



Nepal Rastra Bank

Annual Financial Statements
For the year ended 31st Ashadh, 2062
(15th July 2005)



Ref. 2062/63 (P.E) - 263

नेपाल अधिराज्यका
महालेखा परीक्षकको विभाग
Office of the Auditor General



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Babar Mahal, Kathmandu
NEPAL

May 15, 2006

AUDIT REPORT

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

1. We have audited the accompanying Balance Sheet of Nepal Rastra Bank (NRB) as of 31st. Asadh 2062 (15th July, 2005) , the related Income Statement, the Cash Flow Statement and the statement of changes in equity together with the notes forming part thereof, for the year then ended. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. We conducted our audit in accordance with the generally accepted auditing principles and the guidelines issued by the Auditor General of the Kingdom of Nepal and also in accordance with the International and Nepal Standards on Auditing wherever and as applicable in Nepal. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Based on our audit we report that:
 - 3.1 As indicated in Note 2.1 of the notes to the accounts in the financial statements, certain International Accounting Standards (IAS) have not been followed while preparing these financial statements. Major non compliances in this respect include the following:
 - a. Fair value determination and measurement of certain financial assets as required in terms of IAS 39, particularly the investments in government securities which have been classified as loans and carried at cost, and adjustments thereof have not been carried out.
 - b. Actuarial / present value determination of the Bank's contribution to employees medical fund, life insurance fund (employees security fund) and provision for leave encashment (Other long term employee benefit) as required in terms of IAS 19 have not been carried out and these expenses have continued to be accounted for as per management estimates. Further,

assumptions taken by the management for such estimation in certain cases could not be validated.

- c. Consolidation of the accounts of subsidiaries and equity accounting for investment in associates has not been done (IAS 27 and 28)
- d. Exchange gain / loss for the year have been included in the cash flow statement without eliminating the unrealised portion thereof. (IAS 7)
- e. Certain disclosure requirements including fair values of financial assets and liabilities (IAS 32), disclosure of pro-forma comparative information (IAS 8), related party disclosures (IAS 24), detailed breakups of certain defined benefit expenses (IAS 19) have not been complied with.

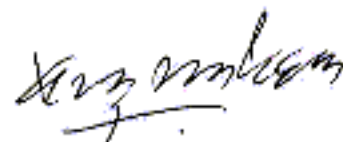
Impact of non compliances, as given in para 3.1 above, on the financial statements have not been determined and as such cannot be commented upon by us.

3.2 As indicated in Note 19 and 26, the assets, liabilities and net income of certain projects have been incorporated in the financial statements of the Bank distinctively and have been disclosed separately.

3.3 (a) Certain records / details / reconciliations / supporting details and vouchers, especially with respect to transactions with government, government organizations, commercial banks and other financial institutions, Bills Purchased and Bills Payable, unclaimed balances etc. were not available / available to a limited extent. Various debit and credit balances are not reconciled with the balances as per subsidiary records. These include the balances in respect of bills purchased / payable and various types of employee loans. Third party confirmations / reconciliations in several cases, including in respect of commercial banks, certain foreign currency bank balances, certain government transactions were not available. Further, in absence of adequate supporting details / records, necessary assurance on the completeness, correctness and existence of the relevant transactions, could not be drawn to the fullest extent.

(b) The systems and procedures followed for physical verification of various assets, including fixed assets, gold & silver, certain investments, inventories, notes and IC chests etc. were not adequate. In certain cases, such verifications were not even undertaken during the year. No independent agency / experts were involved in such year end verification. In respect of gold, no assessment with respect to the purity content was made the Bank.

4. Except as given in para 3 above, in our opinion, the said financial statements as on 15th July 2005, have been prepared in accordance with IFRS and disclosures thereon and fairly present in all material respect the financial position and the results of the operations of the Bank as required in terms of the said Standards.



(Bachchu Ram Dahal)
Deputy Auditor General

NEPAL RASTRA BANK
BALANCE SHEET AS ON 31st ASHADH, 2062 (15th JULY, 2005)

Particulars	Note	As on 31-3-2062 NRs.	As on 31-3-2061 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	3	65,368,732,919	73,907,876,371
SDR holdings - with IMF		637,064,325	54,919,040
Investments in Treasury Bills	3a	39,050,699,638	34,000,210,159
Other receivables		483,457,699	285,486,597
Sub-Total		105,539,954,581	108,248,492,167
Other Assets			
Gold		1,397,192,652	254,781,505
Sub-Total		1,397,192,652	254,781,505
Total Foreign Currency Assets		106,937,147,233	108,503,273,672
Local Currency Financial Assets			
Cash in hand		1,711,915,589	1,204,743,854
Investments in Government Securities	4	17,443,097,129	18,889,172,249
HMG Overdraft		2,623,009,090	-
Investments in Financial and Other Institutions	5	471,217,500	449,967,500
Other Investments	6	2,914,133,000	3,101,630,000
Refinance & Loans	7	3,636,698,871	2,543,280,327
Other Receivables	8	3,433,174,028	3,935,810,911
Sub-Total		32,233,245,207	30,124,604,841
Other Assets			
Gold & Silver		-	1,036,285,276
Gold & Silver - Inventory	9	1,078,880,573	1,167,998,050
Other Inventories	10	555,859,603	653,221,770
Property, Plant & Equipment	11	519,786,242	557,541,028
Sub-Total		2,154,526,418	3,415,046,124
Total Local Currency Assets		34,387,771,625	33,539,650,965
Total Assets		141,324,918,858	142,042,924,637

The above statement is to be read in conjunction with the notes 1 to 29.

.....
(Ashwini Kumar Thakur)
Act. Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(.....)
Deputy Auditor General

Directors :-

As per our report of the even date

Bhanu P. Acharya

Dr. Parashar Koirala

.....
(Narayan Bajaj)

Pradeep Kumar Shrestha

Dr. Bishwa K. Maskey

Chartered Accountant
Kathmandu

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date :
Place : Kathmandu

NEPAL RASTRA BANK
BALANCE SHEET AS ON 31st ASHADH, 2062 (15th JULY, 2005)

Particulars	Note	As on 31-3-2062 NRs.	As on 31-3-2061 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from banks and other agencies	12	621,971,508	314,783,159
IMF Related Liabilities	13	2,295,388,883	1,676,026,052
Other Liabilities	14	4,715,439	77,371,728
Total Foreign Currency Liabilities		2,922,075,830	2,068,180,939
Local Currency Financial Liabilities			
Deposit and other balances	15	29,582,995,176	33,480,267,888
Bills Payable		2,601,706,049	2,545,881,682
Staff Liabilities	16	2,198,419,723	1,989,712,077
Other Payables	17	127,425,271	148,738,474
Sub-Total		34,510,546,219	38,164,600,121
Other Liabilities			
Currency in Circulation	18	74,520,000,000	68,150,000,000
Surplus payable to HMG/N		1,611,281,788	1,200,027,745
Sundry Liabilities	19	588,699,428	466,147,587
Sub-Total		76,719,981,216	69,816,175,332
Total Local Currency Liabilities		111,230,527,435	107,980,775,453
EQUITY			
Share Capital		3,000,000,000	3,000,000,000
Reserves	20	24,172,315,593	28,993,968,245
Total Equity		27,172,315,593	31,993,968,245
Total Liabilities and Equity		141,324,918,858	142,042,924,637
Contingent Liabilities		21	

The above statement is to be read in conjunction with the notes 1 to 29.

