

# Report of Fiscal Year 2008/09



**Nepal Rastra Bank**



## Report of Fiscal Year 2008/09



**Nepal Rastra Bank**

*Published By:*

**Nepal Rastra Bank**

**Research Department**

**Publication Division**

Baluwatar, Kathmandu, Nepal

Email: [publication@nrb.org.np](mailto:publication@nrb.org.np)

Website: [www.nrb.org.np](http://www.nrb.org.np)

# CONTENTS

## Part I

### MACROECONOMIC SITUATION AND FINANCIAL OVERVIEW

---

<b>World Production, Trade and Inflation</b> .....	<b>1</b>
World Production .....	1
World Trade .....	1
World Inflation .....	2
<b>Macroeconomic and Financial Situation of Nepal</b> .....	<b>2</b>
Gross Domestic Product .....	2
Sectoral Composition of Gross Domestic Product .....	3
Agricultural Sector .....	4
Industrial Sector .....	5
Services Sector .....	6
Consumption, Investment and Saving.....	7
Gross National Disposable Income .....	7
<b>Inflation and Wage Rate</b> .....	<b>8</b>
Consumer Price Inflation .....	8
Wholesale Price Inflation .....	8
National Salary and Wage Rate Index .....	9
<b>External Sector</b> .....	<b>9</b>
Overall Trade Situation .....	9
Exports and Imports .....	10
Balance of Payments .....	10
Gross Foreign Exchange Reserves .....	11
Foreign Loan .....	12
Foreign Exchange Movement.....	12
<b>Fiscal Situation</b> .....	<b>12</b>
Government Expenditure .....	13
Government Revenue .....	13
Tax Policy Provisions .....	14
Tax Rates .....	15
Foreign Grants .....	16
Budget Deficit/Surplus .....	16
Sources of Financing Deficit .....	16
Status of the Public Enterprises .....	16
Privatization and Dissolution of Public Enterprises .....	16

<b>Monetary Situation .....</b>	<b>17</b>
Growth Rate of Monetary Aggregates .....	17
Factors Affecting Monetary Expansion .....	17
Reserve Money .....	18
<b>Money and Financial Market .....</b>	<b>18</b>
Sources and Uses of Fund of Commercial Banks .....	18
Resource Mobilization of Commercial Banks .....	18
Uses of Fund of Commercial Banks .....	19
Refinance Facility to Commercial Banks and Other Financial Institutions from the NRB .....	19
Non-performing Loan of Commercial Banks .....	19
Standing Liquidity Facility and Inter Bank Transactions .....	20
Interest Rate Structure .....	21
Foreign Exchange Market .....	21
Securities Market .....	21
<b>Financial Institutions .....</b>	<b>23</b>
Number of Financial Institutions .....	23
Financial Structure .....	24
Development Banks .....	24
Finance Companies .....	24
Financial Institutions carrying Micro-finance Activities .....	25
Rural Self Reliance Fund .....	25
NRB Licensed Financial Cooperatives .....	26
NRB licensed Non-Government Organizations .....	26
Insurance Companies .....	26
Employees Provident Fund .....	26
Citizen Investment Trust .....	27
Postal Savings Bank .....	27
Deposit and Credit Guarantee Corporation .....	27
Credit Information Centre Limited .....	27

### Charts

Chart 1.1	Economic Growth Rate .....	2
Chart 1.2	Sectoral Structure of Gross Domestic Product .....	4
Chart 1.3	Productivity of Major Food Crops .....	4
Chart 1.4	Annual Average Inflation .....	8
Chart 1.5	Annual Average WPI Inflation .....	9
Chart 1.6	Structure of Government Expenditure on Cash Basis .....	13
Chart 1.7	Structure of Revenue Mobilization in 2008/09 .....	14
Chart 1.8	Share Price Situation .....	22
Chart 1.9	Financial Structure of Nepal .....	24

### Text Tables

Table 1.1	Planned and realized growth of GDP (at Basic price) .....	3
Table 1.2	The Relative Contribution and Sector-wise Share in GDP (at 2000/01 price) .....	3

Table 1.3	Number of Tourists arrival by Air .....	6
Table 1.4	Gross National Disposable Income .....	7
Table 1.5	Reserve Adequacy Indicators .....	12
Table 1.6	Exchange Rate Movement .....	12
Table 1.7	Tax Rates .....	15
Table 1.8	Status of Non-performing Assets of Commercial Banks .....	20
Table 1.9	Inter Bank Transaction and Weighted Average Inter Bank Rate .....	21
Table 1.10	Listed Corporate Bond, Debenture and Mutual Fund .....	23
Table 1.11	Number of Bank and Financial Institutions .....	23
Table 1.12	Financial Activities of the Rural Self Reliance Fund .....	26

### Tables

Table 1	World Economic Growth Rate .....	28
Table 2	World Trade (Annual Percentage Change) .....	28
Table 3	World Inflation Rate (Annual Percentage Change) .....	28
Table 4	Macroeconomic Indicators .....	29
Table 5	Sectoral Growth of GDP (At 2000/01 Prices) .....	30
Table 6	Agricultural Production Index .....	31
Table 7	Annual Manufacturing Production Index .....	32
Table 8	National Urban Consumer Price Index (Annual Average) .....	33
Table 9	National Wholesale Price Index (Annual Average) .....	34
Table 10	Direction of Foreign Trade .....	35
Table 11	Exports of Major Commodities to India .....	36
Table 12	Imports of Major Commodities from India.....	37
Table 13	Exports of Major Commodities to Other Countries .....	38
Table 14	Imports of Major Commodities from Other Countries .....	39
Table 15	Summary of Balance of Payments .....	40
Table 16	Gross Foreign Exchange Reserves .....	41
Table 17	Government Budgetary Operation (On Cash Basis) .....	42
Table 18	Outstanding Domestic Debt of the Government of Nepal .....	43
Table 19	Monetary Survey .....	44
Table 20	Condensed Assets and Liabilities of Commercial Banks .....	45
Table 21	Balance of Renewed Loan of Bank and Financial Institutions .....	46
Table 22	Stock Market Indicators .....	46
Table 23	Sources and Uses of Fund of Development Banks .....	47
Table 24	Sources and Uses of Fund of Finance Companies .....	47
Table 25	Sources and Uses of Fund of Micro Finance Institutions .....	48
Table 26	Sources and Uses of Fund of NRB Licensed Co-operatives .....	48
Table 27	Sources and Uses of Fund of Insurance Companies .....	49
Table 28	Sources and Uses of Fund of Employees Provident Fund .....	49
Table 29	Sources and Uses of Fund of Citizen Investment Trust .....	50
Table 30	Structure of Nepalese Financial System .....	50

## Appendix

Appendix 1.1 List of Licensed Banks and Non-bank Financial Institutions (Mid-July 2009) .....	51–56
Appendix 1.2 Micro Finance Programme Implemented with Donor Support .....	57–59

## Part II

### ACTIVITIES OF NEPAL RASTRA BANK

---

---

<b>Monetary Policy of 2008/09 .....</b>	<b>63</b>
Objectives .....	63
Strategic and Interim Target of Monetary Policy .....	64
Operating Target of Monetary Policy .....	64
Monetary Policy Instruments .....	65
Bank Rate and Refinance Rate .....	65
Cash Reserve Ratio (CRR) .....	65
Open Market Operations .....	65
Development Bond Auction .....	66
Sick Industries Refinancing .....	66
Standing Liquidity Facility (SLF) .....	67
<b>Microfinance .....</b>	<b>67</b>
Rural Self-Reliance Fund .....	67
Grameen Bikas Banks and Structural Adjustment Program .....	68
<b>Foreign Exchange Management .....</b>	<b>68</b>
<b>Financial Sector Reform Program .....</b>	<b>70</b>
Reengineering of Nepal Rastra Bank .....	71
Restructuring of Nepal Bank Limited and Rastriya Banijya Bank .....	71
Capacity Enhancement of Overall Financial Sector .....	73
<b>Banks and Financial Institutions Regulation .....</b>	<b>73</b>
Commercial Banks .....	73
Microfinance .....	74
Grievance Management Committee (GMC) .....	75
Publication of List of Professional Expert .....	75
Publication of List of Auditor/Audit Firms .....	75
Revision on Unified Directives .....	75
Investment in National Banking Training Institute .....	75
Investment in Nepal Clearing House Limited .....	75
Branchless Banking .....	75
Major Circulars Issued for Banks and Financial Institutions .....	75
<b>Bank and Financial Institution Supervision .....</b>	<b>76</b>
Bank Supervision .....	76
Directives Issued to the Commercial Banks .....	77

Financial Institution Supervision .....	78
<b>Currency Management .....</b>	<b>79</b>
Note Issue .....	80
Notes in Circulation .....	80
Note Chest .....	80
Notes Destroyed .....	80
Fund Transfer .....	80
<b>Miscellaneous .....</b>	<b>80</b>
Human Resource Management .....	80
Corporate Reforms .....	83
Information Technology .....	84
Legal Division .....	85
Internal Audit .....	86
Training, Seminar, Interaction Tours .....	86
Meeting of the Board of Directors .....	87

#### **Text Tables**

Table 2.1 Inflation Rate and BOP Surplus .....	64
Table 2.2 Money Supply and Domestic Credit .....	64
Table 2.3 Adjustments in Existing Bank Rate and Refinance Rates .....	65
Table 2.4 Secondary Market Transactions .....	66
Table 2.5 Development Bond Auction .....	66
Table 2.6 Situation of Loan Disbursed of the Rural Self Reliance Fund .....	68
Table 2.7 Branches of Commercial Banks Inspected in Corporate Level .....	76
Table 2.8 Printing Status of Notes .....	79
Table 2.9 Recruitment in and Termination of NRB-service .....	81
Table 2.10 The Number of Existing Employees (Mid-July 2009) .....	81
Table 2.11 Structure of Security Group (Contract) .....	82
Table 2.12 Description of the Recruited Post in 2008/09 .....	83

#### **Tables**

Table 1 Notes in Circulation .....	88
Table 2 Security against Note Issued .....	89
Table 3 Established Posts and Employees by Class .....	89
Table 4 Domestic Trainings and Seminars conducted by Other Institutions .....	90
Table 5 Trainings conducted by Bankers' Training Centre .....	91
Table 6 Foreign Trainings, Seminars, Meetings and Workshops .....	92



## Appendices

2.1	Main Circulars Issued to Banks and Financial Institutions .....	98
2.2	Financial Institutions Inspected at Macro Level in 2008/09 .....	101
2.3	Actions Taken Over Financial Institutions .....	104
2.4	Withdrawal of Actions Taken Over Financial Institutions .....	106
2.5	Board of Directors .....	106
2.6	Principal Officers .....	107

### **Part III**

## ANNUAL FINANCIAL STATEMENTS OF NRB

---

<b>Assets and Liabilities .....</b>	<b>111</b>
<b>Income Statement .....</b>	<b>113</b>

### Charts

Chart 3.1: Assets Structure of NRB .....	111
Chart 3.2: Liabilities Structure of NRB .....	112
Chart 3.3: Income Structure of NRB .....	113

<b>Annual Financial Statements of NRB .....</b>	<b>115–</b>
---	-------------

## Acronyms Used

ABBS	Any Branch Banking System
ADB	Asian Development Bank
ADB/N	Agricultural Development Bank (Nepal)
ATS	Automated Trading System
BIS	Bank for International Settlement
BOD	Board of Directors
BOP	Balance of Payments
BTC	Banker's Training Centre
CA	Constituent Assembly
CAD	Cash Against Document
CBS	Central Bureau of Statistics
CGISP	Community Ground-Water Irrigation Sector Project
CIB	Credit Information Bureau
CIT	Citizen Investment Trust
CMD	Currency Management Department
COCG	Computer Operation Core Group
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CSCs	Citizen Savings Certificates
DAP	Document Against Payments
DBs	Development Bonds
DFID	Department for International Development
DICGC	Deposits Insurance and Credit Guarantee Corporation
EPF	Employees' Provident Fund
FDI	Foreign Direct Investment
FIs	Financial Institutions
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
F/Y	Fiscal Year
FSRP	Financial Sector Reform Program
GDP	Gross Domestic Product
GHC	Grievance Hearing Cell
GMC	Grievance Management Committee
GNDI	Gross National Disposable Income
GON	Government of Nepal
HR	Human Resource
HRM	Human Resource Management
IAS	International Accounting Standard
IC	Indian Currency
ICO	Indian Oil Corporation
IMF	International Monetary Fund
IPO	Initial Public Offerings
IT	Information Technology
L/C	Letter of Credit
LFAR	Long Form Audit Report
LMFF	Liquidity Monitoring and Forecasting Framework

M <sub>1</sub>	Narrow Money Supply
M <sub>2</sub>	Broad Money Supply
MCPW	Micro Credit Program for Women
MT	Metric Ton
MW	Mega Watt
n.i.e.	not included elsewhere
NBL	Nepal Bank Limited
NDA	Net Domestic Assets
NEA	Nepal Electricity Authority
NEPSE	Nepal Stock Exchange
NFA	Net Foreign Assets
NGOs	Non Governmental Organizations
NIDC	Nepal Industrial Development Corporation
NOC	Nepal Oil Corporation
NRB	Nepal Rastra Bank
NSCs	National Savings Certificates
NWPI	National Wholesale Price Index
OMOs	Open Market Operations
PAF	Poverty Alleviation Fund
PAN	Permanent Account Number
PCA	Prompt Corrective Action
PAPWT	Poverty Alleviation Project in Western Terai
PCRW	Production Credit for Rural Women
PPA	Power Purchase Agreement
PRGF	Poverty Reduction and Growth Facility
PSB	Postal Savings Bank
RBB	Rastriya Banijya Bank
RMDC	Rural Microfinance Development Centre
RRSDP	Reconstruction and Rehabilitation Sector Development Programme
RSRF	Rural Self-Reliance Fund
SDR	Special Drawing Rights
SEBON	Securities Board of Nepal
SFCB	Small Farmers' Cooperative Bank
SLF	Standing Liquidity Facility
STI	Second Tier Institution
SWRI	Salary and Wages Rate Index
TBs	Treasury Bills
TLDP	Third Livestock Development Project
TOR	Terms of Reference
UAE	United Arab Emirates
UK	The United Kingdom
US	The United States
VAT	Value Added Tax
VRS	Voluntary Retirement Scheme
WAN	Wide Area Network
WEO	World Economic Outlook
WPI	Wholesale Price Index

PART

# 1

## Macroeconomic Situation and Financial Overview



• World Production, Trade and Inflation	1
• Macroeconomic and Financial Overview of Nepal	2
• Inflation and Wage Rate	8
• External Sector	9
• Fiscal Situation	12
• Monetary Situation	17
• Money and Financial Market	18
• Financial Institutions	23

*PART - 1*

**OVERALL ECONOMIC AND FINANCIAL SITUATION**

---

*World Production, Trade and Inflation*

**World Production**

- 1.1. The International Monetary Fund (IMF) in its World Economic Outlook of October 2009 estimated that the world output grew by 3.0 percent in calendar year 2008 which is 2.2 percentage point lower than that of 2007. It is projected that the world economic growth in 2009 will shrink by 1.1 percent becoming positive in 2010 by 3.1 percent (table 1).
- 1.2. The Fund has projected that the economic growth of Nepal's neighboring countries-India and China - will be lower in 2009 in comparison to the year 2008. In 2008, Indian and Chinese economy grew by 7.3 percent and 9.0 percent respectively. The Fund has projected the economic growth of these two countries to be at 5.4 percent and 8.5 percent respectively in 2009.
- 1.3. Economic depression, which had resulted from world financial crisis, has not finished yet. There is still the problem of unemployment. Thus the policy support from government sector is expected to decrease gradually. The major challenges of the world economy are declining trend of world trade, lack of improved condition in the transactions of land and housing, depreciation of U.S. Dollars (specially in the beginning of 2009), fluctuation in the price of petroleum products (reduction in the beginning of 2009), decisions of OPEC for the reduction in oil production, global imbalances, etc.
- 1.4. The economic growth rate of emerging and developing countries in 2008 was 6.0 percent. The Fund has projected that growth of these two groups of countries will be 1.7 percent in 2009 and 5.1 percent in 2010. Likewise, in 2008, the economic growth rate of ASEAN-5 (Indonesia, Thailand, Philippines, Malaysia and Vietnam) countries was 4.8 percent whereas the Fund has projected that such rate will decrease in 2009 to only 0.7 percent.

**World Trade**

- 1.5. The volume of world trade increased by 7.3 percent in 2007 whereas such growth rate was only 3.0 percent in 2008. The Fund has projected that volume of world trade will decline by 11.9 percent in 2009 but will expand by 2.5 percent in 2010. Because of reduction in the World output in 2008 in comparison to 2007 and reduction in the growth of import-export, the growth of world trade was decelerated in 2008. The imports registered a growth of 0.5 percent in advanced economies and 9.4 percent in emerging and developing economies in 2008. Likewise, exports went up by 1.9 percent in advanced and 4.6 percent in emerging and developing economies in the same period. The Fund has estimated that imports will decrease by 13.7 percent and 9.5 percent in advanced and emerging and developing countries respectively whereas export will decrease by 13.6 percent and 7.2 percent in those respective economies (table 2).

**World Inflation**

- 1.6. The inflation in the advanced economies is projected to remain at 0.1 percent in 2009 compared to that of 3.4 percent in 2008. Because of the reduction in broad economic policy rates, provision of liquidity for economic recovery from government sector, reduction in the interest rate and low effect of depression in emerging and developing countries; the Fund has projected the inflation rate decrease to 5.5 percent in 2009 from 9.3 percent in 2008. The Fund has estimated that inflation in 2010 will be 1.1 percent and 4.9 percent in developed and developing

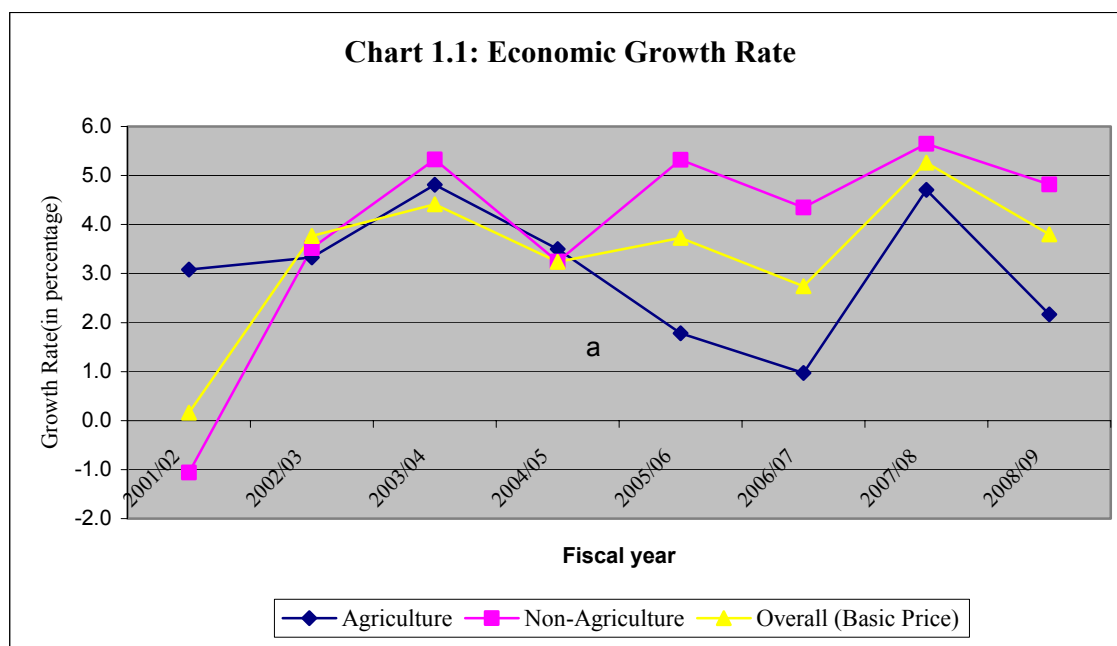
and emerging countries respectively. As per the Fund's estimation, inflation will be reduced to 2.6 percent in 2009 from 9.2 percent in 2008. Considering the market trend, price for petroleum product will increase in future. Central banks of developed countries are reducing the short term interest rate because of deflationary pressure (Table 3).

- 1.7. The reasons for decreasing value of assets in developed countries are increased unemployment, liquidation of corporate banks and financial institutions, lack of confidence for stability in financial sector. Large increase in public debt and the pressure to pay cost on the debt have already raised concerns for their justification. As a result, there is negative effect in the market recovery for land and housing transactions. In the advanced economies, as oil prices have remained far below last years levels despite their recent pickup, headline inflation has remained low and the Fund has estimated that after May, 2009 such inflation will be below zero.

## Macroeconomic and Financial Situation of Nepal

### Gross Domestic Product

- 1.8 In the review year, the growth rate of GDP in basic and producer's price are expected to 3.8 percent and 4.7 percent respectively. In the previous year, both of these growth rates were at 5.3 percent.
- 1.9 The growth rate of agriculture sector in the review year remained less than half compared to that of the previous year. As a consequence of the substantial decline in the production of wheat in the review year, the overall growth rate of agriculture sector slashed to 2.2 percent. The agriculture sector grew by 4.7 percent in the previous year due mainly to a significant rise in paddy production.



Source: Central Bureau of Statistic.

- 1.10 The non-agriculture sector reported a growth of 4.8 percent in the review year compared to a growth of 5.6 percent in the previous year. The growth rate of industrial sector declined marginally to 1.8 percent in the review year from 1.9 percent in last fiscal year.
- 1.11 In spite of the marginal increase in the production of transport and communication, real estate, renting and business activities, administration and defense and education sectors in the review year, the overall growth rate of the service sector stood at 5.8 percent compared to a growth of 7 percent in the previous year. This is largely attributed due to a weak growth of financial intermediation, health and social work sector.

- 1.12 The review year is also the second year of the ongoing "Three-Year Interim Plan." The plan has targeted an annual average economic growth of 5.5 percent with 3.6 percent in agriculture and 6.5 percent in non-agriculture. The growth rates in agriculture, non-agriculture and overall GDP are expected to miss their respective plan target as suggested for the review year.

**Table 1.1**  
**Planned and realized growth of GDP**  
**(In Basic Price)**

Sector	2007/08	2008/09 (Realized)	In percentage
			The Average Target of the Plan
<b>Agriculture</b>	4.7	2.2	3.6
<b>Non-Agriculture</b>	5.6	4.8	6.5
Industry	1.9	1.8	6.8
Service	7.0	5.8	6.4
<b>Gross Domestic Product</b>	5.3	3.8	5.5

Source: Three Year Interim Plan, National Planning Commission, and Central Bureau of Statistics.

### Sectoral Composition of Gross Domestic Product

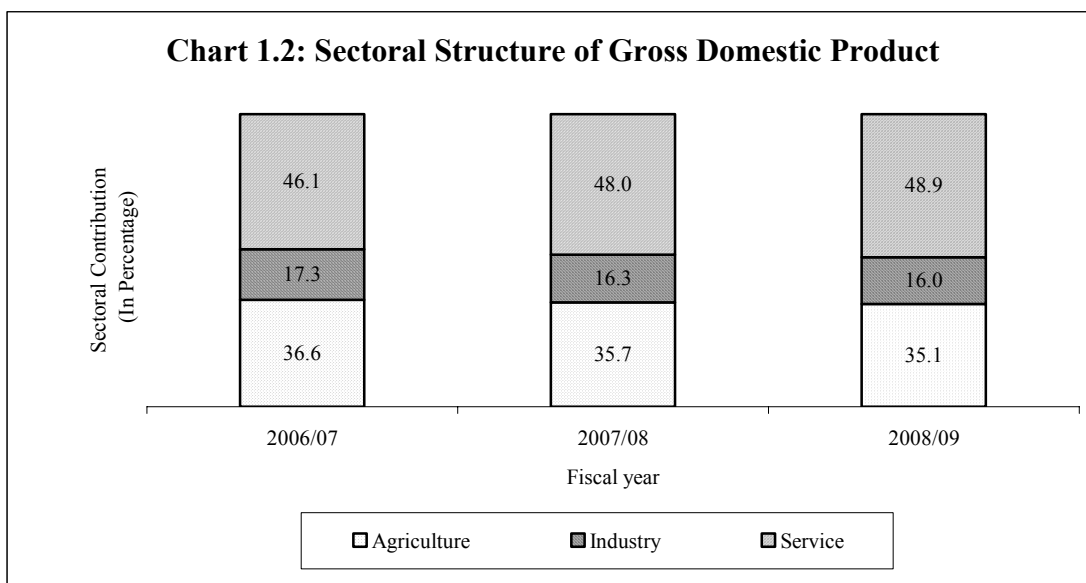
- 1.13 Sectoral structure of the GDP is changing. The contribution of agriculture, industry and services sector in real GDP were 36.6 percent, 17.3 percent and 46.1 percent respectively in 2000/01. Such contribution in 2008/09 was 35.7 percent, 16.3 percent and 48.0 percent respectively. While the share of both agriculture and industrial sector in GDP has gradually been declining, the contribution of service sector has been increasing continually as a result of a gradual expansion of this sector.
- 1.14 The relative contribution of agriculture sector, which stood at 31.6 percent in the previous year, declined to 19.5 percent in 2008/09. Deceleration in the growth rate and thereby declining relative contribution of agriculture sector in the review year was attributed in a slow down in the growth rate of paddy production as well as a decline in the production of wheat and barley. Despite the decline in the growth rate of non-agriculture, a rise in sectoral share of GDP contributed to increase the relative contribution of this sector to 80.5 percent from 68.4 percent a year ago.

**Table 1.2**  
**The Relative Contribution and Sector-wise Share in GDP**  
**(At 2000/01 price)**

Sector	Share in GDP		Growth Rate of GDP		Relative Contribution in Growth	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
<b>Agriculture</b>	35.7	35.1	4.7	2.2	31.6	19.5
<b>Non-Agriculture</b>	64.3	64.9	5.6	4.8	68.4	80.5
Industry	16.3	16.0	1.9	1.8	5.7	7.2
Service	48.0	48.9	7.0	5.8	62.7	73.3
<b>Total*</b>	<b>100.0</b>	<b>100.0</b>	<b>5.3</b>	<b>3.9</b>	<b>100.0</b>	<b>100.0</b>

\* Basic price before deduction of financial intermediation cost

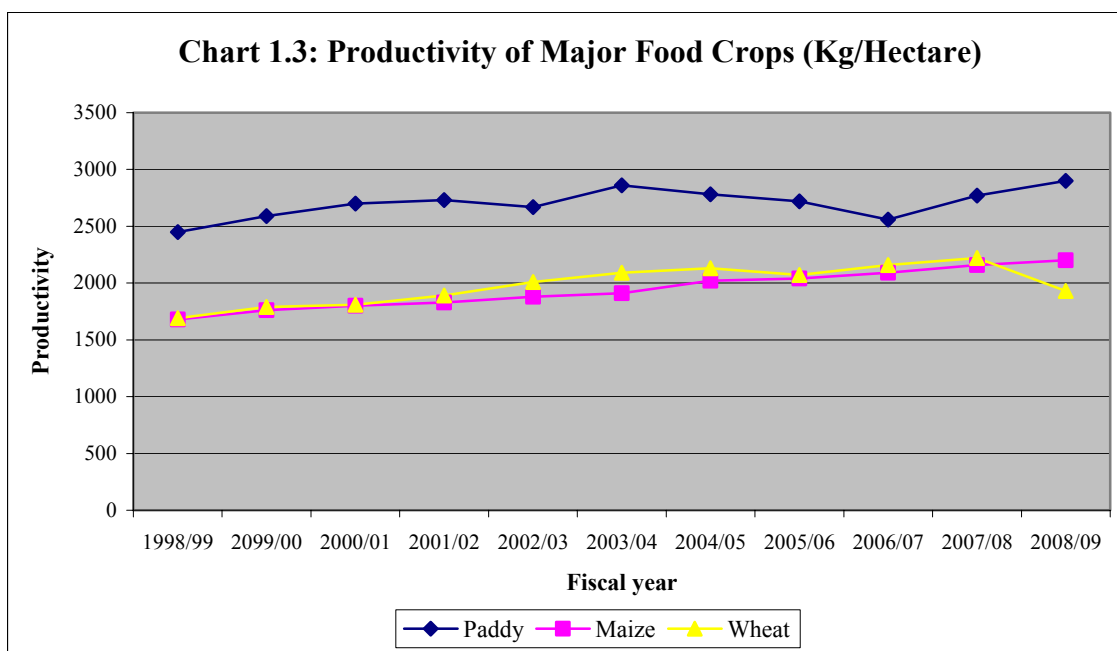
Source: Central Bureau of Statistic.



Source: Central Bureau of Statistic.

### Agricultural Sector

- 1.15 The agriculture sector, which was expanded by 4.7 percent in 2007/08, grew only by 2.2 percent in the review year. In the review year, the production index of food and other crops group declined by 0.7 percent as against a rise of 7.3 percent in the previous year. In the review year, the production of paddy increased only by 5.2 percent whereas, the production of Wheat and Barley plummeted by 14.5 percent and 17.3 percent respectively. Moreover, a decline in the production of Sugarcane, Jute, and Pulses added for further slowing down the growth of food and other crops production.



- 1.16 The production index of vegetable, horticulture and nursery group increased by 7.3 percent in the review year compared to a growth of 9.0 percent in the previous year. Under this group, the production of vegetable sub-group increased only by 7.3 percent compared to a rise of 9.0 percent in the previous year.



- 1.17 In the review year, production index of fruits, beverages and spices group raised up substantially by 20.4 percent. In the previous year, this index had increased only by 4.6 percent. Under this group, the production of spices and coffee reported to increase by 15.7 percent and 12.0 percent respectively. The increment in the production of orange, mango, banana, apple and tea, etc further reinforced the growth of this index.
- 1.18 The production index of animal related group, which contributed about one-fourth of overall agricultural production, increased by 3.4 percent in the review year compared to a growth 2.6 percent in the previous year. The production of milk, which comprises a major share in this group, increased by 4.0 percent in the review year compared to a growth of 2.7 percent in the previous year. In spite of the increase in the production of buffalo meat, the growth rate of the production of goat and sheep meat declined marginally.
- 1.19 In the review year, the production index of other animal farming related group declined by 1.8 percent as against a rise of 3.3 percent in the previous year. The production of hides and skins increased by 6.1 percent in the review year compared to a growth of 5.2 percent in the previous year. The review year witnessed a decline in the growth rate of production of pork as well as the production of poultry meat and eggs sub-group.
- 1.20 In the review year, the production index of forestry related group increased by 0.7 percent compared to a growth of 0.2 percent in the previous year. The production of firewood sub-group, which accounts a major share in this group, experienced no growth. However, the timber and herbal sub-groups reported a nominal growth of 0.5 percent and 0.1 percent respectively in the review year.
- 1.21 According to Department of Hydrology and Meteorology, the four months of June, July, August and September in the review year registered the average rain fall of 98 percent, 125 percent, 101 percent and 159 percent respectively. Higher average rainfall in all months (excluding June), had a positive impact on paddy production. During the winter season (December, January and February) of the review year, lower level of rainfall recorded in 4 stations and no rainfall recorded in eleven stations. Of the remaining stations, Okhaldhunga was the only single station that recorded more than 50 percent of rainfall. This had an adverse impact on the production of winter crops.
- 1.22 Out of total area of Nepal, it is estimated that roughly 2.6 million hectare of agriculture land is cultivable. Up to the review year, approximately 1.6 million hectare land has been brought under irrigation facility. Of total paddy plantation area of 1.6 million, 28 thousand hectare of land was submerged by flood, 1 thousand 2 hundred hectare got destroyed by river erosion and 1 thousand 3 hundred and 76 hectare was covered by flood sand. Likewise, of the total maize cultivated land of 0.9 million hectares, 153 hectare sank into flood, 387 hectare eroded by river flood and 9 hectare was covered by flood sand. However, such loss is still lesser than that of the previous year.

### **Industrial Sector**

- 1.23 The industrial sector, registered a growth of 1.8 percent in the review year compared to a rise of 1.9 percent in the previous year. The industrial production could not grow as expected due to the lack of friendly labour management relation, frequent *bandh* and strikes, load shedding, weak industrial security and lack of investment friendly environment in the country.
- 1.24 In the review year, the growth of construction sector stood at 5.7 percent compared to an increase of 3.1 percent in the previous year. The rapid growth of housing and private residential construction throughout the country, including Katmandu valley, was the key factor for such a growth of this sub-sector in the review year.
- 1.25 In the review year, the manufacturing sector registered a negative growth of 0.5 percent. The growth rate of this sector in the previous year was 0.2 percent. The mining and quarrying sector grew by 2.5 percent in review year compared to a growth of 2.8 percent in the previous year.

- 1.26 Electricity generation remained less than the installed capacity due to lack of proper maintenance of the existing hydropower projects and decline in the water level. As a result, production of the electricity, gas and water sub-sector declined by 1.1 percent in the review year. The production of this sector was reported to increase by 3.7 percent in the previous year.
- 1.27 Based on the major group of manufacturing production, the production of grain mill products and prepared animal feeds, beverages, tobacco products, knitted and crocheted fabrics, tanning and dressing of leather, saw milling and planning of wood, paper and paper products, publishing printing and reproducing of recorded music, and plastic products increased. However, the production of vegetable, oils and fats, dairy products, wearing apparel, other chemical products, non-metallic mineral products, other fabricated metal products, casting of metal, and electric machinery apparatus and cable declined.
- 1.28 The level of foreign investment experienced a contraction due to absence of expected improvement in the investment-friendly environment. According to the Department of Industry, the number of registered foreign investment projects increased by 8.5 percent in the review year, however the amount of foreign investment slowed down by 36.4 percent. In the review year, total of 230 projects (worth Rs. 6.3 billion) foreign investment commitment were granted approval. Whereas it was 212 foreign investment projects in the previous year. Out of the total 230 foreign investment projects with a commitment of Rs. 9.81 billion worth of foreign investment project in the review year, 78 were service sector related followed, 69 by tourism related, 48 manufacturing related, 17 mining related, 9 power related, 8 agriculture related and 1 construction related project. Based on the project cost, India secured the first position followed by United States of America, China, Norway, South Korea and United Kingdom. In the review year, nearly 11 thousand people are expected to get employment from the entire registered projects. This number is 3.7 percent more than that of the previous year.

### Service Sector

- 1.29 The production of services sector grew by 5.8 percent in the review year compared to a growth of 7.0 percent in the previous year. Despite the increase in the production of transport, storage and communications, real estate, renting and business activities, public administration and defense, and education sectors, the growth rate of overall service sector maintained low level due to the lower growth rate of wholesale and retail trade, hotel and restaurant, financial intermediation, health and social work, and other community, social and personal activities. Likewise, as a consequence of slide down in the production of tradeable agro-products together with decline in the production of manufacturing sector, the production of wholesale and retail trade sub-sector declined by 4.7 percent in the review year compared to a growth of 7.0 percent in the previous year. As a result of the fall in the number of tourist arrival, the production of hotel and restaurant sector witnessed a rise of 5.1 percent in the review year compared to a growth of 8.5 percent in the previous year.
- 1.30 In the review year, the numbers of tourists arrival by air registered 364,830; a marginal drop of 0.9 percent compared to the previous year. Based on the region-wise analysis, the number of Indian tourist arrival declined by 2.3 percent to 87,818. The numbers of Indian tourist arrival dropped by 11.6 percent to 89,919 in the previous year. The number of tourist arrival from third countries dropped by 0.5 percent and stood at 277,011 in numbers in the review year. In the previous year, such number had increased by 21.1 percent and reached 278,337. The decline in the numbers of tourist arrival is largely attributed to ongoing global financial crisis and weak security situation in the country.

**Table 1.3**  
**Number of Tourists Arrival by Air**

Region	Number of Arrivals			Change in %		Share	
	2006/07	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
India	101862	89919	87818	-11.6	-2.3	24.5	24.1
Third Country	229779	278337	277011	21.1	-0.5	75.5	75.9
Total	331640	368255	364830	11.0	-0.9	100.0	100.0

1.31 Under the service sector, the output of transport, storage and communication sector grew by 7.8 percent in the review year compared to a growth of 7.1 percent in the previous year. Similarly, the financial intermediation sector grew by 3.3 percent compared to rise of 13.8 percent in the previous year. As a result of increase in the activities of housing and other business, real estate, renting and business activities increased by 4.5 percent in the review year compared to its growth of 4.4 percent in the previous year. Similarly, public administration and defense, education, health and social work, and other community, social and personal service activities sector grew by 3.3 percent, 9.9 percent, 6.5 percent and 6.1 percent respectively. In the previous year, the growth of these sectors were at 0.4 percent, 3.3 percent, 13.6 percent and 11.1 percent respectively.

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

1.32 In the review year, the ratio of total consumption to nominal GDP increased to 92.0 percent from that of 88.8 percent in the previous year. In terms of current price, the consumption of government and private sector, which had recorded a growth of 21.9 percent and 9.4 percent respectively in the previous year, increased by 31.3 percent and 20.5 percent respectively in the review year. The share of investment in GDP stood at 29.7 percent in the review year which was lower than the last year's 31.8 percent. Similarly, the gross domestic saving which was 11.2 percent of GDP in the previous year, declined to 8.0 percent in the review year. In the review year the gross capital formation stood at 21.2 percent of GDP.

1.33 In terms of current price, the gross domestic demand, which had grown by 14.6 percent in the previous year, recorded a growth of 18.4 percent in the review year. The gross investment, which had grown by 27.0 percent in the previous year, increased only by 9.6 percent in the review year. Similarly, the gross consumption, which had increased by 10.7 percent in the previous year, rose by 21.5 percent in the review year. In the review year, the growth rate of export posted a higher rate than the growth rate of import. However, the growth rate of net export of Nepalese goods and services declined to 23.7 percent compared to a growth of 26.7 percent in the previous year.

### **Gross National Disposable Income**

1.34 The gross national disposable income, which had grown by 13.9 percent in the previous year, registered a growth of 21.2 percent in the review year. A substantial increase in net transfer contributed to such a high rise in gross national disposable income compared to the previous year. In the review year, GDP in current price grew by 17.3 percent compared to a rise of 12.4 percent in the previous year. Similarly, the ratio of gross national disposable income to GDP increased to 124.3 percent in the review year. In the previous year, such ratio was 120.3 percent. Private sector's remittance has been maintaining a substantial share to the net transfer. In the review year, the remittance increased by 47.0 percent and its ratio to GDP reached at 21.8 percent (Table 1.4).

**Table 1.4**  
**Gross National Disposable Income**  
**(At Current Price)**

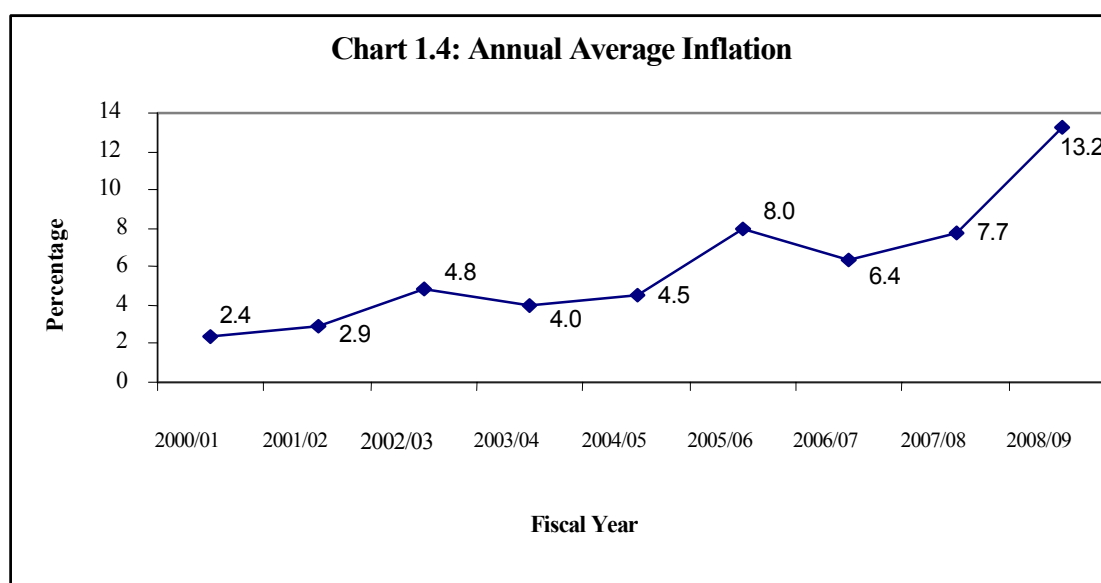
Particulars	2006/07	2007/08	2008/09	2007/08	2008/09
	In million RS			Percentage Change	
Consumption	656276	726685	883251	10.7	21.5
Gross Investment	204830	260170	285186	27.0	9.6
Domestic Demand	861106	986855	1168437	14.6	18.4
Net Exports	-132928	-168454	-208426	26.7	23.7
Gross Domestic Product	728178	818401	960011	12.4	17.3
Net Factor Income	7432	7947	22842	6.9	187.4
Net Transfer	128992	158381	210550	22.8	32.9
Gross National Disposable Income	864602	984730	1193403	13.9	21.2

Source: Central Bureau of Statistics.

## Inflation and Wage Rate

### Consumer Price Inflation

1.35 The annual average consumer inflation increased to 13.2 percent in 2008/09 from the level of 7.7 percent in 2007/08. The inflation, in the review period, surged due to the annual average price index rise by 16.7 percent of food and beverages group. The annual average price index of non-food and service group increased by 9.5 percent in the review year. The price rise of food and beverages and non-food and services group, was 10.1 percent and 5.1 percent respectively in the previous year.



1.36 During the review period, of the items under food and beverages group, yearly average price indices of sugar and sugar related products increased by a whopping rate of 45.9 percent. This was in sharp contrast to last year's decline of 10.1 percent. Similarly, the annual average price indices of pulses, meat, fish and eggs, restaurant meals, oil and ghee as well as milk and milk products increased in review period by 25.0 percent, 23.4 percent, 18.5 percent, 16.3 percent and 15.0 percent respectively compared to an increase of 14.2 percent, 7.7 percent, 7.1 percent, 20.9 percent and 7.6 percent in the same period of last year. The subgroup of grains and cereal products also witnessed a price rise of 14.3 percent compared to an increase of 14.6 percent in the corresponding period of the previous year.

1.37 Within the group of non-food and services, the yearly average indices of transport and communication as well as tobacco and related products rose up by 15.8 percent and 15.4 percent in the review period compared to a rise of 2.3 percent and 7.4 percent respectively in the previous year. Despite a slight moderation in the prices of petroleum products in various periods in the review year, the lagged effect of increased prices of petroleum products in June, 2008 drove the index of fuel, light and water by 10.6 percent.

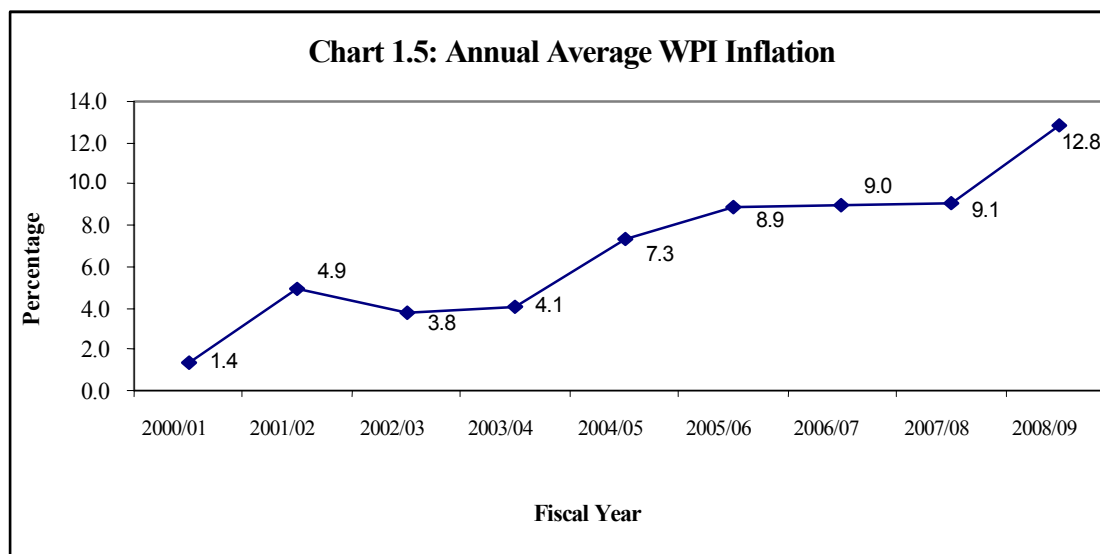
1.38 Region-wise, yearly average price level in the Kathmandu Valley, Terai and Hills rose by 14.3 percent, 12.8 percent and 12.7 percent respectively in the fiscal year 2008/09. The respective rates were 7.2 percent, 8.1 percent and 7.4 percent in the previous year.

1.39 The annual average core inflation rose by 12.6 percent in 2008/09 from the level of 6.1 percent in the previous year.

### Wholesale Price Inflation

1.40 The annual average wholesale price index increased by 12.8 percent in 2008/09 compared to a rise of 9.1 percent in the previous year. The annual average price indices of agricultural commodities, domestic manufactured commodities and imported commodities increased by 14.0

percent, 10.9 percent and 12.1 percent respectively in the review year as compared to a rise of 9.5 percent, 8.8 percent and 8.6 percent respectively in the previous year.



