actuarial valuation regarding this scheme has not been done in this year additional provision has not been made.

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. There have been increase in lliability towards medical fund by Rs 447,741,808 as at the end of Ashadh 2066, out of which Rs 264,912,007 have been accounted in Financial year 2065/66 and incremental liability arising due to revision in salary scales, amounting to Rs 182,829,800 have been deferred and accounted in Financial year 2066/67

Staff Security Fund

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

Leave encashment

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

2.12 Revenue recognition

Incomes and expenses are recognized on accrual basis.

2.13 Taxation

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

2.14 Cash and cash equivalents

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

2.15 Impairment

Provision for the assets such as Numismatic and Medallion coins and Non-moving metals are made on as per the indication of impairment. An impairment loss is recognized in income statement whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Provisions for possible losses on loans and advances have been provided on the basis of financial position of borrower and appropriate estimation made by the management. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to income statement. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the income statement.

2.16 Segment reporting

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

2.17 Directors' responsibility statement

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

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	
Asian Clearing Union	
Total	

As on 31.3.2066	As on 31.3.2065
NRs.	NRs.
3,686,407,264	3,833,170,983
10,439,129,570	19,785,747,784
114,648,144,987	56,243,055,391
245,140,803	346,246,103
129,018,822,624	80,208,220,260

Interest on time deposit and demand deposit (where ever applicable) were earned at various rates ranging from 0.05% to 3.91% per annum (P.Y. 0.50%% to 7.65% 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	
Investment in Mid Term Instrument	
Investment in Fixbis	
Investment in Repurchase Agreement (Repo)	

Sub -Total

Total

As on 31.3.2066	As on 31.3.2065
NRs.	NRs.
46,808,494,962	44,331,891,318
18,048,356,730	18,599,777,074
64,856,851,692	62,931,668,392
4,461,328,041	3,694,451,246
779,581,360	1,370,076,158
5,845,991,243	3,406,168,745
3,743,356,590	13,568,776,253
15,745,392,000	4,742,275,734
30,575,649,234	26,781,748,135
95,432,500,926	89,713,416,527

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

NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

Government Treasury Bills	
Saving Certificates	
Government Bond	
Other Bonds and securities	
Total	

As on 31.3.2066	As on 31.3.2065
NRs.	NRs.
22,546,249,079	17,555,932,257
1,909,256,000	1,362,913,000
4,800,357,503	4,800,357,504
-	6,932,846
29,255,862,582	23,726,135,607

Above investments are classified as follows:

Originated Loans	22,546,249,079	17,562,865,103
Held-to-maturity	4,800,357,503	4,800,357,504
Available-for-sale	1,909,256,000	1,362,913,000
Total	29,255,862,582	23,726,135,607

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

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 5: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

	% of holding	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
(a) Investment in shares of Subsidiaries			
Sudur Pashchimanchal GBB	68.46	40,050,000	40,050,000
Madhya Pashchimanchal GBB		-	37,900,000
Agricultural Project Services Center	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		46,050,000	83,950,000
(b) Investment in shares of Associates			
Deposit & Credit Guarantee Corporation	29.29	20,500,000	20,500,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.52	2,500,000	2,500,000
Sub-Total		35,080,500	35,080,500
(c) Other Investments			
Shares:			
CSI Development Bank	2.29	16,000,000	16,000,000
Rural Microfinance Development Centre	6.58	21,045,000	21,045,000
Pashchimanchal GBB	10.00	6,000,000	6,000,000
Nepal Development Bank	5.00	16,000,000	16,000,000
Credit Information Bureau	10.25	3,500,000	3,500,000
Citizen Investment Trust	20.01	10,000	10,000
Rural Self Reliance Fund (Seed Capital)		253,400,000	253,400,000
Sub-Total		315,955,000	315,955,000
Total		397,085,500	434,985,500
Less: Provision for diminution in the value		77,050,000	96,269,000
		320,035,500	338,716,500

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

1. According to NRB Act 2058, NRB is not eligible to hold investment in share in excess of 10 percent of their share capital.
2. The Bank has already offloaded the investments in Rastriya Beema Sansthan-Non-Life Insurance and Madhyamanchal Gramin Bikas Bank (GBB) and Madhya Pashchimanchal Gramin Bikas Bank and is still offloading all those investments/ loans that are in excess of limit prescribed by section 7(2)(a) of NRB Act 2058.
3. 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 .
4. Investment in Rastriya Beema Sansthan (Life-Insurance): NRB has received 41,667 Bonus Shares of Rs. 100 each in this investment which makes total shareholding of NRB 51,667 shares.
5. The details of the investment quoted and the market values prevailing as on the date of the balance sheet are as follows:

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Citizen Investment Trust total 160100 shares @ Rs.730 per share (P.Y. Rs. 422)	116,873,000	67,562,200
(Including 160,000 bonus shares declared for F.Y.2062/63 and F.Y.2063/64), cost of investment Rs.10,000 (Previous Year's Rs. 10,000)		
Rastriya Beema Sansthan-Non-Life Insurance total 147033 shares (entire holding by NRB) of Rs. 100/- is sold at the rate of Rs.1450 per share.	-	-
Nepal Development Bank @ Rs. 126 per share (P.Y. Rs. 302), cost of investment Rs.16,000,000 (Previous Year's cost of investment 16,000,000)	20,160,000	48,320,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 6: OTHER INVESTMENTS

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Investment of funds		
Fixed deposits with commercial banks	4,934,769,000	4,401,393,000
Total	4,934,769,000	4,401,393,000

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

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Refinance to Commercial Banks	-	60,655,000
Securities purchased under resale agreement	-	600,000,000
Refinance to Financial Institutions	97,737,379	249,113,510
Loans to Employees	2,320,394,002	2,255,530,167
	2,418,131,381	3,165,298,677
Less: Provision for doubtful Loans	90,737,379	242,113,510
Total	2,327,394,002	2,923,185,167

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 8: OTHER RECEIVABLE

		As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Interest Accrued	549,976,811		
Less: Provision for doubtful amounts	3,297,869	546,678,942	484,231,124
Deposits		1,918,260	1,916,080
Advances Recoverable	1,638,945,451		
Less: Provision for doubtful amounts	-	1,638,945,451	1,297,117,267
Other recoverable		19,040,921	10,409,473
Bills Purchased		1,133,560,829	815,106,385
Total		3,340,144,403	2,608,780,329

NOTE - 9: GOLD & SILVER STOCK

		As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Gold held in Stock		268,271,597	287,421,762
Silver held in Stock		57,404,441	57,721,142
Total Gold and silver stock		325,676,038	345,142,904