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Date :
Place : Kathmandu

NEPAL RASTRA BANK

INCOME STATEMENT FOR THE YEAR ENDED 31st ASHADH, 2062 (15th JULY, 2005)

Particulars	Note	2061-62 NRs.	2060-61 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	22	2,915,659,576	1,697,575,277
Commission Income	23	256,197,615	252,614,111
		3,171,857,191	1,950,189,388
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	24	26,477,609	17,202,137
Agency and Service Charge	25	30,329,518	18,790,588
		56,807,127	35,992,725
Net Income from Foreign Currency		3,115,050,064	1,914,196,663
Income from Local Currency Financial Assets			
Interest Income	22	1,135,918,736	1,923,251,179
Commission Income	23	44,239,748	49,977,057
		1,180,158,484	1,973,228,236
Expenses on Local Currency Financial Liabilities			
Interest Expenses	24	314,054,355	643,141,499
Agency and Service Charge	25	264,596,828	274,579,436
		578,651,183	917,720,935
Net Income from Local Currency Financial assets		601,507,301	1,055,507,301
Other Operating Income	26	1,398,470,765	422,077,048
Total Net Operating Income		5,115,028,130	3,391,781,012
General, administrative expenses & Provisions	27	2,493,887,969	2,178,549,296
Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment		2,621,140,161	1,213,231,716
Foreign exchange gain/(loss) (Net)		(6,001,760,899)	1,378,643,749
Gold and Silver revaluation gain/(loss) (Net)			
- Adjustment on transfer of Gold and Silver to Inventory	29(XV)(a)	(868,564,516)	-
- Amount Transferred from Gold & Silver Equalisation Reserve	29(XV)(a)	868,564,516	-
- Other	29(XIV)(iv)	1,142,411,147	-
Prior year Adjustment		(6,337,565)	358,668,884
Net Profit/(Loss) for the year		(2,244,547,157)	2,950,544,349

Net Profit/(Loss) for Appropriation

Net Profit/(Loss) for the year		(2,244,547,157)	2,950,544,349
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		6,001,760,899	(1,378,643,749)
Amount Transferred (to) Gold & Silver Equalisation Reserve	29(XIV)(iv)	(1,142,411,147)	-
Amount Transferred to Gold Replacement Fund	29(XV)(c)	(600,700,361)	-
Profit available for distribution		2,014,102,235	1,571,900,600

NEPAL RASTRA BANK
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st ASHADH, 2062 (15th JULY, 2005)

Particulars	2061-62 (NRs.)	2060-61 (NRs.)
Cash flow from operating activities:		
Profit for the Year	(2,244,547,157)	2,950,544,349
Adjustments		
Gold and Silver revaluation gain/(loss) (Net)		
- Other	(1,142,411,147)	-
- Revaluation adjustment for gold / silver reserves sold during the year	(97,259,193)	-
Depreciation	63,625,807	62,779,851
Prior period adjustment	6,337,565	(358,668,884)
Note printing expenses	263,633,877	262,381,913
Dividend Income	(27,136,250)	(4,590,263)
Profit from sale of share investment	(827,441)	(1,840,879)
Sundry balances written off	784,999	2,857,256
Interest paid on PRGF Loan & ACU	6,955,289	3,135,668
Provision for :		
Loan and advances	(47,492,197)	565,020,323
Diminution in value of investment	(31,139,000)	(40,003,000)
Doubtful of recovery on sundry accrued	70,600,000	31,051,451
Provision for inventory & spare parts	34,009,801	-
Cash flow from operation before inc / dec in operating assets	(3,144,865,046)	3,472,667,785
(Increase)/Decrease in operating assets	(3,375,642,261)	(1,959,613,385)
HMG overdraft	(2,623,009,090)	-
Refinance & loans	(1,045,926,347)	(257,264,960)
Other receivable	236,736,448	(1,723,611,405)
Gold & silver	256,838,239	182,169,440
Inventories	(200,281,511)	(160,906,460)
Increase/(Decrease) in operating liabilities	(3,356,775,318)	8,481,064,051
SDR Allocation	(59,805,319)	21,638,772
Deposit liabilities	(3,590,084,364)	8,325,775,317
Bills payable	55,824,367	761,253,217
Deferred staff liabilities	208,707,646	(182,166,642)
Other liabilities	(93,969,491)	(115,682,058)
Sundry liabilities	122,551,843	(329,754,555)
Operating cash flow before prior period adjustment	(9,877,282,626)	9,994,118,451
Prior period adjustment	(4,301,553)	358,668,884
Cash flow from operating activities	(9,881,584,179)	10,352,787,335
Cash flow from investing activities:		
Net Decrease in Government Securities and Bank Deposits	14,364,014,386	(18,007,970,593)
Sale of Investment in Financial Institutions	90,316,441	22,951,879
Purchase of Investment in Financial Institutions	(79,600,000)	(81,200,000)
Fixed assets including WIP	(31,362,700)	(31,379,111)
Dividend income	27,136,250	4,590,263
Total	14,370,504,377	(18,093,007,562)
Cash flow from financing activities:		
Bank note issued	6,370,000,000	6,170,000,000

Increase in PRGF Loan & ACU
Interest paid on PRGF Loan & ACU
Surplus transferred to HMG/N

	609,933,232	669,781,667
	(6,955,289)	(3,135,668)
	(1,200,027,745)	(1,100,000,142)
Total	5,772,950,198	5,736,645,857
	10,261,870,397	(2,003,574,370)
	85,866,692,251	87,870,266,621
	96,128,562,647	85,866,692,251

Net cash flow for the year (A+B+C)

Cash and cash equivalent at the beginning of the year

Cash and cash equivalent at the end of the year (Note - 28)

The above statement is to be read in conjunction with the notes 1 to 29.

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(Ashwini Kumar Thakur)
Act. Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

.....
(.....)
Deputy Auditor General

Directors :-

As per our report of the even
date

Bhanu P. Acharya

Dr. Parashar Koirala

Pradeep Kumar Shrestha

Dr. Bishwa K. Maskey

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(Narayan Bajaj)
Chartered Accountant
Date :
Place : Kathmandu

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

NEPAL RASTRA BANK

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st ASHADH, 2062 (15th JULY, 2005)

Particulars	Balance as at 01.04.2061	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at 31.03.2062
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	10,277,500,000	209,900,000	-	10,487,400,000
Monetary Liability Reserve	463,500,000	100,800,000	-	564,300,000
Exchange Equilisation Fund	11,352,166,581	(6,001,760,899)	-	5,350,405,682
Gold & Silver Equilisation Reserve	1,198,550,974	1,142,411,147 (965,823,709)	-	1,375,138,412
Employees Welfare Fund	234,027,004	-	-	234,027,004
Grameen Swabalamban Kosh	253,400,000	-	-	253,400,000
Other Reserve Funds	5,214,823,686	692,820,808	-	5,907,644,494
Total	31,993,968,245	(4,821,652,653)	-	27,172,315,592

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st ASHADH, 2061 (15th JULY, 2004)

Particulars	Balance as at 01.04.2060	Amt.transferred from profit	Inter fund transfer	Balance as at 32.03.2061
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	10,054,100,000	178,400,000	45,000,000	10,277,500,000
Monetary Liability Reserve	384,900,000	78,600,000	-	463,500,000
Exchange Equilisation Fund	9,973,522,833	1,378,643,748	-	11,352,166,581
Gold & Silver Equilisation Reserve	1,198,550,974	-	-	1,198,550,974
Employees Welfare Fund	234,027,004	-	-	234,027,004
Grameen Swabalamban Kosh	174,800,000	78,600,000	-	253,400,000
Other Reserve Fund	5,223,550,831	36,272,855	(45,000,000)	5,214,823,686
Total	30,243,451,642	1,750,516,603	-	31,993,968,245

The above statement is to be read in conjunction with the notes 1 to 29.