- 1.41 Within the agricultural commodities group, mainly the annual average price indices of livestock production, pulses, fruits and vegetables increased by 26.3 percent, 21.8 percent and 13.6 percent respectively compared to an increase of 7.0 percent, 13.3 percent and 11.4 percent in the previous year. Within the group of domestic manufactured commodities, the annual average price indices of beverages and tobacco, food related products and construction materials rose by 11.7 percent, 11.4 percent and 11.1 percent respectively in the review period compared to 6.0 percent, 9.6 percent and 13.8 percent increase in the previous year.
- 1.42 Within the imported commodities group, the annual average price indices of transport vehicles and machinery goods as well as textile-related products increased by 19.8 percent and 15.6 percent respectively in the review period. The annual average price indices of transport vehicles and machinery goods had increased by 7.7 percent whereas the price indices of textile related products had declined by 2.3 percent in the previous year. The price index of petroleum products and coal moderated in the review period to 10.4 percent from the 11.8 percent in the previous year.

### National Salary and Wage Rate Index

- 1.43 The annual average salary and wage rate index rose by 15.3 percent in 2008/09. It had increased by 9.7 percent in the previous year. In the review period, annual average of both salary and wage rate indices rose by 10.5 percent and 16.9 percent respectively compared to the growth of 10.9 percent and 9.4 percent respectively in the previous year. Such an increase was on account of increase in the salary of civil servants in mid-September 2008. Annual average wages of agricultural, industrial and construction laborers increased by 23.0 percent, 8.3 percent and 15.3 percent respectively in the review period. These wage rates had increased by 7.7 percent, 11.6 percent and 10.2 percent respectively in the same period of last year.

## External Sector

### Overall Trade Situation

- 1.44 In 2008/09, the external sector depicted mixed performance. Although there was an increase in exports, there was a considerable expansion in trade deficit as the rate of growth of imports was significant. Because of increase in remittances both the current account and the balance of payments remained in significant surplus. Consequently, there was a rise in foreign exchange reserves that facilitated in the maintenance of exchange rate and external stability.

## Exports and Imports

- 1.45 In 2008/09, total exports increased by 13.5 percent (Rs. 7.98 billion) to Rs. 67.25 billion. In the previous year, total exports had declined by 0.2 percent. Total imports, on the other hand, rose by 28.2 percent (Rs. 62.63 billion) to Rs. 284.57 billion in comparison to a growth of 14.0 percent in the previous year. As a result, in the review year, total trade deficit expanded by 33.6 percent to Rs. 217.32 billion. In the previous year, total trade deficit had risen by 20.2 percent to Rs. 162.67 billion. Similarly, total trade increased by 25.1 percent to Rs. 351.82 billion in comparison to its growth of 10.7 percent in the previous year (Table 10). While total exports to GDP ratio declined to 7.0 percent in the review year from 7.2 percent in the previous year, total imports to GDP ratio increased to 29.6 percent from 27.1 percent correspondingly. As a result, trade deficit to GDP ratio went up to 22.6 percent in the review year from 19.9 percent in the previous year.
- 1.46 Exports to India went up by 6.2 percent (Rs. 2.41 billion) to Rs. 40.96 billion in contrast to a decline of 7.6 percent in the previous year. The share of India in total exports fell to 60.9 percent in the review year from 65.1 percent in the preceding year. In the review year, while exports of readymade garments, shoes & sandals, tooth paste, G.I. pipe and noodles to India increased, exports of vegetable ghee, thread, zinc sheet, jute goods and wire declined considerably (Tables 10 and 11).
- 1.47 Exports to overseas soared by 26.9 percent (Rs. 5.57 billion) in the review year, compared to the growth rate of 17.3 percent in the previous year. While there was an increase in the exports of pulses followed by pashmina, woolen carpets, handicraft and herbs to other countries, there was a decline in the exports of silverware & jewelleryes and niger seeds (Tables 10 and 13).
- 1.48 In the review year, imports from India rose by 15.1 percent (Rs. 21.52 billion) to Rs. 163.89 billion in comparison to a growth of 22.9 percent in the preceding year. While imports of vehicles & spare parts, other machinery & parts, cold-rolled sheet in coil, cement and medicine from India increased, imports of M.S. billet, wire products, MS wire rod, vegetables and thread decreased. Under the provision of imports from India by payment of convertible currency, goods worth Rs. 33.12 billion (20.2 percent of total imports from India) were imported. In the previous year, such imports had amounted to Rs. 32.02 billion (22.5 percent of the total imports from India). Trade deficit with India that had gone up by 40.0 percent in the previous year rose by 18.4 percent in the review year (Tables 10 and 13).
- 1.49 In the review year, imports from countries other than India increased by 51.7 percent (Rs. 41.12 billion) and amounted to Rs. 120.68 billion compared to a rise of 0.9 percent in the previous year. Among others, the major imports from other countries that experienced an upward trend comprised of gold, electrical goods, crude soybean oil, MS billet and other machinery & parts while imports of crude palm oil, raw wool, telecommunication equipment and parts, textile dye and readymade garments declined (Tables 10 and 12).
- 1.50 The share of India in total exports decreased to 60.9 percent in the review year from 65.1 percent in the previous year. Likewise, the share of India in total imports also decreased to 57.6 percent from 64.2 percent in the preceding year. As a result, the share of India in total trade fell to 56.6 percent from 63.8 percent a year earlier. Likewise, the share of other countries in total trade deficit rose to 43.4 percent in the review year from 36.2 percent in the previous year (Table 10).

## Balance of Payments

- 1.51 After adjusting border trade, the total exports, under f.o.b valuation, has increased by 12.8 percent to Rs. 69.91 billion. In the previous year, such exports had risen by 0.8 percent. Because of the increase in the import of petroleum products by 1.3 percent and the increase in import of other merchandize goods by 34.3 percent, total imports soared by 28.1 percent to Rs. 279.23 billion in the review year. In the previous year, due to the rise in the import of petroleum products by 21.3

percent and the rise in the import of other merchandize goods by 12.9, total imports had increased by 14.5 percent. Consequently, trade deficit soared by 34.2 percent to Rs. 209.32 billion in the review year in compared to the rise of 21.0 percent a year earlier (Table 15).

- 1.52 Because of the expansion in tourism activities, travel income increased significantly by 49.9 percent to Rs. 27.96 billion. As a result, total receipts from services increased by 25.1 percent to Rs. 52.83 billion in the review year in comparison to an increase of 31.7 percent in the previous year. In the review year, while transportation expenses declined by 2.5 percent, travel expenses soared by 50.5 percent. As a result, total services payments increased by 18.7 percent to Rs. 63.31 billion in comparison to an increase of 31.8 percent in the previous year. Thus, net services income was negative by Rs. 10.48 billion in the review year. In the previous year, such income was negative by Rs. 11.09 billion.
- 1.53 On the income front, income receipts soared by 22.7 percent to Rs. 16.51 billion. Similarly, because of the decline in the bonus and profit repatriated by foreign investors, the income payments also declined by 13.5 percent to Rs. 4.76 billion. Consequently, in comparison to the previous year, net income rose by 47.9 percent to Rs. 11.75 billion.
- 1.54 In the review year, grants increased by 27.6 percent to Rs. 26.80 billion in the review year as compared to its growth of 15.2 percent in the previous year. In comparison to the previous year's growth of 42.5 percent, workers' remittances soared by 47.0 percent in the review year to Rs. 209.70 billion. In this period, pension receipts fell by 5.5 percent to Rs. 17.76 billion. In this way, transfer receipts rose by 38.8 percent to Rs. 257.46 billion. As a result, though there was a significant increase in the deficit in the balance on goods and services, the current account posted a surplus of Rs. 41.44 billion in the review year arising from the significant rise in transfer receipts. Such surplus was 4.3 percent of GDP. In the preceding year, the current account had registered a surplus of Rs. 23.68 billion (Table 15).
- 1.55 Under the capital account, transfers stood at Rs. 6.23 billion in the review year compared to Rs. 7.91 billion in the preceding year.
- 1.56 Under the financial account, other investment assets rose by Rs. 17.68 billion. In the previous year, such assets had risen by Rs. 11.40 billion. Under other investment liabilities, trade credit increased by Rs. 19.55 billion in the review year. In 2008/09, the inflow of government loan was Rs. 7.29 billion while repayment amounted to Rs. 10.12 billion. In the review year, currency and deposit liabilities increased by Rs. 17.24 billion. As a result, the overall balance of payments remained in surplus by Rs. 41.28 billion in the review year. In the previous year, the balance of payments had recorded a surplus of Rs. 29.67 billion (Table 15).

### **Gross Foreign Exchange Reserves**

- 1.57 The gross foreign exchange reserves surged by 31.7 percent to Rs. 279.99 billion as at mid-July 2009, out of which the share of Nepal Rastra Bank was 80.1 percent. Such reserves had risen by 28.8 percent to Rs. 212.62 billion in the previous year, out of which the share of Nepal Rastra Bank was 79.8 percent. The gross foreign exchange reserves in terms of US\$ raised up by 15.6 percent to US\$ 3.59 billion as at mid-July 2009 compared to its growth of 21.9 percent in the same period of the preceding year. The current level of reserves is adequate for financing merchandise imports of 12.0 months and merchandise and service imports of 9.8 months (Table 16).

**Table 1.5**  
**Reserve Adequacy Indicators**

	2006/07	2007/08	2008/09P
Trade indicators (in months)			
Import capacity (Goods only)	10.2	11.5	12.0
Import capacity (Goods and services)	8.4	9.3	9.8
Debt indicator (in percent)			
Gross foreign exchange reserve/Total foreign debt	76.2	85.1	113.7
Monetary indicators (in percent)			
Gross foreign exchange reserve/Broad money supply	41.7	42.9	44.5
Gross foreign exchange reserve/Reserve money	138.4	147.1	143.2
Gross foreign exchange reserve/GDP	22.7	26.0	29.2

P Provisional

Source: Nepal Rastra Bank, Financial Comptroller General Office.

- 1.58 The ratios of gross foreign exchange reserve to broad money supply and reserve money remained at 44.5 percent and 143.2 percent respectively as at mid-July, 2009. Such ratios were 42.9 percent and 147.1 percent respectively in the previous year.

### Foreign Loan

- 1.59 The foreign loan outstanding declined by 1.5 percent to Rs. 246.16 billion as at mid-July, 2009 compared to Rs. 250 billion a year ago. In mid-July, 2009, the ratio of gross foreign exchange reserve to total foreign debt remained at 113.7 percent compared to 85.1 percent as at mid-July, 2008.

### Exchange Rate Movement

- 1.60 Compared to mid-July 2008, the Nepalese currency vis-à-vis US dollar, Euro and Japanese Yen depreciated by 12.24 percent, 0.32 percent and 23.48 percent respectively as at mid-July, 2009. However, with respect to Pound Sterling, the Nepalese currency appreciated by 7.19 percent. The exchange rate of Nepalese currency with Indian currency remained stable in 2008/09.

**Table 1.6**  
**Exchange Rate Movement**

Foreign currency	Buying rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2007	2008	2009	2008	2009
1. US dollar	64.85	68.50	78.05	-5.33	-12.24
2. Pound sterling	131.43	135.89	126.78	-3.28	7.19
3. Euro	89.27	108.72	109.07	-17.89	-0.32
4. Japanese yen	5.30	6.42	8.39	-17.45	-23.48

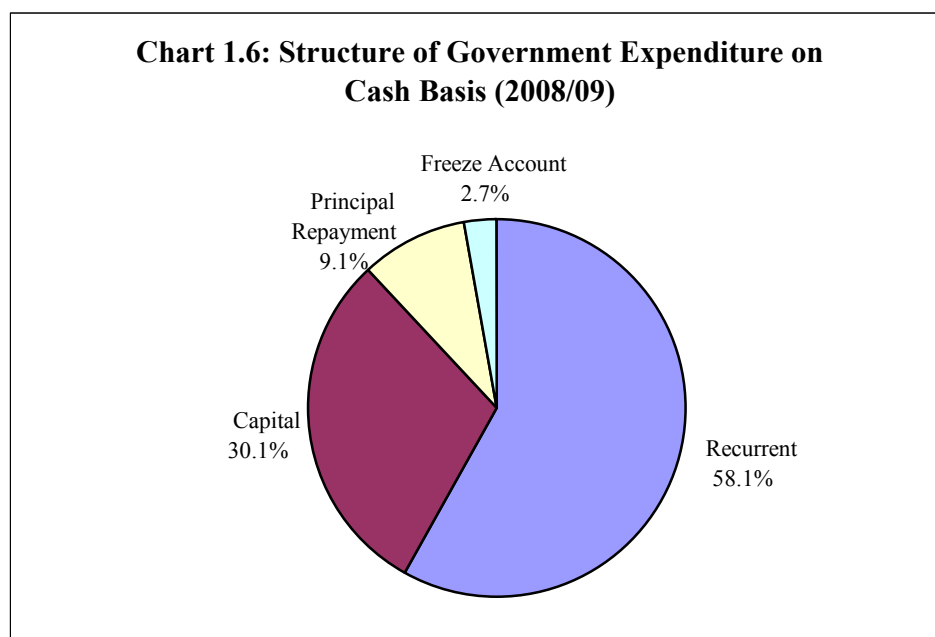
## *Fiscal Situation*

- 1.61 Fiscal situation of the Government of Nepal (GON) remained expansionary in 2008/09. A significant amount spent in the increased salary of government employees as well as the non-budgetary expenses on different items exerted the pressure on government expenditure in the review year. Consequently, the government budget deficit stood at 3.5 percent of Gross Domestic Product (GDP). Such ratio was 2.7 percent in the previous year. However, capital expenditure did not seem satisfactory until the last of the fiscal year. The increasing trend of capital expenditure more often at the end of the fiscal year continued this year as well.



## Government Expenditure

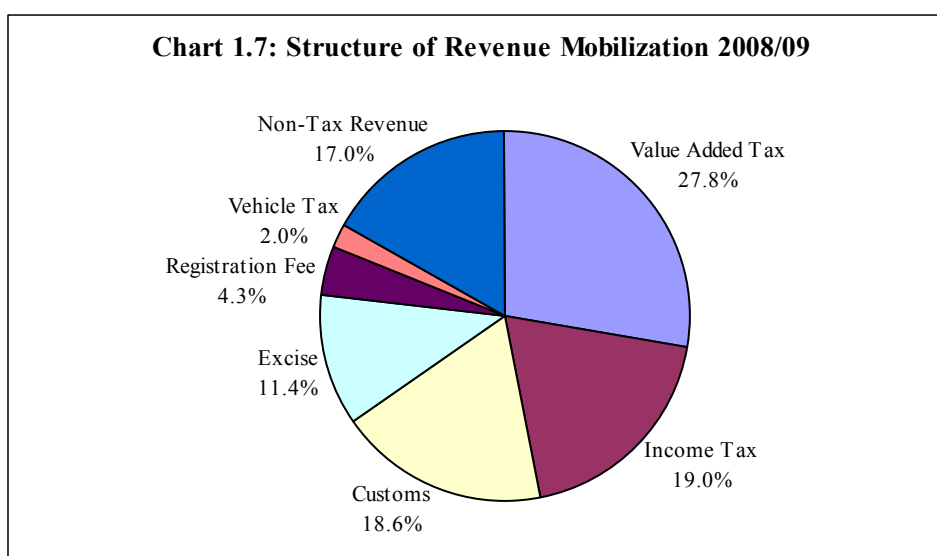
- 1.62 Total government expenditure on cash basis increased by 37.2 percent to Rs. 205.71 billion in 2008/09 compared to a rise of 19.7 percent in 2007/08. A higher level of growth in both recurrent as well as capital expenditure contributed to such an acceleration in total expenditures.
- 1.63 The recurrent expenditure of the GON rose by 35.1 percent to Rs. 119.38 billion in 2008/09 compared to a rise of 19.1 percent in 2007/08. The rise in the salary of government employees as well as non-budgetary expenses on different items exerted such pressure on recurrent expenditure in the review year.
- 1.64 Capital expenditure increased by 43.2 percent to Rs. 61.94 billion in 2008/09 compared to a rise of 33.9 percent in the previous year. The factors contributing to rise in capital expenditure were the prevalence of repeated tendency of year-end increase in capital expenditure as in previous years, payment of tender amount, smoothness in public procurement processes, significant disbursement of funds to local authorities as well as subsidies provided to Small Farmers Debt Waiver Program.
- 1.65 Of the total government expenditure in the review period, the ratios of recurrent expenditure, capital expenditure, principal repayment and freeze expenditure stood at 58.1 percent, 30.1 percent, 9.1 percent and 2.7 percent respectively. Such ratios were 58.9 percent, 28.7 percent, 10.8 percent and 1.6 percent respectively in the previous year.



## Government Revenue

- 1.66 Total revenue of the GON increased significantly by 33.3 percent to Rs 143.48 billion in 2008/09 compared to a growth of 22.7 percent in the previous year. Consequently, revenue / GDP ratio increased to 14.9 percent in the review year from that of 13.2 percent in the previous year. Such an impressive growth of revenue was on account of firm commitment of the government to control revenue leakages, enhanced efficiency of revenue administration and adoption of program like Voluntary Declaration of Income Scheme (VDIS) as well as increase in the mobilization of non-tax revenue in the review year.
- 1.67 Amongst the components of revenue, the Value Added Tax (VAT) collection significantly increased by 28.0 percent to Rs 39.89 billion in the review period. Such revenue had increased by 17.3 percent in the previous year. The growth in VAT revenue was on account of increase in import and consumption in consequence of rise in remittance income as well as reform in VAT administration.

- 1.68 The revenue collection from customs increased by 34.5 percent to Rs. 26.64 billion in 2008/09 compared to an increase of 18.6 percent in the previous year. Reforms in customs administration, increase in imports of high customs tax yielding vehicles and spare parts as well as a rise in the amount of Indian excise refund contributed to such a high growth of customs revenue.
- 1.69 In the review year excise revenue increased by 45.3 percent to Rs. 16.29 billion compared to an increase of 21.3 percent in the previous year. Identification of new excisable goods, reforms in excise administration and increase in the imports of high excise tax yielding vehicles and spare parts contributed for such an increase in excise revenue.
- 1.70 The income tax revenue increased by 42.5 percent to Rs. 27.21 billion in the review year. Income tax had increased by 19.9 percent in the previous year. A significant amount of income tax under the VDIS contributed to such a high growth of income tax revenue in the review year.



- 1.71 Of the total revenue mobilization, the contribution of VAT, custom, excise and income tax remained at 27.8 percent, 18.6 percent, 11.4 percent and 19.0 percent respectively in 2008/09. Such contributions were 29.0 percent, 18.4 percent, 10.4 percent and 17.8 percent respectively in the previous year.
- 1.72 The non-tax revenue increased by 14.2 percent to Rs 24.47 billion in 2008/09 compared to an increase of 36.1 percent in the previous year. Such a deceleration in non-tax revenue was attributed due to decline in the amount of dividend from Nepal Rastra Bank as well as the repayment of principal from some public enterprises like Nepal Telecom, Nepal Electricity Authority and Civil Aviation Authority of Nepal in comparison to that of the previous year.

### Tax Policy Provisions

#### Strategy for increasing Revenue Base

- Tax payment through VDIS,
- Decrease in house rent tax to 10 percent,
- Bringing education consultancy services into tax net,
- Bringing educational institutions owned and operated by private sector,
- Bringing brick industries into tax net,
- Bringing those stakeholders (outside the tax net) into tax net,
- Bringing those taxpayers under the responsibility of VAT registration into tax net.
- Increase in excise of liquor, cigarette and tobacco products,
- Increase in non-tax mobilization.

- With a view to fulfill the commitments made in regional and international organization and to expand the accessibility to the information and communication, the budget 2008/09 had proposed to zero custom duty on 131 goods. The budget proposed excise duty on some goods to compensate the revenue loss thereof.
- A provision of an increase in capital gain tax from 10 percent to 15 percent was made.
- An additional 5 percent tax to be levied on education services and health services (excluding governmental and community based).
- A substantial increase in vehicle taxes and excise duties.
- The provision of 5 percent additional fees at the time of registration of houses in Kathmandu valley.
- An exemption of interest tax on the annual interest earnings of up to Rs.10 thousand on deposit amount placed with rural micro finance institutions, development banks, postal saving banks and cooperatives institutions.
- An exemption of 10 percent remuneration tax to the women and the deduction of the house registration fees to them.

### Tax Rates

- 1.73 Personal income tax and corporate income tax rates remained unchanged in the review year. However, the existing provision of levying additional surcharge of 1.5 percent has been revoked from 2008/09.
- 1.74 In the excise front, excise rates of 5, 10, 15, 20, 25, 30, 35 and 45 are prevalent in 2008/09. Such rates were 4, 5, 15, 32, and 53 in 2007/08. In 2008/09, customs rates on imports remained at 5, 10, 15, 20, 25, 30, 40 and 80, which were 5, 10, 15, 20, 25, 30, 40, 55 and 80 in 2007/08. In 2008/09, customs rates on exports remained at 2, 70 and 200, which were 0.5, 1, 4, 8, 70 and 200 in the previous year (Table 5.1).

**Table 1.7**  
**Tax Rates**

	Description	2007/08	2008/09
1.	Import Duties (Percent)	5,10,15,20,25,30,40,55,80	5, 10, 15, 20, 25, 30, 40, 80
2.	Export Duties (Percent)	0.5, 1, 4,8, 70, 200	2, 70, 200
3.	Excise (Percent)	4, 5, 15, 32, 53	5, 10, 15, 20, 25, 30, 35, 45
4.	VAT (Percent)	13	13
5.	<u>Income Tax</u>		
	(a) Limit of Exemption		
	(i) Individual	Rs. 115,000	Rs. 115,000
	(ii) Couple or Family	Rs. 140,000	Rs. 140,000
	(b) Rate of Tax (Percent)		
	(i) First Rs. 85,000 after Exemption Limit	15 percent	15 percent
	(ii) On residual amount	25+1.5 percent	25 percent
	<u>Corporate Tax</u>		
	(a) Flat Rate at Corporate Net Income		
	(i) Bank and Financial Institutions	30 percent	30 percent
	(ii) Others	25 percent	25 percent
	(b) Partnership Firm	25 percent	25 percent
	House Rent Tax	15 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 Debt	5 percent	5 percent
	Bonus Tax	5 percent	5 percent

## Foreign Grants

1.75 In 2008/09, foreign grants reported a growth of 39.2 percent to Rs. 24.40 billion compared to a growth of 37.5 to Rs.19.52 billion in the previous year.

## Budget Deficit/Surplus

1.76 The GON's budget deficit on a cash basis increased by 49.1 percent to Rs 33.51 billion in 2008/09 compared to a deficit of Rs.22.48 billion in the previous year. The ratio of budget deficit to GDP remained at 3.5 percent in the review period. Such ratio was 2.7 percent in 2007/08.

## Sources of Financing Deficit

1.77 In 2008/09, government has mobilized internal debt amounted to Rs.18.42 billion as a source of deficit financing, which is 1.9 percent of current GDP.

1.78 In 2008/09, because of repayment of internal debt amounted to Rs. 8.78 billion and overdraft amounted to Rs. 7.99 billion (after the adjustment GON's balance in 2007/08 with NRB amounted to Rs. 3.95 billion) GON's net domestic borrowing stood at Rs. 17.62 billion in the review year. The ratio of net domestic borrowing to GDP stood at 1.28 percent. Consequently, the GON's total outstanding domestic debt (including GON's balance with NRB) amounted to Rs. 128.86, a ratio of 12.6 percent of GDP.

1.79 In 2008/09, the mobilization of external debt declined by 3.8 percent to Rs. 3.73 billion compared to Rs 3.87 billion in the previous year.

## Status of the Public Enterprises

1.80 Out of 36 state owned (fully owned /partially owned) enterprises, 17 enterprises had earned profit and 19 enterprises had incurred losses in 2007/08.

1.81 Public Enterprises earned net profit of Rs. 4.94 billion in 2007/08. They had earned net profit of Rs. 7.74 billion in the previous year. Net profit of Rs. 7.94 billion earned by Nepal Telecom and net profit of Rs. 1.77 billion earned by Rastriya Banijya Bank Limited (RBBL) contributed to such an increase in overall net profit of public enterprises in 2007/08. Similarly, an increase in net loss of Nepal Oil Corporation from Rs. 1.92 billion in 2006/07 to Rs. 5.57 billion in 2007/08 contributed to such a decrease in net profit of the public enterprises. However, inability to adjust the local price of petroleum products with a decrease in international price was expected to increase the overall net profit of the public enterprises to Rs. 5.03 billion in 2008/09. Likewise, net profit of public enterprises was expected to increase to Rs. 18.42 billion in 2008/09.

1.82 Total shareholders' fund of all public enterprises remained at Rs. 48.11 billion in 2007/08 which was 39.0 billion in the previous year. In 2007/08, share investment of the GON was 81.92 billion. However, 41 percent of the capital had been eroded. The GON earned a dividend of Rs. 1.51 billion, which was 1.85 percent of total share investment in 2007/08. Similarly, total outstanding loan investment to the enterprises remained Rs. 73.81 billion in 2007/08. Of this, internal loan was of Rs. 13.16 billion and external loan was of Rs. 60.69 billion.

1.83 Even among the profit earning public enterprises, the financial condition, capacity utilization and employee productivity of most of them did not remain satisfactory. A very low rate of return, lack of regular and updated audit, inadequate professional human resources, lack of funds for the provisions to meet employee-related facilities, political interference, lack of autonomy to determine the price of their product as per the change in market price, lack of clear policy and mechanism for the monitoring and inspection of the enterprises are the main challenges of public enterprises in Nepal. As a result, most of the public enterprises have negative net worth.

## Privatization and Dissolution of Public Enterprises

1.84 With the objectives of minimizing the administrative and budgetary burden of the GON, strengthening productivity by increasing business skill of the industries and business enterprises, minimizing the possibility of crowding out private investment by the unproductive investment in

government enterprises, increasing private sector participation in economic development, the GON had started privatization process since 1994. Up to mid-April, 2009, 30 public enterprises were privatized through liquidation, assets and business sales, share and equity sales, management contract and equity sales and lease. However, privatization is not free of problems. Problems in getting receivables easily by the GON through privatization, problems in settlement of enterprise's obligation and GON's compulsion to pay for such obligation, problems in sale of assets, embezzlement of land given on rent in the process of privatization are the major challenges of privatization.

## *Monetary Situation*

### **Growth Rate of Monetary Aggregates**

- 1.85 In 2008/09, monetary aggregates expanded at a higher rate compared to previous year. Broad money ( $M_2$ ) expanded by 27.0 percent as compared to 25.2 percent in the previous year. The ratio of  $M_2$  to gross domestic product (GDP) stood at 65.5 percent at mid-July 2009 as compared to 60.4 percent at mid-July 2008. Similarly, narrow money ( $M_1$ ) expanded by 27.3 percent as compared to a growth of 21.6 percent in the previous year. Such acceleration in the growth rate of monetary aggregates in the review year is due to the higher growth in both net foreign assets and net domestic assets.
- 1.86 Among the components of narrow money ( $M_1$ ), the currency in circulation increased by 25.5 percent compared to 19.9 percent in the previous year. Increase in cash flow to rural areas together with increased inflow of remittances in the backdrop of inadequate rural network of banks and financial institutions, partly contributed towards the expansion in currency in circulation. Similarly, extra cash holding which was required due to higher inflation for transaction purpose also contributed to increase in currency in circulation. In the review year, demand deposit increased by 30.5 percent compared to 25.0 percent in the previous year. The higher growth in private sector credit contributed towards the expansion in demand deposit. In the review year, growth of time deposit remained at 26.9 percent with a marginal decline from the previous year growth rate of 27.0 percent.

### **Factors affecting Monetary Expansion**

- 1.87 Of the expansionary factors of money supply, the growth rate of both net foreign assets (NFA) and net domestic assets (NDA) remained higher in the review year relative to previous year. NFA after adjusting foreign exchange valuation gain/loss increased by 22.0 percent (Rs 37.73 billion) compared to an increase of 22.5 percent (Rs 29.67 billion) in the previous year. Increases in inflow of remittances as well as foreign aid mobilization by GON are mainly attributed to such a rise in NFA. Similarly, NDA rose by 29.7 percent (96.09 billion) in the review year.
- 1.88 Gross domestic credit grew by 26.4 percent in 2008/09 compared to a growth of 21.3 percent in the previous year. The higher growth of gross domestic credit is mainly due to higher growth in claims on private sector and government.
- 1.89 Net claims on government increased by 19.5 percent compared to a growth of 11.2 percent in the previous year. Larger amount of internal borrowing from banking sector to fulfill the increased budget deficit led by higher rate of government expenditure relative to revenue mobilization resulted into such a higher growth in net claim on government. GON utilized overdraft facility of Rs. 7.99 billion from the monetary authority in the review year.
- 1.90 The claims on non-financial government enterprises decreased by 9.6 percent (Rs. 540 million) as against a growth of 10.4 percent (Rs. 530 million) in the previous year. Such a decrease in claims on non-financial government enterprises was mainly due to repayment of loans taken from the banking sector as National Trading Ltd., Nepal Food Corporation, and Nepal Electricity Authority repaid partly and Nepal Oil Corporation Ltd. repaid fully in the review year.

- 1.91 The claims on financial institutions rose by 60.5 percent (Rs. 2.85 billion) compared to 30.0 percent (Rs. 1.09 billion) in the previous year. The remarkable rise in claims on financial institutions, in spite of the reduction in the claims on government owned financial institutions, is attributed to the increase in short-term investment of commercial banks to development banks and finance companies.
- 1.92 The claims on private sector increased by 28.3 percent in comparison to a growth of 24.3 percent in the previous year. An increase in banks' credit in wholesale and retail trade; consumer financing; and inclusion of credit extended by Kist Merchant Bank & Finance Company Ltd. after its upgradation from 'C' class financial institution to commercial bank mainly contributed to such a higher growth in claims on private sector in the review year.

### **Reserve Money**

- 1.93 Reserve money rose by 35.3 percent compared to 21.2 percent in the previous year. Remarkable upsurge in NFA (Rs. 45.84 billion) of monetary authority led by larger inflow of workers' remittances accounted for such a higher growth of reserve money. On the demand side, the currency in circulation as well as cash held by banks and financial institution with NRB increased as a consequence of increase in reserve money.

## *Money and Financial Market*

### **Sources and Uses of Fund of Commercial Banks**

#### **Resource Mobilization of Commercial Banks**

- 1.94 Assets/liabilities of commercial banks increased by 28.3 percent to Rs. 704.22 billion as at mid-July 2009 compared to a growth of 24.9 percent in the previous year. Such a higher growth in assets/liabilities is attributed to the increase in deposit mobilization on account of increased remittance inflow, increase in paid up capital and entry of a new commercial bank.
- 1.95 Total deposit mobilization of commercial banks expanded by Rs. 128.30 billion (30.4 percent) to Rs 549.83 billion at mid July 2009. The deposit mobilization of commercial banks increased by Rs. 87.07 billion (26.0 percent) in the previous year. Of the total deposit, the local currency deposit accounted for Rs. 494.49 billion. The causes behind higher amount of deposit mobilization include expansion of commercial banks' branches, entry of a new commercial bank and significant inflow of remittances.
- 1.96 In the review year demand deposits increased by 28.4 percent compared to 26.8 percent in the previous year due to the higher growth of commercial banks' credit to private sector. Of the total demand deposits, the deposits in local currency grew by 33.5 percent while the deposit in foreign currency decline by 1.6 percent. The local currency demand deposit increased by 23.1 percent in the previous year.
- 1.97 Saving deposit grew by 22.9 percent in the review year. Out of the total saving deposits, local currency deposit and foreign currency deposit expanded by 22.8 percent and 25.4 percent respectively. In the previous year, the respective growth rates were 21.1 percent and 20.9 percent. Similarly, in the review year, fixed deposit rose by 41.8 percent comprising of 33.2 percent growth in local currency deposit and 103.0 percent growth in foreign currency deposit. In the previous year, the local currency fixed deposits and foreign currency fixed deposits were increased by 37.5 percent and 11.4 percent respectively. In the review year, the share of saving deposit was 47.3 percent and that of fixed deposit was 39.3 percent in the total deposit mobilization. In the previous year, the respective ratios were 50.2 percent and 36.1 percent respectively. The increasing share of fixed deposit is considered favorable for long-term capital mobilization.
- 1.98 In addition to deposit mobilization, commercial banks have also mobilized financial resources by increasing paid-up capital. In the review year, paid-up capital of commercial banks increased

by Rs. 8.99 billion and stood at Rs. 40.7 billion at mid-July 2009. The increase in the amount of paid-up capital in total assets/liabilities of banking sector is considered a favorable aspect of financial stability.

#### **Use of Fund of Commercial Banks**

- 1.99 Loans and advances of commercial banks increased by 23.3 percent to Rs. 518.2 billion as at mid-July 2009 compared to a growth of 23.5 percent in the previous year. Out of components of loans and advances, the share of claims on private sector is highest. The ratios of claims on private sector to GDP and to total deposits stood at 45.4 percent and 78.7 percent respectively. The commercial bank's claims on private sector expanded by 28.5 percent to Rs 432.7 billion as in mid-July 2009 compared to a growth of 26.9 percent in the previous year. Though, the growth of claims on private sector remained higher relative to previous year, the growth rate of private sector credit decelerated marginally compared to previous year. The private sector credit expanded by 31.6 percent (Rs.97.12 billion) compared to 32.5 percent (75.32 billion) in previous year. Consequently, the credit/deposit ratio declined to 81.2 percent from 82.6 percent in previous year.
- 1.100 Commercial bank's investment on government securities declined by 0.7 percent and stood at 10.2 percent of their total assets in the review year compared to 13.1 percent in previous year. The fall in investment on government securities is due to lower amount of net internal debt mobilization by government from commercial banks. Likewise, the expansion of short-term investment of commercial banks on finance companies and other financial institutions pushed up the growth rate of their claims on financial institutions to 72.6 percent. However, the claims on non-financial government enterprises is reduced by 9.7 percent as National Trading Limited, Nepal Food Corporation and Nepal Electricity Authority partially repaid the banking sector credit and Nepal Oil Corporation who repaid it fully.
- 1.101 Liquid funds of commercial banks increased remarkably by 47.0 percent to Rs.116.11 billion in the review year compared to a growth of 21.7 percent in the previous year. An elevated inflow of remittances and expansion in capital expenditure of the Government towards the end of fiscal year contributed to the remarkable expansion in liquid fund of commercial banks. Among the components of liquid fund, balance with NRB increased by 92.2 percent in the review year compared to an increase of 5.6 percent in the previous year. Likewise, commercial banks' balance held abroad rose by 29.9 percent to Rs. 53.41 billion at the mid-July 2009.

#### **Refinance Facility to Commercial Banks and Other Financial Institutions from the NRB**

- 1.102 Outstanding amount under refinance facility to commercial banks and other financial institutions from the NRB came down to Rs. 97.7 million in the review year compared to Rs. 309.8 million in the previous year. The outstanding amount to commercial banks remained nil in the review year as compared to Rs. 60.7 million in the previous year. The outstanding amount to government owned financial institutions came down to Rs. 97.7 million in the review year from Rs. 249.1 million in the previous year. Out of total outstanding claim of NRB under this facility, claim on Nepal Agriculture Development Bank Ltd, Nepal Industrial Development Corporation Ltd, Rural Development Banks and Western Development Bank stood at Rs. 0.1 million, Rs. 80.6 million, Rs. 10.0 million and 7.0 million respectively in the review year compared to respective amounts of Rs. 0.1 million, Rs. 232.0 million, Rs. 10.0 million and Rs. 7.0 million in the previous year.

#### **Non-performing loan of Commercial Banks**

- 1.103 After the execution of financial sector reform program, the non-performing asset (NPA) ratio is gradually improving. The NPA ratio, which was 6.3 percent as at mid-July 2008, reduced to 3.6 percent (based on unaudited balance sheet) at mid-July 2009. The NPA ratio of three government-owned commercial banks has been improving gradually. The NPA ratio of Nepal Bank Limited (NBL) reduced to 5.4 percent at mid-July 2009 from 49.6 percent at mid-July 2005. The NPA ratio of NBL was 12.4 percent at the end of the previous year. The NPA ratio of RBBL which was 53.0 percent at mid-July 2005 reduced to 21.7 percent at mid-July 2008 and

15.7 percent at mid-July 2009. Stern measures taken to recover bad loan and credit write-off of Rs. 27.07 billion in their restructuring process account for such improvement in NPA ratios of these banks. Though the NPA ratio is falling, the recovery from the loan already written-off is challenging for both the banks. Likewise, NPA ratio of Agriculture Development Bank Ltd. of Nepal (ADB/N), which stood at 11.7 percent at mid-July 2008, reduced to 8.9 percent in mid-July 2009. Among the private sector banks, the NPA ratio is high in Nepal Bangladesh Bank Limited and Lumbini Bank, besides the government owned NBL, RBB and ADB/N,

**Table 1.8**  
**Status of Non-performing Assets of Commercial Banks**

<b>Commercial Banks</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09*</b>
Nepal Bank Ltd.	49.6	25.1	13.5	12.4	5.4
Rastriya Banijya Bank Ltd.	53.0	45.3	27.6	21.7	15.7
Nabil Bank Ltd.	1.3	1.3	1.1	0.7	0.8
Nepal Investment Bank Ltd.	2.7	2.3	2.4	1.1	0.6
Standard Chartered Bank Ltd.	2.7	2.1	1.8	0.9	0.7
Himalayan Bank Ltd.	7.4	6.1	3.6	2.4	2.2
Nepal SBI Bank Ltd.	6.5	6.3	4.6	3.8	2.0
Nepal Bangladesh Bank Ltd.	19.0	12.3	39.8	31.7	19.3
Everest Bank Ltd.	1.6	1.2	0.8	0.7	0.5
Bank of Kathmandu Ltd.	5.0	2.5	2.5	1.7	1.3
Nepal Credit & Commerce Bank Ltd.	8.6	11.1	31.4	16.4	2.7
Lumbini Bank Ltd.	15.2	31.9	20.4	14.9	9.1
Nepal Industrial & Commercial Bank Ltd.	3.8	2.6	1.1	0.7	0.9
Machhapuchchhre Bank Ltd.	0.4	0.3	1.2	1.0	2.3
Kumari Bank Ltd.	1.0	0.9	0.7	1.3	0.4
Laxmi Bank Ltd.	1.6	0.7	0.4	0.1	0.1
Siddhartha Bank Ltd.	2.6	1.3	0.3	0.7	0.4
Agricultural Development Bank Ltd.		21.2	18.0	11.7	8.9
Global Bank Ltd.				0.2	0.1
Citizen Bank International Ltd.					-
Prime Bank Ltd.					-
Sunrise Bank Ltd.					0.2
Bank of Asia Nepal Ltd.					0.1
Development Credit Bank Ltd.				-	1.6
NMB Bank Ltd.				-	0.5
<b>Total</b>	<b>18.9</b>	<b>14.2</b>	<b>10.3</b>	<b>6.3</b>	<b>3.6</b>

\* Based on unaudited financial statements of mid-July 2009.

### **Standing Liquidity Facility and Inter Bank Transactions**

1.104 Commercial banks used Rs 107.78 billion under the standing liquidity facility (SLF) in 2008/09 compared to Rs. 103.83 billion in the previous year. Similarly, the volume commercial banks inter-bank transactions was Rs. 293.42 billion in the review year while it was Rs. 258.32 billion in the previous year. The SLF and inter bank transaction went up on account of the liquidity shortage in the banking sector due to increase in currency in circulation and cash deposit of GON with NRB for a long time.



**Table 1.9**  
**Inter Bank Transactions and Weighted Average Inter Bank Rate**

months	2007/08		2008/09	
	Amount (Million)	Interest (Percent)	Amount (Million)	Interest (Percent)
Jul/Aug	35455	4.09	22432	5.15
Aug/Sep	31353	2.18	21897	2.33
Sep/Oct	35062	3.35	23934	5.16
Oct/Nov	21471	3.73	36880	5.34
Nov/Dec	20418	4.73	21661	2.38
Dec/Jan	24379	4.93	19955	3.37
Jan/Feb	12236	7.55	27293	8.32
Feb/Mar	10443	5.07	18939	6.38
Mar/Apr	12584	2.69	27518	5.06
Apr/May	21570	6.48	27686	7.07
May/Jun	17413	4.65	23702	5.02
Jun/Jul	15934	3.61	21522	3.66
<b>Total</b>	<b>258319</b>	<b>4.20</b>	<b>293418</b>	<b>5.07</b>

### Interest Rate Structure

- 1.105 The annual weighted average 91-day Treasury bill rate remained at 5.83 percent in 2008/09 compared to 4.21 percent in the previous year. Likewise, annual weighted average inter-bank rate remained at 5.07 percent in the review year compared to the 4.20 percent in previous year.
- 1.106 Interest rate on deposits has also increased in the review year. The upper level of interest rate on saving deposits increased by one percentage point to 7.5 percent in the review year. Similarly, the interest rates on six-month, one-year and two-year or more fixed deposit increased respectively by 0.25, 3.0 and 2.75 percentage point to a maximum of 7.0 percent, 9.0 percent and 9.5 percent in mid-July 2009 from the previous year.

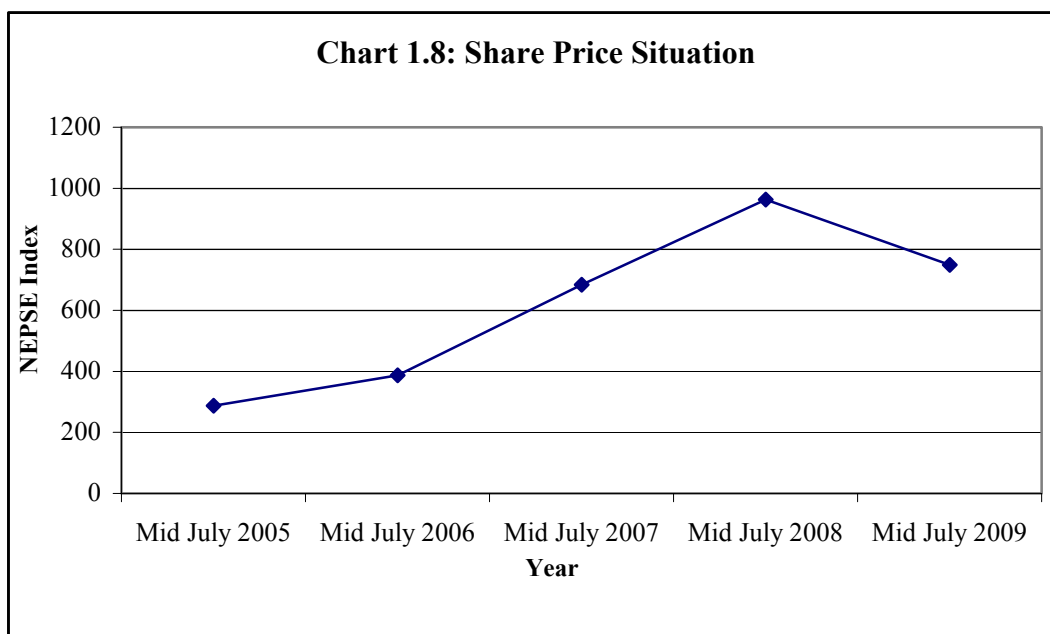
### Foreign Exchange Market

- 1.107 In 2008/09, NRB has injected net liquidity of Rs. 142.50 billion by purchasing US dollar 1.84 billion from commercial banks. In the previous year, the NRB injected net liquidity of Rs. 102.41 billion through net purchase of US dollar 1.57 billion. The volume of US dollar purchase has been increased due to the remarkable inflow of remittances in the review year. Likewise, the NRB purchased Indian currency (IC) worth Indian rupee 73.40 billion by selling the US dollar 1.5 billion in review year. Such amount was 70.6 billion and US dollar 1.7 billion respectively in the previous year. The devaluation of IC against the US dollars enabled the purchase of higher amount of IC for relatively lower amount of US dollar.

### Securities Market

- 1.108 The NEPSE index, which increased encouragingly during the beginning of review period, showed a declining trend thereafter. The NEPSE index declined by 22.24 percent to 749.10 points in mid-July 2009 from 963.36 points in mid-July 2008. Such a contraction in NEPSE Index is attributed due to global economic recession and increase in the rate of capital gain tax in the last fiscal year are the main reasons for the decrease in the NEPSE index.
- 1.109 Nepal Stock Exchange Limited started to calculate NEPSE float index and sensitive float index right from FY 2008/09 based on the final transaction as of August 24, 2008 as a base market price. While calculating the NEPSE index, the float index excludes the share of promoters, staffs and strategic shares and thus the float index solely represents the transaction in the market price of the public shares. Likewise, the rules regarding the market halt also changed from August 25,

2008. Accordingly, if NEPSE index is changed by 3 percent, 4 percent and 5 percent respectively, the stock market will be halted for fifteen minutes, thirty minutes and remaining transaction time of the day, in contrast with the previous system where given changes in the the index points stoppage would be 15, 20 and 25 minutes respectively.



