

*An Unofficial Translation*

# **Annual Report**

## **Fiscal Year 2013/14**



**Nepal Rastra Bank**

*Published By:*

**Nepal Rastra Bank**

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**Publication Division**

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## **PART – 1**

# **OVERALL ECONOMIC AND FINANCIAL SITUATION**

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## **PART – 1**

# **MACROECONOMIC AND FINANCIAL SITUATION**

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## **World Economic Situation and Outlook**

### **Production**

- 1.1 The pace of global economic recovery did not improve much in 2013 since the global financial crisis and Euro zone debt crisis were not resolved completely. As per the projection of IMF, the world economy has been expected to grow marginally next year due to the underlying risks in emerging market, lower than expected inflation in the advanced economies and geopolitical risks in some regions. The world real GDP grew by 3.3 percent in 2013 compared to a growth of 3.4 percent in 2012. It is expected that the world economy will grow by 3.3 percent in 2014. Advanced economies had grown by 1.4 percent in 2013 and are expected to grow by 1.8 percent in 2014. The growth of emerging economies is also expected to be slower.<sup>1</sup>
- 1.2 The growth rate of emerging and developing economies was 4.7 percent in 2013 and is expected to grow by 4.4 percent in 2014. Similarly, the emerging and developing Asia is projected to grow by 6.5 percent in 2014 compared to a growth of 6.6 percent in 2013. The neighboring countries India and China posted the growth rates of 5.0 percent and 7.7 percent respectively in 2013 and are estimated to grow by 5.6 percent and 7.4 percent respectively in 2014.

### **Inflation**

- 1.3 Inflation in advanced economies and developing economies remained 1.4 percent and 5.6 percent respectively in 2013. Inflation is estimated to be 1.6 percent in the advanced economies and 5.5 percent in emerging and developing economies in 2014. Inflation in emerging and developing Asia was 4.7 percent in 2013 which is expected to be at 4.1 percent in 2014. In the neighboring countries India and China inflation was 9.5 percent and 2.6 percent respectively in 2013. Inflation in India and China is estimated to be at 7.8 percent and 2.3 percent respectively in 2014.

### **Trade**

- 1.4 Compared to a growth of 3.0 percent in 2013, the world trade is expected to expand by 3.8 percent in 2014. The imports of advanced economies, and emerging and developing economies in 2013 grew by 1.4 percent and 5.3 percent respectively. Similarly, the exports of advanced economies, and emerging and developing economies increased by 2.4 percent and 4.4 percent respectively. The growth rate of imports of advanced

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<sup>1</sup> *International Monetary Fund (IMF), World Economic Outlook, October 2014*



economies, and emerging and developing economies is estimated at 3.7 percent and 4.4 percent respectively in 2014 whereas the growth rate of exports of those economies is estimated at 3.6 percent and 3.9 percent respectively.

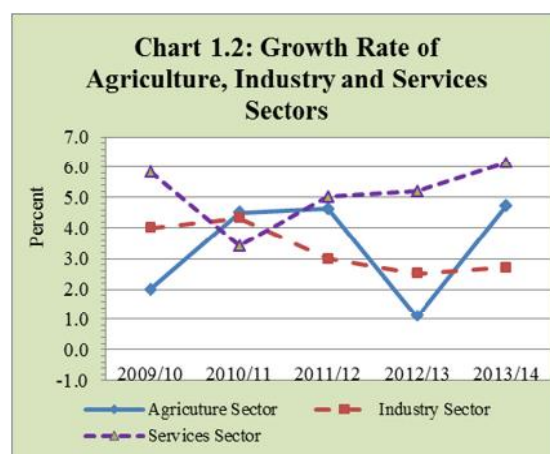
## Macroeconomic and Financial Situation of Nepal

### Gross Domestic Product (GDP)

1.5 The economic growth rate of the country remained satisfactory in fiscal year 2013/14 compared to the previous year. According to the preliminary estimates of Central Bureau of Statistics (CBS), real gross domestic product (GDP) grew by 5.2 percent at basic prices and 5.5 percent at producers' prices in 2013/14. In the previous year, real GDP growth rate was 3.5 percent at basic prices and 3.9 percent at producers' prices. The growth rate of agriculture and services sectors improved satisfactorily whereas the industrial sector witnessed marginal growth in the review year.



1.6 In the review year, the agriculture sector is estimated to grow by 4.7 percent whereas the non-agriculture sector is estimated to expand by 5.3 percent. These sectors had grown by 1.1 percent and 4.6 percent respectively in the previous year.



1.7 Among the non-agriculture sectors, the growth rate of industry stood at 2.7 percent and that of services at 6.1 percent in the review year. Such growth rates had been 2.5 percent and 5.2 percent respectively in the previous year.

### Sectoral Composition of GDP

1.8 In the review year, the share of agriculture, industry and services sectors stood at 34.1 percent, 14.8 percent and 51.0 percent respectively. The contribution of these sectors had been 34.3 percent, 15.2 percent and 50.5 percent respectively in the previous year. Thus, the share of service sector increased whereas the share of agriculture and industry sectors declined marginally in the review year.

- 1.9 Regarding the contribution of broadly categorized industrial sectors, primary (agriculture and forestry, fishery, and mining and quarrying), secondary (manufacturing, industry, electricity, gas and water, and construction) and tertiary (services) sectors in the real GDP stood at 33.7 percent, 14.0 percent and 52.2 percent respectively in the review year. In the previous year, the contributions of these sectors to the GDP were 34.5 percent, 14.6 percent and 51.0 percent respectively.

**Table 1.1**  
**Share of Primary, Secondary and Tertiary Sectors in the Real GDP**  
(At 2000/01 Prices)

Sectors	As Percentage of GDP#			Change in Percentage Points	
	2011/12	2012/13	2013/14	2012/13	2013/14
Primary*	35.8	34.5	33.7	-3.7	-2.2
Secondary**	14.4	14.6	14.0	1.0	-3.5
Tertiary***	49.8	51.0	52.2	2.3	2.5

# GDP including Financial Intermediation (FISIM)

\* Agriculture, forestry and fishery; and mining and quarrying

\*\* Manufacturing industries, electricity, gas and water and construction

\*\*\* Services

Source: Central Bureau of Statistics

### Agriculture Sector

- 1.10 According to preliminary estimates of CBS, among the major cereal crops, the production index of paddy and maize had grown by 12.0 percent and 9.8 percent respectively in the fiscal year 2013/14. In the previous year, the production index of paddy and maize had declined by 11.2 percent and 8.3 percent respectively. The production index of fruits, nuts and beverage and spice groups rose by 3.6 percent in the review year, which had grown by 4.8 percent in the previous year. Likewise, the production index of livestock went up by 2.8 percent in the review year. In the previous year, the index of this group had grown by 2.2 percent.
- 1.11 The production index of cereals and other crops increased by 7.6 percent in the review year as against a decline of 4.0 percent in the previous year. Likewise, the index of vegetables, horticulture and nursery rose by 2.0 percent in the review year compared to a growth of 1.7 percent in the previous year. The production index of forest products which witnessed a growth of 34.9 percent in the previous year increased only by 4.0 percent in the review year.
- 1.12 Timely monsoon, smooth supply of agricultural inputs such as chemical fertilizer, seeds and pesticides, etc. brought a favorable impact on the production of principal crops like paddy, maize and wheat in the fiscal year 2013/14.

## Industrial Sector

- 1.13 The growth rate of manufacturing of the industrial sector decelerated in the review year. This sector witnessed 1.9 percent growth in the review year compared to the 3.7 percent growth in the previous year. The production of electricity, gas and water increased by 4.8 percent in the review year compared to a 0.3 percent growth in the previous year. Likewise, the growth rate of construction sector was 2.9 percent in the review year. The growth rate of this sector had been 2.0 percent in the previous year.
- 1.14 The overall manufacturing production index increased by 7.6 percent in fiscal year 2013/14. The index had grown by 3.9 percent in the previous year. Among major industrial products, the production indices of vegetable ghee, mustard oil, processed milk, wheat flour, biscuits, cotton clothes, processed leather, soap and aluminum products declined whereas the production indices of soybean oil, rice, sugar, jute, plastic products, plywood, rosin, cement, iron rod and billets, domestic metal products, electrical wire and cable, etc. increased during the review year.
- 1.15 Despite the high priority pledged by the government in foreign investment, the commitment of foreign direct investment in 2013/14 rose marginally by 0.9 percent whereas the number of foreign investment projects declined by 3.8 percent. During the review period, Department of Industry granted approval for 305 joint venture projects with the foreign direct investment commitment amounting to Rs. 20.10 billion. In the previous year, 317 foreign projects having commitment amounting to Rs. 19.94 billion had been approved.
- 1.16 Out of 305 projects approved in the review year, 106 were service-related, followed by 87 tourism-related, 47 agriculture and forestry-related, 44 manufacturing-related, 11 mineral-related and 10 energy-related projects. In the review year, both the number and total investment amount on agriculture, energy and mining-related projects increased. Despite an increase in the number of service-related projects, the commitment amount for such projects witnessed a sharp decline.
- 1.17 Of the total 305 approved projects, China ranked first with 119 foreign investment projects, followed by USA (28), India (22), South Korea (22), Japan (15), and UK (12) as well as 87 from other countries. The approved projects are expected to generate direct employment opportunities for 11,732 people.

## Services Sector

- 1.18 The overall growth rate of services sector witnessed an improvement in the review year due to the expansion in wholesale and retail trade, hotel and restaurant, transport, storage and communications, financial intermediation, public administration and defense, education and health and social services sub-sectors.

1.19 Within the services sector, wholesale and retail trade sector grew by 8.8 percent in the review year compared to a growth of 6.8 percent in the previous year. In the review year, hotel and restaurant sub-sector expanded by 7.1 percent which had increased by 5.5 percent in the previous year. The transportation, storage and communication sector increased by 7.5 percent in the review year compared to an increase of 7.4 percent in the previous year. Financial intermediation sector increased by 1.8 percent in the review year as against a decrease of 0.9 percent in the previous year. Real estate, renting and business activities, which had increased by 2.7 percent in the previous year, witnessed 3.0 percent growth in the review year. Education sector, which was estimated to expand by 6.0 percent in the review year, posted a 5.9 percent growth in the previous year.

### **Consumption, Investment and Saving**

1.20 The ratio of total consumption to GDP was estimated to remain at 91.1 percent in the review year compared to the ratio of 89.9 percent in the previous year. As such, the ratio of gross domestic saving to GDP stood at 8.9 percent in the review year compared to the ratio of 10.1 percent in the previous year. In the review year, public and private sector consumption were expected to increase by 28.2 percent and 13.7 percent respectively compared to the growth of 2.3 percent and 13.4 percent respectively in the previous year. Likewise, the ratio of total investment to GDP remained at 37.1 percent in the review year compared to the ratio of 36.9 percent in the previous year. The ratio of gross fixed capital formation to GDP stood at 23.1 percent in the review year compared to the ratio of 22.6 percent in the previous year.

1.21 The gross internal demand at current prices witnessed a growth of 15.2 percent in the review year compared to the growth of 13.8 percent in the previous year. Likewise, total investment which had increased by 18.6 percent in the previous year witnessed an increase of 14.5 percent in the review year. The net exports of goods and services, which had previously been persistently negative, increased by 19.7 percent in the review year. Such exports had increased by 26.4 percent in the previous year.

**Table: 1.2**  
**Consumption, Investment, Internal Demand and Gross National Disposable Income**  
 (At Current Prices)

	Amount (Rs. in Million)			Percent Change	
	2011/12	2012/13	2013/14	2012/13	2013/14
Total Consumption	1359539	1521716	1756484	11.9	15.4
Total Investment	526889	624645	715057	18.6	14.5
Internal Demand	1886428	2146361	2471541	13.8	15.2
Net Export	-359084	-453718	-543024	26.4	19.7
Gross Domestic Product	1527344	1692643	1928517	10.9	13.9
Net Factor Income	12291	13079	38224	6.4	192.3
Net Transfer	422772	497701	685426	17.7	37.7
Gross National Disposable Income	1962407	2203422	2652167	12.3	20.4

Source :- Central Bureau of Statistics

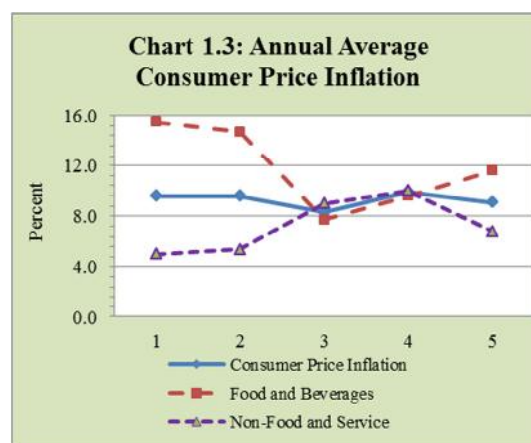
## Gross National Disposable Income

1.22 In the review year, the gross national disposable income (GNDI) was estimated to grow by 20.4 percent compared to the growth of 12.3 percent in the previous year. The ratio of GNDI to GDP stood at 137.5 percent in the review year compared to the ratio of 130.2 percent in the preceding year.

## Inflation and Salary and Wage Rate Index (SWRI)

### Consumer Price Inflation

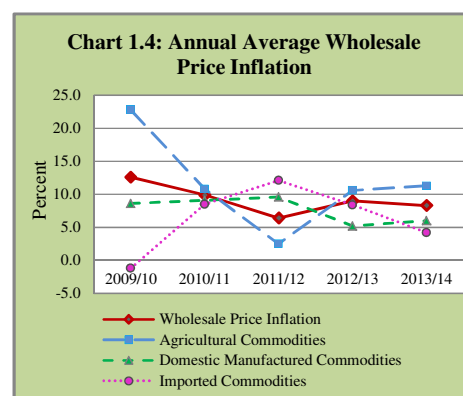
1.23 The annual average consumer price inflation increased by 9.1 percent in 2013/14 compared to an increase of 9.9 percent in 2012/13. In 2013/14, the price index of food and beverages group increased by 11.6 percent while the index of non-food and services group increased by 6.8 percent. Despite a high growth of the price index of food and beverages group, the low growth of non-food and services group had brought down the annual average consumer price inflation which was lower than that of the previous year. The indices of food and beverages group and non-food and services group had increased by 9.6 percent and 10.0 percent respectively in 2012/13.



- 1.24 Under the food and beverages group, the annual average price index of vegetables sub-group increased by the highest rate of 20.5 percent in the review year while it had increased by 5.7 percent in the previous year. Similarly, the annual average price indices of tobacco products sub-group and meat and fish sub-group increased by 18.8 percent and 18.2 percent respectively compared to the increment of 13.8 percent and 14.4 percent respectively in the previous year. Likewise, the annual average price indices of hard drinks sub-group and fruits sub-group which had witnessed the growth of 8.0 percent and 6.3 percent in the previous year went up by 16.9 percent and 13.7 percent respectively in the review year. The annual average price index of sugar and sweets sub-group went down by 3.8 percent in the review year as against the growth of 13.7 percent in the previous year.
- 1.25 Under the non-food and services group, the annual average index of clothing and footwear sub-group increased by 11.1 percent in the review year compared to an increase of 12.1 percent in the previous year. Similarly, the annual average indices of furnishing and household equipment sub-group and education sub-group went up by 9.2 percent and 7.6 percent respectively in the review year compared to the rise of 13.3 percent and 12.1 percent respectively in the previous year. Likewise, the annual price indices of health sub-group and miscellaneous goods and services sub-group increased by the same rate of 7.3 percent in the review year. These indices had increased by 6.8 percent and 10.1 percent respectively in the previous year. The annual average price index of communication sub-group had witnessed the growth of 0.4 percent in the review year whereas it had decreased by 2.0 percent in the previous year.
- 1.26 Region-wise, the annual average price indices increased by 9.6 percent in Terai followed by 9.1 percent in Kathmandu Valley and 8.1 percent in Hills in the review year. Such indices had increased by 10.2 percent in Terai, 9.7 percent in Kathmandu Valley and 9.5 percent in Hills in the previous year.

## Wholesale Price Inflation

- 1.27 The annual average wholesale price index increased by 8.3 percent in 2013/14 compared to an increase of 9.0 percent in the previous year. The annual average price indices of agricultural commodities, domestic manufactured commodities and imported commodities increased by 11.3 percent, 6.0 percent and 4.2 percent respectively compared to the growth of 10.6 percent, 5.2 percent and 8.4 percent respectively in the previous year.



## National Salary and Wage Rate Index

1.28 The annual average national salary and wage rate index increased by 13.7 percent in 2013/14 compared to an increase of 9.2 percent in the previous year. In 2013/14, the annual average price index of salary increased by 25.4 percent and the annual average price index of wage rate increased by 11.1 percent. In the previous year, salary index had remained constant whereas the wage rate index had increased by 11.5 percent. In the review year, the annual average wage rate index of agricultural laborers, industrial laborers and construction laborers increased by 8.7 percent, 18.1 percent and 6.6 percent respectively.

## External Sector

### Overall External Sector Situation

1.29 In 2013/14, even though overall external sector transactions remained satisfactory, the merchandise trade deficit remained high due to high growth of imports compared to exports. Current account and the overall balance of payments (BOP) posted a higher surplus compared to last year due to higher increase in tourism income, grants and remittances.

### Foreign Trade Situation

1.30 In 2013/14, total exports increased by 17.4 percent (Rs. 13.38 billion) to Rs. 90.29 billion. In the previous year, such exports had increased by 3.6 percent. Total exports as percentage of GDP remained at 4.7 percent in the review year compared to 4.5 percent in the previous year.

1.31 Exports to India increased by 16.5 percent (Rs. 8.42 billion) to Rs. 59.42 billion in the review year. Such exports had increased by 2.8 percent in the previous year. In the review year, exports of zinc sheet, stone and sand, juice and cardamom, among others, increased considerably to India.

1.32 Exports to other countries increased by 19.1 percent (Rs. 4.96 billion) to Rs. 30.88 billion in the review year. Such exports had increased by 5.2 percent in the previous year. In US dollar terms, exports to other countries increased by 7.0 percent to US\$ 314.9 million compared to an increase of 3.5 percent in the previous year. The exports of woolen carpet, readymade garments, herbs and pashmina, among others, increased to other countries in the review year.

1.33 In 2013/14, total imports increased by 27.3 percent (Rs. 152.02 billion) to Rs. 708.76 billion. Such imports had increased by 20.6 percent in the previous year. Total imports as percentage of GDP rose to 36.8 percent from 32.9 percent in the previous year. Total

merchandise imports surged significantly in the review year primarily due to a large increase in the imports of petroleum products, betel nut, transport equipment and spare parts, among others.

- 1.34 Of the total imports, imports from India rose by 28.8 percent (Rs. 105.70 billion) to Rs. 472.73 billion in the review year compared to a growth of 22.6 percent in the previous year. The imports of petroleum products, transport equipment and spare parts, hot-rolled sheet in coil and thread, among others, increased from India. With respect to imports from India against the payment of convertible currency, merchandise worth Rs. 75.03 billion (16.0 percent of total imports from India) was imported in the review year.
- 1.35 In the review year, imports from other countries increased by 24.4 percent (Rs. 46.32 billion) to Rs. 236.03 billion. Such imports had increased by 16.9 percent in the previous year. In US dollar terms, imports from other countries went up by 11.7 percent to US\$ 2.41 billion in the review year compared to a growth of 7.4 percent in the previous year. The imports of betel nut, crude soybean oil, polythene granules, among others, increased from other countries.
- 1.36 In the review year, total trade deficit expanded by 28.9 percent to Rs. 618.47 billion. In the previous year, such a deficit had risen by 23.9 percent. As a result, trade deficit as percentage of GDP rose to 32.1 percent in the review year from 28.3 percent in the previous year. Trade deficit with India rose by 30.8 percent to Rs. 413.31 billion in the review year compared to a rise of 26.5 percent in the previous year. Likewise, trade deficit with other countries grew by 25.3 percent to Rs. 205.16 billion compared to an increase of 19.0 percent in the previous year.
- 1.37 Total merchandise trade increased by 26.1 percent to Rs. 799.05 billion in the review year. It had increased by 18.2 percent in the previous year. Total trade as percentage of GDP increased to 41.43 percent in the review year from 37.4 percent in the previous year. Total trade with India increased by 27.3 percent to Rs. 532.15 billion in the review year compared to a growth of 19.8 percent in the previous year. Likewise, total trade with other countries rose by 23.8 percent to Rs. 266.91 billion in the review year compared to 15.4 percent growth in the previous year.
- 1.38 The ratio of exports to imports decreased further to 12.7 percent in the review year from 13.8 percent in the previous year due to slower growth in exports compared to imports. The share of India in total exports stood at 65.8 percent in review year compared to 66.3 percent in the previous year. Likewise, the share of India in total imports remained 66.7 percent in the review year, which was 65.9 percent in the previous year. The share of India in total trade deficit remained 66.8 percent in the review year, which was 65.9 percent in the previous year. Similarly, the share of India in Nepal's total foreign trade increased marginally to 66.6 percent in the review year compared to 66.0 percent in the previous year.



## Balance of Payments

- 1.39 Current account recorded a surplus of Rs. 89.85 billion in the review year, which was 4.7 percent of GDP. In the previous year, such a surplus was Rs. 57.06 billion (3.4 percent of GDP). Although there was higher trade deficit, current account remained surplus due to increase in net services and transfer income. Total exports, under f.o.b valuation, increased by 17.4 percent to Rs. 100.96 billion in 2013/14. In the previous year, such exports had increased by 5.5 percent. Total imports increased by 27.2 percent to Rs. 696.37 billion in the review year. In this way, merchandise trade deficit increased by 29.1 percent to Rs. 595.41 billion in the review year compared to a rise of 23.6 percent in the previous year.
- 1.40 Tourism income increased by 35.6 percent to Rs. 46.38 billion in the review year, compared to an increase of 11.4 percent in the previous year. The government income and other services income increased by 32.4 percent and 27.6 percent respectively in the review year. On the basis of these items, services income increased by 31.4 percent to Rs. 125.06 in the review year compared to a 31.6 percent increase in the previous year. Transportation expenses, government expenses and travelling expenses grew by 19.7 percent, 38.0 percent and 6.5 percent respectively in the review year. Total service payments increased by 18.9 percent to Rs. 104.18 billion in review year compared to a 50.3 percent increase in the previous year. Thus, the net service income remained surplus by Rs. 20.88 billion in the review year compared to a surplus of Rs. 7.59 billion in the previous year.
- 1.41 On the income front, income receipts increased by 69.6 percent to Rs. 39.54 billion in the review year. Similarly, income payments decreased by 34.9 percent to Rs. 6.67 billion. Consequently, net income surged by 151.4 percent to Rs. 32.88 billion in the review year compared to an increase of 6.4 percent in the previous year.
- 1.42 In the review year, total transfer income increased by 25.7 percent compared to a growth of 18.1 percent in the previous year. Net transfer increased by 26.9 percent to Rs. 631.50 billion in the review year compared to 17.7 percent increase in the previous year. Among these, grants increased by 42.0 percent to Rs. 48.52 billion in the review year in contrast to a fall by 5.6 percent in the previous year.
- 1.43 Workers remittances increased by 25.0 percent to Rs. 543.29 billion in the review year compared to a growth of 20.9 percent in the previous year. In US dollar terms, such remittances increased by 12.3 percent to US\$ 5.54 billion, compared to a growth of 11.7 percent in the previous year. Pension receipts increased by 17.1 percent to Rs. 41.37 billion in the review year. Transfer payments decreased by 54.5 percent in contrast to an increase by 46.4 percent in the previous year.

- 1.44 Under the capital account, capital transfer increased by 64.9 percent to Rs.17.06 billion in the review year in contrast to a fall by 43.3 percent in the previous year. Under the financial account, foreign direct investment recorded an inflow of Rs. 3.20 billion in the review year. The government loan inflows of Rs. 18.50 billion and principal payments of Rs. 14.75 billion were recorded in 2013/14. The currency and deposit liabilities amounted to Rs. 2.73 billion in the review year.
- 1.45 On the basis of external sector transactions mentioned above, overall BOP recorded a surplus of Rs. 127.13 billion in the review year. Such a surplus was recorded Rs. 68.94 billion in the previous year. The BOP as percent of GDP remained at 6.6 percent in the review year compared to 4.1 percent in the previous year.

### Foreign Exchange Reserves

- 1.46 Compared to the mid-July 2013 figures, the gross foreign exchange reserves increased by 24.8 percent to Rs. 665.41 billion as at mid-July 2014. Of the total reserves, the reserve of Nepal Rastra Bank increased by 26.4 percent to Rs. 572.40 billion in the review year. Out of the total foreign exchange reserves, the share of Nepal Rastra Bank was 86.0 percent. The gross foreign exchange reserves in terms of US dollar rose by 23.6 percent to US\$ 6.94 billion as at mid-July 2014 compared to a growth of 13.2 percent a year earlier. Based on the imports of last year, the current level of reserves is adequate for financing merchandise imports of 11.5 months and merchandise and service imports of 10.0 months.

**Table 1.3**  
**Reserve Adequacy Indicators**

	2011/12	2012/13	2013/14 <sup>P</sup>
<b>Trade Indicators (in Months)</b>			
Import Capacity (Merchandise only)	11.6	11.7	11.5
Import Capacity (Merchandise and Services)	10.3	10.1	10.0
<b>Monetary Indicators (in Percent)</b>			
Gross Foreign Exchange Reserve / Broad Money Supply	38.9	40.5	42.5
Gross Foreign Exchange Reserve/ Reserve Money	137.6	150.6	152.4
Gross Foreign Exchange Reserve/ GDP	28.8	31.5	34.5

P: Provisional

Source: Nepal Rastra Bank

- 1.47 The ratios of gross foreign exchange reserve to broad money supply and reserve money remained at 42.5 percent and 152.4 percent respectively as at mid-July 2014. Such ratios had remained at 40.5 percent and 150.6 percent respectively as at mid-July 2013.

## Exchange Rate Movement

1.48 The exchange rate of Nepalese currency with Indian currency remained stable in 2013/14. During the review year, Nepalese currency depreciated vis-à-vis US dollar, along with Pound sterling and Euro, but it appreciated with Japanese yen. In mid-July 2014 compared to mid-July 2013 rates, Nepalese currency depreciated by 0.9 percent against US dollar, 12.8 percent with Pound sterling and 4.9 percent with Euro, but it appreciated against Japanese yen by 1.7 percent.

**Table 1.4**  
**Exchange Rate Movement**

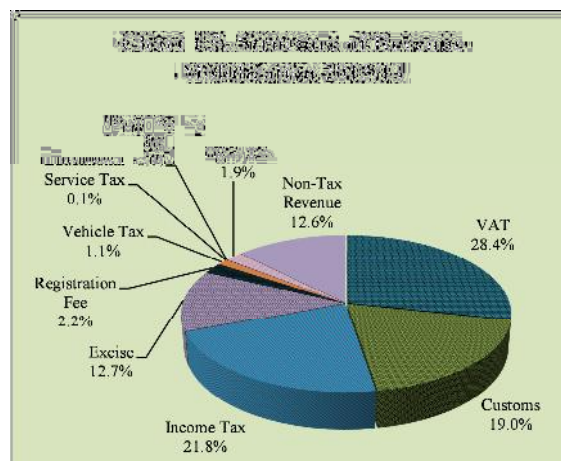
Foreign currency	Buying Rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2012	2013	2014	2013	2014
1 US dollar	88.60	95.00	95.90	-6.7	-0.9
1 Pound sterling	136.62	143.56	164.61	-4.8	-12.8
1 Euro	107.98	124.08	130.50	-13.0	-4.9
10 Japanese yen	11.20	9.60	9.44	16.7	1.7

## Fiscal Situation

1.49 Budget for FY 2013/14 was presented, and brought into implementation course timely as against the previous trend of budget being delayed. The main priority of the budget was Constituent Assembly election with other objectives such as sustainable, high and broad economic growth, macroeconomic stability, inclusive development investment friendly environment and private sector development. Despite crucial issues comprising budget priorities like development of hydropower and energy, agriculture, construction of physical infrastructure, education, health, tourism promotion, development of private sector, import substitution and export promotion and good governance, the challenge remained to achieve high economic growth rate and other goals anticipated by the budget. During the review year, as share of total government expenditure on cash basis, the recurrent expenditure, capital expenditure and financial expenditure remained 70.9 percent, 14.7 percent and 14.4 percent respectively. Similarly, the ratio of expenditure, on cash basis, with GDP for recurrent expenditure was 15.3 percent, capital expenditure 3.2 percent and financial expenditure 3.1 percent in the review year.

## Government Revenue

1.50 In 2013/14, revenue of the Government of Nepal (GON) increased by 20.5 percent to Rs. 356.62 billion, which was 100.6 percent of annual budget estimate of Rs. 354.50 billion. The revenue had risen by 21.2 percent to Rs. 296.02 billion in 2012/13. Consequently, the revenue to GDP ratio remained at 18.5 percent in 2013/14 compared to that of 17.5 percent in 2012/13. Mainly an increase in imports and resulting rise in customs revenue, increase in value added tax and income tax, tax leakage control as well as overall revenue administration reforms contributed to such an increase in revenue mobilization.



1.51 Amongst the components of revenue, the value added tax (VAT) increased by 20.9 percent to Rs. 100.97 billion in the review year. Such revenue had increased by 15.7 percent to Rs. 83.51 billion in the previous year. Value added tax leakage control, VAT administration reforms as well as increase in VAT revenue from domestic production, sales and services contributed to such an increase in VAT revenue.

1.52 The customs revenue increased by 19.3 percent to Rs. 67.88 billion in the review year. Such revenue had increased by 31.1 percent to Rs. 56.89 billion in the previous year. Rise in customs tax on imports of vehicles and spare parts, fuel as well as iron and steel, etc. contributed to such a growth in customs revenue.

1.53 Income tax revenue increased by 16.3 percent to Rs. 77.93 billion in the review year compared to an increase of 28.1 percent to Rs. 67.02 billion in 2012/13. Positive impact of reforms in income tax administration, tax leakage control and taxpayer education contributed to such an increase in income tax revenue.

1.54 During the review year, excise revenue surged by 23.8 percent to Rs. 45.40 billion compared to an increase of 20.6 percent to Rs. 36.66 billion in 2012/13. Increase in imports of higher excise tax yielding goods as well as growth in excise revenue from domestic production were mainly attributed for such a high growth of excise revenue during the review year.

1.55 Among the components of revenue in 2013/14, VAT revenue registered the largest share of 28.3 percent followed by income tax revenue (21.8 percent), customs revenue (19.0 percent), and excise revenue (12.7 percent). In the previous year, such compositions were 28.2 percent, 22.6 percent, 19.2 percent and 12.4 percent respectively.

- 1.56 In the review year, non-tax revenue soared by 23.8 percent to Rs. 45.05 billion in contrast to a decrease of 3.7 percent to Rs. 36.40 billion in 2012/13. Such a high growth of non-tax revenue was on account of the increase in dividend paid by the public enterprises and increase in passport fees.
- 1.57 Of the total revenue, the share of tax revenue and non-tax revenue stood at 87.4 percent and 12.6 percent respectively in 2013/14. Such ratios were 87.7 percent and 12.3 percent respectively in the previous year. The share of direct tax and indirect tax revenue in total tax revenue remained at 31.0 percent and 69.0 percent respectively during the review year. Such ratios were 31.7 percent and 68.3 percent respectively in 2012/13.

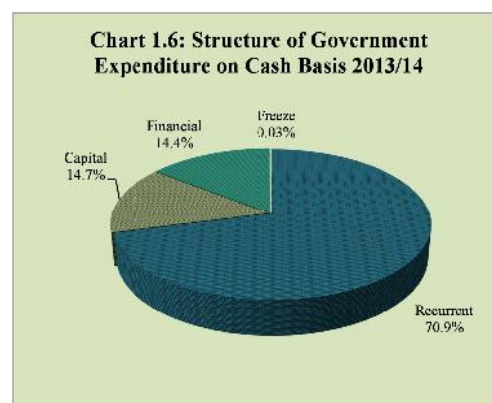
### Foreign Cash Grants

- 1.58 In 2013/14, the GON received foreign cash grants amounting to Rs. 36.94 billion. Such grants had amounted to Rs. 24.43 billion in the previous year.

### Government Expenditure

- 1.59 Government expenditure, on cash basis, increased by 15.7 percent to Rs. 415.58 billion in 2013/14 compared to an increase of 12.3 percent to Rs. 359.04 billion in 2012/13. The increase in recurrent and capital expenditure contributed to such a growth of total expenditure during the review year.
- 1.60 During the review year, recurrent expenditure increased by 21.0 percent to Rs. 294.72 billion compared to a growth of 3.1 percent in the preceding year. Such expenditure was 83.4 percent of annual budget estimate for 2013/14. Creation of new vacancies, increase in salary and allowances of government employees, increasing trend of operational expenditure and expenditure incurred in the constituent assembly election, among others, accounted for such a growth of recurrent expenditure.
- 1.61 In the review year, capital expenditure increased by 19.0 percent to Rs. 60.95 billion compared to a growth of 12.7 percent in the previous year. Incurred capital expenditure was 71.6 percent of annual budget estimate for 2013/14. Timely announcement of the annual budget, delegation of authority to make expenditure and also the timely approval of annual programmes contributed to such a growth of capital expenditure.
- 1.62 During 2013/14, financial expenditure on cash basis increased by 14.8 percent to Rs. 59.78 billion compared to its growth of 56.3 percent in the previous year. The amount represented 75.9 percent of annual budget estimate of 2013/14.

1.63 In the review year, of the total government expenditure on cash basis, the ratios of recurrent expenditure, capital expenditure, financial and freeze expenditure stood at 70.9 percent, 14.7 percent, 14.4 percent and 0.03 percent respectively. Such ratios in the previous year were 67.9 percent, 14.3 percent, 14.5 percent and 3.4 percent respectively.



### Budget Deficit/Surplus

1.64 In the review year, government budget on cash basis remained at a deficit of Rs. 12.06 billion. Such budget deficit amounted to Rs. 31.21 billion in 2012/13. The ratio of budget deficit to GDP remained at 0.6 percent in the review year. Such ratio was 1.8 percent in the previous year. A higher growth of resource mobilization relative to government expenditure accounted for such an improvement in the budget deficit during the review year.

### Sources of Financing Deficit

- 1.65 As a source of deficit financing, foreign cash loan amounted to Rs. 15.08 billion in 2013/14. Such loan amounted to Rs. 9.54 billion in the previous year.
- 1.66 Domestic borrowing of Rs. 19.98 billion was mobilised in 2013/14, which was 1.0 percent of GDP. Domestic borrowing of Rs. 19.04 billion was mobilised in the previous year.
- 1.67 Principal of domestic borrowings of Rs. 25.17 billion was repaid by the GON in 2013/14. Moreover GON's cash balance as at the end of 2013/14 with Nepal Rastra Bank stood at Rs. 25.19 billion (after adding Rs. 184.5 million cash balance at the end of 2012/13).
- 1.68 Total outstanding domestic debt of the GON stood at Rs. 201.82 billion in 2013/14. After adjusting the government balance of Rs. 25.19 billion with Nepal Rastra Bank, the net outstanding domestic debt owed to the banking system stood at Rs. 176.63 billion in mid-July 2014.

### Tax Policy Provisions

1.69 The Government kept the previous revenue provisions unchanged with some amendment, adjustment and reconciliation of few tax rates through the budget statement of 2013/14. Various policy level changes with respect to revenue were made in the budget for 2013/14 for providing stability to revenue policy and widening tax base that could increase revenue collection. The policy provisions adopted in the budget focused

on the mobilization of optimum domestic resources, creating investment-friendly environment, and developing sustainable, private sector-friendly, transparent and equitable tax system.

- 1.70 While formulating revenue policy and programmes, the budget highly prioritized the agenda that could bring improvement in environment in production and investment by giving attention towards the suggestions provided by Revenue Advisory Committee, industrialists, businessmen and other concerned stakeholders as well as the commitments made by Nepal on the bilateral and multilateral treaties and agreements.
- 1.71 As a road map to customs reform and modernization, the necessary process to be a signatory party of the Revised Kyoto Protocol has been completed and Nepal's customs classification according to the Fifth Amendment 2012 of the customs coding system made by the World Customs Organization has been revised, creating positive effect on revenue system reform.
- 1.72 In order to give continuity to the whole tax system reform and the process of modernization, strategic plan and reform action plans have been implemented. In addition to this, policy has been adopted to install Central Information System in the Department of Revenue Investigation. For the tax system reform, an Online Vehicle Tracking and Monitoring System have been started by fixing GPS device at all delivery vehicles for indicating their geo-political location during their movement for the delivery of goods.
- 1.73 In order to reduce the compliance costs, provision has been made for observing electronically the tax amount paid and the balance due.
- 1.74 An arrangement of 25 percent additional penalties on duties to be paid in case of inability to export goods using raw materials imported through bank guarantee under the bonded warehouse facilities has been reduced to 10 percent.
- 1.75 In order to make transport arrangement of goods checked and passed at customs to their destinations safe, reliable and credible, policy of extending transport of goods through sealed container initiated since FY 2013/14, to the main customs points has been adopted.
- 1.76 An arrangement has been made for the exemption of all duties on one television set up to 30 inches accompanied by Nepalese worker returning from foreign employment after for at least one year.
- 1.77 Customs service fee of Rs. 600 levied on export of goods abroad as per one customs declaration form has been reduced to Rs.100.

- 1.78 An arrangement has been made to provide 10 percent rebate on the amount of vehicle tax if the owner of the vehicle makes lump sum payment of vehicle tax at the prevailing rate for the period of five years and renews in advance.
- 1.79 In order to promote the use of Safaa tempo, an arrangement has been made to levy only 1 percent customs duty on deep cycle lead acid battery used in Safaa tempo.
- 1.80 Arrangement has been made to provide 50 percent rebate on customs duty to be paid for the newsprint imported by publication houses for their own publication purpose.
- 1.81 There was a policy of improving revenue administration's performance by strengthening the paperless working of Inland Revenue Department, enhancing ICT network, developing internationally compatible customs infrastructure by implementing "Infrastructure Customs Master Plan", developing customs automation system to make customs valuation system realistic and dispute-less, ensuring an online access of updated list of customs valuation to customs offices, updating information and making valuation system more realistic with the compilation of international price list, declaration of the price by importer and using realistic prices, and formulating and implementing action plan to address the existing heavy revenue arrears.
- 1.82 For controlling revenue leakage, arrangement has been made for conducting tax audit and investigation following collection of information on non-compliant tax payers based on the information collected from the third party as well as establishing tax payers information network. To discourage the tendency of tax evasion through under-valuation, arrangement has also been made to buy such under-valued goods by the Department of Revenue Investigation. Program of controlling the smuggling of goods from the cross-border besides controlling revenue leakages and illegal transportation of goods has been implemented as a campaign through the inter-departmental coordination.
- 1.83 In order to check excise leakage, provision of affixing the sticker on the outer part of the package of Paan masala and tobacco-related products has been started.
- 1.84 The checking and investigation system based on risk assessment has been introduced to reduce business cost. In this connection, Dhulikhel and Thankot check posts of the Department of Revenue Investigation have been removed.
- 1.85 In order to identify new sources of non-tax revenue and to make the non-tax rates cost-effective, a non-tax revenue system reform task force has been formed.
- 1.86 Tax exemption limit for natural individuals and couple has been increased to Rs. 2,00,000 and Rs. 2,50,000 respectively.
- 1.87 Excise duty on liquor, cigar and cigarettes has been raised.



1.88 On the import of cement, an additional Rs. 200 per metric ton customs duty has been levied.

1.89 An arrangement has been made to levy only one percent customs duty on the import of bicycle.

## Tax Rates

1.90 On the imports duty front, the existing six customs slabs of 5, 10, 15, 20, 30 and 80 percent in 2012/13 have been kept unchanged also in 2013/14. In the customs rates on exports, the existing 70 and 200 percent in 2012/13 have been changed to single rate of 200 percent in 2013/14. Similarly, nine excise rates at 5, 10, 15, 30, 35, 40, 50, 55, and 60 percent remained unchanged in 2013/14.

**Table 1.5**  
**Tax Rates**

	Description	FY 2012/13	FY 2013/14
1.	Import Duties (Percent)	5, 10, 15, 20, 30, 80	5,10,15,20,30, 80
2.	Export Duties (Percent)	70, 200	200
3.	Excise (Percent)	5, 10, 15, 30, 35, 40, 50, 55, 60	5, 10, 15, 30, 35, 40, 50, 55, 60
4.	VAT (Percent)	13 Percent	13 Percent
5.	<u>Income Tax</u>		
	(a) Exemption Threshold		
	(i) Individual	Rs. 160,000	Rs. 200,000
	(ii) Couple or Family	Rs. 200,000	Rs. 250,000
	(b) Tax Rates (Percent)		
	(i) Upto exemption threshold of taxable income from employment	1 percent	1 Percent
	(ii) First Rs. 100,000 after Exemption Limit	15 percent	15 percent
	(iii) On residual amount	25 percent	25 percent
	(iv) On additional 25 percent tax amount after Rs. 25 lakh	40 percent	40 percent
	<u>Corporate Tax</u>		
	(a) Flat Rate on Corporate Net Income		
	(i) Banks and Financial Institutions	30 percent	30 percent
	(ii) Others	25 percent	25 percent
	(b) Partnership Firm	25 percent	25 percent
	House Rent Tax	10 percent	10 percent
	Meeting Allowance	15 percent	15 percent
	Commission	15 percent	15 percent
	Lottery, Upahar, Prize	25 percent	25 percent
	Interest Tax	5 percent	5 percent
	Provident Fund and Pension	5 percent	5 percent
	Government Securities	5 percent	5 percent
	Dividend Tax	5 percent	5 percent

## Status of the Public Enterprises

- 1.91 Among the fully government-owned 37 public enterprises (PEs), 19 were operating in net profit while 17 were making net loss in 2012/13. Nepal Engineering Consultancy Service Center Limited did not conduct any transaction whereas employees of Janakpur Cigarette Factory Limited were given retirement.
- 1.92 Public enterprises had recorded net loss of Rs. 3.50 billion in 2011/12. They earned net profit of Rs. 11.40 billion in 2012/13. Such a situation is the result of significant decline in net loss of Nepal Electricity Authority and Nepal Oil Corporation and rise in net profit of PEs like Nepal Airlines Corporation, Agriculture Development Bank Limited, Agriculture Inputs Company Limited, and Deposit and Credit Guarantee Corporation Limited. Profits earned by the PEs reached Rs. 11.40 billion along with their overall improvement in 2012/13, resulting from net profit of Rs. 11.30 billion in Nepal Telecom Limited, Rs. 2.29 billion in Agriculture Development Bank Limited, Rs. 1.31 billion in Rastriya Banijya Bank Limited, Rs. 1.09 billion in Nepal Civil Aviation Authority and Rs. 370 million in the Timber Corporation of Nepal Limited.
- 1.93 The total shareholders' fund of 37 PEs increased by 0.25 percent to Rs. 97.84 billion in 2013/14. In the previous fiscal year, such shareholders' fund had amounted to Rs. 97.60 billion.
- 1.94 The Government's total share investment in 37 PEs increased by 5.13 percent to Rs.107.66 billion in 2012/13. Such investment in this PEs had amounted to Rs. 102.41 billion in the previous year. Government's total loan investment in this PEs increased by 5.20 percent to Rs. 106.5 billion in 2012/13. Such loan investment stood at Rs. 101.24 billion in the previous year. Out of the total loan investment up to the end of 2012/13, domestic and external sources consisted of Rs. 31.75 billion and 74.75 billion respectively.
- 1.95 The Government of Nepal had received dividend amounting to Rs. 6.99 billion in 2012/13, which was 6.49 percent of government's share investment. In the previous year, the GON had received dividend equal to Rs. 6.26 billion. In 2012/13, the GON had received dividend only from Nepal Telecom Company Limited, Nepal Stock Exchange Limited, Industrial Estate Management Limited, and Hydroelectricity Investment and Development Company Limited.
- 1.96 Even among the profit earning PEs, the financial condition, capacity utilization and employee productivity of majority of them did not remain satisfactory. Some PEs is in losses and some of them even have negative networth. A very low rate of return, lack of regular and updated audit, inadequate professional human resources, creation of huge unfunded liability for meeting employee-related facilities like gratuity, pension, employees' provident fund, etc., PEs operating in loss getting increasingly dependent

on government and lack of clear policy and mechanism for the monitoring and inspection of the PEs, etc. have been the main challenges of PEs in Nepal.

- 1.97 The share of the dividend (Rs. 6.99 billion) the GON received from PEs in 2012/13 was 2.36 percent of its total revenue collection of Rs. 296.01 billion during the year. Government received 6.49 percent dividend as its return on its share investment in 37 PEs, clearly showing the return on investment lower than the prevailing interest rate.
- 1.98 The unfunded liability of PEs has been growing every year due to various facility entitlements to the employees of PEs upon their retirement such as gratuity, pension, medical treatment, insurance, payment against accumulated leave, etc. Such unfunded liability of PEs increased by 27.20 percent to Rs. 26.97 billion in 2012/13. Such liability had amounted to Rs. 21.20 billion in 2011/12.
- 1.99 The ratio of net operating income of PEs (Rs. 223.0 billion) to GDP (Rs. 1,693 billion) stood at 13.17 percent in 2012/13. Among the PEs, the ratio of operating income of the trade sector (Rs. 120.36 billion) to GDP was the highest at 7.10 percent, while that of the social sector (1.21 billion) was the lowest at 0.07 percent only.
- 1.100 By 2012/13, the total accumulated loss of 37 PEs reached Rs. 20.61 billion. PEs with accumulated loss exceeding Rs. 1 billion numbered five, namely, Nepal Oil Corporation (Rs. 24.54 billion), Nepal Electricity Authority (Rs. 14.43 billion), Rastriya Banijya Bank (Rs. 11.53 billion), Nepal Food Corporation (Rs. 1.18 billion) and Nepal Airlines Corporation (Rs. 1.10 billion). PEs with accumulated profit of over Rs. 1 billion was Nepal Telecom Company Limited (Rs. 38.64 billion), Nepal Civil Aviation Authority (Rs. 1.80 billion), Citizen Investment Trust (Rs. 1.25 billion) and Agriculture Development Bank Limited (Rs. 1.19 billion).
- 1.101 As per the GON's decision dated December 1, 2011, the Public Enterprise Directorate Board (Formation and Operation) Order, 2011 was issued and, accordingly, the Board had come into operation since then with the objective of increasing competitiveness and professionalism in a coordinated manner. After formation of this Board, it has been decided to appoint executive chiefs in 11 PEs. The Board has submitted its study report to the Ministry of Finance about how to re-operate closed PEs like Birgunj Sugar Mill, Nepal Drug Limited, Butwal Spinning Mill and Janakpur Cigarette Factory.
- 1.102 With the objectives of increasing efficiency and productivity of PEs, easing the administrative and budgetary burden of the GON, increasing private sector participation in economic development and also making service delivery effective, the GON had started the process of privatization, closure and dissolution since 1994. Up to mid-July, 2013, 30 PEs were privatized through business and assets sale, partial share sale, current assets sale, building and land lease, management contract and liquidation.

- 1.103 Among the privatized PEs, 11 enterprises are in operation. Among them, five enterprises are in good condition and earning profit.

## Monetary and Financial Situation

### Monetary Situation

- 1.104 Broad money supply (M2) increased by 19.1 percent in 2013/14 compared to a growth of 16.4 percent in the previous year. A higher growth of broad money supply in the review year was due mainly to the higher growth rate of net foreign assets (NFA). Likewise, narrow money supply (M1) increased by 17.7 percent in the review year compared to a growth rate of 14.4 percent in the previous year.
- 1.105 The currency in circulation, a component of narrow money supply, went up by 16.2 percent in 2013/14 compared to the 14.9 percent growth in the previous year. In the review year, current deposits increased by 20.4 percent compared to a growth of 13.4 percent in the previous year. In the review year, the growth of saving deposits was 25.6 percent, time deposits 7.6 percent and calls deposits 27.8 percent compared to the growth of 18.2 percent, 14.3 percent and 20.7 percent respectively in the previous year.
- 1.106 The net foreign assets (after adjusting foreign exchange valuation gain/loss), which had increased by 18.0 percent (Rs. 68.94 billion) in 2012/2013, went up by 27.2 percent (Rs. 127.13 billion) in the review year. Such a higher growth of net foreign assets in the review year was on account of the significant inflows of workers' remittances and increase in tourism income as well as inflows of foreign grants.
- 1.107 Domestic credit increased by 12.6 percent in the review year compared to a growth of 17.2 percent in the previous year. Decline in the net claims on government along with some decline in the expansion of the private sector credit resulted in the deceleration of domestic credit in the review year.
- 1.108 In the review year, the net claims on government decreased by 16.4 percent (Rs. 27.50 billion). Such claims had increased by 3.0 percent in the previous year. Decline in the net claims on government was attributed to a significant amount of government deposits at the NRB resulting from the lower level of public expenditure relative to the level of resource mobilization. The cash balance of government with NRB stood at Rs. 25.19 billion at the end of review year.
- 1.109 The net claims on the private sector, which had increased by 20.2 percent in 2012/13, grew by 18.3 percent (Rs. 177.80 billion) in the review year. Despite having the comfortable liquidity situation in the review year, a slower growth of claims on the private sector was due mainly to "wait and see" sentiment of the investors prior to the second Constituent Assembly election.

1.110 Reserve money grew by 23.3 percent in 2013/14 compared to an increase of 10.9 percent in the previous year. A significant rise in net foreign assets of the NRB resulted in a higher growth of reserve money in the review year.

### Status of Inter-bank Transactions and Situation of Use of Standing Liquidity Facility

1.111 In the review year, the inter-bank transactions of commercial banks stood at Rs. 200.76 billion and that of other financial institutions (except among commercial banks) amounted to Rs. 171.06 billion. Those figures had stood at Rs. 725.77 billion and Rs. 184.58 billion respectively in the previous year. In the review year, the banks and financial institutions (BFIs) did not utilize standing liquidity facility (SLF).

**Table 1.6**

#### Inter-bank Transactions and Situation of Use of Standing Liquidity Facility

Particulars	2011/12	2012/13	2013/14
Inter-bank Transactions of Commercial Banks (Rs. in billion)	212.77	725.77	200.76
Inter-bank Transaction Rate of Commercial Banks (In Percent)*	0.86	0.86	0.16
Inter-bank Transaction of Other Financial Institutions except among Commercial Banks (Rs. in billion)	172.90	184.58	171.06
Inter-bank Transaction Rate of Other Financial Institutions (In Percent)*	6.97	5.03	2.40
Use of Standing Liquidity Facility (Rs. in billion)	5.57	54.98	0.00

\* Mid-June to Mid-July

### Short-term Interest Rate

1.112 The weighted average 91-day Treasury bill rate and inter-bank transaction rate declined in the last month of 2013/14 compared to the last month of the previous year. The weighted average 91-day Treasury bill rate stood at 0.02 percent in the last month of the review year from 1.19 percent a year ago. Likewise, the weighted average inter-bank rate among commercial banks declined to 0.16 percent in the last month of the review year from 0.86 percent a year ago and the weighted average inter-bank rate among other financial institutions declined to 2.40 percent from 5.03 percent during the same period.

1.113 As per the modified method of spread rate calculation, the weighted average interest rate spread of commercial banks stood at 5.21 percent in the last month of 2013/14. Likewise, the average base rate of commercial banks remained at 8.36 percent in the last month of 2013/14 compared to the rate of 9.83 percent a year ago.

**Table 1.7**  
**Interest Rate Spread and Base Rate of Commercial Banks**

Particulars	2011/12	2012/13	2013/14
Annual Interest Rate Spread	6.23	6.84	5.15*
Annual Base Rate	-	9.83	8.36

\*As per the modified method of spread rate calculation since mid-July 2014

## Foreign Exchange Transactions

1.114 In 2013/14, the NRB injected net liquidity of Rs. 343.46 billion through the net purchase of US\$ 3.52 billion from foreign exchange market (commercial banks). Net liquidity of Rs. 285.03 billion was injected through the purchase of US\$ 3.22 billion in the previous year. The NRB purchased Indian currency (IC) equivalent to Rs. 307.98 billion by selling US\$ 3.14 billion in the review period. In the previous year, IC equivalent to Rs. 274.44 billion was purchased by selling US\$ 3.12 billion. Higher amount of IC purchase in the review year was on account of the widening trade deficit with India resulting from increasing imports of petroleum products and other goods.

**Table 1.8**  
**Situation of Foreign Exchange Transactions**

Particulars	<i>(Rs. in billion)</i>		
	2011/12	2012/13	2013/14
US\$ Purchase	258.28	286.04	345.82
US\$ Sale	0.00	1.01	2.36
Net Liquidity Injection	258.28	285.03	343.46
Purchase of Indian Currency by Selling US\$	213.95	274.44	307.98

## Status of Sources and Uses of Fund of Banks and Financial Institutions

### Commercial Banks

1.115 In 2013/14, the total assets/liabilities of commercial banks increased by 18 percent (Rs 224.27 billion) compared to a growth of 18.1 percent (Rs 190.43 billion) in the previous year.

1.116 In the review year, the deposit mobilization of commercial banks increased by 17.8 percent (Rs 180.90 billion) to Rs 1196.48 billion in mid-July 2014. Such deposit mobilization of commercial banks had increased by 17.9 percent (Rs. 153.89 billion) in the previous year. The current, saving and fixed deposits of commercial banks rose by 14.2 percent, 25.6 percent and 5.8 percent respectively in the review year. The growth figures were 17.7 percent, 17.8 percent and 16.1 percent respectively in the

previous year. The higher growth of net foreign assets was attributed for significant increase in the deposit mobilization in the review year.

- 1.117 The loans and advances of commercial banks increased by 13.7 percent (Rs 128.82 billion) to Rs. 1066.93 billion in mid-July 2014. Such loans and advances had increased by 19.1 percent in the previous year. Among the components of loans and advances, the share of private sector credit remained the highest as in the previous years, standing at 47.0 percent of GDP in mid-July 2014.
- 1.118 In the review year, credit to the private sector from the commercial banks increased by 18.7 percent (Rs 139.81 billion). Such credit had gone up by 21.6 percent (Rs 132.57 billion) in the previous year. Of the total private sector credit, the credit to the production sector increased by 17.4 percent (Rs 30.77 billion) in the review year compared to a growth of 22.7 percent in the previous year. Of the production sector, the growth of credit to the food, beverages, tobacco, printing and publication and cement production remained significantly high in the review year. The credit to the agriculture sector increased by 27.7 percent (Rs. 8.74 billion) in the review year. The credit to the wholesale and retail trade; finance, insurance and fixed assets; and the service sector grew by 27.1 percent (Rs 43.83 billion), 10.2 percent (Rs 6.73 billion) and 20.7 percent (Rs 11.77 billion) respectively. Such credit in the previous year had expanded by 25 percent, 6.3 percent and 24.1 percent respectively.
- 1.119 In the review year, commercial banks' investment in government securities decreased by 7.4 percent (Rs 10.86 billion) to Rs 136.37 billion in mid-July 2014. Such investment had increased by 14.1 percent in the previous year.
- 1.120 As of mid-July 2014, the liquid assets (including investment in government securities) of commercial banks amounted to Rs 403.48 billion that accounted for 33.7 percent of total deposits. The ratio of such assets to deposits was 35.6 percent in the previous year. Of the components of liquid assets, liquid fund increased by 24.4 percent in the review year. While the balance of commercial banks held abroad increased by 15.0 percent (Rs. 11.63 billion) to Rs. 88.90 billion, the balance with the NRB rose by 33.7 percent (Rs. 36.13 billion) to Rs. 143.48 billion in the review year.

### **Development Banks**

- 1.121 In the review year, the total assets/liabilities of development increased by 27.7 percent to Rs 255.37 billion in mid-July 2014. Of the total resources, the deposit mobilization of these banks increased by 29.1 percent to Rs 200.33 billion. Likewise, capital fund of developments grew by 11.2 percent.
- 1.122 In the review year, the loans and advances of development banks increased by 27.0 percent (Rs 47.45 billion) to Rs 223.34 billion in mid-July 2014 compared to the growth of 23.3 percent in the previous year. Among the components of loans and

advances, the private sector credit increased by 29.3 percent to Rs 166.79 billion which was 8.6 percent of GDP.

### **Finance Companies**

- 1.123 In the review year, the total assets/liabilities of finance companies increased by 4.7 percent to Rs 105.59 billion in mid-July 2014. The total resources of such companies had declined by 8.1 percent in the previous year. In the review year, the deposits, one of the major sources of fund, increased by 5.7 percent to Rs 72.08 billion compared to the decline of 9.6 percent in previous year. In the review year, the capital fund of finance companies declined by 2.4 percent to Rs 15.93 billion in mid-July 2014.
- 1.124 In the review year, loans and advances of finance companies rose by 4.3 percent (Rs 3.88 billion) to Rs 93.39 billion in mid-July 2014. Such figures had declined by 5.8 percent in the previous year. Of the components of loans and advances, the credit to the private sector contracted by 0.7 percent to Rs. 70.0 billion which was 3.6 percent of GDP.

### **Microfinance Institutions**

- 1.125 In the review year, the total assets/liabilities of “D” class microfinance institutions increased by 43.1 percent to Rs. 49.40 billion. Likewise, the total deposit mobilization of these institutions stood at Rs. 11.06 billion and borrowing reached Rs 28.16 billion. The total loans and investment reached Rs 35.80 billion and Rs. 3.01 billion respectively.

### **Cooperatives and Non-government Organizations**

- 1.126 The total assets/liabilities of cooperatives licensed by the NRB amounted to Rs. 21.03 billion in mid-July 2014. Likewise, the total deposit mobilization of these institutions stood at Rs. 15.87 billion whereas their loans and advances stood at Rs. 11.82 billion. The total investment comprising government securities, fixed deposits and other investments amounted to Rs 1.26 billion in mid-July 2014.
- 1.127 The total sources and uses of NGOs licensed by the NRB to undertake limited banking transactions amounted to Rs. 5.12 billion in mid-July 2014.