.....
(Ashwini Kumar Thakur)
Act. Executive Director

.....
(Bijaya Nath Bhattarai)
Governor

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(.....)
Deputy Auditor General

Directors :-

As per our report of the even date

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Chartered Accountant
Kathmandu

Date :
Place : Kathmandu

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

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, 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 through out the kingdom of Nepal.

The main activities of the Bank include:

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

These financial statements apply to the financial year ended 31st Ashadh, 2062 (15th July, 2005).

The Board of Directors of the Bank has approved these financial statements on.....

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:

- Standard which has not been practical for the Bank to comply:
IAS 27: Consolidated and Separate Financial Statements
- Standards partly complied (pending certain improvements and refinements given hereinafter under respective paras):
IAS 7: Cash Flow Statements
IAS 19: Employee Benefits
IAS 24: Related Party Disclosures – partly complied as practicable
IAS 32: Financial Instruments: Disclosure and Presentation
IAS 39: Financial Instruments: Recognition and Measurement

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.

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 at its face value. These liabilities are backed by the assets stated in Note 18 of these financial statements.

The Bank also issues coins of different denomination for circulation. These coins are recorded at cost.

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

Held-to-maturity investments

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

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 foreign treasury bills, 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. From this date, any gains and losses arising from changes in fair value of the assets are recognized.

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

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 all trading instruments and all available-for-sale assets are measured at fair value, except that instruments that do not have a quoted market price in an active market or fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses. Gains and losses arising from a change in the fair value of available for sale assets are recognized directly in equity and when the financial assets are sold / disposed off the cumulative gain or loss recognized in equity is transferred to the profit & loss account. Gains and losses arising from a change in the fair value of trading instruments are recognized in the income statement. Investments in subsidiaries, associates and other entities made under the specific directives or policies of the government and other relevant statutes are also valued at cost less impairment loss.

All non-trading financial liabilities, loans and receivables including those originated by the Bank and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the original effective interest method.

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

2.6 Foreign Currency Transactions

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

2.7 Gold and Silver (other than inventory)

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

2.8 Gold and silver stock and other inventories

Gold and silver stock and other inventories are carried at cost or net realizable value whichever is less. Cost for Gold and Silver is determined on specific basis where as for other inventories is determined under the First In First Out (FIFO) method.

2.9 Property, Plant & Equipment

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

Depreciation is calculated using the straight-line method so as to "write off" these assets over their expected useful life.

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

Fixed assets having value of NRs. one thousand or less are charged directly to Profit and Loss account.

2.10 Assets received in grant

Grants or donation received on account of capital expenditure are recorded as "grant assets" with corresponding credit to "grant assets reserve" under the head Capital Reserve. These are amortized over the useful life of the relevant assets.

2.11 Employee benefits

Contributory Retirement Fund

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

Gratuity and Pension Scheme

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

Upto 15th July 2005 the bank has 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 is recognized as an expense. This however has been amortised on a straight-line basis over five years commencing from the current financial year in accordance with the transitional provisions.

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 a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Welfare Provident Fund

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

Staff Medical Fund

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service. Contributions by the Bank are expensed on actual incurrence.

Staff Life Insurance Plan

Staff life insurance plan is a defined benefit plan and accounted for based on reasonable estimates.

Leave encashment

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

2.12 Revenue recognition

Incomes and expenses are recognized on accrual basis.

2.13 Taxation

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

2.14 Cash and cash equivalents

Cash includes cash at vault and agency bank account balances. Similarly cash equivalents include short-term, highly liquid investments that are readily convertible to cash, and are subject to an insignificant risk of changes in value.

2.15 Impairment

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Provisions for possible losses on loans and advances have been provided on the basis of financials of borrower and appropriate estimation made by the management. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to the profit and loss account. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognised as income / expense in the profit and loss account.

2.16 Segment reporting

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

2.17 Directors' responsibility statement

The Board of Directors of the Bank are 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

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Cash in Hand	2,106,547,934	3,816,348,354
Balance with Banks in Demand Deposits	10,441,315,981	10,294,824,946
Balance with Banks in Time Deposits	52,820,869,004	59,796,703,071
Total	65,368,732,919	73,907,876,371

Interest on time deposit and demand deposit (where ever applicable) were earned at various rates ranging from 1.05% to 8.11% per annum (P.Y. 0.95% to 9.50% per annum).

NOTE - 3 a: INVESTMENTS IN TREASURY BILLS

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
US Government Treasury Bills	37,429,343,513	26,340,408,340
GOI Treasury Bills	1,621,356,125	7,659,801,819
Total	39,050,699,638	34,000,210,159

Investments in US Treasury Bill and Government Of India Treasury Bill have been recognised and classified as "Available for Sale".

NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Government Treasury Bills	10,921,156,522	9,617,927,833
Saving Certificates	280,937,700	386,573,000
IMF Bonds	4,722,320,536	4,722,320,536
Other Bonds and securities	1,518,682,371	4,162,350,880
Total	17,443,097,129	18,889,172,249

Above investments are classified as follows:

Originated Loans	12,439,838,893	13,780,278,713
Held-to-maturity	4,722,320,536	4,722,320,536
Available-for-sale	280,937,700	386,573,000
Total	17,443,097,129	18,889,172,249

1. IMF Bonds represent the bonds issued by HMG/N in favour of Nepal Rastra Bank for the discharge of HMG/N 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 HMG/N 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 31.3.2062 NRs.	As on 31.3.2061 NRs.
(a) Investment in shares of Subsidiaries			
Madhyamanchal GBB	74.00	44,400,000	44,400,000
Sudur Pashchimanchal GBB	68.46	40,050,000	40,050,000
Purwanchal GBB	66.75	40,050,000	40,050,000
Madhya Pashchimanchal GBB	63.17	37,900,000	37,900,000
Agricultural Project Services Center	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		168,400,000	168,400,000
(b) Investment in shares of Associates			
Deposit Insurance & Credit Guarantee Corporation	47.13	20,500,000	20,500,000
Citizen Investment Trust	40.00	16,000,000	16,000,000
Rastriya Beema Sansthan-Non-Life Insurance	29.30	800,000	800,000
Nepal Stock Exchange Ltd.	34.61	12,080,500	12,080,500
National Productivity and Economic Development	31.65	2,500,000	2,500,000
Rural Microfinance Development Centre	26.31	21,045,000	21,045,000
Pashchimanchal GBB	25.82	-	15,489,000
Sub-Total		72,925,500	88,414,500
(c) Other Investments			
Shares:			
Pashchimanchal GBB	10.00	6,000,000	-
CSI Development Bank	14.29	16,000,000	16,000,000
NIDC	11.40	47,445,000	47,445,000
Nepal Development Bank	10.00	16,000,000	16,000,000
Credit Information Bureau	10.00	1,000,000	-
Agricultural Development Bank	1.98	-	30,000,000
Rural Self Reliance Fund (Seed Capital)		253,400,000	174,800,000
Debentures:			
NIDC Debenture		-	50,000,000
Sub-Total		339,845,000	334,245,000
Total		581,170,500	591,059,500
Less: Provision for diminution in the value		109,953,000	141,092,000
		471,217,500	449,967,500