- 1.110 The total number of companies listed at the NEPSE reached 159 in mid-July 2009 compared to 142 last year. Among the listed companies, 128 companies were bank and financial institutions. Production and processing industries, hotels, business entities, hydro- power and companies in other groups comprise 18, 4, 4, 3 and 2 respectively. Nepal Stock Exchange Limited did not delist any companies, however two of the companies were merged in the review period. Total paid up capital of the listed companies stood at Rs. 61.1 billion in mid-July 2009 which increased by 107.5 percent over the one-year period.
- 1.111 The year on year (y-o-y) market capitalization increased by 40.1 percent to Rs. 512.9 billion in mid-July 2009. It was Rs. 366.25 billion last year. Market capitalization to GDP ratio increased to 53.4 percent from 44.8 percent last year. The ratio of paid up capital to GDP was 6.4 percent in mid-July 2009 which was 3.6 percent last year.
- 1.112 Nepal Securities Board (SEBON) granted permission for new issuance of Rs. 14.58 billion during fiscal year 2008/09. These consists ordinary shares of Rs. 2.51 billion of 11 companies, right shares of Rs. 11.32 billion of 50 companies and debentures of Rs. 750.0 million of two companies.
- 1.113 The NEPSE started the secondary market transaction of development bonds issued by the Government of Nepal from 15 December 2006. During the year, Rs. 15.15 billion government bonds were listed in the NEPSE. However, no secondary market transaction of government bonds took place during the review period.
- 1.114 A total amount of Rs. 4.97 billion of bonds (Rs. 100.00 face value per unit bond) issued by commercial banks and Nepal Electricity Authority and Rs. 100 million of mutual fund (Rs. 10.00 face value per unit bond) managed by NIDC Capital Market Ltd. under the trusteeship of Nepal Industrial and Development Corporation, were listed in the NEPSE by the end of mid-July 2009.

**Table 1.10**  
**Listed Corporate Bond, Debenture and Mutual Fund**

SN	Issuer	Listing Date	Issue Amount (Rs. in Millior)	Coupon Rate
1	Nepal Investment Bank Ltd., 2011	April 6, 2004	300	7.5%
2	Everest Bank Ltd., 2012	Aug. 23, 2004	300	6%
3	Bank of Kathmandu Ltd., 2012	Mar. 21, 2006	200	6%
4	Nepal Investment Bank Ltd., 2013	Nov. 27, 2006	250	6%
5	Nepal Industrial and Commercial Bank Ltd., Bond, 2013	Feb. 22, 2007	200	6%
6	Nepal SBI Bank Ltd., Debenture, 2013	Feb. 20, 2007	200	6%
7	Nepal Investment Bank Ltd., Bond, 2014	Sept. 3, 2007	225	6.5%
8	NCM Mutual fund, 2012	Sept. 10, 2003	100	5%
10	Nepal Electricity Authority, Debenture, 2012	Jun. 5, 2008	1500	8%
11	Himalayan Bank Ltd., Debenture, 2015	Aug. 6, 2008	500	8%
12	Kumari Bank Ltd., Bond, 2013	Aug. 6, 2008	400	8%
9	Nepal Investment Bank Ltd., Bond, 2015	Aug. 6, 2008	250	8%
13	Nabil Bank Ltd., Bond, 2018	Nov. 19, 2008	300	8.5%
14	Laxmi Bank Ltd., Debenture, 2015	Jan. 11, 2009	350	8.5%
	<b>Total</b>		<b>5075</b>	

Source: Nepal Stock Exchange Ltd.

## *Financial Institutions*

### **Number of Financial Institutions**

1.115 In the review year, the number of class 'A' commercial banks licensed by the NRB stood at 26. Similarly, there were 63 class 'B' (development banks), 77 class 'C' class (finance companies) and class 'D' class (micro-credit institutions including rural development banks) financial institutions in operation by the end of the review period. Cooperatives and non-government organizations (NGOs) licensed by the NRB to carry out limited banking business stood at 16 and 45 respectively in number. As at mid-July 2009, the number of financial institutions stood at 270 including 25 insurance companies, Employees Provident Fund, Citizen Investment Trust and Postal Savings Bank in mid-July 2009.

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

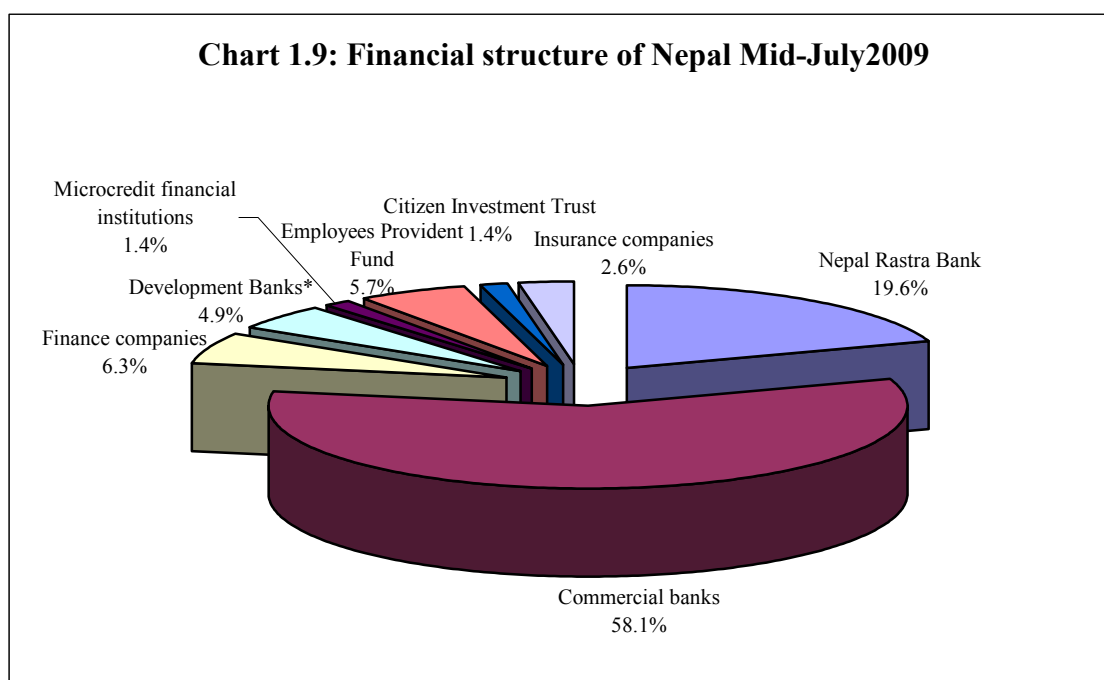
Banks and Financial Institutions	2008 (Mid-July)	2009 (Mid-July)
Commercial Banks	25	26
Development Banks	58	63
Finance Companies	78	77
Micro-Finance Institutions	12	15
The NRB licensed Cooperatives (with limited banking)	16	16
The NRB licensed NGOs (with limited banking)	46	45
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Saving Bank	1	1
Postal Savings Bank Offices	117	117

Source: NRB, GON.

## Financial Structure

1.116 The ratio of total assets/liabilities of the banking system and contractual saving institutions to GDP remained 145.8 percent in mid-July 2009. Including the market capitalization of the shares listed in the Nepal Stock Exchange, the ratio stood at 199.2 percent (Table 30).

1.117 In the composition of total assets/liabilities of financial institutions as of mid-July 2009, commercial banks had the highest share (58.0 percent). Thenafter, Nepal Rastra Bank shared 19.6 percent followed by finance companies with 6.2 percent, Employee Provident with 5.7 percent, development banks and finance companies with shares of 4.9 percent and 2.6 percent respectively.



## Development Banks

1.118 With the objective of rendering financial services to agricultural, industrial and business sectors in Nepal, the process of establishing development banks even in the private sector began after the enactment of the Development Bank Act 1996. Though there were two development banks namely Agricultural Development Bank (ADB/N) (it has been converted into commercial bank) and Nepal Industrial Development Corporation (NIDC) prior to the enactment of this Act. At present, development banks are operating under Bank and Financial Institutions Act (BAFIA)-2006 as "B" class financial institutions licensed by the NRB. During the review period, total financial resources of these banks increased by 72.8 percent to Rs.69.1 billion. Total deposit mobilizations, the major source of fund for these banks, increased by 90.0 percent to Rs. 48.9 billion. Similarly, capital fund and borrowing increased by 66.2 and 51.1 percent respectively. On the uses side of the fund, the share of loan and advance, the major component, increased by 81.8 percent to Rs.43.1 billion. (Table 23).

## Finance Companies

1.119 Finance companies were established with an amendment in the Finance Company Act 2042 (BS) in 2049 BS. Currently, finance companies are operating under Bank and Financial Institutions Act 2006 as "C" class financial institutions. Total financial resources of finance companies increased by 34.4 percent to Rs. 87.4 billion in mid July 2009. Such increase was 21.6 percent in the last year. Total deposit, the major source of fund, increased by 33.3 percent to Rs. 57.1 billion in the review period. It increased by 24.1 percent in the last year. Likewise, the capital fund amounted to Rs. 10.5 billion. The borrowing of these companies remained at Rs. 5.2 billion in the review period (Table 24).

1.120 On the uses side, loan and advances increased by 38.5 percent to Rs. 60.1 billion in mid July 2009. During the review period, the investment of these companies decreased by 27.3 percent to Rs 3.3 billion. The liquid asset of finance companies was Rs. 16.4 billion in mid-July 2009. Such liquid asset was Rs.12.9 billion in last year.

### **Financial Institutions carrying Micro-finance Activities**

1.121 Micro-finance institutions operating as "D" class financial institutions under Bank and Financial Institutions Act, 2006 consist of 5 Grameen Bikas Bank (rural development banks), 8 private sector Grameen Banking replicators and 2 wholesale lending microfinance institutions.

1.122 Grameen Bikas Banks have been established and are operating in each of the five development regions of the country with an objective of providing required financing needs for a variety of income-generating activities of deprived-sector women living in the rural areas of the country through affiliating them into groups. Three banks, namely Purbanchal, Madhyamanchal and Paschimanchal Grameen Bikas Bank, out of five, established with the capital investment of the NRB and other commercial banks, were initiated to privatize by handing over the ownership of the NRB to the group members, employees of these banks and other interested investors. By the end of fiscal year 2008/09, NRB had 10 percent share ownership in Paschimanchal Grameen Bikas Bank and 68.46 percent in Sudur-Paschimanchal Grameen Bikas Bank.

1.123 Similarly, eight grameen bank replicators (Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited, Swabalamban Bikas Bank Limited, Deprosc Bikas Bank Limited, Nerude Bittiya Sanstha Limited, Naya Nepal Laghu Bitta Bikas Bank Limited, Mithila Laghu Bitta Bikas Bank Limited and Summit Micro Finance Development Bank Limited) are operating their micro-financing activities.

1.124 In addition to five Grameen Bikas Banks and eight grameen bank replicators, two micro-finance institutions namely Rural Micro-finance Development Center (RMDC), established on 20 October 1998 (B.S. 2055 Kartik 13) and Sana Kisan Bikas Bank Limited (SKBBL) established on 6 July 2001 (B.S. 2058 Ashadh 22) are engaged in wholesale microfinancing activities. RMDC is providing wholesale lending to development banks, cooperatives, non-governmental organization etc. and the SKBBL lends Small Farmers Cooperatives Limited (SFCL). RMDC, established under the share ownership of the NRB, commercial banks, micro finance development banks and Deposit and Credit Guarantee Corporation holds paid up capital of Rs. 320 million by mid-July 2009. Similarly, total borrowings and loans stood at Rs. 2.16 billion and Rs. 1.50 billion respectively in the review period.

1.125 Total assets/liabilities of the above mentioned micro finance institutions as of mid-Jan 2009 recorded a growth of 13.5 percent to Rs.14.28 billion as compared to mid-July 2008. Total deposit mobilization as of mid Jan 2009 of these institutions stood at Rs. 1.70 billion and total borrowing Rs. 8.94 billion. Similarly, total loan and investment were Rs. 7.66 billion and Rs. 2.24 billion respectively.

### **Rural Self Reliance Fund**

1.126 Established by the GON on 1 March 1991 and operated by the NRB, the Rural Self Reliance Fund (RSRF) has been providing wholesale lending to assist the micro finance activities of the cooperatives and NGOs. As of mid-July 2009, the Fund has disbursed Rs. 269.9 million and collected principal amount of Rs. 141.9 million. (Table 1.12)

**Table 1.12**  
**Financial Activities of the Rural Self Reliance Fund**

<b>Description</b>	<b>Mid-July 2008</b>	<b>Mid-July 2009</b>
Loan Disbursement:		
Number of Districts	50	51
Number of Institutions	334	404
Number of benefited families	14862	17990
Loan Disbursed (Rs.in million)	193.4	269.9
Loan Repaid (Rs.in million)	102.3	141.9
Outstanding Loan (Rs.in million)	91.1	128.0
Overdue loan (as percentage of the loan to be repaid)	9.0	7.5
Loan Recovery (in percentage)	91.0	92.52

Source:

### **NRB Licensed Financial Cooperatives**

1.127 Cooperatives are established under Cooperatives Act 1992. NRB has licensed a small number of these cooperatives to undertake limited banking transactions. Now these cooperatives are operating under the directives issued by this bank. In mid-July 2009, there were 16 cooperatives. Total capital fund of these cooperatives was Rs. 447.4 million in mid-Jan 2009 (Table 26). Similarly, total deposit and total loans and advances mobilized by these cooperatives from group members were Rs. 3.51 billion Rs. 3.12 billion respectively. The total investment on government securities, fixed deposits and others stood at Rs. 276.1 million.

### **NRB licensed Non-Government Organizations**

1.128 There are altogether 46 NGOs licensed by this bank to undertake limited banking transactions. These are registered under Institutions Registration Act 1977 and undertake limited banking transactions in accordance with the provision of the Financial Intermediary Act, 1999. The total assets and liabilities of these NGOs was Rs. 2.38 billion in mid-July 2008.

### **Insurance Companies**

1.129 In mid-July 2009, there were altogether 25 insurance companies established under Insurance Act 1992. Of these, 8 insurance companies carried life insurance services, 16 insurance companies performed non-life insurance services, and one company rendered both life as well as non-life insurance services. According to the ownership structure, the other 3 insurance companies were operating under foreign investment and 3 insurance companies were in joint ventures with foreign insurance companies. Likewise, 18 insurance companies were in private sector whereas one company was under government ownership. Based on the financial returns received from the Insurance Board, total assets/liabilities of these companies increased by 17.2 percent from last year and reached to Rs. 37.0 billion in mid-July 2009. Total premium collection of these companies was estimated to Rs. 10.9 billion by mid-July 2009. Such collection was Rs. 8.5 billion last year (Table 28).

### **Employees Provident Fund**

1.130 Employees Provident Fund (EPF) was established on 16 September 1962 under the Employees Provident Fund Act, 1962. EPF manages the provident fund of government employees, army, police, teachers, government corporations and of some private companies. Total assets/liabilities of the EPF, under Ministry of Finance (GON), increased by 15.8 percent to Rs. 79.1 billion in Mid July 2009 from Rs. 68.3 billion last year. The fund collected by EPF, increased by 15.7 percent and stood at Rs. 72.7 billion in mid-July 2009 compared to Rs. 62.8 billion last year (Table 28).

### **Citizen Investment Trust**

1.131 Citizen Investment Trust (CIT) was established on 18 March 1991 under CIT Act 1991. This Trust mobilizes the private and institutional savings, extends loans and advances, and also works as an issue manager of securities. This Trust is also under the GON, Ministry of Finance (MOF). Total assets/liabilities of the CIT increased by 28.3 percent to Rs. 20.1 billion in mid-July 2009 which was Rs. 15.7 billion last year. Fund collection, the major component in the liabilities side, increased by 27.8 percent to Rs. 16.5 billion in mid-July 2009. It was Rs. 12.9 billion in last year. Investments of CIT increased by 36.5 percent to Rs. 16.1 billion in the review period from Rs. 11.8 billion in last year. (Table 29)

### **Postal Savings Bank**

1.132 The Postal Savings Bank established under GON's Postal Service Department, came into operation in 1976. Out of 117 licensed office in mid-July 2009, only 68 postal savings offices mobilize deposits. Total deposit collected by these offices was Rs. 980.0 million in mid-July 2009. Similarly, the number of total account holders stood at 43059. As of mid-July 2009, the total investment made by its 57 offices engaged in investment related activities was Rs. 314.5 million respectively.

### **Deposit and Credit Guarantee Corporation**

1.133 Deposit and Credit Guarantee Corporation was established on 20 September 1974 to encourage commercial banks to extend loan to priority sector so as to serve remote areas and poor families. The corporation guarantees a number of loans including livestock loan, vegetable farming loan, foreign employment loan, micro and deprived sector loans and credit to the small and medium scale industries. Total loan guaranteed by corporation was Rs. 289.4 million as at mid-July 2009.

### **Credit Information Centre Limited**

1.134 Credit Information Centre Limited (CICL) was established in 1989 under the initiation of NRB. It collects the credit information from the banks and financial institutions and disseminates them on demand and maintains and updates the black listing of borrowers. The NRB holds 10 percent share in the equity capital of the CICL. Similarly, commercial banks, development banks and finance companies own 60 percent, 15 percent and 15 percent shares respectively. According to the Centre, there were 51 borrowers added and 134 borrowers were removed from the blacklist during the review period. The total number of blacklisted borrowers as at Mid-July 2009 was 2051.

**Table 1**  
**World Economic Growth Rate**  
**(Annual Percentage Change)**

	2007	2008	Projection	
			2009	2010
World Production	5.2	3.0	-1.1	3.1
Advanced Economies	2.7	0.6	-3.4	1.3
United States	2.1	0.4	-2.7	1.5
Euro Area	2.7	0.7	-4.2	0.3
Japan	2.3	-0.7	-5.4	1.7
Other Developed Economies #	3.8	1.2	-2.7	2.1
Emerging and Developing Economies	8.3	6.0	1.7	5.1
Developing Asia	10.6	7.6	6.2	7.3
ASEAN-5*	6.3	4.8	0.7	4.0
China	13.0	9.0	8.5	9.0
Bangladesh	6.3	6.0	5.4	5.4
India	9.4	7.3	5.4	6.4
Pakistan	5.6	2.0	2.0	3.0

# Other developed economies except United States, Euro Area and Japan.

\* ASEAN-5 (Indonesia, Thailand, Philippines, Malaysia and Vietnam)

Source: World Economic Outlook, October 2009, International Monetary Fund, Washington D.C.

**Table 2**  
**World Trade**  
**(Annual Percentage Change)**

	2007	2008	Projection	
			2009	2010
World Trade Volume (Goods and Services)	7.3	3.0	-11.9	2.5
Import				
Developed Economies	4.7	0.5	-13.7	1.2
Emerging and Developing Economies	13.8	9.4	-9.5	4.6
Export				
Developed Economies	6.3	1.9	-13.6	2.0
Emerging and Developing Economies	9.8	4.6	-7.2	3.6

Source: World Economic Outlook, October 2009, International Monetary Fund, Washington D.C.

**Table 3**  
**World Inflation**  
**(Annual Percentage Change)**

	2007	2008	Projection	
			2009	2010
Petroleum Product *	10.7	36.4	-36.6	24.3
Non Fuel Goods	14.1	7.5	-20.3	2.4
Consumer Price				
Advanced Economies	2.2	3.4	0.1	1.1
Emerging and Developing Economies	6.4	9.3	5.5	4.9
Emerging Asia	4.9	7.0	2.7	3.2
ASEAN-5*	4.3	9.2	2.6	4.6
China	4.8	5.9	-0.1	0.6
Bangladesh	9.1	7.7	5.3	5.6
India	6.4	8.3	8.7	8.4
Pakistan	7.8	12.0	20.8	10.0

\* Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil.

Source: World Economic Outlook, October 2009, International Monetary Fund, Washington D.C.



**Table 4**  
**Macroeconomic Indicators**

S.N.	Description	2006/07	2007/08	2008/09
<b>Percentage Change</b>				
1	In producers' prices			
	a. GDP at 2000/01 prices	3.3	5.3	4.7
	b. GDP at current prices	11.3	12.4	17.3
2	In basic prices			
	a. GDP at 2000/01 prices	2.7	5.3	3.8
	b. GDP at current prices	10.7	11.9	16.7
3	Gross national income at current prices	11.6	12.3	18.9
4	Total Consumption	10.2	10.7	21.6
5	Total Investment	16.6	27.0	9.6
6	Gross National Savings	9.7	23.9	20.2
7	Gross Fixed Capital Formation	9.5	16.4	18.1
8	Gross Domestic Savings	22.4	27.6	-16.3
9	Gross National Disposable Income	10.1	13.9	21.2
10	Money Supply (M1)	12.2	21.6	27.3
11	Broad Money Supply (M2)	14.0	25.2	27.0
12	Domestic Credit	16.7	21.3	26.4
13	Fixed Deposits	14.9	27.0	26.9
14	Total Exports	-1.4	-0.2	13.5
15	Total Imports	12.0	14.0	28.2
16	Gross Foreign Exchange Reserves	0.1	28.8	31.7
17	Government Revenue	21.3	22.7	32.1
18	Government Expenditure*	23.3	19.7	37.2
19	Government Budget Deficit*	14.2	19.8	49.1
20	Internal Borrowings	51.2	14.6	-10.1
21	National Consumer Price Index	6.4	7.7	13.2
22	Wholesale Price Index	9.0	9.1	12.8
<b>As a percentage of GDP</b>				
1	Total Consumption	90.1	88.8	92.0
2	Total Investment	28.1	31.8	29.7
3	Gross National Savings	28.6	31.5	32.3
4	Gross Fixed Capital Formation	20.4	21.1	21.2
5	Gross Domestic Savings	9.9	11.2	8.0
6	Gross National Disposable Income	118.7	120.3	124.3
7	Money Supply (M1)	17.5	18.8	20.5
8	Broad Money Supply (M2)	54.4	60.4	65.5
9	Domestic Credit	49.6	53.3	56.8
10	Fixed Deposits	36.9	41.5	45.1
11	Total Exports	8.2	7.2	7.0
12	Total Imports	26.7	27.1	29.6
13	Foreign Exchange Reserves	22.7	26.0	29.2
14	Government Revenue	12.1	13.2	14.8
15	Government Expenditure	17.2	18.3	21.4
16	Government Budget Surplus/Deficit	2.6	2.7	3.5
17	Internal Borrowings	2.5	2.5	1.9
18	Trade Balance	-18.6	-19.9	-22.6
19	Current Account Balance	-0.1	2.9	4.3
20	Total Outstanding External Debt	29.7	30.5	28.5

\* Preliminary estimate.

Source: Central Bureau of Statistics.

**Table 5**  
**Sectoral Growth Rate of Gross Domestic Product**  
 (at 2000/01 prices)

(in percentage)

Sector	2006/07	2007/08	2008/09*
<b>Agriculture</b>	<b>1.0</b>	<b>4.7</b>	<b>2.2</b>
Agriculture and Forestry	0.9	4.7	2.1
Fishery	3.0	7.1	4.5
<b>Non-Agriculture</b>	<b>4.3</b>	<b>5.6</b>	<b>4.8</b>
<b>Industry</b>	<b>3.9</b>	<b>1.9</b>	<b>1.8</b>
Mining and Quarrying	1.5	2.8	2.5
Manufacturing	2.6	0.2	-0.5
Electricity Gas and Water	13.0	3.7	-1.1
Construction	2.5	3.1	5.7
<b>Service</b>	<b>4.5</b>	<b>7.0</b>	<b>5.8</b>
Wholesale and Retail Trade	-4.9	7.0	4.7
Hotels and Restaurant	3.5	8.5	5.1
Transport, Storage and Communications	4.6	7.1	7.8
Financial Intermediation	11.4	13.8	3.3
Real Estate, Renting and Business Activities	11.8	4.4	4.5
Public Administration and Defence	1.3	0.4	3.3
Education	6.2	3.3	9.9
Health and Social Work	6.7	13.6	6.5
Other Community, Social and Personal Service	19.2	11.1	6.1
<b>GDP at basic prices</b>	<b>2.7</b>	<b>5.3</b>	<b>3.8</b>
<b>GDP at producers price</b>	<b>3.3</b>	<b>5.3</b>	<b>4.7</b>

\* Preliminary estimate.

Source: Central Bureau of Statistics.

**Table 6**  
**Agriculture Production Index**

Agricultural Commodities	Weight	2006/07	2007/08	2008/09*	2007/08	2008/09
		Index			Percent change	
<b>Cereals and Other Crops</b>	<b>49.41</b>	<b>108.13</b>	<b>116.01</b>	<b>115.22</b>	<b>7.3</b>	<b>-0.7</b>
Paddy	20.75	87.30	101.96	107.29	16.8	5.2
Maize	6.88	122.63	126.58	130.09	3.2	2.8
Wheat	7.14	130.86	135.77	116.06	3.8	-14.5
Millet	1.37	100.69	102.92	103.48	2.2	0.5
Barley/naked barley	0.22	92.80	92.11	76.17	-0.7	-17.3
Potato	4.67	147.92	156.41	158.58	5.7	1.4
Sugarcane	1.24	117.54	112.37	106.45	-4.4	-5.3
Jute	0.17	93.74	103.64	95.74	10.6	-7.6
Tobacco	0.06	66.65	65.79	62.85	-1.3	-4.5
Soyabeans	0.19	119.98	117.97	120.78	-1.7	2.4
Pulses	4.42	112.18	110.29	104.41	-1.7	-5.3
Others	2.29	95.97	93.59	90.96	-2.5	-2.8
<b>Vegetables, Horticultural and Nursery Products</b>	<b>9.71</b>	<b>140.89</b>	<b>153.58</b>	<b>164.76</b>	<b>9.0</b>	<b>7.3</b>
Total vegetables	9.70	140.89	153.61	164.80	9.0	7.3
Others	0.01	118.01	123.91	121.60	5.0	-1.9
<b>Fruit, Nuts Beverage and Spice Crops</b>	<b>7.04</b>	<b>138.42</b>	<b>144.77</b>	<b>174.37</b>	<b>4.6</b>	<b>20.4</b>
Orange	0.97	146.10	157.63	167.16	7.9	6.0
Mango	1.56	113.51	110.79	117.49	-2.4	6.0
Banana	0.40	108.86	117.45	124.56	7.9	6.1
Apple	0.42	108.62	117.19	124.28	7.9	6.1
Spice Crops	1.79	193.35	200.56	232.08	3.7	15.7
Tea	0.05	225.97	243.45	267.25	7.7	9.8
Coffee	0.004	402.25	561.80	629.21	39.7	12.0
Others	1.85	112.36	121.22	188.86	7.9	55.8
<b>Farming of Domestic Animals</b>	<b>23.25</b>	<b>118.13</b>	<b>121.18</b>	<b>125.34</b>	<b>2.6</b>	<b>3.4</b>
Buffaloes' Meat	4.42	117.77	121.11	125.84	2.8	3.9
Mutton	3.24	117.37	121.34	125.33	3.4	3.3
Milk	12.36	119.96	123.18	128.17	2.7	4.0
Others	3.23	112.40	113.83	113.83	1.3	0.0
<b>Other Animals Farming; Production of Animals Products</b>	<b>2.43</b>	<b>119.69</b>	<b>123.63</b>	<b>121.38</b>	<b>3.3</b>	<b>-1.8</b>
Pigs' Meat	0.50	105.24	107.97	110.11	2.6	2.0
Poultry Meat	0.67	120.77	125.06	124.72	3.6	-0.3
Eggs	0.81	121.19	124.43	124.17	2.7	-0.2
Hides and skins	0.35	144.01	151.57	160.85	5.2	6.1
Others	0.10	89.48	89.59	88.84	0.1	-0.8
<b>Forestry, Logging and Related Services Activities</b>	<b>8.07</b>	<b>104.24</b>	<b>104.45</b>	<b>105.16</b>	<b>0.2</b>	<b>0.7</b>
Timber	1.09	105.52	107.80	108.37	2.2	0.5
Firewood	4.94	100.64	99.43	99.40	-1.2	0.0
Medicinal/herbal products	0.02	114.26	112.53	112.61	-1.5	0.1
Others	2.03	112.22	114.77	117.38	2.3	2.3
<b>Overall Index</b>	<b>100.00</b>	<b>115.72</b>	<b>122.13</b>	<b>125.87</b>	<b>5.5</b>	<b>3.1</b>

\* Preliminary Estimate.

Source: Central Bureau of Statistics.

**Table 7**  
**Annual Manufacturing Production Index**  
(2003/04=100)

Description	Weight *	2006/07	2007/08	2008/09**	2007/08	2008/09
		Index			Percentage change	
<b>Vegetable,Oils &amp; Fats</b>	<b>15.78</b>	<b>108.42</b>	<b>93.11</b>	<b>92.21</b>	<b>-14.12</b>	<b>-0.96</b>
Vegetable ghee	10.08	104.70	80.99	77.95	-22.64	-3.76
Mustard oil	1.95	103.96	100.71	100.34	-3.13	-0.37
Soyabean oil	3.74	121.06	122.06	126.68	0.82	3.79
<b>Dairy products</b>	<b>2.77</b>	<b>107.41</b>	<b>108.52</b>	<b>106.57</b>	<b>1.03</b>	<b>-1.80</b>
Processed Milk	2.77	107.41	108.52	106.57	1.03	-1.80
<b>Grain mill products, prepared animal feeds</b>	<b>8.16</b>	<b>114.99</b>	<b>119.00</b>	<b>126.97</b>	<b>3.49</b>	<b>6.70</b>
Rice	4.33	111.75	116.73	123.90	4.46	6.15
Wheat flour	2.19	111.49	114.89	119.98	3.04	4.44
Animal feed	1.63	129.00	131.29	145.27	1.77	10.66
<b>Other food products</b>	<b>7.93</b>	<b>118.17</b>	<b>125.02</b>	<b>133.45</b>	<b>5.80</b>	<b>6.74</b>
Biscuit	1.04	116.47	123.86	130.09	6.35	5.03
Sugar	2.92	118.26	123.89	131.42	4.76	6.08
Noodles	2.72	117.75	122.79	135.53	4.28	10.37
Processed tea	1.25	120.27	133.46	136.43	10.97	2.22
<b>Beverages</b>	<b>6.59</b>	<b>118.62</b>	<b>123.65</b>	<b>133.14</b>	<b>4.24</b>	<b>7.67</b>
Liquor rectified	2.39	117.21	120.61	122.15	2.90	1.28
Beer	2.92	122.04	127.38	139.93	4.38	9.85
Soft drink	1.28	113.43	120.81	138.15	6.51	14.35
<b>Tobacco products</b>	<b>6.53</b>	<b>102.73</b>	<b>105.46</b>	<b>110.35</b>	<b>2.66</b>	<b>4.63</b>
Cigarette	6.53	102.73	105.46	110.35	2.66	4.63
<b>Textiles</b>	<b>5.20</b>	<b>121.05</b>	<b>121.45</b>	<b>117.59</b>	<b>0.32</b>	<b>-3.17</b>
Yarn	3.18	130.85	131.43	126.37	0.44	-3.85
Cotton clothes	1.27	107.60	106.13	102.25	-1.37	-3.65
Synthetic clothes	0.75	102.30	105.05	106.36	2.69	1.24
<b>Other Textiles</b>	<b>6.59</b>	<b>101.90</b>	<b>99.74</b>	<b>91.14</b>	<b>-2.13</b>	<b>-8.62</b>
Woolen carpet	4.32	96.64	90.22	80.53	-6.64	-10.75
Jute goods	2.27	111.92	117.84	111.33	5.29	-5.53
<b>Knitted and crocheted fabrics</b>	<b>1.18</b>	<b>88.21</b>	<b>90.44</b>	<b>95.67</b>	<b>2.52</b>	<b>5.78</b>
Pashmina	1.18	88.21	90.44	95.67	2.52	5.78
<b>Wearing apparel</b>	<b>7.14</b>	<b>59.43</b>	<b>50.54</b>	<b>44.45</b>	<b>-14.97</b>	<b>-12.03</b>
Garment	7.14	59.43	50.54	44.45	-14.97	-12.03
<b>Tanning and dressing of leather</b>	<b>0.92</b>	<b>121.02</b>	<b>122.06</b>	<b>123.72</b>	<b>0.87</b>	<b>1.36</b>
Processed leather	0.92	121.02	122.06	123.72	0.87	1.36
<b>Saw milling and planning of wood</b>	<b>0.95</b>	<b>101.86</b>	<b>104.20</b>	<b>112.17</b>	<b>2.29</b>	<b>7.64</b>
Wood sawn	0.95	101.86	104.20	112.17	2.29	7.64
<b>Paper &amp; paper products</b>	<b>1.42</b>	<b>110.60</b>	<b>112.21</b>	<b>113.74</b>	<b>1.46</b>	<b>1.37</b>
Paper excluding newsprint	1.42	110.60	112.21	113.74	1.46	1.37
<b>Publishing Printing and reproducing of recorded Media</b>	<b>1.58</b>	<b>106.10</b>	<b>109.43</b>	<b>113.63</b>	<b>3.14</b>	<b>3.85</b>
Newspaper	1.58	106.10	109.43	113.63	3.14	3.85
<b>Other chemical products</b>	<b>10.34</b>	<b>122.52</b>	<b>126.50</b>	<b>121.72</b>	<b>3.25</b>	<b>-3.78</b>
Medicine	7.01	120.29	125.17	118.64	4.06	-5.22
Soap	3.33	127.22	129.29	128.22	1.63	-0.83
<b>Plastic product</b>	<b>4.75</b>	<b>96.15</b>	<b>87.75</b>	<b>92.10</b>	<b>-8.75</b>	<b>4.96</b>
Plastic product	4.75	96.15	87.75	92.10	-8.75	4.96
<b>Non-metallic mineral products</b>	<b>5.34</b>	<b>104.09</b>	<b>103.54</b>	<b>100.15</b>	<b>-0.52</b>	<b>-3.28</b>
Bricks	2.42	95.58	101.67	106.72	6.38	4.96
Cement	2.92	111.14	105.09	94.71	-5.44	-9.88
<b>Other fabricated metal product</b>	<b>3.70</b>	<b>118.48</b>	<b>137.33</b>	<b>130.67</b>	<b>15.91</b>	<b>-4.85</b>
Iron rod & billets	3.70	118.48	137.33	130.67	15.91	-4.85
<b>Casting of metal</b>	<b>1.45</b>	<b>99.54</b>	<b>95.01</b>	<b>85.55</b>	<b>-4.55</b>	<b>-9.95</b>
Domestic metal product	1.45	99.54	95.01	85.55	-4.55	-9.95
<b>Electric machinery apparatus, wire and cable</b>	<b>1.68</b>	<b>108.51</b>	<b>108.48</b>	<b>105.20</b>	<b>-0.03</b>	<b>-3.02</b>
Electrical wire & cable	1.68	108.51	108.48	105.20	-0.03	-3.02
<i>*Weights are based on Census of Manufacturing Establishments (CME) 2001/2002</i>	<b>100.00</b>	<b>107.43</b>	<b>106.42</b>	<b>106.62</b>	<b>-0.94</b>	<b>0.19</b>

\*\* Preliminary estimate.

Source: Central Bureau of Statistics.

**Table 8**  
**National Urban Consumer Price Index**  
**(Annual Average)**  
 (Base Year: 1995/96=100)

Groups/Sub-groups	Weight %	2006/07	2007/08	2008/09	Percentage Change	
					2007/08	2008/09
<b>Overall Index</b>	<b>100.00</b>	<b>185.9</b>	<b>200.2</b>	<b>226.7</b>	<b>7.7</b>	<b>13.2</b>
<b>Food and Beverages</b>	<b>53.20</b>	<b>178.8</b>	<b>196.9</b>	<b>229.7</b>	<b>10.1</b>	<b>16.7</b>
Grains and Cereal Products	18.00	175.1	200.7	229.5	14.6	14.3
Rice	(14.16)	168.1	197.2	231.1	17.3	17.2
Pulses	2.73	175.9	200.8	250.9	14.2	25.0
Vegetables and Fruits	7.89	170.8	181.7	204.8	6.4	12.7
Spices	1.85	182.6	189.2	212.4	3.6	12.3
Meat, Fish and Eggs	5.21	186.3	200.7	247.6	7.7	23.4
Milk and Milk Products	4.05	169.9	182.8	210.3	7.6	15.0
Oil and Ghee	3.07	157.3	190.1	221.1	20.9	16.3
Sugar and Related Products	1.21	152.0	136.7	199.5	-10.1	45.9
Beverages	2.28	188.1	192.5	216.9	2.3	12.7
Restaurant Meals	6.91	210.7	225.7	267.4	7.1	18.5
<b>Non-food and Services</b>	<b>46.80</b>	<b>194.1</b>	<b>204.0</b>	<b>223.4</b>	<b>5.1</b>	<b>9.5</b>
Cloths and Clothing	8.92	148.6	152.2	163.9	2.4	7.7
Cloths	(2.28)	135.6	136.0	146.5	0.3	7.7
Clothing	(5.75)	147.9	151.8	162.3	2.6	6.9
Footwear	2.20	143.5	151.9	163.2	5.9	7.4
Housing Goods and Services	14.87	215.4	230.4	253.8	7.0	10.2
House Furnishing and Household Goods	3.50	148.7	155.8	173.8	4.8	11.6
House Rent	4.19	165.2	172.7	182.2	4.5	5.5
Cleaning	1.26	159.2	172.1	201.5	8.1	17.1
Fuel, Light & Water	(5.92)	301.5	326.9	361.4	8.4	10.6
Transport and Communication	4.03	254.8	260.6	301.9	2.3	15.8
Medical and Personal Care	8.03	181.0	190.0	199.9	5.0	5.2
Education, Reading Materials & Recreation	7.09	211.8	222.0	241.7	4.8	8.9
Tobacco & Related Products	1.66	173.1	185.9	214.6	7.4	15.4
Petroleum Product	2.71	449.0	499.5	555.7	11.2	11.3
Non-petroleum Product	97.29	178.8	192.1	217.8	7.4	13.4
<b>Urban Consumer Price Index - Kathmandu Valley</b>						
Overall Index	100.00	178.0	190.9	218.2	7.2	14.3
Food and Beverages	51.53	169.4	185.9	222.7	9.7	19.8
Non-food and Services	48.47	187.2	196.1	213.5	4.8	8.9
Domestic Goods	81.26	172.6	184.7	214.1	7.0	15.9
Imported Goods	18.74	201.6	217.4	236.2	7.8	8.6
Tradable Goods	68.86	174.3	189.4	218.6	8.7	15.4
Non-Tradable Goods	31.14	186.3	194.1	217.4	4.2	12.0
Government Control Goods	17.03	221.9	237.6	269.4	7.1	13.4
Non-government Control Goods	82.97	169.0	181.2	207.7	7.2	14.6
Petroleum Product	3.04	418.3	468.8	525.6	12.1	12.1
Non-petroleum Product	96.96	170.5	182.1	208.6	6.8	14.6
<b>Urban Consumer Price Index - Terai</b>						
Overall Index	100.00	189.9	205.2	231.5	8.1	12.8
Food and Beverages	54.98	182.8	201.9	232.8	10.4	15.3
Non-food and Services	45.02	198.6	209.3	230.0	5.4	9.9
Petroleum Product	2.54	451.5	502.5	558.2	11.3	11.1
Non-petroleum Product	97.46	183.1	197.5	223.0	7.9	12.9
<b>Urban Consumer Price Index - Hills</b>						
Overall Index	100.00	188.2	202.2	227.8	7.4	12.7
Food and Beverages	53.04	183.4	201.7	233.0	10.0	15.5
Non-food and Services	46.96	193.7	202.9	221.9	4.7	9.4
Petroleum Product	2.33	492.7	542.0	598.3	10.0	10.4
Non-petroleum Product	97.67	180.9	194.1	218.9	7.3	12.8

**Table 9**  
**National Wholesale Price Index**  
**(Annual Average)**  
 (Base Year: 1999/2000=100)

Groups/Sub-groups	Weight %	2006/07	2007/08	2008/09	Percentage Change	
		1	2	3	2/1	3/2
<b>Overall Index</b>	<b>100.00</b>	<b>146.4</b>	<b>159.7</b>	<b>180.1</b>	<b>9.1</b>	<b>12.8</b>
<b>Agricultural Commodities</b>	<b>49.59</b>	<b>145.3</b>	<b>159.1</b>	<b>181.3</b>	<b>9.5</b>	<b>14.0</b>
Food Grains	16.58	131.9	148.9	161.5	12.9	8.5
Cash Crops	6.09	183.0	191.8	199.6	4.8	4.1
Pulses	3.77	164.2	186.1	226.6	13.3	21.8
Fruits and Vegetables	11.18	131.7	146.7	166.7	11.4	13.6
Spices	1.95	132.5	129.2	143.9	-2.5	11.4
Livestock Production	10.02	155.0	165.9	209.6	7.0	26.3
<b>Domestic Manufactured Commodities</b>	<b>20.37</b>	<b>136.7</b>	<b>148.7</b>	<b>164.9</b>	<b>8.8</b>	<b>10.9</b>
Food Related Products	6.12	125.9	138.0	153.8	9.6	11.4
Beverages and Tobacco	5.68	135.2	143.3	160.0	6.0	11.7
Construction Materials	4.50	172.3	196.1	217.9	13.8	11.1
Other	4.07	115.9	120.2	129.9	3.7	8.1
<b>Imported Goods</b>	<b>30.04</b>	<b>154.7</b>	<b>168.0</b>	<b>188.4</b>	<b>8.6</b>	<b>12.1</b>
Petroleum Products and Coal	5.40	267.3	298.9	330.0	11.8	10.4
Chemical Fertilizers and Chemical Goods	2.46	169.5	194.6	209.9	14.8	7.9
Transport Vehicles and Machinery Goods	6.97	128.2	138.1	165.4	7.7	19.8
Electric and Electronic Goods	1.87	95.6	95.2	100.1	-0.4	5.1
Medicine	2.73	113.5	116.2	123.0	2.4	5.9
Textile Related Products	3.10	110.7	108.1	125.0	-2.3	15.6
Others	7.51	141.5	154.6	173.0	9.3	11.9

**Table 10**  
**Direction of Foreign Trade\***

Rs in million

	2006/07	2007/08	2008/09P	Percent Change	
				2007/08	2008/09
<b>TOTAL EXPORTS</b>	<b>59383.1</b>	<b>59266.5</b>	<b>67247.1</b>	<b>-0.2</b>	<b>13.5</b>
To India	41728.8	38555.7	40964.1	-7.6	6.2
To Other Countries	17654.3	20710.8	26283.0	17.3	26.9
<b>TOTAL IMPORTS</b>	<b>194694.6</b>	<b>221937.7</b>	<b>284571.0</b>	<b>14.0</b>	<b>28.2</b>
From India	115872.3	142376.5	163892.4	22.9	15.1
From Other Countries	78822.3	79561.2	120678.6	0.9	51.7
<b>TOTAL TRADE BALANCE</b>	<b>-135311.5</b>	<b>-162671.2</b>	<b>-217323.9</b>	<b>20.2</b>	<b>33.6</b>
With India	-74143.5	-103820.8	-122928.3	40.0	18.4
With Other Countries	-61168.0	-58850.4	-94395.6	-3.8	60.4
<b>TOTAL FOREIGN TRADE</b>	<b>254077.7</b>	<b>281204.2</b>	<b>351818.1</b>	<b>10.7</b>	<b>25.1</b>
With India	157601.1	180932.2	204856.5	14.8	13.2
With Other Countries	96476.6	100272.0	146961.6	3.9	46.6

\* Based on customs data.

P Provisional.

**Table 11**  
**Exports of Major Commodities to India\***

(Rs. in million)

		Fiscal Year			Percent Change	
		2006/07	2007/08	2008/09 <sup>P</sup>	2007/08	2008/09
	<b>A. Major Commodities</b>	<b>34294.6</b>	<b>32759.2</b>	<b>30002.9</b>	<b>-4.5</b>	<b>-8.4</b>
1	Aluminium Section	831.5	894.5	482.9	7.6	-46.0
2	Batica Hair Oil	7.5	0.6	22.7	-92.0	-
3	Biscuits	0.7	0.5	151.2	-28.6	-
4	Brans	121.3	264.5	152.2	118.1	-42.5
5	Brooms	43.9	56.8	35.8	29.4	-37.0
6	Cardamom	848.1	1034.8	1216.0	22.0	17.5
7	Catechue	542.8	543.7	1217.1	0.2	123.9
8	Cattlefeed	80.9	176.9	347.5	118.7	96.4
9	Chemicals	950.2	275.7	166.9	-71.0	-39.5
10	Cinnamon	16.0	24.3	21.3	51.9	-12.3
11	Copper Wire Rod	206.0	617.4	571.8	199.7	-7.4
12	Dried Ginger	49.6	54.0	68.0	8.9	25.9
13	Fruits	0.1	0.1	69.7	0.0	-
14	G.I. pipe	127.8	242.7	1098.4	89.9	352.6
15	Ghee (Vegetable)	4136.5	2132.3	9.1	-48.5	-99.6
16	Ghee (Clarified)	110.9	101.7	91.6	-8.3	-9.9
17	Ginger	541.3	543.2	335.1	0.4	-38.3
18	Handicraft Goods	20.0	21.8	52.9	9.0	142.7
19	Herbs	105.6	148.6	202.7	40.7	36.4
20	Juice	1591.3	1836.4	1952.2	15.4	6.3
21	Jute Goods	2756.8	2582.5	1282.5	-6.3	-50.3
	(a) Hessian	375.1	528.8	207.1	41.0	-60.8
	(b) Sackings	1408.6	1219.9	458.8	-13.4	-62.4
	(c) Twines	973.1	833.8	616.6	-14.3	-26.0
22	Live Animals	21.7	52.2	24.4	140.6	-53.3
23	M.S. Pipe	761.9	979.5	571.2	28.6	-41.7
24	Marble Slab	113.2	147.6	175.4	30.4	18.8
25	Medicine (Ayurvedic)	156.3	132.1	157.7	-15.5	19.4
26	Mustard & Linseed	23.3	35.1	77.2	50.6	119.9
27	Noodles	237.4	532.9	803.2	124.5	50.7
28	Oil Cakes	318.1	405.0	532.2	27.3	31.4
29	Paper	131.6	120.2	93.1	-8.7	-22.5
30	Particle Board	206.8	157.6	117.0	-23.8	-25.8
31	Pashmina	48.3	44.0	65.9	-8.9	49.8
32	Plastic Utensils	415.1	302.6	513.4	-27.1	69.7
33	Polyster Yarn	2241.0	2618.0	2499.2	16.8	-4.5
34	Pulses	306.9	314.8	381.6	2.6	21.2
35	Raw Jute	1.6	31.1	146.3	-	370.4
36	Readymade garment	765.0	478.1	1715.1	-37.5	258.7
37	Ricebran Oil	178.3	196.5	143.3	10.2	-27.1
38	Rosin	577.4	355.6	346.6	-38.4	-2.5
39	Shoes and Sandles	244.4	348.6	750.1	42.6	115.2
40	Skin	363.1	346.0	167.5	-4.7	-51.6
41	Soap	502.7	424.2	591.0	-15.6	39.3
42	Stone and Sand	425.6	395.4	171.0	-7.1	-56.8
43	Tarperntine	179.2	81.4	98.8	-54.6	21.4
44	Textiles **	3056.9	2114.8	3191.5	-30.8	50.9
45	Thread	4055.9	4134.8	2525.4	1.9	-38.9
46	Tooth Paste	663.4	475.6	813.2	-28.3	71.0
47	Turmeric	9.1	1.4	0.5	-84.6	-64.3
48	Vegetable	11.0	17.5	66.8	59.1	281.7
49	Wire	1610.7	1546.7	895.0	-4.0	-42.1
50	Zinc Oxide	0.0	0.0	0.0	-	-
51	Zinc sheet	3579.9	4416.9	2821.7	23.4	-36.1
	<b>B. Others</b>	<b>7434.2</b>	<b>5796.5</b>	<b>10961.2</b>	<b>-22.0</b>	<b>89.1</b>
	<b>Total(A+B)</b>	<b>41728.8</b>	<b>38555.7</b>	<b>40964.1</b>	<b>-7.6</b>	<b>6.2</b>

\* Based on customs data.