NOTE - 10: OTHER INVENTORIES

		As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Security Note Stock		69,101,465	70,782,777
Coin Stock		232,337,223	177,294,498
Numismatic and Medallion coins	40,729,794		
Less: Provision for non-moving coins	22,465,793	18,264,001	12,905,119
Other Metal Stock	11,770,133		
Less: Provision for non-moving stock	8,716,000	3,054,133	3,039,213
Stationary and other sundry items	312,761		
Less: Provision for non-moving items	-	312,761	348,677
Total Inventories		323,069,583	264,370,284

NEPAL RASTRA BANK
Notes forming part of the Balance Sheet

NOTE - 11a.: STATEMENT OF PROPERTY, PLANT & EQUIPMENT

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 31 Ashadh 2065	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31Ashadh 2066	Upto 31 Ashadh 2065	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto 31 Ashadh 2066	As at 31 Ashadh 2066	As at 31 Ashadh 2065
Land		31,334,553	-	-	-	31,334,553	-	-	-	-	-	31,334,553	31,334,553
Building	3	505,613,907	-	44,990,539	(113,163)	550,491,283	135,786,594	-	16,294,221	(399,941)	151,680,874	398,810,409	369,827,313
Furniture and Fixture	10	57,775,400	-	606,802	(5,515,844)	52,866,358	43,537,710	-	3,398,591	(5,515,844)	41,420,457	11,445,900	14,237,690
Office Equipment	20	79,195,555	-	4,225,216	(5,712,130)	77,708,641	67,471,966	-	4,345,820	(4,833,460)	66,984,326	10,724,315	11,723,589
Vehicles	20	166,849,924	-	23,694,995	(5,852,752)	184,692,167	130,790,461	-	16,882,797	(5,932,750)	141,740,508	42,951,659	36,059,463
Machinery Equipment	15	62,904,700	-	63,500	49,682	63,017,882	57,564,022	-	2,148,120	49,682	59,761,824	3,256,059	5,340,678
Computer Equipments	20	108,360,966	178,540	10,485,524	(1,020,207)	118,004,823	83,433,900	-	9,171,756	365,840	92,971,496	25,033,328	24,927,066
Miscellaneous	15	5,316,721	-	-	(586,455)	4,730,266	3,994,790	-	263,368	(586,455)	3,671,703	1,058,563	1,321,931
Total		-	-	-	-	-	-	-	-	-	-	-	-
Capital Work-in-Progress		50,698,689	-	7,781	(42,391,033)	8,315,437	-	-	-	-	-	8,315,436	50,698,689
Grand Total		1,068,050,415	178,540	84,074,357	(61,141,902)	1,091,161,410	522,579,443	-	52,504,673	(16,852,928)	558,231,188	532,930,222	545,470,972
Previous Year		1,115,440,476	52,800	50,369,766	(97,812,625)	1,068,050,416	539,454,927	-	45,911,447	(62,786,932)	522,579,443	545,470,972	

NOTE - 11b.: INTANGIBLE ASSETS (COMPUTER SOFTWARE)

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at 31 Ashadh 2065	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31Ashadh 2066	Upto 31 Ashadh 2065	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 31 Ashadh 2066	As at 31 Ashadh 2066	As at 31 Ashadh 2065
Software with Defined useful life		432,828		622,913		1,055,741	15,933		460,551		476,484	579,257	416,895
Software with indefinite useful life						-	-	-	-	-	-	-	-
- Business application softwares	10					-					-		-
- Other softwares	20	1,343,810		1,944,843		3,288,653	838,817		522,148		1,360,965	1,927,688	504,993
Grand Total		1,776,638	-	2,567,756		4,344,394	854,750	-	982,699	-	1,837,449	2,506,945	921,888
Previous Year		1,317,933		458,705		1,776,638	765,847		128,005	39,102	854,750	921,888	-

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 12: PROJECTS ASSETS: *

(Amount in NRs.)

Assets	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Current account	2,716,715	780,644	7,383,201	12,648,956	-	23,529,516
	(2,028,296)	(5,064,876)	(15,317,336)	(7,569,736)	-	(29,980,243)
Imprest Account	-	-	-	-	-	-
	-	-	-	-	-	-
Investment in fixed deposit	118,711,247	141,697,482	37,000,000	45,776,000	-	343,184,729
	(128,034,918)	(138,138,775)	(30,481,370)	(45,776,000)	-	(342,431,063)
Investment in GON bonds	-	-	-	-	-	-
	-	-	-	-	-	-
Loans to Banks, FIs, and NGOs	-	2,255,180	72,172,575	46,325,032	-	120,752,787
	(225,000)	(3,511,180)	(80,315,330)	(56,255,081)	-	(140,306,591)
Fixed assets	-	-	-	-	-	-
	-	-	-	-	-	-
Interest receivables	998,287	1,495,424	852,249	1,256,871	-	4,602,831
	(2,361,827)	(2,341,572)	(887,747)	(1,476,826)	-	(7,067,972)
Principal (Instalment) receivables	-	-	-	-	-	-
	-	-	-	-	-	-
Expenses not written off	1,594,215	-	-	-	-	1,594,215
	-	-	-	-	-	-
Current Year Total	124,020,464	146,228,730	117,408,025	106,006,859	-	493,664,078
Previous Year Total	(132,650,040)	(149,056,403)	(127,001,783)	(111,077,643)	-	(519,785,869)

*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 31.3.2066 NRs.	As on 31.3.2065 NRs.
Deposit from Banks	901,678,981	586,797,671
Foreign Diplomatic Missions and other agencies	3,244,503	6,703,821
Total	904,923,484	593,501,492

NOTE - 14: IMF RELATED LIABILITIES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
SDR Allocation	986,816,134	917,811,866
Loan under Poverty Reduction and Growth Facility (PRGF)	5,988,861,559	5,650,825,700
Total	6,975,677,693	6,568,637,566

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

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

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

THE POSITION OF THE IMFASSETS AND LIABILITIES

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2009

Particulars	Local Currency	SDR Equivalents
<u>Currency Holding</u>		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
Total Currency Holdings	8,566,292,863	71,310,875
	Per cent of Quota	Per cent of Quota
<u>Other Information</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 .008324590000 per currency unit as on April 30, 2009		

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2008

Particulars	Local Currency	SDR Equivalents
<u>Currency Holding</u>		
Securities (Quota subscription by GON)	2,318,061,941	22,132,902
No. 1 Account	4,821,297,698	46,033,847
No. 2 Account	1,088,893	10,397
Valuation adjustments:		
Securities and No. 1 Account	328,157,147	3,133,251
No. 2 Account	50,063	478
Total Currency Holdings	7,468,655,742	71,310,875
	Per cent of Quota	Per cent of Quota
<u>Other Information</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, 2008		

SUMMARY STATEMENT OF POSITION AS ON JULY 15, 2009

Particulars	Local Currency	SDR Equivalents
<u>Currency Holding</u>		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
Total Currency Holdings	8,566,292,863	71,310,875
	Per cent of Quota	Per cent of Quota
<u>Other Information</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 .008324590000 per currency unit as on July 15, 2009		

SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2008

Particulars	Local Currency	SDR Equivalents
<u>Currency Holding</u>		
Securities (Quota subscription by GON)	2,318,061,941	22,132,902
No. 1 Account	5,149,454,845	49,167,098
No. 2 Account	1,138,956	10,875
Valuation adjustments:		
Securities and No. 1 Account	-	-
No. 2 Account	-	-
Total Currency Holdings	7,468,655,742	71,310,875
	Per cent of Quota	Per cent of Quota
<u>Other Information</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, 2008		

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 15: OTHER LIABILITIES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Accrued Interest	2,373,545	8,488,994
Asian Clearing Union	-	-
Total	2,373,545	8,488,994

NOTE - 16: DEPOSIT AND OTHER BALANCES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Balances of GON	-	3,929,183,838
Deposits from Banks and Financial Institutions	62,813,904,955	31,475,752,853
Balances of Other Institutions	3,129,473,058	2,595,679,133
IMF Account No 1	5,149,440,595	5,149,440,595
IMF Account No 2	1,153,206	1,153,206
Earnest Money	1,276,741	2,593,977
Money Changer	8,587,500	6,879,500
Margin against LCs	2,573,087,104	2,017,189,139
Total	73,676,923,159	45,177,872,241

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

NOTE - 17: STAFF LIABILITIES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Medical Fund	770,499,064	529,313,995
Welfare Provident Fund	199,642,765	251,892,491
Gratuity and Pension Fund	1,592,656,666	1,519,742,601
Staff Security Fund	705,032,468	444,646,826
Liability for Staff Leave Encashment	426,602,250	346,143,299
Liability for Retired staff insurance premium	81,885,385	113,588,215
Total	3,776,318,598	3,205,327,427

NOTE - 18: OTHER PAYABLES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Insurance Premium collected from Staff	1,240,551,200	1,164,702,087
Less: Advance Insurance Premium paid on behalf of Staff	(1,023,370,767)	(930,056,476)
Total	217,180,433	234,645,611

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE -19: CURRENCY IN CIRCULATION

Currency in Circulation

As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
141,210,000,000	112,950,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs1824859620 (P.Y. NRs. 1,464,511,943).

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

Foreign currency balance held abroad

Foreign Securities

Government Securities

As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
111,430,568,000	83,170,568,000
25,607,732,000	25,607,732,000
4,171,700,000	4,171,700,000
141,210,000,000	112,950,000,000

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

Denomination

Notes

1
2
5
10
20
25
50
100
250
500
1000

As on 31.3.2066 Face Value (NRs.)	As on 31.3.2065 Face Value (NRs.)
166,564,157	166,491,984
200,270,208	187,343,996
904,291,035	874,276,785
1,216,549,940	1,101,376,670
1,487,015,360	1,396,268,240
88,317,875	95,029,750
2,549,817,500	1,935,578,550
9,735,589,300	6,286,308,400
81,818,375	81,844,375
33,631,384,250	33,135,277,250
91,148,382,000	67,690,204,000
141,210,000,000	112,950,000,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 20: SUNDRY LIABILITIES		As on 31.3.2066		As on 31.3.2065
		NRs.		NRs.
Sundry creditors		1,305,494,806		786,532,358
Unclaimed		4,530,273		4,404,993
Bills Collection			79,558,806	
Less: Bills Lodged			(79,558,806)	
Pension Payable to NRB Ex-Staff		105,148,925		16,995,578
General Account	19b	1,964,437,218		501,343,562
Note Kosh account	19c	43,587,000		-
Total		3,423,198,222		1,309,276,491

NOTE - 21: PROJECTS LIABILITIES: *

(Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Loans from IFAD/ADB	115,905,437	141,250,000	105,566,824	102,200,000	-	464,922,261
	(128,106,010)	(146,900,000)	(117,296,471)	(109,500,000)	-	(501,802,481)
ADB grants	-	-	-	-	-	-
Exchange fluctuation account	-	-	-	-	-	-
Split interest reserve	-	-	4,233,489	-	-	4,233,489
	-	-	(4,233,489)	-	-	(4,233,489)
Sundry Payables	591,777	12,726	716,029	18,860	-	1,339,392
	(650,780)	(9,226)	(792,226)	(15,360)	-	(1,467,593)
Provisions	-	2,255,180	1,872,834	-	-	4,128,014
	-	-	(1,872,834)	-	-	(1,872,834)
Profit to be transferred to NRB	7,523,250	2,710,823	5,018,850	3,787,999	-	19,040,922
	(3,893,251)	(2,147,176)	(2,806,763)	(1,562,283)	-	(10,409,473)
Current Year Total	124,020,464	146,228,730	117,408,025	106,006,859	-	493,664,078
Previous Year Total	(132,650,040)	(149,056,403)	(127,001,783)	(111,077,643)	-	(519,785,869)

*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 GOI

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

19c Note Kosh account represents NRB interoffice transactions relating to Currency chests.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 22: RESERVES

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
Capital Reserve:		
Gold and Silver Equalization Reserve	3,297,404,693	3,082,043,516
Statutory Reserve:		
General Reserve	12,361,327,004	12,042,027,004
Monetary Liabilities Reserve	1,383,600,000	1,223,600,000
Exchange Equalization Fund	19,093,366,052	9,735,433,407
Other Reserves and Funds:		
Development Fund	4,695,222,054	4,555,697,806
Banking Development Fund	527,087,319	527,087,319
Development Finance Project Mob. Fund	106,328,163	97,696,715
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	-	-
Gold Replacement Fund	989,463,775	940,563,315
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Securities Revaluation Fund	520,067,241	268,256,276
Liquidity Stabilization fund	2,500,000	
Total Reserves and Funds	43,930,390,162	33,426,429,219

- 1 Reserves/ Funds other than capital reserve (gold and silver equalization reserve) represent appropriation out of the profits, which are statutory or specific in nature. All the specific funds / reserve are created with the approval of the Board.
- 2 **Gold and Silver Equalization Reserve**
This represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve through income statement.
- 3 **Exchange Equalization Fund**
Represents net exchange gains on various foreign currency assets and liabilities. An amount equivalent to net exchange gain/loss is appropriated from/to income statement and adjusted in the opening balance of such reserve.
- 4 **General reserve**

Under Section 41 (kha) of the NRB Act, 2058, the NRB has to transfer to the general reserve fund not less than 10 percent of the net profit every year. Accordingly, 10 percent of the net profit is transferred to this reserve.
- 5 **Monetary Liabilities Reserve**
Under Section 41 (ka) of the NRB Act, 2058, the Bank is required to maintain a monetary liability reserve to meet its financial liability. Accordingly, five percent of the net profit is transferred to this reserve.
- 6 **Development Fund**
Specific fund created in order to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions.
- 7 **Banking Development Fund:**

This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars.
- 8 **Development Finance Project Mobilization Fund**
This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund.