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

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

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Citizen Investment Trust @ Rs. 200/- per share (P.Y. Rs. 165)	32,000,000	26,400,000
Rastriya Beema Sansthan-Non-Life Insurance total 242494 shares @ Rs. 1,561/- per share (including 234,494 Bonus Shares of Rs. 100/- each) (P.Y. Rs. 1200)	378,533,134	242,493,600
Nepal Development Bank @ Rs. 88/- per share (P.Y. Rs. 102)	14,080,000	16,320,000
NIDC	N.A.	N.A.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 6: OTHER INVESTMENTS

Investment of funds

Saving Certificates	
Other Bonds and securities	
Fixed deposits with commercial banks	
Total	

As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
7,805,000	63,105,000
1,456,507,000	645,482,000
1,449,821,000	2,393,043,000
2,914,133,000	3,101,630,000

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

The above investments 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 life insurance fund) are credited to the respective funds.

NOTE - 7: REFINANCE AND LOANS

Refinance to Commercial Banks	
Securities purchased under resale agreement	
Refinance to Financial Institutions	
Loans to Employees	

Less: Provision for doubtful Loans

Total

As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
222,850,000	413,319,000
1,501,128,828	60,017,574
1,007,397,510	1,141,516,977
1,643,598,293	1,714,194,733
4,374,974,631	3,329,048,284
738,275,760	785,767,957
3,636,698,871	2,543,280,327

Interest on refinance and loans were earned at various rates ranging from 1.50% to 9% per annum (P.Y. 2% to 9% per annum).

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 8: OTHER RECEIVABLE

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Interest Accrued	689,993,383	
Less: Provision for doubtful amounts	87,352,369	
Deposits		905,097,568
Advances Recoverable	773,262,386	
Less: Provision for doubtful amounts	702,662,386	
Recoverable from NIDC Mutual Fund		10,300,000
Other recoverable	8,842,138	
Bills Purchased	2,117,196,166	
Total	3,433,174,028	3,935,810,911

NOTE - 9: GOLD & SILVER STOCK

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Gold held in Stock	1,028,985,300	1,147,976,417
Silver held in Stock	49,895,273	20,021,633
Total Gold and silver stock	1,078,880,573	1,167,998,050

NOTE - 10: OTHER INVENTORIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Security Note Stock	291,706,196	435,488,449
Coin Stock	225,786,915	131,004,330
Numismatic and Medallion coins	36,147,047	37,351,083
Less: Provision for non-moving coins	22,465,540	13,681,507
Other Metal Stock	27,455,672	39,062,380
Less: Provision for non-moving stock	8,716,000	18,739,672
Stationary and other sundry items	8,773,575	10,315,528
Less: Provision for non-moving items	2,828,262	5,945,313
Total Inventories	555,859,603	653,221,770

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 11 STATEMENT OF PROPERTY, PLANT & EQUIPMENT

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 31 Ashadh 2061	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31 Ashadh 2062	Upto 31 Ashadh 2061	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto 31 Ashadh 2062	As at 31 Ashadh 2062	As at 31 Ashadh 2061
Land		13,291,197	-	-	-	13,291,197	-	-	-	-	-	13,291,197	13,291,197
Building	3	444,537,915	-	29,989,492	-	474,527,407	79,814,711	-	13,667,219	-	93,481,930	381,045,477	364,723,204
Furniture and Fixture	10	93,718,490	20,566	2,615,402	11,076,928	85,277,530	60,126,287	-	6,441,882	8,505,928	58,062,241	27,215,289	33,592,203
Office Equipment	20	76,974,707	-	4,264,792	2,993,137	78,246,362	48,050,334	6,000	10,836,916	(2,040,215)	60,933,465	17,312,897	28,924,374
Vehicles	20	151,780,714	32,914,079	2,969,744	51,999,098	135,665,439	108,457,983	23,675,616	14,353,343	42,009,420	104,477,522	31,187,917	43,322,731
Machinery Equipment	15	59,606,033	409,081	75,069	30,837	60,059,346	45,675,788	586,936	4,343,293	30,560	50,575,457	9,483,889	13,930,245
Computer Equipments	20	92,832,167	3,324,056	5,524,130	893,376	100,786,977	61,728,799	2,517,128	13,640,780	270,379	77,616,328	23,170,649	31,103,368
Miscellaneous	15	5,698,707	56,464	239,448	292,039	5,702,580	4,333,024	-	342,374	313,430	4,361,968	1,340,612	1,365,682
Total		938,439,930	36,724,246	45,678,077	67,285,415	953,556,838	408,186,926	26,785,680	63,625,807	49,089,502	449,508,911	504,047,927	530,253,004
Capital Work-in-Progress		27,288,030	-	12,839,085	24,388,801	15,738,314	-	-	-	-	-	15,738,314	27,288,024
Grand Total		965,727,960	36,724,246	58,517,161	91,674,216	969,295,152	408,186,926	26,785,680	63,625,807	49,089,502	449,508,911	519,786,241	557,541,028
Previous Year		939,528,655	-	73,133,962	46,934,664	965,727,953	355,848,936	-	62,779,851	10,441,862	408,186,925	557,541,028	

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Deposit from Banks	495,567,302	234,605,708
Foreign Diplomatic Missions and other agencies	126,404,206	80,177,451
Total	621,971,508	314,783,159

NOTE - 13: IMF RELATED LIABILITIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
SDR Allocation	831,828,043	891,633,362
Loan under Poverty Reduction and Growth Facility (PRGF)	1,463,560,840	784,392,690
Total	2,295,388,883	1,676,026,052

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

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

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

The Position of the IMF assets and liabilities are as follows:

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2005

Particulars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by HMG/N)	2,318,061,941.12	21,541,726
No. 1 Account	5,320,890,397.03	49,446,982
No. 2 Account	1,229,317.22	11,424
Valuation adjustments:		
Securities and No. 1 Account	33,483,282.77	311,160
No. 2 Account	(44,881.23)	(417)
Total Currency Holdings	7,673,620,056.91	71,310,875
	Per cent of Quota	
Quota	100	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	0	0
1. Converted into SDR at the rate of SDR .00929299 per currency unit as on April 30, 2005		

SUMMARY STATEMENT OF POSITION AS ON JULY 15, 2005

Particulars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by HMG/N)	2,318,061,941.12	22,585,712
No. 1 Account	5,320,890,397.03	51,843,351
No. 2 Account	1,229,317.22	11,978
Valuation adjustments:		
Securities and No. 1 Account	(321,161,804.40)	(3,129,195)
No. 2 Account	(99,580.69)	(970)
Total Currency Holdings	7,318,920,270.28	71,310,875
	Per cent of Quota	
Quota	100	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	0	0
1. Converted into SDR at the rate of SDR .00974336 per currency unit as on July 15, 2005		

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 14: OTHER LIABILITIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
KFW Accounts	-	73,893,143
Accrued Interest	4,715,439	3,478,585
Total	4,715,439	77,371,728

HMG/N under the economic assistance agreement with German government, has undertaken to maintain the above account in the name of KFW which was lying non-operative since long. This amount has been transferred to unclaimed account because no claim has so far been received.