\*\* includes PP fabric.

P Provisional



**Table 12**  
**Imports of Major Commodities from India\***

(Rs. in million)

		Fiscal Year			Percent Change	
		2006/07	2007/08	2008/09P	2007/08	2008/09
<b>A.</b>	<b>Major Commodities</b>	<b>88356.2</b>	<b>111802.9</b>	<b>123894.6</b>	<b>26.5</b>	<b>10.8</b>
1	Agri. Equip.& Parts	1073.1	1483.8	2481.5	38.3	67.2
2	Aluminium Ingot, Billet & Rod	424.6	654.7	461.5	54.2	-29.5
3	Baby Food & Milk Products	357.8	445.3	859.7	24.5	93.1
4	Bitumen	399.8	252.4	212.9	-36.9	-15.6
5	Books and Magazines	318.8	439.7	561.0	37.9	27.6
6	Cement	2519.9	2337.0	4032.1	-7.3	72.5
7	Chemical Fertilizer	624.0	315.7	130.2	-49.4	-58.8
8	Chemicals	2590.9	2719.8	2764.6	5.0	1.6
9	Coal	950.7	910.1	1517.8	-4.3	66.8
10	Coldrolled Sheet Incoil	2079.6	4005.8	6146.9	92.6	53.5
11	Cooking Stoves	54.7	52.2	69.1	-4.6	32.4
12	Cosmetics	523.3	568.8	872.2	8.7	53.3
13	Cuminseeds and Peppers	161.4	230.3	309.0	42.7	34.2
14	Dry Cell Battery	128.9	110.7	134.5	-14.1	21.5
15	Electrical Equipment	2365.2	3587.3	3879.8	51.7	8.2
16	Enamel & Other Paints	294.1	349.5	534.1	18.8	52.8
17	Fruits	714.7	675.0	349.4	-5.6	-48.2
18	Glass Sheet and G.Wares	481.9	1075.8	976.4	123.2	-9.2
19	Hotrolled Sheet Incoil	2052.7	3575.9	3550.1	74.2	-0.7
20	Incense Sticks	171.2	322.0	121.2	88.1	-62.4
21	Insecticides	452.9	510.4	300.4	12.7	-41.1
22	Live Animals	376.0	393.0	171.3	4.5	-56.4
23	M.S. Billet	4384.2	8145.4	5513.7	85.8	-32.3
24	M.S. Wire Rod	1418.7	2595.3	2061.0	82.9	-20.6
25	Medicine	4442.5	5434.1	6558.1	22.3	20.7
26	Molasses Sugar	36.5	74.1	12.6	103.0	-83.0
27	Other Machinery & Parts	3556.3	4682.0	7263.8	31.7	55.1
28	Other Stationary Goods	248.0	262.1	254.1	5.7	-3.1
29	Paper	806.9	729.3	1139.1	-9.6	56.2
30	Petroleum Products	33567.6	40815.7	41356.7	21.6	1.3
31	Pipe and Pipe Fittings	246.3	1033.5	685.2	319.6	-33.7
32	Plastic Utensils	86.0	157.0	140.3	82.6	-10.6
33	Radio, TV, Deck & Parts	479.2	469.4	642.5	-2.0	36.9
34	Raw Cotton	68.8	58.7	57.3	-14.7	-2.4
35	Readymade Garments	737.4	869.5	1167.5	17.9	34.3
36	Rice	1614.2	835.5	1134.2	-48.2	35.8
37	Salt	302.3	187.1	322.6	-38.1	72.4
38	Sanitaryware	215.5	195.7	247.7	-9.2	26.6
39	Shoes & Sandles	108.9	81.8	129.7	-24.9	58.6
40	Steel Sheet	2.6	0.1	15.5	-97.5	-
41	Sugar	17.4	12.1	662.3	-30.5	-
42	Tea	19.0	18.9	26.1	-0.5	38.1
43	Textiles	1753.8	1663.6	2441.8	-5.1	46.8
44	Thread	3158.8	3056.3	2597.1	-3.2	-15.0
45	Tobacco	646.3	732.2	1058.8	13.3	44.6
46	Tyre, Tubes & Flapes	345.4	454.7	622.3	31.6	36.9
47	Vegetables	1035.8	1457.3	928.8	40.7	-36.3
48	Vehicles & Spare Parts	9798.7	11874.6	16157.8	21.2	36.1
49	Wire Products	142.8	891.8	262.4	524.5	-70.6
<b>B.</b>	<b>Others</b>	<b>27516.1</b>	<b>30573.6</b>	<b>39997.8</b>	<b>11.1</b>	<b>30.8</b>
	<b>Total (A+B)</b>	<b>115872.3</b>	<b>142376.5</b>	<b>163892.4</b>	<b>22.9</b>	<b>15.1</b>

\* Based on customs data

P Provisional

**Table 13**  
**Exports of Major Commodities to Other Countries\***

(Rs. in million)

		Fiscal Year			Percent Change	
		2006/07	2007/08	2008/09P	2007/08	2008/09
<b>A.</b>	<b>Major Commodities</b>	<b>13563.8</b>	<b>13144.0</b>	<b>20346.5</b>	<b>-3.1</b>	<b>54.8</b>
1	Handicraft (Metal and Wooden)	250.2	194.0	738.6	-22.5	280.7
2	Herbs	43.5	97.9	295.0	125.1	201.3
3	Nepalese Paper & Paper Products	190.6	347.1	361.2	82.1	4.1
4	Nigerseed	8.8	1.2	1.0	-86.4	-16.7
5	Pashmina	931.0	643.4	1526.9	-30.9	137.3
6	Pulses	488.5	1458.4	6247.1	198.5	328.4
7	Readymade Garments	5212.9	4755.8	4813.3	-8.8	1.2
8	Readymade Leather Goods	111.1	22.9	58.2	-79.4	154.1
9	Silverware and Jewelleries	325.4	269.4	262.4	-17.2	-2.6
10	Tanned Skin	279.1	248.7	305.4	-10.9	22.8
11	Tea	122.5	57.0	61.1	-53.5	7.2
12	Woolen Carpet	5600.2	5048.2	5676.3	-9.9	12.4
<b>B.</b>	<b>Others</b>	<b>4090.5</b>	<b>7566.8</b>	<b>5936.5</b>	<b>85.0</b>	<b>-21.5</b>
	<b>Total (A+B)</b>	<b>17654.3</b>	<b>20710.8</b>	<b>26283.0</b>	<b>17.3</b>	<b>26.9</b>

\* Based on customs data.

P Provisional.

**Table 14**  
**Imports of Major Commodities from Other Countries\***

(Rs. in million)

		Fiscal Year			Percent Change	
		2006/07	2007/08	2008/09P	2007/08	2008/09
	<b>A. Major Commodities</b>	<b>56248.9</b>	<b>61473.4</b>	<b>88209.1</b>	<b>9.3</b>	<b>43.5</b>
1	Aircraft Spareparts	1462.8	1049.9	2020.4	-28.2	92.4
2	Bags	124.7	78.3	124.3	-37.2	58.7
3	Betelnut	1418.3	1857.0	2922.5	30.9	57.4
4	Button	22.9	13.6	3.6	-40.6	-73.5
5	Camera	220.5	96.9	129.0	-56.1	33.1
6	Chemical Fertilizer	617.3	19.6	79.8	-96.8	307.1
7	Cigarette Paper	15.5	33.9	31.9	118.7	-5.9
8	Clove	98.1	112.3	22.5	14.5	-80.0
9	Coconut Oil	50.2	9.0	99.9	-82.1	-
10	Computer and Parts	2701.0	2269.7	3711.4	-16.0	63.5
11	Copper Wire Rod, Scrapes & Sheets	1878.8	1941.1	1813.6	3.3	-6.6
12	Cosmetic Goods	368.2	456.6	756.2	24.0	65.6
13	Crude Coconut Oil	81.2	68.6	61.7	-15.5	-10.1
14	Crude Palm Oil	7121.5	5746.8	2949.3	-19.3	-48.7
15	Crude Soyabean Oil	1924.2	1600.0	3658.6	-16.8	128.7
16	Cuminseed	0.6	0.0	0.0	-100.0	-
17	Door Locks	24.4	9.6	81.7	-60.7	751.0
18	Drycell Battery	151.1	433.4	150.5	186.8	-65.3
19	Edible Oil	635.2	407.1	941.4	-35.9	131.2
20	Electrical Goods	2965.8	3945.2	7771.8	33.0	97.0
21	Fastener	57.1	52.7	41.2	-7.7	-21.8
22	Flash Light	8.3	13.8	21.6	66.3	56.5
23	G.I. Wire	3.8	6.0	61.2	57.9	920.0
24	Glasswares	188.4	213.1	166.3	13.1	-22.0
25	Gold	3519.9	3750.5	16574.6	6.6	341.9
26	Insecticides	19.7	36.8	122.7	86.8	233.4
27	M.S. Billet	1123.6	904.3	2946.4	-19.5	225.8
28	M.S. Wire Rod	289.4	169.5	280.1	-41.4	65.3
29	Medical Equip. & Tools	847.5	1374.8	1795.8	62.2	30.6
30	Medicine	1536.9	1263.0	3111.1	-17.8	146.3
31	Office Equip. & Stationary	104.5	106.2	153.0	1.6	44.1
32	Other Machinery & Parts	2007.4	3902.0	5875.0	94.4	50.6
33	Other Stationaries	328.7	337.3	522.8	2.6	55.0
34	P.V.C. Compound	141.4	868.1	1273.6	513.9	46.7
35	Palm Oil	324.7	279.6	416.9	-13.9	49.1
36	Parafin Wax	146.2	125.8	148.9	-14.0	18.4
37	Petroleum Products	572.2	523.0	852.5	-8.6	63.0
38	Pipe & Pipe Fittings	273.8	280.2	167.7	2.3	-40.1
39	Polythene Granules	2959.7	3718.9	3616.5	25.7	-2.8
40	Powder Milk	54.1	37.1	143.0	-31.4	285.4
41	Raw Silk	25.4	5.5	41.0	-78.3	645.5
42	Raw Wool	1630.8	1394.8	355.9	-14.5	-74.5
43	Readymade Garments	1828.3	1778.4	1476.7	-2.7	-17.0
44	Shoes and Sandals	826.1	691.3	452.7	-16.3	-34.5
45	Silver	1.2	446.7	1175.4	-	163.1
46	Small Cardamom	268.8	255.1	180.2	-5.1	-29.4
47	Steel Rod & Sheet	51.9	2.4	218.4	-95.4	-
48	Storage Battery	121.2	86.7	280.8	-28.5	223.9
49	Synthetic & Natural Rubber	200.9	233.9	161.1	16.4	-31.1
50	Synthetic Carpet	144.5	117.8	142.8	-18.5	21.2
51	Telecommunication Equip. Parts	954.1	4979.4	4064.4	421.9	-18.4
52	Tello	292.5	375.8	165.7	28.5	-55.9
53	Textile Dyes	2344.6	1376.1	775.5	-41.3	-43.6
54	Textiles	2455.7	1966.6	2253.0	-19.9	14.6
55	Threads	1256.8	1395.8	1407.3	11.1	0.8
56	Toys	155.2	74.9	183.9	-51.7	145.5
57	Transport Equipment & Parts	2705.0	4391.8	5459.6	62.4	24.3
58	Tyre, Tube & Flaps	70.7	51.6	261.0	-27.0	405.8
59	Umbrella and Parts	123.6	126.8	138.7	2.6	9.4
60	Video Television & Parts	954.1	1819.0	1812.1	90.7	-0.4
61	Watches & Bands	179.6	121.4	188.4	-32.4	55.2
62	Writing & Printing Paper	792.6	1039.7	1019.7	31.2	-1.9
63	X-Ray Film	103.2	172.2	90.0	66.9	-47.7
64	Zinc Ingot	2372.5	458.4	283.8	-80.7	-38.1
	<b>B. Others</b>	<b>22573.4</b>	<b>18087.8</b>	<b>32469.5</b>	<b>-19.9</b>	<b>79.5</b>
	<b>Total (A+B)</b>	<b>78822.3</b>	<b>79561.2</b>	<b>120678.6</b>	<b>0.9</b>	<b>51.7</b>

\* Based on customs data.

P Provisional.

**Table 15**  
**Summary of Balance of Payments**

(Rs. in million)

Particulars	Annual			% Change	
	2006/07	2007/08R	2008/09P	2007/08	2008/09
<b>A. Current Account</b>	<b>-902.2</b>	<b>23679.6</b>	<b>41437.3</b>	<b>-</b>	<b>75.0</b>
Goods: Exports f.o.b.	61488.4	61971.1	69906.8	0.8	12.8
Oil	0.0	0.0	0.0	-	-
Other	61488.4	61971.1	69906.8	0.8	12.8
Goods: Imports f.o.b.	-190437.1	-217962.8	-279227.8	14.5	28.1
Oil	-33567.6	-40815.7	-41356.7	21.6	1.3
Other	-156869.5	-177147.1	-237871.1	12.9	34.3
<b>Balance on Goods</b>	<b>-128948.7</b>	<b>-155991.7</b>	<b>-209321.0</b>	<b>21.0</b>	<b>34.2</b>
<b>Services: Net</b>	<b>-8377.3</b>	<b>-11092.0</b>	<b>-10478.0</b>	<b>32.4</b>	<b>-5.5</b>
Services: credit	32078.9	42236.1	52830.1	31.7	25.1
Travel	10125.3	18653.1	27959.8	84.2	49.9
Government n.i.e.	12336.4	13301.8	12734.4	7.8	-4.3
Other	9617.2	10281.2	12135.9	6.9	18.0
Services: debit	-40456.2	-53328.1	-63308.1	31.8	18.7
Transportation	-14557.4	-22675.9	-22116.2	55.8	-2.5
Travel	-15785.0	-20862.0	-31396.3	32.2	50.5
O/W Education	-6336.6	-7373.0	-12126.0	16.4	64.5
Government services:debit	-189.4	-635.7	-980.4	235.6	54.2
Other	-10113.8	-9790.2	-8815.2	-3.2	-10.0
<b>Balance on Goods and Services</b>	<b>-137326.0</b>	<b>-167083.7</b>	<b>-219799.0</b>	<b>21.7</b>	<b>31.6</b>
<b>Income: Net</b>	<b>7431.8</b>	<b>7946.8</b>	<b>11749.5</b>	<b>6.9</b>	<b>47.9</b>
Income: credit	14500.8	13447.7	16506.6	-7.3	22.7
Income: debit	-7069.0	-5500.9	-4757.1	-22.2	-13.5
<b>Balance on Goods, Services and Income</b>	<b>-129894.2</b>	<b>-159136.9</b>	<b>-208049.5</b>	<b>22.5</b>	<b>30.7</b>
<b>Transfers: Net</b>	<b>128992.0</b>	<b>182816.5</b>	<b>249486.8</b>	<b>41.7</b>	<b>36.5</b>
Current transfers: credit	133196.8	185462.9	257461.3	39.2	38.8
Grants	18218.2	20993.2	26796.2	15.2	27.6
Workers' remittances	100144.8	142682.7	209698.5	42.5	47.0
Pensions	12937.0	18789.9	17755.4	45.2	-5.5
Other (Indian Excise Refund)	1896.8	2997.1	3211.2	58.0	7.1
Current transfers: debit	-4204.8	-2646.4	-7974.5	-37.1	201.3
<b>B. Capital Account (Capital Transfer)</b>	<b>4449.9</b>	<b>7912.5</b>	<b>6231.0</b>	<b>77.8</b>	<b>-21.3</b>
<b>Total, Groups A plus B</b>	<b>3547.7</b>	<b>31592.1</b>	<b>47668.3</b>	<b>790.5</b>	<b>50.9</b>
<b>C. Financial Account (Excluding Group E)</b>	<b>-2362.1</b>	<b>11032.6</b>	<b>18049.8</b>	<b>-567.1</b>	<b>63.6</b>
Direct investment in Nepal	362.3	293.9	1829.2	-	522.4
Portfolio Investment	0.0	0.0	0.0	-	-
Other investment: assets	-10690.0	-11396.1	-17675.1	6.6	55.1
Trade credits	-5127.6	853.2	-3024.2	-116.6	-454.5
Other	-5562.4	-12249.3	-14650.9	120.2	19.6
Other investment: liabilities	7965.6	22134.8	33895.7	177.9	53.1
Trade credits	1727.8	12483.6	19554.6	622.5	56.6
Loans	1455.6	3391.5	-2899.0	133.0	-185.5
General Government	2150.7	3455.9	-2832.4	60.7	-182.0
Drawings	9689.7	11325.5	7287.9	16.9	-35.7
Repayments	-7539.0	-7869.6	-10120.3	4.4	28.6
Other sectors	-695.1	-64.4	-66.6	-90.7	3.4
Currency and deposits	4782.2	6259.7	17240.1	30.9	175.4
Nepal Rastra Bank	2.4	-5.6	-84.1	-333.3	1401.8
Deposit money banks	4779.8	6265.3	17324.2	31.1	176.5
Other liabilities	0.0	0.0	0.0	-	-
<b>Total, Group A through C</b>	<b>1185.6</b>	<b>42624.7</b>	<b>65718.1</b>	<b>-</b>	<b>54.2</b>
<b>D. Miscellaneous Items, Net</b>	<b>9500.9</b>	<b>-6690.3</b>	<b>-7198.3</b>	<b>-170.4</b>	<b>7.6</b>
<b>Total, Group A through D</b>	<b>10686.5</b>	<b>35934.4</b>	<b>58519.8</b>	<b>236.3</b>	<b>62.9</b>
<b>E. Reserves and Related Items</b>	<b>-10686.5</b>	<b>-35934.4</b>	<b>-58519.8</b>	<b>236.3</b>	<b>62.9</b>
Reserve assets	-13410.2	-37002.0	-58519.8	175.9	58.2
Nepal Rastra Bank	-10963.2	-29636.8	-45751.3	170.3	54.4
Deposit money banks	-2447.0	-7365.2	-12768.5	201.0	73.4
Use of Fund Credit and Loans	2723.7	1067.6	0.0	-60.8	-100.0
<b>Changes in reserve net ( - increase )</b>	<b>-5904.3</b>	<b>-29674.7</b>	<b>-41279.7</b>	<b>402.6</b>	<b>39.1</b>

P Provisional, R Revised.

**Table 16**  
**Gross Foreign Exchange Reserves**

	Mid-July			Percent change	
	2007	2008	2009P	2008	2009
<b>Rs. in million</b>					
<b>Nepal Rastra Bank</b>	<b>129626.4</b>	<b>169683.6</b>	<b>224190.3</b>	<b>30.9</b>	<b>32.1</b>
Convertible	123755.3	142848.8	201756.0	15.4	41.2
Inconvertible	5871.1	26834.8	22434.3	357.1	-16.4
<b>Commercial Bank</b>	<b>35499.6</b>	<b>42939.9</b>	<b>55795.0</b>	<b>21.0</b>	<b>29.9</b>
Convertible	31681.0	38827.1	52200.1	22.6	34.4
Inconvertible	3818.6	4112.8	3594.9	7.7	-12.6
<b>Total Reserve</b>	<b>165126.0</b>	<b>212623.5</b>	<b>279985.3</b>	<b>28.8</b>	<b>31.7</b>
Convertible	155436.3	181675.9	253956.1	16.9	39.8
Inconvertible	9689.7	30947.6	26029.2	219.4	-15.9
<b>US dollar in million</b>					
<b>Nepal Rastra Bank</b>	<b>1998.9</b>	<b>2477.1</b>	<b>2872.4</b>	<b>23.9</b>	<b>16.0</b>
Convertible	1908.3	2085.4	2585.0	9.3	24.0
Inconvertible	90.5	391.7	287.4	332.7	-26.6
<b>Commercial Bank</b>	<b>547.4</b>	<b>626.9</b>	<b>714.9</b>	<b>14.5</b>	<b>14.0</b>
Convertible	488.5	566.8	668.8	16.0	18.0
Inconvertible	58.9	60.0	46.1	2.0	-23.3
<b>Total Reserve</b>	<b>2546.3</b>	<b>3104.0</b>	<b>3587.3</b>	<b>21.9</b>	<b>15.6</b>
Convertible	2396.9	2652.2	3253.8	10.7	22.7
Inconvertible	149.4	451.8	333.5	202.4	-26.2

P Provisional.

**Table 17**  
**Government Budgetary Operation+**  
**(On Cash Basis)**  
 During the Fiscal Year

(Rs. in Million)

Heads	Amount			Percent Change	
	2006/07	2007/08	2008/09 <sup>P</sup>	2007/08	2008/09 <sup>P</sup>
<b>Sanctioned Expenditure`</b>	<b>127768.8</b>	<b>155758.3</b>	<b>217804.0</b>	<b>21.9</b>	<b>39.8</b>
Recurrent	74625.6	89621.7	126226.2	20.1	40.8
Capital	34262.1	47371.8	66807.6	38.3	41.0
<i>a.Domestic Resources &amp; Loans</i>	28124.8	39844.0	55857.1	41.7	40.2
<i>b.Foreign Grants</i>	6137.3	7527.8	10950.5	22.7	45.5
Principal Repayment	16761.7	16386.9	19180.4	-2.2	17.0
Others (Freeze Account)	2119.4	2377.9	5589.8	12.2	135.1
<b>Unspent Government Balance</b>	<b>2445.2</b>	<b>5799.2</b>	<b>12089.7</b>	<b>137.2</b>	<b>108.5</b>
Recurrent	485.8	1286.2	6845.8	164.8	432.3
Capital	1954.9	4121.7	4866.7	110.8	18.1
Principal Repayment	4.5	391.3	377.2	8595.6	-3.6
<b>Actual Expenditure</b>	<b>125323.6</b>	<b>149959.1</b>	<b>205714.3</b>	<b>19.7</b>	<b>37.2</b>
Recurrent	74139.8	88335.5	119380.4	19.1	35.1
Capital	32307.2	43250.1	61940.9	33.9	43.2
Principal Repayment	16757.2	15995.6	18803.2	-4.5	17.6
Others (Freeze Account)	2119.4	2377.9	5589.8	12.2	135.1
<b>Resources excluding Local Authorities' Account</b>	<b>106560.8</b>	<b>127483.3</b>	<b>172206.5</b>	<b>19.6</b>	<b>35.1</b>
Revenue	87712.1	107622.5	143482.9	22.7	33.3
Foreign Grants	12749.8	17530.6	24401.7	37.5	39.2
Non-Budgetary Receipts,net	4970.0	1558.9	117.6	-68.6	-92.5
Others #	22.3	-21.1	-58.0	-194.6	174.9
V. A. T.	-138.8	46.3	408.8	-133.4	782.9
Local Authorities' Account (LAA)	1241.4	746.1	3853.5	-39.9	416.5
<b>Deficits(-) Surplus(+)</b>	<b>-18762.8</b>	<b>-22475.8</b>	<b>-33507.8</b>	<b>19.8</b>	<b>49.1</b>
<b>Sources of Financing</b>	<b>18762.8</b>	<b>22475.8</b>	<b>33507.8</b>	<b>19.8</b>	<b>49.1</b>
Internal Loans	14338.5	18603.5	29781.4	29.7	60.1
Domestic Borrowings	17892.3	20496.4	18417.1	14.6	-10.1
<i>a.Treasury Bills</i>	12051.5	12500.0	9000.0	3.7	-28.0
<i>b.Development Bonds</i>	5500.0	6070.0	7750.0	10.4	27.7
<i>c.National Savings Certificates</i>	0.0	0.0	0.0	0.0	0.0
<i>d. Citizen Saving Certificates</i>	340.8	1926.4	1667.1	465.3	-13.5
Overdrafts <sup>++</sup>	-3122.5	-823.9	11933.9	-73.6	-1548.5
Others@	-431.3	-1069.0	-569.6	147.9	-46.7
Foreign Loans	4424.3	3872.3	3726.4	-12.5	-3.8

+ As per NRB records.

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

++ Minus (-) indicates surplus.

@ Interest from government treasury transactions and others.

P : Provisional.

**Table 18**  
**Outstanding Domestic Debt of the Government of Nepal**

(Rs. in Million)

S. No.	Name of Bonds/Ownership	Amount			Amount Change		Percent change	
		2006/07	2007/08	2008/09 <sup>P</sup>	2007/08	2008/09	2007/08	2008/09
<b>1</b>	<b>Treasury Bills</b>	<b>74445.3</b>	<b>85033.0</b>	<b>86515.1</b>	<b>10587.7</b>	<b>1482.1</b>	<b>14.2</b>	<b>1.7</b>
	a. Banking Sector	72380.3	82545.4	83603.4	10165.0	1058.1	14.0	1.3
	<i>i. Nepal Rastra Bank</i>	13768.8	17579.0	22548.6	3810.2	4969.6	27.7	28.3
	<i>ii. Commercial Banks</i>	58611.5	64966.3	61054.8	6354.8	-3911.5	10.8	-6.0
	b. Non-Banking Sector	2065.0	2487.7	2911.7	422.7	424.0	20.5	17.0
<b>2</b>	<b>Development Bonds</b>	<b>19177.1</b>	<b>21735.4</b>	<b>29478.5</b>	<b>2558.3</b>	<b>7743.1</b>	<b>13.3</b>	<b>35.6</b>
	a. Banking Sector	7798.9	7313.2	11038.9	-485.7	3725.7	-6.2	50.9
	<i>i. Nepal Rastra Bank</i>	1518.6	296.5	302.2	-1222.1	5.7	-80.5	1.9
	<i>ii. Commercial Banks</i>	6280.3	7016.7	10736.7	736.4	3720.0	11.7	53.0
	b. Non-Banking Sector	11378.2	14422.3	18439.6	3044.1	4017.3	26.8	27.9
<b>3</b>	<b>National Saving Certificates</b>	<b>1516.9</b>	<b>1116.9</b>	<b>216.9</b>	<b>-400.0</b>	<b>-900.0</b>	<b>-26.4</b>	<b>-80.6</b>
	a. Banking Sector	279.5	447.2	76.9	167.7	-370.3	60.0	-82.8
	<i>i. Nepal Rastra Bank</i>	279.5	447.2	76.9	167.7	-370.3	60.0	-82.8
	<i>ii. Commercial Banks</i>	0.0	0.0	0.0	0.0	0.0	#DIV/0!	#DIV/0!
	b. Non-Banking Sector	1237.4	669.8	140.0	-567.7	-529.7	-45.9	-79.1
<b>4</b>	<b>Citizen Saving Bonds</b>	<b>1391.0</b>	<b>3014.4</b>	<b>4433.6</b>	<b>1623.4</b>	<b>1419.3</b>	<b>116.7</b>	<b>47.1</b>
	a. Banking Sector	62.7	562.7	1155.1	500.0	592.4	797.5	105.3
	<i>i. Nepal Rastra Bank</i>	62.7	562.7	1155.1	500.0	592.4	797.5	105.3
	b. Non-Banking Sector	1328.3	2451.6	3278.5	1123.3	826.9	84.6	33.7
<b>5</b>	<b>Special Bonds</b>	<b>2773.5</b>	<b>339.4</b>	<b>229.6</b>	<b>-2434.1</b>	<b>-109.8</b>	<b>-87.8</b>	<b>-32.3</b>
	a. Banking Sector	944.6	157.6	157.6	-787.0	0.0	-83.3	0.0
	<i>i. Commercial Banks</i>	944.6	157.6	157.6	-787.0	0.0	-83.3	0.0
	b. Non-Banking Sector	1828.9	181.8	72.0	-1647.1	-109.8	-90.1	-60.4
	<i>(Of which duty drawback)</i>	355.4	181.8	104.3	-173.6	-77.5	-48.8	-42.6
<b>6</b>	<b>Short Term Loan &amp; Advances</b>	<b>-3122.5</b>	<b>-3946.4</b>	<b>7987.5</b>	<b>-823.9</b>	<b>11933.9</b>	<b>26.4</b>	<b>-302.4</b>
	Nepal Rastra Bank	-3122.5	-3946.4	7987.5	-823.9	11933.9	26.4	-302.4
<b>7</b>	<b>Grand Total</b>	<b>96181.4</b>	<b>107292.7</b>	<b>128861.2</b>	<b>11111.3</b>	<b>21568.5</b>	<b>11.6</b>	<b>20.1</b>
	a Banking Sector	78343.6	87079.6	104019.5	8736.0	16939.9	11.2	19.5
	<i>i NRB</i>	12507.2	14939.0	32070.3	2431.8	17131.3	19.4	114.7
	<i>ii. Commercial Banks</i>	65836.4	72140.6	71949.1	6304.2	-191.5	9.6	-0.3
	b. Non-Banking Sector	17837.8	20213.1	24841.8	2375.3	4628.7	13.3	22.9

P Provisional.

**Table 19**  
**Monetary Survey**  
**(Mid- July)**

(Rs. in million)

	2007	2008	2009 (e)	Amount Change		Percentage Change	
				2007/08	2008/09	2007/08	2008/09
<b>1. Foreign Assets, net</b>	<b>131909.5</b>	<b>17145.5</b>	<b>217536.3</b>	<b>29674.6<sup>1</sup></b>	<b>37732.4<sup>2</sup></b>	<b>22.5</b>	<b>22.0</b>
1.1 Foreign Assets	165713.5	213254.1	280540.6	47540.6	67286.5	28.7	31.6
1.2 Foreign Currency Deposits	28247.2	34229.1	55341.8	5981.8	21112.7	21.2	61.7
1.3 Other Foreign Liabilities	5556.8	7569.6	7662.5	2012.7	93.0	36.2	1.2
<b>2. Net Domestic Assets</b>	<b>263608.7</b>	<b>323921.6</b>	<b>411661.9</b>	<b>70184.3<sup>1</sup></b>	<b>96088.7<sup>2</sup></b>	<b>26.6</b>	<b>29.7</b>
<b>2.1 Domestic Credit</b>	<b>360558.1</b>	<b>437269.8</b>	<b>545423.3</b>	<b>76711.7</b>	<b>108153.5</b>	<b>21.3</b>	<b>24.7</b>
(a) Net Claims on Govt*	78343.6	87079.6	96658.2	8736.0	9578.6	11.2	11.0
<i>Claims on Govt</i>	<i>81466.1</i>	<i>91026.0</i>	<i>96658.2</i>	<i>9559.9</i>	<i>5632.2</i>	<i>11.7</i>	<i>6.2</i>
<i>Govt Deposits</i>	<i>3122.5</i>	<i>3946.4</i>	<i>0.00</i>	<i>823.9</i>	<i>-3946.4</i>	<i>26.4</i>	<i>-100.0</i>
(b) Claims on Non-Financial Govt Enterprises	5114.9	5646.5	5101.8	531.6	-544.8	10.4	-9.6
(c) Claims on Financial Enterprises	3622.2	4709.5	7559.2	1087.3	2849.7	30.0	60.5
<i>Government</i>	<i>1713.0</i>	<i>1670.5</i>	<i>1376.1</i>	<i>-42.5</i>	<i>-294.4</i>	<i>-2.5</i>	<i>-17.6</i>
<i>Non-Govt.</i>	<i>1909.2</i>	<i>3039.1</i>	<i>6183.1</i>	<i>1129.8</i>	<i>3144.0</i>	<i>59.2</i>	<i>103.5</i>
(D) Claims on Private Sector	273477.4	339834.2	436104.1	66356.8	96269.9	24.3	28.3
<b>2.2 Net Non-Monetary Liabilities</b>	<b>96949.4</b>	<b>113348.2</b>	<b>133761.4</b>	<b>6527.4<sup>1</sup></b>	<b>12064.9<sup>2</sup></b>	<b>6.7</b>	<b>10.6</b>
<b>3. Broad Money Supply (M2)</b>	<b>395518.2</b>	<b>495377.1</b>	<b>629198.2</b>	<b>99859.0</b>	<b>133821.1</b>	<b>25.2</b>	<b>27.0</b>
<b>3.1 Money Supply (M1)</b>	<b>126887.9</b>	<b>154343.9</b>	<b>196460.8</b>	<b>27456.0</b>	<b>42116.8</b>	<b>21.6</b>	<b>27.3</b>
Currency	83553.3	100175.2	125760.0	16622.0	25584.8	19.9	25.5
Demand Deposits	43334.4	54168.7	70700.8	10834.4	16532.1	25.0	30.5
<b>3.2 Time Deposits</b>	<b>268630.2</b>	<b>341033.2</b>	<b>432737.4</b>	<b>72403.0</b>	<b>91704.3</b>	<b>27.0</b>	<b>26.9</b>
<b>4. Broad Money Liquidity (M3)</b>	<b>423765.4</b>	<b>529606.2</b>	<b>684540.0</b>	<b>105840.8</b>	<b>154933.8</b>	<b>25.0</b>	<b>29.3</b>
<b>5. Reserve Money</b>	119269.3	144591.6	195574.8	25322.2	50983.2	21.2	35.3
<b>6. Narrow Money Multiplier</b>	1.064	1.067	1.005	0.0	-0.1	0.3	-5.9
<b>7. Broad Money Multiplier</b>	3.316	3.426	3.217	0.1	-0.2	3.3	-6.1

E Estimates.

1 Adjusting exchange valuation gain of Rs. 9871.4 million.

2 Adjusting exchange valuation gain of Rs. 8348.4 million.



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

(Rs. in million)

	2007	2008	2009 (e)	Amount Change		Percent Change	
				2007/08	2008/09	2007/08	2008/09
<b>1. Total Deposits</b>	<b>334453.3</b>	<b>421523.7</b>	<b>549828.5</b>	<b>87070.4</b>	<b>128304.7</b>	<b>26.0</b>	<b>30.4</b>
1.1 Demand Deposits	42692.2	54124.4	69489.5	11432.1	15365.2	26.8	28.4
(a) Domestic Deposits	37575.8	46261.5	61749.3	8685.6	15487.8	23.1	33.5
(b) Foreign Deposits	5116.4	7862.9	7740.3	2746.5	-122.6	53.7	-1.6
1.2 Saving Deposits	174633.9	211406.4	259872.4	36772.6	48466.0	21.1	22.9
(a) Domestic Deposits	168320.4	203771.0	250300.9	35450.6	46530.0	21.1	22.8
(b) Foreign Deposits	6313.5	7635.5	9571.5	1322.0	1936.0	20.9	25.4
1.3 Fixed Deposits	114032.5	152364.3	216006.1	38331.8	63641.8	33.6	41.8
(a) Domestic Deposits	97215.1	133633.6	177976.1	36418.5	44342.6	37.5	33.2
(b) Foreign Deposits	16817.3	18730.7	38030.0	1913.4	19299.3	11.4	103.0
1.4 Margin Deposits	3094.7	3628.6	4460.4	533.9	831.7	17.3	22.9
<b>2. Borrowings from NRB</b>	<b>1870.8</b>	<b>660.7</b>	<b>0.0</b>	<b>-1210.2</b>	<b>-660.7</b>	<b>-64.7</b>	<b>-100.0</b>
<b>3. Foreign Liabilities</b>	<b>1628.5</b>	<b>1912.0</b>	<b>1670.8</b>	<b>283.5</b>	<b>-241.2</b>	<b>17.4</b>	<b>-12.6</b>
<b>4. Other Liabilities</b>	<b>101782.9</b>	<b>124993.9</b>	<b>152725.2</b>	<b>23211.0</b>	<b>27731.4</b>	<b>22.8</b>	<b>22.2</b>
4.1 Paid-up Capital	20017.1	31750.3	40738.3	11733.2	8988.0	58.6	28.3
4.2 General Reserves	4330.7	3529.9	13359.5	-800.7	9829.5	-18.5	278.5
4.3 Other Liabilities	77435.1	89713.7	98624.5	12278.6	8913.8	15.9	9.9
<b>Assets=Liabilities</b>	<b>439735.4</b>	<b>549090.2</b>	<b>704224.5</b>	<b>109354.8</b>	<b>155134.2</b>	<b>24.9</b>	<b>28.3</b>
<b>5. Liquid Funds</b>	<b>64930.3</b>	<b>79010.5</b>	<b>116107.5</b>	<b>14080.2</b>	<b>37097.0</b>	<b>21.7</b>	<b>47.0</b>
5.1 Cash in Hand	7359.8	12651.9	15014.6	5292.1	2362.7	71.9	18.7
5.2 Balance with NRB	22597.7	23857.3	45848.7	1259.5	21991.4	5.6	92.2
5.3 Foreign Currency in Hand	454.0	358.8	824.8	-95.2	466.0	-21.0	129.9
5.4 Balance Held Abroad	33933.0	41100.6	53409.3	7167.6	12308.7	21.1	29.9
5.5 Cash in Transit	585.8	1042.0	1010.2	456.1	-31.8	77.9	-3.1
<b>6. Loans and Advances</b>	<b>340354.9</b>	<b>420242.6</b>	<b>518218.8</b>	<b>79887.7</b>	<b>97976.2</b>	<b>23.5</b>	<b>23.3</b>
6.1 Claims on Government	65850.0	72100.2	71576.4	6250.2	-523.8	9.5	-0.7
6.2 Claims on Non-financial Government Enterprises	5106.4	5635.5	5090.3	529.1	-545.1	10.4	-9.7
6.3 Claims on Financial Enterprises	2925.3	4245.4	7328.8	1320.1	3083.4	45.1	72.6
Government	1055.1	1238.4	1177.7	183.3	-60.7	17.4	-4.9
Non-government	1870.2	3007.1	6151.1	1136.8	3144.0	60.8	104.6
6.4 Claims on Private Sector	265360.6	336781.0	432662.4	71420.4	95881.4	26.9	28.5
(a) Principal	231949.1	307272.1	404422.9	75323.0	97150.8	32.5	31.6
(b) Interest Accrued	33411.5	29508.9	28239.5	-3902.6	-1269.4	-11.7	-4.3
6.5 Foreign Bills Purchased & Discounted	1112.6	1480.5	1650.9	367.8	80.4	33.1	5.4
<b>7. Other Assets</b>	<b>34450.3</b>	<b>49837.1</b>	<b>69898.1</b>	<b>15386.8</b>	<b>20061.0</b>	<b>44.7</b>	<b>40.3</b>

e = Estimated.

**Table 21**  
**Balance of Renewed Loan of Bank and Financial Institutions**

(Rs. in million)

S.N.	Institutions	2007/08	2008/09
1.	<b>Commercial Banks</b>	60.7	0.0
2.	Agriculture Development Bank	0.1	0.1
3.	Nepal Industrial Development Corporation	232.0	80.6
4.	Rural Development Banks	10.0	10.0
5.	Other Development Banks	7.0	7.0
	<b>Total</b>	<b>309.8</b>	<b>97.7</b>

**Table 22**  
**Stock Market Indicators**

S. N.	Particulars	2004/05	2005/06	2006/07	2007/08	2008/09
1.	No. of listed companies	125	135	135	142	159
2.	Paid-up capital of the listed companies (Rs. in million)	16671	19958	21746	29465	61140
3.	Total Market capitalization (Rs. in million)	61366	96763	186300	366248	512939
4.	Annual turnover (Rs. in million)	4508	3452	8360	22873	21681
5.	Market days	236	228	232	235	234
6.	No. of companies traded	102	110	135	142	159
7.	No. of transactions	106246	97374	120510	150800	209091
8.	No. of listed shares (in '000)	194673	226540	243504	321131	637868
9.	No. of shares traded (in '000)	18433.5	12221.9	18144	28696.0	30547.0
10.	Ratio of paid-up capital to GDP (%)	3.3	3.4	3.0	3.6	6.4
11.	Ratio of turnover to paid-up capital (%)	26.9	17.3	38.4	77.6	35.5
12.	Ratio of turnover to market capitalization (%)	7.3	3.6	4.5	6.2	4.2
13.	Ratio of market capitalization to GDP (%)	10.4	15.0	25.9	44.8	53.4
14.	NEPSE Index (closing)	286.60	386.80	683.95	963.36	749.10
15.	NEPSE Sensitive Index (Closing)			175.08	253.72	198.77
16.	NEPSE Float Index (Closing)					70.85

Source: Nepal Stock Exchange Ltd.

**Table 23**  
**Sources and Uses of Fund of Development Banks**

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2007	2008+	2009+*	2007/08	2008/09
<b>Sources</b>					
Capital Funds	4060.0	6524.2	10844.2	60.7	66.2
Deposits	15370.0	25751.4	48936.4	67.5	90.0
Borrowings	2231.9	2618.8	3956.7	17.3	51.1
Others	1666.1	5655.7	4993.8	239.5	-11.7
P/L Account	-669.8	-535.4	403.8	-20.1	-175.4
<b>Sources=Uses</b>	<b>22658.2</b>	<b>40014.7</b>	<b>69134.9</b>	<b>76.6</b>	<b>72.8</b>
<b>Uses</b>					
Liquid Funds	3731.3	9928.8	15942.9	166.1	60.6
Investment	1536.6	3384.8	5044.4	120.3	49.0
Loans and Advances	15373.8	23699.8	43077.8	54.2	81.8
Others	1260.7	2184.2	4101.9	73.3	87.8
P/L Account	755.8	817.2	967.9	8.1	18.4

\* Upto mid-July 2003 in case of NIDC and upto mid-January 2008 in case of United Development Bank.

+ Unaudited.

Source: Bank and Financial Institution Regulation Department.

**Table 24**  
**Sources and Uses of Fund of Finance Companies**

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2007	2008*	2009*	2007/08	2008/09
<b>Sources</b>					
Capital Funds	5379.8	8417.4	10540.9	56.5	25.2
Deposits	34514.7	42819.4	57073.4	24.1	33.3
Borrowings	3469.5	3940.6	5193.7	13.6	31.8
Others	8762.9	9857.4	11671.3	12.5	18.4
P/L Account	1339.3	0.0	2950.5	-100.0	0.0
<b>Sources=Uses</b>	<b>53466.2</b>	<b>65034.8</b>	<b>87429.8</b>	<b>21.6</b>	<b>34.4</b>
<b>Uses</b>					
Liquid Funds	7513.4	12985.5	16406.5	72.8	26.3
Investment	4635.6	4490.3	3265.4	-3.1	-27.3
Loans and Advances	35616.5	43370.6	60078.1	21.8	38.5
Others	4844.7	4188.4	7018.9	-13.5	67.6
P/L Account	856.0	0.0	661.1	-100.0	0.0

\* Unaudited.

Source: Bank and Financial Institution Regulation Department.

**Table 25**  
**Sources and Uses of Fund of Micro Finance Institutions**

(Rs. in million)

Particulars	Mid-July		Mid-Jan	Percentage Change	
	2007	2008*	2009	2007/08	2008/09
<b>Sources</b>					
Capital Funds	1060.3	1626.5	1655.1	53.4	1.8
Deposits	1014.2	1540.0	1704.3	51.8	10.7
Borrowings	7186.9	8400.6	8944.9	16.9	6.5
Others	1213.4	1012.9	1885.3	-16.5	86.1
P/L Account	85.1	0.0	94.3	-100.0	0.0
<b>Sources=Uses</b>	<b>10559.9</b>	<b>12580.0</b>	<b>14283.9</b>	<b>19.1</b>	<b>13.5</b>
<b>Uses</b>					
Liquid Funds	1746.5	1163.1	2596.0	-33.4	123.2
Investment	2350.6	3504.0	2243.9	49.1	-36.0
Loans and Advances	5578.7	7078.2	7666.5	26.9	8.3
Others	706.6	680.7	1569.9	-3.7	130.6
P/L Account	177.5	156.7	207.6	-11.7	32.5

\* Unaudited.

Source: Bank and Financial Institution Regulation Department.