## Insurance Companies

1.128 Based on the data of the Insurance Board, the total assets/liabilities of insurance companies increased by 24.6 percent to Rs. 101.10 billion in mid-July 2014. The total premium collection was estimated at Rs. 28.42 billion (excluding National Insurance Corporation) compared to the collection of Rs. 24.85 billion in the previous year.

## Employees Provident Fund

1.129 The assets/liabilities of Employees Provident Fund increased by 17.1 percent to Rs. 170.64 billion in mid-July 2014. Such figure stood at Rs. 145.70 billion in the previous year. In the review year, the fund collected from the employees increased by 16.9 percent to Rs.164.52 billion in mid-July 2014. Such figure stood at Rs.140.71 billion a year ago.

## Citizen Investment Trust

1.130 The total assets/liabilities of Citizen Investment Trust (CIT) increased by 27.8 percent to Rs. 54.62 billion in mid-July 2014. Such figure stood at Rs. 42.75 billion in the previous year. Fund collection, a major component in the liabilities side, increased by 28.4 percent from Rs. 40.32 billion in the previous year to Rs. 51.78 billion in mid-July 2014. On the assets side, loans/advances reached Rs. 17.91 billion in mid-July 2014 from Rs. 11.74 billion a year ago.

## Postal Savings Bank

1.131 Of the total of 117 licensed Postal Savings Banks operating under Postal Service Department of GON, only 68 offices mobilized deposits as of mid-July 2014. The total deposits collected by these Banks reached Rs. 1.58 billion and the total number of accounts reached 62,642 in mid-July 2014. The total investment made by 59 offices of this Bank amounted to Rs. 462.7 million in mid-July 2014.

**Table 1.9**  
**Transactions of Postal Saving Banks**

Category	Mid-July 2013	Mod-July 2014
Number of Offices Licensed to accept Deposits	117	117
Number of Offices accepting Deposits	68	68
Number of Offices doing Investment	59	59
Number of Accounts	60,424	62,642
Total Deposits (Rs. in million)	1,397.0	1,581.0
Total Investment Outstanding (Rs. in million)	507.3	462.7

Source: Department of Postal Service, GON

## Deposit and Credit Guarantee Corporation Pvt. Limited

1.132 Deposit and Credit Guarantee Corporation has been providing credit guarantee services for priority sector along with the livestock and vegetable farming, foreign employment, micro and deprived sector loan, and small and medium-scale enterprise loan. The Corporation guaranteed total loan of Rs. 781.1 million and the total deposits of Rs. 252.76 billion by mid-July 2014 (Table 1.10). These figures increased by 44.4 percent and 9.4 percent respectively over the previous year.

**Table 1.10**

### Transactions of Deposit and Credit Guarantee Corporation

Category	Mid-July 2013	Mid-July 2014	Percentage
Total Deposit Guaranteed (Rs. in billion)	230.96	252.76	9.4
Total Credit Guaranteed (Rs. in million)	540.9	781.1	44.4

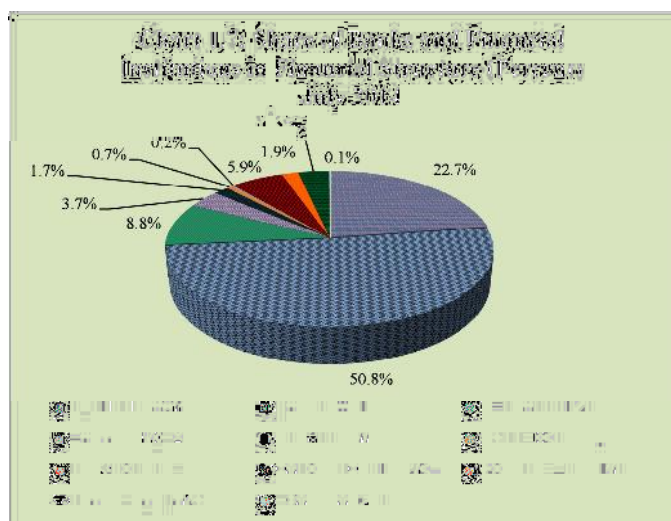
Source: Deposit and Credit Guarantee Corporation

## Credit Information Centre Limited

1.133 As per the information obtained from Credit Information Centre Limited, by mid-July 2013, the number of borrowers on blacklist was 4,953 while 1,894 borrowers were removed from the blacklist. In 2013/14, 738 defaulters were added to and 188 were removed from the blacklist. Consequently, the total number of defaulters blacklisted as in mid-July 2014 stood at 3609.

## Financial Structure

1.134 In the total assets/liabilities of banks and financial institutions, the share of commercial banks remained at 50.8 percent in mid-July 2014. Likewise, in mid-July 2014, the share of the NRB was 22.7 percent, development banks 8.8 percent, Employee Provident Fund 5.9 percent, finance companies 3.7 percent, insurance companies 3.5 percent and Citizen Investment Trust 1.9 percent.



1.135 Total assets/liabilities of the financial system including institutions mobilizing contractual savings remained at 149.7 percent of GDP in mid-July 2014.

## Financial Institutions and Branch Network

- 1.136 The number of banks and financial institutions (including the cooperatives and non-government organizations with limited banking) licensed by the NRB decreased to 248 in mid-July 2014 from 254 a year ago. The decline in the total number banks and financial institutions (BFIs) was due to the merger of 64 BFIs into 25 after the promulgation of Merger By-Law, 2011. Accordingly, in mid-July 2014, the number of commercial banks remained 30, development banks 84, finance companies 53 and micro-finance development banks remained 33. The number of deposit accounts and borrowers in mid-July 2014 totalled 13.1 million and 940,000 respectively in total in 'A', 'B' and 'C' class banks and financial institutions. Such numbers in mid-July 2013 stood at 11.1 million and 845,000 respectively.
- 1.137 Out of 37 “D” class microfinance institutions, there were 5 Grameen Bikas Banks, 28 replicators of Grameen Bank and 4 wholesale microfinance institutions in operation in mid-July 2014. On July 3, 2014, approval has been granted from NRB for the establishment of one national-level "Nepal Grameen Bikas Bank Ltd" with the merger of 4 rural development banks into Paschimanchal Grameen Bikas Bank. The number of deposit accounts and borrowers in these microfinance institutions reached 1.2 million and 1.1 million respectively. These microfinance institutions have provided services in 71 districts in mid-July 2014.
- 1.138 The number of NGOs licensed by the NRB for carrying out limited banking transactions remained 29 in mid-July 2014. The number of such NGOs was 31 a year ago. Likewise, the number of cooperatives licensed by the NRB remained 15 in mid-July 2014 compared to 16 in the previous year.
- 1.139 As in mid-July 2014, there were 279 banks and financial institutions in operation in total, which included 251 BFIs (248 licensed by the NRB and 3 other financial institutions), 25 insurance companies, and one each of Employees Provident Fund, Citizen Investment Trust and Postal Saving Bank.

**Table 1.11**  
**Number of Banks and Financial Institutions**

Banks and Financial Institutions	Mid-July 2013	Mid-July 2014
Commercial Banks	31	30
Development Banks	86	84
Finance Companies	59	53
Microfinance Development Banks	31	37
Cooperatives Licensed by the NRB (performing limited banking transactions)	16	15
NGOs Licensed by the NRB (per forming limited banking transactions)	31	29
Other insitutions*		3
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Saving Bank	1	1
<b>Total</b>	<b>282</b>	<b>279</b>

\* National Cooperative Bank Ltd., Kupandol, Lalitpur; Mushrek Bank P.S.C., Dubai and Hydropower Investment and Development Company Ltd., Babarmahal, Kathmandu

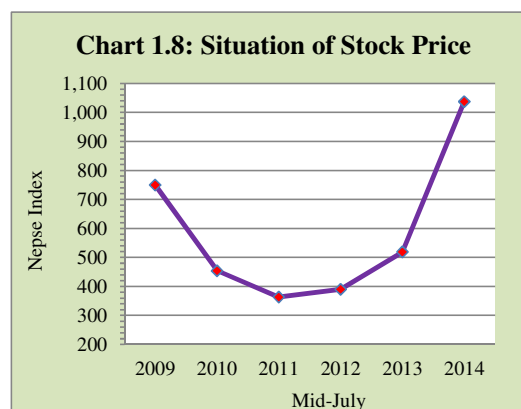
1.140 There was a significant increase in the branch network of banks and financial institutions in the review year. Until mid-July 2014, total number of branches of commercial banks reached 1547, development banks 818, finance companies 239 and microfinance development banks 826. Such branch network of commercial banks was 1486, development banks 764, finance companies 242 and microfinance development banks was 646 until mid-July 2013. Accordingly, on average, 7,724 people were potentially serviced by each branch of banks and financial institutions in mid-July 2014.

**Table 1.12**  
**Branch Network of Banks and Financial Institutions**

Banks and Financial Institutions	Mid-July 2013	Mid-July 2014
Commercial Banks	1486	1547
Development Banks	764	818
Finance Companies	242	239
Microfinance Development Banks	646	826
<b>Total</b>	<b>3138</b>	<b>3430</b>

## Securities Market

1.141 There was a significant improvement in the securities market in 2013/14. On year-on-year (y-o-y) basis, the NEPSE index increased by 99.9 percent to 1036.1 points in mid-July 2014. In the previous year, this index had increased by 33.0 percent to 518.3 points. The NEPSE sensitive index stood at 222.5 points in mid-July 2014 compared to the level of 130.3 points a year ago. Likewise, the NEPSE float index increased by 79.0 percent to 64.1 points in mid-July 2014.



1.142 The securities market transactions also increased remarkably in 2013/14. Compared to Rs. 22.05 billion in the previous year, the transaction value increased by 250.4 percent to Rs. 77.26 billion in the review year.

1.143 The y-o-y market capitalization increased by 105.5 percent to Rs. 1057.17 billion in mid-July 2014. Accordingly, the ratio of market capitalization to GDP stood at 54.8 percent in mid-July 2014 compared to its ratio at 30.4 percent a year ago. Of the total market capitalization, the share of banks and financial institutions (including insurance companies) stood at 77.6 percent while that of the manufacturing and processing companies remained at 1.9 percent, hotels at 2.4 percent, trading enterprises at 0.1 percent, hydropower at 8.7 percent and others at 9.3 percent.

1.144 Total paid-up capital of the listed companies increased by 16.2 percent to Rs. 146.52 billion in mid-July 2014. Such an increment in the paid-up capital was due to the addition of securities comprising ordinary share amounting to Rs. 7.59 billion, bonus share Rs. 7.10 billion and right share Rs. 6.03 billion listed in the NEPSE. Likewise, commercial banks' bonds amounting to Rs. 2.30 billion was also listed in the NEPSE during the review year.

1.145 Total number of companies listed in the NEPSE stood at 237 in mid-July 2014 which was 230 a year ago. Of the total listed companies, the number of banks and financial institutions (including insurance companies) was 204 followed by 18 productions and processing industries, 5 hydropower companies, 4 hotels, 4 trading enterprises and 2 other companies.

**Table 1**  
**World Economic Growth Rate, Price and Trade**

(Annual Percentage Change)

	2012	2013	Projection	
			2014	2015
World Production	3.4	3.3	3.3	3.8
Advanced Economies	1.2	1.4	1.8	2.3
United States	2.3	2.2	2.2	3.1
Euro Area	-0.7	-0.4	0.8	1.3
Japan	1.5	1.5	0.9	0.8
Emerging and Developing Economies	5.1	4.7	4.4	5.0
Emerging Developing Asia	6.7	6.6	6.5	6.6
China	7.7	7.7	7.4	7.1
India	4.7	5.0	5.6	6.4
Goods Price				
Fuel	1.0	-0.9	-1.3	-3.3
Non-fuel	-10.0	-1.2	-3.0	-4.1
Consumer Price				
Advanced Economies	2.0	1.4	1.6	1.8
Emerging and Developing Economies	6.1	5.9	5.5	5.6
World Trade	2.9	3.0	3.8	5.0
Import				
Developed Economies	1.2	1.4	3.7	4.3
Emerging and Developing Economies	6.1	5.3	4.4	6.1
Export				
Developed Economies	2.0	2.4	3.6	4.5
Emerging and Developing Economies	4.6	4.4	3.9	5.8

Source: International Monetary Fund, World Economic Outlook, October 2014

**Table 2**  
**Macroeconomic Indicators**

S.N.	Description	Percentage Change		
		2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>
1	Producers' Prices			
	(a) GDP at constant (2000/01) prices	4.8	3.9	5.5
	(b) GDP at current prices	11.7	10.8	13.9
2	Basic Prices			
	(a) GDP at constant (2000/01) prices	4.6	3.5	5.2
	(b) GDP at current prices	11.1	9.8	13.2
3	GNI at Current Prices	12.0	10.8	15.3
4	Total Consumption	15.6	11.9	15.4
5	Total Investment	1.5	18.6	14.5
6	Gross National Saving	19.1	13.1	31.4
7	Gross Fixed Capital Formation	8.4	20.5	16.7
8	Gross Domestic Saving	-12.1	1.9	0.6
9	Gross National Disposable Income	16.6	12.3	20.4
10	Money Supply (M1)	18.6	14.4	17.7
11	Broad Money Supply (M2)	22.7	16.4	19.1
12	Domestic Credit	9.3	17.2	10.6
13	Fixed Deposits	14.1	14.3	11.8
14	Total Exports	15.4	3.6	17.4
15	Total Imports	16.5	20.6	27.3
16	Gross Foreign Exchange Reserves	61.5	21.4	24.8
17	Government Revenue	22.3	21.1	20.5
18	Government Expenditure*	15.2	12.3	15.7
19	National Consumer Price Index	8.3	9.9	9.1
20	Wholesale Price Index	6.4	9.0	8.3
<b>As % of Nominal GDP at Producers' Prices</b>				
1	Total Consumption	89.0	89.9	91.1
2	Total Investment	34.5	36.9	37.1
3	Gross National Saving	39.5	40.3	46.4
4	Gross Fixed Capital Formation	20.8	22.6	23.1
5	Gross Domestic Saving	11.0	10.1	8.9
6	Gross National Disposable Income	128.5	130.2	137.5
7	Money Supply (M1)	17.3	17.8	18.4
8	Broad Money Supply (M2)	74.0	77.7	81.2
9	Domestic Credit	65.1	68.9	66.9
10	Fixed Deposits	22.3	23.0	22.6
11	Total Exports	4.9	4.5	4.7
12	Total Imports	30.2	32.9	36.75
13	Foreign Exchange Reserves	28.8	31.5	34.5
14	Government Revenue	16.0	17.5	18.5
15	Government Expenditure*	20.9	21.2	21.5
16	Government Budget Surplus/Deficit*	-1.5	-1.8	-0.6
17	Domestic Borrowings	2.4	1.1	1.0
18	Trade Balance	-25.4	-28.3	-32.1
19	Current Account Balance	5.0	3.4	4.66
20	Total Outstanding External Debt**	20.2	19.7	18.4

\* On cash basis.

\*\* Total outstanding external debt of 2013/14 is based on Eight Months' data.

Source: Economic Survey 2013/14.

**Table 3**  
**Sectoral Growth Rate of Gross Domestic Product**

(at 2000/01 prices)

(In Percent)

Particulars	Growth Rate		
	2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>
<b>1. Agriculture</b>	<b>4.6</b>	<b>1.1</b>	<b>4.7</b>
Agriculture and Forestry	4.6	1.1	4.7
Fishery	7.5	2.7	4.9
<b>2. Non-agriculture</b>	<b>4.5</b>	<b>4.6</b>	<b>5.3</b>
<b>Industry</b>	<b>3.0</b>	<b>2.5</b>	<b>2.7</b>
Mining and Quarrying	5.0	3.3	3.7
Manufacturing	3.6	3.7	1.9
Electricity, Gas & Water	8.3	0.3	4.8
Construction	0.2	1.9	2.9
<b>Service</b>	<b>5.0</b>	<b>5.2</b>	<b>6.1</b>
Wholesale & Retail Trade	3.5	6.8	8.8
Hotels & Restaurant	7.4	5.5	7.1
Transport, Storage & Communication	8.1	7.4	7.5
Financial Intermediation	3.5	-0.9	1.8
Real Estate, Renting & Business	3.0	2.7	3.0
Public Administration & Defence	3.7	5.5	5.7
Education	5.6	5.9	6.0
Health & Social Work	6.4	5.6	5.5
Other Community, Social & Personal Service	6.4	4.6	4.7
<b>GDP at basic prices</b>	<b>4.6</b>	<b>3.3</b>	<b>5.1</b>
<b>GDP at producers' prices</b>	<b>4.8</b>	<b>3.9</b>	<b>5.5</b>

R = Revised

P = Provisional

Source: Central Bureau of Statistics



**Table 4**  
**Agriculture Production Index**

Agricultural Commodities	Weight	Index			Percentage Change	
		2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>	2012/13	2013/14
<b>Cereals and other crops</b>	<b>49.46</b>	<b>133.4</b>	<b>128.1</b>	<b>137.9</b>	<b>-4.0</b>	<b>7.6</b>
Paddy	20.75	118.1	104.9	117.6	-11.2	12.0
Maize	6.88	152.5	139.9	153.7	-8.3	9.8
Wheat	7.14	134.0	136.7	144.9	2.0	6.1
Millet	1.37	114.8	111.3	110.8	-3.0	-0.5
Barley	0.22	78.3	78.1	82.0	-0.1	5.0
Potato	4.66	196.7	202.5	208.5	2.9	2.9
Sugarcane	1.24	132.5	132.5	137.9	0.0	4.1
Jute	0.17	88.0	94.6	94.9	7.5	0.3
Tobacco	0.06	64.4	61.2	59.9	-5.0	-2.1
Soyabeans	0.19	161.8	167.3	172.9	3.4	3.4
Pulses	4.41	129.1	142.9	148.4	10.6	3.9
Others	2.36	93.9	93.1	94.3	-0.9	1.4
<b>Vegetables, Horticultural, and Nursery Products</b>	<b>9.71</b>	<b>193.7</b>	<b>197.0</b>	<b>200.9</b>	<b>1.7</b>	<b>2.0</b>
Vegetables	9.69	193.3	196.6	200.4	1.7	2.0
Others	0.01	482.3	515.0	539.1	6.8	4.7
<b>Fruit, Nuts, Beverage and Spice Crops</b>	<b>7.08</b>	<b>199.9</b>	<b>209.4</b>	<b>217.0</b>	<b>4.8</b>	<b>3.6</b>
Orange	0.97	222.8	196.2	204.0	-11.9	4.0
Mango	1.56	194.8	223.5	236.4	14.7	5.8
Banana	0.40	324.0	372.0	377.7	14.8	1.5
Apple	0.42	153.9	134.6	144.4	-12.5	7.2
Spice	1.83	234.8	247.3	257.0	5.3	3.9
Tea	0.05	282.1	310.2	312.7	9.9	0.8
Coffee	0.00	477.5	411.2	449.4	-13.9	9.3
Others	1.85	139.7	147.0	147.9	5.2	0.7
<b>Farming of domestic animals</b>	<b>23.24</b>	<b>129.3</b>	<b>132.1</b>	<b>135.8</b>	<b>2.2</b>	<b>2.8</b>
Buffaloes' Meat	4.42	138.1	140.3	143.4	1.6	2.3
Mutton	3.24	140.0	144.0	154.3	2.9	7.1
Milk	12.36	141.5	146.0	151.2	3.2	3.5
Others	3.22	59.7	55.8	48.0	-6.5	-14.0
<b>Other animals production</b>	<b>2.44</b>	<b>188.4</b>	<b>200.0</b>	<b>188.3</b>	<b>6.1</b>	<b>-5.9</b>
Pigs' Meat	0.50	119.9	122.8	137.7	2.4	12.2
Poultry Meat	0.67	299.4	317.6	281.0	6.1	-11.5
Eggs	0.81	156.9	174.7	162.4	11.3	-7.0
Hides and skins	0.35	184.1	178.5	174.1	-3.1	-2.5
Others	0.10	84.5	84.0	84.1	-0.6	0.1
<b>Forestry Production</b>	<b>8.07</b>	<b>76.9</b>	<b>103.7</b>	<b>107.9</b>	<b>34.9</b>	<b>4.0</b>
<b>Overall Index</b>	<b>100.00</b>	<b>139.6</b>	<b>141.1</b>	<b>147.7</b>	<b>1.1</b>	<b>4.7</b>

R = Revised

P = Provisional

Source: Central Bureau of Statistics

**Table 5**  
**Production Index of Major Industrial Goods**

Particulars	Weight Percent	Index			Percentage Change	
		2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>	2012/13	2013/14
<b>Vegetable Oils &amp; Fats</b>	<b>9.62</b>	<b>84.43</b>	<b>89.56</b>	<b>93.54</b>	<b>6.1</b>	<b>4.4</b>
Vegetable ghee	5.72	55.68	62.54	45.87	12.3	-26.7
Mustard oil	1.32	119.89	126.37	96.42	5.4	-23.7
Soyabean oil	2.57	130.14	130.74	198.12	0.5	51.5
<b>Dairy Products</b>	<b>1.91</b>	<b>110.02</b>	<b>110.94</b>	<b>107.24</b>	<b>0.8</b>	<b>-3.3</b>
Processed milk	1.91	110.02	110.94	107.24	0.8	-3.3
<b>Grain Mill Products, Prepared Animal Feeds</b>	<b>9.35</b>	<b>111.28</b>	<b>111.34</b>	<b>126.37</b>	<b>0.1</b>	<b>13.5</b>
Rice	7.79	108.81	108.57	128.22	-0.2	18.1
Wheat flour	1.39	123.73	125.85	117.50	1.7	-6.6
Animal feed	0.16	123.11	120.22	113.75	-2.3	-5.4
<b>Other Food Products</b>	<b>6.45</b>	<b>123.29</b>	<b>134.62</b>	<b>154.09</b>	<b>9.2</b>	<b>14.5</b>
Biscuit	0.94	76.72	90.49	62.03	17.9	-31.5
Bread	1.07	145.10	145.90	169.01	0.6	15.8
Sugar	1.82	132.49	154.94	213.93	16.9	38.1
Chocolate	0.73	107.56	138.52	137.83	28.8	-0.5
Noodles	1.17	157.29	143.50	168.05	-8.8	17.1
Processed tea	0.72	89.10	105.74	94.63	18.7	-10.5
<b>Beverages</b>	<b>6.71</b>	<b>146.08</b>	<b>152.86</b>	<b>159.24</b>	<b>4.6</b>	<b>4.2</b>
Liquor rectified	2.21	144.93	130.99	152.13	-9.6	16.1
Beer	2.38	153.23	177.91	172.27	16.1	-3.2
Soft drink	2.13	139.26	147.54	152.04	5.9	3.1
<b>Tobacco Products</b>	<b>6.66</b>	<b>119.15</b>	<b>119.05</b>	<b>121.56</b>	<b>-0.1</b>	<b>2.1</b>
Cigarette	6.66	119.15	119.05	121.56	-0.1	2.1
<b>Textiles</b>	<b>6.31</b>	<b>70.52</b>	<b>74.60</b>	<b>60.89</b>	<b>5.8</b>	<b>-18.4</b>
Yarn	1.50	68.69	65.94	53.21	-4.0	-19.3
Cotton clothes	4.81	71.09	77.30	63.28	8.7	-18.1
<b>Other Textiles</b>	<b>4.17</b>	<b>102.32</b>	<b>102.71</b>	<b>113.09</b>	<b>0.4</b>	<b>10.1</b>
Woolen carpet	2.91	91.29	86.12	91.23	-5.7	5.9
Jute goods	1.26	127.80	141.03	163.56	10.4	16.0
<b>Wearing Apparel</b>	<b>1.17</b>	<b>96.87</b>	<b>111.14</b>	<b>121.44</b>	<b>14.7</b>	<b>9.3</b>
Garment	1.17	96.87	111.14	121.44	14.7	9.3
<b>Tanning and Dressing of Leather</b>	<b>0.53</b>	<b>81.45</b>	<b>81.71</b>	<b>68.40</b>	<b>0.3</b>	<b>-16.3</b>
Processed leather	0.53	81.45	81.71	68.40	0.3	-16.3
<b>Saw Milling and Planning of Wood</b>	<b>0.67</b>	<b>52.96</b>	<b>51.36</b>	<b>54.13</b>	<b>-3.0</b>	<b>5.4</b>
Wood sawn	0.67	52.96	51.36	54.13	-3.0	5.4
<b>Products of Wood</b>	<b>0.60</b>	<b>106.48</b>	<b>120.25</b>	<b>141.64</b>	<b>12.9</b>	<b>17.8</b>
Plywood	0.60	106.48	120.25	141.64	12.9	17.8
<b>Paper &amp; Paper Products</b>	<b>2.57</b>	<b>83.96</b>	<b>86.27</b>	<b>85.98</b>	<b>2.8</b>	<b>-0.3</b>
Paper excluding newsprint	0.57	80.55	86.71	70.97	7.6	-18.2
Cartoon box	2.00	84.94	90.29	90.29	1.4	4.8
<b>Refined Petroleum Products</b>	<b>1.04</b>	<b>98.44</b>	<b>102.40</b>	<b>132.65</b>	<b>4.0</b>	<b>29.5</b>
Lube oil	1.04	98.44	102.40	132.65	4.0	29.5
<b>Basic Chemical</b>	<b>1.19</b>	<b>80.28</b>	<b>92.05</b>	<b>94.77</b>	<b>14.7</b>	<b>3.0</b>
Rosin	1.19	80.28	92.05	94.77	14.7	3.0
<b>Other Chemical Products</b>	<b>5.35</b>	<b>121.08</b>	<b>132.80</b>	<b>123.32</b>	<b>9.7</b>	<b>-7.1</b>
Paint	0.75	172.70	183.44	213.96	6.2	16.6
Medicine	1.63	128.94	144.13	153.34	11.8	6.4
Soap	2.97	103.73	113.80	83.95	9.7	-26.2
<b>Plastic Product</b>	<b>5.74</b>	<b>112.57</b>	<b>121.93</b>	<b>139.77</b>	<b>8.3</b>	<b>14.6</b>
Plastic product	5.74	112.57	121.93	139.77	8.3	14.6
<b>Non-Metallic Mineral Products</b>	<b>7.92</b>	<b>122.98</b>	<b>126.99</b>	<b>144.72</b>	<b>3.3</b>	<b>14.0</b>
Bricks	1.62	93.59	103.98	106.44	11.1	2.4
Cement	5.28	135.16	136.83	169.06	1.2	23.6
Concrete	0.76	92.54	90.71	47.88	-2.0	-47.2
Hume pipe	0.26	147.75	176.64	171.87	19.6	-2.7
<b>Other Fabricated Metal Product</b>	<b>11.71</b>	<b>112.57</b>	<b>122.62</b>	<b>131.69</b>	<b>8.9</b>	<b>7.4</b>
Iron rod & billets	5.54	110.78	117.20	131.26	5.8	12.0
GI pipe	6.17	114.18	127.48	132.08	11.6	3.6
<b>Casting of Metals</b>	<b>0.86</b>	<b>118.31</b>	<b>101.72</b>	<b>84.04</b>	<b>-14.0</b>	<b>-17.4</b>
Domestic metal product	0.31	87.47	75.31	90.58	-13.9	20.3
Aluminium products	0.55	135.68	116.61	80.35	-14.1	-31.1
<b>Other Fabricated Metal Product</b>	<b>7.17</b>	<b>135.94</b>	<b>132.81</b>	<b>154.81</b>	<b>-2.3</b>	<b>16.6</b>
Structural metal product	7.17	135.94	132.81	154.81	-2.3	16.6
<b>Electric Machinery Apparatus</b>	<b>1.74</b>	<b>154.13</b>	<b>132.09</b>	<b>167.61</b>	<b>-14.3</b>	<b>26.9</b>
Electrical wire & cable	1.74	154.13	132.09	167.61	-14.3	26.9
<b>Furniture Manufacture</b>	<b>0.56</b>	<b>103.66</b>	<b>111.81</b>	<b>125.32</b>	<b>7.9</b>	<b>12.1</b>
Furniture	0.56	103.66	111.81	125.32	7.9	12.1
<b>Overall Manufacturing Production Index</b>	<b>100.00</b>	<b>111.62</b>	<b>116.03</b>	<b>124.80</b>	<b>3.9</b>	<b>7.6</b>

P = Provisional

Source: Central Bureau of Statistics

**Table 6**  
**National Consumer Price Index**

**(Annual Average)**  
(Base Year: 2005/06=100)

Groups/Sub-Groups	Weight %	2011/12	2012/13	2013/14	Percentage Change	
					2012/13	2013/14
<b>Overall Index</b>	<b>100.00</b>	<b>165.4</b>	<b>181.7</b>	<b>198.2</b>	<b>9.9</b>	<b>9.1</b>
<b>1. Food &amp; Beverage</b>	<b>46.82</b>	<b>195.2</b>	<b>214.0</b>	<b>238.8</b>	<b>9.6</b>	<b>11.6</b>
Cereal Grains & their Products	14.81	175.7	191.6	212.9	9.1	11.1
Legume Varieties	2.01	192.9	217.0	227.6	12.5	4.9
Vegetables	5.65	269.6	285.0	343.4	5.7	20.5
Meat & Fish	5.70	200.3	229.2	270.9	14.4	18.2
Milk Products & Egg	5.01	193.9	210.6	225.7	8.6	7.2
Fruits	2.70	167.9	191.0	192.8	13.8	1.0
Ghee & Oil	2.23	216.0	229.5	260.9	6.3	13.7
Sugar & Sweets	1.36	231.9	263.7	253.7	13.7	-3.8
Spices	1.46	196.0	205.8	225.5	5.0	9.5
Soft Drinks	0.96	176.0	195.4	200.3	11.0	2.5
Hard Drinks	1.72	148.6	160.5	187.5	8.0	16.9
Tobacco Products	0.85	191.4	217.8	258.8	13.8	18.8
Restaurant Food	2.35	212.3	237.5	262.6	11.9	10.6
<b>2. Non-Food &amp; Services</b>	<b>53.18</b>	<b>143.4</b>	<b>157.8</b>	<b>168.5</b>	<b>10.0</b>	<b>6.8</b>
Clothing & Footwear	8.49	162.3	182.0	202.2	12.1	11.1
Housing & Utilities	10.87	142.3	157.4	165.4	10.6	5.1
Furnishing & Household Equipment	4.89	162.6	184.2	201.1	13.3	9.2
Health	3.25	128.3	137.0	147.1	6.8	7.3
Transport	6.01	157.3	174.4	183.7	10.8	5.4
Communication	3.64	82.2	80.5	80.9	-2.0	0.4
Recreation & Culture	5.39	129.4	140.1	149.4	8.2	6.7
Education	8.46	156.6	175.6	189.0	12.1	7.6
Miscellaneous Goods & Services	2.17	145.2	159.8	171.4	10.1	7.3
<b>Consumer Price Index - Kathmandu Valley</b>						
<b>Overall Index</b>	<b>100.0</b>	170.6	187.2	204.2	9.7	9.1
1. Food & Beverage	49.7	201.4	221.4	248.6	9.9	12.3
2. Non-Food & Services	50.3	145.7	158.0	168.6	8.4	6.7
<b>Consumer Price Index - Terai</b>						
<b>Overall Index</b>	<b>100.0</b>	159.7	176.0	193.0	10.2	9.6
1. Food & Beverage	44.5	188.4	204.9	232.2	8.7	13.3
2. Non-Food & Services	55.5	140.2	156.6	166.8	11.7	6.5
<b>Consumer Price Index - Hills</b>						
<b>Overall Index</b>	<b>100.0</b>	168.9	185.0	199.9	9.5	8.1
1. Food & Beverage	47.3	199.3	217.5	238.3	9.1	9.6
2. Non-Food & Services	52.7	145.9	161.0	171.0	10.4	6.2

**Table 7**  
**National Wholesale Price Index**  
**(Annual Average)**  
 (Base Year: 1999/2000=100)

Groups/Sub-Groups	Weight %	2011/12	2012/13	2013/14	Percentage Change	
					2012/13	2013/14
<b>1. Overall Index</b>	<b>100.0</b>	<b>237.0</b>	<b>258.3</b>	<b>279.69</b>	<b>9.0</b>	<b>8.3</b>
<b>1.1 Agricultural Commodities</b>	<b>49.6</b>	<b>252.8</b>	<b>279.6</b>	<b>311.13</b>	<b>10.6</b>	<b>11.3</b>
Foodgrains	16.6	203.7	222.7	244.48	9.3	9.8
Cash Crops	6.1	279.7	351.3	353.43	25.6	0.6
Pulses	3.8	266.2	299.7	291.60	12.6	-2.7
Fruits & Vegetables	11.2	251.4	253.3	285.68	0.8	12.8
Spices	1.9	229.7	237.1	307.52	3.2	29.7
Livestock Production	10.0	318.7	360.3	432.08	13.0	19.9
<b>1.2 Domestic Manufactured Commodities</b>	<b>20.4</b>	<b>213.9</b>	<b>224.9</b>	<b>238.38</b>	<b>5.2</b>	<b>6.0</b>
Food-Related Products	6.1	202.7	219.8	230.46	8.4	4.9
Beverages & Tobacco	5.7	231.4	238.4	258.87	3.0	8.6
Construction Materials	4.5	250.9	261.7	276.27	4.3	5.6
Others	4.1	165.3	173.1	179.55	4.7	3.7
<b>1.3 Imported Commodities</b>	<b>30.0</b>	<b>226.6</b>	<b>245.6</b>	<b>255.87</b>	<b>8.4</b>	<b>4.2</b>
Petroleum Products & Coal	5.4	441.2	523.6	557.85	18.7	6.5
Chemical Fertilizers & Chemical Goods	2.5	206.7	223.0	232.39	7.9	4.2
Transport Vehicles & Machinery Goods	7.0	185.9	188.4	188.19	1.4	-0.1
Electric & Electronic Goods	1.9	111.2	110.8	120.33	-0.4	8.6
Drugs & Medicine	2.7	138.1	146.1	144.00	5.8	-1.4
Textile-Related Products	3.1	167.3	171.3	176.53	2.4	3.1
Others	7.4	202.1	206.4	216.47	2.1	4.9

**Table 8**  
**National Salary and Wage Rate Index**  
**(2004/05 = 100)**

	Groups/Sub-Groups	Weight %	2010/11	2011/12	2012/13	2013/14	Percentage Change	
							2012/13	2013/14
	<b>Overall Index</b>	<b>100.00</b>	<b>199.7</b>	<b>254.4</b>	<b>277.9</b>	<b>316.0</b>	<b>9.2</b>	<b>13.7</b>
<b>1.</b>	<b>Salary Index</b>	<b>26.97</b>	<b>157.0</b>	<b>187.3</b>	<b>187.3</b>	<b>234.8</b>	<b>0.0</b>	<b>25.4</b>
	Officers	9.80	150.2	177.7	177.7	215.4	0.0	21.2
	Non-Officers	17.17	160.9	192.7	192.8	246.0	0.1	27.6
<b>1.1</b>	<b>Civil Service</b>	<b>2.82</b>	<b>199.3</b>	<b>236.5</b>	<b>236.5</b>	<b>309.6</b>	<b>0.0</b>	<b>30.9</b>
	Officers	0.31	171.5	215.4	215.4	262.2	0.0	21.7
	Non-Officers	2.51	202.7	239.1	239.1	315.3	0.0	31.9
<b>1.2</b>	<b>Public Corporations</b>	<b>1.14</b>	<b>164.1</b>	<b>208.6</b>	<b>210.0</b>	<b>263.4</b>	<b>0.7</b>	<b>25.4</b>
	Officers	0.19	161.0	186.5	187.3	214.3	0.4	14.4
	Non Officers	0.95	164.7	213.0	214.5	273.2	0.7	27.4
<b>1.3</b>	<b>Bank &amp; Financial Institutions</b>	<b>0.55</b>	<b>204.1</b>	<b>290.6</b>	<b>290.6</b>	<b>417.6</b>	<b>0.0</b>	<b>43.7</b>
	Officers	0.10	182.3	250.0	250.0	324.3	0.0	29.7
	Non-Officers	0.45	209.0	299.9	299.9	439.0	0.0	46.4
<b>1.4</b>	<b>Army &amp; Police Forces</b>	<b>4.01</b>	<b>180.2</b>	<b>227.9</b>	<b>227.9</b>	<b>304.9</b>	<b>0.0</b>	<b>33.8</b>
	Officers	0.17	152.2	194.8	194.8	237.4	0.0	21.9
	Non-Officers	3.84	181.5	229.4	229.4	308.0	0.0	34.3
<b>1.5</b>	<b>Education</b>	<b>10.55</b>	<b>174.5</b>	<b>207.8</b>	<b>207.8</b>	<b>268.1</b>	<b>0.0</b>	<b>29.0</b>
	Officers	6.80	164.5	194.7	194.7	243.9	0.0	25.3
	Non-Officers	3.75	192.8	231.6	231.6	312.0	0.0	34.7
<b>1.6</b>	<b>Private Institutions</b>	<b>7.90</b>	<b>102.5</b>	<b>111.3</b>	<b>111.3</b>	<b>111.3</b>	<b>0.0</b>	<b>0.0</b>
	Officers	2.24	101.4	115.3	115.3	115.3	0.0	0.0
	Non-Officers	5.66	102.9	109.7	109.7	109.7	0.0	0.0
<b>2.</b>	<b>Wage Rate Index</b>	<b>73.03</b>	<b>215.5</b>	<b>279.2</b>	<b>311.4</b>	<b>345.9</b>	<b>11.5</b>	<b>11.1</b>
<b>2.1</b>	<b>Agricultural Labourer</b>	<b>39.49</b>	<b>247.8</b>	<b>320.0</b>	<b>360.9</b>	<b>392.4</b>	<b>12.8</b>	<b>8.7</b>
	Male	20.49	251.8	322.4	354.5	377.8	10.0	6.6
	Female	19.00	243.4	317.4	367.6	408.1	15.8	11.0
<b>2.2</b>	<b>Industrial Labourer</b>	<b>25.25</b>	<b>173.3</b>	<b>225.0</b>	<b>248.2</b>	<b>293.1</b>	<b>10.3</b>	<b>18.1</b>
	Highly Skilled	6.31	169.5	214.0	233.8	272.6	9.3	16.6
	Skilled	6.31	168.6	220.4	242.2	290.0	9.9	19.7
	Semi-Skilled	6.31	169.5	221.8	246.9	290.1	11.3	17.5
	Unskilled	6.32	185.6	243.7	269.8	319.7	10.7	18.5
<b>2.3</b>	<b>Construction Labourer</b>	<b>8.29</b>	<b>189.9</b>	<b>250.3</b>	<b>268.2</b>	<b>285.9</b>	<b>7.2</b>	<b>6.6</b>
	Mason	2.76	179.2	235.3	248.9	264.1	5.8	6.1
	<i>Skilled</i>	1.38	177.0	226.1	240.6	255.7	6.4	6.3
	<i>Unskilled</i>	1.38	181.3	244.5	257.1	272.6	5.2	6.0
	Carpenter	2.76	169.8	227.5	243.6	252.6	7.1	3.7
	<i>Skilled</i>	1.38	167.0	217.7	235.0	244.2	7.9	3.9
	<i>Unskilled</i>	1.38	172.0	237.2	252.2	261.0	6.3	3.5
	Worker	2.77	220.0	288.1	312.0	340.7	8.3	9.2
	<i>Male</i>	1.38	221.7	292.2	315.3	345.6	7.9	9.6
	<i>Female</i>	1.39	219.5	283.9	308.7	335.8	8.7	8.8

**Table 9**  
**Direction of Foreign Trade\***

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Percentage Change	
				2012/13	2013/14
<b>TOTAL EXPORTS</b>	<b>74261.00</b>	<b>76917.06</b>	<b>90292.30</b>	<b>3.6</b>	<b>17.4</b>
To India	49616.30	50999.77	59417.30	2.8	16.5
To Other Countries	24644.70	25917.29	30875.00	5.2	19.1
<b>TOTAL IMPORTS</b>	<b>461667.70</b>	<b>556740.28</b>	<b>708761.80</b>	<b>20.6</b>	<b>27.3</b>
From India	299389.60	367031.31	472730.60	22.6	28.8
From Other Countries	162278.10	189708.97	236031.20	16.9	24.4
<b>TOTAL TRADE BALANCE</b>	<b>-387406.70</b>	<b>-479823.22</b>	<b>-618469.50</b>	<b>23.9</b>	<b>28.9</b>
From India	-249773.30	-316031.55	-413313.30	26.5	30.8
From Other Countries	-137633.40	-163791.68	-205156.20	19.0	25.3
<b>TOTAL FOREIGN TRADE</b>	<b>535928.70</b>	<b>633657.34</b>	<b>799054.10</b>	<b>18.2</b>	<b>26.1</b>
From India	349005.90	418031.08	532147.90	19.8	27.3
From Other Countries	186922.80	215626.27	266906.20	15.4	23.8

(Percent)

<b>1. Ratio of Export to Import</b>	16.1	13.8	12.7
India	16.6	13.9	12.6
Other Countries	15.2	13.7	13.1
<b>2. Share in Total Export</b>			
India	66.8	66.3	65.8
Other Countries	33.2	33.7	34.2
<b>3. Share in Total Import</b>			
India	64.8	65.9	66.7
Other Countries	35.2	34.1	33.3
<b>4. Share in Trade Balance</b>			
India	64.5	65.9	66.8
Other Countries	35.5	34.1	33.2
<b>5. Share in Total Trade</b>			
India	65.1	66.0	66.6
Other Countries	34.9	34.0	33.4
<b>6. Share of Export &amp; Import in Total Trade</b>			
Export	13.9	12.1	11.3
Import	86.1	87.9	88.7

\* Based on customs data

P = Provisional

**Table 10**  
**Exports of Major Commodities to India\***

(Rs. in Million)

		Fiscal Year			Percent Change	
		2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>A.</b>	<b>Major Commodities</b>	<b>41468.1</b>	<b>45965.7</b>	<b>49322.2</b>	<b>10.8</b>	<b>7.3</b>
1	Polyester Yarn	3657.2	4742.0	5153.3	29.7	8.7
2	Textiles**	5130.3	5618.2	5779.2	9.5	2.9
3	Thread	2628.2	105.0	180.2	-96.0	71.6
4	Jute Sackings	2102.4	3673.1	3578.6	74.7	-2.6
5	Zinc sheet	3343.4	4948.4	6177.0	48.0	24.8
6	Juice	3027.1	3801.6	4431.5	25.6	16.6
7	Catechu	1002.5	0.0	0.0	-	-
8	Cardamom	3275.5	3849.6	4267.2	17.5	10.8
9	Wire	1809.6	2728.3	2070.2	50.8	-24.1
10	M.S. Pipe	797.8	0.0	213.0	-	-
11	Tooth Paste	1099.0	936.0	1133.2	-14.8	21.1
12	Copper Wire Rod	1213.2	1184.2	1426.9	-2.4	20.5
13	Noodles	458.3	357.3	522.4	-22.0	46.2
14	Shoes and Sandles	1341.4	1695.8	1962.0	26.4	15.7
15	G.I. Pipe	1593.2	3563.0	3031.0	123.6	-14.9
16	Jute Twines	867.8	435.3	718.0	-49.8	65.0
17	Oil Cakes	642.7	637.6	702.9	-0.8	10.2
18	Soap	244.2	62.2	25.6	-74.5	-58.8
19	Stone and Sand	905.7	724.5	1863.1	-20.0	157.2
20	Jute Hessian	1094.5	0.0	5.6	-	-
21	Rosin	315.2	1117.8	1392.5	254.6	24.6
22	Ginger	386.9	1311.6	451.7	239.0	-65.6
23	Aluminium Section	312.2	379.6	376.9	21.6	-0.7
24	Readymade Garment	386.0	148.4	310.5	-61.6	109.3
25	Skin	382.4	229.9	264.4	-39.9	15.0
26	Herbs	89.9	313.4	244.1	248.6	-22.1
27	Plastic Utensils	721.1	986.2	352.2	36.8	-64.3
28	Cattlefeed	83.3	26.6	267.0	-68.1	-
29	Medicine (Ayurvedic)	848.3	671.0	894.7	-20.9	33.3
30	Ricebran Oil	191.1	133.9	195.4	-29.9	45.9
31	Ghee (Clarified)	371.0	135.8	155.9	-63.4	14.8
32	Turpentine	81.1	240.8	267.6	197.0	11.1
33	Particle Board	183.7	186.9	155.9	1.8	-16.6
34	Brans	70.5	187.5	181.5	166.0	-3.2
35	Raw Jute	0.0	43.7	43.7	-	-
36	Pashmina	41.6	55.3	55.2	32.9	-0.2
37	Brooms	74.8	2.6	1.2	-96.5	-53.2
38	Paper	6.4	0.5	0.1	-92.3	-84.3
39	Live Animals	248.8	409.7	196.7	64.7	-52.0
40	Marble Slab	1.9	152.1	23.3	-	-84.7
41	Pulses	202.5	0.9	3.8	-99.6	326.3
42	Cinnamon	63.1	49.8	64.5	-21.1	29.5
43	Chemicals	8.6	0.2	0.0	-98.0	-100.0
44	Vegetables	68.1	72.5	122.8	6.4	69.5
45	Handicraft Goods	73.2	22.1	20.0	-69.7	-9.5
46	Mustard & Linseed	6.3	2.9	17.5	-54.4	-
47	Ghee (Vegetable)	0.0	0.0	0.0	-	-
48	Fruits	2.7	9.9	16.2	266.1	63.4
49	Turmeric	2.2	11.7	4.4	429.7	-62.1
50	Biscuits	0.0	0.5	1.5	-	-
<b>B.</b>	<b>Others</b>	<b>8148.3</b>	<b>5034.1</b>	<b>10095.1</b>	<b>-38.2</b>	<b>100.5</b>
	<b>Total(A+B)</b>	<b>49616.3</b>	<b>50999.8</b>	<b>59417.3</b>	<b>2.8</b>	<b>16.5</b>

\* Based on customs data

\*\* Includes PP fabric

P = Provisional

**Table 11**  
**Imports of Major Commodities from India\***

(Rs. in Million)

		Fiscal Year			Percent Change	
		2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>A.</b>	<b>Major Commodities</b>	<b>237116.1</b>	<b>296790.4</b>	<b>373286.4</b>	<b>25.2</b>	<b>25.8</b>
1	Petroleum Products	92255.6	107138.8	131331.7	16.1	22.6
2	Vehicles & Spare Parts	17051.0	26297.6	32963.4	54.2	25.3
3	M.S. Billet	19437.3	22303.6	24674.8	14.7	10.6
4	Other Machinery & Parts	8342.0	12014.3	15561.5	44.0	29.5
5	Medicine	10383.4	13337.4	15112.4	28.4	13.3
6	Coldrolled Sheet in Coil	7467.9	2691.9	6524.6	-64.0	142.4
7	M.S. Wires, Rods, Coils, Bars	6761.0	4090.0	6480.3	-39.5	58.4
8	Electrical Equipment	7009.8	6574.0	7642.7	-6.2	16.3
9	Hotrolled Sheet in Coil	5542.6	5688.7	11678.7	2.6	105.3
10	Cement	3300.1	9425.2	9710.4	185.6	3.0
11	Agri. Equip. & Parts	4145.8	7380.3	8508.1	78.0	15.3
12	Chemicals	4072.9	2559.4	2973.0	-37.2	16.2
13	Thread	4132.5	3887.6	9565.0	-5.9	146.0
14	Chemical Fertilizer	4506.5	8485.5	8025.0	88.3	-5.4
15	Textiles	2410.5	2899.7	3663.5	20.3	26.3
16	Coal	5550.4	7009.9	8721.3	26.3	24.4
17	Tobacco	1916.8	2068.2	2133.8	7.9	3.2
18	Vegetables	2589.5	4548.6	6191.1	75.7	36.1
19	Cosmetics	1944.8	1187.2	1581.7	-39.0	33.2
20	Paper	2278.1	3678.3	4811.5	61.5	30.8
21	Rice	4267.0	8455.8	12379.4	98.2	46.4
22	Readymade Garments	2991.0	2800.6	3764.2	-6.4	34.4
23	Glass Sheet and G.Wares	1692.7	2573.8	3068.7	52.1	19.2
24	Aluminium Bars, Rods, Profiles, Foil etc.	1289.6	1615.5	1959.9	25.3	21.3
25	Tyre, Tubes & Flapes	1780.0	2867.2	3640.5	61.1	27.0
26	Radio, TV, Deck & Parts	1015.7	1153.2	1033.3	13.5	-10.4
27	Enamel & Other Paints	1064.5	1332.2	1854.4	25.1	39.2
28	Books and Magazines	801.9	1336.3	1404.7	66.6	5.1
29	Baby Food & Milk Products	979.1	3599.6	4827.4	267.6	34.1
30	Sugar	99.4	1061.2	59.7	-	-94.4
31	Pipe and Pipe Fittings	800.8	853.8	1001.6	6.6	17.3
32	Insecticides	942.4	1102.7	1444.7	17.0	31.0
33	Salt	721.3	936.4	1228.4	29.8	31.2
34	Bitumen	517.9	612.5	1000.1	18.3	63.3
35	Wire Products	806.6	861.7	1124.7	6.8	30.5
36	Fruits	857.6	1305.1	2255.5	52.2	72.8
37	Sanitaryware	1139.5	2375.6	2779.9	108.5	17.0
38	Other Stationery Goods	461.4	250.6	295.5	-45.7	17.9
39	Cuminseeds and Peppers	702.3	1160.2	1274.4	65.2	9.8
40	Drycell Battery	1446.0	2900.1	3448.8	100.6	18.9
41	Shoes & Sandles	337.6	424.3	595.6	25.7	40.4
42	Plastic Utensils	294.2	1727.3	2206.1	-	27.7
43	Incense Sticks	272.3	553.5	672.1	103.3	21.4
44	Cooking Stoves	164.9	156.9	239.0	-4.8	52.3
45	Live Animals	422.9	1005.9	1466.2	137.9	45.8
46	Raw Cotton	61.6	357.4	255.8	-	-28.4
47	Tea	29.0	50.0	46.0	72.4	-8.0
48	Molasses Sugar	49.7	74.6	60.7	50.0	-18.6
49	Steel Sheet	8.7	19.8	44.7	128.1	125.0
<b>B.</b>	<b>Others</b>	<b>62273.5</b>	<b>70240.8</b>	<b>99444.1</b>	<b>12.8</b>	<b>41.6</b>
	<b>Total (A+B)</b>	<b>299389.6</b>	<b>367031.2</b>	<b>472730.6</b>	<b>22.6</b>	<b>28.8</b>

\* Based on customs data

P = Provisional



**Table 12**  
**Exports of Major Commodities to Other Countries\***

(Rs. in Million)

		Fiscal Year			Percent Change	
		2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>A.</b>	<b>Major Commodities</b>	<b>19152.6</b>	<b>15471.3</b>	<b>18883.3</b>	<b>-19.2</b>	<b>22.1</b>
1	Woolen Carpet	6938.0	6075.0	7364.7	-12.4	21.2
2	Pulses	2497.0	2671.4	2043.9	7.0	-23.5
3	Readymade Garments	4006.3	3083.3	4222.8	-23.0	37.0
4	Pashmina	3230.3	1655.2	2085.1	-48.8	26.0
5	Handicraft (Metal and Wooden)	510.1	214.3	379.6	-58.0	77.2
6	Nepalese Paper & Paper Products	587.3	244.2	287.6	-58.4	17.8
7	Tanned Skin	723.5	1005.4	1119.2	39.0	11.3
8	Herbs	197.7	9.0	852.8	-95.5	-
9	Silverware and Jewelleries	110.0	76.3	117.2	-30.6	53.5
10	Tea	251.8	224.9	203.7	-10.7	-9.4
11	Readymade Leather Goods	100.6	212.4	206.7	111.1	-2.7
12	Nigerseed	0.0	0.0	0.2	-	-
<b>B.</b>	<b>Others</b>	<b>5492.1</b>	<b>10446.0</b>	<b>11991.7</b>	<b>90.2</b>	<b>14.8</b>
	<b>Total (A+B)</b>	<b>24644.7</b>	<b>25917.3</b>	<b>30875.0</b>	<b>5.2</b>	<b>19.1</b>

\* Based on customs data

P Provisional

**Table 13**  
**Imports of Major Commodities from Other Countries\***

(Rs. in Million)

		Fiscal Year			Percent Change	
		2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>A.</b>	<b>Major Commodities</b>	<b>119481.0</b>	<b>145518.7</b>	<b>181721.5</b>	<b>21.8</b>	<b>24.9</b>
1	Gold	25770.4	26113.9	24794.1	1.3	-5.1
2	Telecommunication Equip. Parts	8459.0	13489.4	14018.7	59.5	3.9
3	Other Machinery & Parts	7197.5	8131.0	10875.2	13.0	33.7
4	Electrical Goods	7311.6	5795.0	7468.4	-20.7	28.9
5	Polythene Granules	5786.7	4524.6	7801.7	-21.8	72.4
6	Computer and Parts	6150.3	4543.3	4774.0	-26.1	5.1
7	Crude Soyabean Oil	9962.3	10627.5	14778.5	6.7	39.1
8	Transport Equip.& Parts	2859.3	3590.7	6360.6	25.6	77.1
9	Medicine	1976.1	2634.3	3163.8	33.3	20.1
10	Betelnut	1639.2	2774.6	7382.6	69.3	166.1
11	Silver	4370.9	8783.1	12711.2	100.9	44.7
12	Threads	1887.1	1620.5	2955.5	-14.1	82.4
13	Aircraft Spareparts	1406.1	2062.9	2542.9	46.7	23.3
14	Steel Rod & Sheet	288.7	36.4	53.0	-87.4	45.4
15	Crude Palm Oil	4210.6	3390.8	4133.6	-19.5	21.9
16	Medical Equip.& Tools	2588.1	3203.83	4616.11	23.8	44.1
17	Copper Wire Rod, Scrapes & Sheets	1875.2	1229.3	3063.6	-34.4	149.2
18	Petroleum Products	1682.1	2261.7	1832.7	34.5	-19.0
19	Video Television & Parts	2614.7	4143.0	5261.8	58.5	27.0
20	Writing & Printing Paper	1757.8	1728.9	2254.9	-1.6	30.4
21	Textiles	1275.2	2594.5	4707.8	103.5	81.5
22	Readymade Garments	1047.3	5454.5	6777.4	420.8	24.3
23	Storage Battery	1198.2	1075.9	1365.2	-10.2	26.9
24	P.V.C. Compound	970.5	967.8	1724.9	-0.3	78.2
25	Raw Wool	657.2	1050.1	1554.3	59.8	48.0
26	Cosmetic Goods	907.6	935.2	1173.1	3.0	25.4
27	Office Equip.& Stationery	1085.3	787.9	949.1	-27.4	20.5
28	Chemical Fertilizer	2291.3	4838.7	6082.7	111.2	25.7
29	Edible Oil	2794.1	2606.0	2352.3	-6.7	-9.7
30	M.S. Billet	569.5	0.0	0.0	-	-
31	Other Stationeries	559.1	909.6	2991.1	62.7	228.8
32	Palm Oil	312.6	353.2	429.1	13.0	21.5
33	Shoes and Sandals	426.5	2062.7	2346.5	383.6	13.8
34	Pipe & Pipe Fittings	126.1	2724.4	417.2	-	-84.7
35	Synthetic Carpet	413.8	383.3	406.3	-7.4	6.0
36	Tyre, Tube & Flaps	584.8	626.8	522.5	7.2	-16.6
37	Textile Dyes	88.0	140.7	231.0	59.9	64.2
38	M.S. Wire Rod	135.6	1413.2	44.1	-	-96.9
39	Zinc Ingot	234.7	95.2	100.3	-59.4	5.4
40	Tello	447.7	394.3	174.0	-11.9	-55.9
41	Glasswares	776.1	583.2	628.6	-24.8	7.8
42	Camera	442.5	715.3	1174.7	61.7	64.2
43	Toys	211.0	433.7	517.4	105.6	19.3
44	Watches & Bands	252.1	369.6	471.8	46.6	27.7
45	Umbrella and Parts	220.5	254.2	299.7	15.3	17.9
46	Small Cardamom	286.9	603.4	724.7	110.3	20.1
47	Parafin Wax	270.7	339.8	285.1	25.5	-16.1
48	Powder Milk	300.7	207.0	127.1	-31.2	-38.6
49	X-Ray Film	152.9	294.8	370.6	92.8	25.7
50	Bags	171.8	451.8	496.8	163.0	10.0
51	G.I. Wire	34.9	45.1	52.6	29.2	16.6
52	Synthetic & Natural Rubber	8.7	232.0	183.6	-	-20.8
53	Insecticides	206.7	194.8	174.5	-5.7	-10.4
54	Fastener	43.5	138.3	217.0	218.0	56.9
55	Door Locks	63.2	89.4	112.9	41.4	26.3
56	Flash Light	54.0	85.8	111.7	58.9	30.2
57	Raw Silk	0.0	147.9	314.2	-	-
58	Clove	19.6	24.9	62.9	27.0	152.6
59	Drycell Battery	46.4	208.6	204.0	349.6	-2.2
<b>B.</b>	<b>Others</b>	<b>42797.1</b>	<b>44190.4</b>	<b>54309.8</b>	<b>3.3</b>	<b>22.9</b>
	<b>Total (A+B)</b>	<b>162278.1</b>	<b>189709.1</b>	<b>236031.2</b>	<b>16.9</b>	<b>24.4</b>

\* Based on customs data

P Provisional

**Table 14**  
**Summary of Balance of Payments**

(Rs. in Million)