NOTE - 15: DEPOSIT AND OTHER BALANCES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Balances of HMG/N	-	753,035,630
Deposits from Banks and Financial Institutions	20,846,154,455	25,020,261,574
Balances of Other Institutions	1,567,309,499	1,657,678,837
IMF Account No 1	5,320,890,397	4,715,646,608
IMF Account No 2	1,229,317	1,229,317
Earnest Money	1,595,106	4,017,538
Money Changer	4,720,000	3,980,000
Margin against LCs	1,841,096,402	1,279,070,492
Pensioner Retention Money	-	45,347,892
Total	29,582,995,176	33,480,267,888

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

NOTE - 16: STAFF LIABILITIES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Medical Fund	470,564,272	328,131,954
Retirement Fund	-	394,343,511
Welfare Provident Fund	242,430,335	254,680,013
Gratuity and Pension Fund	1,087,586,342	801,193,851
Life Insurance Fund	206,908,501	211,362,748
Liability for Staff Leave Encashment	67,675,811	-
Liability for Retired staff insurance premium	123,254,462	-
Total	2,198,419,723	1,989,712,077

NOTE - 17: OTHER PAYABLES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Insurance Premium collected from Staff	856,439,467	837,184,798
Less: Advance Insurance Premium paid on behalf of Staff	(729,014,196)	(688,697,854)
Net Payable	127,425,271	148,486,944
CSI Loan Securites Fund	-	251,530
Total	127,425,271	148,738,474

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE -18: CURRENCY IN CIRCULATION

Currency in Circulation

As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
74,520,000,000	68,150,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs. 1,711,915,589 (P.Y. NRs. 1,204,743,854).

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

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Gold	-	831,727,192
Silver	-	459,339,588
Foreign currency balance held abroad	44,740,568,000	37,079,501,220
Foreign Securities	25,607,732,000	25,607,732,000
Government Securities	4,171,700,000	4,171,700,000
	74,520,000,000	68,150,000,000

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

Denomination Notes	As on 31.3.2062 Face Value (NRs.)	As on 31.3.2061 Face Value (NRs.)
1	176,637,607	177,807,262
2	208,445,808	211,039,808
5	586,645,385	518,294,150
10	922,070,330	921,670,320
20	914,077,120	765,395,060
25	153,500,675	214,627,025
50	1,503,068,300	1,343,882,800
100	4,576,040,400	4,301,265,200
250	86,716,625	89,945,625
500	17,309,534,750	16,759,085,750
1000	48,083,263,000	42,846,987,000
	74,520,000,000	68,150,000,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 19: SUNDRY LIABILITIES

		As on 31.3.2062	As on 31.3.2061
		NRs.	NRs.
Projects run by Micro Finance Department - Liabilities	19a	645,387,494	680,399,565
Less: - Assets		<u>(645,387,494)</u>	<u>(680,399,565)</u>
Sundry creditors		299,946,345	186,133,222
Unclaimed		91,235,508	16,503,451
Bills Collection		47,935,880	60,283,119
Less: Bills Lodged		<u>(47,935,880)</u>	<u>(60,283,119)</u>
Pension Payable to NRB Ex-Staff		9,515,353	7,899,306
General Account	19b	188,002,222	155,611,608
Note Chest balance	19c	-	100,000,000
Total		<u>588,699,428</u>	<u>466,147,587</u>

19a. Financial Statements of various Projects run by Micro Finance Department as at 31 Asadh, 2062 are as follows: *

(Amount in NRs.)						
Assets	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Current account	139,680	16,636,192	3,379,560	13,636,409	3,500	33,795,341
	(974)	(24,940,633)	(6,189,978)	(4,684,121)	(1,088,695)	(36,904,401)
Imprest Account	-	-	-	-	-	-
Investment in fixed deposit	168,008,000	51,807,200	-	13,634,000	-	233,449,200
	(186,308,000)	-	(7,500,000)	(13,634,000)	-	(207,442,000)
Investment in HMG/N bonds	6,100,000	26,858,000	47,500,000	20,317,000	-	100,775,000
	-	(55,840,200)	(40,000,000)	(20,317,000)	-	(116,157,200)
Loans to Banks, Fls, and NGOs	800,000	60,075,400	105,855,815	82,422,992	-	249,154,207
	(1,000,000)	(91,025,800)	(113,998,570)	(91,482,432)	-	(297,506,802)
Fixed assets	-	-	-	-	1,097,678	1,097,678
	-	-	-	-	(2,089,657)	(2,089,657)
Interest receivables	4,210,068	2,831,296	10,472,653	738,052	-	18,252,069
	(3,782,008)	(1,446,797)	(2,779,339)	(703,412)	-	(8,711,556)
Principal (Instalment) receivables	-	6,744,000	-	2,120,000	-	8,864,000
	-	(1,970,000)	-	-	-	(1,970,000)
Other receivables	-	-	-	-	-	-
	-	-	(7,497,949)	(2,120,000)	-	(9,617,949)
Current Year Total	179,257,748	164,952,088	167,208,028	132,868,453	1,101,178	645,387,495
Previous Year Total	(191,090,982)	(175,223,430)	(177,965,836)	(132,940,965)	(3,178,352)	(680,399,565)

(Amount in NRs.)						
Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Loans from IFAD/ADB	164,707,726	163,850,000	152,485,414	131,409,000	-	612,452,140
	(176,908,299)	(168,847,864)	(164,215,060)	(131,409,000)	-	(641,380,223)
ADB grants	-	-	-	-	1,097,678	1,097,678
	-	-	-	-	(3,174,852)	(3,174,852)
Exchange fluctuation account	-	-	-	-	-	-
	-	(708,846)	-	-	-	(708,846)
Split interest reserve	-	-	11,018,435	-	-	11,018,435
	-	-	(11,060,324)	-	-	(11,060,324)
Sundry Payables	10,900,488	3,800	1,025,569	9,500	3,500	11,942,857
	(10,506,990)	(3,288,207)	(1,099,267)	(4,500)	(3,500)	(14,902,464)
Profit transferred to NRB	3,649,534	1,098,288	2,678,610	1,449,953	-	8,876,385
	(3,675,693)	(2,378,513)	(1,591,185)	(1,527,465)	-	(9,172,856)
Current Year Total	179,257,748	164,952,088	167,208,028	132,868,453	1,101,178	645,387,495
	(191,090,982)	(175,223,430)	(177,965,836)	(132,940,965)	(3,178,352)	(680,399,565)

* 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 HMG/N.