9 Mechanization Fund

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

10 Scholarship Fund

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

11 Mint Development Fund

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

12 Employees welfare fund

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

13 Gold Replacement Fund

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

14 Rural Self Reliance Fund (GS 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 in FY 2063/64. It represents unrealized gain on fair valuation of investment in securities. Any gain/loss on fair valuation of investment in securities is taken to/from this fund through income statement

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23a : Movement of Provisions.

Particulars	As on 31.3.2065 NRs 1	Addition 2	Adjustments 3	Payment/ Writeback 4	As on 31.3.2066 NRs. 5=1+2+3-4
Leave encashment	346,143,299	135,175,161	3,155,507	57,871,717	426,602,250
Gratuity and Pension Fund	1,519,742,600	320,803,476	219,388,823	467,278,233	1,592,656,666
Staff Security Fund	444,646,827	313,374,257	-	52,988,615	705,032,468
Medical Fund	520,498,496	264,912,007	-	39,067,406	746,343,097
Diminution in value of investment	96,269,000	-	-	19,219,000	77,050,000
Provision for doubtful loans	242,113,510	-	-	151,376,131	90,737,379
Nuismatic and Medallion Coins	22,465,540	-	-	-	22,465,540
Provision for non moving metal stock	8,716,000	-	-	-	8,716,000
Provison for non moving stationary and other sundry items	-	-	-	-	-
Total	3,200,595,270	1,034,264,902	222,544,331	787,801,102	3,669,603,400

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23b: Contingent Liabilities and Commitments

	As on 31.3.2066	As on 31.3.2065
	NRs.	NRs.
Letters of Credit	107,051,296	130,961,980
Guarantees Issued	3,063,825	9,358,676
Claims not acknowledged as debt	67,110	82,355
Other	14,371,094	15,528,129
Total	124,553,325	155,931,140

- 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 31st Ashadh, 2066. No provision on such claims have been made, as the Bank is of the opinion that it is unlikely that any significant liabilities with respect to these will arise.
- 3 Guarantees issued are backed by counter guarantees from corresponding banks.
- 4 Contingent liability in respect of possible payment of Rs. 14,371,094 to obtain ownership on 50 % land having total area of 1-15-7-2 bigha where janakpur office is situated is included in the head 'other'

NOTE - 23c: Contingent Assets

	As on 31.3.2066	As on 31.3.2065
	NRs.	NRs.
Land where Janakpur office is situated.	14,371,094	14,371,094
Total	14,371,094	14,371,094

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

NEPAL RASTRA 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

	2065-66 NRs.	2064-65 NRs.
Treasury bills & Deposits	4,465,336,306	5,428,999,258
SDR Holding	11,767,701	26,502,632
Interest income from Foreign Currency Financial Assets	4,477,104,007	5,455,501,890
Local Currency Financial Assets		
Government Securities	29,900,956	250,963,118
Investment in financial and other institutions	1,492,586,901	1,050,495,672
Overdraft to Government	43,423,842	-
Loans and Refinance	13,657,004	15,166,938
Interest income from Local Currency Financial Assets	1,579,568,703	1,316,625,728
Total interest income from financial assets	6,056,672,710	6,772,127,618

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

	2065-66 NRs.	2064-65 NRs.
On Currency exchange	311,117,876	226,669,758
Local Currency Financial Assets		
Government transaction & Other services	4,217,594	29,889,600
Total Commission income from financial assets	315,335,470	256,559,358

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

	2065-66 NRs.	2064-65 NRs.
SDR Allocation & PRGF Loan	41,443,694	54,175,635
Others	-	88,170
Sub Total	41,443,694	54,263,805
Local Currency Financial Liabilities		
Government Securities	172,458,274	245,122,682
Sub Total	172,458,274	245,122,682
Total Interest Expense on Financial Liabilities	213,901,967	299,386,487

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

	2065-66 NRs.	2064-65 NRs.
Service Charge	-	-
Commission	5,148,289	3,941,481
Sub Total	5,148,289	3,941,481
Local Currency Liabilities		
Agency Expenses	583,759,774	419,680,610
Sub Total	583,759,774	419,680,610
Total Agency and Service Charge	588,908,063	423,622,091

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

	2065-66 NRs.	2064-65 NRs.
Nepal Bank Ltd.	211,585,856	156,620,430
Rastriya Banijya Bank	324,580,741	233,934,816
Nepal Bangladesh Bank	4,886,689	2,997,640
Everest Bank Ltd	5,027,468	4,064,498
Total	546,080,754	397,617,384

NEPAL RASTRA BANK

Notes forming part of the Income Statement

NOTE - 28: OTHER OPERATING INCOME

	2065-66	2064-65
	NRs.	NRs.
Income from Mint (Sale of coin)	173,400,227	59,265,461
Gain from sale of precious metals and coins	73,507,873	50,570,630
Fine/Penalty charge	9,296,725	1,890,122
Profit from sale of investments		318,929,668
Dividend Income	3,468,350	9,640,880
Provision on Investment written back (Net)	19,219,000	23,869,000
Provision on Loans & Advances written back (Net)	151,376,131	231,912,000
Doubtful on sundry accrued written back (Net)		47,641,290
Project income	26,123,234	28,635,270
Provision no longer required written back		
Miscellaneous	90,218,534	99,902,391
Total	546,610,074	872,256,711

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	7,591,375	8,643,327	4,426,171	5,462,361		26,123,234
	(10,121,518)	(8,197,676)	(5,256,303)	(5,017,493)		(28,592,990)
Other income	-	-	-	-	-	-
	-	-	-	-	(42,280)	(42,280)
Current Year Total	7,591,375	8,643,327	4,426,171	5,462,361	-	26,123,234
Previous Year Total	(10,121,518)	(8,197,676)	(5,256,303)	(5,017,493)	(42,280)	(28,635,270)

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

		2065-66	2064-65
		NRs.	NRs.
Staff Costs	29a	1,958,369,876	1,817,621,514
Depreciation and amortization		53,487,372	46,039,452
Directors Fees and Expenses		1,960,262	1,506,205
Note Printing charges	29b	243,068,023	229,960,250
Mint Expenses		265,663,913	15,762,708
Security charges		18,503,842	18,503,842
Remittance charges		72,066,732	58,797,779
Travelling expenses		70,593,210	53,021,092
Insurance charges		47,247,357	41,538,999
Repair & Maintenance		9,760,475	13,048,149
Provisions on loans & advances, Investments, etc.	29c	3,523,976	8,029,311
Project expenses	29e	17,491,785	18,225,797
Miscellaneous	29d	159,688,204	190,225,617
Total		2,921,425,027	2,512,280,716

29a Staff Costs

	2065-66	2064-65
	NRs.	NRs.
Salary	327,056,289	269,103,411
Allowances	405,100,175	444,463,748
Provident Fund Contribution	32,727,231	23,883,180
Staff Welfare (Including Medical fund contribution)	328,679,552	328,200,321
Staff Welfare Provident Fund	160,000,000	220,000,000
Pension & Gratuity Fund	320,803,476	320,803,476
Staff Security Fund	313,374,257	143,373,808
Others	70,628,896	67,793,570
Total	1,958,369,876	1,817,621,514

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.