Particulars	Annual			% Change	
	2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>A. Current Account</b>	75979.20	57060.74	89845.00	-24.9	57.5
Goods: Exports f.o.b.	81511.80	85989.80	100960.60	5.5	17.4
<i>Oil</i>	0.00	0.00	0.00	-	-
<i>Other</i>	81511.80	85989.80	100960.60	5.5	17.4
Goods: Imports f.o.b.	-454653.10	-547294.30	-696373.30	20.4	27.2
<i>Oil</i>	-92255.60	-107138.90	-132976.40	16.1	24.1
<i>Other</i>	-362397.50	-440155.40	-563396.90	21.5	28.0
<b>Balance on Goods</b>	-373141.30	-461304.50	-595412.70	23.6	29.1
<b>Services: Net</b>	14057.00	7585.80	20882.20	-46.0	175.3
Services: Credit	72351.50	95190.80	125061.20	31.6	31.4
<i>Travel</i>	30703.80	34210.60	46374.90	11.4	35.6
<i>Government n.i.e.</i>	10071.40	18389.70	24352.80	82.6	32.4
<i>Other</i>	31576.30	42590.50	54333.50	34.9	27.6
Services: Debit	-58294.50	-87605.00	-104179.00	50.3	18.9
<i>Transportation</i>	-22292.30	-33276.70	-39822.00	49.3	19.7
<i>Travel</i>	-25769.70	-39611.90	-42175.60	53.7	6.5
O/W Education	-6371.70	-9508.50	-15121.30	49.2	59.0
<i>Government Services:Debit</i>	-1566.40	-1177.90	-1625.70	-24.8	38.0
<i>Other</i>	-8666.10	-13538.50	-20555.70	56.2	51.8
<b>Balance on Goods &amp; Services</b>	-359084.30	-453718.70	-574530.50	26.4	26.6
<b>Income: Net</b>	12291.40	13078.84	32875.20	6.4	151.4
Income: Credit	22521.30	23320.14	39539.80	3.5	69.6
Income: Debit	-10229.90	-10241.30	-6664.60	0.1	-34.9
<b>Balance on Goods, Services &amp; Income</b>	-346792.90	-440639.86	-541655.30	27.1	22.9
<b>Transfers: Net</b>	422772.10	497700.60	631500.30	17.7	26.9
Current Transfers: Credit	427805.70	505068.20	634854.80	18.1	25.7
<i>Grants</i>	36227.10	34180.50	48519.80	-5.6	42.0
<i>Workers' Remittances</i>	359554.40	434581.70	543294.10	20.9	25.0
<i>Pensions</i>	28343.60	35326.70	41373.10	24.6	17.1
<i>Other (Indian Excise Refund)</i>	3680.60	979.30	1667.80	-73.4	70.3
Current Transfers: Debit	-5033.60	-7367.60	-3354.50	46.4	-54.5
<b>B. Capital Account (Capital Transfer)</b>	18241.70	10348.30	17063.50	-43.3	64.9
<b>Total (Group A plus B)</b>	94220.90	67409.04	106908.50	-28.5	58.6
<b>C. Financial Account (Excluding Group E)</b>	28912.80	12496.32	10481.77	-56.8	-16.1
Direct Investment in Nepal	9195.40	9081.90	3194.60	-1.2	-64.8
Portfolio Investment	0.00	0.00	0.00	-	-
Other Investment: Assets	-15719.60	-22846.40	-21331.60	45.3	-6.6
<i>Trade Credits</i>	-5137.40	-5147.40	-1620.00	0.2	-68.5
<i>Other</i>	-10582.20	-17699.00	-19711.60	67.3	11.4
Other Investment: Liabilities	35437.00	26260.82	28618.77	-25.9	9.0
<i>Trade Credits</i>	26442.30	14434.60	23686.10	-45.4	64.1
<i>Loans</i>	1036.80	-1281.80	3526.20	-223.6	-375.1
General Government	1047.60	-1218.90	3741.60	-216.4	-407.0
Drawings	13445.30	13701.00	18494.60	1.9	35.0
Repayments	-12397.70	-14919.90	-14753.00	20.3	-1.1
Other Sectors	-10.80	-62.90	-215.40	482.4	242.4
<i>Currency &amp; Deposits</i>	8446.20	14301.10	2733.40	69.3	-80.9
Nepal Rastra Bank	37.00	-11.70	-36.70	-131.6	213.7
Deposit Money Banks	8409.20	14312.80	2770.10	70.2	-80.6
<i>Other Liabilities</i>	-488.30	-1193.08	-1326.93	144.3	11.2
<b>Total (Group A through C)</b>	123133.70	79905.36	117390.27	-35.1	46.9
<b>D. Miscellaneous Items, Net</b>	16939.10	3335.36	12470.26	-80.3	273.9
<b>Total (Group A through D)</b>	140072.80	83240.72	129860.53	-40.6	56.0
<b>E. Reserves &amp; Related Items</b>	-140072.80	-83240.72	-129860.53	-40.6	56.0
Reserve Assets	-139587.80	-82049.02	-128536.33	-41.2	56.7
Nepal Rastra Bank	-134787.00	-65763.42	-115992.23	-51.2	76.4
Deposit Money Banks	-4800.80	-16285.60	-12544.10	239.2	-23.0
Use of Fund Credit and Loans	-485.00	-1191.70	-1324.20	145.7	-
<b>Changes in Reserve Net (- increase)</b>	-131626.60	-68939.62	-127127.13	-47.6	84.4

P Provisional

**Table 15**  
**Gross Foreign Exchange Reserves**

	Mid-July			Percent Change	
	2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
	<b>Rs. in Million</b>				
<b>Nepal Rastra Bank</b>	<b>375524.50</b>	<b>452994.50</b>	<b>572400.90</b>	<b>20.6</b>	<b>26.4</b>
Convertible	285681.86	339940.04	426132.87	19.0	25.4
Inconvertible	89842.64	113054.46	146268.03	25.8	29.4
<b>Commercial Banks</b>	<b>63932.20</b>	<b>80302.50</b>	<b>93006.10</b>	<b>25.6</b>	<b>15.8</b>
Convertible	57144.00	74079.90	87372.34	29.6	17.9
Inconvertible	6788.20	6222.60	5633.76	-8.3	-9.5
<b>Total Reserve</b>	<b>439456.70</b>	<b>533297.00</b>	<b>665407.00</b>	<b>21.4</b>	<b>24.8</b>
Convertible	342825.86	414019.94	513505.21	20.8	24.0
Inconvertible	96630.84	119277.06	151901.79	23.4	27.4
	<b>US dollar in Million</b>				
<b>Nepal Rastra Bank</b>	<b>4238</b>	<b>4768</b>	<b>5969</b>	<b>12.5</b>	<b>25.2</b>
Convertible	3224	3578	4444	11.0	24.2
Inconvertible	1014	1190	1525	17.4	28.2
<b>Commercial Banks</b>	<b>722</b>	<b>845</b>	<b>970</b>	<b>17.1</b>	<b>14.7</b>
Convertible	645	780	911	20.9	16.8
Inconvertible	77	66	59	-14.5	-10.3
<b>Total Reserve</b>	<b>4960</b>	<b>5614</b>	<b>6939</b>	<b>13.2</b>	<b>23.6</b>
Convertible	3869	4358	5355	12.6	22.9
Inconvertible	1091	1256	1584	15.1	26.2

P Provisional

**Table 16**  
**Government Budgetary Operation+**  
**(On Cash Basis)**

(Rs. in Million)

Heads	Amount			Percent Change	
	2011/12	2012/13	2013/14 <sup>P</sup>	2012/13	2013/14
<b>Sanctioned Expenditure</b>	<b>327350.80</b>	<b>347071.90</b>	<b>415441.90</b>	<b>6.0</b>	<b>19.7</b>
Recurrent	239833.70	243669.30	294715.40	1.6	20.9
Capital	48488.80	51332.80	60945.10	5.9	18.7
<i>a. Domestic Resources &amp; Loans</i>	43315.40	45204.20	53911.50	4.4	19.3
<i>b. Foreign Grants</i>	5173.40	6128.60	7033.60	18.5	14.8
Financial	39028.30	52069.80	59781.40	33.4	14.8
<i>a. Domestic Resources &amp; Loans</i>	38463.10	51304.10	59221.80	33.4	15.4
<i>b. Foreign Grants</i>	565.20	765.70	559.60	35.5	-26.9
<b>Unspent Government Balance</b>	<b>12322.80</b>	<b>146.80</b>	<b>0.00</b>	<b>-98.8</b>	<b>-100.0</b>
Recurrent	3563.50	17.60	0.00	-99.5	-100.0
Capital	3041.50	129.20	0.00	-95.8	-100.0
Financial	5717.80	0.00	0.00	-	-
<b>Actual Expenditure of Budget</b>	<b>315028.00</b>	<b>346925.10</b>	<b>415441.90</b>	<b>10.1</b>	<b>19.7</b>
Recurrent	236270.20	243651.70	294715.40	3.1	21.0
Capital	45447.30	51203.60	60945.10	12.7	19.0
Financial*	33310.50	52069.80	59781.40	56.3	14.8
<b>Expenditure from Freeze Accounts</b>	<b>4822.10</b>	<b>12115.60</b>	<b>138.40</b>	<b>151.3</b>	<b>-98.9</b>
Freeze-1 Recurrent	1452.50	3421.00	9.20	135.5	-99.7
Freeze-2 Capital	3369.60	2976.80	129.20	-11.7	-95.7
Freeze-3 Financial	0.00	5717.80	0.00	-	-100.0
<b>Total Expenditure</b>	<b>319850.10</b>	<b>359040.70</b>	<b>415580.30</b>	<b>12.3</b>	<b>15.7</b>
<b>Total Resources</b>	<b>297506.40</b>	<b>327833.10</b>	<b>403515.40</b>	<b>10.2</b>	<b>23.1</b>
Revenue and Grants	290945.30	320444.20	393560.10	10.1	22.8
Revenue	244371.80	296015.70	356620.60	21.1	20.5
Foreign Grants	46573.50	24428.50	36939.50	-47.5	51.2
Non-Budgetary Receipts, net	5309.60	2638.30	8057.00	-50.3	-
Others	100.10	4407.30	-63.40	-	-101.4
V. A. T. Fund Account	75.00	-42.80	-44.80	-157.1	4.7
Customs Fund Account	253.90	80.20	145.40	-68.4	81.3
Local Authorities' Account (LAA)#	822.50	305.90	1861.10	-62.8	-
<b>Deficits(-) Surplus(+)</b>	<b>-22343.70</b>	<b>-31207.60</b>	<b>-12064.90</b>	<b>39.7</b>	<b>-61.3</b>
<b>Sources of Financing</b>	<b>22343.70</b>	<b>31207.60</b>	<b>12064.90</b>	<b>39.7</b>	<b>-61.3</b>
<b>Domestic Loans</b>	<b>16407.50</b>	<b>20910.50</b>	<b>-3587.60</b>	<b>27.4</b>	<b>-117.2</b>
<b>Domestic Borrowings</b>	<b>36418.70</b>	<b>19042.80</b>	<b>19982.80</b>	<b>-47.7</b>	<b>4.9</b>
(i) Treasury Bills	17283.40	19000.00	10000.00	9.9	-47.4
(ii) Development Bonds	14000.00	0.00	9000.00	-	-
(iii) National Savings Certificates	5000.00	0.00	906.40	-	-
(iv) Citizen Saving Certificates	126.60	0.00	0.00	-	-
(v) Foreign Employment Bonds	8.70	42.80	76.40	-	78.5
<b>Overdrafts++</b>	<b>-23125.10</b>	<b>2175.60</b>	<b>-25002.00</b>	<b>-109.4</b>	<b>-</b>
<b>Others@</b>	<b>3113.80</b>	<b>-307.90</b>	<b>1431.60</b>	<b>-109.9</b>	<b>-565.0</b>
<b>Principal Refund and Share Divestment</b>	<b>187.10</b>	<b>755.30</b>	<b>569.80</b>	<b>303.7</b>	<b>-24.6</b>
<b>Foreign Loans</b>	<b>5749.20</b>	<b>9541.80</b>	<b>15082.70</b>	<b>66.0</b>	<b>58.1</b>

# Change in outstanding amount disbursed to VDC/DDC remaining unspent

++ Minus (-) indicates surplus

@ Interest from Government Treasury transactions and others.

**Table 17**  
**Outstanding Domestic Debt of the Government of Nepal**

(Rs. in Million)

S. N.	Name of Bonds/Ownership	Amount			Amount Change		Percent change	
		2011/12	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
<b>1</b>	<b>Treasury Bills</b>	<b>131624.11</b>	<b>136468.11</b>	<b>136468.11</b>	<b>4844.00</b>	<b>0.00</b>	<b>3.7</b>	<b>0.0</b>
	a. Nepal Rastra Bank	25072.93	12968.93	22048.93	-12104.00	9080.00	-48.3	70.0
	b. Commercial Banks	102049.20	121491.43	113360.25	19442.23	-8131.18	19.1	-6.7
	c. Development Banks	2794.98	1406.00	721.43	-1388.98	-684.58	-49.7	-48.7
	d. Finance Companies	1664.50	551.75	337.50	-1112.75	-214.25	-66.9	-38.8
	e. Others	42.50	50.00	0.00	7.50	-50.00	17.6	-
<b>2</b>	<b>Development Bonds</b>	<b>57519.40</b>	<b>51610.90</b>	<b>47110.90</b>	<b>-5908.50</b>	<b>-4500.00</b>	<b>-10.3</b>	<b>-8.7</b>
	a. Nepal Rastra Bank	382.00	319.18	0.00	-62.83	-319.18	-16.4	-
	b. Commercial Banks	26780.58	25738.73	23006.78	-1041.85	-2731.95	-3.9	-10.6
	c. Development Banks	1712.18	1503.58	2022.93	-208.60	519.35	-12.2	34.5
	d. Finance Companies	1872.45	1551.38	2702.48	-321.08	1151.10	-17.1	74.2
	e. Others	26772.20	22498.05	19378.73	-4274.15	-3119.33	-16.0	-13.9
<b>3</b>	<b>National Saving Certificates</b>	<b>15680.00</b>	<b>15680.00</b>	<b>16586.48</b>	<b>0.00</b>	<b>906.48</b>	<b>-</b>	<b>5.8</b>
	a. Nepal Rastra Bank	14.96	17.36	18.67	2.40	1.31	-	7.5
	b. Commercial Banks	0.00	0.00	0.00	0.00	0.00	-	-
	c. Development Banks	0.00	0.00	0.00	0.00	0.00	-	-
	d. Finance Companies	0.00	0.01	0.00	0.01	-0.01	-	-
	e. Others	15665.04	15662.63	16567.81	-2.41	905.18	-	5.8
<b>4</b>	<b>Citizen Saving Bonds</b>	<b>4123.06</b>	<b>3183.83</b>	<b>1516.75</b>	<b>-939.23</b>	<b>-1667.08</b>	<b>-22.8</b>	<b>-52.4</b>
	a. Nepal Rastra Bank (Secondary Market)	2753.32	2411.26	1265.36	-342.06	-1145.90	-12.4	-47.5
	b. Commercial Banks	0.00	0.00	0.00	0.00	0.00	-	-
	c. Development Banks	0.00	0.00	0.00	0.00	0.00	-	-
	d. Finance Companies	0.00	13.17	6.35	13.17	-6.83	-	-51.8
	e. Others	1369.74	759.40	245.04	-610.34	-514.36	-44.6	-67.7
<b>5</b>	<b>Foreign Employment Bonds</b>	<b>16.04</b>	<b>58.90</b>	<b>135.31</b>	<b>42.86</b>	<b>76.42</b>	<b>267.2</b>	<b>129.7</b>
	a. Nepal Rastra Bank	0.00	0.01	0.04	0.01	0.03	-	300.0
	b. Others	16.04	58.89	135.27	42.85	76.39	267.1	129.7
<b>6</b>	<b>Special Bonds</b>	<b>157.60</b>	<b>0.00</b>	<b>0.00</b>	<b>-157.60</b>	<b>0.00</b>	<b>-</b>	<b>-</b>
	a. Nepal Rastra Bank	0.00	0.00	0.00	0.00	0.00	-	-
	b. Commercial Bank (10 yrs bond for RBB)	157.60	0.00	0.00	-157.60	0.00	-	-
	c. Others	0.00	0.00	0.00	0.00	0.00	-	-
<b>7</b>	<b>Short-term Loans &amp; Advances</b>	<b>-2360.10</b>	<b>-184.50</b>	<b>-25186.50</b>	<b>2175.60</b>	<b>-25002.00</b>	<b>-92.2</b>	<b>13551.2</b>
	Nepal Rastra Bank	-2360.10	-184.50	-25186.50	2175.60	-25002.00	-92.2	13551.2
<b>8</b>	<b>Grand Total</b>	<b>206760.10</b>	<b>206817.23</b>	<b>176631.04</b>	<b>57.13</b>	<b>-30186.19</b>	<b>0.0</b>	<b>-14.6</b>
	a. Nepal Rastra Bank	25863.11	15532.24	-1853.50	-10330.88	-17385.74	-39.9	-111.9
	b. Commercial Banks	128987.38	147230.15	136367.03	18242.78	-10863.13	14.1	-7.4
	c. Development Banks	4507.15	2909.58	2744.35	-1597.58	-165.23	-35.4	-5.7
	d. Finance Companies	3536.95	2116.31	3046.32	-1420.64	930.02	-40.2	43.9
	e. Others	43865.52	39028.96	36326.84	-4836.56	-2702.12	-11.0	-6.9

**Table 18**  
**Monetary Survey**  
**(Mid-July)**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
<b>1. Foreign Assets, Net</b>	383772.14	468238.00	599219.71	68939.58	18.0	127127.08	27.2
1.1 Foreign Assets	455976.82	554093.55	686759.02	98116.73	21.5	132665.47	23.9
1.2 Foreign Currency Deposits	72204.68	85855.55	87539.31	13650.88	18.9	1683.75	2.0
(a) Deposits	60465.59	74332.31	80052.69	13866.72	22.9	5720.37	7.7
(b) Other	11739.08	11523.24	7486.62	-215.84	-1.8	-4036.62	-35.0
<b>2. Net Domestic Assets</b>	746530.15	847138.28	966747.45	116134.41	15.6	123463.80	14.6
<b>2.1 Domestic Credit</b>	994691.47	1165866.28	1312600.56	171174.81	17.2	146734.29	12.6
(a) Net Claims on Government*	162882.05	167788.26	140285.09	4906.21	3.0	-27503.16	-16.4
Claims on Government	165254.85	167972.77	165471.64	2717.93	1.6	-2501.13	-1.5
Government Deposits	2372.80	184.52	25186.55	-2188.28	-92.2	25002.03	-
(b) Claims on Non-Financial Govt Enterprises	10099.42	11389.10	10417.33	1289.68	12.8	-971.77	-8.5
(c) Claims on Financial Enterprises	11884.15	13662.84	11073.53	1778.69	15.0	-2589.31	-19.0
Government	1275.98	1317.39	1487.62	41.40	3.2	170.24	12.9
Non-Government.	10608.17	12345.46	9585.91	1737.29	16.4	-2759.55	-22.4
(D) Claims on Private Sector	809825.85	973026.08	1150824.61	163200.23	20.2	177798.53	18.3
<b>2.2 Net Non-Monetary Liabilities</b>	248161.32	318728.00	345853.12	55040.40	22.2	23270.49	7.3
<b>3. Broad Money Supply (M2)</b>	1130302.29	1315376.28	1565967.16	185073.98	16.4	250590.88	19.1
<b>3.1 Money Supply (M1+)</b>	789269.29	925469.13	1130173.71	136199.84	17.3	204704.58	22.1
(a) Money Supply (M1)	263705.70	301590.19	354830.03	37884.49	14.4	53239.83	17.7
Currency	170491.69	195874.24	227537.39	25382.55	14.9	31663.16	16.2
Demand Deposits	93214.01	105715.94	127292.65	12501.93	13.4	21576.70	20.4
(b) Saving & Call Deposits	525563.59	623878.94	775343.68	98315.35	18.7	151464.74	24.3
<b>3.2 Time Deposits</b>	341033.00	389907.15	435793.45	48874.14	14.3	45886.31	11.8
<b>4. Broad Money Liquidity (M3)</b>	1190767.89	1389708.59	1646019.85	198940.70	16.7	256311.26	18.4

P Provisional

E Estimates

1 Adjusting exchange valuation gain of Rs. 15526.28 million

2 Adjusting exchange valuation gain of Rs. 3854.63 million

**Table 19**  
**Central Bank Survey**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
1. Foreign Assets	392044.69	473791.12	593752.93	81746.42	20.9	119961.82	25.3
1.1 Gold Investment	9151.98	14201.73	15882.79	5049.74	55.2	1681.06	11.8
1.2 SDR Holdings	7368.18	6594.92	5469.27	-773.25	-10.5	-1125.66	-17.1
1.3 IMF Reserve Position	0.00	0.00	0.00	0.00	-	0.00	-
1.4 Foreign Exchange	375524.53	452994.47	572400.88	77469.94	20.6	119406.41	26.4
2. Claims on Government	28223.25	15716.75	23313.94	-12506.50	-44.3	7597.19	48.3
2.1 Treasury Bills	25072.94	12968.93	22048.57	-12104.01	-48.3	9079.64	70.0
2.2 Development Bonds	382.00	319.20	0.00	-62.80	-16.4	-319.20	-100.0
2.3 Other Government Papers	2768.30	2428.62	1265.37	-339.69	-12.3	-1163.25	-47.9
2.4 Loans and Advances	0.00	0.00	0.00	0.00	-	0.00	-
3. Claims on Non-Financial Government Enterprises	28.86	31.00	31.00	2.14	7.4	0.00	0.0
4. Claims on Non-Banking Financial Institutions	129.98	249.86	506.99	119.88	92.2	257.13	102.9
4.1 Government Institutions	113.98	233.86	490.99	119.88	105.2	257.13	109.9
4.2 Non-Government Institutions	16.00	16.00	16.00	0.00	0.0	0.00	0.0
5. Claims on Banks and Financial Institutions	473.28	2757.62	1932.99	2284.35	482.7	-824.64	-29.9
5.1 Refinance	473.28	2757.62	1932.99	2284.35	482.7	-824.64	-29.9
5.2 Repo Lending/SLF	0.00	0.00	0.00	0.00	-	0.00	-
6. Claims on Private Sector	4518.33	4587.00	4125.41	68.67	1.5	-461.60	-10.1
7. Other Assets	30408.16	37764.50	31617.32	7356.35	24.2	-6147.18	-16.3
<b>Assets = Liabilities</b>	<b>455826.55</b>	<b>534897.86</b>	<b>655280.58</b>	<b>79071.31</b>	<b>17.3</b>	<b>120382.72</b>	<b>22.5</b>
8. Reserve Money	319323.21	354220.22	436594.18	34897.01	10.9	82373.96	23.3
8.1 Currency Outside ODCs	170491.69	195874.24	227537.39	25382.55	14.9	31663.16	16.2
8.2 Currency Held by ODCs	30353.97	34872.07	41129.87	4518.09	14.9	6257.81	17.9
8.3 Deposits of Commercial Banks	100137.85	107355.68	143481.39	7217.83	7.2	36125.72	33.7
8.4 Deposits of Development Banks	5991.00	6773.18	8221.41	782.18	13.1	1448.24	21.4
8.5 Deposits of Finance Companies	3895.45	3600.97	4511.15	-294.48	-7.6	910.18	25.3
8.6 Other Deposits	8453.26	5744.10	11712.96	-2709.16	-32.0	5968.87	103.9
9. Government Deposits	2372.80	184.52	25186.55	-2188.28	-92.2	25002.03	13550.1
10. Foreign Liabilities	9231.15	8568.98	7482.50	-662.17	-7.2	-1086.48	-12.7
11. Capital and Reserve	85303.68	105822.57	110775.13	20518.89	24.1	4952.56	4.7
12. Other Liabilities	39595.7	66101.6	75242.2	26505.9	66.9	9140.65	13.8

P Provisional



**Table 20**  
**Condensed Assets and Liabilities of Banks and Financial Institutions**  
**(Mid-July)**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
<b>1. Total Deposits</b>	1011822.94	1188090.24	1406769.50	176267.30	17.4	218679.26	18.4
1.1 Demand Deposits	94900.27	113692.96	129689.18	18792.69	19.8	15996.21	14.1
(a) Domestic Deposits	84760.76	99971.85	115579.68	15211.09	17.9	15607.84	15.6
(b) Foreign Deposits	10139.52	13721.12	14109.49	3581.60	35.3	388.38	2.8
1.2 Saving Deposits	397168.60	469485.20	589705.92	72316.59	18.2	120220.72	25.6
(a) Domestic Deposits	391294.59	462333.84	580319.74	71039.24	18.2	117985.90	25.5
(b) Foreign Deposits	5874.01	7151.36	9386.18	1277.35	21.7	2234.82	31.3
1.3 Fixed Deposits	368223.55	420994.58	452941.94	52771.03	14.3	31947.36	7.6
(a) Domestic Deposits	334232.35	380750.22	424742.37	46517.87	13.9	43992.14	11.6
(b) Foreign Deposits	33991.20	40244.36	28199.57	6253.16	18.4	-12044.78	-29.9
1.4 Call Deposits	144729.87	174760.58	223381.38	30030.71	20.7	48620.80	27.8
(a) Domestic Deposits	134269.00	161545.10	195023.94	27276.10	20.3	33478.84	20.7
(b) Foreign Deposits	10460.87	13215.48	28357.44	2754.61	26.3	15141.96	114.6
1.5 Margin Deposits	6800.65	9156.92	11051.09	2356.27	34.6	1894.16	20.7
<b>2. Borrowings from NRB</b>	473.28	2757.62	1932.99	2284.35	482.7	-824.64	-29.9
<b>3. Foreign Liabilities</b>	2507.93	2954.26	4.12	446.33	17.8	-2950.14	-99.9
<b>4. Other Liabilities</b>	251983.82	293180.07	348672.11	41196.25	16.3	55492.05	18.9
4.1 Paid-up Capital	104817.05	117449.03	129485.05	12631.97	12.1	12036.02	10.2
4.2 General Reserves	46787.40	58425.40	68466.48	11638.00	24.9	10041.08	17.2
4.3 Other Liabilities	100379.37	117305.64	150720.59	16926.27	16.9	33414.94	28.5
<b>Assets=Liabilities</b>	<b>1266787.97</b>	<b>1486982.19</b>	<b>1757378.72</b>	<b>220194.22</b>	<b>17.4</b>	<b>270396.53</b>	<b>18.2</b>
<b>5. Liquid Funds</b>	201188.80	230696.75	286916.39	29507.96	14.7	56219.64	24.4
5.1 Cash in Hand	30353.97	34872.07	41129.87	4518.09	14.9	6257.81	17.9
5.2 Balance with NRB	110024.30	117729.82	156213.95	7705.53	7.0	38484.13	32.7
5.3 Foreign Currency in Hand	688.08	852.06	788.70	163.98	23.8	-63.36	-7.4
5.4 Balance Held Abroad	59753.66	77062.17	88693.81	17308.51	29.0	11631.63	15.1
5.5 Cash in Transit	368.79	180.63	90.06	-188.16	-51.0	-90.57	-50.1
<b>6. Loans and Advances</b>	967654.23	1147854.37	1313333.35	180200.14	18.6	165478.98	14.4
6.1 Claims on Government	137031.60	152256.02	142157.70	15224.42	11.1	-10098.32	-6.6
6.2 Claims on Non-Financial Government Enterprises	10070.56	11358.10	10386.33	1287.54	12.8	-971.77	-8.6
6.3 Claims on Financial Enterprises	11754.17	13412.98	10566.54	1658.81	14.1	-2846.44	-21.2
Government	1162.00	1083.52	996.63	-78.48	-6.8	-86.89	-8.0
Non-Government	10592.17	12329.46	9569.91	1737.29	16.4	-2759.55	-22.4
6.4 Claims on Private Sector	805307.52	968439.08	1146699.20	163131.56	20.3	178260.13	18.4
(a) Principal	779262.53	941182.11	1117321.02	161919.58	20.8	176138.91	18.7
(b) Interest Accrued	26044.99	27256.97	29378.18	1211.98	4.7	2121.21	7.8
6.5 Foreign Bills Purchased & Discounted	3490.38	2388.20	3523.58	-1102.19	-31.6	1135.38	47.5
<b>7. Other Assets</b>	97944.90	108431.08	157128.97	10486.18	10.7	48697.89	44.9

P Provisional

**Table 21**  
**Condensed Assets and Liabilities of Commercial Banks**  
**(Mid-July)**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
<b>1. Total Deposits</b>	861689.97	1015578.04	1196479.36	153888.06	17.9	180901.32	17.8
1.1 Demand Deposits	91135.22	107309.78	122544.75	16174.57	17.7	15234.97	14.2
(a) Domestic Deposits	81009.35	93603.99	108467.26	12594.64	15.5	14863.27	15.9
(b) Foreign Deposits	10125.87	13705.80	14077.49	3579.93	35.4	371.70	2.7
1.2 Saving Deposits	304712.27	358804.60	450769.13	54092.33	17.8	91964.52	25.6
(a) Domestic Deposits	298883.23	351736.94	441455.98	52853.71	17.7	89719.04	25.5
(b) Foreign Deposits	5829.04	7067.67	9313.15	1238.63	21.2	2245.48	31.8
1.3 Fixed Deposits	297625.71	345641.93	365549.73	48016.22	16.1	19907.80	5.8
(a) Domestic Deposits	263640.80	305282.54	337378.44	41641.74	15.8	32095.90	10.5
(b) Foreign Deposits	33984.91	40359.39	28171.29	6374.48	18.8	-12188.10	-30.2
1.4 Call Deposits	161636.95	194933.45	246884.41	33296.50	20.6	51950.95	26.7
(a) Domestic Deposits	151193.62	181631.51	218529.75	30437.89	20.1	36898.24	20.3
(b) Foreign Deposits	10443.33	13301.94	28354.65	2858.61	27.4	15052.72	113.2
1.5 Margin Deposits	6579.83	8888.27	10731.34	2308.44	35.1	1843.07	20.7
<b>2. Borrowings from NRB</b>	473.28	2187.62	1932.99	1714.35	362.2	-254.64	-11.6
<b>3. Foreign Liabilities</b>	2175.84	2954.26	4.12	778.41	35.8	-2950.14	-99.9
<b>4. Other Liabilities</b>	188111.62	222161.44	268735.40	34049.82	18.1	46573.96	21.0
4.1 Paid-up Capital	65983.34	77548.46	87334.02	11565.12	17.5	9785.56	12.6
4.2 General Reserves	35635.44	44173.96	53749.94	8538.52	24.0	9575.98	21.7
4.3 Other Liabilities	86492.84	100439.02	127651.44	13946.18	16.1	27212.42	27.1
<b>Assets=Liabilities</b>	<b>1052450.72</b>	<b>1242881.36</b>	<b>1467151.86</b>	<b>190430.64</b>	<b>18.1</b>	<b>224270.51</b>	<b>18.0</b>
<b>5. Liquid Funds</b>	186182.71	214723.31	267110.39	28540.60	15.3	52387.08	24.4
5.1 Cash in Hand	25398.02	29120.10	33942.22	3722.08	14.7	4822.12	16.6
5.2 Balance with NRB	100137.85	107355.68	143481.39	7217.83	7.2	36125.72	33.7
5.3 Foreign Currency in Hand	628.90	800.94	699.91	172.05	27.4	-101.03	-12.6
5.4 Balance Held Abroad	59653.81	77273.93	88901.08	17620.12	29.5	11627.16	15.0
5.5 Cash in Transit	364.14	172.66	85.78	-191.48	-52.6	-86.88	-50.3
<b>6. Loans and Advances</b>	787747.70	938102.56	1066926.49	150354.86	19.1	128823.93	13.7
6.1 Claims on Government	128987.40	147230.15	136367.10	18242.75	14.1	-10863.05	-7.4
6.2 Claims on Non-Financial Government Enterprises	9762.80	11074.04	10047.26	1311.24	13.4	-1026.78	-9.3
6.3 Claims on Financial Enterprises	12146.36	11087.49	10136.62	-1058.87	-8.7	-950.87	-8.6
Government	1162.00	1083.52	996.63	-78.48	-6.8	-86.89	-8.0
Non-Government	10984.36	10003.97	9140.00	-980.39	-8.9	-863.97	-8.6
6.4 Claims on Private Sector	633360.76	766327.22	906851.92	132966.45	21.0	140524.70	18.3
(a) Principal	613434.27	745999.64	885806.02	132565.37	21.6	139806.38	18.7
(b) Interest Accrued	19926.49	20327.58	21045.90	401.09	2.0	718.32	3.5
6.5 Foreign Bills Purchased & Discounted	3490.38	2383.66	3523.58	-1106.72	-31.7	1139.92	47.8
<b>7. Other Assets</b>	78520.35	90055.50	133114.98	11535.15	14.7	43059.48	47.8

P Provisional

**Table 22**  
**Condensed Assets and Liabilities of Development Banks**  
**(Mid-July)**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
<b>1. Total Deposits</b>	122127.97	155224.89	200328.93	33096.93	27.1	45104.04	29.1
1.1 Demand Deposits	3250.94	3083.71	4228.32	-167.23	-5.1	1144.60	37.1
(a) Domestic Deposits	3237.30	3068.38	4196.31	-168.92	-5.2	1127.93	36.8
(b) Foreign Deposits	13.64	15.33	32.00	1.69	12.4	16.67	108.7
1.2 Saving Deposits	60767.25	82945.64	108357.49	22178.39	36.5	25411.85	30.6
(a) Domestic Deposits	60722.29	82861.95	108284.46	22139.66	36.5	25422.51	30.7
(b) Foreign Deposits	44.97	83.69	73.03	38.72	86.1	-10.66	-12.7
1.3 Fixed Deposits	37178.39	45028.30	55395.14	7849.91	21.1	10366.84	23.0
(a) Domestic Deposits	36951.60	44760.14	54980.06	7808.53	21.1	10219.93	22.8
(b) Foreign Deposits	226.79	268.17	415.08	41.37	18.2	146.92	54.8
1.4 Call Deposits	20753.43	23913.82	32040.49	3160.39	15.2	8126.67	34.0
(a) Domestic Deposits	20735.21	23848.64	32002.95	3113.44	15.0	8154.31	34.2
(b) Foreign Deposits	18.22	65.18	37.54	46.96	257.7	-27.63	-42.4
1.5 Margin Deposits	177.95	253.42	307.49	75.47	42.4	54.07	21.3
<b>2. Borrowings from NRB</b>	0.00	570.00	0.00	570.00	-	-570.00	
<b>3. Foreign Liabilities</b>	332.08	0.00	0.00	-332.08	-	0.00	
<b>4. Other Liabilities</b>	37900.16	44159.91	55044.49	6259.75	16.5	10884.58	24.6
4.1 Paid-up Capital	21399.74	23576.76	26219.49	2177.02	10.2	2642.73	11.2
4.2 General Reserves	6107.60	7340.86	9026.48	1233.26	20.2	1685.62	23.0
4.3 Other Liabilities	10392.82	13242.29	19798.53	2849.47	27.4	6556.24	49.5
<b>Assets=Liabilities</b>	160360.21	199954.81	255373.42	39594.60	24.7	55418.62	27.7
<b>5. Liquid Funds</b>	9850.32	11830.45	14644.17	1980.13	20.1	2813.73	23.8
5.1 Cash in Hand	3606.59	4781.37	6125.73	1174.78	32.6	1344.36	28.1
5.2 Balance with NRB	5991.00	6773.18	8221.41	782.18	13.1	1448.24	21.4
5.3 Foreign Currency in Hand	37.08	50.85	88.42	13.78	37.2	37.56	73.9
5.4 Balance Held Abroad	213.76	219.31	206.12	5.55	2.6	-13.19	-6.0
5.5 Cash in Transit	1.90	5.73	2.49	3.84	202.4	-3.24	-56.5
<b>6. Loans and Advances</b>	142695.90	175893.82	223339.68	33197.92	23.3	47445.85	27.0
6.1 Claims on Government	4507.20	2909.58	2744.30	-1597.63	-35.4	-165.28	-5.7
6.2 Claims on Non-Financial Government Enterprises	281.71	242.28	273.72	-39.43	-14.0	31.44	13.0
6.3 Claims on Financial Enterprises	34576.31	41161.03	50514.52	6584.72	19.0	9353.49	22.7
Government	0.00	0.00	0.00	0.00		0.00	
Non-Government	34576.31	41161.03	50514.52	6584.72	19.0	9353.49	22.7
6.4 Claims on Private Sector	103330.68	131576.40	169807.13	28245.72	27.3	38230.73	29.1
(a) Principal	100540.79	129039.26	166791.38	28498.47	28.3	37752.12	29.3
(b) Interest Accrued	2789.89	2537.14	3015.75	-252.76	-9.1	478.61	18.9
6.5 Foreign Bills Purchased & Discounted	0.00	4.54	0.00	-	-	-	-
<b>7. Other Assets</b>	7813.99	12230.54	17389.58	4416.55	56.5	5159.04	42.2

P Provisional

**Table 23**  
**Condensed Assets and Liabilities of Finance Companies**  
**(Mid-July)**

(Rs. in Million)

	2011/12	2012/13	2013/14 <sup>P</sup>	Annual Change			
				2012/13		2013/14	
				Amount	Percent	Amount	Percent
<b>1. Total Deposits</b>	75398.91	68165.12	72080.75	-7233.79	-9.6	3915.64	5.7
1.1 Demand Deposits	4485.19	5410.23	5824.85	925.04	20.6	414.62	7.7
(a) Domestic Deposits	4485.19	5410.23	5824.85	925.04	20.6	414.62	7.7
(b) Foreign Deposits	0.00	0.00	0.00	0.00		0.00	
1.2 Saving Deposits	34158.91	28930.26	31184.72	-5228.65	-15.3	2254.45	7.8
(a) Domestic Deposits	34158.91	28930.26	31184.72	-5228.65	-15.3	2254.45	7.8
(b) Foreign Deposits	0.00	0.00	0.00	0.00		0.00	
1.3 Fixed Deposits	36066.14	32896.21	33952.66	-3169.94	-8.8	1056.46	3.2
(a) Domestic Deposits	36066.14	32896.21	33952.66	-3169.94	-8.8	1056.46	3.2
(b) Foreign Deposits	0.00	0.00	0.00	0.00		0.00	
1.4 Call Deposits	645.80	913.19	1106.27	267.39	41.4	193.09	21.1
(a) Domestic Deposits	645.80	913.19	1106.27	267.39	41.4	193.09	21.1
(b) Foreign Deposits	0.00	0.00	0.00	0.00		0.00	
1.5 Margin Deposits	42.87	15.23	12.25	-27.64	-64.5	-2.98	-19.6
<b>2. Borrowings from NRB</b>	0.00	0.00	0.00	0.00		0.00	
<b>3. Foreign Liabilities</b>	0.00	0.00	0.00	0.00		0.00	
<b>4. Other Liabilities</b>	34288.56	32691.60	33511.84	-1596.96	-4.7	820.24	2.5
4.1 Paid-up Capital	17433.97	16323.80	15931.54	-1110.16	-6.4	-392.26	-2.4
4.2 General Reserves	5044.36	6910.58	5690.06	1866.22	37.0	-1220.52	-17.7
4.3 Other Liabilities	11810.24	9457.22	11890.24	-2353.02	-19.9	2433.02	25.7
<b>Assets=Liabilities</b>	<b>109687.48</b>	<b>100856.72</b>	<b>105592.59</b>	<b>-8830.76</b>	<b>-8.1</b>	<b>4735.87</b>	<b>4.7</b>
<b>5. Liquid Funds</b>	5288.07	4574.33	5575.49	-713.74	-13.5	1001.16	21.9
5.1 Cash in Hand	1349.37	970.60	1061.92	-378.77	-28.1	91.33	9.4
5.2 Balance with NRB	3895.45	3600.97	4511.15	-294.48	-7.6	910.18	25.3
5.3 Foreign Currency in Hand	22.10	0.26	0.37	-21.84	-98.8	0.10	39.6
5.4 Balance Held Abroad	18.39	0.26	0.26	-18.13	-98.6	0.00	0.0
5.5 Cash in Transit	2.76	2.24	1.79	-0.52	-18.9	-0.45	-20.1
<b>6. Loans and Advances</b>	95026.24	89508.78	93392.69	-5517.46	-5.8	3883.90	4.3
6.1 Claims on Government	3537.00	2116.30	3046.30	-1420.70	-40.2	930.00	43.9
6.2 Claims on Non-Financial Government Enterprises	26.05	41.77	65.34	15.73	60.4	23.57	56.4
6.3 Claims on Financial Enterprises	22847.12	16815.25	20240.89	-6031.87	-26.4	3425.64	20.4
Government	0.00	0.00	0.00	0.00		0.00	
Non-Government	22847.12	16815.25	20240.89	-6031.87	-26.4	3425.64	20.4
6.4 Claims on Private Sector	68616.07	70535.46	70040.16	1919.39	2.8	-495.31	-0.7
(a) Principal	65287.47	66143.21	64723.63	855.74	1.3	-1419.59	-2.1
(b) Interest Accrued	3328.61	4392.25	5316.53	1063.64	32.0	924.28	21.0
6.5 Foreign Bills Purchased & Discounted	0.00	0.00	0.00	0.00		0.00	
<b>7. Other Assets</b>	9373.17	6773.62	6624.42	-2599.55	-27.7	-149.20	-2.2

P Provisional  
E Estimated

**Table 24**  
**Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to**  
**Banks and Financial Institutions**

(Rs. in Million)

S.N.	Institutions	2012/13	2013/14
1.	Commercial Banks	2178	1921
2.	Agriculture Development Bank	0	0
3.	Nepal Industrial Development Corporation	0	0
4.	Rural Development Banks	10	0
5.	Other Development Banks	570	0
	<b>जम्मा</b>	<b>2758</b>	<b>1921</b>

**Table 25**  
**Sources and Uses of Fund of Microfinance Institutions**

(Rs. in Million)

Particulars	Mid-July			Percentage Change	
	2011/12	2012/13	2013/14 <sup>+</sup>	2012/13	2013/14
<b>Sources</b>					
Capital Funds	2810.9	3665.0	4961.7	30.4	35.4
Deposits	5127.9	7228.1	11055.1	41.0	52.9
Borrowings	16575.0	20225.1	28160.1	22.0	39.2
Others	4723.8	2688.4	3805.5	-43.1	41.6
P/L Account	577.9	721.2	1413.4	24.8	96.0
<b>Sources=Uses</b>	<b>29815.5</b>	<b>34527.8</b>	<b>49395.8</b>	<b>15.8</b>	<b>43.1</b>
<b>Uses</b>					
Liquid Funds	5648.5	6454.6	7392.5	14.3	14.5
Investment	2190.6	2921.0	3010.4	33.3	3.1
Loans & Advances	17700.0	23406.3	35803.5	32.2	53.0
Others	4158.9	1645.8	3127.7	-60.4	90.0
P/L Account	117.5	100.1	61.7	-14.8	-38.4

+ Unaudited

**Table 26**  
**Sources and Uses of Fund of NRB Licensed Co-operatives**

(Rs. in Million)

Particulars	Mid-July			Percentage Change	
	2011/12	2012/13	2013/14 <sup>+</sup>	2012/13	2013/14
<b>Sources</b>					
Capital Funds	809.3	1176.7	1401.5	45.4	19.1
Deposits	8727.7	11402.7	15873.5	30.6	39.2
Borrowings	483.9	937.6	1355.6	93.8	44.6
Others	1250.3	1457.9	2030.9	16.6	39.3
P/L Account	381.2	440.2	368.5	15.5	-16.3
<b>Sources=Uses</b>	<b>11652.4</b>	<b>15415.1</b>	<b>21030.0</b>	<b>32.3</b>	<b>36.4</b>
<b>Uses</b>					
Liquid Funds	3332.9	3742.7	6587.0	12.3	76.0
Investment	774.6	1146.9	1259.2	48.1	9.8
Loans & Advances	6558.1	9458.4	11823.8	44.2	25.0
Others	918.6	1045.2	1258.3	13.8	20.4
P/L Account	68.2	21.9	101.7	-67.9	364.4

+ Unaudited

**Table 27**  
**Sources and Uses of Fund of Insurance Companies**

(Rs. in Million)

Particulars	Mid-July			2012/13		2013/14	
	2011/12	2012/13	2013/14 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paid-up Capital	4342.8	4595.5	7840.6	252.7	5.8	3245.1	70.6
Reserve Funds	59981.4	65891.8	79305.0	5910.4	9.9	13413.2	20.4
Other Liabilities	9500.8	10663.3	13951.6	1162.5	12.2	3288.3	30.8
<b>Sources=Uses</b>	<b>73825.0</b>	<b>81150.6</b>	<b>101097.2</b>	7325.6	<b>9.9</b>	19946.6	<b>24.6</b>
<b>Uses</b>							
Bank & Cash Balances	2706.4	3217.7	4111.2	511.3	18.9	893.5	27.8
Investment	60866.2	66995.0	83082.3	6128.8	10.1	16087.3	24.0
Fixed Assets	2453.8	2555.8	2485.7	102.0	4.2	-70.1	-2.7
Other Assets	7798.6	8382.1	11418.0	583.5	7.5	3035.9	36.2

+ Unaudited

Source: Insurance Board Nepal

**Table 28**  
**Sources and Uses of Fund of Employees Provident Fund**

(Rs. in Million)

Particulars	Mid-July			2012/13		2013/14	
	2011/12	2012/13	2013/14 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paid-up Capital	121439.7	140709.9	164523.5	19270.2	15.9	23813.6	16.9
Reserve Funds	2971.3	3478.0	4436.9	506.7	17.1	958.9	27.6
Other Liabilities	1341.8	1515.5	1678.2	173.7	12.9	162.7	10.7
<b>Sources=Uses</b>	<b>125752.8</b>	<b>145703.4</b>	<b>170638.6</b>	<b>19950.6</b>	<b>15.9</b>	<b>24935.3</b>	<b>17.1</b>
<b>Uses</b>							
Bank & Cash Balance	4739.2	3890.2	3416.8	-849.0	-17.9	-473.4	-12.2
Investment	41401.5	43677.7	45127.0	2276.2	5.5	1449.3	3.3
Fixed Deposits	23880.0	27800.0	27640.0	3920.0	16.4	-160.0	-0.6
GON Securities	14950.5	13703.7	15313.4	-1246.8	-8.3	1609.7	11.7
Housing Plan	00.7	00.4	00.0	-00.3	-44.2	-00.4	
Share Investment	2197.9	2173.6	2173.7	-24.3	-1.1	00.1	0.0
Other Investment	372.4	00.0	00.0	-372.4		00.0	
Loans and Advances	77370.4	95329.6	119138.1	17959.2	23.2	23808.5	25.0
Project Loan	10738.3	15563.9	25078.9	4825.6	44.9	9515.0	61.1
Depositor Loan	66632.1	79765.8	94059.3	13133.7	19.7	14293.5	17.9
Fixed Assets	478.3	481.0	463.5	02.7	0.6	-17.5	-3.6
Other Assets	1763.4	2324.8	2493.1	561.4	31.8	168.3	7.2

+ Unaudited

Source: Employees Provident Fund

**Table 29**  
**Sources and Uses of Fund of Citizen Investment Trust**

(Rs. in Million)

Particulars	Mid-July			2012/13		2013/14	
	2011/12	2012/13	2013/14 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
1. Paid-up Capital	160.0	300.0	450.0	140.0	87.5	150.0	50.0
2. Reserve Funds	1169.0	1052.3	1684.7	-116.8	-10.0	632.5	60.1
3. Fund Collection	31388.6	40324.6	51784.1	8936.0	28.5	11459.5	28.4
4. Other Liabilities	5350.9	1076.7	702.5	-4274.2	-79.9	-374.2	-34.8
<b>Sources=Uses</b>	<b>38068.5</b>	<b>42753.6</b>	<b>54621.3</b>	<b>4685.1</b>	<b>12.3</b>	<b>11867.7</b>	<b>27.8</b>
<b>Uses</b>							
1. Liquid Assets	2800.0	1185.2	7562.3	-1614.9	-57.7	6377.2	538.1
2. Investment	18347.8	27293.4	26314.1	8945.6	48.8	-979.3	-3.6
3. Loans & Advances	9657.1	11741.1	17905.1	2084.0	21.6	6164.0	52.5
4. Other Assets	7263.6	2534.0	2839.8	-4729.6	-65.1	305.8	12.1

+ Unaudited

Source: Citizen Investment Trust

**Table 30**  
**Structure of Nepalese Financial System**

(Rs. in Million)

Particulars	2011/12			2012/13			2013/14		
	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Total Assets/ Liabilities
<b>Financial Institutions</b>	<b>1824152.8</b>	<b>88.4</b>	<b>119.4</b>	<b>2134093.6</b>	<b>88.7</b>	<b>126.1</b>	<b>2558944.3</b>	<b>88.6</b>	<b>132.7</b>
Nepal Rastra Bank	455826.5	22.1	29.8	534897.9	22.2	31.6	655280.6	22.7	34.0
Commercial Banks	1052450.7	51.0	68.9	1242881.4	51.7	73.4	1467151.9	50.8	76.1
Development Banks	160360.2	7.8	10.5	199954.8	8.3	11.8	255373.4	8.8	13.2
Finance Companies	109687.5	5.3	7.2	100856.7	4.2	6.0	105592.6	3.7	5.5
Microfinance Companies	29815.5	1.4	2.0	34527.8	1.4	2.0	49395.8	1.7	2.6
Cooperatives	11652.4	0.6	0.8	15415.1	0.6	0.9	21030.0	0.7	1.1
Microfinance NGOs	4360	0.2	0.3	5560.0	0.2	0.3	5120.0	0.2	0.3
<b>Agreement Deposit Institutions</b>	<b>237646.3</b>	<b>11.5</b>	<b>15.6</b>	<b>269607.5</b>	<b>11.2</b>	<b>15.9</b>	<b>326357.1</b>	<b>11.3</b>	<b>16.9</b>
Providend Fund	125752.8	6.1	8.2	145703.4	6.1	8.6	170638.6	5.9	8.8
Citizen Investment Trust	38068.5	1.8	2.5	42753.6	1.8	2.5	54621.3	1.9	2.8
Insurance Companies	73825.0	3.6	4.8	81150.6	3.4	4.8	101097.2	3.5	5.2
<b>Postal Saving Bank</b>	<b>1276.4</b>	<b>0.1</b>	<b>0.1</b>	<b>1430.0</b>	<b>0.1</b>	<b>0.1</b>	<b>1580.0</b>	<b>0.1</b>	<b>0.1</b>
<b>Total</b>	<b>2063075.5</b>	<b>100.0</b>	<b>135.1</b>	<b>2405131.2</b>	<b>100.0</b>	<b>142.1</b>	<b>2886881.4</b>	<b>100.0</b>	<b>149.7</b>



**Table 31**  
**Stock Market Indicators**

	Particulars	July			Percentage Change	
		2012	2013	2014	2012/13	2013/14
1	Number of Listed Companies	216	230	237	6.5	3.0
2	Paid-up Capital of the Listed Companies (Rs. in million)	110610.00	126064.00	146519.68	14.0	16.2
3	Total Market Capitalization (Rs. in million)	368262.13	514492.13	1057165.83	39.7	105.5
4	Annual Turnover (Rs. in million)	10279.3	22048.9	77255.8	114.5	250.4
5	Market Days	232	232	229	0.0	-1.3
6	Number of Companies Traded	230	230	269	0.0	17.0
7	Number of Transactions	293489	292366	565724	-0.4	93.5
8	Number of Listed Shares (in '000)	1140081	1297841	1604775	13.8	23.6
9	Number of Shares Traded (in '000)	41885	81572	214514	94.7	163.0
10	Ratio of Paid-up Capital to GDP (%)	7.24	7.45	7.60	2.8	2.0
11	Ratio of Turnover to Paid-up Capital (%)	9.29	17.49	52.73	88.2	201.5
12	Ratio of Turnover to Market Capitalization (%)	2.79	4.29	7.31	53.5	70.5
13	Ratio of Market Capitalization to GDP (%)	24.11	30.40	54.82	26.1	80.3
14	NEPSE Index (closing)	389.74	518.33	1036.11	33.0	99.9
15	NEPSE Sensitive Index (closing)	98.77	130.25	222.45	31.9	70.8
16	NEPSE Float Index (closing)	30.56	35.80	64.07	17.1	79.1

Source: Nepal Stock Exchange Limited

**Table 32**  
**Securities Listed at Nepal Stock Exchange Limited**

	2012/13			2013/14		
	No. of Share ('000)	Amount (Rs. In Million)	Portion %	No. of Share ('000)	Amount (Rs. In Million)	Portion %
<b>Institutionwise</b>						
Commercial Bank	65846.9	8025	55.3	120109.1	140809	61.2
Development Bank	31171.9	3117	21.5	27947.3	27948	12.1
Insurance Company	7408.6	741	5.1	15735.5	15735	6.8
Finance Company	8258.7	826	5.7	6874.0	6974	3.0
Productive and Processing companies	0.0	0	0.0	0.0	0	0.0
Hotels	3581.9	36	0.2	8596.2	8596	3.7
Tradable Institutions	0.0	00	0.0	112.8	113	0.0
Hydro Power	4435.6	444	3.1	29331.9	29332	12.7
Other	125617.9	1310	9.0	813.6	713	0.3
<b>Total</b>	<b>246321.5</b>	<b>14499</b>	<b>100.0</b>	<b>209520.4</b>	<b>230220</b>	<b>100.0</b>
<b>Securitywise</b>						
Ordinary Share	123860.8	8246	56.9	75852.3	75852	32.9
Right Share	2809.9	281	1.9	60337.8	60338	26.2
Bonus Share	43450.8	4022	27.7	71030.3	71030	30.9
Government Bond	0.0	0	0.0	0.0	0	0.0
Convertible Preference Share	0.0	0	0.0	0.0	0	0.0
Debenture Issued by Banks	1200.0	1200	8.3	2300.0	23000	10.0
Other	75000.0	750	5.2	0.0	0	0.0
<b>Total</b>	<b>246321.5</b>	<b>14499</b>	<b>100.0</b>	<b>209520.4</b>	<b>230220</b>	<b>100.0</b>

Source: Nepal Stock Exchange Limited

**Table 33**  
**Listed Companies and Market Capitalization Situation**

Particulars	No. of Listed Company			Market Capitalization (Rs. In Million)						Share Price	
	2012 July	2013 July	2014 July	2012 July		2013 July		2014 July		Percentage Change	
				Price	Share %	Price	Share %	Price	Share %	2012/13	2013/14
Financial Institutions	184	198	204	253733	68.9	369097	71.7	820648	77.6	45.5	122.3
<i>Commercial Bank</i>	26	28	30	192836	52.4	292852	56.9	555609	52.6	51.9	89.7
<i>Development Bank</i>	68	83	93	23443	6.4	26541	5.2	82160	7.8	13.2	209.6
<i>Finance Company</i>	69	66	59	24860	6.8	22294	4.3	42239	4.0	-10.3	89.5
<i>Insurance Company</i>	21	21	22	12594	3.4	27411	5.3	140643	13.3	117.7	413.1
Construction and Processing	18	18	18	11830	3.2	15413	3.0	20196	1.9	30.3	31.0
Hotel	4	4	4	6458	1.8	8692	1.7	24983	2.4	34.6	187.4
Commerce	4	4	4	1117	0.3	985	0.2	1097	0.1	-11.8	11.3
Hydro Power	4	4	5	19656	5.3	30886	6.0	91825	8.7	57.1	197.3
Other	2	2	2	75468	20.5	89418	17.4	98417	9.3	18.5	10.1
<b>Total</b>	<b>216</b>	<b>230</b>	<b>237</b>	<b>368262</b>	<b>100.0</b>	<b>514492</b>	<b>100.0</b>	<b>1057166</b>	<b>100.0</b>	<b>39.7</b>	<b>105.5</b>

## Appendix 1.1

### List of Banks and Financial Institutions

As in mid-July 2014 (Licensed by NRB)

#### 1. Commercial Banks

(Rs. In Million)

S.No.	Names	Operation Date (A.D.)	Head Office	Paid-up Capital #
1	Nepal Bank Ltd.	1937/11/15	Dharmapath, Kathmandu	3965.52
2	Rastriya Banijya Bank Ltd.	1966/01/23	Singhadurbar Plaza, Kathmandu	8588.97
3	Nabil Bank Ltd.	1984/07/12	Kantipath, Kathmandu	3047.17
4	Nepal Investment Bank Ltd.	1986/03/09	Durbarmarg, Kathmandu	4146.71
5	Standard Chartered Bank Nepal Ltd.	1987/02/28	Nayabaneswor, Kathmandu	2041.67
6	Himalayan Bank Ltd.	1993/01/18	Thamel, Kathmandu	2760.00
7	Nepal SBI Bank Ltd.	1993/07/07	Hattisar, Kathmandu	2650.21
8	Nepal Bangladesh Bank Ltd.	1994/06/06	Nayabaneswor, Kathmandu	2009.40
9	Everest Bank Ltd.	1994/10/18	Lazimpat, Kathmandu	1921.24
10	Bank of Kathmandu Ltd.	1995/03/12	Kamaladi, Kathmandu	1920.21
11	Nepal Credit and Commerce Bank Ltd.	1996/10/14	Siddharthanagar, Rupandehi	1470.00
12	Lumbini Bank Ltd. &	1998/07/17	Narayangadh, Chitawan	1729.73
13	NIC Asia Bank Ltd.	1998/07/21	Biaratnagar, Morang	2311.55
14	Machhapuchchhre Bank Ltd.	2000/10/03	Prithvichowk, Pokhara, Kaski	2478.79
15	Kumari Bank Ltd.	2001/04/03	Durbarmarg, Kathmandu	1603.80
16	Laxmi Bank Ltd.	2002/04/03	Adarshanagar, Birgunj, Parsa	1694.08
17	Siddhartha Bank Ltd.	2002/12/24	Kamaladi, Kathmandu	1619.24
18	Agriculture Development Bank Ltd.	1968/01/21	Ramshahpath, Kathmandu	9636.80
19	Global IME Bank Ltd. &	2007/01/02	Birgunj, Parsa	2780.86
20	Citizens Bank International Ltd.	2007/04/20	Kamaladi, Kathmandu	2101.84
21	Prime Commercial Bank Ltd	2007/09/24	Newroad, Kathmandu	2574.45
22	Sunrise Bank Ltd.	2007/10/12	Gairidhara, Kathmandu	2015.00
23	Grand Bank Nepal Ltd.	2008/05/25	Kamaladi, Kathmandu	2000.00
24	NMB Bank Ltd.	2008/06/02	Babarmahal, Kathmandu	2000.00
25	Kist Bank Ltd.	2009/05/07	Anamnagar, Kathmandu	2000.00
26	Janata Bank Nepal Ltd.	2010/04/05	Nayabaneswor, Kathmandu	2060.00
27	Mega Bank Nepal Ltd.	2010/07/23	Kantipath, Kathmandu	2330.00
28	Civil Bank Ltd. & <sup>1</sup>	2010/11/26	Kamaladi, Kathmandu	2000.00
29	Century Commercial Bank Ltd.	2011/03/10	Putalisadak, Kathmandu	1126
30	Sanima Bank Ltd.	2012/02/15	Nagpokhari, Kathmandu	2217.60

# Capital is based on mid-March 2014. In case of merged banks and financial institutions, capital amount is after merger.