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

(Rs. in million)

Particulars	Mid-July		Mid-Jan	Percentage Change	
	2007	2008*	2009	2007/08	2008/09
<b>Sources</b>					
Capital Funds	355.0	395.7	447.4	11.5	13.1
Deposits	2545.0	2913.7	3513.0	14.5	20.6
Borrowings	140.0	206.1	257.9	47.2	25.1
Others	481.0	669.1	666.4	39.1	-0.4
P/L Account	69.0	57.3	80.4	-17.0	40.3
<b>Sources=Uses</b>	<b>3590.0</b>	<b>4241.9</b>	<b>4965.1</b>	<b>18.2</b>	<b>17.0</b>
<b>Uses</b>					
Liquid Funds	490.0	685.5	775.8	39.9	13.2
Investment	178.0	223.0	276.1	25.3	23.8
Loans and Advances	2230.0	2621.4	3127.6	17.6	19.3
Others	693.0	712.0	785.6	2.7	10.3

\* Unaudited.

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

(Rs. in million)

Particulars	Mid-July			2007/08		2008/09	
	2007	2008	2009*	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paidup Capital	2021.4	2917.7	2917.7	896.3	44.3	0	0
Reserve Funds	19747.8	24041.2	28809.1	4293.4	21.7	4767.9	19.8
Other Liabilities	4677.5	4630.5	5287.5	-47	-1	657	14.2
<b>Total Sources</b>	<b>26446.7</b>	<b>31589.4</b>	<b>37014.3</b>	<b>5142.7</b>	<b>19.4</b>	<b>5425</b>	<b>17.2</b>
<b>Uses</b>							
Bank and Cash Balances	1970.8	1457.4	1737.4	-513.4	-26.1	280	19.2
Investment	20800.4	25864.1	31029.8	5063.7	24.3	5165.7	20
Fixed Assets	609.3	819.2	1088.5	209.9	34.4	269.3	32.9
Other Assets	3066.2	3448.7	3158.6	382.5	12.5	-290.1	-8.4
<b>Total Uses</b>	<b>26446.7</b>	<b>31589.4</b>	<b>37014.3</b>	<b>5142.7</b>	<b>19.4</b>	<b>5425</b>	<b>17.2</b>

\* Unaudited.

Source: Insurance Board Nepal.

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

(Rs. in million)

Particulars	Mid-July			2007/08		2008/09	
	2007	2008	2009*	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Provident Fund	54500.7	62793.9	72669.8	8293.2	15.2	9875.9	15.7
Reserve Fund	3193.7	3715.4	4378	521.7	16.3	662.6	17.8
Other Liabilities	1531.4	1824.8	2103.1	293.4	19.2	278.3	15.3
<b>Total Sources</b>	<b>59225.8</b>	<b>68334.1</b>	<b>79150.9</b>	<b>9108.3</b>	<b>15.4</b>	<b>10816.8</b>	<b>15.8</b>
<b>Uses</b>							
Bank & Cash Balance	1379.5	1863.4	3454.2	483.9	35.1	1590.8	85.4
Loan & Investment	2784.1	3345.6	3543.1	561.5	20.2	197.5	5.9
<i>Employees' Borrowings</i>	25178	29786.7	35570.9	4608.7	18.3	5784.2	19.4
<i>Fixed Deposits</i>	20895	24144	25780	3249	15.5	1636	6.8
<i>GON Securities</i>	5509.4	4965.4	6649.1	-544	-9.9	1683.7	33.9
<i>Project Loans</i>	3.8	3.1	2.3	-0.7	-18.4	-0.8	-25.8
<i>Share Investment</i>	433.7	869.5	918	435.8	100.5	48.5	5.6
Other Assets	3042.3	3356.4	3233.3	314.1	10.3	-123.1	-3.7
<b>Total Uses</b>	<b>59225.8</b>	<b>68334.1</b>	<b>79150.9</b>	<b>9108.3</b>	<b>15.4</b>	<b>10816.8</b>	<b>15.8</b>

\* Unaudited.

Source: Employees' Provident Fund.

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

(Rs. in million)

Particulars	Mid-July			2007/08		2008/09	
	2007	2008	2009*	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paid-up Capital	40.0	60.0	80.0	20.0	50.0	20.0	33.3
Deposit	98.0	130.4	175.5	32.4	33.1	45.1	34.6
Borrowings	9171.0	12885.6	16465.4	3714.6	40.5	3579.8	27.8
Other Liabilities	1711.1	2612.4	3412.4	901.3	52.7	800.0	30.6
<b>Sources=Uses</b>	<b>11020.1</b>	<b>15688.4</b>	<b>20133.3</b>	<b>4668.3</b>	<b>42.4</b>	<b>4444.9</b>	<b>28.3</b>
<b>Uses</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquid Assets	1044.0	729.6	500.0	-314.4	-30.1	-229.6	-31.5
Investments	8683.0	11831.7	16150.1	3148.7	36.3	4318.4	36.5
Loans and Advances	811.0	1912.7	1812.0	1101.7	135.8	-100.7	-5.3
Other Assets	482.1	1214.4	1671.2	732.3	151.9	456.8	37.6
<b>Total Uses</b>	<b>11020.1</b>	<b>15688.4</b>	<b>20133.3</b>	<b>4668.3</b>	<b>42.4</b>	<b>4444.9</b>	<b>28.3</b>

\* Unaudited.

Source: Citizen Investment Trust.

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

(Rs. in million)

Particulars	2007/08			2008/09		
	Total assets/ Liabilities (Unaudited)	Percentage share in total	Ratio of total assets to nominal GDP (%)	Total assets/ Liabilities (Unaudited)	Percentage share in total	Ratio of total assets to nominal GDP (%)
<b>Financial institutions</b>	882830.0	88.3	107.9	1262099.0	90.2	131.5
Nepal Rastra Bank	212450.0	21.3	26.0	274119.0	19.6	28.6
Commercial banks	549090.0	54.9	67.1	812166.0	58.0	84.6
Finance companies	65035.0	6.5	7.9	87430.0	6.2	9.1
Development Banks*	40015.0	4.0	4.9	69135.0	4.9	7.2
Cooperatives	4242.0	0.4	0.5	4965.0**	0.4	0.5
Micro credit financial institutions	11999.0*	1.2	1.5	14284.0**	1.0	1.5
Micro credit non-governmental Organizations	2383.0	0.2	0.3	2383.0***	0.2	0.2
<b>Contractual Savings institutions</b>	115616.0	11.6	14.1	136299.0	9.7	14.2
Employees Provident Fund	68338.0	6.8	8.4	79151.0	5.7	8.2
Citizen Investment Trust	15688.0	1.6	1.9	20133.0	1.4	2.1
Insurance companies	31589.0	3.2	3.9	37014.0	2.6	3.9
Postal Saving Bank	827.0	0.1	0.1	1025.0	0.1	0.1
<b>Total</b>	999273.0	100.0	122.1	1399422.0	100.0	145.8
Nominal GDP (Rs Million)	818400.0			960010.0		
Market capitalization of Stock Exchange (Rs mill.)	366250.0			512940.0		
Ratio of stock Market capitalization to GDP (%)	44.8			53.4		

\* Based on data of January 2008.

\*\* Based on data of January 2009.

\*\*\* Based on data of July 2009.

**Appendix 1.1****List of Licensed Banks and Non-bank Financial Institutions  
(Mid-July 2009)****Class A: Commercial Banks****(Rs. in Million)**

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1.	Nepal Bank Limited	1937/11/15	Kathmandu	380.40
2.	Rastriya Banijya Bank Limited	1966/01/23	Kathmandu	1172.30
3.	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu	10777.50
4.	NABIL Bank Limited	1984/07/16	Kathmandu	965.75
5.	Nepal Investment Bank Limited	1986/02/27	Kathmandu	2407.10
6.	Standard Chartered Bank Nepal Limited.	1987/01/30	Kathmandu	932.00
7.	Himalayan Bank Limited	1993/01/18	Kathmandu	1216.20
8.	Nepal SBI Bank Limited	1993/07/07	Kathmandu	874.50
9.	Nepal Bangladesh Bank Limited	05/06/1994	Kathmandu	1822.70
10.	Everest Bank Limited	1994/10/18	Kathmandu	838.80
11.	Bank of Kathmandu Limited	1995/03/12	Kathmandu	844.40
12.	Nepal Credit and Commerce Bank Limited	1996/10/14	Siddharthanagar	1399.50
13.	Lumbini Bank Limited	1998/07/17	Narayangadh, Chitwan	1096.10
14.	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar, Morang	1140.50
15.	Machhapuchhre Bank Limited	2000/10/03	Pokhara, Kaski	1479.10
16.	Kumari Bank Limited	2001/04/03	Kathmandu	1186.00
17.	Laxmi Bank Limited	2002/04/03	Birgunj, Parsa	1098.10
18.	Siddhartha Bank Limited	2002/12/24	Kathmandu	952.20
19.	Global Bank Ltd.	2007/01/02	Birgunj, Parsa	1000.00
20.	Citizens Bank International Ltd.	2007/06/21	Kathmandu	1000.00
21.	Prime Commercial Bank Ltd	2007/09/24	Kathmandu	700.00
22.	Sunrise Bank Ltd.	2007/10/12	Kathmandu	1337.50
23.	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu	1000.00
24.	Development Credit Bank Ltd.	2001/01/23	Kamaladi, Kathmandu	1655.30
25.	NMB Bank Ltd.	1996/11/26	Babarmahal, Ktm.	1424.60
26.	KIST Bank Ltd.	2003/02/21	Kamalpokhari, Ktm.	2000.00

**Class B: Development Banks****(Rs. in Million)**

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Industrial Development Corporation	1959/06/15	Durbar Marg, Ktm.	415.8
2	Nepal Development Bank Ltd.	1999/01/31	Kamaladi, Kathmandu	320.0
3	Uddyam Development Bank Ltd.	1999/02/22	Tandi, Chitawan	35.0
4	Malika Development Bank Ltd.	1998/12/27	Dhangadhi, Kailali	125.8
5	Siddhartha Development Bank Ltd.	1998/08/20	Butawal-11, Rupandehi	645.0
6	United Development Bank Ltd.	2002/03/16	Jeetpur, Bara	48.2
7	Nepal CSI Development Bank Ltd.	2001/06/19	Heritage Plaza, Ktm.	700.0
8	Narayani Development Bank Ltd.	2001/10/17	Ratna Nagar, Chitwan	35.0
9	Pashimanchal Development Bank Ltd.	2003/03/02	Butawal-8, Rupandehi	110.0
10	Sahayogi Bikas Bank Ltd.	2003/10/21	Janakpurdham	36.0
11	Pashupati Development Bank Ltd.	2004/01/01	Banepa, Kavre	200.0
12	Karnali Bikash Bank Ltd.	2004/02/14	Nepalgunj, Banke	31.6
13	Triveni Development Bank Limited	2004/07/26	Bharatpur, Chitwan	58.5
14	Annapurna Development Bank Limited	2004/08/23	Banepa, Kavre	210.0
15	Bhrikuti Bikas Bank Limited	2004/08/19	Butawal, Rupandehi	70.5

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
16	Shubhechchha Bikas Bank Limited	2004/09/14	Narayangadh, Chitawan	46.1
17	Bageshowri Bikas Bank Limited	2004/10/19	Nepalgunj, Banke	49.5
18	Sanima Bikas Bank Limited	2004/11/26	Nagpokhari, Kathmandu	786.8
19	Gaurishankar Bikas Bittiya Sanstha Ltd.	2004/11/29	Kawasoti, Nawalparasi	125.0
20	Gorkha Bikas Bank Limited	2004/12/01	Putalisadak, Kathmandu	597.0
21	Gandaki Bikas Bank Ltd.	2005/01/19	Pokhara, Kaski	100.0
22	Infrastructure Development Bank Ltd.	2005/04/29	Banepa, Kavre	320.0
23	Business Development Bank Ltd.	2005/05/10	Pokhara, Kaski	210.0
24	Biratlaxmi Bikas Bank Limited	2005/05/11	Biratnagar, Morang	55.0
25	Excel Development Bank Ltd.	2005/07/21	Anarmani, Jhapa	20.0
26	Western Development Bank Ltd.	2005/09/15	Tribhuvannagar, Dang	27.0
27	Himchuli Bikas Bank Limited	2005/11/07	Pokhara, Kaski	106.3
28	Arniko Development Bank Ltd.	2006/07/06	Dhulekhel, Kavre	27.1
29	Nepal Development and Employment Promotion Bank Ltd.	2006/07/17	Kamaladi, Kathmandu	475.0
30	Clean Energy Development Bank Ltd.	2006/09/06	Sitapaila, Kathmandu	320.0
31	Mitery Development Bank Ltd.	2006/10/13	Mahendrapath, Dharan	31.6
32	Tinau Bikas Bank Ltd.	2006/10/13	Sangampath, Butwol	62.6
33	Rising Development Bank Ltd.	2006/12/18	Navalparasi, Gaindakot	67.1
34	Muktinath Bikas Bank Ltd.	2006/12/18	Pokhara, Kaski	65.0
35	Sewa Bikas Bank Ltd.	2007/2/25	Butawal, Rupandehi	60.0
36	Kankai Bikas Bank Ltd.	2007/05/04	Damak, Jhapa	28.0
37	Public Development Bank Ltd.	2007/06/07	Birjung, Parsa	60.0
38	Mahakali Bikas Bank Ltd.	2007/08/18	Mahendranagar	11.8
39	Ace Development Bank Ltd.	1995/08/15	Narayanchaur, Ktm.	750.5
40	Sangrila Bikas Bank Ltd.	2007/08/26	Pokhara, Kaski	39.9
41	Bhargab Bikas Bank Ltd.	2007/08/30	Nepalgunj, Banke	12.0
42	Vibor Bikas Bank Ltd.	2007/10/04	Tripureshwor, Ktm.	414.8
43	Resunga Bikas Bank Ltd.	2007/09/26	Tamghas, Gulmi	21.4
44	Rara Bikas Bank Ltd.	2007/09/30	Birendranagar, Surkhet	10.0
45	Diyalo Bikas Bank Ltd.	2007/10/01	Banepa, Kavre	63.0
46	Country Development Bank Ltd.	2007/10/04	Banepa, Kavre	121.2
47	Kasthamandap Development Bank Ltd.	2007/10/25	New Road, Kathmandu	224.0
48	Alpine Development Bank Ltd.	2007/10/05	Hetauda, Makawanpur	33.5
49	Nilgiri Bikas Bank Ltd.	2007/10/25	Beni, Maygdi	35.0
50	Corporate Development Bank Ltd.	2007/10/25	Birjung, Parsa	70.0
51	Kamana Bikas Bank Ltd.	2007/09/29	Lekhnath, Kaski	26.0
52	City Development Bank Ltd.	2007/10/19	Pokhara, Kaski	140.0
53	Garima Bikas Bank Ltd.	2007/11/23	Sangja	106.0
54	Biswo Bikas Bank Ltd.	2007/11/21	Pokhara, Kaski	73.2
55	Pathibhara Bikas Bank	2007/11/21	Urlabari, Morang	25.5
56	Professional Bikas Bank Ltd.	2007/10/17	Banepa, Kavre	35.0
57	Kabeli Bikas Bank Ltd.	2007/11/15	Dhankuta	12.0
58	Purnima Bikas Bank Ltd.	2008/05/20	Sidhardhanagar	35
59	Jyoti Development Bank Ltd.	2008/08/25	Kamalpokhari, Ktm.	259.0
60	Shine Development Bank Ltd.	2009/02/22	Butawal, Rupandehi	60.0
61	Bagmati Development Bank Ltd.	2009/03/23	Hariwon, Sarlahi	14.0
62	Hamro Bikas Bank Ltd.	2009/04/19	Nuwokot	21.0
63	Kakre Bihar Bikas Bank Ltd.	2009/05/15	Surkhet	14.0



## Class C: Finance Companies

(Rs. in Million)

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Housing Development Finance Co.Ltd.	1992/03/08	Naya Baneshwor, Ktm.	145.0
2	Nepal Finance Co.Ltd.	1993/01/06	Kamaladi, Kathmandu	67.5
3	NIDC Capital Markets Ltd.	1993/03/11	Kamaladi, Kathmandu	101.2
4	National Finance Co.Ltd.	1993/05/07	Pako Newroad, Ktm.	217.4
5	Annapurna Finance Co.Ltd.	1993/09/30	Chipledhunga, Pokhara	262.1
6	Nepal Share Markets and Finance Ltd.	1993/10/19	Ramshahapath, Ktm.	432.0
7	People's Finance Ltd.	1993/04/15	Tripureshwor, Ktm.	202.1
8	Mercentile Finance Co. Ltd.	1994/11/10	Birgunj, Parsa	18.0
9	Kathmandu Finance Ltd.	1994/11/10	Putalisadak, Kathmandu	75.9
10	Himalaya Finance Co.Ltd.	1993/11/11	Sundhara, Kathmandu	48.0
11	Union Finance Ltd.	12/12/1995	Ganeshwor, Kathmandu	159.9
12	Narayani Finance Ltd.	1995/03/08	Narayangadh, Chitwan	213.7
13	Gorkha Finance Ltd.	1995/03/12	Hattisar, Kathmandu	59.6
14	Paschhimanchal Finance Co.Ltd.	1995/04/09	Butawal, Rupendehi	100.0
15	Nepal Housing & Merchant Finance Co.Ltd.	1995/04/11	Dillibazar, Kathmandu	160.7
16	Universal Finance Co.Ltd.	1995/04/27	Kantipath, Kathmandu	131.4
17	Samjhana Finance Co. Ltd.	1995/05/03	Banepa, Kavre	72.7
18	Goodwill Finance Ltd.	1995/05/16	Dillibazar, Kathmandu	115.5
19	Siddhartha Finance Co. Ltd.	1995/05/25	Siddharthanagar	86.9
20	Shree Investment & Finance Co. Ltd.	1995/06/01	Dillibazar, Kathmandu	100.8
21	Lumbini Finance & Leasing Co. Ltd.	1995/06/26	Thamel, Kathmandu	120.0
22	Inbesta Finance Ltd.	1995/07/17	Birgunj, Parsa	24.0
23	Yeti Finance Co. Ltd.	1995/07/23	Hetauda, Makawanpur	62.5
24	Standard Finance Ltd.	1995/07/23	Pautalisadak, Ktm.	667.9
25	International Leasing & Finance Co. Ltd.	1995/10/31	Naya Baneshwor, Ktm.	648.0
26	Mahalaxmi Finance Co. Ltd.	1995/11/26	Birgunj, Parsa	116.0
27	Lalitpur Finance Co. Ltd.	1995/12/12	Lalitpur	113.9
28	Bhajuratna Finance & Saving Co. Ltd.	1996/01/09	Kantipath, Kathmandu	38.5
29	United Finance Ltd.	1996/01/25	Kamaladi, Kathmandu	165.0
30	General Finance Ltd.	1996/02/02	Chabahil, Kathmandu	24.2
31	Nepal Shreelanka Merchant Bank Ltd.	1996/02/04	Kamaladi, Kathmandu	100.0
32	Merchant Finance Co. Ltd.	1996/01/02	Kathmandu	33.4
33	Alpic Everest Finance Ltd.	1996/07/16	Baghbazar, Kathmandu	102.9
34	Nava Durga Finance Co.Ltd.	1997/02/09	Itachhe, Bhaktapur	45.6
35	Janaki Finance Ltd.	1997/03/07	Janakpurdham	50.0
36	Pokhara Finance Ltd.	1997/03/16	Pokhara, Kaski	60.0
37	Central Finance Co. Ltd.	1997/04/14	Kupondole, Lalitpur	126.9
38	Premier Finance Co. Ltd.	1997/05/08	Manbhavan, Lalitpur	97.1
39	Arun Finance & Saving Co. Ltd.	1997/08/17	Dharan, Sunsari	11.0
40	Multipurpose Finance Co. Ltd	1998/03/25	RajbiRaj, Saptari	6.0
41	Butwal Finance Co. Ltd.	1998/06/21	Butawal, Rupendehi	97.7
42	Shrijana Finance Ltd.	1999/12/14	RajbiRaj, Saptari	28.0
43	Om Finance Ltd.	2000/09/17	Pokhara, Kaski	105.0
44	Cosmic Merchant Banking & Finance Ltd.	2000/11/20	Lal Durbar Marg, Ktm.	75.1
45	World Merchant Banking & Finance Ltd.	2001/08/10	Hetauda, Makawanpur	72.0
46	Capital Merchant Banking & Finance Ltd.	2002/02/01	Battisputali, Kathmandu	374.0
47	Crystal Finance Ltd.	2002/02/13	Bag Durbar, Kathmandu	49.0
48	Royal Merchant Banking & Finance Ltd.	2002/02/14	Durbarmarg, Ktm.	134.3
49	Guheshworil Merchant Banking & Finance Ltd.	2002/06/13	Jawalakel, Lalitpur	109.8
50	Patan Finance Ltd.	06/23/2002	Man Bhawan, Lalitpur	50.0

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
51	Fewa Finance Ltd.	2003/04/30	Pokhara, Kaski	91.0
52	Everest Finance Co. Ltd.	2003/07/02	Bhairahawa, Rupendehi	20.0
53	Birgunj Finance Ltd.	09/28/2003	Birgunj, Parsa	180.8
54	Prudential Bittiya Sanstha Ltd	2003/06/06	Dillibazar, Kathmandu	100.0
55	ICFC Bittiya Shanstha Ltd.	2003/06/15	Bhatbhateni, Kathmandu	299.4
56	IME Financial Institution Ltd.	2005/08/01	Panipokhari, Kathmandu	249.5
57	Sagarmatha Merchant Banking and Finance Co. Ltd	2005/08/29	Maanvawan, Lalitpur	50.0
58	Shikhar Bittyia Sanstha Ltd.	2005/09/15	Thapathali, Kathmandu	50.0
59	Civil Merchant Bittiya sanstha Ltd.	2005/09/18	Kuleshwor, Kathmandu	80.0
60	Prabhu Finance Co. Ltd.	2006/02/16	Lainchur, Kathmandu	160.0
61	Imperial Finance Ltd.	2006/03/08	Thapathali, Kathmandu	100.0
62	Kuber Merchant Bittiya sanstha Ltd.	2006/03/24	Putalisadak, Kathmandu	81.2
63	Nepal Express Finance Ltd.	2006/05/04	Sundhara, Kathmandu	98.3
64	Valley Finance Ltd.	2006/05/11	Maharajganj, Ktm.	27.5
65	Seti Bittiya sanstha Ltd.	2006/06/07	Tikapur, Kailali	5.2
66	Hama Merchant & Finance Ltd.	2006/06/16	Tripureshwor, Ktm.	82.9
67	Reliable Finance Ltd.	2006/09/06	Sundhara, Kathmandu	121.1
68	Lord Buddha Financial Institutions Ltd.	2006/11/19	Newroad, Kathmandu	75.0
69	Api Finance Ltd.	2007/04/25	Lekhanath Chock, Kaski	60.0
70	Namaste Bityia Sanstha Limited.	2007/07/07	Ghorai, Dang	10.1
71	Kaski Finance Limited	2007/07/30	Pokhara, Kaski	50.0
72	Suryadarshan Finance Co. Ltd.	2007/07/30	New Baneshor, Kathmandu	30.0
73	Zenith Finance Ltd.	2007/10/08	Newroad, Kathmandu	63.0
74	Unique Financial Institution Ltd.	2007/10/12	Putalisadak, Kathmandu	60.0
75.	Manjushree Financial Institution Ltd.	2007/10/15	New Baneshor, Ktm.	70.0
76.	Swastik Merchant Finance Company Ltd.	2007/10/16	Kichapokhari, Ktm.	34.8
77.	Subhalaxmi Finance Ltd.	2007/11/11	Naxal, Kathmandu	70.0

**Class D: Micro-finance Development Banks**

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1.	Purbanchal Grameen Bikas Bank	1993/03/28	Biratnagar, Morang	60.0
2.	Sudur Pashimanchall Grameen Bikas Bank	1993/03/28	Dhangadhi, Kailali	58.5
3.	Pashimanchall Grameen Bikas Bank	1995/04/01	Butawal-8, Rupendehi	60.0
4.	Madhya Pashimanchal Grameen Bikas Bank	1995/04/01	Nepalgunj, Banke	60.0
5.	Madhymanchal Grameen Bikas Bank	1996/07/08	Janakpur, Dhanusha	60.0
6.	Nirdhan Utthan Bank Ltd.	1999/04/13	Bhairahawa	100.0
7.	Rural Microfinance Development Centre	1996/12/06	Putalisadak, Ktm.	320.0
8.	Deprosc Development Bank Ltd.	2001/07/03	Ratnanagar, Chitwan	28.3
9.	Chhimek Development Banks Ltd.	2001/12/10	Hetauda, Makawanpur	51.0
10.	Shawalamban Laghu Bitta Bikas Banks Ltd	2002/02/22	Janakpur, Dhanusha	63.5
11.	Sana Kisan Vikas Bank Ltd.	2002/03/11	Bijulibazar, Ktm.	119.8
12.	Nerude Laghu Bitta Bikas Bank Ltd.	2007/06/07	Biratnagar, Morang	14.0
13.	Naya Nepal Laghu Bitta Bikas Bank Ltd.	2009/03/20	Dhulekhel	14.0
14.	Mithila Laghu Bitta Bikas Banks Ltd	2009/04/29	Dhanusha	14.0
15.	Shamit Microfinance Development Bank Ltd	2009/05/20	Jhapa	14.0

**Class E: NRB Licensed Savings and Credit Co-operatives (Limited Banking)**

(Rs. in Million)

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nabajivan Co-operative Ltd.	1993/12/15	Dhangadi, Kailali	18.6
2	Sagun Co-operative Society Ltd.	1994/10/09	Kathamandu	11.8
3	Nepal Co-operative Society Ltd.	1994/12/30	Kathamandu	36.8
4	The Sahara Loan,Savings & Investment Co-op. Soc. Ltd.	1995/04/15	Sarlahi	29.2
5	Bindabasini Saving Fund Co-operative Society Ltd.	1995/06/21	Khopasi, Kavre	29.1
6	Mahila Co-operative Society Ltd.	1995/09/27	Kathmandu	14.3
7	Bahooddeshya Saving & Loan Co-op.Society Ltd.	1995/12/25	Jhapa	34.2
8	Rajshree Saving & Invest.Co-op Society Ltd	1996/02/19	Sarlahi	35.8
9	Sahakari Bittiya Sanstha Ltd.	1996/06/16	Nepalgunj, Banke	8.3
10	Manakamanal Sahakari Sanstha Ltd.	1997/02/18	Banepa, Kavre	11.5
11	Very Co-operative Sanstha Ltd.	1997/12/25	Kathmandu	7.7
12	Viccu Saving & Loan Co-operative Sanstha	1997/02/18	Banepa, Kavre	6.5
13	Kisan Bahoo-uddesyiya Co-op. Sanstha Ltd.	1997/08/11	Lamki, Kailali	7.2
14	Himalaya Co-operative Ltd.	1998/12/29	Old Baneshwar, Ktm	49.6
15	Star Bahoo-Uddesyiya Saving & Credit Co-op Ltd.	1998/02/13	Biratnagar, Morang	7.1
16	Upakar Savings & Credit Co-operative So. Ltd.	1998/04/14	Walling, Sanja	21.0

**Class F: NRB Licensed Non-Government Organizations (NGOs)**

(Rs. in Thousand)

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Grameen Bikas Sanstha	2000/06/05	Kathmandu	-
2	Nepal Sikara Grameen Bikas Karyakram	2000/06/05	Chitwan	701
3	Chartare Yuba Club	2000/06/05	Baglung	110
4	Mahuli Samudyik Bijkas Kendra	2000/06/12	Saptari	4320
5	United Youth Community	2000/06/29	Bardiya	-
6	Samudyik Mahila Bikas Kendra	2000/07/14	Saptari	-
7	Grameen Samudayako Lagi yojana Pratavuti, Nepal	2000/08/23	Dhankuta	-
8	Grameen Jagaran Manch (Programm Co-ordination Office)	2000/09/11	Baglung	156
9	Sarbodaya Grameen Bikas Sangh	2000/09/26	Saptari	-
10	Jan Jagaran Manch	2000/10/26	Rasuwa	111
11	Rastriya Shaichik Tatha Samajik Bikas Sanstha	2000/10/01	Parbat	-
12	Dhaulagiri Community Researh Dev. Centre	2000/10/21	Baglung	-
13	Nepal Enviroment & Pollution Eradication UNESCO Nepal	2001/07/05	Gangabu	127
14	Society of Local Volunteers Efforts Nepal (Solve)	2001/07/10	Dhankuta	774
15	Women Enterprises Association of Nepal	2001/09/24	Kathmandu	1146
16	Center for Women's Right and Development	2002/04/30	Kathmandu	-
17	MANUSHI	2002/05/03	Kathmandu	3216
18	Life Development Society	2002/06/18	Morang	-
19	Women Development and Child Care Foundation	2002/07/02	Saptari	-
20	Mahila Adarsha Sewa Kendra	2002/07/02	Kthmandu	620
21	Patan Business and Professional Women	2002/07/02	Lalitpur	-
22	Women Development Centre	2002/07/02	Chitwan	-
23	Womens Self -Relient Society	2002/07/14	Chitwan	-
24	Women Development Centre of Nepal	2002/07/12	Lalitpur	650

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
25	Bhagawan Youth Club, Alapot, Ktm.	2002/07/23	Kathmandu	35
26	Creative Women Environment Development Association.	2002/07/24	Kathmandu	730
27	Srijana Community Development Center,Siraha	2002/07/25	Siraha	-
28	Shreejana Development Center,Kaski	2002/08/22	Kaski	2090
29	Cottage & Small Industries Organization,Kathmandu	2002/09/02	Kathmandu	-
30	Rural Area Dev. & Research Programme,Parbat	2002/09/03	Parbat	-
31	Adarsha Yuba Club,Bhaktapur	2002/09/06	Bhaktapur	-
32	Society Welfare Action Nepal (SWAN),Dang	2002/10/25	Dang	-
33	Social Upgrade in Progress of Education Region (SUPER)	2002/10/29	Dang	-
34	Nepal Women Community Service Center,Dang	2002/10/30	Dang	-
35	Forum for Rural Women Ardency Development (FORWARD)	2002/12/30	Sunsari	-
36	Gramin Mahila Bikash Sanstha	2003/04/23	Dang	-
37	Ama Samaj Shangh,Chitawan	2003/04/29	Chitwan	15
38	Gramin Mahila Utthan Kendra,Dang	2003/06/18	Dang	-
39	Khurkot Youba Club ,Parbat	2003/09/14	Parbat	-
40	Gramin Sewa Nepal	2003/09/18	Kailali	247
41	Nari Avudya Kendra	2003/10/24	Chitwan	-
42	Mahila Upakar Manch	2003/10/29	Banke	2131
43	Sawabalamban Bikash Kendra	2004/11/01	Kathmandu	57390
44	Bikash Aayojana Sewa Kendra	2004/11/01	Kathmandu	72500
45	Gramin Swayam Sewak Samaj	2005/11/20	Hariwon, Sarlahi	1955

## Appendix 1.2

## Micro Finance Programme Implemented with Donor Support

With the aim of supporting rural poor communities, Nepal Rastra Bank is conducting various programmes in coordination with the GON and international donor agencies through several banks and financial institutions, cooperatives and NGOs. In this context, NRB has invested in different micro-credit activities. Following are the details of loan outstanding of the investment as of mid July 2009 under Micro Finance Programme.

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	Total investment (Rs. In million)	As per mid-July, 2009 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback
								Total outstanding	Principal paid back to Gov. of Nepal	Principal due to Gov. of Nepal			
1	Community Ground Water Irrigation Sector Project (CGISP)	To raise the income of marginal farmers through the agriculture production	17 Nov. 1997	Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa and Chitawan	Nepal Bank Ltd., Small Farmer Development Bank, Eastern and Central Rural Development Bank, Deprosc Dev. Bank, Sahara Nepal, Arunodaya Saving and Credit Cooperative Institution, Krishak Upakar Sahakari Sanstha and Chhimek Vikas Sanstha	2000-2007	217.7	206.1	Payback not started	217.7	Asian Development Bank (ADB)	7020 Shallow tubewell, 27322 Marginal farmer families, 32 194 Bigha land	Dec. 2037
2	Poverty Alleviation Project in Western Terai (PAPWT)	To uplift the socio-economic status of deprived women of Western Terai districts.	12 Dec. 1997	Nawalparasi, Dang, Rupandehi, Bardiya, Kapilvastu, Banke, Kailali and Kanchanpur.	Western, Mid-Western and Far-Western Rural Development Bank, Nirdhan Utthan Bank and Swabalamban Vikas Kendra.	1988 - 2004	131.4	46.3	29.2	102.2	International Fund for Agriculture DeDevelopment (IFAD)	22000 Deprived families	Jul. 2033

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	Total investment (Rs. In million)	As per mid-July, 2009 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback
								Total outstanding	Principal paid back to Gov. of Nepal	Principal due to Gov. of Nepal			
3	Third Livestock Development Project (TLDP)	To facilitate the farmers and entrepreneurs who are involved or wants to involve in Livestock business by providing new technology, services and credit facility as well.	23 Dec. 1996	Shyanjha, Rupandehi, Palpa, Kaski, Tanahu, Lamjung, Nawalparasi, Kapilvastu, Parbat, Arghakhachi, Gulmi, Baglung, Kailali, Kanchanpur, Banke, Bardiya, Dadheldura, Surkhet, Doti and Chitwan.	Rastriya Banijya Bank, Siddhartha Development Bank, Malika V. Bank, Western, Mid-Western and Far-Western Rural Dev. Bank, Nirdhan Utthan Bank, Biku B. and Rhin, Udayadev B. Sahakari Sanstha, Everest, Machhapuchre, Sewar Dhugdha Utpadak, Nawachetana Bachat Tatha Rhin, Gramin Jagaran B. tatha Rhin S.S., Dev Adarsha Yuba Club and Grameen Jagaran Manch.	1997 - 2004	169.5	2.2	28.3	141.2	Asian Development Bank (ADB)	9773 families	Jul. 2034

*Overall Economic and Financial Stituation*

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	Total investment (Rs. In million)	As per mid-July, 2009 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback
								Total outstanding	Principal paid back to Gov. of Nepal	Principal due to Gov. of Nepal			
4	Micro Credit Project for Women (MCPW)	To help as a complimentary programme of PCRW by providing the credit facility for women against the group guarantee (without any fixed collateral) to manage their agriculture and micro credit business	16 Sept. 1993	Puthan, Salyan, Dang, Banke, Kaski, Baglung, Parbat, Chitwan, Kathmandu, Lalitpur, Bhaktapur, siraha, Saptari, Dhanakuta and Tananhu.	Nepal Bank Ltd., and Rastriya Banihya Bank.	1993 – 2002	195.2	22.5	79.3	115.9	Asian Development Bank (ADB)	6512 women's group out of 41634 women members	Nov.2018
5	Production Credit for Rural Women (PCRW)	To uplift the socio-economic status of deprived women of rural areas through the income generating activities by providing the institutional credit facility.	2 Oct. 1988	67 district except Jumla, Dolpa, Mugu, Kalikot, Jajarkot, Rasuwa, Nuwakot and Manang	Nepal Bank Ltd., Rastriya Banihya Bank and Agriculture Dev. Bank Ltd.	1988 - 1997	234.5	70.3	129.0	105.5	International Fund for Agriculture Development (IFAD)	-	May 2019





**PART - 2**

**ACTIVITIES OF THE NEPAL RASTRA BANK**



• Monetary Policy of 2008/09	63
• Microfinance	67
• Foreign Exchange Management	68
• Financial Sector Reform Program	70
• Banks and Financial Institutions Regulation	73
• Banks and Financial Institutions Supervision	76
• Currency Management	79
• Miscellaneous	80



*PART - 2*

## **ACTIVITIES OF THE NEPAL RASTRA BANK**

---

### *Monetary Policy of 2008/09*

- 2.1 As per the provision of the NRB Act, 2002, the NRB has been formulating and implementing monetary policy every year with the objectives of maintaining price and financial stability as well as external sector stability through managing appropriate level of liquidity to assist the national objective of attaining higher and sustained economic growth.
- 2.2 The monetary policy of 2008/09 was formulated under the backdrop of expansionary government budget with high domestic growth target of 7.0 percent; increasing pressure on domestic consumer prices as well as assets prices like land, housing and shares; low interest rate; and potential contagion impact of global economic recession on Nepalese export, remittance and balance of payment. The cash reserve ratio increased to 5.5 percent from 5.0 percent and bank rate from 6.25 percent to 6.5 percent to absorb the excess liquidity from banking sector which could threat the internal and external sector as well as financial sector stability due to the expansion on domestic demand led by low interest rate and excess liquidity. Likewise, the penal rate on standing liquidity facility (SLF) was raised to 3 percent from 2 percent with a view to encourage the use of SLF, which is available from the NRB against government securities, only for ensuring secured payment and motivate commercial banks to raise their resources through deposit mobilization rather than using it as easy means of resource mobilization. Therefore, to maintain macroeconomic stability through effective management of liquidity, a tight and cautious ex-ante policy stance was adopted in monetary policy for 2008/09.

#### **Objectives**

- 2.3 The monetary policy of 2008/09 emphasized on management of liquidity to facilitate the targeted economic growth of 7.0 percent through the confinement of inflation rate within 7.5 and maintaining sufficient foreign exchange reserve to finance six months imports of goods and services by attaining Rs. 12 billion balance of payment (BOP) surplus.
- 2.4 In 2008/09, the achievement of the objectives mentioned in monetary policy remained mixed. Annual average inflation rate remained much higher (13.2 percent) relative to target (7.5 percent). Such a target was set on the assumption that investment climate would improve with substantial reduction in strikes, bandha and other disturbances as new elected government was already formed after the election of constitution assembly. Likewise, it was anticipated that the falling oil prices in international market would also help to improve the supply condition and thereby reduce domestic prices. However, the situation could not improve as anticipated. The industrial activities remained sluggish due to increase in load shedding, labor disputes, bandha and strikes. On the other hand, the supply of food and other agricultural products also remained weak due to adverse climate especially the long drought in winter season. Likewise, the hike in minimum salary and weak implementation of adjustment in transportation fair also pushed up production and supply cost and added pressure on prices. In addition, expansion on domestic demand led by voluminous inflow of remittances laid additional pressure on prices. Owing to these factors, the inflation rate remained higher than targeted.
- 2.5 In the review year, the BOP improved substantially and recorded a surplus of Rs. 37.7 billion (after the adjustment of foreign exchange gain/loss). Notable growth in workers' remittances and foreign grants contributed mainly to achieve such a high BOP surplus above the target of Rs. 12 billion. However, economic growth remained 4.7 percent, below the target due to influence of

non-economic factors like heavy power shortage, damages caused by Koshi flood, long winter drought, bandha and strike, etc.

**Table 2.1**  
**Inflation Rate and BOP Surplus**

	Target	Actual
Inflation (percent)	7.5	13.2
Balance of Payments (Rs. in billion)	12.0	37.7

### Strategic and Interim Target of Monetary Policy

2.6 The strategic target of monetary policy was determined keeping in view the pressure in price; the escalating prices of shares, house and land; and the possible risk in financial stability emerged from the flow of bank credit towards unproductive sector including stocks due to low interest rate. Taking the fixed exchange rate of Nepalese rupee with Indian rupee as a nominal anchor, the desired growth of monetary aggregates were set on the basis of projected 7.0 percent economic growth rate and 7.5 percent inflation rate. Accordingly, the broad money ( $M_2$ ) and narrow money ( $M_1$ ) was projected to grow by 18.5 percent and 16.0 percent respectively. In previous year, the respective monetary aggregates have grown by 25.2 percent and 21.6 percent. In the context of weak supply conditions, the growth of  $M_2$  was set at lower rate relative to previous year so as to avoid additional pressure on prices from the expansion of domestic demand. However, in 2008/09,  $M_2$  grew by 27.0 percent and  $M_1$  by 27.3 percent owing to the remarkable BOP surplus of about three-fold of the initial target.

**Table 2.2**  
**Money Supply and Domestic Credit**

	2007/08	2008/09	
		Target	Actual
Broad Money ( $M_2$ )	25.2	18.5	27.0
Narrow Money ( $M_1$ )	21.6	16.0	27.3
Domestic Credit	21.3	23.3	26.4

2.7 Domestic credit was projected to increase by 23.3 percent in the review year. The higher growth of domestic credit relative to previous year was projected on the ground that the private sector credit would expand with the positive political atmosphere after the constitution assembly election. On this basis, private sector credit was projected to expand by 25.0 percent. But, the increase in banks' credit to retail and wholesale trade, consumable loans, and trust loans led to the expansion of claims on private sector by 28.3 percent. Owing to this, domestic credit expanded by 26.4 percent, which is more than projected growth.

2.8 Of the total domestic credit of the monetary sector, the net claim on government was projected to increase by 18.4 percent (Rs. 15.75 billion) in 2008/09. Despite a high growth in both revenue mobilization and foreign aids, the net claims on government increased by 19.5 percent (Rs. 16.94 billion) on account of a relatively higher expansion of government expenditure. In the review year, the government used Rs. 7.99 billion as overdraft from the NRB that also contributed for the expansion of the net claims on government.

### Operating Target of Monetary Policy

2.9 Under the liquidity rule of monetary transmission mechanism, the NRB has been taking the excess liquidity of commercial banks as an operating target of monetary policy since 2004/05. The excess liquidity of commercial bank was taken as the operating target of monetary policy in 2008/09 as well.

- 2.10 The Liquidity Monitoring and Forecasting Framework (LMFF), which is based on the weekly balance sheet of the NRB, has been used to access, monitor and forecast the excess liquidity of commercial banks. The open market operations have been conducted on the basis of liquidity position indicated by the LMFF and the objectives set in the monetary policy statement. The information on deposits, credit and cash reserves of commercial banks is also regularly collected on daily basis to access liquidity and enhance LMFF forecast.

### **Monetary Policy Instruments**

#### **Bank Rate and Refinance Rate**

- 2.11 On the basis of the analysis of economic and financial situation, the bank rate was increased to 6.5 percent from 6.25 percent in 2008/09. Though the bank rate is not so effective as monetary instrument, it has got administrative significance. The bank rate is used to signal ex-ante stance of monetary policy and to charge penalty on bank's failure in maintaining mandatory CRR. In addition, the bank rate is applicable while providing financing facility under the lender of the last resort in case of the emergence of systemic risk.
- 2.12 In 2008/09, changes have also been made in some refinance rates. Keeping in view the problems faced by the Nepalese exporters, the refinance rate on local currency exports credit was reduced to 2.0 percent from 2.5 percent. Similarly, a new provision was introduced under which the refinance rate on foreign currency export credit to be set at prevailing Libor plus 0.25 percent. All other refinance rates are kept unchanged.

**Table 2.3**  
**Adjustment s in Existing Bank Rate and Refinance Rates**

	2007/08	2008/09
Bank rate	6.25	6.5
Refinance rate for export credit in local currency	2.5	2.0
Refinance rate for agriculture credit	3.5	3.5
Refinance rate for export credit in foreign currency	3.25	Libor + 0.25
Refinance rate for sick industries	1.5	1.5
Refinance rate for credit to small and cottage industries	2.5	2.5

#### **Cash Reserve Ratio**

- 2.13 In 2008/09, the mandatory cash reserve ratio (CRR) increased to 5.5 percent from 5.0 percent. The CRR was increased to contain additional pressure on prices from excess liquidity position in the context of existing pressure on domestic prices. This new provision expected to mop up an additional liquidity of Rs. 2.47 billion from commercial banks.

#### **Open Market Operations**

- 2.14 Nepal Rasta Bank has been using the open market operations (OMOs) as primary instruments in monetary management. The system of operating outright sale and purchase auctions on multiple pricing; and repo and reverse repo auctions on multiple-interest rate was also continued in 2008/09. The provision of conducting OMOs at the initiatives of the NRB at any working day depending upon the liquidity situation was continued.
- 2.15 The monitoring of liquidity based on the weekly balance sheet of NRB has been continued. The liquidity situation indicated by the LMFF has been taken as the basis to carry out OMOs. In addition to the NRB balance sheet, other information such as deposits, credits and cash reserves of commercial banks have also been used for open market operation. The amount of liquidity injected/mopped up through open market operation indicates the real stance of monetary policy. On this basis, the monetary policy stance for the review year remained loose relative to the previous year and is also reflected in the growth rate of money supply.

- 2.16 In the review year net liquidity of Rs. 9.72 billion was mopped up through the OMOs compared to Rs. 12.42 billion in the previous year. In the review year, Rs. 20.72 billion, comprising Rs. 7.46 billion through outright sale auction and Rs. 13.26 billion through reverse repo auction, was mopped up while Rs. 11.0 billion was injected through the repo auction. As in the previous year, outright purchase auction did not take place in the review year as well. The lower amount of liquidity mopped up in the review year relative to previous year because of the contraction in liquidity of banking sector on account of a high volume of cash deposit of Government with NRB till the first eleven months of the review year and the excessive increase in currency in circulation.