	2065-66	2064-65
	NRs.	NRs.
Provision for retired Staff Insurance Premium	3,523,723	8,029,311
Provision for Inventory & Spare Parts	253	-
Total	3,523,976	8,029,311

29d Miscellaneous Expenses

	2065-66	2064-65
	NRs.	NRs.
Banking Promotion	10,598,115	11,463,968
Audit Fees and Expenses	966,980	1,008,113
Sundry balances written off	-	1,795,488
Others	148,123,109	175,958,048
Total	159,688,204	190,225,617

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	-	-	2,209,084	3,230,250	-	5,439,334
	-	-	(2,443,676)	(3,449,250)	-	(5,892,926)
Interest ADB	3,690,673	5,819,500	-	-	-	9,510,173
	(6,222,292)	(6,045,500)	-	-	-	(12,267,792)
Audit Fee	3,500	3,500	3,500	3,500	-	14,000
	(3,500)	(3,500)	(3,500)	(3,500)	-	(14,000)
Meeting, training and others	1,500	1,500	1,500	2,896	-	7,396
	(2,475)	(1,500)	(2,364)	(2,460)	(42,280)	(51,079)
Depreciation	265,702	2,255,180	-	-	-	2,520,882
	-	-	-	-	-	-
Profit transferred to NRB Central Office	3,629,999	563,647	2,212,087	2,225,715	-	8,631,449
	(3,893,251)	(2,147,176)	(2,806,763)	(1,562,283)	-	(10,409,473)
(Loss transferred to ADB grants)	-	-	-	-	-	-
	-	-	-	-	-	-
Current Year Total	7,591,374	8,643,327	4,426,171	5,462,361	-	26,123,233
Previous Year Total	(10,121,518)	(8,197,676)	(5,256,303)	(5,017,493)	(42,280)	(28,635,270)

Figures in brackets represent the corresponding figures of the previous year

NOTE - 30: CASH AND CASH EQUIVALENT

Foreign currency cash and bank balance
Local currency in hand
SDR holdings
Investment in Treasury Bills/Notes
Investment in Fixbis
Investment in repurchase agreement (Repo)
Total

2065-66 NRs.	2064-65 NRs.
129,978,377,624	80,781,526,260
1,824,859,620	1,464,511,943
555,366,917	630,644,378
64,856,851,692	73,864,566,502
3,743,356,590	13,568,776,253
15,745,392,000	4,742,275,734
216,704,204,443	175,052,301,070

NOTE - 31: OTHER NOTES

I. Financial Year

The financial statements relate to the financial year i.e.1st Shrawon 2065 to 31st Ashadh 2066 corresponding to Gregorian calendar 16th July 2008 to 15th July 2009. The previous year was 1st Shrawon 2064 to 31 Ashadh 2065 (16th July 2007 to 15th July 2008). 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	1456.057.075 (1,456.057.075)	2279.759 (2131.851)	3319458932 (3,104,097,756)
Gold held in Stock	2522.272.900 (2,967.999.100)	2279.759 (2131.851)	5750173844 (6,327,331,849)
Silver held in Stock	132269.813.584 (137,730.086.124)	32.170 (42.240)	4255129052 (5,817,718,838)
Current Year Total			13,324,761,829
Previous Year Total			(13,398,882,466)

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:

		NRs.	
S.No.	Currency	31st Ashadh 2066	31st Ashadh 2065
1	US Dollar	78.05	68.50
2	Sterling Pound	126.78	135.89
3	Euro	109.07	108.72
4	Swiss Frank	71.99	66.97
5	Australian Dollar	61.28	66.29
6	SDR	121.76	113.24

VII. NRB general account

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

VIII. Unclaimed account

Unclaimed account represents amount that remained unclaimed and outstanding for more than two years in sundry creditors being transferred to unclaimed account as per policy of Nepal Rastra Bank. Amount transferred from sundry creditors to Unclaimed account is Rs 1,37,593.71.

Amount outstanding for more than three years in unclaimed account is transferred to miscellaneous income in Profit and loss account. Amount transferred from unclaimed account to miscellaneous income in Profit and Loss account is Rs 12,313.47.

IX. Consolidation of Subsidiaries

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

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

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

- (a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to the parent not presenting consolidated financial statements.
- (b) the parent's debt or equity instruments are not traded in public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets,).
- (c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instrument in a public market, and
- (d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

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

X. Related Parties

i. Government:

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

Transactions entered into with GON include:

- (a) Acting as the fiscal agent and financial advisor of the government;
- (b) Acting as the agent of government or its agencies and institutions, provide guarantees, participate in loans to government and related institutions;
- (c) Acting as agent of government, the Bank issues securities of government, purchases 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.

ii. Financial and other institutions:

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

S. No.	Financial and Other Institutions	NRB's Investment At Cost Rs.	Provision Made up to F/Y 064-65 Rs.	Provision/ (Write Back) F/Y 065-66 Rs	Provision Up to F/Y 065-66 Rs.
a. Investment in share of Subsidiaries					
1	Sudur Pashchimanchal GBB	40,050,000.00	40,050,000.00	-	40,050,000.00
2	Madhya Pashchimanchal GBB	-	19,219,000.00	(19,219,000.00)	-
3	Agriculture Project Service Centre	5,000,000.00	5,000,000.00	-	5,000,000.00
4	Rastriya Bima Sansthan-Life insurance	1,000,000.00			
b. Investment in share of Associates					
1	Deposit & Credit Guarantee Corporation	20,500,000.00			
2	Nepal Stock Exchange Ltd.	12,080,500.00			
3	National Productivity and Economic Development	2,500,000.00			
c. Other Investments:					
1	CSI Development Bank	16,000,000.00	16,000,000.00	-	16,000,000.00
2	Rural Microfinance Development Centre	21,045,000.00	-	-	-
3	Pashchimanchal GBB	6,000,000.00			
4	Nepal Bikash Bank	16,000,000.00	16,000,000.00	-	16,000,000.00
5	Credit Information Bureau	3,500,000.00			
6	Citizen Investment Trust	10,000.00			
7	Rural Self Reliance Fund (Seed Capital)	253,400,000.00			
	Total	397,085,500.00	96,269,000.00	(19,219,000.00)	7,70,50,000.00

iii. Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Bijaya Nath Bhattarai	Governor
2.	Krishana Bahadur Manandhar	Acting Governor
3.	Bir Bikram Rayamajhi	Deputy Governor
4.	Sushil Ram Mathema	Executive Director
5.	Bhola Ram Shrestha	Executive Director
6.	Gopal Prasad Kafle	Executive Director
7.	Ravindra Prasad Pandey	Executive Director
8.	Lila Prakash Sitaula	Executive Director
9.	Ashwini Kumar Thakur	Executive Director
10.	Bishnu Nepal	Executive Director
11.	Gokul Ram Thapa	Executive Director
12.	Ramjee Regmi	Executive Director
13.	Bhaskar Mani Gyawali	Executive Director
14.	Manmohan Kumar Shrestha	Executive Director
15.	Lok Bahadur Khadka	Executive Director