& Merged with Nava Durga Company Finance Limited ('C' Class, National Level).

&<sup>1</sup> Merged with Axis Development Bank Ltd. ('B' Class, National Level and Civil Merchant (National Level ('C' Class, National Level) & Commerz & Trust Bank Nepal Ltd. merged with Global IME Bank Ltd.

#### 2. Development Banks

(Rs. in Million)

S.No.	Names	Operation Date (A.D.)	Head Office	Paid-up Capital #
1	NIDC Development Bank Ltd.	1959/06/15	Durbarmarg, Kathmandu	415.82
2	Malika Bikash Bank Ltd.	1999/11/11	Dhangadhi, Kailali	220.50
3	Siddhartha Development Bank Ltd.	2000/06/26	Tinkune, Kathmandu	645.00
4	Yeti Development Bank Ltd.	2001/06/19	Durbarmarg, Kathmandu	1386.23
5	Narayani Development Bank Ltd.	2001/10/17	Ratnanagar, Chitwan	55.57
6	United Bikash Bank Ltd.*	2001/05/06	Jeetpur, Bara	80.40
7	Pashimanchal Development Bank Ltd.	2003/04/03	Butwal, Rupandehi	336.52
8	Sahayogi Bikas Bank Ltd.	2003/10/23	Janakpurdham, Dhanusha	142.88
9	Karnali Bikash Bank Ltd.	2004/02/18	Nepalgunj, Banke	80.00
10	Triveni Bikas Bank Ltd.	2004/08/13	Narayangadh, Chitwan	370.11
11	Bhrikuti Bikas Bank Ltd.	2004/09/03	Butwal, Rupandehi	423.77

12	Supreme Development Bank Ltd.	2004/09/05	Tinkune, Kathmandu	772.00
13	Shubhechchha Bikas Bank Ltd.	2004/09/26	Narayangadh, Chitwan	118.68
14	Sangrila Development Bank Ltd. & <sup>3</sup>	2004/10/29	Nepalgunj, Banke	640.00
15	Gaurishankar Development Bank Ltd.	2004/12/02	Kawasoti, Nawalparasi	211.92
16	Gorkha Development Bank (Nepal) Ltd.	2004/12/05	Putalisadak, Kathmandu	660.82
17	Gandaki Development Bank Ltd.	2005/01/25	Pokhara, Kaski	320.00
18	Infrastructure Development Bank Ltd.	2005/05/09	Ghantaghar, Kathmandu	827.53
19	Business Universal Development Bank Ltd.	2005/05/10	Anamnagar, Kathmandu	842.06
20	Biratlaxmi Bikas Bank Ltd. & <sup>2</sup>	2005/05/11	Biratnagar, Morang	234.68
21	Excel Development Bank Ltd.	2005/07/21	Birtamod, Jhapa	100.00
22	Western Development Bank Ltd.	2005/09/15	Ghorahi, Dang	100.00
23	H & B Development Bank Ltd.	2005/11/07	Kamaladi, Kathmandu	897.93
24	Arniko Development Bank Ltd.	2006/07/06	Dhulikhel, Kavre	223.23
25	NDEP Development Bank Ltd.	2006/07/17	Laldurbarmarga, Kathmandu	582.45
26	Clean Energy Development Bank Ltd.	2006/09/07	Sitapaila, Kathmandu	1145.38
27	Miteri Development Bank Ltd.	2006/10/13	Dharan, Sunsari	130.01
28	Tinau Bikas Bank Ltd.	2006/11/01	Butwal, Rupandehi	128.80
29	Rising Development Bank Ltd.	2006/12/18	Gaidakot, Nawalparasi	214.14
30	Muktinath Bikas Bank Ltd.	2007/01/03	Pokhara, Kaski	367.50
31	Sewa Bikas Bank Ltd.	2007/02/25	Butwal, Rupandehi	257.60
32	Kankai Bikas Bank Ltd.	2007/05/03	Damak, Jhapa	100.00
33	Public Development Bank Ltd.	2007/06/07	Birgunj, Parsa	150.00
34	Ace Development Bank Ltd.	2007/08/15	Narayanchaur, Kathmandu	827.39
35	Mahakali Bikas Bank Ltd.	2007/08/18	Mahendranagar, Kanchanpur	40.00
36	Bhargab Bikas Bank Ltd.	2007/08/30	Nepalgunj, Banke	100.00
37	Kamana Bikas Bank Ltd.	2007/10/29	Pokhara, Kaski	230
38	Professional Diyalo Bikas Bank Ltd.	2007/10/14	Banepa, Kavre	200.00
39	Country Development Bank Ltd.	2007/10/04	Banepa, Kavre	320.00
40	Vibor Bikas Bank Ltd.	2007/10/04	Tripureshwor, Kathmandu	917.07
41	Alpine Development Bank Ltd.	2007/10/05	Hetauda, Makawanpur	100.00
42	Nilgiri Bikas Bank Ltd.	2007/10/12	Beni, Myagdi	57.50
43	Kasthamandap Development Bank Ltd.	2007/10/12	Newroad, Kathmandu	678.01
44	Corporate Development Bank Ltd.	2007/11/07	Birgunj, Parsa	200.00
45	City Development Bank Ltd.	2007/10/19	Pokhara, Kaski	308.00
46	Biswo Bikas Bank Ltd.	2007/12/20	Pokhara, Kaski	353.97
47	Pathibhara Bikas Bank Ltd.	2007/11/21	Urlabari, Morang	100.00
48	Garima Bikas Bank Ltd.	2007/11/04	Pokhara, Kaski	374.00
49	Kabeli Bikas Bank Ltd.	2007/12/16	Hulaktole, Dhankuta	22.00
50	Purnima Bikas Bank Ltd.	2008/05/20	Siddharthanagar, Rupandehi	110.00
51	Jyoti Bikas Bank Ltd.	2008/07/24	Kamalpokhari, Kathmandu	740.00
52	Shine Resunga Development Bank Ltd.	2009/02/22	Tamghas, Gulmi	383.84
53	Bagmati Development Bank Ltd.	2009/03/23	Hariwon, Sarlahi	50.00
54	Hamro Bikas Bank Ltd.	2009/04/19	Battar, Nuwakot	60.10
55	Kakre Bihar Bikas Bank Ltd.	2009/05/15	Birendranagar, Surkhet	34.50
56	Pacific Development Bank Ltd.	2009/07/26	Beshishahar, Lamjung	60.00
57	Civic Development Bank Ltd.	2009/08/13	Dhadingbesi, Dhading	40.00
58	International Development Bank Ltd.	2009/09/04	Teku, Kathmandu	640.00
59	Kanchan Development Bank Ltd.	2009/09/19	Mahendranagar, Kanchanpur	110.00
60	Bright Development Bank Ltd.	2009/10/08	Panauti, Kavre	140.00
61	Matribhumi Bikas Bank Ltd.	2009/10/09	Sindhulimadi, Sindhuli	44.00
62	Innovative Development Bank Ltd.	2009/11/13	Siddharthanagar, Rupandehi	100.00
63	Jhimruk Bikas Bank Ltd.	2009/12/14	Bagdula, Pyuthan	41.50
64	Metro Development Bank Ltd.	2009/12/16	Pokhara, Kaski	122.96
65	Raptibheri Bikas Bank Ltd.	2010/01/15	Nepalgunj, Banke	75.01
66	Gaumukhee Bikas Bank Ltd.	2010/01/25	Bijuwar, Pyuthan	41.6
67	Tourism Development Bank Ltd.	2010/03/18	Newbaneshwor, Kathmandu	640.00
68	Mission Development Bank Ltd.	2010/06/15	Butwal, Rupandehi	100.00
69	Mount Makalu Development Bank Ltd.	2010/07/21	Basantapur, Terathum	14.00
70	Sindhu Bikas Bank Ltd.	2010/09/09	Barhabise, Sindhupalchowk	100.00

71	Sahara Bikas Bank Ltd.	2010/10/27	Malangawa, Sarlahi	14.00
72	Nepal Community Development Bank Ltd.	2010/11/03	Butwal, Rupandehi	100.00
73	Cosmos Development Bank Ltd.	2010/11/17	Shaktichok, Gorkha	43.75
74	Manasalu Bikash Bank Ltd.	2010/12/14	Buspark, Gorkha	120.00
75	Ekata Bikash Bank Ltd.	2011/10/24	Butwal, Rupandehi	120.00
76	Kalinchowk Development Bank Ltd.	2011/11/21	Charikot, Dolakha	51.00
77	Kailsh Bikash Bank Ltd.	2012/04/24	Putalisadak, Kathmandu	778.38
78	Salapa Bikash Bank Ltd.	2012/07/16	Diktel, Khotang	14.00
79	Saptakoshi Development Bank Ltd.	2012/10/02	Tankisunwari, Morang	60.00
80	Sajha Bikash Bank Ltd.	2013/04/30	Dhangadhi, Kailali	51.00
81	Prabhu Bikash Bank Ltd.	2013/06/14	Lainchour, Kathmandu	765.96
82	Apex Development Bank Ltd.	2013/06/15	Durbarmarg, Kathmandu	666.56
83	Green Development Bank Ltd.	2013/08/25	Baglungbazar, Baglung	55.00
84	Reliable Development Bank Ltd. <sup>&amp;4</sup>	2070/05/09	Sundhara, Kathmandu	682.75

&2 Merged the Khadbari Development Bank Ltd ('B' Class, District Level)

&3 Sangrila Development Bank and Bageshwori Development Bank Ltd. ('B' Class) merged and formed Sangrila Development Bank with upgradation

&4 Reliable Development Bank formed by merging in the existing Reliable Finance Company Ltd., Consumer Development Bank Ltd. and Shuvalaxmi Finance Ltd ('C' Class)

# Capital is based on mid-March 2014

\* In the process of liquidation.

### 3. Finance Companies

(Rs. in Million)

S.No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital <sup>#</sup>
1	Nepal Aawas Finance Ltd.	1992/08/03	Subidhanagar, Kathmandu	189.50
2	Nepal Finance Ltd.	1993/01/06	Kamaladi, Kathmandu	135.80
3	NIDC Capital Markets Ltd.	1993/03/11	Kamalpokhari, Kathmandu	233.56
4	Narayani National Finance Ltd.	1993/05/07	Kalikaasthan, Kathmandu	647.48
5	Nepal Share Markets and Finance Ltd.	1993/10/19	Ramshahapath, Kathmandu	2034.29
6	Peoples Finance Ltd.	1994/04/15	Mahabauddha, Kathmandu	289.01
7	Kathmandu Finance Ltd.	1994/11/10	Dillibazar, Kathmandu	170.05
8	Himalaya Finance Ltd.	1994/11/11	Sundhara, Kathmandu	140.00
9	Union Finance Ltd.	1994/12/12	Kamaladi, Kathmandu	176.59
10	Paschhimanchal Finance Co.Ltd.	1995/04/09	Butwal, Rupandehi	235.64
11	Nepal Housing & Merchant Finance Ltd.	1995/04/11	Dillibazar, Kathmandu	220.30
12	Samjhana Finance Co. Ltd.**	1995/05/03	Banepa, Kavre	-
13	Goodwill Finance Ltd.	1995/05/15	Dillibazar, Kathmandu	310.50
14	Siddhartha Finance Ltd. <sup>&amp;5</sup>	1995/05/25	Siddharthanagar, Rupandehi	324.31
15	Shree Investment & Finance Co. Ltd.	1995/06/01	Dillibazar, Kathmandu	176.00
16	Lumbini Finance & Leasing Co. Ltd.	1995/06/26	Thamel, Kathmandu	294.94
17	International Leasing & Finance Co. Ltd.	1995/10/31	Nayabaneshwor, Kathmandu	2008.80
18	Mahalaxmi Finance Ltd.	1995/12/01	Putalisadak, Kathmandu	420.00
19	Lalitpur Finance Co. Ltd.	1995/12/14	Lagankhel, Lalitpur	187.95
20	United Finance Co. Ltd.	1996/01/26	Durbarmarg, Kathmandu	350.80
21	General Finance Ltd.	1996/02/01	Chabahil, Kathmandu	132.23
22	Progressive Finance Co. Ltd.	1996/02/26	Newroad, Kathmandu	120.00
23	Janaki Finance Co. Ltd.	1997/03/07	Janakpurdham, Dhanusha	146.25
24	Pokhara Finance Ltd.	1997/03/16	Pokhara, Kaski	312.00
25	Central Finance Ltd.	1997/04/14	Kupandole, Lalitpur	168.36
26	Premier Finance Co. Ltd.	1997/06/08	Kumaripati, Lalitpur	127.01
27	Arun Finance Ltd.	1997/08/17	Dharan, Sunsari	150.00
28	Multipurpose Finance Co. Ltd	1998/04/15	Rajbiraj, Saptari	25.00
29	Synergy Finance Ltd.	1998/06/21	Butwal, Rupandehi	474.41
30	Shrijana Finance Ltd.	1999/12/14	Biratnagar, Morang	84.00
31	Om Finance Ltd.	2000/09/17	Pokhara, Kaski	325.71
32	World Merchant Banking & Finance Ltd.	2001/08/10	Hetauda, Makawanpur	181.98
33	Capital Merchant Banking & Finance Co. Ltd.	2002/02/01	Battisputali, Kathmandu	935.07

34	Crystal Finance Ltd.	2002/03/13	Thapathali, Kathmandu	70.00
35	Guheshwori Merchant Banking & Finance Ltd.	2002/06/13	Pulchowk, Lalitpur	206.35
36	Patan Finance Co. Ltd.	2002/06/23	Pulchowk, Lalitpur	110.00
37	Fewa Finance Ltd.	2003/04/30	Pokhara, Kaski	330.33
38	Everest Finance Ltd.	2003/07/02	Siddharthanagar, Rupandehi	106.14
39	Prudential Finance Company Ltd.	2004/06/06	Nagpokhari, Kathmandu	483.13
40	ICFC Finance Ltd.	2004/07/15	Bhatbhateni, Kathmandu	374.39
41	Sagarmatha Merchant Banking and Finance Ltd.	2005/08/29	Manvawan, Lalitpur	165.00
42	Kuber Merchant Finance Ltd.	2006/03/24	Kamalpokhari, Kathmandu	150.00
43	Nepal Express Finance Ltd.	2006/05/04	Sundhara, Kathmandu	197.10
44	Seti Finance Ltd.	2006/05/18	Tikapur, Kailali	50.60
45	Hama Merchant & Finance Ltd.	2006/06/16	Tripureshwor, Kathmandu	200.00
46	Namaste Bittiya Sanstha Ltd..	2007/07/09	Ghorahi, Dang	31.25
47	Kaski Finance Ltd.	2007/07/30	Pokhara, Kaski	240.74
48	Zenith Finance Ltd.	2007/10/08	Newroad, Kathmandu	231.00
49	Unique Financial Institution Ltd.	2007/10/12	Putalisadak, Kathmandu	200.00
50	Manjushree Financial Institution Ltd.	2007/10/17	Nayabaneswor, Kathmandu	225.00
51	Jebil's Finance Ltd.	2009/10/28	Newroad, Kathmandu	200.00
52	Reliance Lotus Finance Ltd.	2009/12/03	Pradarsanimarg, Kathmandu	320.00
53	Bhaktapur Finance Ltd.	2011/02/08	Chyamsing, Bhaktapur	125.00

<sup>&5</sup> Merging of Imperial Finance Ltd.

<sup>&6</sup> Lotus Investment Finance Ltd. merged with Reliable Finance Ltd.

# Capital is based on mid-March 2014

\* In the process of liquidation

#### 4. Microfinance Development Banks

(Rs. in Million)

S.No	Names	Operation Date (A.D.)	Head Office	Paid up Capital #
1	Purbanchal Grameen Bikas Bank Ltd.	1993/02/28	Biratnagar, Morang	60.00
2	Sudur Paschimanchal Grameen Bikas Bank Ltd.	1993/02/28	Dhangadhi, Kailali	58.50
3	Paschimanchal Grameen Bikas Bank Ltd.	1995/04/01	Butwal, Rupandehi	115.00
4	Madhya Paschimanchal Grameen Bikas Bank Ltd.	1995/04/01	Nepalgunj, Banke	73.57
5	Madhyamanchal Grameen Bikas Bank Ltd.	1996/07/08	Janakpur, Dhanusha	100.00
6	Nirdhan Utthan Bank Ltd.	1999/04/13	Anamnagar, Kathmandu	200.00
7	Rural Microfinance Development Centre Ltd.	1996/12/06	Putalisadak, Kathmandu	520.00
8	Deprosc Microfinance Development Bank Ltd.	2001/07/03	Ratnanagar, Chitwan	127.37
9	Chhimek Microfinance Development Bank Ltd.	2001/12/10	Oldbaneshwor, Kathmandu	210.00
10	Shwabalamban Laghu Bitta Bikas Bank Ltd.	2002/02/22	Lalcolonymarg, Kathmandu	149.88
11	Sana Kisan Bikas Bank Ltd.	2002/03/11	Subidhanagar, Kathmandu	230.00
12	Nerude Laghu Bitta Bikas Bank Ltd.	2007/06/15	Biratnagar, Morang	64.40
13	Naya Nepal Laghu Bitta Bikas Bank Ltd.	2009/03/20	Dhulikhel, Kavre	20.00
14	Summit Microfinance Development Bank Ltd	2009/05/20	Anarmani, Jhapa	25.00
15	Sworoggar Laghu Bitta Bikas Bank Ltd	2009/12/01	Banepa, Kavre	15.70
16	First Microfinance Development Bank Ltd	2009/12/28	Gyaneshwor, Kathmandu	100.00
17	Nagbeli Microfinance Development Bank Ltd	2010/02/04	Anarmani, Jhapa	14.30
18	Kalika Microcredit Development Bank Ltd.	2010/07/21	Waling, Syangja	50.00
19	Mirmire Microfinance Development Bank Ltd.	2010/09/23	Banepa, Kavre	14.00
20	Janautthan Samudayik Microfinance Dev. Bank Ltd.	2010/11/09	Butwal, Rupandehi	11.00
21	Mithila Laghu Bitta Bikas Bank Ltd.	2009/04/29	Dhalkebar, Dhanusha	16.50
22	Womi Microfinance Bittiya Sanstha Ltd.	2012/03/08	Khanikhola, Dhading	10.20
23	Laxmi Microfinance Bittiya Sanstha Ltd.	2012/06/04	Nayabaneswor, Kathmandu	70.00
24	ILFCO Microfinance Bittiya Sanstha Ltd.	2012/07/05	Chuchchepati, Kathmandu	60.00
25	Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	2012/12/25	Chitlang, Makwanpur	77.00
26	Vijaya Laghubitta Bittiya Sanstha Ltd.	2013/03/28	Rajhar, Nawalparasi	98.00
27	Kisan Microfinance Bittiya Sanstha Ltd.	2013/01/16	Kamalbajar, Achham	12.00
28	Clean Village Microfinance Bittiya Sanstha Ltd.	2013/03/31	Hemja, Kaski	14.00
29	Forward Community Microfinance Bittiya Sanstha Ltd.	2013/05/17	Duhabi, Sunsari	70.00
30	Reliable Microfinance Bittiya Sanstha Ltd.	2013/05/19	Beshishahar, Lamjung	14.00

31	Mahuli Samudayik Laghubitta Bittiya Sanstha Ltd.	2013/06/15	Bakdhuwa, Saptari	14.00
32	Suryodaya Laghubitta Bittiya Sanstha Ltd.	2013/07/16	Putalibazar, Syanja	14.00
33	Mero Microfinance Bittiya Sanatha Ltd.	2013/07/18	Battar, Nuwakot	69.40
34	Samata Microfinance Bittiya Sanatha Ltd.	2013/08/25	Pipra, Simara	11.06
35	RSDC Laghubitta Bittiya Sanstha Ltd.	2013/09/11	Butwal, Rupandehi	60.00
36	Samudayik Laghubitta Bittiya Sanstha Ltd. <sup>a</sup>	2070/12/30	Panchkhal, Kavre	14.00
37	National Microfinance Bittiya Sanstha Ltd.	2071/03/18	Nilkantha, Dhading	70.00

<sup>a</sup> Although licensed on April 13, 2014, not started its operation yet.

# Capital is based on mid-March 2014.

## 5. Savings and Credit Co-operatives (Limited Banking)

(Rs. in '000)

S.No	Names	Operation Date (A.D.)	Head Office	Paid up Capital <sup>#</sup>
1	Shree Nabajivan Co-operatives Ltd.	1993/12/15	Dhangadhi, Kailali	71117.00
2	Sagun Co-operative Society Ltd.	1994/10/9	Kathmandu	11317.00
3	Nepal Co-operative Society Ltd.	1994/12/30	Kathmandu	56741.00
4	The Sahara Loan, Savings Co-op.Soc. Ltd.	1995/04/15	Sarlahi	76124.00
5	Bindabasini Saving & Credit Co-operative Society Ltd.	1995/06/21	Khopasi, Kavre	79952.00
6	Mahila Co-operative Society Ltd.	1995/09/27	Kathmandu	22725.00
7	Nepal Bahooddeshya Co-operative Society Ltd.	1995/12/25	Jhapa	101948.00
8	Sahakari Bittiya Sanstha Ltd.	1996/6/16	Nepalgunj, Banke	17424.00
9	Shree Manakamana Sahakari Sanstha Ltd.	1997/02/18	Banepa, Kavre	12252.00
10	Veri Co-operative Sanstha Ltd.	1997/12/25	Nepalgunj, Banke	11198.00
11	Viccu Saving & Loan Co-operative Sanstha Ltd.	1997/02/18	Gaidakot, Nawalparasi	47811.00
12	Kisan Bahoo-uddesyiya Co-op. Sanstha Ltd.	1997/08/11	Lamki, Kailali	28366.00
13	Himalaya Co-operative Ltd.	1998/12/29	Puranobaneshwor, Kathmandu	51242.00
14	Star Bahoo-Uddesyiya Saving & Credit Co-op Ltd.	1998/02/13	Biratnagar, Morang	16762.00
15	Upakar Savings & Credit Co-operative So. Ltd.	1998/04/14	Walling, Syangja	38288.00

## Capital is based on mid-March, 2013.

## 6. Non-Government Organizations (NGOs)

S.No	Names	Operation Date (A.D.)	Head Office
1	Nepal Sikara Grameen Bikas Karyakram	2000/06/05	Chitwan
2	Chartare Yuba Club	2000/06/05	Baglung
3	Unique Nepal	2000/06/29	Bardiya
4	Samudayik Mahila Bikas Kendra	2000/07/14	Saptari
5	Grameen Jagaran Manch	2000/09/11	Baglung
6	Dhaulagiri Community Research Dev. Centre	2000/10/21	Baglung
7	Society of Local Volunteers Efforts Nepal (Solve)	2001/07/10	Dhankuta
8	Center for Women's Right and Development	2002/04/30	Kathmandu
9	MANUSHI	2002/05/03	Kathmandu
10	Life Development Society	2002/06/18	Morang
11	Mahila Adarsha Sewa Kendra	2002/07/02	Kathmandu
12	Patan Buisness and Professional Women	2002/07/02	Lalitpur
13	Women's Selfreliant Society	2002/07/14	Chitwan
14	Creative Women Environment Development Association	2002/07/24	Kathmandu
15	Shreejana Development Center	2002/08/22	Kaski
16	Cottage & Small Industries Organization	2002/09/02	Kathmandu
17	Adarsha Yuba Club	2002/09/06	Bhaktapur
18	Social Upgrade in Progress of Educational Region (SUPER)	2002/10/29	Dang
19	Nepal Women Community Service Center	2002/10/30	Dang
20	Gramin Mahila Bikash Sanstha	2003/04/23	Dang
21	Gramin Mahila Utthan Kendra	2003/06/18	Dang
22	Gramin Sewa Nepal	2003/09/18	Kailali
23	Mahila Upakar Manch	2003/10/29	Banke

24	Bikash Aayojana Sewa Kendra	2004/11/01	Kathmandu
25	Gramin Swayam Sewak Samaj	2005/11/20	Sarlahi
26	Srijana Community Development Center	2012/11/18	Siraha
27	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	2012/11/18	Parbat
28	Nepal Grameen Bikas Sanstha	2012/12/13	Kathmandu
29	Women Enterprises Association of Nepal	2013/01/04	Kathmandu

The licence of Bhagwan Yuva Club, Alapot, Kathmandu, cancelled on April 13, 2014.

## 7. Other Institutions

S.No.	Names	Office	Contact Office	Licensed Date
1	Rastriya Sahakari Bank Ltd.	Kupondole, Lalitpur	Baneshwor, Kathmandu	2010/07/20
2	Mashreq Bank PSC	Dubai , UAE	Thapathali, Kathmandu	2010/10/12
3	Hydroelectricity Investment & Development Company Ltd.	Babarmahal, Kathmandu	Babarmahal, Kathmandu	2012/07/10



## **PART – 2**

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## PART – 2

### ACTIVITIES OF NEPAL RASTRA BANK

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#### Monetary Policy of 2013/14

2.1 In accordance with Nepal Rastra Bank Act, 2002, the monetary policy has been adopting the objectives of maintaining price, external sector and financial sector stability along with promoting high and sustainable economic growth. In addition, the monetary policy has also been according high priority to the promotion of access to finance. Accordingly, the monetary policy of 2013/14 had also set the objectives of containing inflation within target, maintaining external and financial sector stability, increasing the use of credit in productive sector and promoting access to finance. In line with the policies undertaken by the government's budget as well as other economic policies and programs, the monetary policy of 2013/14 was brought into implementation through public announcement on July 21, 2013.

#### Objectives and Targets

- 2.2 The stance of monetary policy of 2013/14 was made slightly accommodative in order to facilitate high economic growth by avoiding possible adverse impact on price and external sector stability. In addition, the monetary policy was focused on strengthening financial stability, encouraging credit flow to the productive sector and expanding access to finance.
- 2.3 The monetary policy of 2013/14 had the target of providing adequate credit to support the targeted economic growth rate of 5.5 percent by maintaining inflation at 8.0 percent and foreign exchange reserves sufficient to cover the imports of goods and services at least for 8 months.
- 2.4 To achieve the above-mentioned targets, the growth rate of broad money, as an intermediate target, was projected at around 16 percent. Based on likely generation of demand from inflation and targeted economic growth, the domestic credit was projected to grow by 17.1 percent in 2013/14. Of the total domestic credit, the claims on government and the private sector were projected to increase by 12.3 percent and 18.0 percent respectively.
- 2.5 Taking into account the actual situation after six months of implementation of monetary policy and the outlook for the remaining period through the mid-term evaluation of monetary policy, the growth projection of some of the major economic and monetary indicators were revised. Accordingly, the annual average inflation was revised at 8.5 percent, broad money growth at 18 .0 percent, narrow money growth at 15.5 percent,

domestic credit growth at 14.6 percent, claims on the private sector growth at 17.0 percent and balance of payments (BOP) surplus at Rs. 80 billion.

- 2.6 Despite satisfactory economic growth and favorable external sector situation in 2013/14, the inflation remained slightly higher than the targeted level due mainly to supply-side bottlenecks. In 2013/14, the balance of payments surplus stood at Rs. 127.13 billion maintaining the foreign exchange reserves sufficient to cover the imports of goods and services for 10 months. In the review year, the annual average CPI inflation rate was 9.1 percent and the economic growth rate was 5.2 percent.

Table 2.1

### Inflation Rate and Balance of Payments Surplus

Particulars	2012/13 Actual	2013/14		Actual
		Target	Revised Estimates of Mid-Term Review of Monetary Policy	
Inflation (in percentage)	9.9	8.0	8.5	9.1
Balance of Payments Surplus (Rs. billion)	68.94	32.00	80.00	127.13

## Intermediate and Operating Targets of Monetary Policy

- 2.7 The monetary policy adopted the strategy of conducting monetary management based on the changes in macroeconomic indicators such as economic growth, inflation and balance of payments by maintaining the existing exchange rate regime. In order to facilitate achieving the above-mentioned targets, as an interim target, the growth rate of broad money supply, which was initially projected to be 16.0 percent, was revised to 18.0 percent in the mid-term review of monetary policy.
- 2.8 Keeping in view the likely increment in demand generated by targeted inflation and economic growth, the growth rate of domestic credit, which was initially projected at 17.1 percent, was revised to 14.6 percent in the mid-term review of monetary policy, 2013/14. Of the total domestic credit, the growth rates of claims on government and the private sector, which were initially projected at 12.3 percent and 18.0 percent respectively, were revised at 0.4 percent and 17.0 percent respectively in the mid-term review of the monetary policy.

Table 2.2  
**Money Supply and Domestic Credit**

Particulars	2012/13 Actual	2013/14		Actual
		Target	Revised Estimates of Mid-Term Review of Monetary Policy	
Growth rate of broad money supply (in percent)	16.4	16.0	18.0	19.1
Growth rate of narrow money supply (in percent)	15.0	14.0	15.5	17.7
Growth rate of domestic credit (in percent)	14.4	17.1	14.6	12.6
Growth rate of credit to private sector (in percent)	20.2	18.0	17.0	18.3

## Instruments of Monetary Policy

- 2.9 A higher than desired rate of inflation at the time of slower monetary expansion and balanced budget indicated that structural factors have been playing a dominant role in driving inflation. However, a necessary policy stance was adopted and suitable monetary instruments were used to limit the monetary expansion at the desirable path so as to avoid the adverse impact of aggregate demand on inflation. In addition, the regulatory measures were adopted to promote the stability of BFIs which acted as the medium of transmission mechanism of the monetary policy.
- 2.10 Considering the necessity of facilitating economic growth along with controlling inflation, the bank rate, which is considered as a policy rate indicating the stance of monetary policy, was kept unchanged at 8.0 percent. Likewise, the provision of Standing Liquidity Facility (SLF) serving as a window for providing short-term liquidity to the BFIs at the bank rate was also continued.
- 2.11 In the context of growth of major monetary aggregates posting within desirable limits but economic activities remaining sluggish, the cash reserve ratio (CRR) to be maintained by BFIs was reduced to 5 percent for “A” class, 4.5 percent for “B” class and 4.0 percent for “C” class financial institutions. This provision aimed to facilitate economic growth through the expansion of credit by reducing the cost of loanable funds.

Table 2.3

**Existing CRR and SLR to be maintained by BFIs (in Percentage)**

Headings	2012/13	2013/14
Cash Reserve Ratio		
“A” Class Institutions	6.0	5.0
“B” Class Institutions	5.5	4.5
“C” Class Institutions	5.0	4.0
Statutory Liquidity Ratio		
“A” Class Institutions	15.0	12.0
“B” Class Institutions	11.0	9.0
“C” Class Institutions	10.0	8.0

- 2.12 There was some revision in the statutory liquidity ratio (SLR) to be maintained by BFIs. The new provision of SLR to be maintained by the commercial banks was 12.0 percent, development banks 9.0 percent and finance companies authorized for operating current and call account deposits was 8 percent. Such a ratio was unchanged at 4.0 percent for "D" class financial institutions collecting deposits from the general public.
- 2.13 Considering the comfortable liquidity situation in BFIs, the maximum period of repo and reverse repo auctions under OMOs was reduced to 21 days from existing 28 days.

Table 2.4

**Existing Bank Rate and Refinance Rate (in Percentage)**

Headings	2012/13	2013/14
Bank Rate	8.0	8.0
General Refinance Rate	6.0	5.0
Special Refiance Rate (export industry, sick industries, SMEs, small and cottage industries, foreign employment and Small Business operated by women and specified class or communities)	1.5	1.0
Refinance Rate for Export Credit in Foreign Currency	LIBOR + 0.25	LIBOR + 0.25

- 2.14 In the monetary policy of 2013/14, the general refinance rate was reduced to 5.0 percent from 6.0 percent in the previous year for agriculture, hydropower, livestock and fishery and other specified productive sectors. For such a refinance facility, BFIs could only charge up to 9.0 percent interest from their clients. Similarly, special refinance rate applicable to sick industry, small and cottage industry, export oriented enterprise, enterprises operated by women, foreign employment of specified class of people and small enterprises operated by specified community was reduced to 1.0 percent from 1.5 percent. While utilizing this facility, BFIs could only charge up to 4.5 percent interest from clients.
- 2.15 With a view to directly supporting economic growth through the expansion of BFIs' credit to the productive sectors, the utilization of refinance facilities available through

this Bank at concessional rate has been gradually increasing. In 2013/14, the BFIs had utilized general refinance facilities of Rs. 4.53 billion and export refinance facilities of Rs. 2.93 billion against the collateral of their good loans. In mid-July 2014, the outstanding amount of refinance loan at the NRB was Rs. 1.92 billion.

- 2.16 As stated in the monetary policy of 2013/14, initiatives were made for easing and simplifying the bond markets and enhancing the effectiveness of open market operations by implementing "Open Market Operations By-laws". In addition, necessary steps were undertaken for the implementation of online bidding system of treasury bills and development bonds along with the development of infrastructure for making secondary market of government securities more active. Despite having plan of issuing long-term bonds with the approval of the Government of Nepal in 2013/14 taking into consideration the existing liquidity situation in the banking system prevailing interest rate structure and the availability of securities in the market, no long-term bonds were issued in 2013/14 as the liquidity management was carried out through the reverse repo auctions.
- 2.17 With the view to making the determination of interest rate on loans more transparent and competitive, the concept of the base rate was extended from commercial banks to "B" and "C" class financial institutions as well.
- 2.18 As per the provision for BFIs to maintain their average interest spread rate between credit and deposit within 5 percent by mid-July 2014, the BFIs were instructed to calculate their spread rate and publish in their own website since mid-January 2014. In this regard, initially prescribed spread rate calculation method was revised with the inclusion of interest earned by the BFIs from government securities in the interest income of the banks. As per the revised method, the interest rate spread of deposits and lending of commercial banks remained at 5.15 percent in mid-July 2014.

## Public Debt Management

### Issuance and Management of Public Debt

- 2.19 As entrusted by the Public Debt Act, 2002, Nepal Rastra Bank has been carrying out the task of public debt management on behalf of the GON. The Open Market Operations Committee has been carrying forward the process of issuing government securities at the request of the Ministry of Finance, GON in accordance with the GON's annual budget.

## Treasury Bills

2.20 Despite the projection of issuing treasury bills of Rs 14 billion as per the approved Issue Calendar for 2013/14, treasury bills of only Rs 10 billion were issued as there was a significant cash surplus in government's account. Likewise, outstanding treasury bills of Rs 136.47 billion, which had varying maturity period, were reissued based on their maturity period. Since domestic debt was not mobilized as mentioned in the Budget and excess liquidity was prevalent in the market, treasury bills' interest rate remained significantly low in 2013/14.

## Development Bond

2.21 Since the government maintained large amount of cash surplus, development bonds amounting to Rs. 9 billion only were issued in 2013/14 as against the target of issuing Rs. 26 billion. Development bond issuance procedure was changed for the first time in 2013/14 by initiating a process of issuing based on the interest rate determined by auctions. In 2013/14, development bonds were issued twice comprising Five-Year Development Bond of Rs. 3 billion and Seven-Year Development Bond of Rs. 6 billion. The market determined coupon rate for the Five-Year Development Bond of Rs. 3 billion stood at 3.25 percent while the rate for the Seven-Year Development Bond of Rs. 6 billion remained at 3.49 percent. The outstanding amount of development bonds at the end of 2013/14 stood at Rs. 47.11 billion. The maturity period of outstanding development bonds varies from 3 years to 12 years.

## National/Citizen/Foreign Employment Saving Certificate

2.22 In 2013/14, the target for issuing National Saving Certificate was Rs. 3 billion. However, due to high cash surplus in government account, National Saving Certificate of Rs 1 billion only was kept open for sale, of which, only Rs. 906.48 million was sold. The interest rate specified for the National Saving Certificate of 5 years' maturity period was 8 percent. The outstanding amount of National Saving Certificate at the end of 2013/14 amounted to Rs 16.59 billion while the maturity period ranged between 4 and 5 years. There was no issue of Citizen Saving Certificate in 2013/14. The outstanding amount of Citizen Saving Certificate at the end of 2013/14 was Rs 1.52 billion, with the maturity period varying from 5 to 12 years.

2.23 Of the targeted amount of Rs 1 billion set for the issuance of Foreign Employment Saving Certificate in 2013/14, only Rs 500 million was kept open for sale. Of this, only Rs. 76.42 million was sold. The outstanding amount of Foreign Employment Saving Certificate at the end of 2013/14 remained at Rs 135.31 million, with the maturity period at 5 years.

## Net Domestic Debt Issue

2.24 In 2013/14, domestic debt of Rs. 19.98 billion was issued through various instruments while repayment of Rs. 25.17 billion was made. As repayment exceeded the issuance, net domestic debt issue remained negative by Rs. 5.18 billion. Consequently, outstanding domestic debt stock decreased to Rs. 201.82 billion in 2013/14 from Rs. 207.00 billion in 2012/13.

**Table 2.5**  
**Net Domestic Debt Issue**

(Rs in Million)

Description	2011/12	Ratio with GDP (%)	2012/13	Ratio with GDP (%)	2013/14	Ratio with GDP (%)
<b>(A) Total Issue</b>	<b>36418.70</b>	<b>2.38</b>	<b>19042.90</b>	<b>1.13</b>	<b>19982.90</b>	<b>1.04</b>
Treasury Bill	17283.40	1.13	19000.00	1.12	10000.00	0.52
Development Bond	14000.00	0.92	0.00	0.00	9000.00	0.47
National Saving Bond	5000.00	0.33	0.00	0.00	906.50	0.05
Citizen Saving Bond	126.60	0.01	0.00	0.00	0.00	0.00
Foreign Employment Bond	8.70	0.00	42.90	0.00	76.40	0.00
Special Bond	0.00	0.00	0.00	0.00	0.00	0.00
<b>(B) Payment</b>	<b>6626.80</b>	<b>0.43</b>	<b>21161.40</b>	<b>1.25</b>	<b>25167.10</b>	<b>1.30</b>
Treasury Bill	6000.00	0.39	14156.00	0.84	10000.00	0.52
Development Bond	0.00	0.00	5908.50	0.35	13500.00	0.70
National Saving Bond	0.00	0.00	0.00	0.00	0.00	0.00
Citizen Saving Bond	626.40	0.04	939.30	0.06	1667.10	0.09
Foreign Employment Bond	0.00	0.00	0.00	0.00	0.00	0.00
Special Bond	0.40	0.00	157.60	0.01	0.00	0.00
<b>(C) Net Domestic Debt</b>	<b>29791.90</b>	<b>1.95</b>	<b>-2118.50</b>	<b>-0.13</b>	<b>-5184.20</b>	<b>-0.27</b>
Treasury Bill	11283.40	0.74	4844.00	0.29	0.00	0.00
Development Bond	14000.00	0.92	-5908.50	-0.35	-4500.00	-0.23
National Saving Bond	5000.00	0.33	0.00	0.00	906.50	0.05
Citizen Saving Bond	-499.80	-0.03	-939.30	-0.06	-1667.10	-0.09
Foreign Employment Bond	8.70	0.00	42.90	0.00	76.40	0.00
Special Bond	-0.40	0.00	-157.60	-0.01	0.00	0.00
<b>(D) Total Outstanding Domestic Debt</b>	<b>209120.20</b>	<b>13.69</b>	<b>207001.71</b>	<b>12.23</b>	<b>201817.53</b>	<b>10.46</b>
<b>Gross Domestic Product</b>	<b>1527344.00</b>	<b>100.00</b>	<b>1692643.00</b>	<b>100.00</b>	<b>1928517.00</b>	<b>100.00</b>

## Total Outstanding Domestic Debt Liability of the GON

2.25 The total domestic debt liability of GON, which stood Rs. 207.00 billion in 2012/13, decreased to Rs. 201.82 billion in 2013/14. Of the government debt instruments, the volume of Treasury Bills remained at the same level as in the previous year while that of Development Bonds and Citizen Saving Certificate declined. The volume of National Saving Certificate and Foreign Employment Saving Certificate slightly increased.



**Table 2.6**  
**Total Domestic Debt Liability of the GON**

(Rs in Million)

S. N.	Type of Bond	2011/12		2012/13		2013/14		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2012/13	2013/14
1.	Treasury Bill	131624.11	62.94	136468.11	65.93	136468.11	67.62	3.68	-
2.	Development Bond	57519.40	27.50	51610.90	24.93	47110.90	23.34	-10.27	-8.72
3.	National Saving Bond	15680.00	7.50	15680.00	7.57	16586.48	8.22	-	5.78
4.	Citizen Saving Bond	4123.06	1.97	3183.81	1.54	1516.75	0.75	-22.78	-0.52
5.	Foreign Employment Bond	16.04	0.01	58.90	0.03	135.31	0.07	267.18	129.75
6.	Special Bond	157.60	0.08	-	-	-	-	-	-
Total		209120.20	100.00	207001.71	100.00	201817.54	100.00	-1.01	-2.50

### Government Bonds in Ownership of Nepal Rastra Bank

2.26 Nepal Rastra Bank acquires the ownership of government bonds while securitizing the overdraft, making outright purchase under OMOs and providing standing liquidity facility to BFIs and while selling or making request to NRB to purchase citizen/national/foreign employment saving certificate by market makers. Likewise, it is also possible for NRB to gain the ownership of securities as there is a provision which allows NRB to directly purchase treasury bills and bonds from the primary market for maintaining the market at appropriate level with the condition of off-loading to market within 60 days. In 2013/14, among the government securities in ownership of NRB, the share of Treasury Bill was 94.5 percent, Citizen Saving Certificate 5.42 percent and National Saving Certificate 0.08 percent.

**Table 2.7**  
**Details of Government Securities in Ownership of NRB**

(Rs in Million)

S. N.	Type of Bond	2011/12		2012/13		2013/14		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2012/13	2013/14
1.	Treasury Bill	25072.93	88.84	12968.93	82.52	22048.93	94.50	-48.28	70.01
2.	Development Bond	382.00	1.35	319.18	2.03			-16.45	
3.	National Saving Bond	14.96	0.05	17.36	0.11	18.67	0.08	16.04	7.54
4.	Citizen Saving Bond	2753.32	9.76	2411.25	15.34	1265.36	5.42	-12.42	-47.52
5.	Foreign Employment Bond					0.04			
Total		28223.21	100.0	15716.73	100.0	23333.00	100.0	-44.31	48.46

## Infrastructure for Public Debt Management

- 2.27 This Bank has started managing accounting system under GL Software System since April 14, 2013 and has modernized the registration, transfer and payment procedures of the government securities as per the GL Software System.
- 2.28 The development of Online Bidding System Software for electronic auction of public debt instruments like treasury bills, development bonds and liquidity management tools like repo, reverse repo, outright sale and purchase is in the last stage.

## License for Market Makers and Sales Agents and their Inspection

- 2.29 In 2013/14, altogether 55 banks and financial institutions including other organized entities were granted license to handle primary issue and secondary market transactions of medium and long-term saving certificates issued for the general public. Among the licensed market makers, 45 are in Kathmandu Valley and 10 are outside the Valley. In addition, 7 banks including financial institutions and money transfer companies licensed by NRB for conducting foreign exchange transactions have been licensed as sales agent to manage sales and distribution of foreign employment bond during primary issue. Likewise, 12 market makers within Kathmandu Valley and 12 outside the Valley were inspected as per the Annual Action Plan, 2013/14. The list of institutions that were granted license as mentioned above are included in Annex 2.4.

## Awareness Program on Government Securities

- 2.30 In order to raise awareness about government securities and increase their access in rural areas, leaflets were prepared, and also disseminated through NRB offices outside Valley besides uploading the leaflets in the website. As per Annual Action Plan, 2013/14, two seminars were conducted outside Kathmandu Valley, one each at Siddharthanagar and Birgunj.

## Use of Open Market Operations Instruments

- 2.31 For monetary liquidity management, open market operations have been carried out using repo, reverse repo, outright sale and outright purchase since 2004/05 on the basis of liquidity situation indicated by the Liquidity Monitoring and Forecasting Framework as well as the status of monetary policy objectives. In 2013/14, liquidity was absorbed through the instruments of reverse repo and outright purchase. Liquidity amounting to Rs. 611.0 billion was absorbed through the use of single outright purchase and 34 reverse repos. The Bank incurred the interest burden of Rs 20.95 million in conducting those transactions.

## **Financial Sector Reform, Financial Access Expansion and Regulation**

- 2.32 In order to maintain financial stability and increase access to finance and inclusion policies and programmes related to financial sector have been envisioned. Likewise, for the overall development and expansion of financial sector, Financial Sector Development Strategy (FSDS) is in the process of formulation.
- 2.33 With the objective of restructuring Nepal Bank Limited (NBL), the NBL was taken under the control of the Nepal Rastra Bank (NRB) in accordance with the part (o) of sub-section (1) of section 86(c) of the NRB Act, 2002. The period of such control has been extended up to mid-September 2014. The NRB has deputed its own staff to run the bank, which will be continued until a new provision is made with the reconstitution of the NBL management board. Under the recapitalization plan, government has already injected fresh capital from its side in the form of right share, while transfer of share to its staff from the OTC market, final audit of Bank and also listing of the shares in NEPSE for transacting the shares, etc. have been completed. Accordingly, the paid up capital of the NBL reached Rs. 3.96 billion. In addition, it is in the process of selling its non-banking assets. Furthermore, NBL has received approval from the government on July 4, 2014 to convert SDR loan received under the financial sector reform programme to ordinary share capital. This arrangement is in the process of being implemented.
- 2.34 Under the recapitalization plan of RBB, the government has injected additional capital required to be paid in cash. The loan amount provided to RBB by the government under the financial sector reform program has been converted into equity, following which its paid-up capital reached to Rs. 8.9 billion. Activities like merging the NIDC Development Bank and selling its non-banking assets have been going on. The Bank has already completed its entire task for supplementary capital except issuing debentures. Likewise, it is in the process of divesting its cross shares in other banks and financial institutions through auction.
- 2.35 The restructuring process implemented in NBL and RBB has improved the banks' financial condition. The networth of both banks became positive, the banks are in the process of implementing the capital plan in order to achieve the capital adequacy ratio as specified by the NRB, deposits of both the banks have increased significantly, the non-performing assets are continuously decreasing and the financial condition of both the banks is satisfactory as they are operating in profit.
- 2.36 In order to promote financial inclusion by encouraging BFIs to open branches in geographical regions with limited access to finance, a policy provision of interest-free loan for a specified period has been made for BFIs ('A', 'B' and 'C' class) for opening

branches in 14 remote districts at the rate up to Rs. 5 million in the district headquarters and 10 million outside the headquarters for each branch. Prior to this, such provision was made in 17 specified remote districts with limited access to finance. Similarly, provision has been made to provide zero-percent interest loan up to Rs. 2 million for class "D" financial institutions performing financial transactions by opening branches in specified 22 districts with low microfinance access. Under this provision, zero-percent interest loan of Rs. 10 million was provided to Clean Village Microfinance Financial Institutions Limited for their five new branches, Rs. 4 million to Kishan Microfinance Financial Institution Limited for their two new branches and Rs 2 million to Mahila Sahayatra Microfinance Financial Institution Limited for its one new branch. In the previous year, there was a provision to provide Rs. 1.5 million interest-free loan to operate such branches in the specified nine districts with limited access to microfinance.

- 2.37 Among the applications received under the earlier licensing policy, NRB granted license to Green Development Bank Limited of "B" class (1-3 districts) in the review year. Likewise, four microfinance financial institutions (MFFIs), Samata Microfinance Financial Institution Limited, RSDC Microfinance Financial Institution Limited, Samudayik Microfinance Financial Institution Limited and National Microfinance Financial Institution Limited were also granted license to operate as "D" class MFFIs in the review year.
- 2.38 In the review year, among the applications received for MFFIs, Nadep Microfinance Financial Institution Limited, Gajuri, Dhading, got the policy approval for incorporation. Likewise, total five MFFIs, namely, Ramaroshan Microfinance Financial Institution Limited, Achham, Swadeshi Microfinance Financial Institution Limited, Sunsari, Chautari Microfinance Financial Institution Limited, Butwal, Asha Microfinance Financial Institution Limited, Nuwakot and Annapurna Microfinance Financial Institution Limited, Syangja, have submitted their applications seeking approval for establishment of MFFIs in the review year.
- 2.39 According to the monetary policy for 2013/14, a provision was made for non-government organizations licensed by the NRB to act as financial intermediary to get converted into "D" class micro-finance institution by mid-July 2015. Accordingly, FINGOs were required to submit their work plan to NRB by mid-January 2013. Now, such time limit has been extended to mid-July 2014 at the request of the Microfinance Association.
- 2.40 Promoting financial access by extending the information technology has been continued. To operate the branchless banking service with the help of POT machine in rural areas, 13 commercial banks have so far been operating branchless service in 385 spots on the basis of monitoring of the technical and practical aspects.
- 2.41 Though there is reduction in the number of BFIs with the acceleration of the merger activities among BFIs, wide span of network has increased the financial access of the

people. In the review year, because of the merger of two large commercial banks - Global IME bank and Commerz and Trust Bank, into one bank, the total number of commercial banks decreased to 30 by mid-July 2014. With respect to the development bank, in the review year, one new development bank came into operation, two development banks merged into commercial bank and two development banks merged and became one development bank. The total number of development banks, therefore, reduced to 84 in mid-July 2014 from 86 in mid-July 2013. Similarly, in the review year, because of the merging of the finance companies with other BFIs, the total number of finance companies came down to 53 from 58 in the previous year.

- 2.42 There is significant increase in the number of branches of BFIs in the review year. The number of branches of commercial banks reached 1547 while the number of branches of development banks, finance companies and microfinance development banks was 818, 239 and 826 respectively (total branches 3430) in mid-July 2014. The number of branches of commercial banks, development banks, finance companies and microfinance development banks was 1486, 764, 242 and 634 respectively (total branches 3126) in mid-July 2013. On the basis of the number of branches as of mid-July 2014, each branch served approximately 7724 population on an average. Among BFIs ('A', 'B' and 'C' class), the total number of deposit accounts reached 13.1 million and loan accounts reached 940,000 by mid-July 2014.
- 2.43 NRB has continued the policy provision of encouraging BFIs for merger in this fiscal year also. During the review year, two commercial banks merged into one and approval has been granted for the merger of five regional rural development banks into one national-level MFFI. During this period, 23 BFIs ('A', 'B' and 'C' class) merged to become nine BFIs. Since the implementation of "Merger By-laws, 2011", 64 BFIs merged into 25 BFIs.
- 2.44 NRB has developed and implemented BFI Acquisition By-laws, 2013 for simplifying the acquisition of BFIs.
- 2.45 The Sewa Bikash Bank Limited, Butwal ('B' class) has been given approval for extending its working area from 1-3 districts to 4-10 districts.
- 2.46 There has been significant increase in refinance as the refinance rate was reduced and the procedure for obtaining refinance facility was simplified. In the review year, four commercial banks ('A' class) were provided with Rs. 4.53 billion general refinance against the collateral of good loan extended to productive sector. In the previous year, such general refinance was provided to seven BFIs, five 'A' class and two 'B' class amounting Rs. 2.74 billion against the collateral of good loan extended to productive sector. In addition, in the review year, eight commercial banks ('A' class) were provided export refinance of Rs. 2.93 billion.

- 2.47 A provision of lodging complaints by customers not getting refinance facility provided by the NRB was introduced. The existing refinance unit in the Banks and Financial Institutions Regulation Department has been designated as the unit responsible for hearing grievances relating to refinance. In the review year, no complaint relating to refinance was received.
- 2.48 As per the Cabinet decision of December 15, 2006, Grievance Management Committee was formed under the convenorship of senior Deputy Governor for hearing grievance if any party reports problem in the transaction between the bank and the client. Complaints numbering 651 have been heard since the formation of the committee till mid-July 2014. In the review year, among the 55 grievances and complaints received, hearing has been completed in 18 of them, necessary correspondence has been made with concerned banks and financial institutions in seven of them, and efforts are ongoing for bringing about agreement between the applicants and the concerned parties through coordinating between them in the remaining 30 cases. The complaints received by the Committee especially pertain to the subjects like extending the maturity period of the loan, exempting the interest charge as a fine, stopping the auctioning of the property pledged as collateral as the auction was not in accordance with the procedures, releasing the collateral as the third party failed to release it due to misutilization of the credit, etc.
- 2.49 Among the 355 borrowers who were punished by the GON including the confiscation of their passports, 58 borrowers have already been freed from the punishment as of mid-July 2014. In the review year, the GON was requested to impose punishments to seven borrowers including confiscation of passports and accordingly, they were punished including by confiscation of their passports.
- 2.50 Provision has been made to provide refinance to sick industries against the collateral of the good loan security at one percent interest rate in order to rehabilitate them. The BFIs as in the previous year are not allowed to charge more than 4.5 percent interest to the borrowers under this provision. In addition, the draft relating to Facilities that could be provided by BFIs to Sick Industries Guidelines on 2013 was finalized after incorporating the opinions/suggestions of the concerned stakeholders.
- 2.51 In the review year, commercial banks, development banks and finance companies are required to lend 4.5 percent, 4.0 percent and 3.5 percent of their respective loan portfolio to the deprived sector. Likewise, commercial banks are required to maintain minimum 20 percent of their loan and investment portfolio for productive sectors like agriculture, energy, tourism, cottage & small industries including minimum 12 percent of their loan and investment portfolio for agriculture and energy sectors. Similarly, 'B' and 'C' class BFIs, namely, development banks and finance companies are required to float minimum 15 percent and 10 percent of their total loan portfolio in productive sectors like agriculture, energy, tourism and cottage & small industries respectively by mid-July 2016. Accordingly, they are required to prepare annual plan of action as per the targets. In mid-

- July 2014, deprived sector lending of commercial banks reached 4.54 percent, development banks 4.68 percent and finance companies 3.11 percent of their outstanding credit. Likewise, the commercial banks provided 5.79 percent of their loans in agriculture, 2.15 percent in energy, 2.75 percent in tourism and 1.57 percent in small industries as of mid-July 2014. Commercial banks' total credit for the productive sector thus comes to 12.27 percent.
- 2.52 As per the requirement of maintaining the list of professional experts in accordance with Section 13 of the Banks and Financial Institutions Act, 2006, 16 additional experts who fulfilled the required criteria and qualifications were added, making the total number of listed experts at 146 as in mid-July 2014.
- 2.53 For maintaining the list of approved auditors as per the provision of Banks and Financial Institutions Act 2006, Section 60, Sub-section (2), an understanding was reached between NRB and “Institute of Chartered Accountants Nepal (ICAN)”, the regulating body of auditors. Accordingly, as per the list provided by ICAN, 1713 persons/firms are listed as auditors.
- 2.54 As per the provisions under Unified Directives, BFIs are required to report their statistics to NRB on daily, weekly, monthly and quarterly basis. Accordingly, the online software, namely, Liquidity and Inter-Bank Transaction Information System (LIBTIS) Software, developed to expeditiously and reliably avail statistics and prepare reports as required, has been started.
- 2.55 Based on the reporting of BFIs on their daily, monthly and quarterly statistics as per Unified Directives, the NRB has been regularly preparing and publishing the monthly and annual bulletins. Likewise, the fourth issue of Financial Stability Report based on the statistics as of mid-January, 2014 is in the process of preparation.
- 2.56 In the review year, NRB has issued the policy-related and procedural arrangement for Hire Purchase Company Approval 2014. In the review year, under this arrangement, one hire purchase company namely, Omani Investment Pvt. Ltd. got approval for providing hire purchase loans. Likewise, the existing NRB Inspection and Supervision By-laws, 2003 was replaced by the new NRB Inspection and Supervision By-laws, 2013. Similarly, draft arrangement relating to Financial Customer Protection and Financial Literacy Guidelines has been prepared and comments and suggestions thereon are being received. In addition, the existing service specimens of Staff By-laws, Financial Administration By-laws and Credit Write-off By-laws necessary for BFIs have been revised and kept in the official website of NRB.
- 2.57 As per the NRB policy of gradually implementing the Basel-III framework based on necessity and justification, a report prepared on the basis of evaluating the present status of capital regulation in Nepalese commercial banks as well as the study of the underlying framework of the Basel III called the “A Study on Basel III and Nepalese Banking: An

Assessment of Capital Regulation in Nepal (Consultative Document for Basel-III Implementation)” has been published in NRB website to collect opinions/suggestions of stakeholders.