**Table 2.4**  
**Secondary Market Transactions**

Rs. in million

	2007/08	2008/09
<b>Total Liquidity Mopped up (A)</b>	<b>21420.0</b>	<b>20720.0</b>
Outright Sale Auction	14850.0	7460.0
Reverse Repo Auction	6570.0	13260.0
<b>Total Liquidity Injection (B)</b>	<b>9000.0</b>	<b>11000.0</b>
Outright Purchase Auction	0.0	0.0
Repo Auction	9000.0	11000.0
<b>Net Liquidity Mopped Up (A-B)</b>	<b>12420.0</b>	<b>9720.0</b>

#### Development Bond Auction

- 2.17 The auction based primary issue of development bond was initiated from 2004/05 with the issuance of 5-year development bond of Rs. 3.0 billion. Likewise, 10-year development bond of Rs. 750.0 million in 2005/06 and 12-year development bond of Rs. 5.50 billion were issued in 2006/07. In addition, the development bond of Rs. 6.07 billion was issued (in five times) in 2007/08. In 2008/09, Nepal Government mobilized internal debt of Rs. 7.75 billion by issuing development bonds of Rs. 2.0 billion with maturity of 6 years and a coupon rate of 8.0 percent, a 5-year bond of Rs. 3 billion and a 7-year bond of Rs. 2.75 billion with a coupon rate of 9.0 percent. All the above bond issues were sold at premium.

**Table 2.5**  
**Development Bond Auction**

Date	Maturity (years)	Issued Amount (Rs. in million)	Coupon Rate (%)	Weighted Average Auction Price (Rs)	Implied Interest Rate (%)
Jan 4, 2009	6	2000	8.0	1024.0	7.46
June 30, 2009	5	3000	9.0	1033.5	8.09
July 12, 2009	7	2750	9.0	1064.9	7.71

#### Sick Industries Refinancing

- 2.18 The NRB has been providing refinancing facility to sick industries since 2001/02. Till 2008/09, 163 hotels and 42 industries altogether have used Rs. 3.3 billion under this facility. The refinance rate for sick industries has been fixed at 1.5 percent with the provision that banks and financial institutions cannot charge more than 4.5 percent interest rate while extending credit to those borrowers. In 2008/09, a hotel used Rs.7 million under this facility. In 2007/08, three hotels together had used Rs. 67.7 million under this facility.

### **Standing Liquidity Facility**

- 2.19 NRB has been providing standing liquidity facility (SLF) to the commercial banks since 2004/05, against the collateral of treasury bills and development bonds issued by GON as a safety valve to ensure secured payment system of the commercial banks. Before 2008/09, this facility was limited only to the commercial banks as they were recognized the counterparties in the conduct of monetary policy. However, the coverage of counterparties is extended to include development banks and finance companies as well. Accordingly, this facility is also extended to development banks and finance companies upon the fulfillment of the stipulated requirements from 2008/09. Realizing the inadequate holding of treasury bills by some of the counterparties, the upper limit of the SLF facility has also been increased from the existing 75 percent to 90 percent. The penal rate of the facility has been increased from 2.0 percent to 3.0 percent in the review year. The existing system of determining the SLF rate, 91-days treasury bills rate or the Repo rate of last one month whichever is greater plus the penal rate, is continued.
- 2.20 Commercial banks utilized a total of Rs. 107.78 billion under SLF facility in 2008/09 compared to Rs. 103.83 billion in the previous year. The amount used under SLF expanded because of the huge amount of cash deposit of GON with NRB in most of the months of review year and the lack of developed secondary market for Treasury bills and Development bonds. Though the facility is extended to development banks and finance companies, they did not use it at all.

## ***Micro Finance***

### **Rural Self-reliance Fund**

- 2.21 Rural Self-reliance Fund was established in 1990 by Government of Nepal for the upliftment, income and employment generation of economically weak, having land less than 15 *ropani* in hilly area and 1 *bigha* in terai area, no regular income to sustain food and clothing for the whole year. The Fund is contributing for the improvement of the economic condition of rural deprived people, providing credit facilities through cooperatives, NGOs and microfinancing institutions. The Fund's Secretariat situated at Micro Finance Department of Nepal Rastra bank and it has provision to finance as micro credit for deprived sector amounted to Rs. 40 thousand per person for the first time, Rs. 50 thousand for the second time and Rs.60 thousand for the third time through cooperatives and NGOs. Provision made during FY 2007/08, institutional borrower that has received loan from the Fund at least three times, will get refinance facilities upto Rs. 60,000 per borrower. GON has already been provided a sum total amount of Rs. 190 million as a seed capital (money). Likewise, a sum total amount of Rs.253.4 million (Rs.100 million in 2002/03, Rs. 74.8 million in 2003/04 and Rs. 78.6 million in 2004/05) from the NRB has been received so far as capital in the Fund. Now the Fund has altogether total amount of Rs. 443.4 million capital fund. The Fund distributes these amount as wholesale installment lending to its affiliated institutions on the basis of their core capital (share capital, general reserves and profit) up to 20 times for first time loan, 15 times for second and third time loan not exceeding Rs. 1.5 million for first time Rs.2.0 million and Rs.2.5 million for the second and third time respectively.
- 2.22 Till mid-July 2009, a wholesale credit is being made available to 53 NGOs and 351 co-operatives from the Fund of Rs. 270 million. Out of this amount Rs.141.9 million is already recovered and Rs. 128.1 million is remained as outstanding loan in the review period. A total number of 51 districts of 17990 household families were able to receive advantage of self-employment activities under this Fund's programme upto Mid -July 2009.
- 2.23 Likewise, since 2002/03, with an aim to provide capital for the businesses requiring long-term capital such as tea, coffee, cardamom, cold storage, the Fund has been providing wholesale credit to ADB/N and development banks working in micro-finance sector. Under this project, a sum of Rs. 50 million with Rs. 10 million each was made available to Purbanchal, Madhyamanchal and Madhya-Paschimanchal Regional Grameen Bikas Banks and Rs. 20 million for Small Farmer Development Bank was made available during the review period Mid-July 2009. Out of them, Purbanchal, and Madhyamanchal Grameen Bikas Bank have already

cleared their loan outstanding while Madhya-Paschimanchal Grameen Bikas Bank and Small Farmer Development Bank has Rs. 3.3 million and Rs. 8.3 million loan outstanding respectively. The Fund has provided Rs. 15.0 million loan facility to Paschimanchal Grameen Bikas Bank during FY 2008/09. Similarly, the Fund has provided loan Rs. 119.2 million to ADB/N under longterm credit facility, out of which Rs. 5.7 million has already been recovered and Rs.113.5 million is still to be recovered.

**Table 2.6**  
**Situation of Loan Disbursement of the Rural Self Reliance Fund (RSRF)**

Description	Mid July 2008			Mid July 2009		
	NGOs	Co-operatives	Total	NGOs	Co-operatives	Total
<b><u>Loan disbursement</u></b>						
a. No. of Districts	27	46	50	27	51	51
b. No. of institutions	53	281	334	53	351	404
c. Loan amount (Rs. in thousand)	21196	172268	193464	21196	248764	269960
<b><u>Loan Recovery</u></b>						
a. No of institutions	47	220	267	35	130	165
b. Principal amount (Rs. in thousand)	17366	85001	102367	18609	123330	141939
c. Interest amount (Rs. in thousand)	2270	11314	13584	2501	16839	19340
<b><u>Investment amount</u></b>						
a. No. of Districts	17	40	43	17	45	46
b. No. of institutions	19	186	205	18	221	239
c. Loan amount (Rs. in Thousand)	3830	87267	91097	2587	125434	128021
<b><u>Overdue loan</u></b>						
a. No. of institution	17	59	76	17	66	83
b. Principal amount (Rs. in thousand)	2509	7640	10149	2109	9365	11474

### Grameen Bikas Banks and Structural Adjustment Program

- 2.24 With a view to uplift the socio-economic situation of deprived rural people, specially the women, the Grameen Bikas Banks of five development regions have disbursed the total loan amount of Rs. 20.8 billion among the 144768 rural women members during the review period. Out of this amount, Rs. 18.5 billion amount is already been recovered and Rs. 2.4 billion is yet to be recovered. During the review period, the Banks launched its micro-credit facilities programme through its 5531 centers to the 1124 Village Development Committee of 49 districts.
- 2.25 With the initiation of the NRB, financial strengthening and empowerment of Grameen Bikas Banks has been implemented. In this course, the bank has dis-invested its 379000 strips of shares of Madhya-Paschimanchal Grameen Bikas Bank to Peoples Investment Company, Kathmandu on March 25 2009. By the end of FY 2008/09 NRB has 10 percent ownership in Paschimanchal Grameen Bikas Bank and 68.46 percent in Sudur Paschimanchal Grameen Bank.

### Foreign Exchange Management

- 2.26 With respect to foreign exchange management, NRB has adopted a policy of gradually relaxing the convertible foreign currency transactions and capital account, consistent with its strategic plan and in the spirit of economic liberalization with the aim of limiting its role in policy-making. The bank initiated the following provisions and reforms in the areas of foreign exchange management in 2008/09:



1. Various projects, entities or other organized firms are allowed to purchase goods or services through global tender from India by making payments in convertible foreign currencies under the prevailing provision.
2. With a purpose of updating data on remittances obtained from foreign employment, a provision has been made to acquire those statistics on a regular basis and in prescribed format from banks, financial institutions and other licensed firms involved in such transactions.
3. An additional facility has been given for the exchange of Chinese Yuan. Nepalese students studying in China are allowed an exchange facility for Chinese Yuan in their own names or in the name of university or college and are also permitted to sell or purchase such currency from Nepali citizens visiting China.
4. NRB can sell the convertible currencies having adequate stock with the selling rate mentioned to the banks and financial institutions willing to purchase such currencies in cash.
5. For the purpose of making payments for the purchase of electricity, Nepal Electricity Authority is allowed to purchase foreign convertible currencies from the foreign convertible accounts of entities licensed by NRB that deal with remittance transactions.
6. A provision has been made to allow L/C transactions based on FOB through certain procedures as indicated in the previous year's monetary policy.
7. The number of goods that can be imported from India by making payment in convertible currency has been increased from 124 to 135. NRB has continued its policy of gradually increasing the goods in the list as required.
8. A provision has been made whereby the limit of importing goods from third countries against the payment of convertible currencies through draft, T.T. has been raised to US dollar 50,000 from US dollar 30,000.
9. The licensed international airlines, their J.S.A., P.S.A. and cargo/courier and travel agencies providing services in Nepal are required to specify the price of their services in Nepalese currency. No approval is required from NRB to repatriate the sales amount to principal company directly or through other mechanisms for banks under Class A that can approve such repatriation based on specified documents.
10. A company dealing with remittance transactions can hold foreign convertible currencies up to a maximum of 15 days from the date of collection instead of the provision of 7 days.
11. An approval is not required from NRB to release 10 percent guarantee amount which is kept while making advance payment to foreign party through L/C, draft, T.T., swift etc. The concerned banks and financial institutions can release such amount on the basis of evidence of completion of work.
12. An approval is not required from NRB for the foreign convertible currency required by Nepal Electricity Authority to make payments to different projects or companies for the purchase of electricity on the basis of Power Purchase Agreement (PPA). 'A' Class and national level 'B' Class banks and financial institutions can provide such exchange facility on the basis of the approved stipulated procedures.
13. Foreign embassies or diplomatic missions located in Nepal do not require an approval from NRB to repatriate the foreign currencies equivalent to Nepalese currency collected on account of the visa fees. 'A' Class and national level 'B' Class banks and financial institutions can approve such facility at the official request of the embassies or missions.
14. The limit of foreign exchange facility granted to persons or organizations for various purposes from 'A' Class and national level 'B' Class banks and financial institutions has been increased from US dollar 2,500 to US dollar 4,000.

15. If payment in foreign convertible currency is to be made as per supply order of diplomatic missions, international agencies/organizations and under bilateral or multilateral aid, foreign exchange facility of FOB prices can be obtained from NRB to import the required construction materials, machine and equipment through payment of convertible currency from India, as per agreement.
16. A new provision has been made in which the payments for commercial transactions between members of Asian Clearing Union (other than commercial transactions between Nepal and India) can be made in US dollar or ACU Euro through SWIFT message under the payment system of ACU.
17. A policy provision has been made and implemented pertaining to the participation of national level 'B' Class financial institutions and remittance companies in the intervention of market of foreign convertible currencies carried out by NRB.
18. The number of companies/firms dealing with remittances transaction reached 48 as at mid-July, 2009 from 37 in the previous year. Twelve new companies have started their businesses while one company has closed its operation in 2008/09. Because of the joint effort between Reserve Bank of India and NRB to formalize the remittance flows, the inflows of remittances from India through the formal channel increased to Rs. 270 million from Rs. 206 million in 2007/08.
19. The number of licensed money changer firms/companies reached 382 as at mid-July, 2009. Thirty-two new money changer firms/companies obtained licenses while one company closed down in 2008/09. The number of moneychanger firms/companies operating in Kathmandu Valley alone reached 175 as on mid-July, 2009.
20. Besides banks and financial institutions, money transfer and money changer firms/companies, the number of hotels, domestic and foreign airlines, travel, treaking, cargo and currier agencies that were granted approval to deal with foreign currency transactions (purchase only) rose up by 248 to 2,795 as at mid-July, 2009 from 2,547 as at mid-July, 2008.
21. At the request of Foreign Exchange and Money Dealer's Association of Nepal (FEDAN), NRB made a net purchase of 1.90 billion US dollar from interventions in the foreign exchange market in 2008/09, compared to 1.57 billion US dollar in the previous year. It purchased US dollar amounting to 1.92 billion and sold US dollar amounting to 21.45 million through intervention of 103 times in 2008/09. It had purchased 1.59 billion US dollar and sold 17.7 million US dollar from intervention of 90 times and 3 times respectively in the foreign exchange market in 2007/08.
22. The net profit from fluctuations of foreign exchange rate dropped marginally to Rs. 9.34 billion in 2008/09 from Rs. 10.86 billion in 2007/08.
23. In order to fulfill the growing trade or BOP deficit with India, NRB purchased IC amounting to Rs. 73.40 billion through the sale of 1.52 billion US dollar in 2008/09. It had purchased IC amounting to Rs. 70.60 billion through the sale of 1.73 billion US dollar in the previous year.

### *Financial Sector Reform Program*

- 2.27 The financial sector reform program has remained as one of the major components of economic reform program of the GON. The financial sector reform program has been guided through a financial sector reform strategy paper issued by the GON on October 23, 2000. The NRB has been handling the reform program as an implementing agency.
- 2.28 In this regard, the tenure of Financial Sector Technical Assistance Project under financial sector reform is extended to December 31, 2011. The reform program aims to develop financial system

as a healthy, competitive, efficient and professional so that it can substantially contribute to nation's economic development. The ongoing reform program is supported financially by the loan and grants assistance from World Bank, Department for International Development (DFID) of UK, and the GON. The reform program has the following three major components:

- (a) Reengineering of Nepal Rastra Bank
- (b) Restructuring of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd., and
- (c) Capacity enhancement of the overall financial sector

### **Reengineering of Nepal Rastra Bank**

2.29 Reengineering program of the NRB has been continued to develop it as a capable central bank so that it can work efficiently in the context of increasing complexity together with the development of the financial sector. Human resource development, strengthening and streamlining regulatory and supervisory capacity, restructuring organizational structure on functional basis, computerizing, upgrading auditing and accounting system to international standard and simplifying its functions have been continued under this program. The second phase of the reengineering program under the financial sector reform programs is, now, being implemented after the completion of the first phase of the programs. Regarding human resource development, 136 staffs of the NRB attended foreign trainings and seminars from the project's cost under the financial sector reform program.

### **Restructuring of Nepal Bank Ltd. and Rastriya Banijaya Bank Ltd.**

2.30 For the purpose of restructuring NBL as outlined in the financial sector reform program, the management of the NBL has been taken over by the NRB under sub-article 1 (O) of article 86 (C) of the NRB Act, 2002 and the tenure of control has been extended to mid-March 2009. The tenure of the contract with the foreign consulting firm, ICC Consulting, Bank of Scotland (Ireland) Ltd., terminated on 21 July 2007. The NRB has constituted a three-member committee on July 27, 2007 with its staffs, to run the management of the bank until an alternative management team is put in place. At present, the management of NBL has been running by a three new member committee.. The efforts to recruit new chief executive officer of NBL through open competition thrice failed. Therefore, the selection procedure, in line with the provision of Procurement Guidelines of the World Bank, has already been commenced to continue the restructuring process of the bank.

2.31 The tenure of the consultants of management committee of RBB has been extended several times from initial contract on January 16, 2003 to January 15, 2010. The management team comprising of chief executive officer and chief information technology officer of the bank has been continuing the restructuring process.

2.32 In the context of ongoing restructuring process of RBB and NBL, the process of the recruiting Bank Restructuring Advisor will be pushed forward accordingly on line with the policy of GON.

2.33 Though the progress on recovery of the overdue loans of these two banks has not been as expected, the review of their overall progress so far indicates positive developments as these banks are operating in net profit since 2003/04; reducing negative capital fund; and issuing and implementing different manuals, policies and laws compatible with international standards, internationally accepted systems and techniques in stabilizing the bank. The progress of RBB and NBL after the initiation of restructuring process are as follows:

#### **(a) Profitability**

2.34 NBL incurred a net loss of Rs 250.0 million in 2002/03. However, the bank has been continuously earning net profit since 2003/04 and such profit stood at Rs 530 million in 2007/08 and Rs. 790 million in 2008/09.

2.35 RBB, which incurred a net loss of Rs 4.9 billion in 2002/03, also succeeded to earn net profits continuously since 2003/04 and such net profit stood at Rs/ 1.8 billion in 2007/08 and Rs. 2.03 billion in 2008/09.

**(b) Improvement in Capital Fund**

2.36 The negative capital fund of both of these banks has been gradually improving. The capital fund of NBL, which was negative by Rs. 9.8 billion in mid-July 2003, came down to Rs. 5.72 billion in mid-July 2008 and further declined to Rs. 5.21 billion in mid-July 2009.

2.37 The negative capital fund of the RBB has improved from Rs 22.39 billion as in mid-July 2003 to Rs 15.50 billion in mid-July 2008 and Rs. 13.48 billion in mid-July 2009.

**(c) Non-Performing Loans**

2.38 Though not as expected, the NPA level of these two banks has been improving gradually. The ratio of overdue loan to total loan of the NBL fell down to 8.1 percent in 2007/08 and 5.9 percent in mid-July 2009 from 60.5 percent in mid-July 2003.

2.39 The ratio of overdue loan to total loan of the RBB came down to 21.6 percent as in mid-July 2008 and 15.7 percent in mid-July 2009 from 60.2 percent as in mid-July 2003.

**(d) Auditing**

2.40 The audit of accounts in the NBL from 1999/00 to 2007/08 has been completed which was pending for years. The audited financial statements are updated. Accordingly, financial statements are published regularly on quarterly basis.

2.41 After the introduction of new management team in the RBB, the external audit has completed up to 2006/07 and preliminary audit report for the year 2007/08 is also received by the NRB. The audited financial statements are updated and published regularly on quarterly basis. Internal audit of the banks has been regularly undertaken as per the target assigned to the management team.

**(e) Human Resource Management and Development**

2.42 Both banks have prepared and implemented management plan, human resource development plan and skill enhancement plan so as to ensure planned development and right size of the bank's human resources. The staff need assessment has been completed. Likewise, both the banks have submitted their capital and successor plans to the NRB.

2.43 The NBL introduced voluntary retirement scheme (VRS) for the fourth time to keep the size of staff at optimum level. The number of staff in the NBL reduced to 2442 by mid-July 2009 from 2885 as in mid-July 2008 and 6030 as in mid-July 2001. The policy of reducing the over-staffs through the introduction of 30-year service period and 58-year age limit has been re-introduced through the revision in employees service bylaw.

2.44 The RBB introduced the Human Resource Information System and Human Resource Development Plan for planned development of human resource and keeping the size at appropriate level. The human resource need assessment has already been completed. The Successor Plan is submitted to NRB and performance-based rewarding system has also been introduced. The VRS is implemented for fifth time to bring the number of staffs at optimum level. Through the scheme, the RBB is able to bring down the number of its staff to 2697 by mid July 2009 from 3002 as in mid-July 2008 and 5583 as in mid-July 2002.

**(f) Operating System and Internal Management**

2.45 The management team of the banks introduced and implemented various policies, plans and guidelines for internal strengthen and efficiency. Especially, the banks have introduced credit policy and guidelines, introduced the ALM guidelines for managing assets and liabilities, and formed an Asset Liability Committee. Similarly, new Audit **Manual**, Internal Audit **Manual**, Account Head Classification **Manual**, HR Plan, Skill Enhancement Plan, Portfolio Status and

Plan, Budget Plan and Strategic Plan have also been prepared and implemented. NBL has formed a loan written-off bylaw and started to write-off the loan in accordance with it.

- 2.46 RBB has initiated the performance based reward system. Different policies, manuals and guidelines such as Anti-Money Laundering Policy, Investment and Treasury Operation Manual, Revision of Internal Audit Manual, Trade Finance Manual, and Loan written-off bylaw are introduced to improve in credit management.

**(g) Extension in Computer Technology**

- 2.47 The NBL has formulated IT plan for timely and effective handling of banking transactions through computerization. Accordingly, it has already computerized its 44 branches and additional 38 branches have been identified and the computerization process is ongoing. Similarly, the bank has introduced 'Any Branch Banking System' (ABBS) in 27 branches. By the mid-July 2009, the bank brought 82 percent deposits and 90 percent of its credit transactions under computer system.
- 2.48 Likewise, the RBB has also introduced IT plan for timely and effective handling of banking transactions through computerization. It has already introduced Pumori Plus in its 40 branches and two departments within the central office. Similarly, a total of 70 branches have been operating with RBBSYS software. The IBIS is fully implemented. By mid-July 2009, 95 percent deposits and 98 percent credits records of the bank have been computerized.

**Capacity Enhancement of Overall Financial Sector**

- 2.49 Mechanization of Credit Information Centre Ltd. (CICL) has already been initiated. Under this, the evaluation of bid documents presented by CICL to the Financial Sector Reform Project is in progress. The staffs of the Center have also participated in foreign trainings under the capacity enhancement program.
- 2.50 The staffs of Debt Recovery Tribunal also provided computer and service trainings as well as study/observation trip for skill enhancement. There is also a program of mechanization of the Tribunal.
- 2.51 One staff from NRB's Public Relation Division and 7 economic journalists participated in a training related to economic journalism organized by 'Reuters Foundation' with a view to enhance the capability of economic journalists and the NRB staff working in Public Relation Division.

## *Banks and Financial Institutions Regulation*

### **Commercial Banks**

#### **Changes in Share Ownership Structure**

- 2.52 After introducing the policy of conversion of promoters' shares in excess of 51 percent into public shares, Machapuchhre Bank Ltd., Nepal Industrial and Commercial Bank Ltd., Siddhartha Bank Ltd., Nepal Bangladesh Bank Ltd., Nepal Credit and Commerce Bank Ltd., Development Credit Bank Ltd. and Everest Bank Ltd. converted the promoter shares in excess of 51 percent of total share into public share. Similarly, NMB Bank Ltd. converted promoter shares by maintaining 54.65 percent promoter share and 45.35 percent public share.

#### **Applications Received for the Establishment of New Banks**

- 2.53 As per the decision dated April 29, 2009, KIST Bank Ltd. upgraded to commercial bank and commenced the operation from May 7, 2009 as an 'A' class commercial bank. Necessary amendments have already been made in the memorandum of articles and other bylaws of the bank.

- 2.54 The proposed Janata Bank Ltd. had registered the application in July 17, 2007. NRB issued letter of intent to this bank after scrutinizing all documents, depositing the 5 percent of total paid-up capital and having interaction program.
- 2.55 NRB has decided to provide letter of intent for the proposed Commerce and Trust Bank Ltd., in August 3, 2009 after completion of income source examination.
- 2.56 Regarding the proposed Megha Bank Nepal Ltd., the decision has been made to issue letter of intent in September 1, 2009 after conducting interaction.
- 2.57 Regarding the proposed Sangrila Bank Ltd., the preliminary examination of the documents has been completed and is in the process of income source examination. Besides, the revised memorandum, article of association, bylaws and feasibility study report have been submitted to the NRB.
- 2.58 The interaction program with proposed Century Bank Ltd. has been completed after depositing 5 percent of paid-up capital as per the existing provision. The bank applied for registration in July 13, 2008.
- 2.59 The proposed Civil Bank Ltd. has published the public notice of depositing 5 percent of Rs. 1.2 billion, being 60 percent of the total paid-up capital (Rs.2 billion) to be subscribed by promoter group.
- 2.60 The proposed State Bank of Nepal Ltd. has published the public notice of depositing 5 percent of Rs. 1.47 billion which is 70 percent of the total paid-up capital (Rs.2.10 billion) to be subscribed by the promoter group.

#### **Development Banks**

- 2.61 In the review year, the number of development banks ascended to 63 from 58 in the last year. The newly added development banks are Jyoti Development Bank Ltd. (Kathmandu), Shine Development Bank Ltd. (Rupendehi), Bagmati Development Bank Ltd. (Sarlahi), Hamro Development Bank Ltd. (Nuwakot) and Kakrebihar Development Bank Ltd. (Surkhet).

#### **Finance Companies**

- 2.62 In the review period, five new finance companies are in the process of establishment. Two of them are in the process of receiving letter of intent as they have already deposited 5 percent of paid-up capital. By the mid-July 2009, the number of finance companies reached to 77. Out of them, 52 companies are in Kathmandu valley and the remaining 25 companies are outside Kathmandu valley.

#### **Permission to Proceed Merger Process of 5 Financial Institutions**

- 2.63 Regarding the merger application of Mahalaxmi Finance Ltd., Butwal Finance Ltd., Siddhartha Finance Ltd., Birgunj Finance Ltd. and Himchuli Development Bank Ltd. the respective financial institutions have been notified that the process will be forwarded if they apply after complying with the capital structure.

#### **Microfinance**

- 2.64 The number of microfinance development banks ('D' grade financial institutions) reached to 15 with the establishment of two additional microfinance development banks in the review year. The two newly established banks are Shree Mithila Microfinance Development Bank Ltd., with central office at Dhalkebar, Dhanusa and Shree Summit Microfinance Development Bank, with central office at Anarmani, Jhapa.
- 2.65 The number of co-operatives registered under the Co-operative Act and licensed for limited banking activities remained unchanged at 16 as in the previous year.
- 2.66 At mid-July 2009, the number of non-government organizations (NGO) performing activities of financial intermediaries reduced to 45 due to the annulment of the operating license of Shree Nepal Gramin Vikash Samaj Kendra, Biratnager and Shree Chhimek Samaj Sewa Sanstha,

Kathmandu as all the micro finance transactions of these institutions were transferred respectively to Nerude Micro Finance Development Bank Ltd. and Shree Chhimek Development Bank Ltd.

### **Grievances Management Committee (GMC)**

- 2.67 A Grievance Hearing Cell (GHC), was established on April 24, 2005 under the chairmanship of the Deputy Governor of the NRB to settle the grievances resulting from misunderstanding and disputes between the clients and financial institutions. A Grievances Management Committee is reconstituted in October 18, 2006 as per the decision of GON (cabinet) dated December 14, 2006 under the chairmanship of the Deputy Governor of the NRB with members representing from the Ministry of Finance, President of Nepal Bankers' Association, a representative from Federation of Nepalese Chambers of Commerce and Industry (FNCCI) as an observer.
- 2.68 After the formation of such committee, 402 grievances were filed by the mid-March 2009. Out of them, 352 cases were already settled and the necessary correspondence is being done with the concerned banks and financial institutions regarding the remaining 50 cases.

### **Publication of List of Professional Expert**

- 2.69 In accordance with the provision mentioned in Article 13 of the Bank and Financial Institutions Act, 2006 regarding the publication of the list of professional experts, a total of 83 professional experts who meet the required qualification and necessary criteria have been included in the list of professional experts published by the NRB.

### **Publication of List of Auditor / Audit Firms**

- 2.70 To maintain the list of approved auditors as per the provision of sub-article 2 of article 60 of the Bank and Financial Institutions Act, 2006, 20 chartered accountants (individuals/ firms) in group 'A' and 4 registered auditors in group 'B' fulfilling required criteria are added in the review year. As a result, the number of auditors/auditing firms reached 255 by the end of the review year.

### **Revision on Unified Directives**

- 2.71 The "unified directives, 2009" is issued for banks and financial institutions with some amendments in the 'unified directives', 2005 and including the guidelines, directions, circulars of up to mid-July, 2009.

### **Investment in National Banking Training Institute**

- 2.72 The NRB board decided to invest 10 percent in the share capital of the proposed National Banking Training Institute in Nov 27, 2008. Accordingly, a sum of Rs. 5 million, which is 10 percent of the total share capital (Rs. 50 million) of the proposed institution, has been invested.

### **Investment in Nepal Clearing House Limited**

- 2.73 NRB board decided to invest 10 percent of the total share capital (90 million) of a Clearing House to be operated with automation in May 21, 2007. Out of the 10 percent share capital of Rs. 90 million, the first installment of 5 percent (Rs. 449995.00) has been paid.

### **Branchless Banking**

- 2.74 The directive regarding the branchless banking is issued in order to encourage the banks and financial institutions for branchless banking services.

### **Major Circulars Issued for Banks and Financial Institutions**

- 2.75 52 major circulars were issued to banks and financial institutions in the review year.

## *Banks and Financial Institutions Supervision*

### Bank Supervision

- 2.76 The yearly corporate level onsite inspection practice of commercial banks also continued in the review year. The necessary directions were issued to the banks on the basis of onsite inspection. Similarly, the task of evaluating banks on the basis of available information also continued.
- 2.77 In 2008/09, corporate level onsite inspection was accomplished in 25 commercial banks. In this process, onsite inspection of 140 branch offices and several projects of the banks were accomplished.

**Table 2.7**  
**Branches of Commercial Banks Inspected in Corporate Level**

S.N.	Name of Inspected Banks	No. of branches inspected
1	Nepal Bank Limited	7
2	Rastriya Banijya Bank Limited	16
3	Agriculture Development Bank Limited	14
4	Nabil Bank Limited	8
5	Nepal Investment Bank Limited	6
6	Standard Chartered Bank, Nepal Limited	3
7	Himalayan Bank Limited	9
8	Nepal SBI Bank Limited	4
9	Nepal Bangladesh Bank Limited	7
10	Everest Bank Limited	8
11	Bank of Kathmandu Limited	6
12	Nepal Credit and Commerce Bank Limited	5
13	Lumbini Bank Limited	3
14	Nepal Industrial and Commercial Bank Limited	5
15	Machapuchhre Bank Limited	6
16	Kumari Bank Limited	6
17	Laxmi Bank limited	4
18	Siddartha Bank Limited	5
19	Global Bank Limited	3
20	Citizen Bank International Limited	3
21	Bank of Asia Limited	3
22	Sunrise Bank Limited	4
23	Prime Bank Limited	2
24	NMB Bank Limited	1
25	Development Credit Bank Limited	2
	<b>Total</b>	<b>140</b>

- 2.78 Except the corporate level onsite inspection, 20 special onsite inspections of 13 banks were also carried out. The banks which were carried out special onsite inspection include; Nepal Bangladesh Bank Ltd, Nepal Credit and Commerce Bank Ltd., NMB Bank Ltd, Lumbini Bank Ltd., NBL, Kumari Bank Ltd., Bank of Kathmandu Ltd., Siddartha Bank Ltd., RBB, Development Credit Bank Ltd., Global Bank Ltd., Himalayan Bank Ltd. and ADB/N.



- 2.79 The off-site supervision based on balance sheet and other financial documents was also carried out and necessary directives were issued to resolve the shortcomings regarding compliance with policy and directives issued by NRB. After preparing the off-site supervision report, clearance is given to publish the annual financial statements for 2008/09 to 24 commercial banks.
- 2.80 Different directives were issued regarding the remarks pointed out in corporate level inspection report, special inspection report, and target inspection report. To observe whether the directives are abided by or not, regular monitoring is also done. The supervision report was prepared on quarterly basis for all the commercial banks in 2009.
- 2.81 NRB has adopted a policy of following current international supervisory practices of banking sector in the context of Nepal. With the objective of adopting the newly developed capital accord, Basel II, the parallel framework; Capital Adequacy Framework, 2007, which was initiated in 2007/08, is brought into full-fledged implementation to 'A' class financial institutions effective from 2008/09.
- 2.82 NRB has adopted surveillance policy for those banks and financial institutions whose financial status reflected in financial indicators is deteriorating day-by-day. As per the policy, the supervision of the problematic banks like Nepal Bangladesh Bank Ltd., Nepal Credit and Commerce Bank Ltd. and Lumbini Bank Ltd., has been continued through 'Problematic Bank Unit' established in the concerned department.
- 2.83 Preparing the CALES rating on the basis of information from off-site supervision, preparing early warning signals and the timely warning to the banks and financial institutions as per warning indicators are also continued.
- 2.84 NRB has adopted the policy of strengthening the supervisory capability to keep up public confidence toward financial system. As per the policy, the Prompt Corrective Action (PCA) manual has been prepared and enforced as a new instrument from Oct 17, 2008 for timely rectification of the shortcoming of the banks and financial institutions.
- 2.85 The daily liquidity of banking sector is continuously monitored from liquidity monitoring desk in off-site division for timely identification of liquidity risk and to assist in appropriate policy decision.
- 2.86 The monitoring of deprived sector lending is continued and the monetary penalty in case of non-compliance is also continued.
- 2.87 As to single out the risk on sectoral credit of the banking sector (especially credit on real estate, share, credit card and other consumable sector) and assist them to be put on the right track, the off-site division stepped forward to supervise since 2008/09 through the added format of monthly report to observe whether lending has done.
- 2.88 An orientation program was conducted for all commercial banks with the objective of preparing statistical data-base of big borrowers and ensuring information on banking facilities enjoyed by them.

### **Directives Issued to the Commercial Banks**

- 2.89 All the commercial banks were instructed to correct the respective shortcomings pointed out by the external auditor and to report to the NRB. Besides, additional directions were given to the following banks.

#### **Nepal Credit and Commerce Bank Ltd.**

- 2.90 Sell the share invested in Nepal Shrilanka Merchant Bank Ltd. as soon as possible and report to NRB. Provisioning for possible loss of Rs. 9.3 million in investment adjustment fund in case of failure to sell off the share investment; and extend credit within the single obligor limit.

**Bank of Kathmandu Ltd.**

- 2.91 Create redemption reserve equivalent to the amount of bond issued prior to the end of maturity year and report the progress on remarks pointed by the auditor.

**Machapuchhre Bank Ltd.**

- 2.92 Management was cautioned towards the risk on loan loss provisioning of only one percent for overdraft loan. Update and maintain individual loan classification and the loan loss provisioning as per the form no.2.2 of NRB directive.

**Nepal Industrial and Commercial Bank Ltd.**

- 2.93 Create redemption reserve equivalent to the amount of bond issued prior to the end of maturity year and report the progress on remarks pointed by the auditor.

**Nepal Bank Ltd.**

- 2.94 Strictly follow the procedure mentioned in Loan Write-off Bylaw, 2005 to write-off loans; strictly follow the NRB directives while rescheduling and restructuring loans; follow single obligor limit set by NRB while lending and the recovery of excess loan to Vrikuti Paper Industry Ltd. and K.L. Dugad group to bring it within single obligor limit; revise and publish financial indicators after classifying the loan to Joyti Spinning Mills Ltd., which is in the process of liquidation, as bad debt and make 100 percent loan loss provisioning for it; regularly supervise the risk inherent in eight credit lines pointed out in audit report of 2006/07 and report the reasons without delay for not following the direction for preparing and reporting information on these eight credit lines separately on quarterly basis and; report on the progress on the remarks pointed out by external auditor.

**Lumbini Bank Ltd.**

- 2.95 Make necessary arrangement to maintain capital fund in line with the capital plan within the stipulated time and report progress on the weaknesses pointed out by auditor.

**Nepal Bangladesh Bank Ltd.**

- 2.96 The attention of the committee is drawn for the timely implementation of the agreement between NRB and management group, such as development of information and technology network, increasing capital, bringing the credit within the single obligor limit through the recovery of excess loan, and recovering principal and interest of the loan provided to NB Group and other bad debts.

**Sunrise Bank Ltd.**

- 2.97 Carry the net loan in balance sheet after deducting the amount provisioned for loan in excess of single obligor limit from credit as in the case of general loan loss provisioning rather than showing it in other liabilities and report the progress on remarks pointed out by auditor.

**NMB Bank Ltd.**

- 2.98 Report the progress on remarks pointed out in the preliminary report of the auditor including the formation of audit committee of the bank.

**Financial Institution Supervision**

- 2.99 The Financial Institution Supervision Department continued inspection and supervision of the “B” class development banks; “C” class finance companies; “D” class microfinance development banks; and co-operatives and non-government organizations licensed for limited banking transaction that fall under the supervisory jurisdiction of the department. The tasks accomplished by the Financial Institution Department in the review period are as follows:

- (a) The number of financial institutions within the supervisory domain of the department reached 216 by mid-July 2009 comprising of 63 development banks, 77 finance

- companies, 15 microfinance development banks, 16 co-operatives and 45 non-government organizations.
- (b) By the mid-July 2009, corporate level inspection were completed for 73 financial institutions including 25 development banks, 36 finance companies, 3 microfinance development banks, 5 co-operatives, 4 non-government organizations.
  - (c) In 2008/09, the targeted inspection of 8 financial institutions comprising of 7 development banks and a finance company was performed.
  - (d) In the review year, 5 development banks and 3 microfinance development banks were inspected for their physical infrastructure.
  - (e) In 2008/09, special inspection was conducted on 26 development banks and 57 finance companies (Appendix 2.2).
  - (f) In 2008/09, warning was issued for officials of 5 financial institutions for non-compliance with the concerned acts and directives. Similarly, officials of 4 financial institutions were penalized for non-compliance with the concerned acts and directives. The 14 development banks were penalized for failing to meet the deprive sector lending requirement. Similarly, 11 development banks, 13 finance companies, 3 microfinance development banks and 2 co-operatives were penalized for the shortfall in CRR (Appendix 2.3).
  - (g) The financial institutions failed to maintain the minimum capital adequacy ratio are subject to Prompt Corrective Action Bylaw, 2007. Actions were taken for 11 development banks; 3 finance companies; 1 development bank; 1 finance company; and 2 development banks as per the section 3(A); 3(B); 3(C); 3(A) & 3(E); and 3(E) (III) respectively (Appendix 2.3).
  - (h) The actions taken to Arun Finance and Saving Limited, Dharan; United Development Bank Ltd., Bara; and Cottage and Small Industry Development Bank Limited, Kathmandu at different times have been released.

## *Currency Management*

2.100 Currency Management Department, with the responsibility of smooth supply of currency notes across the nation, has initiated to manage printing of currency notes sufficiently for three and a quarter year as per the revised provision effective from 2007/08. Blind recognized features have been included in the issued notes of Rs. 500 and 1000 denomination with new designed to facilitate blind people in recognizing. In FY 2008/09, notes with denomination: Rs. 5, 10, 20, 50, 100, 500, and 1000 are in the process of printing in the following quantities:

**Table 2.8  
Printing status of Notes**

S.N.	Denominations	Quantity (in million)	Status of Note Printing
1	1000	130	30 million has already in circulation
2	500	140	40 million in printing process and 100 million tendered
3	100	50	In printing process with some portion in circulation
4	100	120	Tendered
5	50	50	All are in circulation
6	20	70	All are in circulation
7	10	50	All are in circulation
8	5	150	In printing process with some portion in circulation

### **Note Issue**

2.101 A sum of Rs. 29.67 billion have been issued during FY2008/09. Of the total issued notes, Rs. 28.26 billions are in circulation.

### **Notes in Circulation**

2.102 As of mid-July 2008, notes of different denominations equivalent to a sum of Rs. 112.94 billions were in circulation. Additional notes equivalent to a sum of Rs. 28.26 billions were issued during the review year. Consequently, total notes in circulation reached to Rs. 141.20 billions as at mid-July 2009.

### **Note Chest**

2.103 To widen the use of Nepalese currency and continue smooth banking service across the nation, service has been provided by establishing note chest in 43 branches of RBB, 24 branches of NBL, and seven NRB offices located in different districts. Provision has been made to provide the facility from note chest to other commercial banks of private sector in the current fiscal year and it has been executed as well. It is believed that this provision enhances in the extension of banking service and facility nationwide. There has been the provision of regular inspection and monitoring of all the note chests across the nation to overcome the problems associated with note chest operation and make such services effective.

### **Note Destroyed**

2.104 There has been the provision of destroying spoiled and non-issuable notes held by public and commercial banks to bring fresh and clean notes in circulation. In this regard, Currency Management Department and district-based NRB offices together had destroyed equivalent to total of Rs. 122.93 billion up to mid-July 2008. The additional spoiled notes equivalent to a sum of Rs. 2.59 billion were destroyed during the period of mid-July 2008 to mid-July 2009. Therefore, the sum of total notes destroyed has reached equivalent to Rs. 126.11 billion by the end of FY 2008/09.

### **Fund Transfer**

2.105 Provision of note chest has been made in the RBB, NBL and district-based NRB offices. NRB has been transferring fund from and to the note chest in its own cost depending in the surplus and shortage of fund in the respective note chest. In 2008/09, a sum of Rs. 20.44 billion was transferred to district based NRB offices, branches/sub-branches of RBB and NBL having note chest in 154 attempts and Rs. 63.43 billion was transferred to branches/sub-branches of RBB and NBL having note chest from district based NRB offices.

## *Miscellaneous*

### **Human Resource Management**

2.106 Policy of entering manpower with modern skill, knowledge, and competency and having capacity to face current and future challenges efficiently in the bank service has been given continuity. Bank has adopted the policy to make inclusive to the service of NRB as per dynamic circumstances. Taking written examination for the post of officer III class (Administration service); 8 open and 7 inclusive group ( female-2, indigenous-2, madeshi-2, and suppressed-1) totalling 15 has been completed with regard to entering competent manpower in the bank service through open competition. Similarly, written examination for assistant II; open -14 and inclusive group-11 totalling 25 for the Janakpur, Birgunj, Sidarthanagar, Nepalgunj, and Dhangadhi offices has been completed. Likewise, officer III class-1 (commercial law), officer III class-1 (International law), and officer III class-5 (chattered accountant; open-3 and inclusive group-2) are in the process of appointment after completion of written examination and interview.

2.107 Description of 51 staffs, who terminated as per the Employee's by-rule 2005, from the NRB service because of compulsory retirement, resignation, and death in FY2008/09 is as follows:

**Table 2.9**  
**Recruitment in and Termination of NRB-Service**  
**(Mid-July 2008 – Mid-July 2009)**

Level	Compulsory Retirement	Resignation	Dismissal	Death	Entrance
<b>Officer Level</b>	23	6	-	-	-
Officer-Executive	1	-	-	-	-
Officer-First	3	-	-	-	-
Officer-Second	2	2	-	-	-
Officer-Third	17	4	-	-	-
<b>Assistant Level</b>	18	2	-	2	-
Assistant-First	5	1	-	1	-
Assistant-Second	7	-	-	-	-
Assistant-Third	3	1	-	-	-
Assistant-Fourth	3	-	-	1	-
Assistant-Fifth	-	-	-	-	-
<b>Total</b>	<b>41</b>	<b>8</b>	<b>-</b>	<b>2</b>	<b>-</b>

2.108 As at mid-July 2008, total number of employees stood at 1517 comprising 539 officer level and 978 assistant level whereas there were 626 officer and 839 assistant level totalling 1465 staffs as at mid-July 2009. The ratio between officer and assistant level staffs stood at 1:1.34.

**Table 2.10**  
**The Number of Existing Employees (Mid-July 2009)**

S.N.	Level	Current Manpower as of 2009 mid-July
1	Officer-Executive	12
2	Officer-First	38
3	Officer-Second	126
4	Officer-Third	450
<b>Total in Officer Level</b>		<b>626</b>
5	Assistant-First	414
6	Assistant-Second	76
7	Assistant-Third	85
8	Assistant-Fourth	259
9	Assistant-Fifth	5
<b>Total in Assistant Level</b>		<b>839</b>
<b>Total</b>		<b>1465</b>

2.109 74 people were working in the Security Group on contract basis in the bank.

**Table 2.11**  
**Structure of Security Group (Contract)**

S.N.	Level	Post	Current Manpower
1	Officer-Second	Security Officer	1
2	Officer-Third	Assistant Security Officer	1
3	Assistant-Second	Assistant Security	2
4	Assistant-Third	Security Assistant	1
5	Assistant-Fourth	Managing Security	2
6	Assistant-Fifth	Security	13
7	Assistant-Fifth	Deputy Security	4
8	Assistant-Fifth	Sipahi	43
9	Assistant-Fifth	Pipa	4
10	Assistant-Fifth	Temporary Managing Security*	3
<b>Total</b>			<b>74</b>

\*Temporary employees previously working in Telegraphic

2.110 To enhance the welfare benefits of employees, the NRB adopted the following policy-wise provisions:

**Provisions related to financial welfare**

- (a) Amount providing for note verification, counting, sorting, firing, boxes transport, load, unload, fund transfer through plane and helicopter, etc. has been reviewed.
- (b) New pay-scale has been maintained by increasing salary of governor, deputy governor including all permanent staffs and central bank allowance has been increased since September 17, 2008. Likewise, monthly snacks allowance, daily allowance, and annual newspaper allowance have been increased.
- (c) Vehicle loan given to officer second class and all level staffs below it has been increased. Medical facility has been reviewed as well.
- (d) Annual expenses amount, given to unions, has been increased in the context of inflation.
- (e) 49 daily wages workers have been employed in monthly wages.