Salary and related expenses to key management personnel are NRs. 14,024,634 previous year – NRs. 12,698,752). As at 15th July 2009 an amount of NRs.14, 283,350 (Previous year – NRs. 13, 189,728) was receivable from key managerial personnel as approved loan and advances made by the Bank at the same standard rate of interest with that of other loan and advances provided to employees.

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

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

XI. 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.

XII. 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.

XIII. Concentration of funding

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

XIV. 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.251,810,964 to securities revaluation fund through income statement. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with its' fair value are as under.

Name of Instruments	NRs.	
	Cost of Investment As on 31.3.2066	Fair Value As on 31.3.2066
US Government Treasury Notes/Bonds	779,581,360.09	796,231,953.13
US Government Treasury Bills	46,808,494,961.55	47,616,289,553.88

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

XV. 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.

Present value of liability as on 15th July 2005	Liability as per books as on 15th July 2005	Total Deficit	NRs.
			Recognized up to 16th July 2009
2,269,949,046	665,931,665	1,604,017,381	1,604,017,381

XV. Gold and Silver

- Gold (other than inventory) till the financial year 2060/61 was valued at a price revalued in year 2043. In terms of the board resolution dated 2062/09/18 the said gold has been valued at price prevailing in London Bullion Market at the close of the year. Increase in value thereof amounting to Rs. Rs. 215,361,176 has been taken to "Gold and Silver Equalizations Reserve" through Income Statement..
- An amount of Rs 48,900,460.07 has been appropriated from the Income Statement and kept in Gold Replacement Fund" for replacing the Gold/Silver sold during the year (out of reserves).

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 used to be incorporated in financial statement on net basis until F/y 2062/063. From F/y 2063/64, the asset, liability, income and expenses of projects are incorporated in financial statement without netting it off. Separate disclosure of individual asset, liability, income and expenses of projects are made in notes to the account.

XVII. Number of employees

<u>2066 Ashadh</u>	<u>2065 Ashadh</u>
1465	1517

XVIII. Events occurred after Balance Sheet Date

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

S.No.	Currency	19th Poush 2066	31 st Ashadh 2066	NRs.	
				Increase / (decrease)	Estimated Financial Statements Impact
1	US Dollar	74.25	78.05	-3.80	(6558747592)
2	Sterling Pound	119.75	126.78	-7.03	(1,025,906,279)
3	Euro	107.00	109.07	-2.07	(499,638,771)
4	Swiss Frank	72.02	71.99	0.03	71,660
5	Australian Dollar	66.82	61.28	5.54	1,516,342,755
5	Canadian Dollar	70.67	67.77	2.90	126,493,830
6	Japanese Yen	0.805	0.839	-0.034	(66,176,371)
7	SDR	117.03	121.76	-4.73	249,454,849
				Total	6,258,105,919

This change in exchange rate results in decrease in net foreign currency assets, exchange equalization fund and Net profit/(loss) for the period of the bank. The decrease is estimated to be around Rs 6,258,105,919 in each head.

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

S.No.	Particular	19th Poush 2066	31 st Ashadh 2066	NRs.	
				Increase / (decrease)	Estimated Financial Statements Impact
1	Gold per gram	2596.07	2279.76	316.31	460,570,528

The change in price results in increase in foreign currency financial assets (Gold), Reserve (Gold and Silver equalization Reserve) and Net profit/(loss) for the period of the bank. The impact is estimated to be around Rs 460,570,528 in each head.

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

NEPAL RASTRA BANK

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

Particulars	Weighted Average Interest Rate %	2008-09 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	1.55	129,018,822,624	129,018,822,624	-	-
Investment in Foreign Currency	2.04	90,971,172,884	86,294,096,544	-	4,677,076,341
IMF Related Assets	0.42	555,366,917	555,366,917	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	220,545,362,425	215,868,286,085	0	4,677,076,341
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		419,083,326	419,083,326	-	-
Other Securities		4,461,328,042	-	-	4,461,328,042
Total Non Interest Sensitive Foreign Currency Financial Assets		4,880,411,368	419,083,326	-	4,461,328,042
Total Foreign Currency Financial Assets	B	225,425,773,793	216,287,369,411	0	9,138,404,383
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	0.49	6,975,677,693	986,816,134	-	5,988,861,559
Asian Clearing Union		0	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	6,975,677,693	986,816,134	-	5,988,861,559
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		904,923,484	904,923,484	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		2,373,545	2,373,545	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		907,297,029	907,297,028	-	-
Total Foreign Currency Financial Liabilities	D	7,882,974,721	1,894,113,162	-	5,988,861,559
Foreign Currency Interest Rate Sensitivity Gap (A-C)		213,569,684,732	214,881,469,951	0	(1,311,785,218)
Total Gap (B-D)		217,542,799,072	214,393,256,249	0	3,149,542,824

Comparative Figure as on 15 July 2008 of Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

Particulars	Weighted Average Interest Rate %	2007-08 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Foreign Currency Financial Assets					
Cash and Bank Balance	4.64	80,208,220,260	80,208,220,260	-	-
Investment in Foreign Currency	2.04	86,018,965,282	82,612,796,537	-	3,406,168,745.16
IMF Related Assets	2.97	630,644,378	630,644,378	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	166,857,829,920	163,451,661,176	0	3,406,168,745
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		581,825,028	581,825,028	-	-
Other Securities		3,694,451,246	-	-	3,694,451,246
Total Non Interest Sensitive Foreign Currency Financial Assets		4,276,276,274	581,825,028	-	3,694,451,246
Total Foreign Currency Financial Assets	B	171,134,106,194	164,033,486,204	0	7,100,619,991
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	0.11	6,568,637,566	917,811,866	-	5,650,825,700
Asian Clearing Union		0	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	6,568,637,566	917,811,866	-	5,650,825,700
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		593,501,492	593,501,492	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		8,488,994	8,488,994	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		601,990,486	601,990,485	-	-
Total Foreign Currency Financial Liabilities	D	7,170,628,052	1,519,802,352	0	5,650,825,700
Foreign Currency Interest Rate Sensitivity Gap (A-C)		160,289,192,354	162,533,849,310	0	(2,244,656,955)
Total Gap (B-D)		163,963,478,142	162,513,683,852	0	1,449,794,291