- 2.58 Financial Sector Assessment Program (FSAP), a joint mission of the IMF and the World Bank, underwent in Nepal from February 2-16, 2014. The major subjects/areas which have been reviewed and assessed as well as comments/suggestions for reform there of have been forwarded by the mission are monetary policy framework, financial stability, Basel Core Principles, financial access, payment and settlement system, cooperatives performance and related risks, crisis management and resolution of problematic banks, debt recovery process, restructuring of state-owned FIs, etc.
- 2.59 NRB, with the technical assistance of the International Finance Corporation (IFC) of the World Bank, has prepared four draft reports relating to payment and settlement system (PSS), namely, (i) Review of Existing Nepal National Payment System, (ii) Nepal Rastra Bank Payment System Oversight, (iii) Nepal Payment System Development Strategy and (iv) Implementation of the Payment Oversight Functions: Roadmap. For studying and analyzing the reports as well as for revising them as required, Payment and Settlement System Task Force has been recently constituted besides creating a Desk in the Banks and Financial Institutions Regulation Department.
- 2.60 As a part of Development Policy Credit Programme initiated by the Government of Nepal, Department for International Development (DFID), UK is providing economic and technical assistance for conducting special inspection of BFIs. The total number of BFIs coming under the special inspection will be 54: 22 Class A, 20 Class B, and 12 Class C BFIs. For conducting special inspection, international consulting firm KPMG, Portugals, and local partners CSC & Co., Chartered Accountants and TR Upadhyaya & Co. have been selected. Special inspection work is being commenced by these consulting firms.
- 2.61 For building necessary coordination among regulations of BFIs and other regulatory bodies in the context of maintaining financial sector stability, a coordination committee has been formed with the Executive Director of the BFI Regulation Department as the Coordinator. The meetings of the Coordination Committee are regularly held.

## **Microfinance**

### **"D" Class Financial Institutions Conducting Microfinance-related Activities**

- 2.62 As stated in Paragraph No. 1.137 above, a total of 37 microfinance institutions are operating as “D” class financial institutions for conducting microfinance-related activities including 5 Regional Grameen Bikas Banks (Rural Development Banks), 28 replicators of Grameen Banking and 4 wholesale lending microfinance institutions.



- 2.63 With the objective of meeting the financial resources required for various kinds of income-generating activities through engaging and involving the deprived sector women living in rural areas of the country into groups, one Grameen Bikas Bank had been established and operated in each development region. As mentioned in Paragraph 1.137, on July 3, 2014, NRB provided approval to merge the 4 running Grameen Bikas Banks into Paschimanchal Grameen Bikas Bank in order to operate as a single national-level Nepal Grameen Bikas Bank Limited.
- 2.64 Four microfinance institutions have been providing wholesale lending to financial institutions. Rural Microfinance Development Centre Limited, which was established on October 30, 1998, has been providing wholesale micro-credit to development banks, Co-operatives and NGOs. Small Farmers' Development Bank Limited, which was established on July 6, 2001, has been providing wholesale micro-credit to small farmer co-operatives. Likewise, First Microfinance Development Bank Limited, which was established on December 28, 2009, has been providing wholesale loan to co-operatives, NGOs licensed for engaging in limited banking transactions and microfinance development banks. Similarly, RSDC Laghubitta Bittiya Sanstha Limited, which was established on March 25, 2013, has been in operation since September 11, 2013.

### **Co-operatives and Non-Governmental Organizations**

- 2.65 Co-operatives established under Co-operative Act, 1992 and licensed by NRB for performing limited banking transactions have been performing their limited banking transactions as per the directives issued by NRB. As of mid-July 2014, there are altogether 16 co-operatives including one National Co-operative Development Bank. As on the date, the total Assets/Liabilities of these institutions amounted to Rs. 21.03 billion. Similarly, the deposit mobilization of these institutions totalled Rs. 15.87 billion while loans and advances amounted to Rs. 11.82 billion. These institutions have invested Rs. 1.26 billion in government securities, fixed deposits and others as at mid-July 2014.
- 2.66 In mid-July 2014, the number of institutions established under Associations Registration Act, 1977 licensed by NRB for conducting limited banking transactions as per the provision of Financial Intermediary Institutions Act, 1999 stood 28.

### **Rural Self-Reliance Fund**

- 2.67 With the joint initiative and capital participation by GON and NRB, Rural Self-Reliance Fund (RSRF) was established in 1991 to provide the wholesale loan to co-operatives and NGOs. The total capital in Rural Self-Reliance Fund (RSRF) reached Rs.793.4 million with the contribution of Rs. 540.0 million and Rs. 253.4 million from GON and NRB respectively. The Fund has been providing loan from the same capital on instalment basis to its affiliate institutions not exceeding 20 times at first time and 15 times each at second and third times of their respective core capital (viz., share capital, general reserve, and

profit) and amounting up to Rs. 2.5 million, Rs. 3.0 million and Rs. 3.5 million at first, second and third times respectively.

2.68 To enhance and uplift the economic status of the deprived sector, the Fund provides micro-credit up to a maximum Rs. 90 thousand to each member through co-operatives/NGOs. Under the mutual micro-enterprise project loan, there is also a provision to provide a maximum of Rs. 150,000 credit to each of the mutual projects for borrowing members well-renowned for having best utilization of second time loan and desiring to run any micro-enterprise on a mutual basis. Similarly, the provision of providing wholesale loan from the Fund to Agriculture Development Bank and Development Banks engaging in microfinance activities in order to manage capital for long-term requirements of the enterprises especially tea, cardamom (Alaichi) and cold store has been made since 2002/03. In order to expand the investment coverage for making it contemporary in accordance with the objective of Rural Self-Reliance Fund (RSRF), then "Rural Self-Reliance Fund (RSRF) Operational Directive 2012" has been implemented.

**Table 2.8**  
**Financial Activities of Rural Self-Reliance Fund**

<b>Description</b>	<b>Mid-July 2013</b>	<b>Mid-July 2014</b>
Loan Disbursement:		
Number of Districts	66	68
Number of Institutions	721	940
Number of Benefited Families	40,004	46,081
Loan Disbursed (Rs. in million)	1210.8	1523.3
Principal Repaid (Rs. in million)	674.5	913.0
Outstanding Loan (Rs. in million)	536.3	610.4
Overdue Loan (as percentage of loan to be repaid)	3.56	3.67
Loan Recovery (in percentage)	96.44	96.33

2.69 As at mid-July 2014 Rural Self-Reliance Fund has disbursed loan amounting to Rs. 1,523.3 million to a total of 940 institutions comprising one bank, 886 co-operatives and 53 financial NGOs. Of the total disbursed amount, Rs. 913.0 million has been recovered and Rs. 610.4 million stood as outstanding loan. During the same period, out of the total long-term loan disbursed amounting to Rs. 159.2 million, Rs. 91.4 million has been recovered and Rs. 67.8 million stood as outstanding. Now-a-days, the above long term loan amount has been invested in Agricultural Development Bank Limited only.

**Table 2.9**  
**Loan Disbursement Situation of Rural Self-Reliance Fund**  
**(As at mid-July 2014)**

Particulars	NGOs	Co-operatives	Long Term Loan	Total
<b>Loan Disbursement</b>				
a) No. of Institutions	53	886	1	940
b) Loan Amount (Rs. in thousand)	22,476	1,341,662	159,200	1,523,338
c) No. of Benefited Families	4,004	42,077	-	46,081
<b>Loan Recovery</b>				
a) Principal Amount (Rs. in thousand)	20,457	801,086	91,436	912,979
b) Interest Amount (Rs. in thousand)	2,761	102,673	-	105,434
<b>Outstanding Loan</b>				
a) No. of Institutions	15	468	1	484
b) Principal Amount (Rs. in thousand)	2,019	540,576	67,764	610,359
<b>Overdue Loan</b>				
a) No. of Institutions	15	66	-	81
b) Principal Amount (Rs. in thousand)	2,019	32,780	-	34,799

2.70 With the objective of providing the Fund's accessibility to co-operatives and NGOs located in the rural sector, several seminars and programs were conducted in order to give continuity for the work of publicity.

### Other Activities

2.71 Out of the US\$ 600,000 grants received from the Asian Development Bank, Manila through **Raising Income of Small and Medium Farmers' Project (RISMFP)**, US\$ 106,000 (Rs. 10.1 million) was invested in the co-operatives situated in the Mid-Western and Far-Western Development Regions. Under this project, NRB has been providing agricultural business grant to the small and medium farmers in the 10 districts of these two Development Regions for helping to reduce the market risks that occur in their trade/business and diversifying into high-valued agricultural products in order to alleviate the poverty.

2.72 In order to issue the Microfinance Authority Act for establishing microfinance authority as a Second Tier Institution for regulation, inspection and supervision of microfinance institutions and to institutionalize National Microfinance Development Fund (NMDF) as a separate entity as a substitute of Rural Self Reliance Fund (RSRF) presently managed by NRB, the drafts of these related Acts, which were previously submitted to the Government of Nepal, are again being submitted after their revisions.

2.73 With the objective of promoting the branch-less banking and mobile financial services for inclusive finance, the **Mobile Money for the Poor (MM4P)** program has been in operation in Nepal in partnership with the Nepal Rastra Bank and the United Nations

Capital Development Fund (UNCDF) under which activities at the preliminary stage like capability enhancement, seminar, training, constitution of task force, identification of major indicators, etc. have been completed.

- 2.74 Under the program related to UNNATI-Inclusive Growth Program in Nepal between Nepal and the Government of Denmark, **Access to Finance-A2F** program is brought into operation for the next five years in partnership with the NRB and the United Nations Capital Development Fund (UNCDF). Under this, small farmers in the seven hilly districts of Eastern Development Region (Taplejung, Ilam, Panchthar, Bhojpur, Dhankuta, Sankhuwasabha and Terhathum) who are engaged in milk-related products, ginger and orthodox tea farming will be provided the additional financial service (branch-less banking/mobile banking service) through the banks and financial institutions operating in that area. The NRB will implement these components in order to meet the above objective.
- 2.75 With the main objective of conducting the policy-related and demand and supply side analysis including determining the future road-map through surveying the situation of inclusive finance and access to financial services in Nepal, a five-year program **Making Access to Financial Services Possible (MAP)** is being launched in partnership with the NRB and the United Nations Capital Development Fund (UNCDF). Preliminary work towards this has been ongoing.

## Supervision of Banks and Financial Institutions

### Supervision of Commercial Banks

- 2.76 The task of corporate level on-site inspection of commercial banks, which has been carried out every year, was made more intense in 2013/14. In this respect, onsite inspection of various projects in which inspected banks and their branches have provided credit was also carried out. Among the 30 commercial banks, corporate level onsite inspection was carried out by following traditional compliance-based approach in 16 and risk-based approach in three of them. Special inspection is undergoing in the remaining 11 commercial banks by teams comprising NRB supervisors and consulting firm KPMG under the financial and technical assistance of DFID, a British international aid agency, UK. The task of directing banks to address the shortcomings observed during the onsite inspection and evaluation of banks based on the collected details has been continued.
- 2.77 Besides corporate level onsite inspection, 68 special onsite inspections of 25 banks have been completed in the review year.
- 2.78 The task of providing clearance to commercial banks for publishing financial statements before annual general meeting has been continued. Based on the financial statements of

2012/13, all commercial banks have been provided clearance to publish financial statements. While giving clearance to publish financial statements, all banks have been given direction to address the issues observed during onsite inspection and offsite supervision including those identified by external auditors, and to make arrangements that such issues do not repeat.

- 2.79 Regular monitoring has been done with respect to complying or non-complying the directions issued following the issues raised in the reports prepared on the basis of corporate level, special and targeted onsite inspection and offsite monitoring. Monitoring report of all commercial banks for all the four quarters of 2013/14 has been prepared.
- 2.80 Preparing the CAELS rating on the basis of analysis of information obtained from the off-site supervision besides preparing early warning signals and giving the timely warning to the banks and financial institutions have also been continued.
- 2.81 With a view to timely identifying liquidity risk, which is considered an important risk in banking system, and assisting in making policy-related decision accordingly, the work of monitoring banking system's liquidity on a daily basis and at regular intervals has been continued using new framework through setting up a monitoring desk under offsite unit.
- 2.82 The cash reserve ratio (CRR) that banks have to maintain on a weekly basis is monitored and banks which do not maintain minimum CRR specified by NRB are penalized. No banks were penalized in 2013/14 as all the banks maintained the specified statutory liquidity ratio.
- 2.83 In order to ensure that the targeted group has got access to the deprived sector credit, monitoring of such credit flows and penalizing the banks failing to meet the requirement have been continued. In 2013/14, one commercial bank was penalized for failing to extend specified minimum credit to the deprived sector.
- 2.84 The monitoring of concentration risks on economy's sectoral and product-wise credit of the banks has been continued.
- 2.85 Risk-based Supervision Onsite Manual, which was prepared with the assistance of IMF, has been approved by the NRB Board and, based on the same manual; the risk-based supervision of three commercial banks has been completed in 2013/14.
- 2.86 With a view to enhancing supervisory capacity of supervisors, advisors from IMF provided training to bank supervisors on Basel Core Principles and Risk-based Supervision Onsite Manual. An interaction program on the management of risks inherent in BFIs was conducted, with the participation of Chief Executive Officers and heads of risk management departments/units of BFIs.

2.87 Annual Supervision Report of 2012/13, incorporating analysis of corporate supervision and financial position of commercial banks together with timely issues related to Bank Supervision Department is in the final stage of publication.

### **Supervision of Development Banks**

2.88 In the course of preparing to bring the national level development banks under Basel II framework, monitoring related to Basel II framework has been initiated since 2010/11 by establishing a separate unit in the Development Bank Supervision Department. This task has been continued in 2013/14 also.

2.89 In 2013/14, interaction program one each in Kathmandu and Chitwan was organized among boards of directors and executives of various development banks on corporate governance and internal control including identification and mitigation of operational risk.

2.90 There was no improvement observed in the financial condition of Gorkha Development Bank (Nepal) as expected after it was declared a problematic bank. Therefore, NRB took control over the management of the Bank and appointed management team of the NRB with the responsibility of conducting management and operations of the Bank with action plan to reach final resolution process.

2.91 As the directions issued time and again to the board of directors of H & B Development Bank regarding the good for payment endorsement by the Bank on the cheques issued by several individuals, account operators of many firms and companies was not followed, NRB took over the control of the bank on May 28, 2014 by suspending the Bank's board of directors and the chief executive officer as per the provision of Banks and Financial Institutions Act, 2006. A three-member management team was appointed to assume the responsibility of management and operations of the Bank.

2.92 As per the directive issued by the NRB, development banks are required to lend 15 percent of their total lending to the productive sector by mid-July 2016. Monitoring has been going on to find out whether or not the concerned banks have initiated this task.

2.93 As the various types of risks underly the banks and financial institutions and sudden realization of such risks may lead to problem in the overall financial system, provision has been made to carry out the stress testing of national level development banks in addition to the commercial banks.

2.94 For strengthening the inspection and supervision system of the NRB, a diagnostic review of four development banks selected on the basis of subjects like risk management, corporate governance, interrelation of transactions and volume of real estate lending has been completed in consultation with the international agencies like the IMF and the World Bank.

- 2.95 With a view to evaluating the condition of various banks and financial institutions under the Development Policy Credit Program of the World Bank, the responsibility of conducting special inspection has been entrusted to KPMG, Portugal with financial assistance from the DFID. In the first stage, special inspection of 10 development banks has been initiated.
- 2.96 Corporate level inspection of 80 development banks (including those where special onsite inspection is presently being carried out under DFID assistance was performed between mid-July 2013 to mid-July 2014. Likewise, special and follow-up inspection of 24 development banks and follow-up inspection of 2 problem institutions was also conducted.
- 2.97 While providing approval to publish financial statements for 2012/13, 84 development banks comprising 20 national level development banks, 17 of 10-district level, 31 of 3-district level and 16 of 1-district level were allowed to distribute cash dividend of Rs 622.54 million and bonus shares equivalent to Rs 1.67 billion.
- 2.98 Off-site supervision of development banks has been conducted regularly. By preparing the Off-site Supervision Reports of the fourth quarter of 2012/13 and the first, second and the third quarters of 2013/14, the major financial indicators of development banks have been uploaded in the NRB's website for public information.
- 2.99 In the review year, eight development banks have been imposed cash fine for failing to maintain the minimum CRR specified by NRB while five development banks have also been fined for failing to lend to the deprived sector as specified.
- 2.100 As reform as expected could not be witnessed in Narayani Development Bank Ltd, Ratnanagar, Chitwan as evident by deteriorating financial condition, the Bank has been declared problematic on April 10, 2014 as per Prompt Corrective Action of BFIs By-law, 2007 and Nepal Rastra Bank Act, 2002 for the protection of interests of depositors, shareholders, creditors and general public.
- 2.101 In the review year, as per Prompt Corrective Action of BFIs By-law, 2007 action has been taken against Corporate Development Bank Ltd., Biratlaxmi Development Bank Ltd., H. & B. Development Bank Ltd., Garima Development Bank Ltd., Salpa Development Bank Ltd., Prabhu Development Bank Ltd. and Apex Development Bank Ltd. for not following the directive regarding the maintenance of minimum capital adequacy ratio. The actions against the Biratlaxmi Development Bank Ltd., Garima Development Bank Ltd. and Salpa Development Bank Ltd. have already been withdrawn.
- 2.102 As per Nepal Rastra Bank Act, 2002 and Banks and Financial Institutions Act, 2006, boards of directors of NIDC Development Bank and Green Development Bank Ltd. were made cautious.

2.103 In the review year, measures such as warning, cautioning and imposition of cash fines were taken against boards of directors/officials of six development banks for violating the NRB Act, 2002, Banks and Financial Institutions Act, 2006, and Unified Directive issued by the NRB and for working against the interest of the institutions, they are working.

### **Supervision of Finance Companies**

2.104 In 2013/14, corporate level onsite inspection of 43 finance companies and special and follow-up inspection of 18 finance companies were carried out while 44 finance companies were given approval for publishing annual financial statements for the purpose of general meeting.

2.105 Under off-site supervision, monitoring of major financial indicators of finance companies compulsory CRR, SLR, deprived sector credit, loan, deposit have been conducted on weekly/monthly/quarterly basis.

2.106 It was found that Himalayan Finance Ltd. had misused the institution's assets by transferring the ownership of land to various third parties. A process has been initiated for bringing back the ownership of the land back to the institution for the protection of depositors' interest. Accordingly, some assets have already been returned to the institution. Likewise, action has been taken against officials of three finance companies subjecting them to cash penalty.

2.107 The merger of Reliable Finance Ltd., Shubhalaxmi Finance Ltd., Reliance Finance Ltd., Lotus Finance Ltd., Imperial Finance Ltd., Civil Merchant Financial Institution Ltd. and Navadurga Finance Ltd. with each other/other BFIs have completed.

### **Supervision of Microfinance Institutions**

2.108 The inspection and supervision of microfinance institutions has been made more effective. In 2013/14, onsite inspection of 28 microfinance development banks, 8 cooperatives engaged in limited banking transactions and 13 financial NGOs have been carried out. During the same period, special inspection of five microfinance development banks has been completed while special inspection of one cooperative engaged in limited banking transactions and one financial NGO engaged in transactions of financial intermediaries has already been carried out.

### **Resolution of Problematic Banks and Financial Institutions**

2.109 As some banks and financial institutions licensed by this Bank have been turning problematic due to economic, non-economic and other reasons, Problem Bank Resolution Framework has been approved by the Board Meeting of May 20, 2013 in order to resolve problems arising in such institutions by adopting appropriate corrective



and remedial measures through the process of single window system. On the same basis, as per the Bank decision of December 27, 2013, Problematic Banks and Financial Institutions Resolution Division was established, and it commenced its operations since March 17, 2014. In order to discharge the functioning of the Division systematically and effectively, the Problematic Banks and Financial Institutions By-laws 2014, was approved by the NRB Board on July 10, 2014 and brought into implementation since then.

- 2.110 The Division has been discharging all functions relating to two development banks and seven finance companies which were declared problematic by this Bank. The division, as per Problem Banks and Financial Institutions By-laws, provides approval to the appointment of the CEO and auditor, selling the non-banking assets as well as branch office, etc. The Division obtains the information, statistics, and particulars that are available periodically from the problematic institutions besides analyzing them.
- 2.111 After the banks and financial institutions are declared problematic and are in control of this Bank, a notice is published for preparing the list of experts for the purpose of crisis management and resolution of such banks and institutions by conducting their management through appropriate individual/firm/company/group.
- 2.112 As in mid-July 2014, the financial situation based on the provisional statements of the problematic institutions is as follows:

**Table 2.10**  
**Financial Position of Problematic Institutions**

(Rs in Thousand)

S.N.	Institution's Name	Paid-up Capital	Total Lending	Total Deposits	Core Capital (Percent)	Capital Fund (Percent)
1.	Nepal Share Markets and Financial Ltd.	2,03,42,88	2,71,26,32	1,26,26,68	-7.37	-7.37
2.	Capital Merchant Banking and Finance Ltd.	93,50,69	2,01,77,96	1,19,82,25	-30.40	-30.40
3.	Crystal Finance Ltd.	7,00,00	61,12,91	39,65,21	-62.36	-62.36
4.	Kuber Merchant Finance Ltd.	15,00,00	47,37,50	37,75,59	-34.66	-34.66
5.	World Merchant Banking and Finance Ltd.	18,19,80	52,79,95	45,67,69	-53.58	-53.58
6.	Himalaya Finance Ltd.	14,00,00	76,52,26	69,14,87	Received no information.	
7.	General Finance Ltd.	13,22,28	26,56,58	21,16,69	-1.11	-1.11
8.	Gorkha Development Bank Ltd.	68,08,19	1,35,74,55	1,69,99,73	-30.58	-30.58
9.	Narayani Development Bank Ltd.	5,55,72	34,13,27	63,36,47	-19.07	-19.07
	<b>Total</b>	--	<b>90,73,130</b>	<b>69,28,558</b>	--	--

- 2.113 As per the financial statements received from problematic institutions, as in mid-July 2014, total outstanding loans of these institutions amounted to Rs 9.07 billion and total deposits amounted to Rs 6.92 billion. Of the total deposits, Rs 1.39 billion was personal deposits, Rs 2.02 billion institutional deposits and Rs 3.51 billion other deposits including overdue fixed deposits (personal and institutional).

- 2.114 The core capital and capital fund of all the problematic institutions remained negative due to their weak financial situation. There has been no noticeable progress in the recovery of credit as most of the credits have been non-performing. As cases of banking crime against various individuals concerned with problematic institutions are pending in the court, personal and institutional deposits haven't been returned on time.

## **Foreign Exchange Management**

- 2.115 A provision of providing credit in convertible foreign currencies from the commercial banks to infrastructural projects, namely, roads, cable-car, railway, airport, fly-over road, and tunnel road conducted by private sector has been made. Earlier, this facility was limited to the projects relating to hydro-electricity production and transmission only.
- 2.116 A provision has been made for issuing the Prepaid Remittance Card in equivalent rupees of remittances by the licensed remittance companies. For this, the remittance companies have to enter into agreements with the commercial banks of Nepal to work as agents in foreign countries for the purpose of transferring remittances to the families of senders in a convenient, secured and systematic way.
- 2.117 A provision of opening foreign currency account has been made for the firms/companies/institutions to deposit in the banking system, the money received in the foreign exchange from the agents located abroad in the form of all commission, fee, etc. and to make necessary payments abroad like the service fee, commission, agency fee, resourcing fee, etc. as per the bill/invoice. The facility of spending the specified amount through such accounts by the business persons while visiting foreign countries for the business promotion has also been made.
- 2.118 A circular has been issued to the licensed BFIs to provide foreign exchange facility through prepaid card/debit card for the persons going abroad for an amount in addition to the existing provision of cash portion as per the passport facility.
- 2.119 A limit of expenses has been extended to US\$ 10,000 through the credit card issued by commercial banks on the condition that the transactions are later settled in convertible foreign currencies in accordance with the existing provision.
- 2.120 A provision has been made for the associations/institutions/academics, etc. following Public Procurement Act to also allow the payments of insurance and transportation in convertible foreign currency while importing from India through global tender by opening letters of credit on payment of convertible foreign currency.

- 2.121 Among the currencies of countries where more Nepalese have made their destinations for foreign employment, Kuwaiti Dinar and Bahrain Dinar have also been provided the facility of exchange through purchase only.
- 2.122 Licensed money changers can exchange Indian rupees purchased by them at NRB, Banking Office, Thapathali as well as NRB offices outside the Valley, for which they will be provided commission at the rate of 15 paisa per 100 Indian rupees.
- 2.123 On foreign exchange reserve management front, foreign exchange reserve has been invested for attaining maximum return by giving utmost priority to the security and liquidity. In this regard, investment on Chinese government bonds has been started considering the international significance of Chinese yuan, the situation of trade with China and the need for diversifying investments to improve the aggregate return.
- 2.124 Commercial banks could extend credit in foreign exchange for the imports of machinery and equipment required for infrastructural projects like road, cable car, etc. in addition to the hydro-electricity projects operated by the private sector.
- 2.125 A provision has been made whereby the commercial banks involved in the commercial transactions under Asian Clearing Union must maintain nostro accounts in Asian monetary units, namely, ACU Dollar (ACUD) and ACU Euro (ACUE) in commercial banks of other member countries. The payments and clearing of commercial transactions among the member countries have to be made through these accounts.
- 2.126 A provision has been made whereby a Nepalese citizen, out of the sum earned in the foreign employment or foreign business or surplus of the foreign exchange facility provided for the foreign visit, could hold the foreign currency up to US\$ 1500 or equivalent convertible currency in cash or deposit in the foreign currency account in the bank for utilization in the future.
- 2.127 Regular and special inspection of 400 firms/companies/ institutions licensed for conducting foreign exchange transactions (excepting the banks and financial institutions) have been completed in the review year.
- 2.128 The number of firms/companies licensed for conducting remittance transactions reached 47 as in mid-July 2014. At the same time, the number of licensed money changers reached 165 in Kathmandu Valley and 261 outside the Valley.
- 2.129 The firms/companies licensed for foreign exchange transactions up to mid-July 2014 numbered 320 hotels, 1511 trekking, 1670 travel agencies, 54 GSA/PSA of foreign airlines, 301 cargo carriers and 73 other institutions.

## Currency Management

- 2.130 The NRB generally keeps the stock of the currency notes and coins sufficient for three years. During 2013/14, 950 million pieces of the printed notes of Rs. 500, Rs. 100, Rs. 50, Rs. 20, Rs. 10 and Rs. 5 denominations have been deposited in the Bank vault. Likewise, agreement with foreign company has been made for printing 160 million pieces of Rs. 1000 denominated currency notes. During 2013/14, the expenses for printing the currency notes and minting the coins stood at Rs. 924.0 million and Rs. 112.6 million respectively.
- 2.131 Up to mid-July 2013, notes of different denominations that were in circulation amounted to Rs. 233.46 billion. In mid-July 2014, the amount of notes in circulation increased by 17.04 percent to Rs. 273.250 billion.

Table 2.11

### Details of Notes in Circulation (Mid-July 2014)

Denomination (Rs.)	Notes in Circulation (Pieces in Million)	Amount (Rs. in Million)
1	161.51	161.60
2	93.56	187.10
5	336.79	1683.90
10	252.68	2526.80
20	149.95	2999.00
25	2.34	58.60
50	95.05	4752.30
100	110.64	11064.40
250	0.35	87.60
500	155.52	77757.70
1000	171.97	171971.00
<b>Total Amount</b>		273250.00

- 2.132 For a smooth and effective supply of Nepalese currency throughout the country, NRB has been supplying Nepalese notes and seizing the non-issuable notes through the 75 currency chests across the nation, comprising one chest in NRB in Kathmandu Valley and one each in seven offices outside the Valley, one each in 43 branches of RB and 24 branches of NBL. The access to the transactions of currency chests is also provided to other private commercial banks and development banks. Similarly, in order to make the currency chest operations more effective inspection and monitoring of the currency chests is also being carried out in addition to conducting seminars for the bank staff involved in such activities.
- 2.133 In order to bring only the clean Nepalese notes into circulation, the implementation process of the "Clean Note Policy" has also been continued in 2013/14. Currently, the policy of 'single staple and single label' of the concerned bank and financial institution in one packet of notes is being implemented. Information has been published, seminars

have been conducted and various audio-visual media have been used with the aim of increasing stakeholders' and people's awareness on secure circulation and protection of the Nepalese notes.

- 2.134 In the process of destroying soiled and non-issuable notes, notes of various denominations amounting to a total value of Rs. 19.38 billion have been burnt in 2013/14. Till mid-July 2014, the accumulated amount of burnt notes has reached Rs. 268.82 billion.

## Human Resource Management

- 2.135 As in mid-July 2014, the number of employees was 1,386. Among them, 1,230 were employees under the administration category and 156 under the technical category. The level-wise composition of the staff strength showed 859 at officer-level, 373 at assistant-level and 154 at office assistant-level (class-less). The ratio of the officers to assistants (including assistant-level (class-less)) as at the end of the review year was 1:0.61. Such ratio was 1:0.62 in the previous year. Similarly, at the end of the year, a total of 131 staff (security 87, health 11 and others 33) was performing their duties under contract basis.

Table 2.12  
Details of Staff Composition

Level	Staff Composition as in mid-July 2014		
	Administration	Technical	Total
Officer Special	12	-	12
Officer First	50	1	51
Officer Second	157	20	177
Officer Third	572	47	619
<b>Total</b>	<b>791</b>	<b>68</b>	<b>859</b>
Assistant First	62	21	83
Assistant Second	125	42	167
Assistant Third	88	25	113
Assistant Fourth	10	-	10
Assistant Fifth	-	-	-
<b>Total</b>	<b>285</b>	<b>88</b>	<b>373</b>
Office Assistant (Class-less) First	66	-	66
Office Assistant (Class-less) Second	34	-	34
Office Assistant (Class-less) Third	9	-	9
Office Assistant (Class-less) Fourth	45	-	45
<b>Total</b>	<b>154</b>	<b>-</b>	<b>154</b>
<b>Grand Total</b>	<b>1230</b>	<b>156</b>	<b>1386</b>

- 2.136 In 2013/14, altogether 65 staff discontinued from bank service due to various reasons. Among them, 39 staff left due to the provision of expiry of service period, 22 staff left due to the age factor, 2 staff resigned and 2 were dead while in service. Similarly, the details of the recruitment and promotion in 2013/14 have been shown below.

Table 2.13  
**Details of Recruitment and Promotion in 2013/14**

S.N.	Level	Service Type	External Competition	Performance Appraisal	Internal Competition
1	Officer Special	Administration	-	3	-
2	Officer First	Administration	-	4	2
3	Officer First	Technical	-	1	-
4	Officer Second	Administration	-	11	5
5	Officer Second	Technical	-	5	-
6	Officer Third	Administration	17	15	-
7	Head Assistant	Administration	-	4	-
8	Assistant	Administration	45	-	-
<b>Total</b>			<b>62</b>	<b>43</b>	<b>7</b>

- 2.137 During the review year, the provision related to service/benefits of existing and retired employees has been revised. Also, the provision of providing tiffin and transportation allowance to the students doing internship at NRB has been made.
- 2.138 In order to enhance the effectiveness of the activities of human resource management "**Human Resource Management Information System Software (HRMISS)**" had been purchased and the Installation and Operation Acceptance Certificate also issued following the completion of implementation tasks, viz., Master Data Setup, Data Entry and Software Customization and Development. So, preparations are underway to handover the project by the concerned company.
- 2.139 In the review year, altogether 487 staff have participated in foreign training programmes (training organized by foreign organizations/Institutions). Among them, 36 have participated in programmes organized in Nepal, 52 in India and 399 in other countries. Similarly, in the training programmes organized by domestic organizations/institutions in Nepal, 1099 staff has participated. Among them 567 staff have attended training organized by Bankers' Training Centre and 532 staff have attended training organized by other organization/institutions. In addition, in the review year, four staff were granted study deputation and study leave while two staff resumed their duties following the completion of their studies.

## Miscellaneous

### Budget Management, Corporate Risk Mitigation and Strategic Plan

- 2.140 The second five-year strategic plan (2012-2016) is under implementation to carry out bank's activities in a planned way to achieve the objectives of the Bank. The major tasks included in the strategic plan that have been completed till date are as follows:

- Studying the establishment of Data Warehouse
- Restructuring and re-capitalization of Rastriya Banijya Bank Ltd. and Nepal Bank Ltd.
- Formulating necessary policy for opening branches abroad by domestic banks
- Preparing the Troubled Banks and Financial Institutions Resolution Framework
- Implementing the modern Integrated GL System
- Restructuring of the Rural Development Banks
- Revising the licensing policy of microfinance institutions
- Regulating the E-payment, Electronic Funds Transfer, Internet Banking and Credit Cards Operations
- Preparing the guidelines on risk based supervision
- Revising and updating investment guidelines
- Procuring and implementing the Financial Information Unit Intelligence System Software

2.141 An annual action plan compatible with the strategic plan for the year has been formulated and implemented as well as evaluated on a quarterly basis in order to carry out the activities prescribed by the monetary policy and regular functions of the Bank in a systematic manner. Evaluation and review reports based on approved action plans of the the first three quarters of 2013/14 have already been completed. Of the total target of accomplishing 268 tasks in the review year, 253 taskswith weightage of 247.29 were targeted to be accomplished by the third quarter, of which task performance at 68.57 percent of total target equivalent to 169.57 weightage has been completed.

2.142 With reference to making the budget control system realistic, systematic, economical and effective, 22-points directive in accordance with the decision of the Board of Directors has been issued to all departments/divisions/offices for its implementation. Similarly, the work of quarterly evaluation of the budget has been continued.

2.143 Risk Management Committee and its secretariat have been managing various risks witnessed in the NRB under the Nepal Rastra Bank Risk Management Directive, 2010. According to the intensity of the factors related to risks identified by study, observation and inspection/follow-up, a report incorporating necessary suggestions has been submitted to the Board of Directors of the Bank by the Risk Management Committee and, accordingly, activities for minimizing risks have been undergoing. Bank's annual program and budget have been formulated in tandem with the risk management while the Risk Management Committee has also been issuing directions to the concerned departments/divisions/offices for minimizing the risks.

## Information Technology

- 2.144 In the process of upgrading the Bank's existing software and acquiring new software, newly procured software like GL System and Inventory Management System have been implemented. The Human Resource Management Information System Software (HRMISS) and the On-line Bidding System Software (OBSS) have been procured and are in the final stage of implementation. Likewise, necessary process to purchase equipment as a pre-requisite for installing goAML Software procured for the Financial Information Unit (FIU) from the United Nations Office on Drugs and Crime (UNDOC) has been moving forward. Similarly, necessary process has been initiated to procure Corporate E-mail System Software and Price Index System Software required for the Fifth Household Budget Survey Project.
- 2.145 In order to make support function of the Bank's IT system more timely, systematic and effective, a Web Based IT Help Desk System has been prepared. Similarly, a task force formed for modernization of Bank's website and intranet has been carrying out necessary work. In addition, the webpages of NRB Economic Review, SAARCFINANCE and public debt management in the Bank's website have been modified.
- 2.146 In addition to preparing draft IT outsourcing policy, a study on technical aspect for formulating policy on paperless environment has been conducted. Necessary studies are underway for establishing ICT Research and Development Unit, upgrading IT Training Lab and implementation of Real Time Gross Settlement System (RTGS).
- 2.147 Under the management of risks related to information technology, with the view of transferring Bank's Data Center (DC), Disaster Recovery Site (DRS) and Data Center of Financial Information Unit to government-owned Government Integrated Data Center (GIDC) and bringing into operation in the near future, an agreement has been signed for transferring to the GIDC the DRS and FIU Data Centre for the present.
- 2.148 The software called Microfit and MATLAB, essential for analyzing the relationship among economic indicators and also their projections have been procured.

## Activities Related to Financial Information

- 2.149 The FIU has been regularly obtaining information on cross-border transactions and suspicious transactions from the informing institutions. Of the suspicious 998 transactions, 425 received this year and 573 remaining from previous year, analysis of 696 transactions has been completed, of which 140 transactions have been forwarded to Money Laundering Investigation Department and other law enforcement agencies for further investigation.



- 2.150 Various actions have been taken to address the comments pointed out by International Cooperation Review Group of Financial Action Task Force. In addition, Acts and by-laws such as Mutual Legal Assistance Act, Extradition Act, Money Laundering Prevention Act (second amendment), Property (Freezing, Control and Seizing) Relating to Criminal Offences Act, Organized Crime Prevention Act, Money Laundering Prevention (Freezing of Property or Fund of Listed Individuals, Groups or Organizations) Rules, Mutual Legal Assistance Rules etc. have been enacted in line with the revised international standards.
- 2.151 After implementation of laws compatible with international standard on a permanent basis, the FATF Plenary held in Paris during June 22-27, 2014 de-listed Nepal from Regular Follow Up process. To evade FATF blacklisting, efforts were made to defend Nepal in the face to face meeting organized by FATF/ICRG. Also, FATF/ICRG conducted on-site visit to Nepal during December 12-13, 2014 to closely monitor the implementation of the action plans.
- 2.152 The FIU has signed Memorandum of Understanding (MOU) with Japan Financial Information Center and Financial Intelligence Unit at the Republic of the Union of Myanmar in order to exchange information regarding prevention of money laundering and financing of terrorism. Earlier, the FIU had already signed MOUs with eight foreign FIUs to exchange information.
- 2.153 In order to strengthen the capacity of Financial Information Unit, FIU Procedural Manual and FIU Security Manual have been prepared and implemented under the technical cooperation of International Monetary Fund. The Procedural Manual has regulated the process of financial information collected by Financial Information Unit along with their analysis and dissemination. While the Security Manual has made the provisions for the security of important information in the FIU including its physical security.
- 2.154 The FIU has assumed the responsibility of national coordination as a secretariat for National Coordination Committee in the context of prevention of money laundering and financing of terrorism. It has been playing a coordinating role in the implementation of strategy aimed at combating anti-money laundering and financing of terrorism, 2011-2016.
- 2.155 Currently, collecting information on cross-border and suspicious transactions, analysis of the information and forwarding them to law implementing agencies for further investigation has been done manually. To make the process more effective and efficient in an automatic way, necessary software is being installed.

## Legal Draft / Amendment, Advocacy

- 2.156 Nepal Rastra Bank Procurement by-law, 2014 and its first amendment came into operation after approval from the Board of Directors. The first amended draft of Banking Offence and Punishment Act, 2008 has been prepared and forwarded to the Ministry of Finance. Discussion is on-going on the draft of Negotiable Instruments Act, 1977 prepared for its timely reforms.
- 2.157 In the context of moving forward the dissolution process of Nepal Development Bank, Samjhana Finance and United Development Bank by declaring them insolvent through application in Appellate Court as per the decision of Board of Directors on various dates, the liquidation process is in final stage in the Nepal Development Bank while the Appellate Court has appointed liquidator for Samjhana Finance and United Development Bank in the process of dissolution.
- 2.158 Appeals made against the actions taken as per this Bank's decision on various dates against the BFIs and officials thereof for the violation of this Bank's directive as well as pending cases of previous years in various courts of law in which this Bank has also been made defendant numbered 36. Also, there were 56 law suits registered during this review year. Out of 92 cases, 34 cases have been decided in which 12 were in favor of the Bank 22 in favor of defendants and 2 cases were withdrawn. The advocacy and pleading for the remaining cases are going on.

## Internal Audit

- 2.159 Internal Audit Department has conducted and followed up the risk-based audit of Banking Office, Currency Management Office, Financial Management Office and seven offices outside the Kathmandu Valley during 2013/14. Similarly, the performance-based audit has also been continued. Besides this, regular monitoring has been carried out in the areas pointed out by the external auditors.
- 2.160 The annual report of the bank's audit committee for 2012/13 has been presented to the Board of Directors and the Board's directions in response to the auditor's remarks have been given to the concerned departments and offices. Similarly, directions were issued to various departments by the audit committee in order to make necessary amendments to Nepal Rastra Bank Expenditure Management By-law, 2008 and to formulate policies in important areas in order to maintain overall good governance along with making effective and sound internal control mechanism.

## Household Budget Survey Program

- 2.161 Nepal Rastra Bank has been preparing national consumer price index which is used for measuring the inflation in Nepal. In the process of updating National Consumer Price Index every 10 years, the fifth household budget survey has been started since

February 13, 2014 to revise weights on the basis of the collection information on the consumption of goods and services by Nepalese households from 8028 households of 207 wards under 84 market centers in 55 districts. In order to update the consumer price index, it is necessary to collect price statistics for the base year also. Hence, the process of price collection for base year has also been started for the period of 17 July 2014 to July 16, 2015.

- 2.162 For preparing consumer price index, various information like base year, source centers, list of goods and services, weight distribution, prices of goods and services, etc. become necessary. A basket of 1165 commodities and services has been prepared for the Fifth Household Budget Survey. Taking fiscal year 2014/15 as a base year, a provision has been made for price collection from 84 market centers of 55 districts which are selected for Household Budget Survey.
- 2.163 The Bank has chosen teachers from local public schools to conduct field survey and price collection for the base year. An arrangement has been made for the contracted teachers to maintain two diaries monthly for recording the expenditure on goods and services consumed daily by selected households and send them to project office. Similarly, prices of identified goods and services collected from source shops on a weekly, fortnightly and monthly basis.

### General Service

- 2.164 With the purpose of building a modern building for the Bank, five bighas of land has been purchased in Kohalpur from Kohalpur town development committee.
- 2.165 To modernize the library at the central office, Library Software has been purchased and data entry of books and journals has been completed. An agreement has been made with the contractor repairing and for constructing structures for the library.
- 2.166 For constructing a modern office building at Thapathali, proposals have been invited for preparing a master plan and initiating work relating to drawings and designs including other processes. In this regard, an agreement has been reached with Pace Consultant Pvt. Ltd and discussions are undergoing on its final report at various stages. In the process of discussion, the Board of Directors has decided for getting the alternative master plan prepared from another consultant also. Accordingly, master plan has been requested from another consultant, namely, Nest Pvt. Ltd.
- 2.167 For constructing physical infrastructure on the Bank's land at Thimi, Nest Pvt. Ltd., which was selected for preparing master plan, drawings and designs besides carrying out other preliminary work has submitted to final report which has been approved with revisions following discussions at various stages.

## Training, Workshop, Seminar, and Interaction

- 2.168 Various training programmes were conducted in order to inform employees about IT-related infrastructures and their productive and effective use including the process of handling various software tghat have been in NRB use including the recently installed GL software.
- 2.169 An interaction program was conducted in the presence of heads of departments/offices within and outside the Kathmandu Valley with the purpose of informing, and becoming cautious in the future, about the major remarks observed during the process of internal audit.
- 2.170 For defending the cases related with banks and financial institutions, banking offence and commerce in an effective way, the Bank, in collaboration with Special Government Attorney Office, has conducted 17-day special training on 'Banking Process and Law' by including police officers and government attorneys involved in investigating banking-related crimes.
- 2.171 Adequate awareness and information among informers is the key to get qualitative details for prevention of money laundering and terrorism financing activities. Internalizing this fact, training programmes were conducted in Kathmandu, Pokhara, Siddharthanagar and Biratnagar one each for the implementation officers of the information-giving institutions.
- 2.172 The effort of single agency is not adequate to tackle money laundering and terrorism financing activities. It requires mutual coordination among concerned regulatory authorities. Hence, an interaction program was conducted in coordination and participation of representatives from Nepal Rastra Bank, Insurance Board and Securities Board of Nepal in Kathmandu.
- 2.173 In technical collaboration of the World Bank, the process of national risk evaluation on money laundering and terrorism financing has been undergoing. In the process of implementing government approved anti-money laundering and terrorism financing strategy 2011-16, a three-day national risk evaluation seminar was conducted during Julyon 9-11, 2014 in the presence of concerned government and regulatory authorities.
- 2.174 On request from the Government of Nepal, 80 officers of NRB participated in the training on Nepal Financial Reporting Standards (NFRS) conducted by DFID under the Nepal Second Financial Sector Stability Development Policy Credit.
- 2.175 With the purpose of making effective the process of obtaining the correct data on time from the Banks and Financial Institutions, three statistics seminars were conducted during the review year for the staff of BFIs concerned with NRB reporting.

- 2.176 Trainings on Basel Core Principles, corporate governance and report writing were provided to the staff working at Finance Company Supervision Department with the purpose of enhancing their supervisory skills.
- 2.177 An interaction program was organized for external auditors, internal auditors and compliance officers of finance companies.
- 2.178 An interaction programme on Dynamic Stochastic General Equilibrium (DSGE) Model was organized to inform and enhance skills of employees.

### **Functions Related to Studies**

- 2.179 Nepal Macroeconomic Model (NMEM) has been updated. In addition, sectoral models of monetary sector, government finance sector, external sector, real sector and price sector have been updated with more modifications.
- 2.180 A study based on survey of the existing situation of demand for and supply of gold in internal market has been conducted and its report submitted to the Board of Directors. A study on interrelationship between imports and revenue collection in Nepal has also been conducted.
- 2.181 Three studies, namely, Agricultural Production Cost Differences between Nepal and India, Cross-Border Financial Flows between Nepal and India, and An Assessment of Export Barriers of Nepalese Products to India have been conducted by external experts through outsourcing and the reports thereof have been received.
- 2.182 Special studies were completed entitled "A Study on Dallagaon Homestay and its Sustainability" by Nepal Rastra Bank, Nepalgunj Office, "The Situation of Mechanization in Agriculture and Its Impact on Production in Bara District" by Nepal Rastra Bank, Birgunj Office, "The Commercial Production of Milk-related Products in Mechi Zone and Its Contribution on the Local Economy" by Nepal Rastra Bank, Biratnagar Office, "The Impact of Agricultural Credit on Agricultural Productivity in Kailali District" by Nepal Rastra Bank, Dhangadhi Office and "The Situation and Prospects of Hotel Business in Lumbini Zone" by Nepal Rastra Bank, Siddharthanagar Office.

### **Meeting of Board of Directors**

- 2.183 The Board of Directors held 67 meetings in 2013/14. The number of such meetings in 2012/13 was 41.

## Activities of Offices Outside Kathmandu Valley

- 2.184 In 2013/14, seven offices outside the Kathmandu Valley transferred Rs. 90.55 billion fund to 56 note chests on 542 occasions and deposited Rs. 41.19 billion from branch offices with note chests on 86 occasions. Although the number of note chests remained the same as in the previous year, the insurance cover of note chests was raised from Rs. 9.82 billion to Rs. 10.34 billion.
- 2.185 The number of Indian currency note chests remained the same in 2013/14 as in 2012/13, namely, 31. The insurance cover of Indian currency note chests was raised from Rs. 96.0 million to Rs. 154.0 million in 2013/14. Nepal Rastra Bank's offices outside the Kathmandu Valley transferred Indian currency equivalent to Rs. 802.8 million to Indian currency note chests on 120 occasions and deposited Indian currency equivalent to Rs. 2.96 billion in 10 occasions.
- 2.186 In the review year, the offices outside the Kathmandu Valley purchased Indian currency equivalent to Rs. 481.3 million and sold Indian currency equivalent to Rs. 930.2 million. Similarly, other foreign currencies equivalent to Rs. 2.37 billion were purchased in the review year.

**Table 34**  
**Notes in Circulation**

(Rs. in Million)

Denominations	Mid July					
	2012		2013		2014	
	Amount	Percent	Amount	Percent	Amount	Percent
1	162	0.1	162	0.1	162	0.1
2	191	0.1	190	0.1	187	0.1
5	1316	0.7	1337	0.6	1684	0.6
10	1883	0.9	1938	0.8	2527	0.9
20	2294	1.1	2247	1.0	2990	1.1
25	61	0.0	61	0.0	59	0.0
50	3761	1.9	3802	1.6	4752	1.7
100	8911	4.4	8921	3.8	11064	4.1
250	88	0.1	88	0.0	88	0.0
500	61467	30.5	62901	27.0	77758	28.5
1000	121116	60.2	151815	65.0	171971	62.9
<b>Total</b>	<b>201250</b>	<b>100.0</b>	<b>233462</b>	<b>100.0</b>	<b>273242</b>	<b>100.0</b>

**Table 35**  
**Security against Note Issued**

(Rs. in Million)

Mid-July	Gold	Silver	Foreign Currency and Securities	Total	Government Securities	Security against Note Issued	Share of Foreign Currency, Gold and Silver in Total Security (%)
				(1+2+3)			(4÷6)*100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	703	-	79756	80459	4172	84631	95.1
2007	-	-	87138	87138	4172	91310	95.4
2008	-	-	108778	108778	4172	112950	96.3
2009	-	-	137038	137038	4172	141210	97.0
2010	-	-	157128	157128	4172	161300	97.4
2011	-	-	163448	163448	4172	167620	97.5
2012	-	-	197078	197078	4172	201250	97.9
2013	-	-	233460	233460	-	233460	100.0
2014	-	-	273250	273250	-	273250	100.0

**Table 36**  
**Trainings Conducted Internally**

S.No.	Subject	Officer/Non Officer	Training Days	No. Of Participants
1	Workshop on Anti-Money Laundering	Officer	4	5
2	Orientation Program for Officials and Staff Working at Research Unit of NRB Offices Outside Kathmandu Valley	Officer	2	14
3	Foreign Employment Policy Management	Officer	2	2
4	3-Day Training of Information Security Management System (ISMS)/ IT Audit as per ISMS ISO 27001	Officer	3	1
5	Institutional & Operational Issues and Related Reform Proposals in Public Debt Management in Nepal	Officer	1	6
6	Beema Samiti and GIZ RFPI (Regulatory Framework Promotion for Pro-Poor Insurance Markets in Asia)	Officer	1	5
7	Current Issues and Challenges on Assets Valuation	Officer	1	3
8	Program on Understanding Unified Directives of NRB-2070 B.S.	Officer	1	3
9	Launching of the Risk Management Toolkit for the Microfinance Institutions	Officer	1	2
10	Management Development and Stress Management	Officer	4	4
11	International Financial Reporting Standards (IFRS)	Officer	4	1
12	Inventory Management Software (User's Training)	Officer	3	11
13	Inventory Management Software (Technical Training)	Officer	1	8
14	Micro, Small and Medium Enterprises Financing and Inclusive Growth: Challenges and Policy Framework	Officer	1	1
15	Trainers Training Program on Development of Rural Financing Institutions and Co-operatives	Officer	5	2
16	Training for the Employees of Fifth Household Budget Survey	Both	2	37
17	Wider Consultation on Financial Literacy and Livelihoods	Officer	1	1
18	Trainings on Rural Self-Reliance Fund's Transactions: Pre-lending Feasibility Study and Monitoring of the Fund	Officer	3	23
19	Art of Living AOL Part 1 Course (Management Development, Stress Management and Overall Personal Growth for Organizational Development for Corporate Officials)	Officer	6	4
20	Program on Non-Financial Services (NFS) to SMEs By Banks and Women SME Banking Training	Officer	2	2
21	Audit regarding Stakeholders' Expectation	Officer	1/2	2
22	GL System	Officer	3	52
23	GL System	Both	3	232
24	Branchless and Agent Banking	Both	2	28
25	Business Ethics for a Prosperous Nepal	Officer	1	6
26	Communication Skills for Effective Leadership	Officer	6	1
27	Overall Development and Financial Literacy for Youth	Officer	3	3
28	Financial Fraud Investigation	Officer	1	4
29	Merger and Acquisition of Banking and Insurance Sector	Officer	1	2
30	Improving Learning Capacity of Public Organization	Officer	7	2
31	Payment and Settlement	Officer	2	10
32	Training for Academic Library and Information Centre Management	Non-Officer	6	1
33	Training in Econometrics in Macroeconomic Analysis	Officer	7	1
34	Policy Issues on Quantitative Growth and Development of Financial Cooperatives of Nepal	Officer	2	2
35	First National Cooperative Summit 2014	Officer	3	2
36	Fundamental Basic Trainers' Training	Officer	15	1
37	Output-Based Aid	Officer	2	2
38	Expanding Digital Financial Service in Nepal	Officer	2	7
39	19th SAARCFINANCE Meeting	Officer	2	2
40	Residential Workshop on Good Governance	Officer	2	4
41	Seminar on Economic Policies and Sustainable Development	Officer	1	1
42	Workshop for NRB on Introduction to Environmental and Social Risk Management (ESRM) for Nepal Financial Sector	Officer	1	20
43	Credit Rating Financial Market Development	Officer	1	1
44	Seminar on Insolvency Law: Local Issues, Global Views	Officer	2	9
45	Seminar on Insolvency Law: Local Issues, Global Views	Officer	1	2
	<b>Total</b>			<b>532</b>



**Table 37**  
**Training Conducted by Bankers' Training Centre**

S.No.	Subject	Level	Date (B.S.)	No. of Participants
1	Public Debt Management	Officer	2013/7/24 - 26	22
2	NRB Accounting Manual and General Ledger (Olympic Banking System)	Officer/ Non-Officer	2013/7/27 - 8/2	25
3	IT-Based Supervision	Officer	2013/8/4 - 6	22
4	Various Aspects of Credit Assessment/Appraisal and Credit Recovery Management	Officer	2013/8/25 - 27	22
5	Pre-Service Training for Newly Recruited Assistants	Non-Officer	2013/9/1 - 6	21
6	Internal Audit Compliances: International Financial Reporting Standard (IFRC) and International Auditing Standard (IAS)	Officer	2013/9/12 - 13	22
7	Basic E-Views	Officer	2013/9/23 - 26	20
8	Monetary and Fiscal Management	Officer	2013/9/29 - 10/4	22
9	Forward Looking Approach of Supervision	Officer	2013/10/6 - 7	22
10	Implimentation of BASEL II Capital Adequacy Framework	Officer	2013/11/10 - 12	21
11	Supervision of AML/CFT/KYC	Officer	2013/11/24 - 26	23
12	Monetary and Financial Data Reporting	Officer	2013/12/8 - 9	24
13	Office Management	Officer	2013/12/10 - 13	20
14	BOP Statistics	Officer	2013/12/18 - 20	20
15	Payment and Settlement System	Officer	2013/12/22 - 24	20
16	Quality Enhancement of Support Staff	Officer	2013/12/26 - 27	20
17	Training on Economic Journalism	Officer	2013/12/31 - 2014/1/1	16
18	Risk-Based Supervision (including Forex Transaction Inspection)	Officer	2014/1/5 - 10	21
19	Management Development Program	Officer	2014/1/19 - 24	23
20	Training of Trainers	Officer	2014/2/9 - 14	18
21	Govt. A/C Transaction	Officer	2014/2/16 - 17	20
22	Pre-Service Training	Non-Officer	2014/3/9 - 14	28
23	Currency Management and Note Chest Operation	Officer/ Non-Officer	2014/3/23 - 24	19
24	Currency Management and Note Chest Operation	Officer/ Non-Officer	2014/3/31 - 4/1	14
25	Risk Assessment & Risk Management	Officer	2014/5/4 - 9	22
26	Pre-Service Training (Officer)	Officer	2014/1/18 - 23	17
27	Monetary & Financial Sector Data Reporting	Officer	2014/6/16 - 17	23
	<b>Total</b>			<b>567</b>

**Table 38**  
**Training, Seminar, Meeting and Workshop in Foreign Countries**

S.No.	Programme	No. of Participants	Host Institution	Place
1	SEACEN Research Project on "Analytical Framework in Assessing Systemic Financial Market Infrastructure"	1	SEACEN Centre	Kuala Lumpur, Malaysia
2	"Visit to Personal Cash Processing Center and Training Session on Counterfeit Detection"	3	United Overseas Bank Limited, Singapore	Singapore
3	Program on "SEACEN-Toronto Centre on Risk Based Supervision"	3	SEACEN Centre	Hanoi, Vietnam
4	13th Meeting (SPC)	2	Royal Monetary Authority of Bhutan	Thimphu, Bhutan
5	Workshop on "Practical Aspects of International Investment Position (IIP) and External Debt Statistics (EDS) Compilation"	2	IMF	Bangkok, Thailand
6	Course on "Government Finance Statistics"	1	IMF-STI	Singapore
7	The Revised International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation	2	IMF-STI	Singapore
8	Workshop on "Implementing Monetary Policy"	1	Deutsche Bundesbank	Frankfurt, Germany
9	Invitation to the APEC FRTI Regional Seminar on "Cross-Border Listing and Disclosure Sureveillance"	2	APEC Financial Regulators Training Initiative (FRTI) Secretariat	Shanghai, China
10	"26th SEACEN-FSI Regional Seminar on Basel III - Capital and Liquidity Frameworks"	3	FSI-BIS	Singapore
11	BIS Banking Seminars 2013 on Reserve Management	1	Bank for International Settlements	Basel, Switzerland
12	Programme on "Management of Rural Financing Institutions and Co-operatives for Rural Development"	3	CICTAB	Hyderabad, India
13	"Financing Agriculture Forum: Investing in Agriculture Sustainably"	1	World Bank	Colombo, Sri Lanka
14	Course on "Current Challenges in International Cooperation Between Central Banks"	1	Deutsche Bundesbank	Frankfurt, Germany
15	SEACEN Seminar on Central Bank Governance: "Repercussions of the Global Financial Crisis on Governance of Financial Stability"	2	SEACEN Centre	Kuala Lumpur, Malaysia
16	18th SAARCFINANCE Coordinators' Meeting	1	Maldives Monetary Authority (MMA)	Male, Maldives
17	Workshop on "Fundamentals of Investment Policy, Guidelines and SAA"	1	World Bank Treasury	Seoul, Korea
18	SEACEN-CeMCoA/BOJ Workshop on "Capital Account Liberalisation and Capital Flows Management"	2	SEACEN Centre	Siem Reap, Cambodia
19	"Price and Volume Indices in Official Statistics - Theory and Practice"	1	Deutsche Bundesbank	Frankfurt, Germany
20	2nd Program on "Mortgage Finance and Consumer Credit: Implications on Financial Stability" Team Members (PTM)	1	SEACEN Centre	Kuala Lumpur, Malaysia
21	APG Workshop on "Revised FATF Standards/New Assessment Methodology"	3	Asia Pacific Group on Money Laundering (APG)	Seoul, Korea
22	SEACEN Course on "Financial System Stability Analysis and Surveillance" (Signature Programme)	4	SEACEN Centre	Kuala Lumpur, Malaysia
23	"Central Banking & Financial Sector Legal Frameworks"	2	IMF-STI	Singapore
24	"National Policy Dialogue Forum on Value Chain Finance in Agriculture and Rural Development in Nepal"	6	IFAD Supported APRACA	Dhulikhel, Kavre
25	Program on "Driving Policies for Optimal Impact"	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
26	"Procedures of Investing in China's Interbank Bond Market"	2	People's Bank of China	Shanghai, China
27	35th Meeting of SEACEN Directors of Research and Training (DORT) Theme: "Central Bank's Capacity Building in Driving Economic Growth and Stability"	2	SEACEN Centre	Colombo, Sri Lanka
28	Human Resources Management	1	Deutsche Bundesbank	Frankfurt, Germany
29	Regional Workshop on "Money Laundering in the Capital Market: Threats, Vulnerabilities and Controls"	2	Australian Government, Australian Transaction Reports & Analysis Centre (AUSTRAC)	Colombo, Sri Lanka
30	"Foreign Reserve and External Debt Management"	4	Bank of Korea	Seoul, Korea
31	Face to Face Meeting	2	Asia Pacific Regional Review Group	Kuala Lumpur, Malaysia
32	"Modelling and Forecasting of Key Economic Indicators"	1	Deutsche Bundesbank	Frankfurt, Germany
33	Second SEACEN Research Workshop on "Analytical Framework in Assessing Systemic Financial Market Infrastructure"	1	SEACEN Centre	Kuala Lumpur, Malaysia