**Other Provisions**

- (a) As per the provision of changing service from cash service to administration service, 1 deputy director (cash service) and 9 assistant director(cash service) have been changed into deputy director (administration service) and assistant director (administration service) respectively.
- (b) Nepal Rastra Bank, "Rastriya Karmachari Sangathan" has been given status as authentic union.
- (c) Provision of ordering staffs up to officer third (administration and cash) in transferring fund (existed provision:only up to assistant first both administration and cash) has been made.
- (d) Staff security fund has been maintained of 5 years.
- (e) All staff of the bank are required to provide effective service and to make optimal use of resources of NRB in own office during business hours.
- (f) As per the 9<sup>th</sup> ammendment of Employee's by-rule 2005, out of the total seats for open competition, 45 percent are separated for inclusive group. Assuming it as 100 percent: advertisement has been done as 33 percent for female, 27 percent for indigenous people, 22 percent for madeshi, 9 percent for suppressed people, 5 percent for handicapped/disabled people and 4 percent for backward sector to make the bank service inclusive.

(g) Code of conduct about behaviour and discipline has been made clear through 11<sup>th</sup> amendment of Employee's by-rule on July 9,2009.

2.111 The promotion of employees has been in continuous process. Vacant posts were fulfilled through file promotion (103 persons) and internal competition (69 person) in the FY 2008/09.

**Table 2.12  
Description of the Recruited Post in 2008/09**

S.N.	Post	Service	File Promotion	Internal Competition	Open Competition	Total
1	Officer-Executive	Administration	3	-	-	3
2	Officer-First	Administration	3	2	-	4
3	Officer-Second	Administration	17	8	-	25
4	Officer-Second	Technical	-	-	-	-
5	Officer-Third	Administration	62	23	-	85
6	Officer-Third	Technical	-	-	-	-
7	Assistant-First	Administrarion	-	-	-	-
8	Assistant-First	Technical	-	-	-	-
9	Assistant-Second	Administration	9	11	-	20
10	Assistant-Second	Technical	-	-	-	-
11	Assistant-Third	Administration	9	26	-	35
12	Assistant-Third	Technical	-	-	-	-
13	Assistant-Fourth	Technical	-	-	-	-
<b>Total</b>			<b>103</b>	<b>69</b>	<b>-</b>	<b>172</b>

2.112 As per the provision in Employee's by-rule 2005, salary and other allowances failities of 55 staffs (39 assistant first, 6 assistant third and 10 assistant fourth) have been upgraded to nearest upper level since July 16, 2008.

**Higher Study**

2.113 Study deputation has been given to 3 staffs (2 staffs: Ph.D. Economics in abroad and 1 staff: M.Phil study in home country) who applied for higher study after necessary process.

**Corporate Reforms**

2.114 1076<sup>th</sup> meeting of board of directors, held on July 14, 2009, issued 21 points directives by approving budget of FY 2009/10.

2.115 Report of budget review of Fiscal Year 2007/08 (yearly and half yearly) and first half year and nine month of FY2008/09 submitted by "Budget Review Committee" under the co-ordinationship of Board of Director Dr. Bishwambher Pyakurel, has been endorsed by Board of Directors.

2.116 On-site and off-site monitoring has been given continuity to make effective execution of yearly budget and work plan. In this direction, on-site monitoring of Biratnager, Birgunj, Sidharthnagar, Nepalgunj and Dhangadhi offices has been completed in the fiscal year 2008/09.

**Risk Management Execution**

2.117 All departments/offices/divisions have been informed about directions decided by Risk Management Committee in various time. Functioning methodology of Risk Management Commitee 2008 (with amendment) has been kept in website. Provision has been made for required submission of risk register has been made in monthly basis, with the responsibility given to a risk management officer to keep risk description in all departments/offices/divisions.

- 2.118 Direction for the improvement has been given after pointwise discussion in Risk Management Committee by classifying received risk descriptions in various groups (district based office group, monetary and foreign management group, banking conduction group, regulation and supervision group, and service receiver group) in the review group.
- 2.119 As per provision of Risk Management Committee Functioning Methodology, 2008, discussion is being carried out in Risk Management Committee on the management of risk management function, direction given to the departments about the issues raised on risk and provisions existed in the central bank of other countries.

## **Information and Technology**

### **Software Development and Improvement**

- 2.120 Following works have been completed to develop new software necessary for computerising function of various departments and to improve existing software:
- (a) As per consultation with banking office and district based offices and request made by concerned offices, additional modification has been made in banking system software.
  - (b) Internet site has been made more systematic and informative by modifying and providing archiving arrangements to keep important letters related to the bank in internet.
  - (c) Personal Financial Account (Payroll, Ledger Balance, Miscellaneous Payments, etc.) has been included in NRB's home website.
  - (d) Required software for the coin unit of banking office has been made.
  - (e) Software, after required study, has been made ready for HS code use in foreign trade statistics of balance of payment division.
- 2.121 Following works have been done to expand Network/Internet/E-mail service:
- (a) Latest Antivirus software has been purchased and installed in the computers connected to network for the enhancement of Information Security.
  - (b) Mail Server has been upgraded to restrict SPAM appearing in e-mail and to keep mail server perfect.
  - (c) Servers of all district offices have been made Window Based in the process of making Novell Server based banking software to Window Server Based.
  - (d) Required work for SWIFT phase 2 Migration has been done.
  - (e) Website and internet site have been made more informatic by necessary modification on it.
  - (f) In order to expand internet facility, optical fiber leased line facility of NTC has been used.

### **Activities relating to obtain new software**

- 2.122 Information technology reengineering project, as a part of financial sector reform programme, was launched to improve the IT capacity building under the financial assistance of World Bank. However, this project did not produce the expected result and NRB, on its own initiation, is running the IT capacity building process. Under this initiation, Bank is replacing the legacy software by industry standard software. In this regards following progress has been made so far :
- a) To acquire GL system software, technical specification is prepared.
  - b) Tender document is being verified related to procurement of software for Human Resource Management Information (including e-Attendance System) after preparing technical specification.
  - c) Software relating to Inventory Management System is on the test as to computerize the store and distribution section of General Service Department.
  - d) To upgrade the website and to prepare the data base system, the Business Requirements is already prepared and submitted to concerned department.



### **Information Technology Policy**

2.123 Draft of Internal Information Technology Policy for bank has been prepared.

### **Computer Repair and Maintenance**

2.124 As per the demand made from different departments and offices, onsite support for maintenance of computers and computer related equipments has been prepared. 48 network points are also installed in Central Office.

2.125 Technical specification for newly purchased computer and various related other equipments are prepared during review period. Specifications of supplied equipments have been also tested.

### **Inspection of Physical Infrastructure**

2.126 Physical Infrastructure related to information technology were inspected for the banks and financial institutions which are going to be established.

### **Legal Division**

2.127 Major activities performed by legal division during the review period :

#### **Activities under Money Laundering Prevention Act, 2064**

- a) To coordinate with different agencies and to provide suggestions to the government the chief of Financial Information Unit has to work as secretary of coordination committee constituted under the Money Laundering Prevention Act. Accordingly meeting of co-ordination committee held in December 16, 2008, January 4, 2009 and January 16, 2009 has discussed on the Money Laundering Prevention Bylaw. The finalized draft was submitted with suggestions to GON to publish in RajPatra (Gazette).
- b) A mechanism of sharing information of Financial Information Unit of one country with other country on mutual basis has been established and signature in Memorandum of Understanding (MOU) with Bangladesh and Sri Lanka was held in October 21, 2008 and July 9, 2009 respectively.
- c) In the 11th annual meeting of Asia/Pacific Group on Money Laundering held in Bali, Indonesia between July 7, 2009 to July 11, chief of Financial Information Unit participated actively and shared the progress made by Nepal for Money Laundering prevention and necessary steps taken for the support from the concerned stakeholders in the world for developing the infrastructure of Financial Information Unit.
- d) Doubtful transactions received from bank and financial institutions are forwarded to Revenue Investigation Department in written form for necessary action.
- e) For the public information about money laundering prevention activities, website of the Unit is prepared with the coordination of Information Technology Department.

#### **Activities Related with Legal Draft**

- a) Draft of Financial Assets and Securities Restructuring Ordinance, 2065 has been prepared.
- b) For reciprocal cooperation regarding cases relating to criminal offences, which might happen in Nepal and abroad, a draft of criminal crime investigation ordinance, 2065 already has been completed.
- c) Nepal Rastra Bank Authority Delegation Byelaw, 2065 is in effect from August 5, 2008 after its approval from Board of Directors.
- d) Auction directive, 2065 is in effect after approval in August 5, 2008 from the Board of Director to clear up obsolescent through auction or, tender scheme.
- e) With a view of making note printing and minting process transparent, accountable and more efficient, the directive of note printing and minting, 2065 is in effect from January 20, 2009 after the approval of board of directors.

### Activities relating to litigations

- a) There were 51 litigations on Mid-July, 2009 which were 49 in the last period. In the review period, 31 new cases came into existence and 29 were finalized and 27 cases were in NRB's favour and 2 were partially.

### Other activities

- a) The activities of updating in the website of the laws, by laws and directives under the Nepal Rastra Bank Act, 2058 are ongoing.

### Internal Audit

2.128 Following activities were accomplished by the Internal Audit Department in this review period :

- a) Compliance Audit of Banking Office, Currency Management Department including 7 Offices of outer valley were also completed.
- b) Performance Audit of different departments targeting eight different functional aspects under Secondment Staff scheme also accomplished.
- c) The Annual Report of Audit Committee of FY 2007/08 has been presented to the Board of Directors.

### Training, Seminar, Interaction and Tours

2.129 To enhance competency, capability and efficiency of the staffs in the changing economic and financial environment, an opportunities of training, seminar and study visit were provided in domestic country as well as foreign country. In the review period 1028 staffs got the above opportunities. Out of 1028 staffs, 366 staffs attended foreign training. Similarly, 662 staffs attended the domestic training conducted by NRB and other institutions as well.

2.130 A seminar was conducted in Kathmandu regarding "Capacity Building and Restructuring of Grameen Bikas Bank" on May 22, 2009. The seminar was attended by chairmen, members, executive directors of development banks and chairmen chief executive chiefs of private sector owned Micro Credit Development Banks.

2.131 A NRB Reporting System related workshop was conducted at Pokhara from February 20, 2009 to February 22, 2009 in collaboration with Bank and Financial Institution Regulation Department. 24 staffs working in NRB Reporting cell of different banks and financial institutions had participated the workshop.

2.132 Bank Supervision Department conducted the following training and seminars :

- a) A interaction programme with the representatives from the commercial banks was organized in second quarter of review year regarding the problems seen in the implementation of Basel –II.
- b) A interaction programme was conducted in Kathmandu with the external auditors of the commercial banks.
- c) A two days interaction programme has been conducted in the third quarter of the review year. The programme was within the staffs of the department regarding Risk Based Supervision, On-site, Off-site and other contemporary issues of supervision system.
- d) Two days interaction programme has been conducted regarding the contemporary issues of supervision in the collaboration with the technical assistance of Dutch Bundesbank, Germany.
- e) A interaction programme between staffs of Bank Supervision Department and the staffs of commercial banks has also been conducted 6 times regarding capital adequacy framework of Basel II and contemporary issues.
- f) According to the calendar of the SEACEN Center, a international level four days seminar on "17th SEACEN FSI Regional Workshop for Bank Supervisors and Regulators: Stress

Testing Techniques" has been held in the third quarter of the review year. This programme was hosted by NRB.

- 2.133 One day interaction program regarding current pertinent issues with the chief executives of financial institutions regionally in Kathmandu, Biratnagar and Nepalgunj and one day workshop seminar on quarterly report of off-site report among departmental staffs was conducted by Bank Supervision Department.
- 2.134 In order to strengthen Computer Operation Core Group (COCG) constituted in district level offices, about 36 officers and staffs are given computer training on the subjects of ICT Infrastructure in NRB, Operating Systems, Banking System, Hardware and Troubleshooting, Utility S/W, Network, Client Server Concepts & Internet and Email are conducted in Dhangadi, Janakpur and Birgunj offices.
- 2.135 Under the chairmanship of risk management committee, one day interaction program has been organised on January 2, 2009 in the midst of all risk management officer of all departments and offices by Corporate Planning Department.
- 2.136 Two days officer level training has been conducted on risk management in Bankers Training Center on June 14, 2009.
- 2.137 Three days Computer Skills Upgrade training was organized by Janakpur and Biratnagar Offices of Nepal Rastra Bank. In this training, 30 officers and staffs are trained.
- 2.138 To enhance the efficiency and effectiveness on work operation, Annual Action Plan and Budget discussion seminar was conducted on June 11, 2009 in the initiation of Corporate Planning Department. In this seminar, the progress of third quarter Action Plan of 2065/66 has been evaluated. The main participants were chiefs of all departments and offices of NRB. Besides this, Action Plan for 2066/67 was finalized incorporating the suggestions and conclusions after the detailed discussions and analysis of the proposed Action Plans submitted by all departments and offices.
- 2.139 Following seminars and interaction programs were organized by Legal Department
- (a) A seminar on "Expenditure Management in Nepal Rastra Bank" was conducted in the midst of various departments and offices that are involved in purchasing process.
  - (b) One day interaction program on the provisions, process and concepts of Money Laundering Prevention Act was conducted on March 27, 2009 in the midst of legislature and high level officials of government and regulatory units.
  - (c) To inform about the provisions, process, concepts of Money Laundering Prevention Act and duties of information providers, one day interaction program was conducted on March 20, 2009 in the midst of Banks and Financial Institutions licensed by NRB, Organization of businessman of Gold-Silver, Casino, Insurance companies, Businessmen of securities and other related information providers.
- 2.140 One-day workshop seminar was jointly conducted by Bankers Training Center and Internal Audit Department on Issues of Internal Control System and Internal Audit at NRB, amidst of the members of board of director, department chief and offices chief of the bank.

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

- 2.141 In fiscal year 2008/09, a total of 42 meetings of Board of Director were held. Similarly, last year only 31 meetings were conducted.

**Table 1**  
**Notes in Circulation**

(Rs. in million)

Denominations	Mid July					
	2007		2008		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
1	168	0.2	165	0.1	165	0.1
2	193	0.2	187	0.2	202	0.1
5	717	0.8	872	0.8	893	0.6
10	1112	1.2	1101	1.0	1217	0.9
20	1026	1.1	1396	1.2	1444	1.0
25	113	0.1	95	0.1	84	0.1
50	2109	2.3	1936	1.7	2439	1.7
100	5629	6.2	6284	5.6	9037	6.4
250	83	0.1	82	0.1	82	0.1
500	21852	23.9	33135	29.3	33784	23.9
1000	58303	63.9	67690	59.9	91856	65.1
<b>Total</b>	<b>91305</b>	<b>100.0</b>	<b>112943</b>	<b>100.0</b>	<b>141203</b>	<b>100.0</b>

**Table 2**  
**Security against Note Issued**

(Rs. in million)

Mid-July	Gold	Silver	Foreign Currency and Securities	Total	Government Securities	Security against Currency Issue	Share of Foreign Currency, Gold and silver in Total Security
	(1)	(2)	(3)	(1+2+3)	(5)	(6)	(4+6)/100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2005	703	-	69646	70349	4172	74521	94.4
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

**Table 3**  
**Established Posts and Employees by Class**

	Permanent				Temporary/Contract				Total			
	Mid-July 2008		Mid-July 2009		Mid-July 2008		Mid-July 2009		Mid-July 2008		Mid-July 2009	
	EP	FP	EP	FP	EP	FP	EP	FP	EP	FP	EP	FP
Officer-Special	16	11	16	12	0	0	0	0	16	11	16	11
Officer-First	41	40	42	38	0	3	0	1	41	43	42	39
Officer-Second	133	109	151	126	1	4	1	2	134	113	152	128
Officer-Third	555	378	616	450	1	1	1	1	556	379	617	451
Assistant- First	536	535	415	414	0	0	0	0	536	535	415	414
Assistant-Second	118	75	193	76	2	0	2	2	120	75	195	78
Assistant-Third	167	73	163	85	1	1	1	1	168	74	164	86
Assistant-Fourth	291	291	259	259	2	5	5	5	293	296	264	264
Assistant- Fifth	5	5	5	5	67	59	65	64	72	64	70	69
<b>Total</b>	<b>1862</b>	<b>1517</b>	<b>1860</b>	<b>1465</b>	<b>74</b>	<b>73</b>	<b>75</b>	<b>76</b>	<b>1936</b>	<b>1590</b>	<b>1935</b>	<b>1541</b>

EP= Established Posts  
FP= Filled up Posts

**Table 4**  
**Domestic Trainings and Seminars conducted by Other Institutions**

S.No.	Topics	Level	Participants
1	Cross Border Networking Symposium	Officer	4
2	Microfinance for Poverty Reduction	„	1
3	Action Plan Development Workshop on WCO SAFE Framework of Standards	„	1
4	Seminar related to Management: Supervision	„	12
5	Seminar related to Participants: Supervision	„	28
6	Programme on Development of Rural Financing Institutions and Cooperatives	„	2
7	SWIFT Trainings: Basics-Your Passport to SWIFT Public Key Infrastructure for SWIFTNET Security Collections & Documentary Credits	Officer/Non-Officer	4
8	SWIFT Trainings: Basic-Your Passport to SWIFT	Officer	2
9	SWIFT Trainings: Basics-Your Passport to SWIFT Operation SWIFT Alliance Access and Entry Managing SWIFT Alliance Entry	„	1
10	SWIFT Trainings: Customer Credit Transfers & Cash Management	„	2
11	SWIFT Trainings: Public Key Infrastructure for SWIFTNET Security Collections & Documentary Credits	„	2
12	SWIFT Trainings: From BKE to RMA	„	1
13	SWIFT Trainings: From BKE to RMA Operation SWIFT Alliance Access and Entry Managing SWIFT Alliance Entry	Officer/Non-Officer	2
14	Discussion on IC Exchange Management	Officer	4
15	Research Directives, 2007	Officer/Non-Officer	14
16	Seminar on Price Statistics, 2008	Officer/Non-Officer	17
17	Seminar on Economic Statistics	Officer/Non-Officer	14
18	Participation on 17 <sup>th</sup> SEACEN-FSI Regional Workshop for Bank Supervisors and Regulators: Stress Testing Techniques	Officer	6
19	Participation on 17 <sup>th</sup> SEACEN-FSI Regional Workshop for Bank Supervisors and Regulators: Stress Testing Techniques	„	6
20	Pargicipation on Liquidity Management for Monetary Policy in SAARC Region	„	9
21	Participation on Liquidity Management for Monetary Policy in SAARC Region	„	8
22	Follow-up on Transation and Investment of Rural Self-Reliance Fund	Officer/Non-Officer	14
	<b>Total</b>		<b>154</b>

**Table 5**  
**Trainings conducted by Bankers' Training Centre**

S.No.	Topics	Level	Participants
1	Accounting System in Nepal Rastra Bank	Officer	20
2	Central Banking	Non-Officer	20
3	Management Development Programme	Officer	10
4	Public Debt Management	Non-Officer	8
5	Monetary and Fiscal Management	Officer	14
6	Examination of Banks & Financial Institutions	Non-Officer	20
7	Strategic Planning and Budgeting	Officer	20
8	Risk Based Supervision	Officer	20
9	Central Banking	Officer	20
10	Research Methodology & Report Writing	Officer	20
11	Accounting Procedure in NRB	Non-Officer	20
12	Training Facilitation for Resource Persons (NRB)	„	16
13	Implementation Issues of Basel - II	Officer	20
14	Computer (Refresher)	Non-Officer	14
15	Cash Operation	Non-Officer	20
16	BOP Statistics	„	3
17	Technical Skill and ..... of Drivers	„	20
18	Stress Management (Refresher)	Officer	20
19	Central Banking	Non-Officer	25
20	Off-Site-Supervision	Officer	20
21	Quality Enhancement (Support Staffs)	Non-Officer	19
22	Risk Based Internal Auditing at NRB	Officer	20
23	Central Banking	Officer	20
24	Central Banking (Refresher)	Non-Officer	20
25	BOP Statistics	„	1
26	Procurement and Inventory Management	Officer	20
27	Problem Bank Identification & Resolution	Officer	11
28	Issues in Internal Control System and Internal Audit	„	7
29	Risk Management in NRB	„	20
30	Examination of Banks Under Basel-II Framework	Officer	20
	<b>Total</b>		<b>508</b>

**Table 6**  
**Foreign Trainings, Seminars, Meetings and Workshops**

S.N	Details	Participant	Organizer	Venue
1	First SEACEN Research Workshop on "Comparative Strategies of Human Resource Management in The SEACEN Countries"	1	The SEACEN Centre	Kuala Lumpur, Malaysia
2	Asia-Pacific Regional Microcredit Summit 2008	1	Micro Credit Summit	Bali, Indonesia
3	Study and Observation Visit of Successful Restructure of Khan Bank	1	ADB	Mangolia
4	Course on Macroeconomic Management & Financial Sector Issues	1	IMF	Singapore
5	1st SEACEN - CTCBC/Deutsche Bundesbank Intermediate Course on Banking Supervision and Financial Stability	6	SEACEN-CTCBC/Deutsche Bundesbank	Kathmandu, Nepal
6	Financial Analysis Techniques and Global AMT/CFT Standards	3	In WEnt/APG	Delhi, India
7	Financial Programming and Policies (FPP)	1	IMF	Washington, D.C. USA
8	APG Training Workshop for Mutual Evaluation Assessors	1	APG	Singapore
9	Central Bank Governance	1	Deutsche Bundesbank	Frankfurt, Germany
10	SAARCFINANCE Seminar on "Foreign Exchange Reserve Management"	2	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
11	Seminar on Risk-Focused Supervision and Risk Assessment	2	RBI	Mumbai, India
12	4th SEACEN/ABAC/ABA/PECC Public-Private Dialogue for the Asia Pacific Region and 10th SEACEN Conference of Directors of Supervision of Asia Pacific Economies/ 21st Meeting of SEACEN Directors of Supervision	2	The SEACEN Centre	Kuala Lumpur, Malaysia
13	Observation of final proof & printing specification of Rs.10/- notes.	2	Security Printing and Minting Corporation India	Mumbai, India
14	SAARCFINANCE Governors' Symposium: South Asia's Recent Growth and Future Prospects	1	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
15	International Banking Seminar	3	Mashreq Bank	Hong Kong, China and Vietnam
16	SEACEN-FSI-IMF Course on Economic Policies for Financial Stability	2	The SEACEN Centre	Manila, Philippines
17	Seminar on Designing Effective Legal Frameworks for Problem Banks and Resolving Banking Crises	1	IMF	Singapore
18	Seminar on Corporate Governance in Banks and Financial Institutions in SAARC Countries	2	Bangladesh Bank	Dhaka, Bangladesh
19	Instruments of Financial Markets	1	Study Center Gerzensee, Switzerland	Gerzensee, Switzerland
20	Seminar on Monetary and Financial Statistics	1	IMF/STI	Singapore
21	Study Visit Program on Financial and Marketing Linkages	2	APRACA CENTRAB	Bangkok, Thailand
22	Symposium on Asian Economic Integration	1	Nanyang Technological University	Singapore
23	South-East Asia Voting Group (SEAVG) Meeting	1	Bank Negara Malaysia	Penang, Malaysia
24	25th International Banking Supervision Seminar: Core Supervisory Issues	1	Financial Stability Institute	Beatenberg, Switzerland
25	2nd SEACEN Train the Trainer Workshop for Bank Supervisors and Regulators	3	The SEACEN Centre	Kuala Lumpur, Malaysia
26	Workshop on Implementing Monetary Policy	1	Deutsche Bundesbank	Frasnkfurt, Germany



*Overall Economic and Financial Situation*

S.N	Details	Participant	Organizer	Venue
27	Monetary and Exchange Rate Policy	1	IMF/STI	Singapore
28	International Investment Position / External Debt Statistics (EDS)	1	IMF/RBI	Pune, India
29	FSI-EMEAP Seminar on Supervisory Issues in Financial Stability	2	FSI-EMEAP	Seoul, Korea
30	3rd SEACEN-OCC Advanced Seminar on Quantitative Techniques for Macro Surveillance and Determining Resilience of the Banking Sector	2	The SEACEN Centre	Kuala Lumpur, Malaysia
31	27th SEANZA Central Banking Course	1	Bank of Thailand	Bangkok, Thailand
32	SEANZA GOVERNOR'S Symposium and Meeting	1	Bank of Thailand	Bangkok, Thailand
33	SEACEN-World Bank Treasury Workshop on Operational Risk Management in Foreign Reserve Management	2	The SEACEN Centre	Busan, Korea
34	Financial Journalisms	1	REUTERS Foundation	London
35	Annual Meeting of SEANZA Forum of Banking Supervisors 2008 of defu Ing Brussels, Belgium the Third Meeting of the SAARC Payments Council.	1	National Bank of Belgium / Central Bank of Sri-Lanka	Brussels, Belgium/Colombo, Sri-Lanka
36	10th SAARCFINANCE Co-ordinators' Meeting on RBI	1	Reserve Bank of India	Delhi, India
37	Inspection of Printing Plant & Signing of the Contract for Printing Rs.500/- Notes	1	Oberthur Technology, France	Paris, France
38	FSI Seminar on Financial Infrastructure and Financial Stability Issues	1	Financial Stability Institute, Basel	Basel, Switzerland
39	2008 Boards of Governors Annual Meetings	2	IMF / WB	Washington D.C., USA
40	Second Research Workshop on Capital Flows and their Implications for Central Banking Policies	1	The SEACEN Centre	Kuala Lumpur, Malaysia
41	Program on Development of Managerial Skills for Agricultural Co-operatives and Rural Financiang Institutions	1	CICTAB	Gurgaon, India
42	Second Research Workshop on Investment in the SEACEN Countries in the Post-Crisis Era: Issues and Challenges	1	The SEACEN Centre	Kuala Lumpur, Malaysia
43	Annual Central Banking Seminar	1	Federal Reserves System	New York, USA
44	Seminar for Senior Bank Supervisors from Emerging Market Economics	2	The World Bank	Washington D.C., USA
45	Anti-Money-Laundering and Combating the Financing of Terrorism (AML/CFT) Workshop for Senior Policy Makers on Policy Development	1	IPT Centre, National Institute of Bank Management	Pune, India
46	16th BOK Central Banking Seminar on Global Stagflation Threat and Monetary Policy	1	The Bank of Korea	Seoul, Korea
47	30th meeting of Directors of Research and Training	2	The SEACEN Centre	Nadi, Fiji
48	Signing of Memorandum of Understanding (MoU) between Financial Intelligence Unit (FIU) of Bangladesh and Nepal	2	Bangladesh Bank	Dhaka, Bangladesh
49	APG on Money Laundering 2008 Typologies Workshop	2	APG	Colombo, Sri-Lanka
50	SEACEN-IMF-BOT Workshop on International Remittances in the Balance of Payments Framework	2	The SEACEN Centre	Chiangmai, Thailand
51	International Banking Seminar	1	Mashreq Bank	Kuala Lumpur, Malaysia
52	49th SEACEN-FRS Intermediate Course on Principles of Asset and Liability Management	2	The SEACEN Centre	Taipei, Taiwan
53	21st Meeting and Conference	1	Asian Credit Supplementation Institution Conferedation (ACSIC)	Phuket, Thailand

S.N	Details	Participant	Organizer	Venue
54	Course on Macroeconomic Management and Financial Sector Issues (MMF)	2	IMF (STI)	Singapore
55	Conference on Risk Management and Supervision	1	FSI, Basel	Basel, Switzerland
56	FSI-WB-IMF Seminar on Supervision and Regulation of State-Owned Banks	2	RBI	Mumbai, India
57	Deepening Financial Sector Reforms and Regional Cooperation in South Asia	1	in Went	Delhi, India
58	Second SEACEN Research Workshop on the Supervisory Impact of Technology on SEACEN Financial Institutions: Issues and Challenges	1	The SEACEN Centre	Kuala Lumpur, Malaysia
59	Second SEACEN Research Workshop on Comparative Strategies of Human Resource Management in the SEACEN Countries	1	The SEACEN Centre	Kuala Lumpur, Malaysia
60	High Level Meeting on The Role of Banking and Banking Supervision in Financial Stability.	1	The People's Bank of China	Beijing, China
61	2nd SEACEN Advanced Leadership Course: Building Authoritative Central Bank Leaders.	2	The SEACEN Centre	Kuala Lumpur, Malaysia
62	55th EXCOM Meeting of APRACA	1	APRACA CENTRAB	Moscow, Russia
63	Study visit of Bank of Korea on Compilation of Monetary and Financial Statistics	2	The Bank of Korea	Seoul, Korea
64	55th EXCOM meeting of APRACA	1	APRACA CENTRAB	St. Petersburg, Russia
65	Asia & Middle East Government Funds Roundtable	1	Institutional Investor	Singapore
66	7th SEACEN-CPSS Advanced Course on Payment and Settlement Systems for Emerging Economics & 7th Meeting of Directors of PSS	2	The SEACEN Centre	Kuala Lumpur, Malaysia
67	Programme on Restructuring and Strengthening Agricultural / Rural Financing Institutions	2	CICTAB	Pune, India
68	8th MAS Banking Supervisors Training Programme	1	MAS	Singapore
69	7th Meeting of Directors' of Payment and Settlement Systems of Asia-Pacific Central Banks	1	The SEACEN Centre	Kuala Lumpur, Malaysia
70	SWIFT Training	3	Citibank N. A.	Singapore
71	Macroeconomic Management and Financial Sector Issues (MMF)	1	ITP Centre, National Institute of Bank Management	Pune, India
72	Study Visit Program on Cooperative Banking	2	APRACA CENTRAB	Manila, Philippines
73	4th SAATC Payment Council Meeting	1	State Bank of Pakistan	Karachi, Pakistan
74	7th SEACEN EXCOM Meeting and Seminar	1	The SEACEN-Centre	Yogyakarta, Indonesia
75	2nd SEACEN Intermediate Leadership Course	3	„	Singapore
76	Programme on Integrated Management Approach in the Development of Co-operative and Rural Financing Institution	2	CICTAB	Pune, India
77	Training Course on Monetary Policy and Financial System	1	Deutsche Bundesbank	Frankfurt, Germany
78	Financial Programming and Policies (FPP)	1	IMF/STI	Singapore
79	Fortieth Meeting of the Managing Committee of CICTAB	1	CICTAB	Pune, India
80	Portfolio In Indexation and Benchmark	1	The World Bank	Singapore
81	Destruction Process of the Waste Notes of Rs. 1,000/=	2	Perum Peruri Indonesia	Jakarta, Indonesia
82	44th SEACEN Governors' Conference and 28th Meeting of the SEACEN Board of Governors'	2	The SEACEN Centre	Kuala Lumpur, Malaysia
83	1st SEACEN-Deutsche Bundesbank Advanced Course on Banking Supervision	3	The SEACEN Centre	Manila, Philippines
84	Training Program for Journalists / Press Persons from SAARC Countries	3	RBI	Pune, India
85	The Current Global Financial Crisis and Its Effect Leading to Possible Changes in Accounting Standards	1	The Standard Chartered Bank, Singapore	Singapore
86	Study Visit Program on Management and Operation of Micro Finance Institution	1	APRACA	Manila, Philippines
87	Trainers Programme for Development of Capital Markets in the SAARC Region	1	Indian Government	Mumbai, India
88	Seminar on On-Site Banking Supervision	1	Deutsche Bundesbank	Frankfurt, Germany

**Overall Economic and Financial Situation**

S.N	Details	Participant	Organizer	Venue
89	International Seminar on Currency Management	1	RBI	Chennai, India
90	Macroeconomic Management and Fiscal Policy (MFP)	1	Joint-IMF (ITP)	Pune, India
91	11th SAARCFINANCE Coordinators Meeting	1	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
92	Top Management Forum: Management Innovation for Productivity Improvement in the Service Sector	1	Asian Productivity Organization	Kyoto, Japan
93	रू. १०१-को नोट छपाई गर्दा प्रयोग भएका सामग्रीहरूको Destruction कार्यको अवलोकन गर्न	2	Security Printing and Minting Corporation of India Limited, India	Nashik, Mumbai, India
94	Programme on Financing Self-Help Groups	1	CICTAB	Lucknow, India
95	रू. ११-को सिक्काको मुद्रण कार्यमा प्रयोग भएका सामग्रीहरूको Destruction कार्यको अवलोकन गर्न	2	China Bank note Printing and Minting Corporation	Beijing, Nanjing, China
96	Central Bankers Courses 2009: Monetary Policy, Exchange Rates and Capital Flows	1	Study Center Gerzensee	Gerzensee, Switzerland
97	Macroeconomic Diagnostics (MDS)	1	IMF	Washington D.C., America
98	South Asian Forum on the Impact of Global Economic and Financial Crisis	1	ADB	Manila, Philippines
99	Course on Balance of Payments and International Investment Position (IIP)	1	IMF (STI)	Singapore
100	FRS-RBI Seminar on Credit Risk Analysis	2	RBI	Goa, India
101	Monetary and Financial Statistics (MFS)	1	Joint-IMF (ITP)	Pune, India
102	Seminar on Payment and Settlement Systems	2	RBI	Chennai, India
103	Observation Visit of Debt Recovery Tribunals of Bangladesh and India	2	Debt Recovery Tribunal, Nepal	Bangladesh and India
104	2nd SEACEN-CCBS/BOE Advanced Course on Macroeconomic and Monetary Policy Management	2	The SEACEN Centre	Manila, Philippines
105	Inaugural MAS Information Technology Supervision Workshop for Financial Regulators	1	MAS	Singapore
106	Regional Seminar on Bank Rehabilitation	2	ADB	Manila, Philippines
107	Macroeconomic Management & Financial Sector Issues	1	IMF/STI	Singapore
108	The 8th SEACEN-Toronto Centre Leadership Seminar for Senior Bank Management of Central Banks on Financial System Oversight	2	The SEACEN Centre	Kuala Lumpur, Malaysia
109	International Research Conference on Remittances: The Macroeconomic Consequences of Remittances: Implications for Monetary and Financial Policies in Asia	1	Bangko Sentral ng Pilipinas	Manila, Philippines
110	Workshop on Promoting Financial Inclusion Through Innovative Policies	1	ADB Institute	Tokyo, Japan
111	Study Visit Programme on Small & Medium Enterprises	2	APRACA CENTRAB	Manila, Philippines
112	International Seminar on Basel II with Focus on Pillar II	2	RBI	Chennai, India
113	Facilitation of A Case on Problem Bank Resolution in the 8th SEACEN-Toronto Centre Leadership Seminar	1	The SEACEN Centre	Kuala Lumpur, Malaysia
114	Central Bank Regulation and Supervision	29	AIT Extension	Bangkok, Thailand
115	Observation Program of Banknotes Shipment	2	HSBC	Hong Kong
116	Workshop on Preventing the Abuse of Non-Profit Organizations by Criminal Organizations	1	US Department of Treasury	Delhi, India
117	BIS Advanced Reserve Management Workshop	1	FSI	Siem Reap, Cambodia
118	Regional Seminar on Principles of Asset and Liability Management	1	ADB	Kuala Lumpur, Malaysia

S.N	Details	Participant	Organizer	Venue
119	Regional Seminar on Principles of Asset and Liability Management	1	ADB	Kuala Lumpur, Malaysia
120	8th Central Banking Study Program	1	The Bank of Korea	Seoul, Korea
121	2nd SEACEN-Deutsche Bundesbank Intermediate Course on Banking Supervision and Financial Stability-Financial Market Analysis and Surveillance	2	The SEACEN Centre	Kuala Lumpur, Malaysia
122	Seminar on Internal Auditing	1	Deutsche Bundesbank	Frankfurt, Germany
123	Programme on Development of Cooperative & Rural Financing Institutions and Agencies	2	CICTAB	Colombo, Sri Lanka
124	Regional Seminar on The Implementation of the Supervisory Review Process (Pillar 2) of Basel II	2	FSI / SEANZA	Bangkok, Thailand
125	Observation Visit of Banknote Shipment	3	HSBC	Singapore, Malaysia
126	Course on Financial Market Analysis (FMA)	1	IMF (STI)	Singapore
127	Working Group on Banking Supervision Regional Seminar on Liquidity Risk in Banking Organisation	2	FSI / SEANZA	Cebu, Philippines
128	Workshop on Human Resource Management	1	Deutsche Bundesbank	Frankfurt, Germany
129	Asia Regional Forum on Policy and Regulation of Financial Inclusion	1	United Nations	Kuala Lumpur, Malaysia
130	The Course on Balance of Payments Statistics HQ 09.06	1	IMF	Washington D. C, America
131	Human Resource Management	31	AIT Extension	Bangkok, Thailand
132	Macroeconomic Diagnostics (MDS)	1	IMF / STI	Singapore
133	Human Resource Management	1	AIT Extension	Bangkok, Thailand
134	Workshop on Financial Inclusion	1	UNDP-UNCDF	Colombo, Sri-Lanka
135	4th SEACEN-OSFI Workshop on Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review Process	2	The SEACEN Centre	Taipei, Taiwan
136	Presentations on Reserve Management, Conduct of Monetary Policy and Process of Treasury Bill Issuance and HR Practices	4	Royal Monetary Authority of Bhutan	Thimpu, Bhutan
137	Financial Management Auditing and Accounting	30	AIT Extension	Bangkok, Thailand
138	9th MAS Banking Supervisions Training Program	2	MAS	Singapore
139	SEACEN Crisis Preparedness Program for Central Bankers and Financial Regulators/Supervisors	2	The SEACEN Centre	Kuala Lumpur, Malaysia
140	Regional Training Program for Financial Regulators on Understanding Global Financial Markets & Products	2	ADB	Manila, Philippines
141	General Banking and Management of Central Bank	30	AIT Extension	Bangkok, Thailand
142	SEACEN-MDIC Course on the Role of Deposit Insurance As an Important Component of the Safety Net	2	The SEACEN Centre	Kuala Lumpur, Malaysia
143	Seminar on Strengthening Financial Stability	2	The World Bank	Mumbai, India
144	Program on Management of Rural Financing Institutions and Co-operatives for Rural Development	2	CICTAB	Hyderabad, India
145	38th Meeting of the Board of Directors of Asian Clearing Union	2	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
146	3rd SEACEN / CeMcoA / BOJ Intermediate Course on Macroeconomic and Monetary Policy Management	2	The SEACEN Centre	Seoul, Korea
147	First SEACEN Research Workshop on Measurement of Market Liquidity Risk	1	The SEACEN Centre	Kuala Lumpur, Malaysia
148	56th APRACA EXCOM Meeting and the 3rd IFAD-APRACA Finpower CEO Forum	1	APRACA CENTRAB	Seoul, Korea
149	Seminar on Controlling at Central Banks	1	Deutsche Bundesbank	Frankfurt, Germany
150	SEACEN Research Workshop on Macro Financial Links and Monetary Policy Management	1	The SEACEN Centre	Kuala Lumpur, Malaysia
151	First SEACEN Research Workshop on Macro Financial Links and Monetary Policy Management	1	The SEACEN Centre	Kuala Lumpur, Malaysia

*Overall Economic and Financial Situation*

S.N	Details	Participant	Organizer	Venue
152	3rd SEACEN Train-the Trainer Workshop: (Part A): Case Writing	2	The SEACEN Centre	Kuala Lumpur, Malaysia
153	APG's 2009 Annual Meeting and Technical Assistance Forum	4	Asia Pacific Group (APG)	Brisbane, Australia
154	Credit Risk Analysis School	2	Federal Reserve System	Washington D.C., America
155	International Program on Organizational Strategizing and Diagnosis, External and Internal Assessment for Agriculture and Rural Finance	3	APRACA CENTRAB	Manila, Clark & Subic, Philippines
156	Programme on Credit Bureau	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
157	Seminar on Banking Supervision under BASEL II	1	Deutsche Bundesbank	Frankfurt, Germany
158	Regulations, Supervision and Stress Testing	7	State Bank of Pakistan	Karachi, Pakistan
159	Regional Seminar on Risk Focused Supervision and Risk Assessment	5	ADB	Bali, Indonesia
	<b>Total</b>	<b>366</b>		

**Appendix 2.1  
Main Circulars Issued to Banks and Financial Institutions**

Circular No.	Date	Particulars	Remarks
1	July 17, 2008	Clarification of the share of promoter group except the shareholders holding share from initial public issue.	
2	Aug 7	Reporting of financial statements by 'D' class financial institutions in specified format.	
3	Aug 12	Share deposit schemes and increasing promoter share ratio so as to change the capital structure.	
4	Aug 18	Interest rate on credit against the fixed deposit receipt.	
5	Aug 19	Public issue of shares within two years	
6	Aug 27	Compliance of 'know-your-customer' (KYC) and other procedures while opening new account.	
7	Aug 29	Revised Capital Adequacy Framework.	
8	Sep 1	Interbank transfer of funds using SWIFT message	
9	Sep 1	Card and electronic payment system.	
10	Sep 5	Policy on merger/acquisition and upgrading	
11	Sep 9	Lending on projects related to hydropower.	
12	Sep 21	Amendment in banking hours for interbank transfer of funds through SWIFT message (Amendment of circular no 8)	
13	Sep 22	Excess share holding, bank guarantee, low cost housing credit under deprived sector lending and collateralized micro credit.	
14	Oct 3	Provision of standing liquidity facility, 5.5 percent CRR, 6.5 percent bank rate, 2 percent refinance rate for import, deprived sector lending, disclosing income source while purchasing promoter/promoter group share and dismissal of the unsold right share.	
15	Oct 5	Calculation of CRR on weekly banks.	
16	Oct 27	Investment in promoter share and its right shares.	
17	Oct 27	Credit to hospitals to be considered as deprived sector lending.	
18	Nov 12	Upgrading 'B' and 'C' class institutions, merger and acquisition, upgrading through merger and dismissal of circular no. 10/2065/66.	
19	Nov 14	Amendment in circular no. 26/064/65 on TR loan.	
20	Nov 17	Calls in advance in right shares and documents to be prepared in Nepali Language.	
21	Dec 1	Amendment in circular no. 14/065/66 regarding right shares.	
22	Dec 11	Amendment in circular no. 35/064/65 relating to minimum capital fund and treating the credit to other banks and financial institution as inter bank transaction.	

<b>Circular No.</b>	<b>Date</b>	<b>Particulars</b>	<b>Remarks</b>
23	Dec 21	Amendment in circular no. 13/064/65 regarding margin lending, conditions applicable in issuing the subordinated term debt and redeemable non-convertible preference share, lending only against self fixed deposit receipts and approval required in case of others; paying interest to depositors on quarterly basis if interest on loan is recovered on quarterly basis, borrowing must not exceed one-third of the deposit and format for the self declaration by board members.	
24	Dec 28	Addition in form no. 9.3 (a) specified under directive no. 9/061/62 and submission of purpose-wise credit details.	
25	Jan 8, 2009	Amendment in directive no. 9/061/62 so as to treat investment in promoter share of 'D' class financial institutions as deprived sector lending.	
26	Jan 8	Providing details of the personal taking real estate credit of more than one million after FY 2003/04 to the Inland Revenue Department.	
27	Jan 15	Clarification on margin lending for shares pledged as additional collateral, provision of margin call in margin lending, restriction on additional facility except the fixed interest rate while accepting fixed deposit and change in date for initiating preparation of documents in Nepali language from Feb. 12, 2009.	
28	Jan 30	Submission of details of the promoters in specified format holding share worth more than Rs. 2 million to Inland Revenue Department.	
29	Feb 4	Restriction on share transactions of concerned institutions by board members, Chief Executive Officers, Auditors, Secretaries, up to one year from the date of their retirement.	
30	Feb 10	Submission of the information of the newly opened accounts from Jan 14, 2009 to the month end except the fixed deposit accounts.	
31	Feb 17	Limiting the transaction of financial institutions within the specified geographical working area except for national level banks and financial institutions, disclosure of the credit against the collateral of promoter share, extension of time for preparing documents in Nepali language to April 14, 2009, amendment in circular no. 17/064/65 regarding the credit of renewable energy technology, amendment in circular no. 8/063/64 regarding the purchase of right share, preference share and bonds by the promoters and the standing liquidity facility.	
32	Feb 17	Action taken against the willful loan defaulters of banks and financial institutions.	
33	March 2	Credit of up to Rs. 0.2 million extended to youth and small entrepreneurs to be treated as deprived sector lending.	
34	March 8	Clarification in the provision of point no.1 of circular no. 32/065/66.	

Circular No.	Date	Particulars	Remarks
35	March 15	Amendment in the provision on point no.2 of circular no.32/065/66.	
36	March 25	Extension of the deadline on interest payment of loan for electric vehicle by three months. Opening of an account in the name of youth and small entrepreneur self-employed fund in own institution and depositing fund in such account.	
37	Apr 15	The KYC, 20 percent risk weight on fixed deposit with maturity of three months and more, domestic transfer of fund.	
38	Apr 20	Corporate governance in line with the guideline of Commission for the Investigation of Abuse of Authority.	
39	Apr 20	Non-fund based technological service to foreign banks and financial institutions and deferred tax.	
40	Apr 29	Treatment of fund in youth and small entrepreneur self employed fund as deprived sector.	
41	May 5	Action to be taken against black-listed borrowers.	
42	May 7	Investment adjustment fund and letter of intent for incorporation.	
43	May 11	Circular regarding fixed deposit receipt.	
44	May 15	Release of charges to 13 willful defaulters.	
45	May 18	Deposit insurance, financial and non-financial facilities, callable FDR and crossholding.	
46	June 2	Branchless banking, safe deposit vault, locker service, tax liability and auctioning of collateral.	
47	June 9	Audited and unaudited quarterly financial statements.	
48	June 14	No increment on facilities before the first AGM, removal of the name of auditor and professional expert from the list.	
49	June 18	Restriction to acquiring shares for loan recovery.	
50	June 28	Permission to the 'D' class micro-finance development banks to sell the promoter share exceeding 51 percent.	
51	July 10	Release of charge to 3 willful defaulters.	
52	July 15	Deprive sector lending by 'C' class financial institutions on the basis of total outstanding loan (including bills purchased and discounted) as of 2065 Poush.	