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 20: RESERVES

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Capital Reserve		
Gold and Silver Equalization Reserve	1,375,138,413	1,198,550,974
Statutory Reserve		
General Reserve	10,487,400,000	10,277,500,000
Monetary Liabilities Reserve	564,300,000	463,500,000
Exchange Equalization Fund	5,350,405,683	11,352,166,582
Other Reserves and Funds		
Development Fund	4,006,887,062	3,923,643,000
Banking Development Fund	527,087,319	527,087,319
Development Finance Project Mob. Fund	72,345,890	63,469,505
Mechanisation Fund	91,316,414	91,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Employees Welfare Fund	234,027,004	234,027,004
Gold Replacement Fund	600,700,361	-
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Total Reserves and Funds	24,172,315,593	28,993,968,245

- 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 depreciaton on revaluation of gold and silver is taken to/from this reserve through income statement.
- 3 **Exchange Equilization Fund**
Represents net exchange gains on various foreign currency assets and liabilities. An amount equivalent to net exchange gain/loss is appropriated from/to Profit and Loss Account and adjusted in the opening balance of such reserve.
- 4 **General reserve**

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

This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars.
- 8 **Development Finance Project Mobilization Fund**
This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund.
- 9 **Mechanization Fund**
This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system.
- 10 **Scholarship Fund**
This fund was created to meet the amount required for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank.
- 11 **Mint Development Fund**

This fund was created to meet the heavy capital expenditure required for construction of factory building and installation of machinery for minting activities.
- 12 **Employees welfare fund**
This fund was created on FY 2015/16 for the welfare of the employees who have suffered financial and other losses due to unprecedented events and any other reasons.
- 13 **Gold Replacement Fund**

This fund has been created for replacing the gold / silver (earlier held as reserves) sold during the year.
- 14 **Rural Self Reliance Fund (GS Kosh)**
This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 21: Contingent Liabilities

	As on 31.3.2062 NRs.	As on 31.3.2061 NRs.
Letters of Credit	-	307,165,141
Guarantees Issued	112,930,587	394,448,245
Claims not acknowledged as debt	-	11,872,310
Total	112,930,587	713,485,696

- 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, 2062. No provision on such claims have been made, as the Bank is of the opinion that it is unlikely that any significant liabilities with respect to these will arise.
- 3 Guarantees issued are backed by counter guarantees from corresponding banks.

NEPAL RASTRA BANK

Notes forming part of the Income Statement

NOTE - 22: 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

2061-62
NRs.
2,902,362,991
13,296,585
2,915,659,576
906,895,912
166,022,922
5,394,524
57,605,378
1,135,918,736
4,051,578,312

NOTE - 23: COMMISSION INCOME

Foreign Currency Financial Assets

On Currency exchange

Local Currency Financial Assets

Government transaction & Other services

Total Commission income from financial assets

2061-62
NRs.
256,197,615
44,239,748
300,437,363

NOTE - 24: INTEREST EXPENSES

Foreign Currency Financial Liabilities

SDR Allocation & PRGF Loan

Others

Sub Total

Local Currency Financial Liabilities

Government Securities

Others

Sub Total

Total Interest Expense on Financial Liabilities

2061-62
NRs.
25,933,157
544,452
26,477,609
314,054,355
-
314,054,355
340,531,964

NOTE - 25: AGENCY AND SERVICE CHARGE**Foreign Currency Liabilities**

Service Charge

Commission

Sub Total**Local Currency Liabilities**

Agency Expenses

Sub Total**Total Agency and Service Charge**

	2061-62 NRs.
	23,264,688
	7,064,830
	30,329,518
	264,596,828
	264,596,828
	294,926,346

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

Nepal Bank Ltd.

Rastriya Banijya Bank

Nepal Bangladesh Bank

Total

	2061-62 NRs.
	100,418,315
	159,755,512
	3,395,198
	263,569,025

NEPAL RASTRA BANK**Notes forming part of the Income Statement****NOTE - 27: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS**

Staff Costs

Depreciation

Directors Fees and Expenses

Note Printing charges

Mint Expenses

Security charges

Remittance charges

Travelling expenses

Insurance charges

Repair & Maintenance

Provisions on loans & advances, Investments, etc.

Miscellaneous

Total

27a

27b

27c

27d

	2061-62 NRs.
	1,367,133,076
	63,625,807
	1,065,592
	263,633,877
	261,815,208
	18,503,842
	79,588,404
	45,768,783
	25,768,545
	7,483,819
	227,864,263
	131,636,753
	2,493,887,969

27a Staff Costs

	2061-62 NRs.
Salary	179,552,053
Allowances	264,840,153
VRS Incentive	66,101,918
Providend Fund Contribution	15,289,981
Staff Welfare (Including Medical fund contribution)	220,441,754
Staff Welfare Provident Fund	100,000,000
Pension & Gratuity Fund	421,654,677
Staff Life Insurance Fund	59,369,238
Others	39,883,302
Total	1,367,133,076

All leave compensations are included in the allowances.

27b Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued.

27c Provision on loans & advances, Investments, etc.

	2061-62 NRs.
Provision for doubtful Loans & Advances	-
Provision for Diminution in the value of Investments	-
Provision for Looted Notes	70,600,000
Provision for retired Staff Insurance Premium	123,254,462
Provision for Inventory & Spare Parts	34,009,801
Provision for sundry Accrued	-
Total	227,864,263

27d Miscellaneous Expenses

	2061-62 NRs.
Banking Promotion	9,674,604
Audit Fees and Expenses	6,102,299
Sundry balances written off	784,999
Others	115,074,851
Total	131,636,753

NOTE - 28: CASH AND CASH EQUIVALENT

	2061-62 NRs.
Foreign currency cash and bank balance	54,728,883,095
Investment in Treasury Bills	39,050,699,638

SDR holdings
Local currency in hand
Total

637,064,325
1,711,915,589
96,128,562,647

NOTE - 29: OTHER NOTES

I. Financial Year

The financial statements relate to the financial year Bikram Sambat 2061-62 corresponding to Gregorian calendar Mid July 2004-05. The previous year was 2060-61 (Mid July 2003-04). 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 HMG/N. Bills Payable primarily represents the year end un-disbursed or unadjusted amount of payments received from HMG/N 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	1455. 894. 310 (4,752. 726. 807)	959.680 (962.520)	1,397,192,651 (4,574,594,606)
Silver	N.A. (139,193. 814. 682)	15.787 (15.565)	N.A. (2,166,607,403)
Gold held in Stock	4,641. 477. 757 (2,462. 555. 832)	959.680 (962.520)	4,454,333,374 (2,370,259,239)
Silver held in Stock	137,513. 428. 365 (3,006. 607. 618)	15.787 (15.565)	2,170,993,250 (46,799,050)
Current Year Total			8,022,519,275
Previous Year Total			(9,158,260,298)

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

VI. Year end exchange rates

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

(Amount in NRs.)

S.No.	Currency	31st Ashadh 2062	31st Ashadh 2061
1	US Dollar	70.35	74.14
2	Sterling Pound	124.00	137.75
3	Euro	84.98	91.64
4	Swiss Frank	54.56	60.08
5	Australian Dollar	52.96	53.8
6	SDR	102.634	110.013

VII. NRB general account

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

VIII. Consolidation of Subsidiaries

The Bank's investments in six entities as mentioned in Note 5 (a) are in excess of 50% of the capital of those entities.

These investments have been made under the specific directives or policies of the Government and other relevant statutes. The management of the Bank as such does not exercise significant influence or control over these entities except for any regulatory purposes. In view of the Bank's management, consolidation of these subsidiaries will not reflect the true nature and substance of the central banking operations and objectives.