S.No.	Programme	No. of Participants	Host Institution	Place
34	SEACEN Research Project on "Analytical Framework in Assessing Systemic Financial Market Infrastructure"	1	SEACEN Centre	Kuala Lumpur, Malaysia
35	Central Bankers Course on "Instruments of Financial Markets"	1	Study Center Gerzensee	Gerzensee, Switzerland
36	Invitation to Participate at SEACEN Annual Financial Stability Forum: (i) 4th SEACEN High Level Seminar for Deputy Governors (ii) 4th Meeting of SEACEN Deputy Governors	2	SEACEN Centre	Bangkok, Thailand
37	Risk Management of Central Bank Balance Sheet	2	De Nederlandsche Bank N.V.	Amsterdam, Netherlands
38	"Waste Destruction Under Contract for "The Supply and Delivery of Rs.100 Million Rs.1000 Banknotes"	2	De La Rue Currency	Basingstoke, Hampshire, United Kingdom and Malta
39	"Monetary Operations"	1	CCBS, Bank of England	London, UK
40	Joint Typologies and Capacity Building Workshop	1	Asia Pacific Group on Money Laundering (APG)	Ulaanbaatar, Mongolia
41	Regional Economic and Financial Monitoring	1	ADB	Seoul, Korea
42	Third Regional Forum on Investment Management of Foreign Exchange Reserves	1	ADB	Seoul, Korea
43	4th World Congress on Agricultural and Rural Finance of Five Rural and Agricultural Credit Associations (RACAs) and 63rd EXCOM Meeting of APRACA"	2	APRACA	Paris, France
44	12th SEACEN EXCO Meeting and High-level Seminar	2	Bank of Mongolia	Ulaanbaatar, Mongolia
45	International Seminar on Adoption of ISO 20022 for Real Time Gross Settlement (RTGS)	1	Reserve Bank of India	Pune, India
46	Pension Fund Developments in Pension Law and Supervision	2	De Nederlandsche Bank N.V.	Amsterdam, Netherlands
47	"Macroeconomic Management and Fiscal Policy (MFP) ST13.19"	1	IMF-STI	Singapore
48	"2013 Annual Meetings of the Boards of Governors of the World Bank Group and International Monetary Fund"	2	World Bank and IMF	Washington, D.C., USA
49	Financial Action Task Force (FATF) Plenary Meeting	2	Financial Action Task Force (FATF)	Paris, France
50	SEACEN 30th Anniversary Conference of Greater Financial Integration and Financial Stability & "3rd SEACEN-CEMLA Conference on New Paradigm in Central Banking"	2	SEACEN Centre	Kuala Lumpur, Malaysia
51	Programme on "Development of Managerial Skills for Agricultural Cooperatives and Rural Financing Institutions"	3	CICTAB	Gurgaon, India
52	Course on "Economic Policies for Financial Stability"	1	IMF-STI	Singapore
53	Course on "External Debt Statistics"	1	IMF-STI	Singapore
54	FSI Seminar on "Effective Implementation of Supervision and Regulation"	1	FSI-BIS	Basel, Switzerland
55	6 <sup>th</sup> SEACEN-CCBS/BOE Advanced Course on "Macroeconomic and Monetary Policy Management: Effective Implementation of a Central Bank's Monetary and Financial Stability Remits"	5	SEACEN Centre	Kathmandu, Nepal
56	6 <sup>th</sup> SEACEN-CCBS/BOE Advanced Course on "Macroeconomic and Monetary Policy Management: Effective Implementation of a Central Bank's Monetary and Financial Stability Remits"	3	SEACEN Centre	Kathmandu, Nepal
57	International Human Resource Development Seminar	4	Bank of Korea	Seoul, Korea
58	FSI-EMEAP Regional Seminar on "Resolution Frameworks and Crisis Management"	1	FSI-BIS	Singapore
59	APG Assessor Training Workshop	1	APG	Sydney, Australia
60	49th SEACEN Governors' Conference/High-level Seminar and 33rd Meeting of the SEACEN Board of Governors	5	SEACEN Centre	Kathmandu, Nepal
61	"The Basel II (I) International Capital and Liquidity Framework"	2	De Nederlandsche Bank N.V.	Amsterdam, Netherlands
62	Central Bank Governance	1	Deutsche Bundesbank	Frankfurt, Germany
63	Exposure Visit Programme on "Cooperative Business Model in Sri Lanka"	2	CICTAB	Colombo, Sri Lanka
64	SEACEN-IMF Course on "Macroeconomic Management and Financial Sector Issues"	4	SEACEN Centre	Colombo, Sri Lanka
65	Save the Date - SII Asia and Middle East Government Funds Roundtable	1	Sovereign Investor Institute	Hong Kong
66	"R-PATA 8254: Strengthening Economic Analysis and South-South Learning-Time Series Analysis and Forecasting"	1	ADB	Manila, Philippines

S.No.	Programme	No. of Participants	Host Institution	Place
67	Save the Date - SII Asia and Middle East Government Funds Roundtable	1	Sovereign Investor Institute	Hong Kong
68	Invitation to the APEC FRTI Regional Seminar on "Understanding Global Financial Markets and Products"	2	APEC FRTI-ADB	Phnom Penh, Cambodia
69	Regional Network and Forum on Asian Insolvency Reform (FAIR)	2	Bangko Sentral ng Pilipinas	Manila, Philippines
70	A Programme on "Compliance for Financial Institutions"	4	Centre of Banking Studies, Central Bank of Sri Lanka	Colombo, Sri Lanka
71	Study Visit Program on "goAML Software Purchase"	4	Bangladesh Financial Intelligence Unit (BFIU)	Bangladesh
72	Second Meeting of SAARC Public Debt Managers' Forum	1	Reserve Bank of India	Jaipur, India / Kovalam, Kerala, India
73	Second Meeting of SAARC Public Debt Managers' Forum	1	Reserve Bank of India	Jaipur, India
74	De La Rue Asia-Pacific Users' Conference	1	De La Rue	Bali, Indonesia
75	"14th SPC Meeting"	1	Reserve Bank of India	Kovalam, Kerala, India
76	De La Rue Asia-Pacific Users' Conference	1	De La Rue	Bali, Indonesia
77	Payment and Securities Settlement Systems	1	DEUTSCHE BUNDES BANK	Frankfurt, Germany
78	Seminar on "International Accounting Standards for Banks"	1	BIS-FSI	Basel, Switzerland
79	3rd Meeting of the Sub-Committee on Host Country Evaluation	1	Alliance for Financial Inclusion (AFI)	Eschborn, Germany
80	Programme on "Treasury Operations and Asset and Liability Management for Banking Institutions"	4	Centre of Banking Studies, Central Bank of Sri Lanka	Colombo, Sri Lanka
81	Exposure Visit Program in "SHG/JLG and Farmers Club"	3	CICTAB	Pune, India
82	Seminar on "Liquidity Risk"	1	FSI-BIS	Basel, Switzerland
83	Software Testing Training	5	Core Mind Technologies Pvt. Ltd.	Chennai, India
84	"7th Programme for Principal Inspecting Officers/Chief Bank Examiners"	2	Reserve Bank Staff College	Chennai, India
85	Workshop on "Implementing Monetary Policy"	1	Deutsche Bundesbank	Frankfurt, Germany
86	Programme on "Training Techniques for Trainers of Co-operatives and Rural Financing Institutions"	2	CICTAB	New Delhi, India
87	Programme on "Central Banking"	6	Reserve Bank Staff College	Chennai, India
88	Awareness Programme on the Banking Act	4	Centre of Banking Studies, Central Bank of Sri Lanka	Colombo, Sri Lanka
89	Financial Action Task Force (FATF) Plenary Meeting	2	Asia Pacific Group on Money Laundering (APG)	Paris, France
90	APG High Level Mission, Maldives	1	Asia Pacific Group on Money Laundering (APG)	Male, Maldives
91	7th INTERPOL Global Programme on Anti-Corruption Financial Crime and Asset Recovery	1	INTERPOL and CBI, India	New Delhi, India
92	Program on "Train the Trainer"	1	National Banking Training Institute	Mumbai, India
93	Workshop on "Financial Stability" and "Investment Opportunity"	2	De Nederlandsche Bank N. V. and Nepalese Embassy	Amsterdam, Netherlands and Brussels, Belgium
94	Brainstroming Workshop for Evolving Strategic Plan for SDF	1	SAARC Development Fund	New Delhi, India
95	SEANZA Advisors' Meeting 2014	1	Bangladesh Bank	Dhaka, Bangladesh
96	9th SEACEN Intermediate Course on "Payment and Settlement Systems for Emerging Economies"	4	SEACEN Centre	Port Moresby, Papua New Guinea
97	Programme on "Women's Development through Income Generation Activities"	4	CICTAB	NIBM, Pune, India
98	"Software Testing Training"	5	Core Mind Technologies Pvt. Ltd.	Chennai, India
99	Programme on "Capacity Development Programme"	25	Bangko Sentral ng Pilipinas	Manila, Philippines
100	Workshop on "Practical Aspect of Current and Capital Transfers Compilation"	1	IMF-STI	Singapore
101	"Financial Stability, Systemic Risk and Macro-Prudential Policy "	1	IMF-STI	Singapore
102	"New Challenges in Cash Management"	2	Deutsche Bundesbank	Frankfurt, Germany
103	Program on "Risk Management for Banking Insatitutions"	5	Centre of Banking Studies, Central Bank of Sri Lanka	Colombo, Sri Lanka
104	Program on "Risk Management for Banking Insatitutions"	1	Centre of Banking Studies, Central Bank of Sri Lanka	Colombo, Sri Lanka
105	2nd Advanced Program on "Basel III for Central Bankers and Regulators"	1	The Chinese University of Hong Kong	Hong Kong, China
106	Seminar on "On-site Banking Supervision"	1	Deutsche Bundesbank	Berlin, Germany
107	"Bourse Programme (Treasury Management)"	2	Reserve Bank Staff College	Chennai, India
108	"Regional Wholesale Banknotes Processing Centre Visit"	1	CIMB Bank	Singapore

S.No.	Programme	No. of Participants	Host Institution	Place
109	"10th Asia-Pacific High-level Meeting on Banking Supervision"	1	BIS, Executive Meeting of East Asia-Pacific Central Banks, CH-4002 Basel, Switzerland	Auckland, New Zealand
110	Programme on "Agricultural Financing & Rural Development"	1	CICTAB	BBTA, Dhaka, Bangladesh
111	"2014 International Sustainable Banking Forum"	2	International Finance Corporation (IFC)	Lagos, Nigeria
112	"Balance of Payments Statistics (BPS) ST14.03"	1	IMF-STI	Singapore
113	Visiting Research Economist (s) for SEACEN Research Studies Advancing Inclusive Financial System in the Next Decade	1	SEACEN Centre	Kuala Lumpur, Malaysia
114	"APEC-FRTI Regional Seminar on Building Education Programmes of Investors and Market Intermediaries"	3	ADB & SEACEN Centre	Siem Reap, Cambodia
115	Central Bankers Course on "Monetary Policy, Exchange Rates, and Capital Flows"	1	Study Center Gerzensee	Gerzensee, Switzerland
116	Project Team Member Participating in the Project as Researcher of Member Economies: Advancing Inclusive Financial System in the Next Decades	1	SEACEN Centre	Kuala Lumpur, Malaysia
117	SAARCFINANCE Seminar on "Risk Management Framework of Banks"	2	State Bank of Pakistan	(NIBAF), Islamabad, Pakistan
118	"Business Surveys"	4	Bank of Korea	Seoul, Korea
119	"BIS Asian Reserve Management Workshop"	1	BIS	Osaka, Japan
120	Invitation to the APEC FRTI Regional Seminar on "Enforcement"	3	APEC Financial Regulators Training Initiative (FRTI) Secretariat	Colombo, Sri Lanka
121	Seminar on "Banking Supervision within the Framework of Basel II and Basel III Basic"	1	Deutsche Bundesbank	Frankfurt, Germany
122	Program on "Financial Supervision and Capital Adequacy"	1	Bank of England	London, England
123	Project Team Member Participating in the Project as Researcher of Member Economies: Building on the Counter Cyclical Buffer Consensus: Asian Empirical Test	1	SEACEN Centre	Kuala Lumpur, Malaysia
124	SEACEN Intermediate Course on "Economic Modeling and Forecasting"	3	SEACEN Centre	Kathmandu, Nepal
125	SEACEN Intermediate Course on "Economic Modeling and Forecasting"	4	SEACEN Centre	Kathmandu, Nepal
126	Risk-Based Supervision	3	Reserve Bank Staff College	Chennai, India
127	55th SEACEN-Federal Reserve System Course on Risk-Focused Supervision and Risk Assessment	3	SEACEN Centre	Colombo, Sri Lanka
128	"Meeting of the Standing Technical Committee of ACU"	2	State Bank of Pakistan	Karachi, Pakistan
129	"Cash Management and Combating Counterfeit Money"	1	Deutsche Bundesbank	Frankfurt, Germany
130	"Regional Seminar on Corporate Governance and Compliance"	3	APEC/FRTI	Male, Maldives
131	FSI-SEANZA Regional Seminar on "Risk Management and Risk Based Supervision "	4	FSI-BIS	Hong Kong, China
132	FSI-SEANZA Regional Seminar on "Risk Management and Risk Based Supervision "	3	FSI-BIS	Hong Kong, China
133	SEACEN Course on Bank Examiner Foundation Skills Development	4	SEACEN Centre	Kuala Lumpur, Malaysia
134	Workshop on Wire Transfer Related to Terrorist Financing	2	BIMSTEC/ FIU Thailand	Bangkok, Thailand
135	64th APRACA Executive Meeting, General Assembly and Field Visit	2	APRACA	Dhaka, Bangladesh
136	SEACEN Course on Macro-Prudential Surveillance	4	SEACEN Centre	Brunei, Darussalam
137	Bank Supervision within the Framework of Basel II and Basel III-Advanced	1	Deutsche Bundesbank	Frankfurt, Germany
138	APEC/FRTI Seminar on Bank Analysis and Examination School	3	APEC/FRTI	Manila, Philippines
139	Workshop on Fund Management	4	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
140	Talent Development	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
141	A Chance for Change: Child and Youth Finance and the Post-2015 Agenda	1	UN Child and Youth Finance International	UN Headquarters, New York
142	43rd Board of Director (BOD) Meeting, Standing Technical Committee (STC) Asian Clearing Union (ACU)	4	Central Bank of the Islamic Republic of Iran	Kish Island, Iran
143	"Macroeconomic Management for Senior Officials (MMSO)"	1	IMF-STI	Singapore
144	Research Project on Analytical Framework in Accessing Systematic Financial Market Infrastructure	1	SEACEN Centre	Kuala Lumpur, Malaysia
145	FSI-EMEAP Regional Seminar on the Regulation and Supervision of Systematically Important Banks	1	FSI/BIS	Seoul, Korea

S.No.	Programme	No. of Participants	Host Institution	Place
146	3rd BBVA Seminar for "Central Banks Sovereign Wealth Funds & Sovereigns, Supras & Agencies"	1	BBVA Corporate & Investment Banking	Barcelona, Spain
147	Pre-Mutual Evaluation and National Risk Assessment Workshop	3	APG on Money Laundering/ Korean FIU	Seoul, Korea
148	22nd Egmont Group of Plenary	2	Egmont Group of FIUs	Lima, Peru
149	Conference on "Strengthening Growth Potential in the Aftermath of the Global Financial Crisis"	1	Bank of Korea	Seoul, Korea
150	"Financial Market Analysis (FMA) ST 14.04"	1	IMF-STI	Singapore
151	Course on "Macro-Prudential Policies (MPP)"	1	IMF	Washington, D.C., USA
152	Course on "Government Finance Statistics (GFS)"	1	IMF	Washington, D.C., USA
153	Conference on Accounting, Financial Reporting and Corporate Governance for Central Banks	2	European Central Bank (ECB)	Frankfurt, Germany
154	FSI Seminar on the Basel III Regulatory Capital and Leverage Ratios Standards	1	FSI/BIS	Basel, Switzerland
155	Seminar on "Currency Management in Munich"	2	Giesecke & Devrient	Germany
156	Study Visit on Internal Audit Practices of RBI	6	Reserve Bank of India	Mumbai, India
157	Legislation Relating to Banking and Financial Institutions	3	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
158	31st International Banking Seminar: Core Supervisory Issues	1	FSI/BIS	Beatenberg, Switzerland
159	Treasury Operations, Asset and Liability Management for Banking Institutions	4	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
160	To observe the demo of software/ To sign the agreement with UNODC	3	United Nations Office of Drug and Crime (UNODC)	Vienna, Austria
161	"Program on Development of Rural Financing Institutions and Cooperatives"	5	CICTAB	Kathmandu, Nepal
162	Course on "Currency Management"	4	OECD Directorate for Financial and Enterprise Affairs	Seoul, Korea
163	"Workshop on Effective Payment System: Bringing the Pieces Together"	1	International Finance Corporation	Mumbai, India
164	South Asian Central Bank Workshop	3	Standard Chartered Bank	Singapore
165	Exposure Study Visit on Agriculture Value Chain Finance	1	APRACA/ ROSEC	Manila, Philippines
166	Programme on Basel III	3	Reserve Bank Staff College	Chennai, India
167	Empirical Finance for Monetary Policy	1	Bank of England	London, England
168	Seminar on "Asset Management"	1	BIS	Lucerne, Switzerland
169	Seminar on Management of External Sector Openness-South Asian Country Experiences"	2	Bangladesh Bank	Dhaka, Bangladesh
170	Payment Systems and Instruments	2	Istanbul School of Central Banks	Istanbul Turkey
171	Monetary Policy and Financial System	1	Deutsche Bundesbank	Germany
172	2nd Annual BOM Capital Market's Global Reserve Managers Seminars	1	Bank of Montreal (BOM) Capital Markets	Toronto, Canada
173	System of Macroeconomic Accounts Statistics and the Linkages	1	IMF STI-Singapore	Singapore
174	Course on "Balance of Payments Statistics (BPS)"	1	IMF	Washington, D.C., USA
175	FSI Seminar on Financial Stability and Stress Testing	1	FSI-BIS	Switzerland
176	15th Meeting of SAARC Payments Council and 1st SAARC Payments Council Seminar	5	NRB	Kathmandu, Nepal
177	"SAARC Payment Council Seminar"	6	NRB	Kathmandu, Nepal
178	Auditing, Governance and Risk Management Processes at the Highest Organizational Level	1	DNB-De Nederlandsche Bank	Netherlands
179	Regional Economic and Financial Monitoring	1	Asian Development Bank	Shanghai, China
180	Doing Business 2014 and Beyond: Smart Regulation towards Sustainable Growth	1	Ministry of Justice, Republic of Korea/ IFC	Seoul, Korea
181	Course on Monetary Policy	4	Bank of Korea	Seoul, Korea
182	SEACEN-IFC Workshop on Developing and Improving Sectoral Finance Accounts	2	SEACEN Centre	Kuala Lumpur, Malaysia
183	Accounting, Planning and Control, Risk and Process Management in a Central Bank	1	De Nederlandsche Bank	Amsterdam, Netherlands
184	Seminar on "Portfolio Analytics"	1	BIS	Brunnen, Switzerland
185	27th SEACEN-FSI Regional Seminar on the Regulation and Supervision of Systematically Important Banks	3	SEACEN Centre	Siem Reap, Cambodia
186	18th MAS Banking Supervisors Training Program	2	Monetary Authority of Singapore	Singapore
187	Financial Stability	1	Bank of Korea	Seoul, Korea
188	Financial Statement Analysis	4	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
189	"Seminar on Public Finance Management"	1	Government of PR China	China

S.No.	Programme	No. of Participants	Host Institution	Place
190	"Communication and External Relationship Management for Banks"	5	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
191	Workshop on Forecasting in Central Banks	1	Bank Indonesia/ Bank of England	Yogyakarta, Indonesia
192	SEACEN Course on Oversight of Payment and Settlement Systems	4	SEACEN Centre	Dalian, China
193	BNM-AFI Business Conduct and Consumer Protection Programme	1	Bank Negara Malaysia/AFI	Kuala Lumpur, Malaysia
194	Program on Co-operative Governance for the Board of Directors of Rural Financing Institutions and Co-operatives	2	CICTAB	Pune, India
195	Plenary of Financial Action Task Force (FATF)	2	Financial Action Task Force (FATF)	Paris, France
196	Course on "Monetary Policy Analysis (MPA)"	1	IMF	Washington, D.C., USA
197	"Monetary and Exchange Rate Policy (MERP) ST 14.08"	1	IMF-STI	Singapore
198	"Infrastructure Connectivity in Asia: The Financing Challenge"	1	Bao Forum for Asia	Beijing, China
199	"Organized Financial Crime and Preventive Measures"	4	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
200	"The Witness of the destruction process of wastages of Rs.100 denomination Nepalese Paper Banknotes"	2	Perum Percetakan Uang Republika Indonesia	Jakarta, Indonesia
201	8th SEACEN-CeMCoA/BOJ Intermediate Course on The Analytics of Macroeconomic and Monetary Policy Management	4	SEACEN Centre	Seoul, Korea
202	"Fiscal Analysis and Forecasting (FAF) ST 14.53"	1	IMF-STI	Singapore
203	Introductory Course on "Monetary and Financial Statistics (MFS-I) ST 14.09"	1	IMF-STI	Singapore
204	"Modern Monetary Theory and Policy"	2	Bank of Korea	Seoul, Korea
205	"Rules and Regulation Relating to International Trade (UCP 600)"	3	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
206	"Training of Trainers Programme on Restructuring and Strengthening Agriculture/ Rural Financing Institutions"	5	CICTAB	Pune, India
207	"Central Banking"	34	CBS, Central Bank of Sri Lanka	Colombo, Sri Lanka
208	"17th APG Annual Meeting 2014"	2	Asia Pacific Group on Money Laundering	Macau, China
209	Economic Development Policy for High-level Government Officials (Nepal)	1	KOICA	Seoul & Seongnam, South Korea
	<b>Total</b>	<b>487</b>		

**Table 39**  
**Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in 2013/14**

S.No	Office	Fund Transfers and Deposits								Transactions of Foreign Currency					
		Rs. in Million				INR (Rs. in Million)				Other Foreign Currencies		IC			
		Fund Transfer			Fund In <sup>2</sup>		Fund Transfer		Fund In		Rs. in Million		Rs. in Million		
		No. of Currency Chests <sup>1</sup>	Frequency	Amount (Rs.)	Frequency	Amount (Rs.)	Frequency	Amount (Rs.)	Frequency	Amount (Rs.)	Purchase	Balance <sup>3</sup>	Purchase	Sale <sup>4</sup>	Balance <sup>3</sup>
1	Biratnagar	10	90	21914	8	100.3	45	500.8	3	1600	289.5	03.8	59.9	72.6	1686.1
2	Janakpur	5	79	13600	3	20	20	118.1	1	320	118.5	44.2	-	77.4	413.8
3	Birgunj	4	39	6672.5	4	40.97	18	58.7	3	640	59.36	3.72	0	175.1	820.5
4	Pokhara	8	93	12960	31	13915.3	-	-	1	81.4	1186.2	153.9	400	51.1	120.0
5	Siddharthanagar	7	92	17000	20	2570	27	90	1	160	640	50	0	200	170
6	Nepalgunj	15	84	10390	16	24501.3	10	35.2	-	-	41.331	299.173	7.933	270.244	176.456
7	Dhangadhi	7	65	8010.6	4	32.6	0	0	1	160	32.1	24.3	13.5	83.8	157.9
	<b>Total</b>	<b>56</b>	<b>542</b>	<b>90547.1</b>	<b>86</b>	<b>41180.5</b>	<b>120</b>	<b>802.8</b>	<b>10</b>	<b>2961.4</b>	<b>2366.99</b>	<b>579.093</b>	<b>481.333</b>	<b>930.244</b>	<b>3544.76</b>

1 Number of currency chests under the office

2 Deposits by offices having currency chests only

3 Balance in mid-July 2014 following transfers to other offices

4 Note sale to the clients by offices only



## Appendix 2.1

### Main Circulars issued to “A”, “B” and “C” class Bank and Financial Institutions

Circular No.	Subject
1	<ul style="list-style-type: none"> <li>• The licensed "A", "B", and "C", class bank and financial institution should respectively maintain 5%, 4.5%, and 4% Cash Reserve Ratio (CRR) in this Bank out of the total deposit liabilities.</li> <li>• Out of the total domestic deposit liability, the licensed "A", "B", and "C" class bank and financial institution should maintain Statutory Liquidity Ratio at 12%, 9% and 8 % respectively.</li> <li>• Out of the total loans and advances, the licensed "A", "B", and "C" class bank and financial institution should at least maintain 4.5%, 4% and 3.5% deprived sector lending respectively. The increment of 0.50 percentage points to the provision is to be met through increasing the ratio by mid-Jan 2014 by 0.25% percentage points and by mid July 2014 by 0.25 percentage points.</li> <li>• On provision related to open market operation, repo and reverse repo, auction will be for a maximum period of 28 days.</li> <li>• Following categories of loan Provision for refinance for following "A", "B" and "C" class bank and financial institution has been made: <ul style="list-style-type: none"> <li>▪ <b>Ordinary Refinance:</b> Loans and advances given to the industries related to credit extended by hydropower projects, agriculture sector, animal/bird and fish farming business, business started by youths returning from abroad either by working there or by studying, production-related business, tourism-related business, infrastructure development-related business, are given refinance facility at the rate of 5% interest on collateral backup of the pass loan category. During the utilization period of refinance facility, the bank and financial institution cannot charge more that 9% interest rate to the borrower.</li> <li>▪ <b>Special Refinance:</b> The sector defined by GON as sick industries, small and cottage industries, credit given for foreign employment, credit given to underprivileged group of people like the Dalits, ethnic group, women, deprived sector, and small business started by the groups in a community are given refinance facility at 1% interest on collateral backup of the pass loan category. During the utilization period refinance facility, the bank and financial institution cannot charge more that 4.5% interest rate to the borrower.</li> <li>▪ <b>Export Refinance:</b> Export-related firms/companies are given refinance for credit extended in Nepalese currency and credit for export promotion on collateral backup of the pass loan category on the basis of the export documents. They are charged 1% interest rate. During the utilization period of refinance facility, bank and financial institution cannot charge more that 4.5% rate of interest to the borrower. The monitoring of the export earnings in foreign currency is to be made by the respective bank and financial institution and the repayment of refinance loan's principal amount and its interest should be settled in whole within four working days such export earnings. For deemed exporter who is involved both in production and export, the refinance facility is given for either of the two.</li> <li>▪ <b>Refinance for Small and medium-scale Industries:</b> Financing small and medium-scale industries as projects by BFIs up to one million rupees on collateral backup of the pass loan are given refinance facility at 5% interest rate. During the utilization period of refinance facility, the bank and financial institution cannot charge more that 4.5% interest rate to the borrower.</li> </ul> </li> </ul>

2.	<ul style="list-style-type: none"> <li>• Necessary arrangement has been made to regularize the multiple banking transactions carried on by customers utilizing credit of the nature of working capital (overdraft loan, working capital loan, cash credit loan, demand loan, trust receipt loan, short-term loan, etc. and on behalf of "A" class banks hypothecation loan also).</li> <li>• The licensed "A", "B", and "C" class extended by the licensed "A", "B", and "C" class bank and financial institution, bank and financial institution should mandatorily meet minimum paid-up capital requirements by mid July 2014.</li> <li>• Bank credit ceiling has been raised to four lakh rupees for the businesses initiated by minimum micro-entrepreneur and, with respect to the credit provided against the collateral of the concerned project, the limit has been up to five lakh rupees.</li> <li>• The licensed "A", "B", and "C" class bank and financial institution should mandatorily exchange credit information related to micro credit transaction with other bank and financial institutions ("A" to "D" class) while disbursing credit exceeding Rs.50,000, working in the same area of operations.</li> </ul>
3.	The licensed "A" class and national-level "B" class banks should comply with the prevailing foreign exchange law and circulars issued by Foreign Exchange Management Department of this Bank for conducting derivative transaction related to foreign currency.
4.	After giving payment for bond/ redeemable preference share, the remaining amount in redemption reserve is required to be transferred to general statutory reserve fund.
5.	<ul style="list-style-type: none"> <li>• Provision regarding cheque clearing and settlement arrangements has been made.</li> <li>• Family member of the promoter and director of the licensed bank and financial institution or shareholder holding less than 1% promoter share are not allowed to hold positions in staff union despite being employees of the institution concerned.</li> <li>• The licensed institution declared as problematic and restricted to accept deposits and provide credit is not mandatorily charged penalty if the stipulated CRR is less than the requirement.</li> </ul>
6.	The licensed "B", and "C" class banks and financial institutions operating at national-level have also to follow the provision related to base rate issued by NRB and, since mid-Jan 2013, they have to publish base rate while publishing their financial statements.
7.	<ul style="list-style-type: none"> <li>• While providing gold and silver loan, the bank should test the purity of the gold and determine whether the collateral is safe. While providing such loan, the gold or silver put as collateral by the borrower should be put in one package. Banks are supposed have to make cent percent provision in cases of insufficiency after counting to collateral in multiple bags and the collateral not being properly tested.</li> <li>• While providing of loan by the bank and financial institution against the collateral of the house/building for construction of house/ complex in the municipality area, the bank should ask all necessary document from the client like the trace map, permission from the related institution as required for making house, construction or completion documents and all other relevant documents including determining whether the guidelines issued by the concerned office are met.</li> </ul>
8.	<ul style="list-style-type: none"> <li>• 20% of the total loan and advances from "A" class institutions to be assigned to productive sector of which 12% should be for agriculture and energy sector. Likewise, "B" and "C" class institutions should invest in productive sector 15% and 10% respectively of their total credit.</li> <li>• The license bank and financial institution should open one branch office within 14 listed district, one outside the headquarters and the other one, altogether 3 branch offices outside the Valley before opening one branch office inside the Kathmandu Valley.</li> <li>• The bank and financial institution can sanction the loan amount up to Rs. 1 million for agricultural production-related business like coffee, orange, tea, animal farming and milk product-related business taking the projects itself as collateral on the basis of their feasibility. For any grievances in this regard, the client can make specific written application to grievance desk of this Bank.</li> </ul>

	<ul style="list-style-type: none"> <li>If the customer cannot repay to the BFIs, the loans for national priority projects like hydro-power, cable car, cement and other infrastructure construction-related projects due to increment in interest rate, increment in other cost, or increment in production capacity then, on fulfillment of certain specified criteria, these loans could be rescheduled/restructured in which case the loan loss provision to be made for this type of loan would be 1%.</li> </ul>
9.	<ul style="list-style-type: none"> <li>For the licensed "A", "B" and "C" class institutions, the difference of interest rate payable on the deposits and the interest charged on loans and advances (spread) should not exceed 5%.</li> <li>For "A", "B" and "C" class banks and financial institutions operational risk has been added to the overall risk framework and provisions regarding operational risk mitigation are made.</li> <li>The bank and financial institution should give special priority to senior citizens and differently able individuals by providing convenient banking facilities. Arrangements for comfortable and disabled friendly counters as required have to be arranged.</li> <li>BFIs are allowed to mobilize their institutional (firm, company or organized body) deposits up to 20 percent of their total deposits. Likewise, provision has been made limiting the institutional deposits to 60 percent of the total deposits of licensed institution.</li> <li>Due to long public holidays on account of the Durga Puja occasion, the period between October 13 to October 26, 2013 was considered as a week for the purpose of calculation of CRR for the licensed BFIs.</li> </ul>
10.	The licensed "A", "B", "C" class banks and financial institutions have to print the specified standard cheques following which they need to make the transactions according to the new arrangement after mid-January 2014.
11.	Due to the constituent assembly election held during October 21-22, 2013, banking offices of bank and financial institutions should be open and all other offices are given public holidays during October 19-20, 2013 as per the decision of the GON. The banks and financial institutions are arranged to give payment and deposit facilities on these days.
12	While in the process of merger of bank and financial institution, the surplus in the value of assets and liabilities as per the swap ratio is not allowed to distribute and the amount should be directly booked in capital reserve fund. The amount in the capital reserve fund cannot be distributed as cash dividend.
13	As per Assets (Money) Laundering Prevention Act, 2008 (2 <sup>nd</sup> amendment or Audinance, 2013) Section 29 (e), Sub-section (1) and as per the resolution of the United Nations Security Council related to freezing of assets or funds of terrorist group, individual or organizations of the same section in sub section (2) and (3) recognized by United Nation's Security Council, the updated list of the terrorist individual, group or organization should be maintained by the GON, Ministry of Foreign Affairs in its website. For freezing the assets or funds of terrorist individuals group or organization, GON, Ministry of Home Affairs should issue on order as per sub-sections (2) and (3) of the same section and the same should be published in the website of the Ministry. Accordingly, as per sub-section (4) of the same section, BFIs are requested to get updated about those individuals, groups or organizations through notice in the website of Ministry of Home Affairs and comply with the notices.
14.	Provision related to Cheque Clearing and Settlement has been revised.
15.	Directive number 19 issued to the licensed "A", "B", and "C", class bank and financial institution has been revised.
16.	For depositing the surplus funds through funds transfer and taking payment of required funds throughout Nepal, the licensed "A", "B", and "C" class bank and financial institution should take such facilities only through nearby offices of NRB nearby note chests which the NRB has arranged in other bank branches.

17.	Provision related to fund transfer has been revised and simplified.
18.	<ul style="list-style-type: none"> <li>• The licensed national level “B” and “C” class banks and financial institutions should do stress testing on regular basis.</li> <li>• The licensed “B” and “C” class banks and financial institutions are allowed for opening interest earning call account in "A" class banks until mid-July 2014. The licensed "B" and "C" class BFIs can open similar types of account in the same class BFIs until mid-July 2014.</li> </ul>
19	The time limit for standard specified by NRB on cheque printing and transacting through ECC is mid-July 2014.
20.	<ul style="list-style-type: none"> <li>• The licensed "A" and "B" class bank and financial institution can provide banking service to areas where the bankings access is very poor by opening Limited Banking Outlets abiding by the policy requirements and conditions as specified by this Bank.</li> <li>• The licensed "B" class banks extended can provide domestic currency transfer facility to their customers through their branch office provided they bear all the risks..</li> </ul>
21.	<ul style="list-style-type: none"> <li>• If the credit for poultry business extended by the licensed can not be repaid in accordance with the existing repayment schedule and conditions and requires restructured or rescheduled due to birdflu, then, on the basis of the borrower's written plan for debt repayment, adequacy of collateral security and debt repayment capacity for the future, restructuring/rescheduling can be done for one time. For this, the licensed institutions can make loan loss provision of only 1 % and can book this type of loan as good or pass loan.</li> <li>• For acceptable grounds, the account holder cans “Stop Payment” of the cheque. Otherwise, if the account holder has requested Stop Payment after the issuance of cheque and in case of default, the person/ firm/company/organized body also could be blacklisted after fulfilling procedures as per Sub-section (e).</li> </ul>
22.	<ul style="list-style-type: none"> <li>• Policy-related provisions with respect to foreign investment are made for the licensed "A", "B", "C" class banks and financial institutions.</li> </ul>
23	<ul style="list-style-type: none"> <li>• For licensed "A", "B", "C" class banks and financial institutions "Procedure Related to Facilities Available for Sick Industries from the Financial Sector, 2014" has been issued.</li> <li>• Firms/companies that have been blacklisted are ineligible to nominate BOD representative during and after three-year period of being blacklisted.</li> <li>• In any bank or financial institutions any individual or representative cannot be nominated or appointed to more than one director position simultaneously either oneself or on behalf of firm/company/institution having financial interest.</li> <li>• International Non-government Organizations (INGOs) which have taken affiliation or approval from the authorized entity of Nepal. Except the other INGOs are required to submit recommendation letter of related country or its embassy to open their accounts in BFIs.</li> <li>• BFI are allowed to purchase the branch of problematic BFI in Valley abiding by the law and financial administration by-laws and if the branch office is within Kathmandu Valley, the purchasing bank is required to open three branch offices outside Kathmandu Valley as per the regulation within a year of purchasing such branch.</li> </ul>
24.	The bank and financial institution which are declared problematic and are under special inspection can sell or purchase its branch office by taking prior permission from NRB.
25.	As per the American law, Foreign Account Tax Compliance Act (FATCA) 2010, bank and financial institution should give details of person/ firm who are eligible to pay tax to inland revenue service of America by registering themselves through website <a href="http://www.irs.gov/fatca-registration">www.irs.gov/fatca-registration</a> .
26.	As per the provision related to electronic cheque clearing on MICR, whatever be the provision related to cheque standard and cheque specification, other fields are not compulsory except MICR code line having cheque serial number/bank code.

27.	As per the new provision, while calculating spread rate, investment in government securities should be included.
28.	Revised Unified Directive 2014 has been issued including all issued circulars till mid-July 2013 with amendments in Unified Directive 2013. The Unified Directive will be applicable from mid-July 2014.

### Circulars Issued to “D” Class Financial Institutions

Circular No.	Subject
1	<ul style="list-style-type: none"> <li>• A limit on micro-credit facility for deprived and low income individuals for running micro enterprises has been set at maximum of Rs. 100,000 for individual in group guarantee, while such facility can go up to Rs. 300,000 with collateral. Such limit for borrowers availing credit for two years can go up to Rs. 150,000 for individual in group guarantee and Rs. 400,000 with collateral.</li> <li>• While disbursing loan of more than Rs. 50,000, a provision for exchange of credit information with other banks and financial institutions working in the same area of operation has been made.</li> </ul>
2	<ul style="list-style-type: none"> <li>• Microfinance institutions can open branches in areas where financial access is low without approval but should provide information after opening the branch.</li> <li>• The number of districts having low microfinance access has been raised to 22 from 9. Furthermore, zero-interest loans on such districts have been raised to Rs. 2 million from Rs. 1.5 million.</li> </ul>
3	<ul style="list-style-type: none"> <li>• Loans and advances availed by microfinance institutions under deprived sector lending should all be lent for deprived sector with penalty for non-compliance.</li> <li>• For the purpose of calculating Cash Reserve Ratio, the period between October 13 to October 26, 2013 has been considered as a week.</li> </ul>
4	Due to the constitution assembly election held on October 21-22, 2013, banking office of banks and financial institutions should be open and all other offices are given public holidays on October 19-20, 2013. The banks and financial institutions are supposed to give payment and deposit facilities on those days.
5	Policy level provision related to foreign investment has been made for "D" class financial institutions.
6.	For firms/companies that have been blacklisted cannot nominate representative during and after three-year period of being in black list.
7.	Revised Unified Directive 2014 has been issued including all issued circulars till mid-July 2013 with amendments in Unified Directive 2013. The Unified Directive will be applicable from mid-July 2014

## Appendix 2.2

### Commercial Bank Branches Inspected in 2013/14

S.N.	Commercial Banks	Inspection Method	No. of Inspected Branch
1	Nepal Bank Ltd.		21
2	Rastriya Banijya Bank Ltd.		18
3	Agriculture Development Bank		20
4	Nabil Bank Ltd.		7
5	Nepal Investment Bank Ltd.		10
6	Standard Chartered Bank Nepal Ltd.		3
7	Himalayan Bank Ltd.		11
8	Nepal SBI Bank Ltd.		12
9	Nepal Bangladesh Bank Ltd.	Risk-based	9
10	Everest Bank Ltd.		16
11	Bank of Kathmandu Ltd.		12
12	Nepal Credit and Commerce Bank Ltd.		9
13	Lumbini Bank Ltd.		10
14	Machhapuchchhre Bank Ltd.		8
15	Kumari Bank Ltd.		7
16	Laxmi Bank Ltd.		8
17	Siddhartha Bank Ltd.		10
18	Global Bank Ltd.		6
19	Citizens Bank International Ltd.		7
20	Sunrise Bank Ltd.		6
21	Prime Commercial Bank Ltd.		5
22	Grand Bank Ltd.		4
23	NMB Bank Ltd.		7
24	Kist Bank Ltd.		15
25	Janata Bank Ltd.		5
26	Mega Bank Ltd.		7
27	Commerce and Trust Bank Nepal Ltd.		5
28	Civil Bank Ltd.		2
29	Century Commercial Bank Ltd.		4
30	Sanima Bank Ltd.		9
	<b>Total</b>		<b>255</b>

## Appendix 2.3

### Development Banks and Financial Institutions Inspected at Corporate Level in 2013/14

#### (A) On-site Inspection

##### Development Banks

Bagmati Development Bank Ltd., Hariwan, Sarlahi	Sindhu Bikas Bank Ltd., Barhabise, Sindhupalchowk
Civic Development Bank Ltd., Dhadingbesi, Dhading	Tinau Bikas Bank Ltd., Butwal, Rupandehi
Cosmos Development Bank Ltd., Shaktichowk, Gorkha	Western Development Bank Ltd., Ghorahi, Dang
Hamro Bikas Bank Ltd, Battar, Nuwakot	Arniko Development Bank Ltd., Dhulikhel, Kavre
Kabeli Bikas Bank Ltd., Hulaktole, Dhankuta	Bhrikuti Bikas Bank Ltd., Butwal, Rupandehi
Kakre Bihar Bikas Bank Ltd., Birendranagar, Surkhet	Biswo Bikas Bank Ltd., Pokhara, Kaski
Mahakali Bikas Bank Ltd., Mahendranagar, Kanchanpur	City Development Bank Ltd., Pokhara, Kaski
Matribhumi Bikas Bank Ltd., Sindhulimadi, Sindhuli	Country Development Bank Ltd., Banepa, Kavre
Mount Makalu Development Bank Ltd., Basantapur, Terathum	Gandaki Development Bank Ltd., Pokhara, Kaski
Nilgiri Bikas Bank Ltd., Beni, Myagdi	Garima Bikas Bank Ltd., Pokhara, Kaski
Pacific Development Bank Ltd., Beshishahar, Lamjung	Kamana Bikas Bank Ltd., Lekhnath, Kaski
Salapa Bikash Bank Ltd., Diktel, Khotang	Malika Bikash Bank Ltd., Dhangadhi, Kailali
Alpine Development Bank Ltd., Hetauda, Makawanpur	Muktinath Bikas Bank Ltd., Pokhara, Kaski
Bhargab Bikas Bank Ltd., Nepalgunj, Banke	Paschimanchal Development Bank Ltd., Mitrapark, Rupandehi
Biratlaxmi Bikas Bank Ltd., Biratnagar, Morang	Shine Resunga Development Bank Ltd., Tamghas, Gulmi
Bright Development Bank Ltd., Panauti, Kavre	Public Development Bank Ltd., Birjunj, Parsa
Corporate Development Bank Ltd., Birgunj, Parsa	Sewa Bikas Bank Ltd., Butwal, Rupandehi
Ekata Bikash Bank Ltd., Rupandehi, Butwal	Sangrila Development Bank Ltd., Pokhara, Kaski
Excel Development Bank Ltd., Anarmani, Jhapa	Professional Bikas Bank Ltd., Banepa, Kavrepalanchowk
Gaurishankar Development Bank Ltd., Kawasoti, Nawalparasi	Triveni Bikas Bank Ltd., Narayangadh, Chitawan
Green Development Bank Ltd., Baglung	Ace Development Bank Ltd., Narayanchaur, Kathmandu
Innovative Development Bank Ltd., Siddharthanagar, Rupandehi	Apex Development Bank Ltd., Hattisar, Kathmandu
Kalinchowk Development Bank Ltd., Charikot, Dolakha	Business Universal Development Bank Ltd., Anamnagar, Ktm.
Kanchan Development Bank Ltd., Mahendranagar, Kanchanpur	Clean Energy Development Bank Ltd., Sitapaila, Ktm.
Kankai Bikas Bank Ltd., Damak, Jhapa	H & B Development Bank Ltd., Kamaladi, Kathmandu
Karnali Bikash Bank Ltd., Nepalgunj, Banke	Infrastructure Development Bank Ltd., Ghantaghar, Ktm.
Manasalu Bikash Bank Ltd., Buspark, Gorkha	International Development Bank Ltd., Teku, Ktm.
Metro Development Bank Ltd., Pokhara, Kaski	Jyoti Bikas Bank Ltd., Kamalpokhari, Kathmandu
Mission Development Bank Ltd., Butwal, Rupandehi	Kailsh Bikash Bank Ltd., Putalisadak, Kathmandu
Miteri Development Bank Ltd., Dharan, Sunsari	Kasthamandap Development Bank Ltd., Newroad, Ktm.
Nepal Community Development Bank Ltd., Butwal, Rupandehi	NDEP Development Bank Ltd., Laldurbarmarg, Ktm.
Pathibhara Bikas Bank Ltd., Uurlabari, Morang	NIDC Development Bank Ltd., Durbarmarg, Ktm.
Purnima Bikas Bank Ltd., Siddharthanagar, Rupandehi	Prabhu Bikas Bank Ltd., Lainchaur, Kathmandu
Raptibheri Bikas Bank Ltd., Nepalgunj, Banke	Siddhartha Development Bank Ltd., Tinkune, Ktm.
Rising Development Bank Ltd., Narayangadh, Chitwan	Suprim Development Bank Ltd., Subidhanagar, Tinkune
Sahayogi Bikas Bank Ltd., Janakpurdham, Dhanusha	Tourism Development Bank Ltd., Thamel, Kathmandu
Sajha Bikas Bank Ltd., Dhangadhi, Kailali	Vibor Bikas Bank Ltd., Tripureshwor, Kathmandu
Saptakoshi Development Bank Ltd., Tankisinbari, Morang	Yeti Development Bank Ltd., Durbarmarg, Kathmandu
Shubhechhha Bikas Bank Ltd., Narayangadh, Chitwan	

Note: DFID & World Bank Special Inspection Kailash Bikas Bank and Business Universal Development Bank Two-times within a year.

##### Finance Companies

Central Finance Ltd., Kupondol, Lalitpur	Civil Merchant Bitty Sanstha Ltd., Kuleshwor
Nepal Express Finance Ltd., Sundhara, Kathmandu	Nawa Durga Finance Ltd., Bhaktapur
Shubhalaxmi Finance Ltd., Naxal	Manjushree Financial Institute Ltd., Kathmandu
Hama Merchant and Finance Ltd.	Lumbini Leasing & Finance Ltd., Thamel, Kathmandu
Patan Finance Ltd., Lalitpur	Jenith Finance Ltd., Newroad, Kathmandu
Goodwill Finance Ltd., Hattishar, Kathmandu	Namaste Bitty Sanstha Ltd, Ghorahi, Dang
Narayani National Finance Ltd., Kalikasthan, Ktm.	Arun Finance Ltd., Dharan
International Leasing & Finance Ltd., Newbaneshwor	Kathmandu Finance Ltd., Dillibazar, Kathmandu
Lalitpur Finance Ltd., Lalitpur	Om Finance Ltd., Pokhara
United Finance Ltd., Darbarmarg, Kathmandu	Jebil's Finance Ltd., Newroad, Kathmandu
Fewa Finance Ltd., Pokhara	Nepal Finance Ltd., Kathmandu
Seti Finance Ltd., Tikapur, Kailali	Unique Finance Ltd., Newplaza, Kathmandu

Shrijana Finance Ltd., Biratnagar	ICFC Finance Ltd., Kathmandu
Mahalaxmi Finance Ltd., Putalisadak, Kathmandu	Kaski Finance Ltd., Pokhara
Imperial Finance Ltd., Thapathali, Kathmandu	Everest Finance Ltd., Rupandehi
Bhaktapur Finance Ltd., Bhaktapur	Multipurpose Finance Ltd., Rajbiraj
Peoples Finance Ltd., Mahabouddha	Nepal Awas Finance Ltd.
Pashchimanchal Finance Ltd., Butwal, Rupandehi	Prudential Finance Ltd., Dillibazar, Kathmandu
Sagarmatha Merchant Banking & Finance Ltd.	NIDC Capital Markets Ltd., Kamalpokhari
Progressive Finance Ltd., New Road, Kathmandu	Pokhara Finance Ltd., Pokhara
Janaki Finance Ltd., Janakpur, Dhanusha	Premier Finance Company Ltd., Kumariapati, Lalitpur
Guheshwori Merchant Banking & Finance Ltd.	

**(B) Special Inspection**  
**Development Banks**

Narayani Development Bank Ltd., Ratnanagar, Chitawan	NIDC Development Bank Ltd., Durbarmarg, Ktm.
Infrastructure Development Bank Ltd., Ghantaghar, Ktm.	Kasthamandap Development Bank Ltd., Newroad, Ktm.
Suprim Development Bank Ltd., Baneshwor, Ktm	Kasthamandap Development Bank Ltd., Newroad, Ktm.
Gaurishankar Development Bank Ltd., Kawasoti, Nawalparasi	Ace Development Bank Ltd., Narayanchaur, Kathmandu
United Bikas Bank Ltd., Jitpur, Bara	Biratlaxmi Bikas Bank Ltd., Biratnagar, Morang
NIDC Development Bank Ltd., Durbarmarg, Ktm.	Bageshwari Development Bank Ltd., Nepalgunj, Banke
International Development Bank Ltd., Teku, Ktm.	Biratlaxmi Bikas Bank Ltd., Biratnagar, Morang
Apex Development Bank Ltd., Hattisar, Kathmandu	H & B Development Bank Ltd., Kamaladi, Kathmandu
International Development Bank Ltd., Teku, Ktm.	Gaurishankar Development Bank Ltd., Kawasoti, Nawalparasi
Yeti Development Bank Ltd., Durbarmarg, Ktm.	NIDC Development Bank Ltd., Durbarmarg, Ktm.
Kasthamandap Development Bank Ltd., Newroad, Ktm.	Kasthamandap Development Bank Ltd., Newroad, Ktm.
Apex Development Bank Ltd., Hattisar, Kathmandu	Yeti Development Bank Ltd., Durbarmarg, Kathmandu

**Finance Companies**

General Finance Ltd., Chabahil	International Leasing & Finance Ltd., Newbaneshwor
Nepal Housing & Merchant Finance Ltd., Dillibazar	Nepal Share Markets & Finance Ltd., Kathmandu
World Merchant Banking & Finance Ltd., Kathmandu	Kuber Merchant Finance Ltd., Kamalpokhari, Ktm.
Janaki Finance Ltd., Janakpur, Dhanusha	United Finance Ltd., Durbarmarg
Prudential Finance Ltd., Dillibazar, Kathmandu	Nepal Finance Ltd., Kathmandu
Jenith Finance Ltd., Newroad, Kathmandu	

**(D) Follow-up Inspection**  
**Development Banks**

NDEP Development Bank Ltd., Laldurbarmarg, Ktm.	H & B Development Bank Ltd., Kamaladi, Kathmandu
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**Finance Companies**

Pokhara Finance Ltd., Pokhara	Nepal Housing & Merchant Finance Ltd., Kathmandu
International Leasing & Finance Ltd., Newbaneshwor	Pashchimanchal Finance Ltd., Butwal, Rupandehi
Janaki Finance Ltd., Janakpur, Dhanusha	Synergy Finance Ltd., Butwal
Lalitpur Finance Ltd., Lagankhel	



## Appendix 2.4

### List of Licensed Banks and Financial Institutions Working as Market Makers in FY 2013/14

S.N.	Name	S.N.	Name
1	Machhapuchchhre Bank Ltd.	29	Jebiles Finance Ltd.
2	Lumbini Bank Ltd.	30	Union Finance Ltd. (Bittiya Sanstha)
3	Grand Bank Nepal Ltd.	31	Nepal Express Finance Ltd.
4	Sanima Bank Ltd.	32	Subhalaxmi Finance Ltd.
5	NIC Asia Bank Ltd.	33	Nepal Finance Ltd. (NEFINSCO)
6	Nabil Bank Ltd.	34	Navadurga Finance Co. Ltd. (Bittiya Sanstha)
7	NMB Bank Ltd.	35	Royal Merchant Banking & Finance Ltd.
8	Laxmi Bank Ltd.	36	International Leasing & Finance Ltd.
9	Nepal Bangladesh Bank Ltd.	37	Guheshwori Merchant Banking & Finance Ltd.
10	Century Commercial Bank Ltd.	38	Sagarmatha Merchant Banking & Finance Ltd.
11	Civil Bank Ltd.	39	Civil Merchant Bittiya Sanstha Ltd.
12	Siddhartha Bank Ltd.	40	Manjushree Financial Institute Ltd.
13	Janata Bank Nepal Ltd.	41	Shree Investment & Finance Ltd.
14	Mega Bank Ltd.	42	Unique Finance Ltd.
15	Sunrise Bank Ltd.	43	Lumbini Finance and Leasing Co Ltd.
16	Kist Bank Ltd.	44	Citizen Investment Trust
17	Ace Development Bank Ltd.	45	United Finance Ltd.
18	Agriculture Development Bank Ltd.	46	Biratlaxmi Bikas Bank Ltd.
19	Kasthamandap Development Bank Ltd.	47	Bagmati Development Bank Ltd.
20	Vibor Bikas Bank Ltd.	48	City Development Bank Ltd.
21	Clean Energy Development Bank Ltd.	49	Kailash Bikas Bank Ltd.
22	NIDC Development Bank Ltd.	50	Fewa Finance Ltd.
23	International Development Bank Ltd.	51	Kamana Bikas Bank Ltd.
24	Prudential Finance Ltd.	52	Muktinath Bikas Bank Ltd.
25	Central Finance Ltd.	53	Sahayogi Bikas Bank Ltd.
26	ICFC Finance Ltd.	54	Bageshwari Development Bank Ltd.
27	Prabhu Finance Co. Ltd.	55	Malika Bikas Bank Ltd.
28	Goodwill Finance Ltd. (Bittiya Sanstha)		

### Appendix 2.5

#### Banks, Financial Institutions and Money Transfer Companies Working as Sales Agents of Foreign Employment Saving Certificates in 2013/14

S.N.	Name of Licensed Sales Agent for Foreign Employment Saving Certificates	Address in Nepal	Telephone Number of Nepal	Countries for which Licensed for Sale of Saving Certificates
1	Sunrise Bank Ltd.	Gairhidhara, Kathmandu	977-1-4004560	1. Oman 2. Qatar 3. Israel 4. United Arab Emirates
2.	Century Commercial Bank Ltd.	Putalisadak, Kathmandu	977-1-4412579 977-1-4428392 977-1-4428317	1. Qatar 2. United Arab Emirates 3. Kuwait 4. Saudi Arabia 5. Bahrain 6. Malaysia 7. Australia 8. Israel 9. United States of America 10. United Kingdom
3.	Prabhu Bikas Bank Ltd.	Lainchaur, Kathmandu	977-1-4442364 977-1-4429124	1. United States of America 2. Malaysia 3. Qatar
4.	Shree International Money Express (IME) Pvt. Ltd.	Panipokhari, Kathmandu	977-1-4430600 9802032445	1. Malaysia 2. United Arab Emirates 3. Saudi Arabia 4. Qatar 5. United States of America 6. United Kingdom 7. Japan 8. Bahrain 9. Russia 10. Australia 11. Israel 12. Kuwait
5.	Shree Prabhu Money Transfer Pvt. Ltd.	Lainchaur, Kathmandu	977-1-4442561 977-1-4437851	1. Malaysia 2. Qatar 3. Bahrain 4. Saudi Arabia 5. United States of America
6.	City Express Money Transfer Pvt. Ltd.	Ghantaghar, Kathmandu	977-1-4231900	1. Japan 2. Malaysia 3. Qatar 4. United States of America
7.	Sewa Express Co. (Pvt.) Ltd.	Kuleshwor, Kathmandu	977-1-4672309	1. Qatar

## Appendix 2.6

### Board of Directors

(In mid-July 2014)

Dr. Yuba Raj Khatiwada, Governor	Chairman
Mr. Yubaraj Bhusal, Secretary, Ministry of Finance	Member
Mr. Gopal Prasad Kaphle, Deputy Governor	Member
Mr. Maha Prasad Adhikari, Deputy Governor	Member
Prof. Dr. Shreeram Paudel	Member
Dr. Ramhari Aryal	Member
Mr. Bal Krishna Man Singh	Member

## Appendix 2.7

### Principal Officers and First Class Officers

(In mid-July 2014)

Principal Officers		
1	Mr. Bishnu Nepal	Executive Director, Foreign Exchange Management Department
2	Mr. Ramjee Regmi	Executive Director, Financial Management Department
3	Mr. Bhaskar M. Gyanwali	Executive Director, Banks and Financial Institutions Regulation Department
4	Mr. Manmohan K. Shrestha	Executive Director, Finance Company Supervision Department
5	Mr. Lok B. Khadka	Executive Director, Bank Supervision Department
6	Mr. Pradip R. Panday	Executive Director, Bankers' Training Center
7	Mr. Hari P. Kafle	Executive Director, Development Bank Supervision Department
8	Mr. Trilochan Pangen	Executive Director, Internal Audit Department
9	Dr. Min Bahadur Shrestha	Executive Director, Research Department
10	Mr. Mahesh Bhattarai	Executive Director, Corporate Planning Department
11	Mr. Shiva R. Shrestha	Executive Director, Banking Office, Kathmandu
12	Mr. Narayan P. Paudel	Executive Director, Microfinance Promotion and Supervision Dept.
13	Mr. Nara B. Thapa	Act. Executive Director, Public Debt Management Department
14	Dr. Binod Atreya	Act. Executive Director, General Services Department
15	Mr. Janak B. Adhikari	Act. Executive Director, Human Resource Management Department
First Class Officers		
16	Mr. Purna B. Khatri	Director, Banks & Financial Institutions Regulation Department
17	Mr. Bhishma R. Dhungana	Director, Foreign Exchange Management Department
18	Mr. Chintamani Siwakoti	Director, Microfinance Promotion and Supervision Department
19	Mr. Laxmi P. Niraula	Director, Development Bank Supervision Department
20	Mr. Shankar P. Acharya	Manager, Nepal Rastra Bank, Birgunj Office
21	Mr. Rajan B. Shah	Director, Banking Office, Kathmandu
22	Mr. Jagdishwor P. Adhikary	Director, Bankers' Training Centre
23	Mr. Parbat K. Karki	Director, Development Bank Supervision Department
24	Mr. Shiva N. Pandey	Director, Bank Supervision Department
25	Mr. Khyam N. Dhakal	Director, Finance Company Supervision Department

26	Mr. Bhuban Kandel	Director, Finance Company Supervision Department
27	Mr. Ramesh K. Pokharel	Director, Research Department
28	Dr. Nephil M. Maskay	Director, Office of the Governor
29	Mr. Deepak B. Thapa	Manager, Nepal Rastra Bank, Biratnagar Office
30	Mr. Upendra K. Paudel	Director, Fifth Family Budget Survey, Project Office
31	Mr. Yejindra P. Luitel	Director, Banking Office, Kathmandu
32	Dr. Bhubanesh Pant	Director, Research Department
33	Dr. Bama Dev Sigdel	Director, Microfinance Promotion and Supervision Department
34	Mr. Basu Dev Adhikari	Director, Banks & Financial Institutions Regulation Department
35	Mr. Pradhumna K. Bhattarai	Director, Legal Division
36	Dr. Gopal Prasad Bhatta	Director, Public Debt Management Department
37	Mrs. Neelam Dhungana (Timsina)	Director, Research Department
38	Mr. Jhalak Sharma Acharya	Director, Human Resource Management Department
39	Mr Arjun Bahadur Adhikari	Director, Corporate Planning Department
40	Mr. Sher Jung Rana	Director, Development Bank Supervision Department
41	Mr. Dev Kumar Dhakal	Director, Financial Management Department
42	Mr. Basanta Bahadur Shakya	Director, Currency Management Department
43	Mr. Mukunda Kumar Chhetri	Manager, Nepal Rastra Bank, Nepalgunj Office
44	Mr. Kiran Bista	Director, Banks & Financial Institutions Regulation Department
45	Mr. Balaram Parajuli	Director, Finance Company Supervision Department
46	Mr. Ramesh Dahal ('ka')	Director, Office of the Governor
47	Mr. Harisharan K.C.	Manager, Nepal Rastra Bank, Siddharthanagar Office
48	Mr. Pitambar Bhandari	Manager, Nepal Rastra Bank, Janakpur Office
49	Mr. Rajendra Pandit	Director, Foreign Exchange Management Department
50	Mr. Sunil Udas	Director, General Services Department
51	Mr. Rishikesh Bhatta	Manager, Nepal Rastra Bank, Pokhara Office
52	Mr. Mukunda Mahat	Director, Financial Information Unit
53	Mr. Pradeep Raj Poudyal	Director, Research Department
54	Dr. Gunakar Bhatta	Manager, Nepal Rastra Bank, Dhangadhi Office
55	Mr. Naresh Shakya	Director, Financial Management Department
56	Mr. Suman Kumar Adhikari	Director, Currency Management Department
57	Mr. Raman Nepal	Director, Development Bank Supervision Department
58	Dr. Prakash Kumar Shrestha	Director, Research Department
59	Mr. Bam Bahadur Mishra	Director, General Services Department
60	Dr. Govinda P. Sharma Bhattarai	Director, Development Bank Supervision Department
61	Mr. Vijaya Krishna Shrestha	Director (I.T.), Information and Technology Department
62	Mrs. Sita Ghimire	Act. Director, Internal Audit Department
63	Mr. Bhishma Prasad Upreti	Act. Director, Bank Supervision Department
64	Mr. Kalyan Bandhu Aryal	Act. Director, Banking Office, Kathmandu

#### On Deputation

1	Director Mr. Maheshwor Lal Shrestha	Nepal Bank Limited
2	Act. Director Mr. Shyam Prasad Khanal	Commission for the Investigation of Abuse of Authority

## **PART – 3**

# **ANNUAL FINANCIAL STATEMENTS OF NEPAL RASTRA BANK**

- **Assets and Liabilities** 125
- **Income Statement** 126
- **Annual Financial Statements of Nepal Rastra Bank** 128

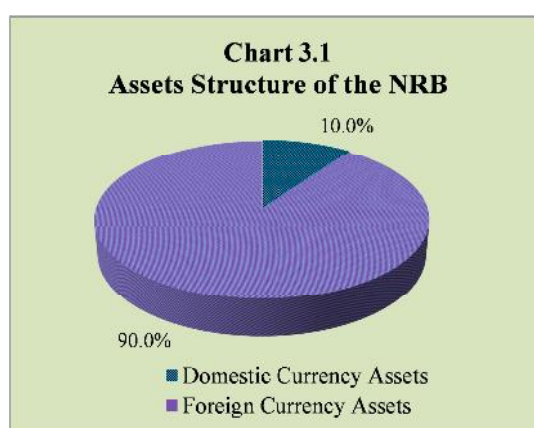
## PART – 3

# ANNUAL FINANCIAL STATEMENT OF NEPAL RASTRA BANK

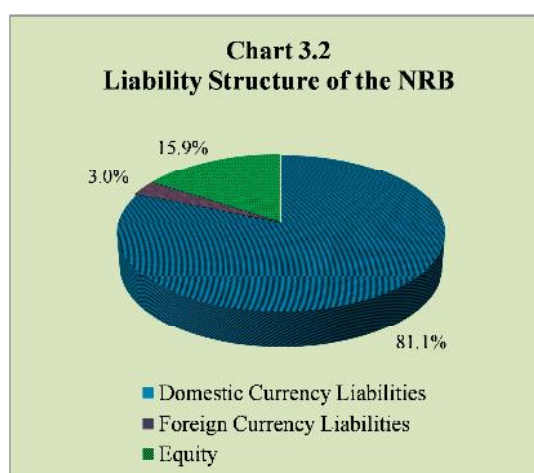
### Assets and Liabilities

3.1 According to the balance sheet as in mid-July 2014, as compared to that in mid-July 2013, the assets and liabilities of Nepal Rastra Bank increased by 23.0 percent to Rs. 661.09 billion. The assets and liabilities had increased by 18.4 percent to Rs. 537.48 billion in the previous year.