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

Particulars	Weighted Average Interest Rate %	2008-09 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	5.12	24,455,505,079	14,650,354,746.09	8,374,906,333	1,430,244,000
GON Overdraft		8,835,795,125	8,835,795,125	-	-
Other Investments	9.15	4,934,769,000	1,331,905,000	3,602,864,000	-
Refinance & Loans	6.09	7,000,000	7,000,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	38,233,069,204	24,825,054,871	11,977,770,333	1,430,244,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,824,859,620	1,824,859,620	-	-
Investment in Government Securities		4,800,357,504	3,694,769,593	-	1105587911
Investment in Financial & Other Institutions		320,035,500	-	-	320,035,500
Refinance & Loans (Loans to employees)		2,320,394,002	-	-	2,320,394,002
Other Receivables		3,340,144,403	3,340,144,403	-	-
Total Non Interest Sensitive Local Currency Financial Assets		12,605,791,029	8,859,773,616	-	3,746,017,413
Total Local Currecny Financial Assets	F	50,838,860,233	33,684,828,487	11,977,770,333	5,176,261,413
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		73,676,923,159	73,676,923,159	-	-
Bills Payable		1,121,290,448	1,121,290,448	-	-
Staff Liabilities		3,776,318,598	-	-	3,776,318,598
Other Payables		217,180,433	217,180,433	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		78,791,712,638	75,015,394,040	-	3,776,318,598
Total Local Currecny Financial Liabilities	H	78,791,712,638	75,015,394,040	-	3,776,318,598
Local Currency Interest Rate Sensitivity Gap (E-G)		38,233,069,204	24,825,054,871	11,977,770,333	1,430,244,000
Total Gap (F-H)		(27,952,852,405)	(41,330,565,553)	11,977,770,333	1,399,942,815

Comparative Figure as on 15 July 2008 of Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

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

NEPAL RASTRA BANK

Table 2 : Credit Exposure by Credit Rating

Particulars	Credit Rating	2008/09		2007/08	
		NRs.	% Financial Assets	NRs.	% Financial Assets
Foreign Currency Financial Assets	A-	5,523,616,864	2.00%	8,048,484,806	3.90%
	A+	34,066,776,645	12.33%	15,222,439,029	7.37%
	A	19,922,847,635	7.21%	13,618,453,846	6.59%
	AA	12,650,063,188	4.58%	9,047,765,558	4.38%
	AA+	-	0.00%	5,539,797,025	2.68%
	AA-	20,937,538,653	7.58%	7,008,655,226	3.39%
	AAA	-	0.00%	81,368,296,636	39.39%
	BB	18,048,356,730	6.53%		0.00%
	BBB	21,249,472	0.01%	28,445,904	0.01%
	BBB-	15,674,789,089	5.67%		
	NR *	98,580,535,518	35.68%	31,251,768,164	15.13%
	Total Foreign Currency Financial Assets		225,425,773,793	81.60%	171,134,106,194
Local Currency Financial Assets	NR *	50,838,860,232	18.40%	36,397,926,051	17.17%
Total Local Currency Financial Assets		50,838,860,232	18.40%	36,397,926,051	17.17%
Total Financial Assets		276,264,634,025	100.00%	167,444,299,173	100.00%

* NR represents not rated.

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Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July, 2009 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	129,018,822,625	-	-	-	125,332,415,360	-	-	-	3,686,407,264
SDR holdings - with IMF	555,366,917	-	-	-	-	-	-	555,366,917	-
Investments in Foreign Currency	95,432,500,926	-	-	-	-	29,796,067,874	65,636,433,052	-	-
Other receivables	419,083,326	-	-	-	-	-	-	-	419,083,326
Sub-Total	225,425,773,793	-	-	-	125,332,415,360	29,796,067,874	65,636,433,052	555,366,917	4,105,490,591
Other Assets									
Gold	3,319,458,932	-	-	-	-	3,319,458,932	-	-	-
Sub-Total	3,319,458,932	-	-	-	-	3,319,458,932	-	-	-
Total Foreign Currency Assets	228,745,232,725	-	-	-	125,332,415,360	33,115,526,805	65,636,433,052	555,366,917	4,105,490,591
Local Currency									
Financial Assets									
Cash in hand	1,824,859,620	-	-	-	-	-	-	-	1,824,859,620
Investments in Government Securities	29,255,862,582	29,255,862,582	-	-	-	-	-	-	-
GON Overdraft	8,835,795,125	8,835,795,125	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	320,035,500	-	-	-	320,035,500	-	-	-	-
Other Investments	4,934,769,000	-	-	-	4,934,769,000	-	-	-	-
Refinance & Loans	2,327,394,002	-	-	2,320,394,002	7,000,000	-	-	-	-
Other Receivables	3,340,144,403	-	1,133,560,829	-	-	-	-	-	2,206,583,574
Sub-Total	50,838,860,232	38,091,657,707	1,133,560,829	2,320,394,002	5,261,804,500	-	-	-	4,031,443,194
Other Assets									
Gold & Silver	325,676,038	-	-	-	-	-	-	-	325,676,038
Other Inventories	323,069,583	-	-	-	-	-	-	-	323,069,583
Property, Plant & Equipment	532,930,222	-	-	-	-	-	-	-	532,930,222
Intangible Assets	2,506,945	-	-	-	-	-	-	-	2,506,945
Project Asset	493,664,078	-	-	-	-	-	-	-	493,664,078
Sub-Total	1,677,846,866	-	-	-	-	-	-	-	1,677,846,866
Total Local Currency Assets	52,516,707,098	38,091,657,707	1,133,560,829	2,320,394,002	5,261,804,500	-	-	-	5,709,290,060
Total Assets	281,261,939,822	38,091,657,707	1,133,560,829	2,320,394,002	130,594,219,860	33,115,526,805	65,636,433,052	555,366,917	9,814,780,650