IX. Related Parties

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

Transactions entered into with HMG/N 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, provides guarantees, participates in loans to government and related institutions;
- (c) Acting as agent of government, the Bank issues securities of government, purchases unsubscribed portion of any issue and amounts set aside for the Bank;
- (d) Acting as the agent of government, the Bank manages public debt and foreign reserves.

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

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

These investments have been made under the specific directives or policies of the Government and other relevant statutes. Investments made in these entities along with percentage of holdings have been disclosed in Note 5.

The bank has contributed NRs. 15,289,981 on account of employees provident Fund to the retirement fund where it has significant influence, as the key management personnel are the trustees of the said Fund.

Name of the Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Mr. Bijay Nath Bhattarai	Governor
2.	Mr. Lekh Nath Bhusal	Deputy Governor
3.	Mr. Krishna Bahadur Manandhar	Deputy Governor
4.	Mr. Madhav Prasad Bhatta	Executive Director
5.	Mr. Krishna Kumar Pradhan	Executive Director
6.	Mr. Keshav Prasad Acharya	Executive Director
7.	Mr. Tul Raj Basyal	Executive Director
8.	Mr. Ganesh Kumar Shrestha	Executive Director
9.	Mr. Rajan Singh Bhandari	Executive Director
10.	Mr. Surendra Man Pradhan	Executive Director
11.	Mr. Bir Bikram Raymajhi	Executive Director
12.	Dr. Yub Raj Khatiwada	Executive Director
13.	Mrs. Rita Pant	Executive Director
14.	Mr. Dipendra Bahadur Kshyatri	Executive Director

Salary and related expenses to key management personnel are NRs. 10,757,069 (previous year – NRs. 9,207,560). As at 15th July 2005 an amount of NRs. 8,877,674 (Previous year – NRs. 9,327,415) was receivable from key managerial personnel as approved advances made by the Bank at the same standard rate of interest with that of other loans provided to employees.

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

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

X. Prior Year Adjustment

This includes adjustments relating to depreciation short charged in previous years, adjustment for provision wrongly made in NIDC loan, refund of interest excess charged to HMG/N and other revenue expenses not booked in previous years.

XI. Risk Management

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

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

Credit Risk: Credit risks in relation to a financial instrument is the risk that one party fails to discharge an obligation in accordance with agreed terms and cause the other party to incur a financial loss. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency viz. Standard & Poor credit ratings. Under Standard & Poor credit ratings, AAA is the highest quality rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal; AA is the high grade rating, indicating a strong capacity, and A is an upper medium

grade indicating a strong capacity; BBB is the lowest investment grade, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories. NR indicates the entity/issuer has not been rated. The concentration of credit risk of the Bank's foreign exchange reserve is provided in **Table 2** annexed.

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

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

XII. Concentration of funding

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

XIII. Fair values

The carrying value of agency bank balances, investments in foreign currency Treasury bills, other held for trading / available for sale investments, Deposits and other balances are considered to approximate their fair value.

XIV. Effects of changes in accounting policies

In order to align with the requirements of International Accounting Standards and other generally accepted accounting practices, the following changes in accounting policy have been carried out during the year. In accordance with the allowed alternative treatment specified in International Accounting Standard 8 "Net Profit or Loss for the period, Fundamental Errors and Changes in Accounting Policies", the effect of these changes in accounting policies has been recognized in the current year and the comparative information have not been restated. Comparative "pro-forma" information has not been provided in view of impracticalities in compilation of relevant information / data for past periods.

- i) Coins stock lying at Mint and other branches has been recognized as inventory and have been measured at lower of cost or net realizable value. Previously, these were recognized as cash and valued at face value. Due to such change in accounting policy, the value of inventory is lower and loss is higher to the extent of NRs. 823.55 lacs.
- ii) Till previous year all investments were recognized at cost. In order to comply with the provisions of IAS 32 from this year these have been measured as per the policy given in Note 2.4. The impact of such change in accounting policy is not material.
- iii) Till previous year pension and gratuity liabilities were provided for as estimated by the management. During the year these liabilities have been determined and accounted for based on actuarial determination.

The differential with respect to the said actuarial valuation (based on 5.50% discount rate, and salary escalation rate of 5% p.a.) has been expensed on straight-line basis over the period of 5 years as follows:
(Amount in NRs.)

Present value of liability as on 15 th July 2005	Liability as per books as on 15 th July 2005	Total Deficit	Recognized during the year	Balance to be recognized in future years
2,269,949,049	791,995,665	1,477,953,384	295,590,676.	1,182,362,707

Due to such change in accounting policy liability on account of pension and gratuity and loss is higher to the extent of NRs. 2955.91 lacs.

- iv) Gold (other than inventory) till previous year was valued at a price revalued in Year 2043. During the year the said gold has been valued at price prevailing in London Gold Market at the close of the year. Increase in value thereof amounting to NRs. 11424.11 lacs has been credited to profit and Loss account and appropriated there from to "Gold and Silver Equalization Reserve". Due to such change in accounting policy, value of gold is higher and loss is lower to the extent of NRs. 11424.11 lacs.
- v) Staff insurance premium in respect of retired staff till previous year was accounted for on cash basis. During the year this has been accounted for on accrual basis. Due to such change in accounting policy liability on account of staff insurance premium and loss is higher to the extent of NRs. 1232.54 lacs.
- vi) Leave encashment in respect of employees till previous year was accounted for on cash basis. During the year this has been accounted for on accrual basis. Due to such change in accounting policy liability on account of leave encashment and loss is higher to the extent of NRs. 676.77 lacs.

XV. Gold & Silver

- a. In terms of board resolution dated 2062/09/18 Gold and Silver hitherto held as reserve and valued at revalued value have been transferred at the year-end to the inventory at cost. The differential in the valuation with respect to the cost, amounting to NR 8685.64 lacs, has been shown as "adjustment on transfer of gold and silver to inventory" in the Profit & Loss account and corresponding Gold and Silver Equalization Reserve being no longer required has been transferred to Profit & Loss account.
- b. The profit on sale of gold / silver has been accounted for as gain from sale of precious metal and have been shown under Other operating Income. This includes sale of reserve gold and silver and accordingly a sum of NR 972.59 lacs, credited to Gold and Silver Equalisation Reserve in earlier years being no longer required, has been written back and included therein.
- c. An amount of NR 6007 lacs has been appropriated from the Profit & Loss account and kept in "Gold Replacement Fund" for replacing the gold / silver sold during the year (out of reserves).

XVI. Number of employees

<u>2062 Ashadh</u>	<u>2061 Ashadh</u>
1570	1663

XVII. Events occurring after Balance Sheet Date

There were no material events occurring subsequent to the balance sheet date that required adjustments or disclosure in the financial statements.