3.2 Of the total assets, the share of foreign currency assets stood at 90.0 percent while that of local currency assets stood at 10.0 percent in mid-July 2014. In mid-July 2013, the shares of such assets had remained at 88.3 percent and 11.7 percent respectively.



3.3 In mid-July 2014, the share of local currency liabilities in total liabilities and equity comprised 81.1 percent, that of equity 15.9 percent while that of foreign currency liabilities 3.0 percent. In mid-July 2013 the shares of such liabilities had comprised 78.1 percent, 18.2 percent and 3.7 percent respectively.



3.4 The foreign currency assets in mid-July 2014 as compared to mid-July 2013 increased by 25.4 percent to Rs. 594.93 billion. Of the total foreign currency assets, the share of investment remained at 93.4 percent while the shares of cash and bank balance, SDR holdings with IMF and other receivables remained at 5.5 percent, 0.9 percent and 0.2 percent respectively.

3.5 In mid-July 2014, local currency assets as compared to mid-July 2013 increased by 5.0 percent to Rs. 66.16 billion. Of the total local currency assets, shares of investment in government securities stood at 43.9 percent, other investments 22.5 percent, cash and bank balance 9.7 percent, and other assets including loans and refinance 23.9 percent.

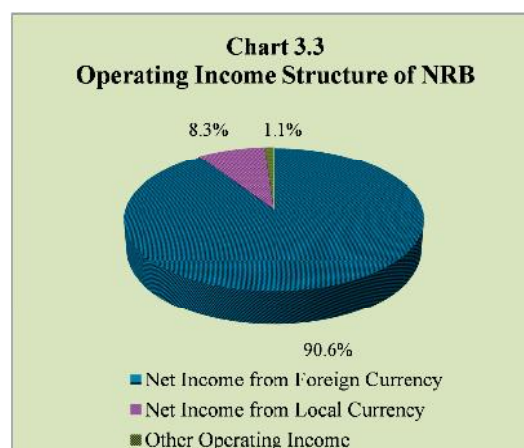
3.6 In mid-July 2014, foreign currency liabilities decreased by 1.0 percent to Rs 19.82 billion. In foreign currency liabilities, the shares of IMF-related liabilities and deposits

from banks and other agencies remained at 88.9 percent and 10.4 percent respectively in the review year.

- 3.7 In mid-July 2014, local currency liabilities increased by 27.7 percent to Rs. 535.91 billion. Among the local currency liabilities, currency in circulation increased by 17.0 percent to Rs. 273.25 billion. Likewise, deposit liabilities, surplus payable to the Government of Nepal and staff related liabilities increased by 26.0 percent, 27.3 percent and 47.1 percent respectively while the IMF-related local currency liabilities remained the same.
- 3.8 In comparison to mid-July 2013, total equity increased by 7.7 percent in mid-July 2014. Of the equity, reserve funds increased by 7.9 percent to Rs. 102.36 and share capital remained unchanged at Rs. 3.0 billion.

### Income Statement

- 3.9 According to the income statement for 2013/14, total net operating income of NRB increased by 39.9 percent to Rs. 16.35 billion. Of the net operating income, income from local currency financial assets amounted to Rs. 1.36 billion, the income from foreign currency financial assets amounted to Rs. 14.81 billion and other operating income amounted to Rs. 187.66 million, representing 8.3 percent, 90.6 percent and 1.1 percent shares of the total net operating income.



- 3.10 The income earned from foreign currency financial assets increased by 57.1 percent to Rs.14.84 billion in the review year. Similarly, the expenses on foreign currency financial liabilities stood at Rs. 31.09 million. As a result, the net income from foreign currency increased by 57.1 percent to Rs. 14.81 billion in the review year.
- 3.11 The share of commission income in the income received from foreign currency financial assets was negligible. So, the contribution of interest income in such assets remained significant. Out of the expenditure on foreign currency financial liabilities, the share of interest expenditure stood at 30.8 percent while that of the agency and service charge remained at 69.2 percent.
- 3.12 The income from local currency financial assets decreased by 29.7 percent to Rs. 1.54 billion. Similarly, expenditure on local currency financial liabilities decreased by 55.6 percent to Rs. 183.41 million. As a result, the net income from local currency decreased by 23.6 percent to Rs. 1.36 billion.
- 3.13 While the share of interest income in the income from local currency financial assets stood at 96.1 percent, the share of commission income remained at 3.9 percent. The

share of interest expenditure in local currency financial liabilities stood at 19.0 percent while the share of agency and service charge remained at 81.0 percent.

- 3.14 The profit (before adjustment in foreign exchange and revaluation loss/profit) increased by 7.2 percent to Rs. 9.15 billion in 2013/14.
- 3.15 The net profit after adjustment of foreign exchange and revaluation gain stood at Rs. 13.77 billion in the review year. Similarly, the other comprehensive income stood at Rs. 748.37 million. Accordingly, the total comprehensive income stood at Rs. 14.52 billion in the review year. Such income was Rs. 23.66 billion in the previous year.



**NEPAL RASTRA BANK**  
**STATEMENT OF FINANCIAL POSITION**

AS ON 32<sup>ND</sup> ASADH, 2071 (15<sup>TH</sup> JULY, 2014)

PARTICULARS	Note	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b><u>ASSETS</u></b>			
<b>Foreign Currency Financial Assets</b>			
Cash and Bank Balances	1	32,537,909,759	26,624,084,083
IMF Related Assets : Special Drawing Right Holdings		5,488,119,248	6,636,028,947
Investments	2	555,880,479,341	440,643,635,517
Other Receivables		1,022,408,013	532,506,856
<b>Total Foreign Currency Assets</b>		<b>594,928,916,361</b>	<b>474,436,255,403</b>
<b>Local Currency Financial Assets</b>			
Cash and Bank Balances		6,432,623,698	4,635,398,459
Investments in Government Securities	3	29,038,710,569	29,856,287,801
GON Overdraft		-	-
Investments in Financial and Other Institutions	4	1,528,910,670	458,574,420
Other Investments	5	14,918,621,000	14,556,510,000
Loans & Receivables and Refinance	6	5,935,936,213	6,940,638,486
Other Receivables	7	3,690,892,903	4,069,624,116
<b>Sub-Total</b>		<b>61,545,695,053</b>	<b>60,517,033,282</b>
<b>Other Assets</b>			
Gold and Silver Stock	8	701,129,138	413,618,489
Other Inventories	9	2,654,213,271	1,294,026,939
Property, Plant & Equipment	10	691,507,794	542,780,222
Intangible Assets	11	204,809,344	227,842,133
Other Assets		366,190,887	43,698,988
<b>Sub-Total</b>		<b>4,617,850,434</b>	<b>2,521,966,771</b>
<b>Total Local Currency Assets</b>		<b>66,163,545,487</b>	<b>63,039,000,053</b>
<b>Total Assets</b>		<b>661,092,461,848</b>	<b>537,475,255,456</b>

**Contingent Assets**

22c

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....  
Dev Kumar Dhakal  
(Acting Executive Director)

**Board of Directors:-**

.....  
Dr. Yuba Raj Khatiwada  
(Governor)

.....  
Suman Prasad Sharma  
(Director/Secretary MOF)

.....  
Gopal Prasad Kaphle  
(Deputy Governor)

.....  
Maha Prasad Adhikari  
(Deputy Governor)

.....  
Dr. Sri Ram Poudyal  
(Director)

.....  
Dr. Ram Hari Aryal  
(Director)

.....  
Bal Krishna Man Singh  
(Director)

.....  
(Sukhadev Khatri)  
Deputy Auditor General

.....  
(CA. Komal Bahadur Chitracar)  
Chartered Accountant  
Kathmandu

.....  
(CA. Gopal Prasad Rajbahak)  
Chartered Accountant  
Kathmandu

Date: 2071/07/27  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF FINANCIAL POSITION**  
AS ON 31ST ASADH, 2070 (15TH JULY, 2013)

PARTICULARS	Note	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b><u>LIABILITIES</u></b>			
<b>Foreign Currency Financial Liabilities</b>			
Deposit from Banks and Other Agencies	12	2,060,832,427	1,592,904,299
IMF Related Liabilities	13	17,612,855,208	18,343,388,194
Other Liabilities	14	149,340,057	79,196,981
<b>Total Foreign Currency Liabilities</b>		<b>19,823,027,692</b>	<b>20,015,489,474</b>
<b>Local Currency Financial Liabilities</b>			
IMF Related Deposit Liabilities	15	7,030,604,523	7,030,604,523
GON Deposit		23,334,581,772	516,084,944
Deposit and Other Balances	16	185,899,915,770	147,550,503,523
Bills Payable		1,005,959,657	734,091,341
Staff Liabilities	17	12,871,285,299	8,752,696,063
Other Payables	18	20,563,407,798	219,815,394
<b>Sub-Total</b>		<b>250,705,754,819</b>	<b>164,803,795,788</b>
<b>Other Liabilities</b>			
Currency in Circulation	19	273,250,000,000	233,460,000,000
Surplus Payable to GoN		7,000,000,000	5,500,000,000
Sundry Liabilities	20	4,958,608,080	15,858,041,251
<b>Sub-Total</b>		<b>285,208,608,080</b>	<b>254,818,041,251</b>
<b>Total Local Currency Liabilities</b>		<b>535,914,362,899</b>	<b>419,621,837,039</b>
<b>EQUITY</b>			
Capital		3,000,000,000	3,000,000,000
Reserves	21	102,355,071,257	94,837,928,943
<b>Total Equity</b>		<b>105,355,071,257</b>	<b>97,837,928,943</b>
<b>Total Liabilities and Equity</b>		<b>661,092,461,848</b>	<b>537,475,255,456</b>

**Contingent Liabilities and Commitments**

22b

Notes 1 to 22 are integral parts of the Statement of Financial Position

As per our report of the even date.

.....  
Dev Kumar Dhakal  
(Acting Executive Director)

**Board of Directors:-**

.....  
Dr. Yuba Raj Khatiwada  
(Governor)

.....  
Suman Prasad Sharma  
(Director/Secretary MOF)

.....  
Gopal Prasad Kaphle  
(Deputy Governor)

.....  
Maha Prasad Adhikari  
(Deputy Governor)

.....  
Dr. Sri Ram Poudyal  
(Director)

.....  
Dr. Ram Hari Aryal  
(Director)

.....  
Bal Krishna Man Singh  
(Director)

.....  
(CA. Komal Bahadur Chitracar)  
Chartered Accountant  
Kathmandu

.....  
(CA. Gopal Prasad Rajbahak)  
Chartered Accountant  
Kathmandu

.....  
(Sukhadev Khatri)  
Deputy Auditor General

Date: 2071/07/27  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 32<sup>nd</sup> ASHADH, 2071 (16<sup>th</sup> JULY, 2014)

PARTICULARS	Note	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
<b>Operating Income:</b>			
<b>Income from Foreign Currency Financial Assets</b>			
Interest Income	23	14,836,956,104	9,398,346,054
Commission Income	24	2,089,018	44,444,998
<b>Sub Total</b>		<b>14,839,045,122</b>	<b>9,442,791,052</b>
<b>Expenses on Foreign Currency Financial Liabilities</b>			
Interest Expenses	25	9,568,784	7,004,816.00
Agency and Service Charge	26	21,522,886	7,455,852.00
<b>Sub Total</b>		<b>31,091,670</b>	<b>14,460,668</b>
<b>Net Income from Foreign Currency</b>		<b>14,807,953,452</b>	<b>9,428,330,384</b>
<b>Income from Local Currency Financial Assets</b>			
Interest Income	23	1,482,184,656	2,144,092,714
Commission Income	24	59,386,491	47,257,816
<b>Sub Total</b>		<b>1,541,571,147</b>	<b>2,191,350,530</b>
<b>Expenses on Local Currency Financial Liabilities</b>			
Interest Expenses	25	34,885,548	114,884,495
Agency and Service Charge	26	148,524,107	298,255,610
<b>Sub Total</b>		<b>183,409,655</b>	<b>413,140,105</b>
<b>Net Income from Local Currency Financial assets</b>		<b>1,358,161,492</b>	<b>1,778,210,425</b>
Other Operating Income	27	187,656,200	486,106,779
<b>Total Net Operating Income</b>		<b>16,353,771,144</b>	<b>11,692,647,588</b>
General, Administrative Expenses & Provisions	28	7,339,107,606	3,281,820,417
<b>Profit before Foreign Exchange and Revaluation Gain/(Loss)</b>		<b>9,014,663,538</b>	<b>8,410,827,171</b>
Net Foreign Exchange Gain		4,237,837,030	15,562,870,559
Net Gold and Silver Revaluation Gain/(Loss)		515,927,005	(1,653,891,818)
Securities Revaluation Gain/(Loss)		289,378	853,028,937
<b>NET PROFIT FOR THE YEAR</b>		<b>13,768,716,951</b>	<b>23,172,834,849</b>
<b>Other Comprehensive Income</b>			
Changes in Fair Value of Investment in Equity Instruments		1,026,956,250	209,851,320
Actuary Gain on Defined Benefit Plan of Employee Benefit		(278,584,203)	<b>278,584,203</b>
<b>Other Comprehensive Income for the Year</b>		<b>748,372,047</b>	<b>488,435,523</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>14,517,088,998</b>	<b>23,661,270,372</b>

Notes 23 to 28 are integral parts of the Statement of Comprehensive Income

As per our report of the even date.

.....  
Dev Kumar Dhakal  
(Acting Executive Director)

**Board of Directors:-**

.....  
Dr. Yuba Raj Khatiwada  
(Governor)

.....  
Suman Prasad Sharma  
(Director/Secretary MOF)

.....  
(CA. Komal Bahadur Chitracar)  
Chartered Accountant  
Kathmandu

.....  
(CA. Gopal Prasad Rajbahak)  
Chartered Accountant  
Kathmandu

.....  
Gopal Prasad Kaphle  
(Deputy Governor)

.....  
Maha Prasad Adhikari  
(Deputy Governor)

.....  
Dr. Sri Ram Poudyal  
(Director)

.....  
Dr. Ram Hari Aryal  
(Director)

.....  
Bal Krishna Man Singh  
(Director)

Date: 2071/07/27  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 32<sup>nd</sup> ASHADH, 2071 (16<sup>th</sup> JULY, 2014)**

PARTICULARS	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
<b>Cash Flow From Operating Activities:</b>		
Total Comprehensive Income for the Year	14,517,088,998	23,661,270,372
<b>Adjustments:</b>		
Gold and Silver Revaluation (gain)/loss (Net)	(515,927,005)	1,653,891,818
Revaluation (Gain) or Loss on Foreign Exchange	(4,265,005,927)	(15,562,870,559)
Securities Revaluation Gain	(1,027,245,628)	(1,062,880,257)
Actuarial Gain/Loss	278,584,203	(278,584,203)
Depreciation & Amortisation	86,188,938	67,581,918
Note Printing Expenses	923,518,005	593,176,992
Dividend Income	(6,767,324)	(1,561,737)
Provisions no Longer Required Written Back	(18,208,463)	(62,250,227)
Grant Income	(245,446)	(245,380)
Profit from Sale of Assets/ Investments	(806,484)	(4,245,354)
Assets Written Off	39,854	635,846
Interest paid on ECF Loan & ACU	9,588,339	6,962,045
Provision for Doubtful Sundry Accruals	-	-
Provision for Doubtful Investment	2,500,000	-
Provision Others	-	3,775,258
<b>Cash Flow From Operation Before Inc / Dec in Operating Assets</b>	<b>9,983,302,061</b>	<b>9,014,656,531</b>
<b>(Increase)/Decrease in Operating Assets</b>	<b>(3,165,307,152)</b>	<b>(6,329,558,751)</b>
Refinance & Loans	1,004,702,273	(2,353,665,572)
Gold & Silver	(1,452,643,245)	(5,118,191,923)
Inventories	(2,283,704,337)	(31,632,209)
Other Receivable	(433,661,843)	1,173,930,953
<b>Increase/(Decrease) in Operating Liabilities</b>	<b>75,551,110,679</b>	<b>32,779,834,486</b>
Government Deposit	22,818,496,828	(10,473,211,214)
SDR Allocation	346,014,063	679,565,897
Deposit Liabilities	38,817,340,374	28,052,371,859
Bills Payable	268,054,071	(112,314,158)
Deferred Staff Liabilities	3,840,005,033	498,473,586
Other Liabilities	20,360,633,482	(14,365,498)
Sundry Liabilities	(10,899,433,172)	14,149,314,013
<b>Net Cash Flow From Operating Activities</b>	<b>Total (A) 82,369,105,589</b>	<b>35,464,932,266</b>
<b>Cash Flow From Investing Activities:</b>		
Net (Incr)/Decr in Government Securities and Bank Deposits	37,019,617,876	(113,512,249,751)
Sale/Purchase of Investment in Financial Institutions	(45,880,000)	(43,343,000)
Purchase of Investments-Other	(343,902,537)	(3,698,454,773)
Purchase of Property, Plant & Equipment	(211,200,737)	(64,133,054)
Sale of Property, Plant & Equipment	1,356,250	4,577,442
Purchase of Intangible Assets	(1,153,730)	(83,719,513)
Dividend Income	6,767,324	1,561,737
<b>Net Cash Flow From Investing Activities</b>	<b>Total (B) 36,425,604,446</b>	<b>(117,395,760,911)</b>
<b>Cash Flow From Financing Activities:</b>		
Bank Note Issued	39,790,000,000	32,210,000,000
Increase/Decrease in ECF Loan & ACU	(1,076,547,049)	(597,808,495)
Interest Paid on ECF Loan & ACU	(9,588,339)	(6,962,045)
Surplus Paid to GON	(5,500,000,000)	(4,227,000,000)
<b>Net Cash Flow From Financing Activities</b>	<b>Total (C) 33,203,864,612</b>	<b>27,378,229,460</b>
<b>Net Cash Flow for the Year (A+B+C)</b>	<b>151,998,574,646</b>	<b>(54,552,599,185)</b>
Revaluation Gain or Loss on Foreign Exchange	4,265,005,927	15,562,870,559
Cash and Cash Equivalent at the Beginning of the Year	335,053,567,282	374,043,295,908
<b>Cash and Cash Equivalent at the end of the Year (Note - 29)</b>	<b>491,317,147,855</b>	<b>335,053,567,282</b>

Note 29 is the integral part of the Statement of Cash Flows

.....  
Dev Kumar Dhakal  
(Acting Executive Director)

**Board of Directors:-**

.....  
Dr. Yuba Raj Khatiwada  
(Governor)

.....  
Suman Prasad Sharma  
(Director/Secretary MOF)

.....  
Gopal Prasad Kaphle  
(Deputy Governor)

.....  
Maha Prasad Adhikari  
(Deputy Governor)

.....  
Dr. Sri Ram Poudyal  
(Director)

.....  
Dr. Ram Hari Aryal  
(Director)

.....  
Bal Krishna Man Singh  
(Director)

As per our report of the even date.

.....  
(Sukhadev Khatri)  
Deputy Auditor General

.....  
(CA. Komal Bahadur Chitracar)  
Chartered Accountant  
Kathmandu

.....  
(CA. Gopal Prasad Rajbahakar)  
Chartered Accountant  
Kathmandu

Date: 2071/07/27  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 32<sup>nd</sup> ASHADH, 2071 (16<sup>th</sup> JULY, 2014)

PARTICULARS	Capital	Statutory Reserve			Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Actuary Gain/Loss Reserve	Other Reserves	Retained Earning	Total
		General Reserve	Monetary Liability Reserve	Exchange Equilisation Fund							
<b>Balance as on 1st Shrawan 2069</b>	3,000,000,000	16,492,203,778	2,080,978,400	42,526,599,726	6,842,519,006	120,887,600	2,449,259	-	8,613,885,942	-	79,679,523,711
Adjustment for Prior Period Income										(2,811,824)	(2,811,824)
<b>Restated Balance</b>	<b>3,000,000,000</b>	<b>16,492,203,778</b>	<b>2,080,978,400</b>	<b>42,526,599,726</b>	<b>6,842,519,006</b>	<b>120,887,600</b>	<b>2,449,259</b>	<b>-</b>	<b>8,613,885,942</b>	<b>(2,811,824)</b>	<b>79,676,711,887</b>
Net Profit for the year					6,636,028,947					23,172,834,848	29,808,863,795
Other Comprehensive Income						209,851,320		278,584,203			488,435,523
<b>Appropriation of Profit:</b>											
To General Reserve		1,357,537,200								(1,357,537,200)	-
To Monetary Liability Reserve			420,398,100							(420,398,100)	-
To Exchange Equilisation Fund				15,562,870,559						(15,562,870,559)	-
To Gold & Silver Equilisation Reserve					(1,653,891,818)					1,653,891,818	-
To Revaluation Reserve							853,028,937			(853,028,937)	-
To Other Reserve								1,130,026,738		(1,130,026,738)	-
<b>Inter Fund Transfer:</b>											
Gold & Silver to General Reserve											-
Other Reserve to General Reserve		1,149,768,420							(1,149,768,420)		-
<b>Balance Profit Transfer to Government</b>										(5,500,000,000)	(5,500,000,000)
<b>Balance as on 1st Shrawan 2070</b>	<b>3,000,000,000</b>	<b>18,999,509,398</b>	<b>2,501,376,500</b>	<b>58,089,470,285</b>	<b>11,824,656,135</b>	<b>330,738,920</b>	<b>855,478,196</b>	<b>278,584,203</b>	<b>8,594,144,260</b>	<b>53,309</b>	<b>104,474,011,205</b>
Net Profit for the year										13,768,716,951	13,768,716,951
Other Comprehensive Income						1,026,956,250		(278,584,203)		-	748,372,047
<b>Appropriation of Profit:</b>											
To General Reserve		1,369,664,795								(1,369,664,795)	-
To Monetary Liability Reserve			449,377,398							(449,377,398)	-
To Exchange Equilisation Fund				4,265,005,927						(4,265,005,927)	-
To Gold & Silver Equilisation Reserve					515,927,005					(515,927,005)	-
To Revaluation Reserve							289,378			(289,378)	-
To Other Reserve								168,505,757		(168,505,757)	-
<b>Inter Fund Transfer:</b>											
Gold & Silver to General Reserve											-
Other Reserve to General Reserve		175,675,657							(175,675,657)		-
<b>Balance Profit Transfer to Government</b>										(7,000,000,000)	(7,000,000,000)
<b>Balance as on 32<sup>nd</sup> Asadh 2071</b>	<b>3,000,000,000</b>	<b>20,544,849,850</b>	<b>2,950,753,898</b>	<b>62,354,476,212</b>	<b>12,340,583,140</b>	<b>1,357,695,170</b>	<b>855,767,573</b>	<b>-</b>	<b>8,586,974,360</b>	<b>-</b>	<b>111,991,100,203</b>

**Board of Directors:**

As per our report of the even date.

.....  
 Dr. Yuba Raj Khatiwada  
 (Governor)

.....  
 Suman Prasad Sharma  
 (Director/Secretary MOF)

.....  
 Dev Kumar Dhakal  
 (Acting Executive Director)

.....  
 (Sukhadev Khatri)  
 Deputy Auditor General

.....  
 Gopal Prasad Kaphle  
 (Deputy Governor)

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 Chartered Accountant  
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 Chartered Accountant  
 Kathmandu

.....  
 Dr. Sri Ram Poudyal  
 (Director)

.....  
 Dr. Ram Hari Aryal  
 (Director)

.....  
 Bal Krishna Man Singh  
 (Director)

Date: 2071/07/27  
 Place : Kathmandu

## NEPAL RASTRA BANK

## NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b>NOTE - 1: CASH AND BANK BALANCES</b>		
Cash in Hand	12,058,740,446	6,645,722,239
Balance with Banks in Demand Deposits	20,479,169,313	19,978,361,844
Asian Clearing Union	-	-
<b>Total</b>	<b>32,537,909,759</b>	<b>26,624,084,083</b>
<b>NOTE - 2: INVESTMENTS</b>		
<b>i. Treasury Bills</b>		
US Government Treasury Bills	14,384,833,134	14,249,194,400
GOI Treasury Bills	135,683,427,779	107,427,580,379
Other Treasury Bills	415,360,000	-
<b>Sub -Total</b>	<b>150,483,620,913</b>	<b>121,676,774,779</b>
<b>ii. Other</b>		
US Government Treasury Notes/Bond	958,875,004	949,449,048
Other Government Notes/Bond	22,626,757,641	-
Investment in Mid Term Instrument	8,691,201,766	8,389,781,637
Investment in Fixbis	7,449,373,607	7,575,023,362
Investment in Repurchase Agreement (Repo)	40,110,588,469	37,107,129,476
Balance with Banks in Time Deposits	309,677,276,701	250,743,751,576
Gold	15,882,785,239	14,201,725,639
<b>Sub -Total</b>	<b>405,396,858,428</b>	<b>318,966,860,737</b>
<b>Grand Total</b>	<b>555,880,479,341</b>	<b>440,643,635,517</b>
<b>Above investments are classified as follows:</b>		
Loans and receivables	-	-
Held-for-trading	55,993,373,709	51,308,855,115
Held-to-maturity	462,875,514,858	375,085,586,002
Available-for-sale	14,384,833,134	14,249,194,400
<b>Total</b>	<b>533,253,721,701</b>	<b>440,643,635,517</b>
<b>NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES</b>		
Government Treasury Bills	22,048,574,714	12,968,932,488
Saving Certificates	1,284,068,000	2,719,118,000
Government Bond	4,949,991,745	13,374,657,448
Development Bond 2071 Gha	756,076,110	793,579,865
<b>Total</b>	<b>29,038,710,569</b>	<b>29,856,287,801</b>
<b>Above investments are classified as follows:</b>		
Loans and receivables	4,871,051,043	13,374,657,448
Held-for-trading	-	-
Held-to-maturity	835,016,812	793,579,865
Available-for-sale	23,332,642,714	15,688,050,488
<b>Total</b>	<b>29,038,710,569</b>	<b>29,856,287,801</b>

## NEPAL RASTRA BANK

### NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b>NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS</b>		
	<b>% of holding</b>	
<b>(a) Investment in shares of Subsidiaries</b>		
Sudur Pashchimanchal Grameen Bikash Bank Ltd.	68.46	40,050,000
Agricultural Project Services Center	62.50	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000
<b>Sub-Total</b>	<b>46,050,000</b>	<b>46,050,000</b>
<b>(b) Investment in shares of Associates</b>		
Nepal Stock Exchange Ltd.	34.60	12,080,500
National Productivity and Economic Development	31.52	2,500,000
<b>Sub-Total</b>	<b>14,580,500</b>	<b>14,580,500</b>
<b>(c) Other Investments</b>		
<b>Shares:</b>		
Deposit & Credit Guarantee Corporation	10.00	107,580,000
Nepal Clearing House	10.00	15,000,000
Rural Microfinance Development Centre	6.58	21,045,000
Pashchimanchal GBB	10.00	6,000,000
Nepal Development Bank	5.00	16,000,000
Credit Information Bureau	10.25	3,500,000
Citizen Investment Trust	13.35	1,357,705,170
National Banking Training Centre	10.00	5,000,000
<b>Sub-Total</b>	<b>1,531,830,170</b>	<b>458,993,920</b>
<b>Total</b>	<b>1,592,460,670</b>	<b>519,624,420</b>
Less: Provision for diminution in the value	63,550,000	61,050,000
<b>Total</b>	<b>1,528,910,670</b>	<b>458,574,420</b>

### NOTE - 5: OTHER INVESTMENTS

#### Investment of funds:

Fixed deposits with commercial banks and Financial Institutions	15,863,367,310	15,519,464,773
Less: Provision for doubtful Investment	1,198,146,310	1,216,354,773
<b>Sub Total</b>	<b>14,665,221,000</b>	<b>14,303,110,000</b>

#### Other Investments:

Investment in Rural Self Reliance Fund	253,400,000	253,400,000
<b>Sub Total</b>	<b>253,400,000</b>	<b>253,400,000</b>
<b>Grand Total</b>	<b>14,918,621,000</b>	<b>14,556,510,000</b>

## NEPAL RASTRA BANK

## NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b>NOTE - 6: LOANS &amp; RECEIVABLES AND REFINANCE</b>		
<b>LOANS AND RECEIVABLES</b>		
Loans to Employees	4,012,947,525	4,193,014,230
Loan to Other Organisations	12,000,000	-
<b>Sub-Total</b>	<b>4,024,947,525</b>	<b>4,193,014,230</b>
<b>REFINANCE</b>		
Refinance to Commercial Banks	1,920,988,688	2,177,624,256
Securities purchased under resale agreement	-	-
Refinance to Financial Institutions	-	580,000,000
	<b>1,920,988,688</b>	<b>2,757,624,256</b>
Less: Provision for doubtful Loans	10,000,000	10,000,000
<b>Sub-Total</b>	<b>1,910,988,688</b>	<b>2,747,624,256</b>
<b>Total</b>	<b>5,935,936,213</b>	<b>6,940,638,486</b>
<b>NOTE - 7: OTHER RECEIVABLE</b>		
<b>Interest Accrued</b>	<b>2,270,201,817</b>	<b>2,153,706,809</b>
Less: Provision for doubtful amounts	-	-
Less: Interest suspense	470,984,821	310,165,695
<b>Net Interest Accrued</b>	<b>1,799,216,996</b>	<b>1,843,541,113</b>
<b>Advances Recoverable</b>	<b>1,759,838,274</b>	<b>1,842,401,569</b>
Less: Provision for doubtful amounts	10,329,878	10,329,878
<b>Net Advance Recoverable</b>	<b>1,749,508,396</b>	<b>1,832,071,691</b>
Deposits	1,674,504	1,672,504
Project income recoverable	15,223,570	-
Bills Purchased	125,269,437	392,338,808
<b>Total</b>	<b>3,690,892,903</b>	<b>4,069,624,116</b>
<b>NOTE - 8: GOLD &amp; SILVER STOCK</b>		
Gold held in Stock	612,924,161	350,689,509
Silver held in Stock	88,204,977	62,928,980
<b>Total Gold and silver stock</b>	<b>701,129,138</b>	<b>413,618,489</b>
<b>NOTE - 9: OTHER INVENTORIES</b>		
Security Note Stock	2,067,232,881	594,126,034
Coin Stock	574,568,586	687,462,911
Numismatic and Medallion coins	22,465,540	24,437,829
Other Metal Stock	24,461,508	22,578,096
Dispensory stock	441,808	379,121
<b>Total Inventories</b>	<b>2,689,170,323</b>	<b>1,328,983,991</b>
Less: Provisions for:		
Non-moving Numismatic and Medallion coins	(22,465,794)	(22,465,794)
Non-moving Other Metal stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	(3,775,258)	(3,775,258)
<b>Total Inventories net of Provisions</b>	<b>2,654,213,271</b>	<b>1,294,026,939</b>



**NEPAL RASTRA BANK**  
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

**NOTE - 10 : STATEMENT OF PROPERTY, PLANT & EQUIPMENT**

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
<b>Depreciation Rate</b>			<b>3%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>10%</b>	<b>20%</b>		
Original Cost	Balance as on 1 <sup>st</sup> Shrawan 2069	31,349,239	567,326,005	156,130,785	208,323,799	109,908,164	98,670,413	20,510,769	4,712,802	28,433	1,196,960,410
	Addition during the Year	-	3,650,545	31,486,307	2,865,000	774,000	8,522,771	1,238,395	55,000	15,541,035	64,133,053
	Disposal/Write Off/Adjustment	(14,686)	(708,673)	(5,780,657)	(20,503,118)	(1,318,141)	(4,794,866)	(184,622)	(132,065)		(33,436,828)
	Balance as on 31 <sup>st</sup> Ashadh 2070	31,334,553	570,267,876	181,836,436	190,685,681	109,364,023	102,398,319	21,564,542	4,635,738	15,569,468	1,227,656,635
Accumulated Depreciation	Balance as on 1 <sup>st</sup> Shrawan 2069	-	200,836,655	121,317,613	142,182,138	94,309,474	75,988,073	16,727,521	4,452,129		655,813,603
	Depreciation for the Year	-	16,848,119	13,087,224	20,604,980	4,491,057	5,890,348	746,699	108,658		61,777,084
	Disposal/Write Off/Adjustment	-	(439,097)	(6,683,185)	(19,863,108)	(523,714)	(5,049,516)	(81,655)	(73,999)		(32,714,274)
	Balance as on 31 <sup>st</sup> Ashadh 2070	-	217,245,676	127,721,653	142,924,009	98,276,817	76,828,905	17,392,566	4,486,788	-	684,876,413
<b>Net Book Value as on 31<sup>st</sup> Ashadh 2070</b>		<b>31,334,553</b>	<b>353,022,200</b>	<b>54,114,783</b>	<b>47,761,671</b>	<b>11,087,206</b>	<b>25,569,414</b>	<b>4,171,976</b>	<b>148,950</b>	<b>15,569,468</b>	<b>542,780,222</b>
Original Cost	Balance as on 1 <sup>st</sup> Shrawan 2070	31,334,553	570,267,876	181,836,436	190,685,681	109,364,023	102,398,319	21,564,542	4,635,737	15,569,468	1,227,656,636
	Addition during the Year	162,500,000	28,879,048	10,487,851	3,392,730	3,256,504	3,615,859	570,121	49,494	9,357,615	222,109,223
	Disposal/Write Off/Adjustment	-	-	(10,209,889)	(5,125,603)	(942,400)	(3,470,866)	-	(34,465)	(10,908,486)	(30,691,709)
	Balance as on 32 <sup>nd</sup> Ashadh 2071	193,834,553	599,146,925	182,114,398	188,952,807	111,678,127	102,543,313	22,134,663	4,650,766	14,018,597	1,419,074,150
Accumulated Depreciation	Balance as on 1 <sup>st</sup> Shrawan 2070	-	217,245,676	127,721,651	142,924,009	98,276,817	76,828,905	17,392,566	4,486,788		684,876,412
	Depreciation for the Year	-	17,183,908	15,611,241	15,745,230	4,672,251	7,967,851	796,068	25,870		62,002,419
	Disposal/Write Off/Adjustment	-	(53,710)	(10,209,734)	(4,575,850)	(942,398)	(3,496,317)	-	(34,465)		(19,312,475)
	Balance as on 32 <sup>nd</sup> Ashadh 2071	-	234,375,874	133,123,158	154,093,389	102,006,670	81,300,438	18,188,634	4,478,192	-	727,566,356
<b>Net Book Value as on 31<sup>st</sup> Ashadh 2071</b>		<b>193,834,553</b>	<b>364,771,051</b>	<b>48,991,240</b>	<b>34,859,418</b>	<b>9,671,457</b>	<b>21,242,874</b>	<b>3,946,030</b>	<b>172,574</b>	<b>14,018,597</b>	<b>691,507,794</b>

Allowances for obsolescences has been made for Rs. 3,352,949 on Building under Construction which is presented under Capital Work in Progress

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

**NOTE - 11 : INTANGIBLE ASSETS**

Particulars		Computer Software			Total Assets	
		Useful Life defined by Contractual Agreements	Other Useful Life			Capital Work in Progress
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1 <sup>st</sup> Shrawan 2069	6,440,752	3,659,148	-	146,315,762	156,415,662
	Addition during the Year	472,340	290,000	229,272,935	82,957,173	312,992,448
	Disposal/Write Off/Adjustment				(229,272,935)	(229,272,935)
	Balance as on 31 <sup>st</sup> Ashadh 2070	6,913,092	3,949,148	229,272,935	-	240,135,175
Accumulated Amortisation	Balance as on 1 <sup>st</sup> Shrawan 2069	3,520,622	2,967,585	-	-	6,488,207
	Depreciation for the Year	1,323,794	659,825	3,821,216		5,804,834
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 31 <sup>st</sup> Ashadh 2070	4,844,416	3,627,410	3,821,216	-	12,293,042
<b>Net Book Value as on 31<sup>st</sup> Ashadh 2070</b>		<b>2,068,676</b>	<b>321,738</b>	<b>225,451,719</b>	<b>-</b>	<b>227,842,133</b>
Original Cost	Balance as on 1 <sup>st</sup> Shrawan 2070	6,913,092	3,949,148	229,272,935	-	240,135,175
	Addition during the Year		950,330		203,400	1,153,730
	Disposal/Write Off/Adjustment					-
	Balance as on 32 <sup>nd</sup> Ashadh 2071	6,913,092	4,899,478	229,272,935	203,400	241,288,905
Accumulated Amortisation	Balance as on 1 <sup>st</sup> Shrawan 2070	4,844,416	3,627,410	3,821,216	-	12,293,042
	Depreciation for the Year	939,606	319,620	22,927,293		24,186,519
	Disposal/Write Off/Adjustment	-	-	-	-	-
	Balance as on 32 <sup>nd</sup> Ashadh 2071	5,784,023	3,947,029	26,748,509	-	36,479,561
<b>Net Book Value as on 31<sup>nd</sup> Ashadh 2071</b>		<b>1,129,069</b>	<b>952,449</b>	<b>202,524,426</b>	<b>203,400</b>	<b>204,809,344</b>

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b>NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES</b>		
Deposit from Banks and Financial Institutions	1,424,678,999	1,592,330,608
Foreign Diplomatic Missions and other agencies	636,153,427	573,691
<b>Total</b>	<b>2,060,832,427</b>	<b>1,592,904,299</b>
<b>NOTE - 13: IMF RELATED LIABILITIES</b>		
<b>Special Drawing Right Allocation</b>	10,133,765,128	9,787,751,065
<b>Interest Bearing Loan :</b>		
Loan under Extended Credit Facility (ECF)	4,244,004,160	4,099,094,040
Loan under Rapid Credit Facility (RCF)	3,235,085,920	4,456,543,089
<b>Total</b>	<b>17,612,855,208</b>	<b>18,343,388,194</b>
<b>NOTE - 14: OTHER LIABILITIES</b>		
Interest Payable	1,517,249	1,653,043
Bills Payable	-	3,814,245
Asian Clearing Union	130,825,826	73,729,693
Others	16,996,982	
<b>Total</b>	<b>149,340,057</b>	<b>79,196,981</b>
<b>NOTE -15: IMF Related Deposit Liabilities</b>		
IMF Account No 1	7,029,851,169	7,029,851,169
IMF Account No 2	753,354	753,354
<b>Total</b>	<b>7,030,604,523</b>	<b>7,030,604,523</b>
<b>NOTE -16: DEPOSIT AND OTHER BALANCES</b>		
Deposits from Banks and Financial Insitutions	172,159,909,996	138,594,187,046
Balances of Other Insitutions	11,239,980,017	5,391,982,581
Earnest Money	6,092,685	20,598,830
Money Changer	10,644,000	10,959,500
Margin against LCs	2,483,289,072	3,532,775,567
<b>Total</b>	<b>185,899,915,770</b>	<b>147,550,503,523</b>

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

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

<b>PARTICULARS</b>	<b>As on 32-3-2071 NRs.</b>	<b>As on 31-3-2070 NRs.</b>
<b>NOTE - 17: STAFF LIABILITIES</b>		
Medical Fund (Includes Medical earning fund, interest, etc)	370,432,311	434,010,639
Welfare Provident Fund	68,939,471	58,749,140
Gratuity and Pension Fund	9,829,898,334	5,919,408,146
Staff Security Fund	1,632,609,835	1,468,349,389
Liability for Staff Leave Encashment	781,755,545	715,584,569
Liability for Retired staff insurance premium	187,649,803	156,594,181
Other payable to staff	-	-
<b>Total</b>	<b>12,871,285,299</b>	<b>8,752,696,063</b>

**NOTE - 18: OTHER PAYABLES**

Reverse Repo Liabilities	20,000,000,000	-
Insurance Premium collected from Staff	193,808,164	219,088,414
Less: Advance Insurance Premium paid on behalf of Staff	-	-
Other Payables of Project	369,599,634	726,980
<b>Total</b>	<b>20,563,407,798</b>	<b>219,815,394</b>

**NOTE -19: CURRENCY IN CIRCULATION**

Currency in Circulation	273,250,000,000	233,460,000,000
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The Currency in Circulation liabilities are supported by following securities :

Foreign currency balance held abroad	257,642,268,000	217,852,268,000
Foreign Securities	15,607,732,000	15,607,732,000
Government Securities	-	-
<b>Total</b>	<b>273,250,000,000</b>	<b>233,460,000,000</b>

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

<b>PARTICULARS</b>	<b>As on 32-3-2071</b>	<b>As on 31-3-2070</b>
	<b>NRs.</b>	<b>NRs.</b>
<b>NOTE - 20: SUNDRY LIABILITIES</b>		
Sundry creditors	305,000,000	2,780,050,000
Unclaimed Account	3,657,045	3,657,045
Bills Collection	5,749,931	5,340,899
Less: Bills Lodged	<u>5,749,931</u>	<u>5,340,899</u>
Pension Payable to NRB Ex-Staff	50,585,053	39,842,185
General Account	214,882,068	484,130,342
Deferred Grant Income	231,773	477,219
Other Liabilities	4,384,252,140	12,549,884,460
<b>Total</b>	<b><u>4,958,608,080</u></b>	<b><u>15,858,041,251</u></b>

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

PARTICULARS	As on 32-3-2071 NRs.	As on 31-3-2070 NRs.
<b>NOTE - 21: RESERVES</b>		
<b>Capital Reserve:</b>		
Gold and Silver Equalization Reserve	5,704,554,193	5,188,627,188
<b>Statutory Reserve:</b>		
General Reserve	20,544,849,850	18,999,509,397
Monetary Liabilites Reserve	2,950,753,898	2,501,376,500
Exchange Equalization Fund	62,354,476,212	58,089,470,277
<b>Other Reserves and Funds:</b>		
Development Fund	5,741,080,922	5,687,503,359
Banking Development Fund	801,941,806	781,941,807
Development Finance Project Mob. Fund	209,088,356	203,766,088
Liquidity Stabilization fund	100,000,000	87,000,000
Mechanisation Fund	791,316,414	791,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	76,605,926	175,675,657
Investment Revaluation Reserve	855,767,574	855,478,196
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	1,357,695,170	330,738,920
Actuarial Gain/Loss Fund	-	278,584,203
Project Split Interest Reserve Fund	4,233,489	4,233,489
<b>Total Reserves and Funds</b>	<b>102,355,071,257</b>	<b>94,837,928,943</b>

**The Board of Directors of the Bank has appropriated the following amount to different fund during the year**

<b>Net Profit for the year</b>	<b>13,768,716,951</b>	<b>23,172,834,849</b>
Transfer (to)/from Exchange Equalisation Fund	(4,265,005,927)	(15,562,870,559)
Transfer (to)/from Gold & Silver Equalisation Reserve	(515,927,005)	1,653,891,818
Securities Revaluation Fund	(289,378)	(853,028,937)
Surplus/(Deficit) due to Restatement of Prior Period Errors	53,309	(2,811,824)
<b>Profit available for distribution</b>	<b>8,987,547,950</b>	<b>8,408,015,347</b>
General Reserve	1,369,664,795	1,357,537,200
Monetary Liability Reserve	449,377,398	420,398,100
Development Fund	53,577,563	640,000,000
Dev. Fin. Projects Mob. Fund	5,322,268	15,280,400
Liquidity Stabilization Fund	13,000,000	25,000,000
Mechanization Fund	-	200,000,000
Banking Development Fund	20,000,000	74,070,681
Gold Replacement Fund	76,605,926	175,675,657
Surplus to be transferred to GON	7,000,000,000	5,500,000,000
Surplus due to Restatement of Prior Period Errors	-	53,309
<b>Total</b>	<b>8,987,547,950</b>	<b>8,408,015,347</b>

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

**NOTE - 22a : Movement of Provisions.**

Particulars	As on 31-3-2070	Addition	Withdrawn	Adjustment	As on 32-3-2071
Leave encashment	715,584,569	183,580,127	(117,409,151)	-	<b>781,755,545</b>
Gratuity and Pension Fund	5,919,408,146	3,255,535,548	(484,094,816)	1,139,049,456	<b>9,829,898,334</b>
Staff Security Fund	1,468,349,389	697,145,449	(143,644,180)	(389,240,823)	<b>1,632,609,835</b>
Staff Medical Earning Fund	434,010,639	69,585,942	(133,164,269)	6,636,028,947	<b>370,432,311</b>
Diminution in value of investment in Shares	61,050,000	2,500,000	-	-	<b>63,550,000</b>
Provision for advance recoverable	10,329,878	-	-	-	
Provision for doubtful loans	10,000,000	-	-	-	<b>10,000,000</b>
Nuismatic and Medallion Coins	22,465,793	-	-	-	<b>22,465,793</b>
Provision for non moving metal stock	8,716,000	-	-	-	<b>8,716,000</b>
Provision for Unissuable Note Stock	3,775,258	-	-	-	<b>3,775,258</b>
Provision for other investments	1,216,354,773	-	(18,208,463)	-	<b>1,198,146,310</b>
Provision for building in construction	3,352,949	-	-	-	<b>3,352,949</b>
<b>Total</b>	<b>9,873,397,393</b>	<b>4,208,347,067</b>	<b>(896,520,879)</b>	<b>7,385,837,580</b>	<b>13,924,702,335</b>

**PARTICULARS****As on 32-3-2071**  
**NRs.****As on 31-3-2070**  
**NRs.****NOTE - 22b: Contingent Liabilities and Commitments**

Letters of Credit	41,380,802,027	39,749,417,595
Guarantees Issued	-	-
Unclaimed account transfer to P/L account	100,066,715	100,066,715
Capital Commitment	13,045,733	29,061,255
<b>Total</b>	<b>41,493,914,475</b>	<b>39,878,545,565</b>

1. Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, hence it is not shown as contingent liabilities of the bank.

**NEPAL RASTRA BANK**  
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the year Ended 31-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
<b>NOTE - 23: INTEREST INCOME</b>		
<b>Foreign Currency Financial Assets</b>		
Treasury bills & Deposits	14,836,956,104	9,392,957,675
SDR Holding & Asian Clearing Union	-	5,388,379
<b>Subtotal</b>	<b>14,836,956,104</b>	<b>9,398,346,054</b>
<b>Local Currency Financial Assets</b>		
Government Securities	783,532,822	1,417,911,882
Investment in financial and other institutions	622,226,608	669,404,505
Overdraft to Government	-	-
Loans and Refinance	76,425,226	56,776,327
<b>Subtotal</b>	<b>1,482,184,656</b>	<b>2,144,092,714</b>
<b>Total interest income from financial assets</b>	<b>16,319,140,760</b>	<b>11,542,438,768</b>
	1,405,759,429.90	
<b>NOTE - 24: COMMISSION INCOME</b>		
<b>Foreign Currency Financial Assets</b>		
On Currency exchange	2,089,018	44,444,998
<b>Local Currency Financial Assets</b>		
Government transaction & Other services	59,386,491	47,257,816
<b>Total Commission income from financial assets</b>	<b>61,475,509</b>	<b>91,702,814</b>
<b>NOTE - 25: INTEREST EXPENSES</b>		
<b>Foreign Currency Financial Liabilities</b>		
SDR Allocation & ECF Loan	9,588,339	6,962,045
Others	(19,556)	42,771
<b>Sub Total</b>	<b>9,568,784</b>	<b>7,004,816</b>
<b>Local Currency Financial Liabilities</b>		
Government Securities	34,885,548	114,884,495
<b>Sub Total</b>	<b>34,885,548</b>	<b>114,884,495</b>
<b>Total Interest Expense on Financial Liabilities</b>	<b>44,454,332</b>	<b>121,889,310</b>
<b>NOTE - 26: AGENCY AND SERVICE CHARGE</b>		
<b>Foreign Currency Liabilities</b>		
Service Charge	-	-
Commission	21,522,886	7,455,852
<b>Sub Total</b>	<b>21,522,886</b>	<b>7,455,852</b>
<b>Local Currency Liabilities</b>		
Agency Expenses	148,524,107	298,255,610
<b>Sub Total</b>	<b>148,524,107</b>	<b>298,255,610</b>
<b>Total Agency and Service Charge</b>	<b>170,046,993</b>	<b>305,711,462</b>
<b>Agency Expenses includes agency commission paid to the following banks for operating government accounts.</b>		
Nepal Bank Ltd.	91,200,000	105,000,000
Rastriya Banijya Bank	57,300,000	177,600,000
Nepal Bangladesh Bank	-	2,700,000
Everest Bank Ltd	-	1,200,000
<b>Total</b>	<b>148,500,000</b>	<b>286,500,000</b>



**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME**

PARTICULARS	For the Year Ended 32-3-2071 <u>NRs.</u>	For the Year Ended 31-3-2070 <u>NRs.</u>
<b>NOTE - 27: OTHER OPERATING INCOME</b>		
Income from Mint (Sale of coin)	443,237	110,845,928
Gain from Sale of Precious Metals and Coins	76,605,926	175,675,657
Fine/Penalty Charge	10,514,729	13,468,650
Profit from Sale of Assets	806,484	4,245,354
Dividend Income	6,767,324	1,561,737
Provision on Investment Witten Back (Net)	18,208,463	62,250,227
Project Income	5,322,268	14,803,545
Grant Income	245,446	245,380
Miscellaneous	68,742,324	103,010,300
<b>Total</b>	<b><u>187,656,200</u></b>	<b><u>486,106,779</u></b>

**NEPAL RASTRA BANK**  
**NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME**

PARTICULARS	Note	For the Year Ended 32-3-2071 NRs.	For the Year Ended 31-3-2070 NRs.
<b>NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES &amp; PROVISIONS</b>			
Staff Costs	28 a	5,687,544,456	1,835,851,032
Depreciation and amortization		86,188,938	67,581,918
Directors Fees and Expenses		4,725,420	2,945,161
Note Printing charges		923,518,005	593,176,992
Mint Expenses		393,569	97,314,884
Security charges		18,647,239	18,538,741
Remittance charges		53,253,861	53,750,817
Travelling expenses		171,231,742	168,663,749
Insurance charges		70,990,482	57,355,126
Repair & Maintenance		13,032,059	21,360,449
Provisions on loans & advances, Investments, etc.	28 b	2,500,000	3,775,258
Miscellaneous	28 c	307,081,835	361,506,289
<b>Total</b>		<b>7,339,107,606</b>	<b>3,281,820,417</b>
<b>28 a Staff Costs</b>			
Salary		566,234,121	482,934,742
Allowances		543,374,938	389,188,792
Provident Fund Contribution		58,215,591	49,622,143
Staff Welfare (Including Medical fund contribution)		69,585,942	62,322,546
Staff Welfare Provident Fund		305,000,000	280,000,000
Pension & Gratuity Fund		3,255,535,548	186,182,609
Staff Security Fund		697,145,449	100,859,809
Staff leave compensations		183,580,127	186,800,567
Others		8,872,739	97,939,824
<b>Total</b>		<b>5,687,544,456</b>	<b>1,835,851,032</b>
<b>28 b Provision on loans &amp; advances, Investments, etc.</b>			
Provision for Provision for Unissuable Note Stock		-	3,775,258
Provision for retired Staff Insurance Premium		-	-
Provision for Doubtful investment and Others		2,500,000	-
Provision for sundry Accrued		-	-
<b>Total</b>		<b>2,500,000</b>	<b>3,775,258</b>
<b>28 c Miscellaneous Expenses</b>			
Banking Promotion		70,206,236	22,616,260
Audit Fees and Expenses		1,555,696	1,606,998
Sundry Balances Written Off		-	-
Assets Written Off		39,854	635,846
Others		235,280,049	336,647,185
<b>Total</b>		<b>307,081,835</b>	<b>361,506,289</b>

**NEPAL RASTRA BANK****NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION**

<b>PARTICULARS</b>	<b>As on 32-3-2071</b>	<b>As on 31-3-2070</b>
	<b>NRs.</b>	<b>NRs.</b>
<b>NOTE - 29: CASH AND CASH EQUIVALENT</b>		
Foreign currency cash and bank balance	32,407,083,933	26,550,354,390
Foreign currency time deposits	248,945,737,986	130,872,857,869
Local currency in hand	6,432,623,698	4,635,398,459
SDR holdings	5,488,119,248	6,636,028,947
Investment in Treasury Bills/Notes	150,483,620,913	121,676,774,779
Investment in Fixbis	7,449,373,607	7,575,023,362
Investment in repurchase agreement (Repo)	40,110,588,469	37,107,129,476
<b>Total</b>	<b>491,317,147,855</b>	<b>335,053,567,282</b>

# Nepal Rastra Bank

## NFY 2070/71 (2013/14 AD)

### NOTE 30: General Information, Significant Accounting Policies and Other Explanatory Disclosures

#### A. General Information and Significant Accounting Policies

##### 1. Incorporation

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

- Formulating necessary monetary and foreign exchange policies.
- Issuing of currency in circulation.
- 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.