Comparative figures as at 15th July, 2008 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	80,208,220,261	-	-	-	76,375,049,278	-	-	-	3,833,170,983
SDR holdings - with IMF	630,644,378	-	-	-	-	-	-	630,644,378	-
Investments in Foreign Currency	89,713,416,527	-	-	-	-	25,411,671,977	64,301,744,550	-	-
Other receivables	581,825,028	-	-	-	-	-	-	-	581,825,028
Sub-Total	171,134,106,194	-	-	-	76,375,049,278	25,411,671,977	64,301,744,550	630,644,378	4,414,996,011
Other Assets									
Gold	3,104,097,755	-	-	-	-	3,104,097,755	-	-	-
Sub-Total	3,104,097,755	-	-	-	-	3,104,097,755	-	-	-
Total Foreign Currency Assets	174,238,203,949	-	-	-	76,375,049,278	28,515,769,732	64,301,744,550	630,644,378	4,414,996,011
Local Currency									
Financial Assets									
Cash in hand	1,464,511,943	-	-	-	-	-	-	-	1,464,511,943
Investments in Government Securities	23,726,135,607	23,726,135,607	-	-	-	-	-	-	-
GON Overdraft	-	-	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	338,716,500	-	-	-	338,716,500	-	-	-	-
Other Investments	4,401,393,000	-	-	-	4,401,393,000	-	-	-	-
Refinance & Loans	2,923,185,167	-	-	2,255,530,167	667,655,000	-	-	-	-
Other Receivables	2,608,780,329	-	815,106,385	-	-	-	-	-	1,793,673,944
Sub-Total	35,462,722,546	23,726,135,607	815,106,385	2,255,530,167	5,407,764,500	-	-	-	3,258,185,887
Other Assets									
Gold & Silver	345,142,904	-	-	-	-	-	-	-	345,142,904
Other Inventories	264,370,284	-	-	-	-	-	-	-	264,370,284
Property, Plant & Equipment	545,470,972	-	-	-	-	-	-	-	545,470,972
Intangible Assets	921,888	-	-	-	-	-	-	-	921,888
Project Asset	519,785,869	-	-	-	-	-	-	-	519,785,869
Sub-Total	1,675,691,917	-	-	-	-	-	-	-	1,675,691,918
Total Local Currency Assets	37,138,414,463	23,726,135,607	815,106,385	2,255,530,167	5,407,764,500	-	-	-	4,933,877,805
Total Assets	211,376,618,412	23,726,135,607	815,106,385	2,255,530,167	81,782,813,778	28,515,769,731	64,301,744,550	630,644,378	9,348,873,816

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Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July 2009 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	904,923,484	-	-	901,678,981	-	3,244,503
IMF Related Liabilities	6,975,677,693	-	-	-	6,975,677,693	-
Others	2,373,545	-	-	2,373,545	0	-
Total Foreign Currency Financial Liabilities	7,882,974,722	-	-	904,052,526	6,975,677,692	3,244,503
Local Currency Financial Liabilities						
Deposit and other balances	73,676,923,159	-	-	62,813,904,955	5,150,593,800	5,712,424,404
Bills payables	1,121,290,448	-	1,121,290,448	-	-	-
Staff Liabilities	3,776,318,598	-	-	-	-	3,776,318,598
Other payables	217,180,433	-	-	-	-	217,180,433
Total Local Currency Financial Liabilities	78,791,712,638	-	1,121,290,448	62,813,904,955	5,150,593,800	9,705,923,435
Total Financial Liabilities	86,674,687,360	-	1,121,290,448	63,717,957,482	12,126,271,492	9,709,167,939
Other Liabilities						
Currency in circulation	141,210,000,000	-	139,385,140,380	-	-	1,824,859,620
Surplus payable to GON	2,530,000,000	2,530,000,000	-	-	-	-
Sundry Liabilities	3,423,198,222	-	-	-	-	3,423,198,222
Project liability	493,664,078	-	-	-	-	493,664,078
Total Other Liabilities	147,656,862,300	2,530,000,000	139,385,140,380	-	-	5,741,721,920
Total Liabilities	234,331,549,659	2,530,000,000	140,506,430,828	63,717,957,482	12,126,271,492	15,450,889,859

Comparative figures as at 15th July 2008 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	593,501,492	-	-	586,797,671	-	6,703,821
IMF Related Liabilities	6,568,637,566	-	-	-	6,568,637,566	-
Others	8,488,994	-	-	-	8,488,994	-
Total Foreign Currency Financial Liabilities	7,170,628,052	-	-	586,797,671	6,577,126,560	6,703,821
Local Currency Financial Liabilities						
Deposit and other balances	45,177,872,241	-	-	31,475,752,853	5,150,593,800	8,551,525,587
Bills payables	679,983,024	-	679,983,024	-	-	-
Staff Liabilities	3,205,327,427	-	-	-	-	3,205,327,427
Other payables	234,645,611	-	-	-	-	234,645,611
Total Local Currency Financial Liabilities	49,297,828,303	-	679,983,024	31,475,752,853	5,150,593,800	11,991,498,625
Total Financial Liabilities	56,468,456,355	-	679,983,024	32,062,550,525	11,727,720,360	11,998,202,447
Other Liabilities						
Currency in circulation	112,950,000,000	-	111,485,488,057	-	-	1,464,511,943
Surplus payable to GON			-	-	-	-
Sundry Liabilities	1,309,276,491	-	-	-	-	1,309,276,491
Project liability	519,785,869	-	-	-	-	519,785,869
Total Other Liabilities	114,779,062,360	-	111,485,488,057	-	-	3,293,574,303
Total Liabilities	171,247,518,715	-	112,165,471,082	32,062,550,525	11,727,720,360	15,291,776,750

Key Financial Indicators

S.No.	Particulars	Fiscal Year		Percentage Change 2 over 1 = 3
		2064/065	2065/066	
		1	2	3
1	Total Assets	211,376,618,412	281,261,939,823	33.06
	Foreign Currency	174,238,203,949	228,745,232,725	31.28
	Local Currency	37,138,414,463	52,516,707,098	41.41
2	Total Liabilities & Equity	211,376,618,412	281,261,939,822	33.06
	Foreign Currency	7,170,628,052	7,882,974,722	9.93
	Local Currency	167,779,561,141	226,448,574,938	34.97
	Equity	36,426,429,219	46,930,390,162	28.84
4	Total Net Operating Income	7,177,935,110	6,115,808,225	-14.80
	Net Income from Foreign Currency	5,623,966,362	4,741,629,901	-15.69
	Net Income from Local Currency	681,712,037	827,568,250	21.40
	Other Operating Income	872,256,711	546,610,074	-37.33
5	Currency in Circulation	112,950,000,000	141,210,000,000	25.02
6	Total Reserve and Funds	33,426,429,219	43,930,390,162	31.42
	Capital Reserve	3,082,043,516	3,297,404,693	6.99
	Statutory Reserve	13,265,627,004	13,744,927,005	3.61
	Exchange Equalization Fund	9,735,433,407	19,093,366,052	96.12
	Other Reserves and Funds	7,343,325,292	7,794,692,412	6.15
7	Exchange Rate (Rs. per currency unit at year end)			
	US Dollar	68.50	78.05	13.94
	Pound Sterling	135.89	126.78	-6.70
	Euro	108.72	109.07	0.32
	SDR	113.24	121.76	7.52