NEPAL RASTRA BANK

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

Particulars	Weighted Average Interest Rate %	2004-05 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	3.32	65,368,732,919	58,248,875,186	7,119,857,733	-
Investment in Treasury Bills	2.87	39,050,699,638	39,050,699,638	-	-
IMF Related Assets	2.50	637,064,325	637,064,325	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	105,056,496,882	97,936,639,149	7,119,857,733	-
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		483,457,699	379,528,171	103,671,064	258,464
Total Non Interest Sensitive Foreign Currency Financial Assets		483,457,699	379,528,171	103,671,064	258,464
Total Foreign Currency Financial Assets	B	105,539,954,581	98,316,167,320	7,223,528,797	258,464
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	1.22	2,295,388,883	831,828,043	-	1,463,560,840
Asian Clearing Union		-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	2,295,388,883	831,828,043	-	1,463,560,840
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		621,971,508	621,971,508	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		4,715,439	4,715,439	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		626,686,947	626,686,947	-	-
Total Foreign Currency Financial Liabilities	D	2,922,075,830	1,458,514,990	-	1,463,560,840
Foreign Currency Interest Rate Sensitivity Gap (A-C)		102,761,107,999	97,104,811,106	7,119,857,733	(1,463,560,840)
Total Gap (B-D)		102,617,878,751	96,857,652,330	7,223,528,797	(1,463,302,376)

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

Particulars	Weighted Average Interest Rate %	2004-05 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	3.31	12,720,776,593	4,161,531,076	6,764,445,446	1,794,800,071
HMG Overdraft	2.42	2,623,009,090	2,623,009,090	-	-

Other Investments	5.55	2,914,133,000	63,300,000	497,886,000	2,352,947,000
Refinance & Loans	5.50	1,993,100,578	1,771,612,828	-	221,487,750
Total Interest Sensitive Local Currency Financial Assets	E	20,251,019,261	8,619,452,994	7,262,331,446	4,369,234,821
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,711,915,589	1,711,915,589	-	-
Investment in Government Securities		4,722,320,536	-	296,256,497	4,426,064,039
Investment in Financial & Other Institutions		471,217,500	-	-	471,217,500
Refinance & Loans (Loans to employees)		1,643,598,293	-	-	1,643,598,293
Other Receivables		3,433,174,028	3,433,174,028	-	-
Total Non Interest Sensitive Local Currency Financial Assets		11,982,225,946	5,145,089,617	296,256,497	6,540,879,832
Total Local Currency Financial Assets	F	32,233,245,207	13,764,542,611	7,558,587,943	10,910,114,653
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		29,582,995,176	29,582,995,176	-	-
Bills Payable		2,601,706,049	2,601,706,049	-	-
Staff Liabilities		2,198,419,723	-	-	2,234,159,853
Other Payables		127,425,271	127,425,271	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		34,510,546,219	32,312,126,496	-	2,234,159,853
Total Local Currency Financial Liabilities	H	34,510,546,219	32,312,126,496	-	2,234,159,853
Local Currency Interest Rate Sensitivity Gap (E-G)		20,251,019,261	8,619,452,994	7,262,331,446	4,369,234,821
Total Gap (F-H)		(2,277,301,012)	(18,547,583,885)	7,558,587,943	8,675,954,800

NEPAL RASTRA BANK

Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July 2005 were as follows:

	Total NRs.	HMG/N NRs.	Public NRs.	Com. Banks & F.I. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	621,971,508	-	-	495,567,302	-	126,404,206
IMF Related Liabilities	2,295,388,883	-	-	-	2,295,388,883	-
Others	4,715,439	-	-	-	4,715,439	-
Total Foreign Currency Financial Liabilities	2,922,075,830	-	-	495,567,302	2,300,104,322	126,404,206
Local Currency Financial Liabilities						
Deposit and other balances	29,582,995,175	-	-	20,846,154,455	5,322,119,714	3,414,721,007
Bills payables	2,601,706,049	-	2,601,706,049	-	-	-
Staff liabilities	2,198,419,723	-	-	-	-	2,198,419,723
Other payables	127,425,271	-	-	-	-	127,425,271
Total Local Currency Financial Liabilities	34,510,546,218	-	2,601,706,049	20,846,154,455	5,322,119,714	5,740,566,001
Total Financial Liabilities	37,432,622,048	-	2,601,706,049	21,341,721,757	7,622,224,036	5,866,970,207
Other Liabilities						
Currency in circulation	74,520,000,000	-	72,808,084,411	-	-	1,711,915,589
Surplus payable to HMG/N	1,611,281,788	1,611,281,788	-	-	-	-
Sundry liabilities	588,699,428	-	-	-	-	588,699,428
Total Other Liabilities	76,719,981,216	1,611,281,788	72,808,084,411	-	-	2,300,615,017
Total Liabilities	114,152,603,264	1,611,281,788	75,409,790,460	21,341,721,757	7,622,224,036	8,167,585,224

Comparative figures as at 15th July 2004 for significant end-of-year concentration of funding were as follows:

	Total NRs.	HMG/N NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	314,783,159	-	-	234,605,708	-	80,177,451
IMF Related Liabilities	1,676,026,052	-	-	-	1,676,026,052	-

Others	77,371,728	-	-	-	77,371,728	-
Total Foreign Currency Financial Liabilities	2,068,180,939	-	-	234,605,708	1,753,397,780	80,177,451
Local Currency Financial Liabilities						
Deposit and other balances	33,480,267,888	753,035,630	-	25,020,261,574	4,716,875,925	2,990,094,759
Bills payables	2,545,881,682	-	2,545,881,682	-	-	-
Staff Liabilities	1,989,712,077	-	-	-	-	1,989,712,077
Other payables	148,738,474	-	-	-	-	148,738,474
Total Local Currency Financial Liabilities	38,164,600,121	753,035,630	2,545,881,682	25,020,261,574	4,716,875,925	5,128,545,310
Total Financial Liabilities	40,232,781,060	753,035,630	2,545,881,682	25,254,867,282	6,470,273,705	5,208,722,761
Other Liabilities						
Currency in circulation	68,150,000,000	-	66,945,256,146	-	-	1,204,743,854
Surplus payable to HMG/N	1,200,027,745	1,200,027,745	-	-	-	-
Sundry Liabilities	1,666,175,332	-	-	-	-	1,666,175,332
Total Other Liabilities	71,016,203,077	1,200,027,745	66,945,256,146	-	-	2,870,919,186
Total Liabilities	111,248,984,137	1,953,063,375	69,491,137,828	25,254,867,282	6,470,273,705	8,079,641,947

NEPAL RASTRA BANK

Table 2 : Credit Exposure by Credit Rating

Particulars	Credit Rating	2004/05		2003/04	
		NRs.	% Financial Assets	NRs.	% Financial Assets
Foreign Currency Financial Assets	A-	7,468,145,015	5.42%	7,631,705,059	5.52%
	A+	3,841,813,489	2.79%	6,495,366,465	4.69%
	A	38,950,599	0.03%	94,257,174	0.07%
	AA	4,910,771,564	3.56%	7,933,109,814	5.73%
	AA+	60,251,809	0.04%	92,877,282	0.07%
	AA-	10,350,071,460	7.51%	11,426,872,223	8.26%
	AAA	74,648,909,705	54.18%	62,372,042,033	45.08%
	BB	1,621,356,125	1.18%	7,659,801,819	5.54%
	BBB	47,366,773	0.03%	19,009,248	0.01%
	NR *	2,552,318,041	1.85%	4,523,451,051	3.27%
Total Foreign Currency Financial Assets		105,539,954,581	76.60%	108,248,492,168	78.23%

Local Currency Financial Assets	NR *	32,233,245,207	23.40%	30,124,604,841	21.77%
Total Local Currency Financial Assets		32,233,245,207	23.40%	30,124,604,841	21.77%
Total Financial Assets		137,773,199,788	100.00%	138,373,097,009	100.00%