##### 2. Fiscal Year

The financial statements relate to the fiscal year 2070/71 i.e. 1st Shrawan 2070 to 32nd Ashadh 2071 corresponding to Gregorian calendar 16th July 2013 to 16th July 2014. The previous year was 1st Shrawan 2069 to 31st Ashadh 2070 (16th July 2012 to 15th July 2013). The corresponding information presented in the financial statements for the previous year are rearranged and reclassified in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", wherever necessary.

##### 3. Directors' Responsibility Statement

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The Board has approved the financial statements for the year ended 32<sup>nd</sup> Ashadh 2071 on **Kartik 27, 2071 (November 13, 2014)**.

##### 4. Controlling Body

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

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

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

Transactions with the Government and state controlled enterprises/entities, outstanding balances and commitments are not disclosed in consonance with IAS 24.25.

## **5. Basis of Preparation**

The significant accounting policies applied in the preparation of financial statements are set out below. These policies are consistently applied to all the years presented, except for the changes in accounting policies presented in para 7 below.

### Financial statements components and presentation

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income shown in one single statement, the Statement of Changes in Equity, the Statement of Cash flows and the notes to the accounts.

The financial statements are prepared, as far as possible, in accordance with the International Financial Reporting Standards (IFRS). The deviations, if any, from IFRS are noted wherever applicable. The standards that are not fully complied with included IAS 39 – Financial Instruments Recognition and Measurement, IAS 28 – Investment in associates, IAS 27 – Consolidated and Separate Financial statements, IAS 16 – Property, Plant and Equipment and IAS-19 Employee Benefits.

Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

Cash flow information is prepared, on a cash basis, using the indirect method

### Basis of Recognition and Measurement

The financial statements are prepared on an accrual basis of accounting and interest income is recognized in the effective interest rate method.

The financial statements are prepared on the historical cost measurement basis except for the following material items in the Statement of Financial Position.

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value
- ‘Available for Sale’ financial assets, except for equity investments whose fair value are not available, are measured at fair value
- Derivative financial instruments are measured at fair value
- Inventories are measured at cost or net realizable value whichever is lower.
- Gold investment assets other than Inventories are measured at fair value
- Gratuity and Pension Fund; and Staff Security Fund are measured at present value of Defined Benefits Obligation.

### Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank's functional currency. The figures are rounded to nearest integer, except otherwise indicated.

### Use of Estimates and Judgments

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, liabilities, incomes and expenses. The actual result may differ from

these estimates. Management believes that the underlying assumptions are appropriate and that the financial statements present the financial position and results fairly.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

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

## **6. Significant Accounting Policies**

### *i. Revenue recognition*

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably. Revenue is not recognized during the period in which its recoverability of income is not probable. Accordingly, interest income from certain banks and financials which are declared as problematic and receipt of interest from which is not forthcoming are not recognized. Interest incomes are recognized on effective interest rate method whereas other incomes are recognized on an accrual basis of accounting.

### *ii. Financial Instruments*

The financial instruments, consisting of financial assets and financial liabilities, are segregated between foreign currency and local currency items. Financial assets and liabilities are set off and net amount presented in the Statement of Financial Position when and only when, the Bank has a legal right to offset the amount and intends either to settle it on a net basis or to realize the asset and settle the liability simultaneously.

#### a. Financial Assets

All financial assets are recognized initially on trade date, which is the date when the Bank becomes a party to the contractual provisions of the instruments except for Loans and advances which is recognized on the date of origination. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flow in which substantially all risk and rewards of the ownership of the financial assets is transferred. Any interest in such transferred financial assets that are created or retained by the Bank is recognized as a separate asset or liability.

Financial assets (Non-derivative) are classified into the following categories: (a) Financial assets at fair value through profit or loss, (b) Held to maturity, (c) Loans and advances and (d) Available for sale.

#### *Financial assets at fair value through profit or loss*

Financial assets are designated as at fair value through profit or loss if the Bank manages such investments and make purchase and sale decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.

### *Held-to-Maturity Financial Assets*

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

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; investment in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprise loans and advances including bonds purchased at original issuance. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables financial assets are measured at amortized cost using effective interest rate method less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables, loans provided to employees.

### *Available-for-Sale Financial Assets*

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

#### b. Financial Liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the bank becomes a party to the contractual provisions of the instrument except for Debt securities which are initially recognized on the date that they are issued. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expires. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest method.

#### c. 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, fair values are estimated by other techniques such as discounted cash flows etc.

#### d. Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date in case there is an indication of such impairment.

**iii. Currency in circulation**

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are supported by assets including foreign currency, foreign securities and Government securities etc. as permitted by Nepal Rastra Bank Act 2058.

The Bank also issues coins of various denominations for circulation. However, currency circulation liability does not include the liability on account of coins in circulation.

**iv. Transactions on Repurchase Obligations (Repo) and Reverse Repo**

Repurchase (Repo) and reverse repo of securities are recorded as follows:

- a) Securities sold subject to repurchase arrangements (Repo) are 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.
- b) Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the statement of financial position.

**v. Foreign Currency transactions and balances translations**

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

**vi. Gold Replacement Fund**

Gold Replacement Fund is created for the purpose of replenishing the stock of gold and silver sold. An amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account.

**vii. Gold and Silver (other than inventories)**

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 Statement of comprehensive Income.

**viii. 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 (IAS 2.23). Cost for other inventories is determined under the weighted average method. Other stores except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to Statement of Comprehensive Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed through Statement of Comprehensive income at the time of purchase.



**ix. Property, Plant & Equipment**

Property, Plant and Equipment are measured at cost less accumulated depreciation less accumulated impairment loss if any. Cost comprises purchase price including nonrefundable duties and taxes; and any directly attributable cost incurred in bringing the asset to their present location and condition necessary for it being capable of operating in the manner intended by the management but excluding trade discounts and rebates. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Bank. Ongoing repair and maintenance are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Depreciation is charged on straight-line method over and the estimated useful lives of current and comparative years of significant items of property, plant and equipment. Useful lives and residual values are reviewed on each reporting date and adjusted if appropriate.

Useful life of the various classes of assets is estimated as per below.

<u>Class of Assets</u>	<u>Useful Life</u>
Buildings	Over 33 Years
Furniture and Fixture	10 Years
Vehicles	5 Years
Office and Computer Equipment	5 Years
Machinery Equipment	5 Years
Others	5 Years

**x. Intangible Assets**

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the Bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. Software, useful life of which have been defined by terms of contract or conditions for use are amortized on straight-line basis over the useful life of asset.

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognized in profit or loss as incurred.

**xi. Assets Received in Grant**

Equipment acquired under grant is recognized as "Grant Assets" and included under respective head of property, plant and equipment with corresponding credit to "Deferred Grant Income" under the head of Other Liabilities.

**xii. Employee Benefits****a. Short Term Employees Benefit**

Short term employees' benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal

of constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**b. Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the bank to its employees:

1) **Contributory Retirement Fund**

All permanent employees are entitled for participation in employee's provident fund (now Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of basic salary to this fund, which is separately administered as a defined contribution plan as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in profit or loss as the related services are rendered.

2) **Welfare Provident Fund**

Certain amounts as prescribed by the Board are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in profit or loss as the related services are rendered.

3) **Staff Medical Fund**

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(d). Incremental liability is provided for and transferred to this Fund.

**c. Defined Benefit Plan**

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

The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

The following are the defined benefit plans provided by the bank to its employees:

### 1) Gratuity and Pension Scheme

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

### 2) Staff Security Fund

Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty month salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in profit or loss

### 3) Leave Encashment

The employees are entitled to en-cash their un-utilized accumulated leave at their retirement or after vesting of certain period. Home leave and Sick leave are defined benefit plans which are recognized when the leave does not occur. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date

### ***xiii. Taxation***

Income of the NRB is exempted from taxes under section 8 of the NRB Act, 2058 as well as section 10 of the Income Tax Act, 2058 and as such no provision in this respect has been made.

### ***xiv. Cash and cash equivalents***

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

### ***xv. Inter-office transactions***

The balance of inter-office transactions under reconciliation is presented as General Account under Sundry Liabilities.

### ***xvi. Unclaimed account***

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

### ***xvii. Impairment***

#### ***a. Impairment of Financial Assets***

The Bank assesses at each reporting date that whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of

financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria used to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Breach of contract, such as default or delinquency in interest or principal payments
- It becomes probable that the borrower or issuer will enter bankruptcy or other financial reorganization;
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise considers;
- Disappearance of an active market for that financial asset because of financial difficulties; etc.

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

*b. Impairment of Non-financial Assets*

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

*xviii. 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.

*xix. Consolidation of project accounts*

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

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

## 7. Changes in Accounting Policies

There were no changes in accounting policies adopted by the bank from the previous year. However any deviation from such the policies has been explained in the following sections.

## B. Significant Disclosures

### 8. Gold and Silver

A sum of NRs. 76,605,926 (P.Y. Rs 175,675,657) was appropriated out of net profit this year to the "Gold Replacement Fund". During the current year, the Bank bought 13,952.19 (PY 103,806.32) fine troy ounces of gold with cost price of NRs. 1,727,998,204 (PY NRs. 12,985,963,139). The amount of NRs. 175,675,657 (PY NRs. 1,149,768,420) was transferred from Gold Replacement Fund to General Reserve Account. The quantity and market value of gold and silver held as inventory at the yearend were as follows:

Particulars	As on 32nd Ashadh 2071		As on 31st Ashadh 2070	
	Weight (Kg, Gm, Mg)	Total Market Value	Weight (Kg, Gm, Mg)	Total Market Value
Gold (Investment)	3944.335.219	15,882,785,239	3633.300.459	14,202,571,494
Gold held in Stock	2395.068.738	9,644,302,598	2333.789.250	9,122,782,178
Silver held in Stock	126,006.573.919	8914965105	125,755.940.000	9,004,064,730
<b>Total</b>		<b>34,442,052,942</b>		<b>32,329,418,402</b>

Market value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively.

### 9. Yearend Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	95.90	95.00
2	Sterling Pound	164.61	143.56
3	Euro	130.56	124.08
4	Swiss Franc	107.51	100.36
5	Australian Dollar	89.91	85.96
6	Canadian Dollar	89.35	91.39
7	Japanese Yen	0.94	0.96
8	Singapore Dollar	77.23	75.26
9	SDR	148.81	143.73
10	Chinese Yen	15.45	15.58
11	Indian Rupees	1.60	1.60

## 10. Investment in Shares

The investment in shares in some cases exceeded the statutory limit (ten percent of the paid up capital of respective company) as such investments were made before the enactment of the Nepal Rastra Bank Act 2058. The Bank is in the process of offloading the excessive investments. Further disclosures relating to the investments in shares are as per below.

- The investment in shares of Citizen Investment Trust was measured at fair value. As the market value of the other shares was not available, they were measured at cost. Impairment loss was recognized on the basis of objective evidence.
- Investment in Citizen's Investment Trust included 400,403 (PY 288,260) bonus shares distributed up to FY 2069/70 out of total 400,503 (PY 288,360) shares with market value of NRs. 3,380 (PY NRs. 1,147) each.
- Investment in Rastriya Beema Sansthan (Life-Insurance) included 41,667 bonus shares out of total 51,667 shares (PY 41,667 bonus shares out of total 51,667 shares).
- Investment in Deposit and Credit Guarantee Corporation included 924,060 (PY 612,638) bonus shares out of total 1,999,860 shares. (P.Y. 1,229,638 shares) and additional investment 458,800 (PY 412,000) shares made during the year.
- Investment in Credit Information Centre Limited included 14,400 bonus shares out of 49,400 shares (PY 49,400 shares).
- Nepal Development Bank Ltd. and Agricultural Project Services Center were in liquidation.

The Bank did not exercise control or significant influence on the entities except for regulatory purposes.

## 11. Related Parties

### 11.1. Key Management Personnel

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

S.N.	Name of the Key Management Personnel	Post
1	Yuba Raj Khatiwada	Governor
2	Gopal Prasad Kaphle	Deputy Governor
3	Maha Prasad Adhikari	Deputy Governor
4	Suman Prasad Sharma	Non-Executive Director
5	Dr. Sri Ram Poudyal	Non-Executive Director
6	Dr. Ram Hari Aryal	Non-Executive Director
7	Bal Krishna Man Singh	Non-Executive Director
8	Lila Prakash Sitaula (retired w.e.f. 2070.06.29)	Special Class Officer
9	Bishnu Nepal	Special Class Officer
10	Ramjee Regmi	Special Class Officer
11	Bhaskar Mani Gyawali	Special Class Officer
12	Manmohan Kumar Shrestha	Special Class Officer
13	Lok Bahadur Khadka	Special Class Officer
14	Pradeep Raj Pandey	Special Class Officer
15	Hari Prasad Kaphle	Special Class Officer
16	Trilocahn Pangen	Special Class Officer
17	Dr. Min Bahadur Shretha	Special Class Officer
18	Mahesh Bhattarai	Special Class Officer
19	Narash Dhakal (retired w.e.f. 2071.01.23)	Special Class Officer
20	Shiba Raj Shrestha	Special Class Officer
21	Narayan Prasad Paudel	Special Class Officer
22	Nara Bahadur Thapa	Special Class Officer

In addition to salaries, non- cash benefits were provided to special class officers and the Board members. Special class officers and three of Board members (Governor and deputy governors) were entitled to termination benefits including pension. The data relating to compensation paid to key management personnel were as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	24,713,183	22,921,478
Post-employment benefits	14,014,723	10,869,596
Other long term benefits	8,978,514	3,143,993
<b>Total</b>	<b>47,706,420</b>	<b>36,935,067</b>

The 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 clientele.

### 11.2. Transactions with Related Parties

The transactions with the related parties and the status of yearend balances with them were as per below.

Particulars	Current Year (NRs.)			Previous Year (NRs.)		
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	Key Management Personnel
Employees Benefits	-	-	47,706,420	-	-	36,935,067
Sitting Fees/ Incidental Expenses to Directors	-	-	4,725,420	-	-	2,945,161
Insurance Premium paid	70,990,482	-	-	57,355,126	-	-
<b>Balances as on Ashadh End</b>	-	-	-	-	-	-
Staff Loan (net of premium collection)	-	-	28,129,637	-	-	21,895,784
Provision for Diminution in Value of Investment	45,050,009	.....	.....	45,050,000		

## 12. Assets received in grant

The various assets in grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586 (PY NRs. 11,585,586) , out of which there was a written down balance of Rs 231,773 (PY NRs. 477,219) at the yearend. During the year no grant assets were received.

## 13. Financial Instruments

### 13.1. Financial Risk Management - Overview

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

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

### Risk Management Framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Bank's risk

management policies. The committee reports regularly to the Board of Directors on its activities.

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

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

#### **A. Credit Risk:**

Credit Risk is risk of financial loss to a party if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Bank's credit risks in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

#### **Exposure to Credit Risk**

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

##### a) By nature of assets

	<b>Current Year (NRs.)</b>	<b>Previous Year (NRs.)</b>
US Government Treasury Notes	23,585,632,644	949,449,048
Investment in Mid Term Instruments (BIS)	8,691,201,766	8,389,781,637
Special Drawing Rights Holdings	5,488,119,248	6,636,028,947
Term Deposit Investments	55,374,245,293	127,537,974,761
Investment in Gold Instruments	15,882,785,239	14,201,725,639
Government of Nepal Securities	28,959,769,866	29,856,287,801
Investments in Equity Instruments	1,076,684,670	458,574,420
Other investments	14,818,621,000	253,400,000
Loans and Refinance	5,935,936,213	6,940,638,486
Other Receivables	4,718,766,751	4,602,130,972
Cash and Cash Equivalent	491,240,487,031	335,053,567,282
<b>Total Financial Assets</b>	<b>655,772,249,722</b>	<b>534,879,558,993</b>



## b) By geographical region:

	Current Year (NRs.)	Previous Year (NRs.)
India	273,260,489,180	226,804,744,210
USA	64,258,698,286	59,482,141,552
Germany	4,923,597,432	28,491,151,374
Switzerland	37,073,625,933	26,581,329,322
United Kingdom	33,334,109,879	39,032,648,847
France	36,111,141,336	12,857,854,109
Japan	17,875,008,177	16,276,702,297
Denmark	-	100,601,709
Netherland	10,920,690,000	
Australia	5,216,451,380	7,780,815,749
Singapore	19,936,990,180	2,792,248,929
Canada	3,602,246,434	10,490,235,445
Sweden	-	9,069,371,506
Hong Kong	33,312,213,855	9,115,113,571
U.A.E	15,439,050,368	11,213,899,821
China	31,077,363,242	185,397,890
Thailand	19,733,389	-
Nepal	69,410,840,652	74,679,032,354
<b>Total</b>	<b>655,772,249,722</b>	<b>534,953,288,685</b>

## c) By nature of the entity:

	Current Year (NRs.)	Previous Year (NRs.)
Central Banks	58,888,992,284	39,365,254,772
Bank for International Settlement	19,739,426,598	19,236,148,248
Foreign Government	158,054,091,032	121,749,463,886
International Monetary Fund	5,488,119,248	6,636,028,947
Foreign Commercial Banks	325,560,061,940	264,945,477,217
Domestic Banks and FIs	16,476,209,688	20,120,630,142
Government of Nepal	28,959,769,866	29,856,287,801
Equity Instruments	1,076,684,670	458,574,420
Cash in Hand	18,414,703,320	11,281,120,698
Other Parties	23,114,191,076	21,304,302,554
<b>Total</b>	<b>655,772,249,722</b>	<b>534,953,288,685</b>

## d) By Credit Rating

Particulars	Rating	Current Year		Previous Year	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	20,267,095,188	3.09	758,807,434	0.14
	AA+	55,433,789,772	8.45	52,309,216,106	9.78
	AA-	73,472,676,721	11.20	54,152,438,724	10.12
	A+	45,018,816,941	6.87	31,321,126,522	5.85
	A1(ICRA)*	-	-	28,799,501,065	5.38
	A	65,538,907,870	9.99	37,580,890,300	7.03
	A-	1,068,472,921	0.16	18,372,840,461	3.43
	BBB+	78,933,556	0.01	-	-
	BBB-	107,672,934,251	16.42	91,071,392,645	17.02
	Not Rated	226,377,289,077	34.52	160,070,042,146	30
<b>Total</b>		<b>594,928,916,296</b>	<b>90.72</b>	<b>474,436,255,403</b>	<b>88.69</b>
Local Currency Financial Assets	Not Rated	<b>60,843,333,426</b>	9.28	60,517,033,282	11.31
<b>Total Financial Assets</b>		<b>655,772,249,722</b>	<b>100.00</b>	<b>534,953,288,685</b>	<b>100.00</b>

All of the above ratings are as per S&P except as stated below:

\* Rating as per Indian Credit Rating Agency (ICRA)

### Government Securities

Investment in Government securities included Nepal Government securities like treasury bills, saving certificates and bonds; and US Government treasury notes. These investments were around 28.52% (PY 29%) of the total financial assets and were considered risk free investments.

### Cash and Cash Equivalents

Cash and cash equivalents comprised cash in hand, balance in demand deposit and call account of foreign banks; and treasury bills and term deposit with original maturity period of up to three months. Cash in hand and balance with bank in demand deposit and call account was classified as loans and receivables and treasury bills and term deposits were classified as held to maturity financial assets and measured at amortized cost. Cash and cash equivalents were around 74.91% (PY 63%) of the total financial assets. The Cash and cash equivalents held with central banks of foreign countries; bank and financial institutions were rated A to AAA as based on credit rating.

### Impairment Losses

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

Particulars	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance	Allowances for Doubtful Receivables
<b>Balance as on 1st Shrawan 2069</b>	<b>61,050,000</b>	<b>1,278,605,000</b>	<b>10,000,000</b>	<b>10,329,878</b>
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	(62,250,227)	-	-
<b>Balance as on 31st Ashadh 2070</b>	<b>61,050,000</b>	<b>1,216,354,773</b>	<b>10,000,000</b>	<b>10,329,878</b>
Impairment Loss Recognized	25,00,000	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	(18,208,463)	-	-
<b>Balance as on 32nd Ashadh 2071</b>	<b>63,550,000</b>	<b>1,198,146,310</b>	<b>10,000,000</b>	<b>10,329,878</b>

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

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) established by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the expectable standard. In case of domestic investment, investment is made in the counterparty whose meet the minimum standard level set by the credit policy like nonperforming assets of the counter party should be within the limit of 5% of the total loans and advances made by the counterparty, not declared as problematic by the Bank etc. An analysis of credit quality of financial assets not impaired is as follows:

<b>Counterparties</b>	<b>Current Year (NRs.)</b>	<b>Previous Year (NRs.)</b>
External Credit Rating at least AAA/BBB- from credit rating agency	309,880,801,618	264,945,477,217
Non Rated Counterparties	48,365,604,764	
Central Banks	58,888,992,284	39,365,254,772
Bank for International Settlement	19,739,426,598	19,236,148,248
Foreign Government	158,054,091,032	121,749,463,886
International Monetary Fund	5,488,119,248	6,636,028,947
Government of Nepal	28,959,769,866	29,856,287,801
Financial Assets with Other Counterparties:	26,395,444,312	
- Parties with Normal Risk	25,097,709,661	51,866,893,163
- Parties with High Risk	1,297,734,651	1,297,734,651
<b>Total</b>	<b>655,772,249,722</b>	<b>534,953,288,685</b>

## **B. Liquidity Risk**

Liquidity Risk is the risk that the Bank will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or other financial assets. The Bank approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due; to provide finance to maintain liquidity in financial market and to provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with the other central banks; demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation as of central bank. In addition to cash and cash equivalent, the Bank also holds balance in term deposit with maturity period of 6 months in foreign banks.

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

### *Assets held for managing liquidity risk*

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

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

### **Financial liabilities**

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

Current year figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	188,048,866,863	188,038,222,863	10,644,000	-	-
IMF Related Liabilities	17,612,855,208	-	636,898,240	5,568,395,360	11,407,561,608
IMF Related Deposit	7,030,604,523	-	-	-	7,030,604,523
GON Deposit	23,334,581,772	-	23,334,581,772	-	-
Bills Payable	868,980,500	868,980,500	-	-	-
Staff Liabilities	8,786,148,106	439,371,782	927,974,717	4,479,401,048	2,939,400,559
Other Payables	20,562,820,018	20,000,000,000	193,808,164	-	369,011,854
Other Liabilities	149,339,992	149,339,992	-	-	-
<b>Total</b>	<b>266,394,196,982</b>	<b>209,495,915,137</b>	<b>25,103,906,893</b>	<b>10,047,796,408</b>	<b>21,746,578,544</b>

Previous year figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	149,143,407,822	145,590,033,426	-	3,553,374,396	-
IMF Related Liabilities	18,343,388,194	-	-	-	18,343,388,194
IMF Related Deposit	7,030,604,523	-	-	-	7,030,604,523
GON Deposit	516,084,944	-	516,084,944	-	-
Bills Payable	734,091,342	734,091,342	-	-	-
Staff Liabilities	8,752,696,063	89,111,187	803,844,187	2,827,346,249	5,032,394,440
Other Payables	219,815,394	36,635,899	183,179,495	-	-
Other Liabilities	79,196,981	79,196,981	-	-	-
<b>Total</b>	<b>184,819,285,263</b>	<b>146,529,068,835</b>	<b>1,503,108,626</b>	<b>6,380,720,645</b>	<b>30,406,387,157</b>

**C. Market Risk**

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

**i) 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. The major holding of foreign currency assets are denominated in USD, INR, GBP, EURO and AUD.

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

Current year figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	48.56%	6.43%	5.93%	4.65%	7.16%	1.32%	0.92%
Cash Balances	1,203,573,099	4,501,344	223,875,149	28,816,627	14,219,624	4,462,586	-
Demand Deposits	44,367,334,588	1,568,238,703	2,129,188,071	1,858,101,249	7,989,817,245	1,158,140,989	-
Time Deposit	209,714,220,915	30,348,264,237	32,940,540,598	25,782,607,553	11,629,584,388	6,711,432,618	-
Govt. & Other Debt Securities	15,343,708,138	-	-	-	22,626,757,641	-	-
Other Investments	2,396,992,384	6,294,209,382	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	5,488,119,248
Bills Purchased	149,604	-	-	6,584	-	-	-
Other Receivables	435,629,737	100,333,209	61,684,669	12,333,065	400,527,419	10,921,968	-
Gold Investment	15,882,785,239	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>289,344,393,703</b>	<b>38,315,546,876</b>	<b>35,355,288,487</b>	<b>27,681,865,078</b>	<b>42,660,906,315</b>	<b>7,884,958,161</b>	<b>5,488,119,248</b>
Deposit of Banks & FIs	1,127,307,569	4,970,787	180,366,721	102,507,399	-	-	-
Deposit Others	384,177,687	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	10,133,765,128
Loan from IMF	-	-	-	-	-	-	7,479,090,080
Other Liabilities	8,631	-	101,467,478	150,499,631	-	-	-
Bills Payables	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>1,511,493,887</b>	<b>4,970,787</b>	<b>281,834,199</b>	<b>253,007,030</b>	<b>-</b>	<b>-</b>	<b>17,612,855,208</b>
<b>Net Financial Position Exposure</b>	<b>287,832,899,816</b>	<b>38,310,576,089</b>	<b>35,073,454,288</b>	<b>27,428,858,048</b>	<b>42,660,906,315</b>	<b>7,884,958,161</b>	<b>-12,124,735,960</b>

Previous year figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	51.55%	7.51%	6.31%	4.97%	2.41%	1.68%	1.40%
Cash Balances	4,454,743	120,465	757,030	177,855	1,191,353	247,145	-
Demand Deposits	473,614,877	27,426,106	33,466,588	22,630,895	-	11,876,664	-
Time Deposit	1,757,854,068	315,995,115	206,705,316	141,410,785	735,309,984	74,714,650	-
Govt. & Other Debt Securities	159,985,721	-	-	-	-	-	-
Other Investments	24,982,918	69,990,745	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	46,171,067
Bills Purchased	18,100	-	-	-	-	-	-
Other Receivables	3,775,756	1,170,332	179,461	87,341	1,618,165	115,031	-
Gold Investment	11,681,332	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>2,436,367,515</b>	<b>414,702,763</b>	<b>241,108,395</b>	<b>164,306,876</b>	<b>738,119,502</b>	<b>86,953,490</b>	<b>46,171,067</b>
Deposit of Banks & FIs	14,370,646	108,616	1,199,798	360,251	-	-	-
Deposit Others	6,039	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	68,099,599
Loan from IMF	-	-	-	-	-	-	59,527,000
Other Liabilities	26,427,821	-	-	-	-	-	-
Bills Payables	16,211	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>40,820,717</b>	<b>108,616</b>	<b>1,199,798</b>	<b>360,251</b>	<b>-</b>	<b>-</b>	<b>127,626,599</b>
<b>Net Financial Position Exposure</b>	<b>2,395,546,798</b>	<b>414,594,147</b>	<b>239,908,597</b>	<b>163,946,625</b>	<b>738,119,502</b>	<b>86,953,490</b>	<b>-81,455,532</b>

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.72% (PY 23.83%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 0.30% (PY 1.74%) of the total foreign currency reserve.

**Sensitivity Analysis of Currency Risk**

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD and SDR against Nepalese rupee at the end of reporting period would have been affected in measurement of

financial instruments denominated in a foreign currency and increased (decreased) in profit or loss by the amount shown below. This analysis is based on foreign exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast cash flows.

<b>Impact on Profit or Loss</b>				
<b>In case of Strengthening or Weakening of Currency by 10%</b>				
	<b>For the Year Ended 2071</b>		<b>For the Year Ended 2070</b>	
	<b>Strengthening</b>	<b>Weakening</b>	<b>Strengthening</b>	<b>Weakening</b>
USD	28,783,289,982	(28,783,289,982)	24,315,316,008	(24,315,316,008)
AUD	3,831,057,609	(3,831,057,609)	3,563,851,282	(3,563,851,282)
EUR	3,507,345,429	(3,507,345,429)	2,976,785,877	(2,976,785,877)
GBP	2,742,885,805	(2,742,885,805)	2,353,617,748	(2,353,617,748)
CNY	4,266,090,632	(4,266,090,632)	1,142,608,990	(1,142,608,990)
CAD	788,495,816	(788,495,816)	794,667,940	(794,667,940)
SDR	(1,212,473,596)	1,212,473,596	(1,170,735,925)	1,170,735,925
<b>Total</b>	<b>42,706,691,676</b>	<b>(42,706,691,676)</b>	<b>33,976,111,922</b>	<b>(33,976,111,922)</b>

## ii) Interest Rate Risk:

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

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

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

<b>Particulars</b>	<b>Weighted Average Interest Rate %</b>	<b>As on 32<sup>nd</sup> Ashadh 2071</b>	<b>As on 31<sup>st</sup> Ashadh 2070</b>
<b><u>Interest Sensitive Financial Assets</u></b>			
Bank Balance	0.25	75,514,834,303	75,514,834,303
Investment in Foreign Currency	2.73	381,811,225,784	381,811,225,784
IMF Related Assets	0.12	5,488,119,248	5,488,119,248
Government Securities	7.69	203,029,023,424	203,029,023,424
Other Investments	7.84	14,818,621,000	14,800,412,537
Refinance & Loans	2.16	5,935,936,213	5,935,936,213
<b>Total Interest Sensitive Financial Assets</b>		<b>686,597,759,971</b>	<b>686,579,551,508</b>
<b><u>Interest Sensitive Financial Liabilities</u></b>			
IMF Related Liabilities	0.12	7,030,604,523	18,343,388,194
<b>Total Interest Sensitive Financial Liabilities</b>		<b>7,030,604,523</b>	<b>18,343,388,194</b>
<b>Net Interest Sensitive Financial Position</b>		<b>679,567,155,448</b>	<b>472,530,718,489</b>

**iii) Other Market Prices Risk**

Equity price risk arises from available-for-sale equity securities as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 13 institutions. All the investments were measured at cost except in one case where the shares were listed and closing price was available hence such shares were measured at fair value.

### Classification and Fair Value of financial assets

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

Particulars	Fair Value through P/L	Available for Sale	Held to Maturity	Loans & Receivable	Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Bank Balance				38,970,533,457		38,970,533,457	38,970,533,457
SDR of IMF				5,488,119,248		5,488,119,248	5,488,119,248
Foreign Government Securities	14,384,833,134		159,684,420,424			174,069,253,558	174,069,253,558
GON Securities		23,332,642,714	756,076,110	5,049,991,745		29,138,710,569	29,138,710,569
Equity Instruments:							-
Measured at Fair Value		905,479,170				905,479,170	905,479,170
Measured at Cost		171,205,500				171,205,500	NA
Gold Investment	15,882,785,239					15,882,785,239	15,882,785,239
Other Investment:							-
Measured at Fair Value	40,110,588,469					40,110,588,469	40,110,588,469
Measured at Amortized Cost			340,636,473,075			340,636,473,075	NA
Loans and Refinance				5,935,936,213		5,935,936,213	NA
Other Receivables				4,576,321,694		4,576,321,694	NA
<b>Total Financial Assets</b>	<b>70,378,206,843</b>	<b>24,409,327,384</b>	<b>501,076,969,608</b>	<b>60,020,902,357</b>	<b>-</b>	<b>655,885,406,192</b>	
Bank & Other Agencies Deposit						174,220,742,423	174,220,742,423
Liability towards IMF					17,612,855,208	17,612,855,208	17,612,855,208
IMF Related Deposit					7,030,604,523	7,030,604,523	7,030,604,523
GON Deposit					23,334,581,772	23,334,581,772	23,334,581,772
Other Deposit					13,733,913,089	13,733,913,089	13,733,913,089
Staff Liabilities					12,871,285,299	12,871,285,299	12,871,285,299
Bills Payables					868,980,500	868,980,500	868,980,500
Other Liabilities					20,712,434,999	20,712,434,999	20,712,434,999
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,385,397,813</b>	<b>270,385,397,813</b>	<b>270,385,397,813</b>
<b>Net Financial Position</b>	<b>70,378,206,843</b>	<b>24,409,327,384</b>	<b>501,076,969,608</b>	<b>60,020,902,357</b>	<b>-270,385,397,813</b>	<b>385,500,008,379</b>	



## 14. Employees Benefits

### (I) Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and level of compensation. These post-employment benefits plans are 'Gratuity or Pension Plan', 'Staff Security Plan' and 'Leave Encashment Plan'. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; that benefit is discounted to determine its present value. The bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan' and 'Staff Security Plan' is calculated by a qualified actuary once in every three years using projected unit credit method. The previous actuarial valuation of the obligations was done in 2010 and accordingly during the year the obligation is calculated by a qualified actuary. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid. In case of the 'Leave Encashment Plan', employees are entitled to accumulate maximum of 120 days leave which shall be paid at the retirement and leave excess of 120 days is en-cashed by employees during the year in which the related service is rendered. The obligation in respect of leave encashment is measured by the management on the basis of best estimation.

The gratuity or pension plan and staff security plan are funded plan wherein the bank makes earmarked investment out of fund created for these plans. Interest income on gratuity or pension plan is credited the fund whereas interest income of staff security plan is recognized as income of the bank. Leave encashment is not a funded plan.

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

As per the actuarial valuation of obligation for the various two defined benefit plans, viz., the Gratuity and Pension plan and the Staff Security Fund, the additional provision to be recognized after adjustment was NRs. 7,905,361,995 as per detail below.

	<i>Funded Plans (NRs.)</i>		
	<b>Gratuity &amp; Pension Fund</b>	<b>Staff Security Fund</b>	<b>Total</b>
Present value of obligation as per Actuarial Valuation	13,085,433,882	2,329,755,284	15,415,189,166
Liability recognized in previous year	(5,910,184,559)	(1,321,058,409)	(7,231,242,968)
Actuarial (gain )/loss of previous year	(664,178,226)	385,594,023	(278,584,203)
<b>Additional provision required</b>	<b>6,511,071,097</b>	<b>1,394,290,898</b>	<b>7,905,361,995</b>

The management decided to amortize the obligation with the provision of NRs. 3,952,680,998 this year. The balance was deferred to be provided after considering the actuarial report in the next year. The deviations, if any, from IAS 19 in this connection is recognized on practical grounds.

The management believes that the recognition actuarial losses/gain over the period of two years shall be systematic and faster recognition of losses/gain than would be recognized in other comprehensive income. The details of net liabilities recognized in balance sheet, unrecognized actuarial losses, changes in fair value of plan assets, changes in present value of

obligation and the amount recognized in statement of comprehensive income and other comprehensive income are disclosed as below:

### Amount recognized in the statement of financial position

Particulars	As on 32 <sup>nd</sup> Ashadh 2071			As on 31 <sup>st</sup> Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Present Value of Obligations	13,085,433,882	23,326,61,992	781,755,545	5,919,408,145	1,468,349,389	715,584,569
Fair Value of Plan Assets	7,026,256,690	13650,10,00	-	6,509,211,932	1,008,401,869	-
<b>Net Liability /( Asset)</b>	<b>6,059,177,192</b>	<b>9676,51,993</b>	<b>781,755,545</b>	<b>589,803,787</b>	<b>(459,947,520)</b>	<b>(715,584,569)</b>
Unrecognised Actuarial Losses	3,255,535,548	697,145,449	-	-	-	-
<b>Net Liabilities/(Assets) Recognised in Statement of Financial Position</b>	<b>2,803,641,644</b>	<b>270,506,544</b>	<b>781,755,545</b>	<b>589,803,787</b>	<b>(459,947,520)</b>	<b>(715,584,569)</b>

### Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071			For the Year Ended 31 <sup>st</sup> Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Opening Obligation	5,919,408,145	14683,49,389	715,584,569	6,333,263,487	1,084,937,844	607,072,254
Current Service Cost	199,145,614	976,69,705	121,039,683	84,770,830	85,966,148	132,164,065
Interest Cost	473,552,652	117,467,951	62,540,444	489,396,086	82,673,336	54,636,503
Actuarial Losses (Gains)	6,977,422,287	792,819,127	-	(556,397,423)	317,814,348	-
Losses (Gains) on Curtailments	-	-	-	-	-	-
Benefits Paid	(484,094,816)	(1436,44,180)	(117,409,151)	(431,624,835)	(103,042,287)	(78,288,252)
<b>Closing Obligation</b>	<b>13,085,433,882</b>	<b>23326,61,992</b>	<b>781,755,545</b>	<b>5,919,408,145</b>	<b>1,468,349,389</b>	<b>715,584,569</b>

### Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071		For the Year Ended 31 <sup>st</sup> Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	6,511,942,792	1,008,401,869	3,683,430,000	686,090,000
Expected Return	520,955,423	80,672,150	387,984,307	67,779,675
Actuarial Gains (Losses)	(48,415,054)	(80,672,150)	107,780,803	(67,779,675)
Distribution on Settlements	-	-	-	-
Contribution by Employer	525,868,345	500,252,311	2,764,372,517	425,354,156
Benefits Paid	(484,094,816)	(143,644,180)	(431,624,835)	(103,042,287)
<b>Closing Fair Value</b>	<b>7,026,256,690</b>	<b>1,365,010,000</b>	<b>6,511,942,792</b>	<b>1,008,401,869</b>

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

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071			For the Year Ended 31 <sup>st</sup> Ashadh 2070		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded		Unfunded	Funded		Unfunded
Current Service Cost	199,145,614	976,69,705	121,039,683	84,770,830	85,966,148	132,164,065
Interest Cost	473,552,652	1174,67,951	62,540,444	489,396,086	82,673,336	54,636,503
Expected Return on Plan Asset	(520,955,423)	(80,672,150)	-	(387,984,307)	(67,779,675)	-
Actuarial Losses Recognized in P/L	3,103,792,705	562,679,943				
Past Service Cost	-	-	-	-	-	-
Curtailments & Settlements	-	-	-	-	-	-
<b>Total Employee Benefit Expense</b>	<b>3,255,535,548</b>	<b>697,145,449</b>	<b>183,580,127</b>	<b>186,182,609</b>	<b>100,859,809</b>	<b>186,800,587</b>

**Amount recognized in the Other Comprehensive Income**

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071		For the Year Ended 31 <sup>st</sup> Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Actuarial gain/(loss) on Obligation	556,397,423	(317,814,348)	556,397,423	(317,814,348)
Actuarial (gain)/loss on Plan Assets	(107,780,803)	67,779,675	(107,780,803)	67,779,675
<b>Total (gain) / loss for the year</b>	<b>(664,178,226)</b>	<b>385,594,023</b>	<b>(664,178,226)</b>	<b>385,594,023</b>

**Major categories of Plan Assets as a percentage of total plans**

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071		For the Year Ended 31 <sup>st</sup> Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	85.40%	100%	99.49%	98.08%
Others	14.60%	-	0.41%	1.92%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Principal Actuarial Assumption at the end of the reporting period**

Particulars	For the Year Ended 32 <sup>nd</sup> Ashadh 2071		For the Year Ended 31 <sup>st</sup> Ashadh 2070	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	7.5%	7.5%
Future Pension Increase	6.667%	6.667%	5%	5%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%

## 15. Reserves

The Bank maintains various reserves and funds. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act 2058. Section 41 of the Act has prescribed the sequences for the appropriation of the profit. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss; and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalisation Reserve and Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10% and 5% of net profit to General Reserve and Monetary Liability Reserve respectively. However, the bank has departed with this provision of the Act and appropriated 10% and 5% of Balance of Net Profit available after appropriation of foreign exchange revaluation and other revaluation gain/loss to Foreign Exchange Equalisation and Revaluation Reserve respectively to the General Reserve and Monetary Liability Reserve respectively. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount annually allocated by the Board of Directors out the each year's profit to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of profit to these reserves and funds. The details of statutory and other reserve and funds are as follows:

### I. Statutory Reserves:

#### a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section an amount equal to five percent of the net profit of each year shall be allocated from the profit and kept in such reserve unless the amount kept reaches to five percent of the total monetary liability of the Bank shown in the balance sheet. Accordingly, an amount equal to five percent of net profit available for appropriation has been allocated to the reserve. The amount deposited in such reserve shall be used only for the purpose of fulfilling the financial liability of the Bank. This year NRs. 44,393,037 (PY NRs. 420,398,100) was appropriated to this fund.

#### b) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net profit of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, the Board of Directors has appropriated an amount equal to 10% of the net profit available for appropriation plus amount of capital budget of the Bank for the year which is NRs. 1,369,696,074 (PY NRs. 1,357,537,200) was appropriated during the year. The amount allocated to this reserve shall be used only for the purpose of recovering the loss.

#### c) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (gha) of the NRB Act and per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. Represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 4,265,005,927 (PY NRs. 15,562,870,559) which is equivalent to net exchange gain was appropriated from/to net profit to this fund during the year.

#### d) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (gha) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or

depreciation on revaluation of gold and silver is taken to/from this reserve out of net profit of the year accordingly net gain on revaluation of NRs. 515,927,005 (PY revaluation loss of NRs. 1,653,891,818) was appropriated to this fund.

## **II. Other Reserve and Funds**

Board of Directors of the Bank is authorized by section 41 (2) of the NRB Act to appropriate the remaining profit in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive 2065 of the Bank and the Board of Directors appropriate some part of the net profit available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose the reserve or fund as mentioned in the Account Directive 2065. The following reserves/funds have been maintained:

### **a) Development Fund**

This is the specific fund created as per Account Directive 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. Earmarked investment of this fund has been made. Annually, the amount appropriated by Board of Directors has kept under this fund. Accordingly an amount of NRs. 53,530,646 (P.Y. NRs. 6,400,000,000) has been allocated to this fund during the year.

### **b) Banking Development Fund:**

This fund was created to meet the expenses relating to 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. The Board of Directors of the Bank annually appropriates a part of profit to this fund. Accordingly, an amount of NRs. 20,000,000 (P.Y. NRs. 74,070,681) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

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

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net profit of the projects is allocated to this fund annually. Accordingly, an amount of NRs. 13,000,000 (P.Y. NRs. 14,918,300) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

### **d) Mechanization Fund:**

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. As the management think that there is sufficient fund to this fund, no amount has been appropriated any amount during the year to this fund. In Previous year an amount of NRs. NRs. 200,000,000 was allocated to this fund. Earmarked investment of this fund has been made.

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

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

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

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. However, no

amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

**g) Gold Replacement Fund:**

This fund has been created for replacing the gold / silver sold during the year. An amount equals to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs. 76,605,926 (P.Y. NRs. 175,675,657) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

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

This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year. Earmarked investment of this fund has been made.

**i) Employees welfare fund:**

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

**16. Prior Period Errors**

The prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into excess booking of income in previous year by NRs. 53,309 than by the reported figure of the previous year expense. This resulted into increase in profit of previous year by the said amount and has been shown in previous year reserve account as surplus due to restatement of prior period errors and has been adjusted with current year profit available for appropriation.

**17. Currency in Circulation**

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 6,349,370,343 (P.Y. NRs. 4,438,298,077). The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

<b>Denomination</b>	<b>As on 32<sup>nd</sup> Ashadh 2071</b>	<b>As on 31<sup>st</sup> Ashadh 2070</b>
1	161,507,049	161,796,166
2	187,121,526	188,203,704
5	1,683,935,155	1,511,094,650
10	2,526,784,000	2,205,019,320
20	2,998,957,420	2,495,754,660
25	58,603,750	59,515,500
50	4,752,323,850	3,999,580,550
100	11,064,376,000	9,657,201,200
250	87,630,250	87,836,250
500	77,757,737,000	63,628,178,000
1000	171,971,024,000	149,465,820,000
<b>Total</b>	<b>273,250,000,000</b>	<b>233,460,000,000</b>

The above liability is backed by securities as mentioned in Note 19 of the financial statements

## 18. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of Gold and Other Precious Metals, Foreign Currencies and Securities denominated in Foreign currency, Special Drawing Rights, Bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

(in NRs. billion)

Particulars	Current Year	Previous Year
<b>Foreign Exchange Reserve:</b>		
<b>(a) Held by Nepal Rastra Bank</b>		
Convertible Foreign Currency	441.55	340.83
Non-Convertible Foreign Currency	146.27	112.17
Gold Reserve	15.88	14.20
Special Drawing Rights	5.49	6.64
<b>Sub Total</b>	<b>609.19</b>	<b>473.84</b>
<b>(b) Held by Banks and Financial Institutions</b>		
Convertible Foreign Currency	85.25	72.32
Non-Convertible Foreign Currency	5.63	6.23
<b>Sub Total</b>	<b>90.88</b>	<b>78.55</b>
<b>Total Foreign Exchange Reserve of Banking System</b>	<b>700.07</b>	<b>552.39</b>

Instrument wise Investment of Foreign Exchange Reserve of the Banking System in terms of percentage of total reserve are as follows:

Particulars	Current Year (in %)	Previous Year (in %)
<b>Foreign Exchange Reserve:</b>		
US Treasury Bills	2.05	2.58
Indian Treasury Bills	19.38	19.45
BIS FIXBIS	1.06	1.37
Bonds/Notes	9.16	6.89
Mid Term Instrument	1.24	1.52
Call Deposits	5.11	3.62
Time Deposit	44.24	45.39
Gold Deposit	2.27	2.57
Special Drawing Rights	0.78	1.20
Balance with NRB and BFIs	14.70	15.41
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 19. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of five projects, namely, Poverty Alleviation Project in Western Terai (PAPWT), Micro-Credit Project for Women (MCPW), Production Credit for Rural Women Project (PCRW), Third Livestock Development Project (TLDP) and Raising Income of Small and Medium Farmers Project (RISMFP) which were run, during the reporting period, under subsidiary loan agreements with GON or project agreements with other funding agencies were consolidated with the Bank's financial statements. The Financial Position and Income statements of these projects are as below:

For the Year ended 32<sup>nd</sup> Ashadh 2071**Statement of Financial Position**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
<b>Equity &amp; Liabilities</b>						
Reserve & Surplus	(2,287,784)	2,548,742	13,573,457	10,112,078	1,115,736	25,062,230
Loans	65,700,000	54,902,575	113,000,000	46,918,588	57,013,657	337,534,821
Accounts Payable	-	274,513	476	312,791	-	587,780
<b>Total Equity &amp; Liabilities</b>	<b>63,412,216</b>	<b>57,725,831</b>	<b>126,573,934</b>	<b>57,343,457</b>	<b>58,129,393</b>	<b>363,184,831</b>
<b>Assets</b>						
Loan to PFIs	4,948,673	-	-	7,707,685	-	12,656,358
Investment	-	28,940,703	100,000,000	-	-	128,940,703
Other Receivables	17,836	697,758	1	-	-	715,595
Cash and Bank Balance	58,445,707	28,087,370	26,573,933	49,635,772	58,129,393	220,872,175
<b>Total Assets</b>	<b>63,412,216</b>	<b>57,725,831</b>	<b>126,573,934</b>	<b>57,343,457</b>	<b>58,129,393</b>	<b>363,184,830</b>

**Statement of Comprehensive Income**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
<b>A. Income</b>						
<b>Interest Income:</b>	299,337	2,758,614	8,140,749	3,048,676	-	14,247,377
From Loan to PFIs	274,926			1,038,201		1,313,128
On Investment	24,411	2,758,614	8,140,749	2,010,475		12,934,249
Loan Loss Prov. Written back	24,993		-	288,569		313,562
Other Income		697,758			50,729	748,488
<b>Total Incomes</b>	<b>324,331</b>	<b>3,456,372</b>	<b>8,140,749</b>	<b>3,337,245</b>	<b>50,729</b>	<b>15,309,427</b>
<b>B. Expenditure</b>						
Administrative Expenses						
Interest Expenses	2,135,250	2,126,290	4,689,500	1,036,119		9,987,159
Provision for Service Charge						
Loan Loss Provision						
Depreciation						
<b>Total Expenses</b>	<b>2,135,250</b>	<b>2,126,290</b>	<b>4,689,500</b>	<b>1,036,119</b>	<b>-</b>	<b>9,987,159</b>
<b>Surplus (Deficit) (A-B)</b>	<b>(476,865)</b>	<b>1,218,660</b>	<b>10,122,209</b>	<b>2,301,127</b>	<b>644,053</b>	<b>5,322,268</b>

For the Year ended 31<sup>st</sup> Ashadh 2070**Statement of Financial Position**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
<b>Equity &amp; Liabilities</b>						
Reserve & Surplus	(476,865)	1,218,660	10,122,209	7,810,951	1,064,079	19,739,034
Loans	73,000,000	67,103,148	118,650,000	58,648,236	8,439,000	325,840,383
Accounts Payable	-	335,516	476	390,988		726,980
<b>Total Equity &amp; Liabilities</b>	<b>72,523,135</b>	<b>68,657,323</b>	<b>128,772,685</b>	<b>66,850,175</b>	<b>9,503,079</b>	<b>346,306,397</b>
<b>Assets</b>						
Loan to PFIs	7,423,014	-	-	36,275,974	-	43,698,988
Investment	-	29,206,405	-	-	-	29,206,405
Other Receivables	101	697,758	1	-	-	697,860
Cash and Bank Balance	65,100,021	38,753,160	128,772,684	30,574,202	9,503,079	272,703,145
<b>Total Assets</b>	<b>72,523,135</b>	<b>68,657,323</b>	<b>128,772,685</b>	<b>66,850,175</b>	<b>9,503,079</b>	<b>346,306,397</b>



**Statement of Comprehensive Income**

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMP	Total
<b>A. Income</b>						
<b>Interest Income:</b>	1,812,305	3,863,474	14,214,473	4,766,746	-	24,656,998
From Loan to PFIs	495,160	3,863,474		1,282,484		5,641,118
On Investment	1,317,145		14,214,473	3,484,262		19,015,880
Loan Loss Prov. Written back	65,080		823,236	81,428		969,744
Other Income		-			644,053	644,053
<b>Total Incomes</b>	<b>1,877,385</b>	<b>3,863,474</b>	<b>15,037,709</b>	<b>4,848,174</b>	<b>644,053</b>	<b>26,270,795</b>
<b>B. Expenditure</b>						-
Administrative Expenses		152,507				152,507
Interest Expenses	2,354,250	2,492,307	4,915,500	1,270,712		11,032,769
Provision for Service Charge						-
Loan Loss Provision						-
Depreciation						-
<b>Total Expenses</b>	<b>2,354,250</b>	<b>2,644,814</b>	<b>4,915,500</b>	<b>1,270,712</b>	<b>-</b>	<b>11,185,276</b>
<b>Surplus (Deficit) (A-B)</b>	<b>(476,865)</b>	<b>1,218,660</b>	<b>10,122,209</b>	<b>3,577,462</b>	<b>644,053</b>	<b>15,085,519</b>

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

**Statement of Financial Position**

Particulars	As on 32 <sup>nd</sup> Ashadh 2071		As on 31st Ashadh 2070	
	CGISP	RSRF	CGISP	RSRF
<b><u>Equity</u></b>				
Capital Contribution **	17,548,370	793,400,000	17,548,370	443,400,000
Surplus	92,689,908	125,635,798	84,575,251	117,820,278
Financial Risk Fund	5,200,000		5,200,000	
<b><u>Long- term Liabilities</u></b>				
Loan from ADB - Non-Current Portion	150,538,740		157,229,351	
<b><u>Current Liabilities and Provision</u></b>				
Loan from ADB - Current Portion	50,179,580		43,488,969	
Service Charge due on Loan from ADB	16,958,610		14,951,427	
Loan Loss Provision	1,064,701	32,985,948	1,294,384	25,988,317
Accounts Payable	320,684	37,208,917	324,944	47,512,647
<b>Total Equity &amp; Liabilities</b>	<b>334,500,593</b>	<b>989,230,662</b>	<b>324,612,697</b>	<b>634,721,242</b>
<b><u>Assets</u></b>				
<b><u>Non-Current Assets</u></b>				
Fixed Assets	55,820	117,908	83,730	189,466
Loan to PFI- Non Current Portion	84,338,507	67,763,679	106,449,668	453,367,139
Investment		105,000,000		
<b><u>Current Assets</u></b>				
Interest Receivables	269,533	57,140	300	18,852,496
Loan to PFI-current portion	22,131,590	542,580,637	22,988,774	83,020,213
Cash and cash equivalents	227,705,142	273,711,299	195,090,226	79,291,928
<b>Total Assets</b>	<b>334,500,593</b>	<b>989,230,662</b>	<b>324,612,697</b>	<b>634,721,242</b>

\*\* Capital Contribution in case of RSRF includes, contribution of the Bank amounting to NRs. 253,400,000 which was shown by way of 'Other investment' under schedule 8 of the financial statements.

## Statement of Comprehensive Income

Particulars	As on 32 <sup>nd</sup> Ashadh 2071		As on 31st Ashadh 2070	
	CGISP	RSRF	CGISP	RSRF
<b>A. Income</b>				
<b>Interest Income:</b>	<b>10,036,860</b>	<b>35,380,111</b>	<b>11,751,679</b>	<b>31,798,270</b>
From Loan to PFIs	6,181,517	28,842,191	7,351,358	21,596,766
On deposit with banks	3,855,343	6,537,920	4,400,322	7,838,376
On Investment		1,990,865		2,363,128
Loan Loss Provision Written back	229,683	-	256,691	118,529
<b>Total Incomes</b>	<b>10,266,543</b>	<b>35,380,111</b>	<b>12,008,370</b>	<b>31,916,799</b>
<b>B. Expenditure</b>				
Administrative Expenses	116,794	22,486,267	93,082	20,212,968
Provision for Service Charge	2,007,183	-	2,007,183	
Loan Loss Provision	-	6,997,630	-	4,736,944
Depreciation	27,910	91,127	27,910	150,143
<b>Total Expenses</b>	<b>2,151,887</b>	<b>29,575,024</b>	<b>2,128,175</b>	<b>25,100,105</b>
<b>Surplus (Deficit) (A-B)</b>	<b>8,114,656</b>	<b>5,805,087</b>	<b>9,880,195</b>	<b>6,816,694</b>

### 20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 32<sup>nd</sup> Ashadh 2071 as records of the bank was a surplus balance of NRs. 23,334,581,772 (P.Y. NRs. 516,084,944). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position. The Surplus balance of Government Treasury position as of 31<sup>st</sup> Ashadh 2070 was finalized at Poush end 2070 as NRs. 184,515,562.

### 21. Transaction with the International Monetary Fund (IMF)

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

- Country's quota with the IMF is recorded by the Bank as depository of the Government and exchange gain/loss arising on quota are borne by Government.
- Exchange gains or losses in respect of borrowings under ECF and other facilities of the IMF, allocation of SDRs and holding of SDRs are recognized in the Income Statement.

The position of Nepal's account with the IMF account is presented as below:

**Financial Position in the Fund**

Particulars	As on 32 <sup>nd</sup> Ashadh 2071		As on 31st Ashadh 2070	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
<b><u>SPECIAL DRAWING RIGHT:</u></b>				
Net cumulative allocation	10,133,765,128	68,099,599	9,787,751,065	68,099,599
Holdings	5,488,039,040	36,880,000	6,636,028,947	46,171,067
<b><u>OUTSTANDING PURCHASES &amp; LOANS:</u></b>				
RCF Loans	4,244,004,160	28,520,000	4,099,094,040	28,520,000
ECF Arrangements	3,235,085,920	21,740,000	4,456,543,089	31,007,000
<b><u>OTHER INFORMATION</u></b>				
	<b><u>Per cent of Quota</u></b>		<b><u>Per cent of Quota</u></b>	
Quota	100.00	71,300,000	100.00	71,300,000
Currency Holding	99.98	71,283,862	99.98	71,283,862
Reserve Tranche Position	0.03	21,774	0.03	21,774

The SDR is converted into Nepalese rupees at conversion rate of NRs 148.808 (P.Y. NRs. 143.727) per SDR.

Financial position in the IMF as on April 30, 2014 and comparative position as on April 30, 2013 has not been presented. However, such information is available in IMF website ([www.imf.org](http://www.imf.org)).

**22. Number of Employees**

The number of employees holding office at the yearend was 1,387 (PY 1,388).

**23. Events occurred after Balance Sheet Date**

- i. The change in exchange rates of various foreign currencies after the yearend resulted in increase as of date in net foreign currency assets, exchange equalization fund and net profit/ (loss) for the period. The increase is estimated to be NRs. 6,505,703,394 (PY decrease of NRs. 24,696,825,580) as of the date of issuing the financial statements.
- ii. The change in market price of Gold investment (other than inventories) after the yearend resulted in decrease in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The decrease is estimated to be NRs. 1,393,001,226 (PY increase of NRs. 858,980,923) as of the date of issuing the financial statements.
- iii. The changes in market price of investment in equity shares of Citizen Investment Trust after the yearend resulted in decrease in value of investments in shares and an decrease in the Fair value reserve. The decrease is estimated to be NRs. 171,815,787 (PY increase of NRs. 228,669,480) as of the date of issuing the financial statements
- iv. 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.