**Appendix 2.2**

**Financial Institutions Inspected at Macro Level in 2008/09**

**A) On-site Inspection**

**Development Banks**

Nepal Development Bank Limited, Kathmandu	Chhimek Development Bank Limited, Hetauda
Clean Energy Development Bank Limited, Kathmandu	Kasthamandap Development Bank, Kathmandu
Nepal Dev. & Employment Promotion Bank Ltd., Ktm.	Ace Development Bank Limited, Kathmandu
Gorkha Development Bank Limited, Putalisadak, Ktm.	Vibor Development Bank Limited, Kathmandu
United Development Bank, Jitpur, Bara	Western Development Bank Limited, Ghorahi, Dang
Biratnaxmi Development Bank Limited, Biratnagar	Kankai Development Bank Limited, Damak, Jhapa
Sahayogi Development Bank Limited, Janakpur	Karnali Development Bank Limited, Nepalganj, Banke
Uddyam Development Bank Limited, Narayangadh	Muktimath Development Bank Ltd., Putalibazar, Syangja
Subhechchha Development Bank Limited, Narayangadh	Narayani Development Bank Ltd., Ratnanagar, Chitwan
Malika Development Bank Limited, Dhangadhi, Kailali	Himchuli Development Bank Limited, Pokhara, Kaski
Miteree Development Bank Limited, Dharan, Sunsari	Annapurna Development Bank Limited, Banepa, Kavre
Siddhartha Development Bank Ltd., Butwal, Rupandehi	Paschimanchal Development Bank Limited, Butwal
	Nepal CSI Development Bank Ltd., Heritage Plaza, Ktm.

**Finance Companies**

Capital Merchant Banking and Finance Limited, Ktm.	General Finance Limited, Chabahil, Kathmandu
Kuber Merchant Bittiya Sanstha Limited, Kathmandu	Lord Buddha Financial Institution Ltd., Newroad, Ktm.
Reliable Investment Bittiya Sanstha Ltd., Sundhara, Ktm.	Samjhana Finance Limited, Banepa, Kavre
Hama Financial Institution Limited, Tripureshwor, Ktm.	Nepal Share Markets & Finance Ltd., Putalisadak, Ktm.
Kist Merchant Banking & Finance Limited, Kathmandu	Standard Finance Limited, Kamalpokhari, Kathmandu
Pokhara Finance Limited, Pokhara, Kaski	World Merchant Banking & Finance Co. Ltd., Hetauda
Lumbini Finance Leasing Company Ltd., Thamel, Ktm.	Everest Finance Limited, Narayanpath, Siddharthanagar
International Leasing and Finance Limited, Kathmandu	Seti Bittiya Sanstha Limited, Tikapur, Kailali
Valley Finance Limited, Maharajganj, Kathmandu	Lalitpur Finance Company Limited, Lagankhel, Lalitpur
Cosmic Merchant Banking and Finance, Kathmandu	Zenith Finance Limited, Newroad, Kathmandu
Siddhartha Finance Limited, Siddharthanagar, Rupendehi	Manjushree Financial Institution Ltd., New Baneshor,
IME Financial Institution Limited, Kantipath, Ktm.	Unique Financial Institution Ltd., Putalisadak, Ktm.
Himalaya Finance and Savings Company Ltd., Ktm.	Mercentile Finance Company Limited, Birgunj, Parsa
Kathmandu Finance Company Limited, Kathmandu	Union Finance Limited, Ganeshwor, Kathmandu
Nepal Express Finance Limited, Sundhara, Kathmandu	Peoples Finance Limited, Tripureshwor, Kathmandu
Narayani Finance Limited, Narayangadh, Chitwan	Prudential Bittiya Sanstha Limited, Dillibazar, Ktm.
Api Financial Institution Limited, Lekhanatha, Kaski	Swastic Merchant Finance Co. Limited, Newroad, Ktm.
Royal Merchant Banking & Finance Ltd., Durbar marg	Premier Finance Company Ltd., Manbhavan, Lalitpur

**Microfinance Development Banks**

Swabalamban Microfinance Dev. Bank Ltd., Dillibazar	Nerude Microfinance Development Bank, Biratnagar
Rural Microfinance Dev. Center Ltd., Putalisadak	

### Co-operative Societies

Nepal Cooperative Financial Institution Limited, New Baneshwor, Kathmandu	Upakar Savings & Credit Co-operative So. Limited, Walling, Syangja
Bheri Cooperative Society Limited, Nepalgunj, Banke	Star Multipurpose Savings and Credit Cooperative Society Limited, Morang

### Non-Governmental Organizations

Gramin Mahila Bikas Sanstha, Ghorahi, Dang	Mahila Upakar Mancha, Kohalpur, Banke
Aadarsha Yuba Club, Nagadesh, Bhaktapur	Gharelu tatha Sana Udhyog Sangh, Jayabageshori

## B) Targeted Inspection

### Development Banks

Kamana Bikas Bank Limited, Lekhnath, Kaski	Purnima Bikas Bank Limited, Sidhardhanagar
Biswo Bikas Bank Limited, Pokhara, Kaski	Nilgiri Bikas Bank Limited, Beni, Maygdi
City Development Bank Limited, Pokhara, Kaski	Jyoti Development Bank Ltd., Kamalpokhari, Ktm.
Pathibhara Bikas Bank Ltd., Urlabari, Morang	

### Finance Companies

Nameste Bitiya Sanstha Limited, Ghorai, Dang

## C) Physical Infrastructure Inspection

### Development Banks

Civic Development Bank Ltd., Dhadingbensi, Dhading	Hamro Bikas Bank Limited, Trishuli, Nuwakot
Pacific Development Bank Limited, Lamjung	Shine Development Bank Limited, Butwal, Rupandehi
Kankrebihar Bikas Bank Limited, Surkhet	

### Microfinance Development Banks

Naya Nepal Microfinance Dev. Bank Limited, Dhulikhel	Samit Microfinance Development Bank Limited, Jhapa
Mithila Microfinance Development Bank Ltd., Dhanusha	

## D) Special Inspection

### Development Banks

Kasthamandap Development Bank Ltd., New Road, Ktm.	Resunga Bikas Bank Limited, Tamghas, Gulmi
Araniko Development Bank Limited, Dhulikhel, Kavre	Bhrikuti Bikas Bank Limited, Shankarnagar, Rupandehi
Country Development Bank Limited, Banepa, Kavre	Tinau Bikas Bank Limited, Butwal, Rupandehi
Biratlxmi Bikas Bank Limited, Biratnagar, Morang	Sahayogi Development Bank Ltd., Janakpur, Dhanusha
Bageshowri Bikas Bank Limited, Nepalgunj, Banke	Gorkha Development Bank Limited, Kathmandu
Biswo Bikas Bank Limited, Pokhara, Kaski	Sanima Bikas Bank Limited, Kathmandu
City Development Bank Limited, Pokhara, Kaski	Infrastructure Development Bank Ltd., Banepa, Kavre
Himchuli Development Bank Limited, Pokhara, Kaski	Rara Bikas Bank Limited, Surkhet
Kamana Bikas Bank Limited, Lekhnath, Kaski	Uddham Development Bank Limited, Kathmandu
Sangrila Bikas Bank Limited, Newroad, Pokhara, Kaski	Nepal Development Bank Limited, Kathmandu
Uddham Development Bank Limited, Narayangadh	Gaurishankar Bikas Bank Limited, Nawalparasi
Bhargab Bikas Bank Limited, Nepalgunj, Banke	Ace Development Bank Limited, Kathmandu
Western Development Bank Limited, Ghorahi, Dang	Nepal CSI Development Bank Limited, Kathmandu

### **Finance Companies**

NIDC Capital Market, Kamalpokhari, Kathmandu	United Finance Limited, Darbarmarga, Kathmandu
Manjushree Financial Institution Ltd., New Baneshor, Ktm.	Api Financial Institution Ltd., Lekhnath Chowk, Kaski
Nepal Housing and Merchant Finance Ltd., Kathmandu	Fewa Finance Limited, Chipledhunga, Kaski
Central Finance Limited, Lalitpur	Pokhara Finance Limited, Pokhara, Kaski
Prabhu Finance Company Limited, Kantipath, Kathmandu	Mahalaxmi Finance Company Limited, Birgunj, Parsa
IME Financial Institution Limited, Kathmandu	Nepal Express Finance Limited, Butwal
International Leasing and Finance Ltd., Newbaneshor, Ktm.	Everest Finance Ltd., Narayanpath, Siddharthanagar
Lalitpur Finance Company Limited, Lalitpur	Seti Bittiya sanstha Limited, Tikapur, Kailali
Prudential Bittiya Sanstha Limited, Dillibazar, Kathmandu	Suryadarshan Finance Company Ltd., New Baneshor
Sagarmatha Merchant Banking and Finance, Lalitpur	Swastic Merchant Finance Co. Ltd., Newroad, Ktm.
Royal Merchant Banking & Finance Ltd., Darbarmarg	Unique Financial Institution Ltd., Putalisadak, Ktm.
Nepal Housing and Merchant Finance Limited, Biratnagar	Lord Buddha Financial Institution Ltd., Kathmandu
Om Finance Limited, Pokhara, Kaski	Alpic Everest Finance Limited, Sundhara, Kathmandu
Annapura Finance Company Limited, Pokhara	Kist Merchant Banking & Finance Ltd., Anamnagar
Birgunj Finance Limited, Birgunj, Parsa	Lumbini Finance and Savings Company Ltd., Thamel
Butwal Finance Company Limited, Butwal, Rupendehi	Shree Investment & Finance Company Ltd., Dillibazar
Bhajuratna Finance & Saving Company Ltd., Kantipath	Capital Merchant Banking and Finance Ltd., Battisputali
Gorkha Finance Limited, Hattisar, Kathmandu	Universal Finance Company Ltd., Kantipath, Ktm.
Civil Merchant Bittiya sanstha Limited, Kathmandu	General Finance Limited, Chabahil, Kathmandu
Premier Finance Company Limited, Lalitpur	Hama Financial Institution Ltd., Tripureshwor, Ktm.
Patan Finance Limited, Man Bhawan, Lalitpur	ICFC Bittiya Shanstha Ltd., Bhatbhateni, Kathmandu
Peoples Finance Limited, Tripureshwor, Kathmandu	Nepal Finance Company Ltd, Putalisadak, Kathmandu
Kathmandu Finance Limited, Dillibazar, Kathmandu	Standard Finance Limited, Kathmandu
Guheshworil Merchant Banking & Finance Ltd., Lalitpur	World Merchant Banking & Finance Ltd Kamalpokhari
Nepal Housing Development Finance Co. Ltd, New Baneshwor, Kathmandu	Nepal Sri Lanka Merchant Banking and Finance Ltd., Durbarmarga, Kathmandu
Butwal Finance Company Ltd, Branch Office, Kathmandu	Zenith Finance Limited, Newroad, Kathmandu
Subhalaxmi Finance Limited, Naxal, Kathmandu	Reliable Finance Limited, Sundhara, Kathmandu
Crystal Finance Limited, BaghDurbar, Kathmandu	Janaki Finance Limited, Janakpur, Dhanusha
Himalaya Finance and Savings Company Ltd., Sundgara	

**Appendix 2.3**

**Actions Taken Over Financial Institutions**

**a) Giving Reprimand**

During FY 2008/09, following officials of the five financial institutions were taken into action as **giving reprimand** due to non-compliance of related Acts and NRB directives:

1. Mr. Krishna Prasad Gyanwali, Director, Kasthamandap Development Bank Limited, Newroad, Kathmandu
2. Board of Directors, Public Development Bank Limited, Birgunj, Parsa
3. Mr. Ajay Ghimire, Chairmain, Vibor Development Bank Limited, Tripureshwor, Kathmandu
4. General Manager, General Finance Limited, Chabhil, Kathmandu
5. Board of Directors, Api Finance Limited, Pokhara, Kaski

**b) Written Admonition**

During FY 2008/09, following officials of the financial institutions were taken into action as written admonition due to non-compliance of related Acts and NRB directives:

1. Managing Director, Infrastructure Development Bank Limited, Banepa
2. Mr. Kanti Sijapati (Bhandari), Chairman, Bhargav Development Bank Limited, Nepalganj
3. Mr. Anil Dhungel, Chief Executive Officer, International Leasing and Finance Company Limited, Kathmandu
4. Chief Executive Officer, Lumbini Finance and Leasing Company Limited, Thamel Kathmandu

**c) Financial Penalty**

Following 14 Development Banks were financially penalized due to non-compliance of deprived sector lending:

1. Gorkha Development Bank Limited, Putalisadak
2. Triveni Bikas Bank Limited, Narayangarh
3. Shangrila Bikas Bank Limited, Pokhara
4. Nepal Development and Employment Bank Limited, Kamaladi
5. Country Development Bank Limited, Banepa
6. Pashchimanchal Development Bank Limited, Rupandehi
7. Uddham Bikas Bank Limited, Narayangarh
8. Pashupati Bikas Bank Limited, Banepa
9. Bageshwori Dev. Bank Limited, Nepalganj
10. Mahakali Bikas Bank Limited, Mahendranagar
11. Bishwo Bikas Bank Limited, Pokhara
12. City Dev. Bank Limited, Pokhara
13. Diyalo Bikas Bank Limited, Banepa
14. Gandaki Bikas Bank Limited, Pokhara

Following 14 Development Banks were financially penalized due to non-compliance of maintaining cash reserve ratio:

**Development Banks**

1. Kankai Bikas Bank Limited, Jhapa
2. Shangril Bikas Bank Limited, Pokhara
3. Sahayogi Bikas Bank Limited, Janakpur
4. Gorkha Development Bank Limited, Kathmandu
5. Miteree Bikas Bank Limited, Sunsari
6. Kasthamandap Development Bank Limited, Kathmandu
7. Alpine Development Bank Limited, Makawanpur
8. Diyalo Bikas Bank Limited, Banepa
9. Karnali Bikas Bank Limited, Nepalganj
10. Gandaki Bikas Bank Limited, Pokhara
11. Himchuli Bikas Bank Limited, Kaski

### **Finance Companies**

1. General Finance Company Limited, Kathmandu
2. ICFC Financial Institution Limited, Kathmandu
3. Pokhara Finance Limited, Pokhara
4. Bhajuratna Finance Limited, Kathmandu
5. NIDC Capital Market Limited, Kathmandu
6. Manjushree Financial Institution Limited, Kathmandu
7. Civil Merchant Financial Institution Limited, Kathmandu
8. Nepal Housing Development Finance Company Limited
9. Unique Financial Institution Limited, Kathmandu
10. Cosmic Merchant Banking and Finance Limited, Kathmandu
11. Arun Finance Limited, Dharan
12. Paschimanchal Finance Limited, Butwal, Rupandehi
13. Nepal Sri Lanka Merchant Banking and Finance Limited, Kathmandu

### **Micro Finance Development Bank**

1. Rural Microfinance Development Center Limited, Kathmandu
2. Nerude Microfinance Development Bank, Biratnagar
3. Mid Western Region Rural Development Bank, Nepalgunj

### **Cooperative Societies**

1. Viccu Saving & Loan Co-operative Society
2. Nepal Cooperative Financial Institution

## **d) Prompt Corrective Action**

Under Prompt Corrective Action (PCA) By-Rule 2008 following financial institutions were taken actions due to non-compliance on maintaining minimum capital fund:

### **According to by-rule 3 (Ka)**

1. Karnali Bikash Bank Limited, Nepalgunj
2. Bageshowri Bikas Bank Limited, Nepalgunj
3. Bhargav Development Bank Limited, Nepalganj
4. Siddhartha Development Bank Limited, Butawal
5. Sewa Bikas Bank Limited, Butawal
6. Garima Bikas Bank Limited, Sangja
7. Kamana Bikas Bank Limited, Kaski
8. Merchant Finance Company Limited, Newroad, Kathmandu
9. Premier Finance Company Limited, Manbhavan
10. Crystal Finance Limited, Baghdarbar
11. Western Development Bank Limited, Dang

### **According to by-rule 3 (Kha)**

1. Narayani Audhyogik Bikash Bank Limited, Chitwan
2. General Finance Limited, Kathmandu
3. Shangrila Bikas Bank Limited, Pokhara

### **According to by-rule 3 (Ng)**

1. Nepal Bikash Bank Limited, Kathmandu

### **According to by-rule 3 (Ka) & 3 (Ng)**

1. Samjhana Finance Limited, Banepa

### **According to by-rule 3 (Ng) (c)**

1. United Bikash Bank Limited, Bara
2. Nepal CSI Development Bank Limited, Kathmandu

**Appendix 2.4**

**Withdrawal of Actions Taken Over Financial Institutions**

Name of the Financial Institutions	Date of Restriction	Date of Withdrawal
Arun Finance and Saving Limited, Dharan	Declared as problematic institution effective from 21 November 2005 and imposed limit on deposit and credit, similarly, action taken under PCA By-Rule 2008 effective from 17 October 2008	14 July 2009
United Bikash Bank Limited, Bara	Declared as problematic institution effective from 18 December 2006; action taken under PCA By-Rule 2008 effective from 17 October 2008	3 August 2009
Nepal CSI Development Bank Limited, Heritage Plaza, Kathmandu	Declared as problematic institution effective from 20 August 2006; action taken under PCA By-Rule 2008 effective from 17 October 2008	14 July 2009

**Appendix 2.5**

**Board of Directors**

(Mid-July 2009)

Mr. Deependra B. Kshetry, Governor	Chairman
Mr. Rameshwar P. Khanal, Secretary, Ministry of Finance	Member
Mr. Krishna B. Manandhar, Deputy Governor	Member
Mr. Bir Bikram Rayamajhi, Deputy Governor	Member
Prof. Dr. Parthibeshwar P. Timilsina	Member
Prof. Dr. Bishwambher Pyakuryal	Member
Mr. Shambhu Sharan P. Kayastha	Member

**Appendix 2.6**

**Principal Officers**

(July 2009)

<b>Principal Officers</b>		
1	Mr. Sushil R. Mathema	Executive Director, Bank and Financial Institutions Regulation Department
2	Mr. Bhola R. Shrestha	Executive Director, Internal Audit Department
3	Mr. Gopal P. Kafle	Executive Director, Financial Institutions Supervision Department
4	Mr. Ravindra P. Pandey	Executive Director, Public Debt Management Department
5	Mr. Lila P. Sitaula	Executive Director, Banking Office
6	Mr. Ashwini K. Thakur	Executive Director, Currency Management Department
7	Mr. Vishnu Nepal	Executive Director, Bank Supervision Department
8	Mr. Gokul R. Thapa	Executive Director, Micro-Finance Department
9	Mr. Ramjee Regmi	Executive Director, Corporate Planning Department
10	Mr. Bhaskar M. Gnawali	Executive Director, Foreign Exchange Management Department
11	Mr. Manmohan K. Shrestha	Executive Director, Financial Management Department
12	Mr. Lok B. Khadka	Executive Director, Human Resource Management Department
13	Mr. Trilochan Pangeni	Act. Executive Director, Research Department
14	Mr. Pradeep R. Pandey	Act. Executive Director, Bankers' Training Centre
15	Mr. Hari P. Kafle	Act. Executive Director, General Services Department
<b>First Class Officers</b>		
1	Mr. Siddhi K. Joshi	Director, Banking Office
2	Mr. Maha P. Adhikary	Director, Bank Supervision Department
3	Mr. Mahesh Bhattarai	Director, Financial Institutions Supervision Department
4	Mr. Shambhu Thapa	Director, Human Resource Management Department
5	Mr. Rameswori Pant	Director, Research Department
6	Mr. Shiva R. Shrestha	Director, Financial Management Department
7	Mr. Naresh Dhakal	Director, Human Resource Management Department
8	Mr. Narayan P. Poudel	Director, Foreign Exchange Management Department
9	Mr. Janak B. Adhikari	Director, Micro-Finance Department
10	Mr. Purna B. Khatri	Director, Financial Institutions Supervision Department
11	Mr. Bhishma R. Dhungana	Chief Manager, Nepal Rastra Bank, Janakpur
12	Mr. Chintamani Siwakoti	Director, Micro-Finance Department
13	Mr. Shiva D. Kafle	Director, Research Department
14	Mr. Laxmi P. Niraula	Director, Bank and Financial Institutions Regulation Department
15	Mr. Shankar P. Acharya	Director, Public Debt Management Department
16	Mr. Keshav R. Acharya	Chief Manager, Nepal Rastra Bank, Siddharthanagar
17	Mr. Dharma R. Sapkota	Director, Legal Department
18	Mr. Rajan B. Shah	Director, Currency Management Department
19	Mr. Gyanendra P. Dhungana	Director, Financial Management Department
20	Mr. Jagdishwor P. Adhikary	Chief Manager, Nepal Rastra Bank, Biratnagar

21	Mr. Parbat K. Karki	Director, Information Technology Department
22	Mr. Shiva N. Pandey	Chief Manager, Nepal Rastra Bank, Pokhara
23	Mr. Maheswor L. Shrestha	Chief Manager, Nepal Rastra Bank, Birgunj
24	Mr. Basu D. Acharya	Director, Corporate Planning Department
25	Mr. Narayan Dhamala	Chief Manager, Nepal Rastra Bank, Nepalgunj
26	Mr. Khyam N. Dhakal	Director, Financial Institutions Supervision Department
27	Mr. Bhuvan Kandel	Director, Bank and Financial Institutions Regulation Department.
28	Mr. Ramesh K. Pokharel	Director, Research Department
29	Dr. Nephil M. Maskey	Director, Research Department
30	Mr. Deepak B. Thapa	Chief Manager, Mint Division
31	Mr. Upendra K. Poudel	Director, Office of the Governor
32	Mr. Yejindra P. Luintel	Director, Financial Management Department
33	Mr. Mittha Parajuli	Act. Director, Banking Office
34	Mr. Pradhumna K. Bhattarai	Act. Director, General Services Department
35	Mr. Arjun B. Adhikari	Act. Director, Bank Supervision Department
36	Mr. Jhalak S. Acharya	Act. Director, Bankers' Training Centre
37	Mr. Mukunda K. Chhetri	Act. Director, Internal Audit Department
<b>On Leave and Deputation</b>		
1	Director, Dr. Min B. Shrestha	SEACEN
2	Director, Mr. Nara B. Thapa	IMF
3	Director, Dr. Binod Atreya	Nepal Bank Ltd.



*PART - 3*

**ANNUAL FINANCIAL STATEMENTS OF NRB**



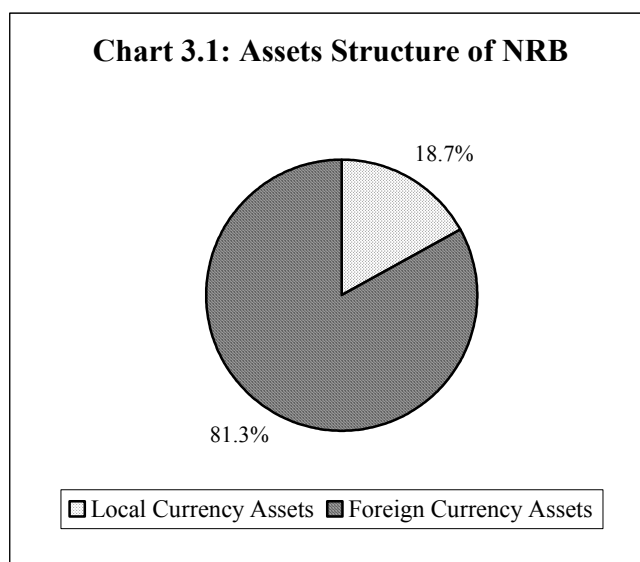
- Assets and Liabilities 111
- Income Statement 113



## PART - 3

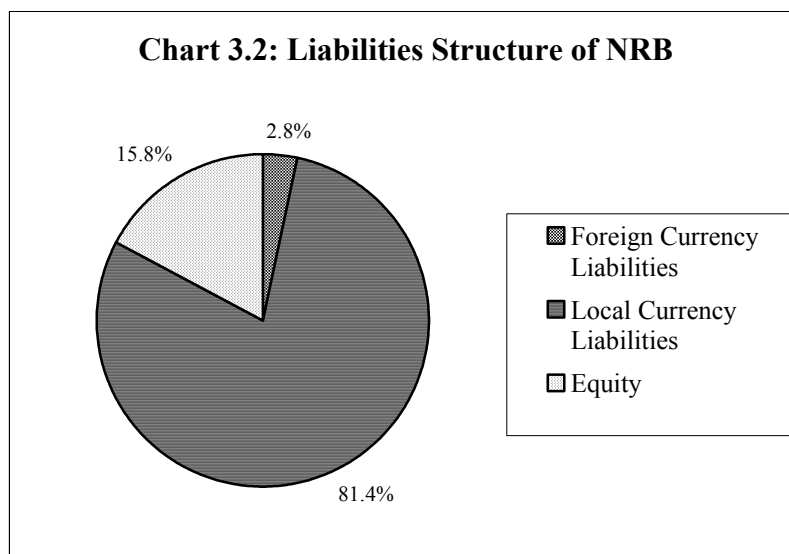
**ANNUAL FINANCIAL STATEMENTS OF NRB***Assets and Liabilities*

- 3.1 As per the un-audited balance sheet of mid-July 2009, assets and liabilities of the NRB increased by 33.1 percent to Rs. 281.26 billion as compared to mid-July 2008. Out of total assets of mid-July 2009, the share of foreign assets (including gold, reserves) and domestic assets remained at 81.3 percent and 18.7 percent respectively. As at mid-July 2008, share of such assets were 82.4 percent and 17.6 percent respectively. Of the total liability and equity of mid-July 2009, the shares of local currency liability, equity and foreign currency liabilities remained at 80.5 percent, 16.7 percent and 2.8 percent respectively. As at mid-July 2008, share of such liabilities were 79.4 percent, 17.2 percent and 3.4 percent respectively.



- 3.2 As at mid-July 2009, the share of cash and bank balance in foreign assets remained at 56.4 percent whereas the shares of foreign currency investments, other receivables and SDR holdings with IMF remained at 41.7 percent, 0.2 percent and 0.2 percent respectively. As compared to mid-July 2008, such cash and bank balance has increased by 60.9 percent and investment by 6.4 percent. But, other receivable amount has decreased by 28.0 percent as of mid-July 2009 as compared to mid-July 2008. Likewise, SDR holding with IMF decreased by 11.9 percent as at mid-July 2009 compared to mid-July 2008. Under other foreign assets, gold increased by 6.9 percent to 3.31 billions in the review year compared to the previous year. Total foreign assets increased by 31.3 percent to Rs.228.74 billions as at mid-July 2009 compared to mid-July 2008.
- 3.3 In the total local currency financial assets, the shares of investment in government securities; other investment; and other receivables stood at 55.7 percent, 9.4 percent and 6.4 percent respectively and refinance and loan stood at 4.4 percent in the review year. Likewise, cash balance and share of investment in financial and other institutions stood at 3.5 percent and 0.6 percent respectively. Other receivable amount, cash balance, government securities, and other investment increased by 28.0 percent, 24.6 percent 23.3 percent, and 12.1 percent respectively in the review year. On the other hand, refinance and loans decreased by 20.3 percent and investment in financial and other institutions by 5.5 percent.

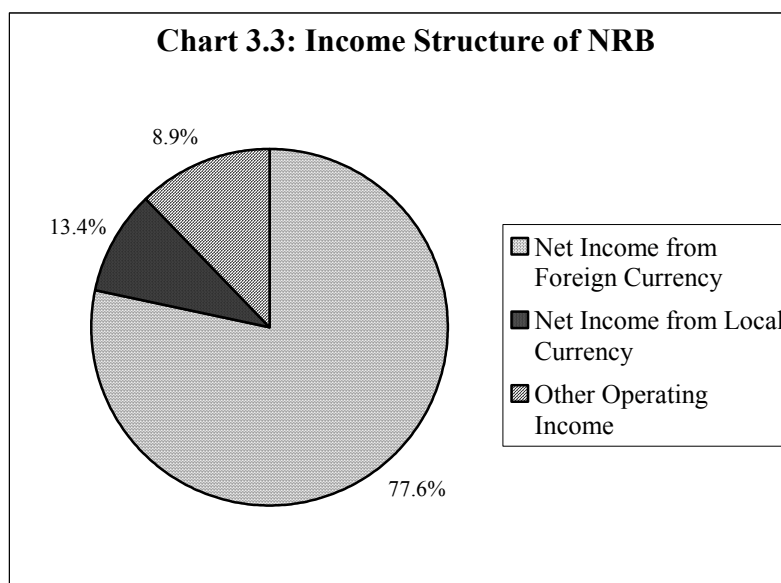
- 3.4 On the other assets, the shares of gold and silver; other reserves; and property, machinery, equipment, project assets and disguised assets remained at 19.4 percent, 19.3 percent, 31.8 percent, 29.4 percent and 0.1 percent respectively. Disguised assets increased to Rs. 2.5 million from Rs. 0.90 million and other reserves by 22.2 percent as at mid-July 2009 compared to mid-July 2008. Similarly, gold and silver decreased by 5.6 percent and property, machinery and equipments by 2.3 percent. In overall, local currency assets increased by 41.4 percent to Rs. 52.51 billion as at mid-July 2009 compared to mid-July 2008.
- 3.5 In foreign currency financial liabilities, the shares of IMF related liabilities; deposits of banks and other institutions; and other liabilities stood at 88.5 percent, 11.5 percent and 0.03 percent respectively. The IMF related liabilities and deposits of banks and other institutions increased by 6.2 percent and 52.5 percent respectively and other liabilities decreased by 72.0 percent in mid-July 2009 compared to mid-July 2008. Foreign currency liabilities increased by 9.9 percent to Rs 7.88 billion as at mid-July 2009 compared to mid-July 2008.
- 3.6 Other liabilities occupy highest share(65.2 percent) in local currency financial liabilities. In the total other liabilities, the share of currency in circulation remained at 95.6 percent and that of share of profit paid to government of Nepal, miscellaneous liabilities and project liabilities stood at 1.7 percent, 2.3 percent, and 0.4 percent respectively. Currency in circulation increased by 25.0 percent to Rs. 141.21 billion in mid-July 2009 compared to mid-July 2008. Profit to be paid to government of Nepal decreased by 31.7 percent to Rs. 2.53 billion in the review year. Miscellaneous liabilities increased to Rs. 3.42 billion from Rs.1.31 billion in the review year. Project liabilities decreased by 5.0 percent to Rs. 493 million as at mid-July 2009 compared to mid-July 2008. Local currency and other liabilities increased by 24.6 percent to Rs. 147.65 billion.



- 3.7 In local currency financial liabilities, the share of deposit and other liabilities was 93.5 percent while the shares of bills payable, staff liabilities and other payables were 1.4 percent, 4.8 percent and 0.3 percent respectively. Deposit and other liabilities, staff liabilities and payable bills increased by 63.1 percent, 17.8 percent and 64.9 percent respectively and other payables decreased by 7.4 percent as in mid-July 2009 compared to mid-July 2008. In overall, the local currency financial liabilities increased by 35.0 percent to Rs. 226.44 billion as at mid-July 2009 compared to mid-July 2008.
- 3.8 In equity, the share of reserves stood at 93.6 percent whereas the rest 6.4 percent was that of the share capital. The reserves fund increased by 31.4 percent and thereby total equity stood at Rs. 43.93 billion as at mid-July 2009. Total equity increased by 28.8 percent whereas total liabilities and equities increased by 33.1 percent as at mid-July 2009 compared to mid-July 2008.

## Income Statement

- 3.9 As per the provisional income statement of the period from 17 July 2008 to 16 July 2009, total net operating income of NRB in FY 2008/09 stood at Rs. 6.11 billion.
- 3.10 As in the FY 2007/08, the income from foreign currency financial assets is higher as compared to the income from domestic currency financial assets in FY 2008/09. As usual, interest income has prime contribution in total income of FY 2008/09.
- 3.11 In the total income from foreign currency financial assets, the share of interest and commission income stood at 93.5 percent and 6.5 percent respectively in FY 2008/09. In FY 2007/08, the shares of interest income and commission income were 96.0 percent and 4.0 percent respectively. Interest income declined by 17.9 percent while income from commission increased by 37.3 percent in the review year compared to the previous year.



- 3.12 In the review year's total income from domestic currency financial assets, the share of interest income and commission income stood at 99.7 and 0.3 percent respectively. The corresponding shares were 97.8 percent and 2.2 percent respectively in the previous year. Interest income has increased by 2.0 percent while income from commission declined by 85.9 percent in the review year compared to the previous year.
- 3.13 In the expenses front under the foreign currency financial liabilities, the share of interest expenses and agency and service charge remained at 89.0 percent and 11.0 percent respectively in the review year. The share of interest expenses and agency and service charges stood at 93.2 percent and 6.8 percent respectively in the previous year. Interest expenses decreased by 23.6 percent whereas agency and service charges increased by 30.6 percent in the review year as compared to previous year.
- 3.14 In the review year's expenses under the domestic currency financial liabilities, the share of interest expenses was 22.8 percent and that of agency and service charge was 77.2 percent. The share of interest expenses was 36.9 percent and that of agency and service charges was 63.1 percent in the previous year. Interest expenses declined by 29.6 percent whereas agency and service charges rose by 39.1 percent in the review year.
- 3.15 Income from foreign currency financial assets declined by 15.7 percent to Rs. 4.78 billion and expenses under foreign currency financial liabilities declined by 20.0 percent to Rs. 46.5 million in the review year compared to the previous year. Consequently, net income from foreign currency declined by 15.7 percent to Rs. 4.74 billion in the review year.

- 3.16 Income from domestic currency financial assets increased by 17.6 percent to Rs. 1.58 billion and expenses under domestic currency financial liabilities increased by 13.8 percent to Rs. 756.2 million in the review year compared to the previous year. Consequently, net income from domestic currency increased by 21.4 percent to Rs. 827.5 million in the review year compared to the previous year.
- 3.17 The other operating income declined by 37.3 percent to Rs. 546.6 million in the review year. Likewise, total net operating income declined by 14.8 percent to Rs. 6.11 billion. General administrative expenses and provisioning increased by 16.3 percent to Rs. 2.92 billion in the review year compared to the previous year. Consequently, net profit before foreign currency revaluation gain/loss, gold and silver revaluation gain/loss and previous year's adjustment declined by 31.5 percent to Rs. 3.19 billion in the review year.
- 3.18 In the review year, out of net profit (Rs. 13,033,960,943), Rs. 9,357,932,645 in exchange equalization fund, Rs. 215,361,177 in gold-silver equalization fund, Rs. 48,900,460 in gold rehabilitation fund, and Rs. 251,810,964 in security revaluation fund were separated and Rs. 3,159,955,697 profit was available for distribution. Such profit was Rs. 4,632,179,950 in previous year.

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

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

**Contingent Assets**

23c

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

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

.....  
(Bijaya Nath Bhattarai)  
Governor

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

**Board of Directors :-**

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

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

.....  
(JB Rajbhandari)  
Chartered Accountant  
Kathmandu

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

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

Date : 2066.9.19  
Place : Kathmandu

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

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

**Contingent Liabilities and Commitments** 23b

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

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

.....  
(Bijaya Nath Bhattarai)  
Governor

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

**Board of Directors :-**

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

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

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

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19  
Place : Kathmandu



**NEPAL RASTRA BANK**

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

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

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

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

.....  
(Bijaya Nath Bhattarai)  
Governor

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

**Board of Directors :-**

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

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

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

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

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

Date : 2066.9.19  
Place : Kathmandu

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

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

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

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

.....  
 (Bijaya Nath Bhattarai)  
 Governor

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

**Board of Directors :-**

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

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

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

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19  
 Place : Kathmandu

**NEPAL RASTRA BANK**

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

NRs.

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

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

NRs.

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

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

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

.....  
(Bijaya Nath Bhattarai)  
Governor

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

**Board of Directors :-**

As per our report of the even date

Rameshwor Khanal

Dr. Parthibeshwar Prasad Timilsina

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

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

Dr. Bishwambhar Pyakuryal

Shambhu Sharan Prasad Kayastha

Krishna Bahadur Manandhar (Dy. Governor)

Bir Bikram Rayamajhi (Dy. Governor)

Date : 2066.9.19  
Place : Kathmandu

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

### 1. General information

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

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

The main activities of the Bank include:

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

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

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

### 2. Summary of significant Accounting Policies

#### 2.1 Basis of preparation

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

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

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

#### 2.2 Accounting Convention

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

#### 2.3 Currency in circulation

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

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

## **2.4 Financial assets / Instruments**

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

### **2.4.1 Classification**

#### *Held for trading*

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

#### *Loans and receivables*

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

#### *Held-to-maturity investments*

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

#### *Available-for-sale financial assets*

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

### **2.4.2 Recognition**

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

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

### **2.4.3 Measurement**

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

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

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

#### **2.4.4 Fair value**

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

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

#### **2.4.5 De-recognition**

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

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

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

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

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

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

### **2.6 Foreign Currency Transactions**

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

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

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

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

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

### **2.9 Property, Plant & Equipment**

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

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

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

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

## **2.10 Intangible Assets**

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

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

## **2.11 Assets received in grant**

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

### **Employee benefits**

#### **Contributory Retirement Fund**

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

#### **Gratuity and Pension Scheme**

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

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

#### **Welfare Provident Fund**

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

### **Staff Medical Fund**

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service. There have been increase in liability towards medical fund by Rs 447,741,808 as at the end of Ashadh 2066, out of which Rs 264,912,007 have been accounted in Financial year 2065/66 and incremental liability arising due to revision in salary scales, amounting to Rs 182,829,800 have been deferred and accounted in Financial year 2066/67

### **Staff Security Fund**

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

### **Leave encashment**

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

## **2.12 Revenue recognition**

Incomes and expenses are recognized on accrual basis.

## **2.13 Taxation**

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

## **2.14 Cash and cash equivalents**

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

## **2.15 Impairment**

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

## **2.16 Segment reporting**

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

## **2.17 Directors' responsibility statement**

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



## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

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

Cash in Hand
Balance with Banks in Demand Deposits
Balance with Banks in Time Deposits
Asian Clearing Union
<b>Total</b>

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

Interest on time deposit and demand deposit (where ever applicable) were earned at various rates ranging from 0.05% to 3.91% per annum (P.Y. 0.50%% to 7.65% per annum).

#### NOTE - 3 a: INVESTMENTS

##### i. Treasury Bills

US Government Treasury Bills
GOI Treasury Bills

##### Sub -Total

##### ii. Other

BIS investment pool series 'C'
US Government Treasury Notes/Bond
Investment in Mid Term Instrument
Investment in Fixbis
Investment in Repurchase Agreement (Repo)

##### Sub -Total

##### Total

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

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

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

Government Treasury Bills
Saving Certificates
Government Bond
Other Bonds and securities
<b>Total</b>

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

#### Above investments are classified as follows:

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

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

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

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

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

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

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

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 6: OTHER INVESTMENTS

##### Investment of funds

Fixed deposits with commercial banks

**Total**

As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
4,934,769,000	4,401,393,000
<b>4,934,769,000</b>	<b>4,401,393,000</b>

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

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

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

#### NOTE - 7: REFINANCE AND LOANS

Refinance to Commercial Banks

Securities purchased under resale agreement

Refinance to Financial Institutions

Loans to Employees

Less: Provision for doubtful Loans

**Total**

As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
-	60,655,000
-	600,000,000
97,737,379	249,113,510
2,320,394,002	2,255,530,167
<b>2,418,131,381</b>	<b>3,165,298,677</b>
90,737,379	242,113,510
<b>2,327,394,002</b>	<b>2,923,185,167</b>

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 8: OTHER RECEIVABLE

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

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

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

#### NOTE - 10: OTHER INVENTORIES

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

**NEPAL RASTRA BANK**  
Notes forming part of the Balance Sheet

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

(NRs.)

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

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

(NRs.)

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet.

#### NOTE - 12: PROJECTS ASSETS: \*

(Amount in NRs.)

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

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

Figures in brackets represent the corresponding figures of the previous year

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

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

Deposit from Banks  
Foreign Diplomatic Missions and other agencies  
**Total**

As on 31.3.2066	As on 31.3.2065
NRs.	NRs.
901,678,981	586,797,671
3,244,503	6,703,821
<b>904,923,484</b>	<b>593,501,492</b>

#### NOTE - 14: IMF RELATED LIABILITIES

SDR Allocation  
Loan under Poverty Reduction and Growth Facility (PRGF)  
**Total**

As on 31.3.2066	As on 31.3.2065
NRs.	NRs.
986,816,134	917,811,866
5,988,861,559	5,650,825,700
<b>6,975,677,693</b>	<b>6,568,637,566</b>

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

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

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

**THE POSITION OF THE IMFASSETS AND LIABILITIES**

**SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2009**

<b>Particulars</b>	<b>Local Currency</b>	<b>SDR Equivalents</b>
<b><u>Currency Holding</u></b>		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
<b>Total Currency Holdings</b>	<b>8,566,292,863</b>	<b>71,310,875</b>
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR .008324590000 per currency unit as on April 30, 2009		

**SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2008**

<b>Particulars</b>	<b>Local Currency</b>	<b>SDR Equivalents</b>
<b><u>Currency Holding</u></b>		
Securities (Quota subscription by GON)	2,318,061,941	22,132,902
No. 1 Account	4,821,297,698	46,033,847
No. 2 Account	1,088,893	10,397
Valuation adjustments:		
Securities and No. 1 Account	328,157,147	3,133,251
No. 2 Account	50,063	478
<b>Total Currency Holdings</b>	<b>7,468,655,742</b>	<b>71,310,875</b>
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR .00998689 per currency unit as on April 30, 2008		

**SUMMARY STATEMENT OF POSITION AS ON JULY 15, 2009**

<b>Particulars</b>	<b>Local Currency</b>	<b>SDR Equivalents</b>
<b><u>Currency Holding</u></b>		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
<b>Total Currency Holdings</b>	<b>8,566,292,863</b>	<b>71,310,875</b>
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR .008324590000 per currency unit as on July 15, 2009		

**SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2008**

<b>Particulars</b>	<b>Local Currency</b>	<b>SDR Equivalents</b>
<b><u>Currency Holding</u></b>		
Securities (Quota subscription by GON)	2,318,061,941	22,132,902
No. 1 Account	5,149,454,845	49,167,098
No. 2 Account	1,138,956	10,875
Valuation adjustments:		
Securities and No. 1 Account	-	-
No. 2 Account	-	-
<b>Total Currency Holdings</b>	<b>7,140,448,533</b>	<b>71,310,875</b>
	Per cent	Per cent
	<u>of Quota</u>	<u>of Quota</u>
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-
1. Converted into SDR at the rate of SDR 0.0100127 per currency unit as on July 16, 2008		



## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE - 15: OTHER LIABILITIES

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

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

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

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

#### NOTE - 17: STAFF LIABILITIES

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

#### NOTE - 18: OTHER PAYABLES

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE -19: CURRENCY IN CIRCULATION

Currency in Circulation

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

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

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

Foreign currency balance held abroad

Foreign Securities

Government Securities

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

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

#### Denomination

#### Notes

1  
2  
5  
10  
20  
25  
50  
100  
250  
500  
1000

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

**NEPAL RASTRA BANK**

**Notes forming part of the Balance Sheet**

**NOTE - 20: SUNDRY LIABILITIES**

		<b>As on 31.3.2066</b>		<b>As on 31.3.2065</b>	
		<b>NRs.</b>		<b>NRs.</b>	
Sundry creditors		1,305,494,806		786,532,358	
Unclaimed		4,530,273		4,404,993	
Bills Collection		28,946,268	79,558,806		
Less: Bills Lodged		<u>(28,946,268)</u>	<u>(79,558,806)</u>		
Pension Payable to NRB Ex-Staff		105,148,925		16,995,578	
General Account	<b>19b</b>	1,964,437,218		501,343,562	
Note Kosh account	<b>19c</b>	43,587,000		-	
<b>Total</b>		<b><u>3,423,198,222</u></b>		<b><u>1,309,276,491</u></b>	

**NOTE - 21: PROJECTS LIABILITIES: \***

**(Amount in NRs.)**

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

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

Figures in brackets represent the corresponding figures of the previous year

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

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

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

#### NOTE - 22: RESERVES

##### Capital Reserve:

Gold and Silver Equalization Reserve

##### Statutory Reserve:

General Reserve

Monetary Liabilities Reserve

##### Exchange Equalization Fund

##### Other Reserves and Funds:

Development Fund

Banking Development Fund

Development Finance Project Mob. Fund

Mechanisation Fund

Scholarship Fund

Mint Development Fund

Employees Welfare Fund

Gold Replacement Fund

Rural Self Reliance Fund (GS Kosh)

##### Securities Revaluation Fund

##### Liquidity Stabilization fund

##### Total Reserves and Funds

	As on 31.3.2066 NRs.	As on 31.3.2065 NRs.
	3,297,404,693	3,082,043,516
	12,361,327,004	12,042,027,004
	1,383,600,000	1,223,600,000
	19,093,366,052	9,735,433,407
	4,695,222,054	4,555,697,806
	527,087,319	527,087,319
	106,328,163	97,696,715
	91,316,414	91,316,414
	61,594,504	61,594,504
	547,712,943	547,712,943
	-	-
	989,463,775	940,563,315
	253,400,000	253,400,000
	520,067,241	268,256,276
	2,500,000	
	<b>43,930,390,162</b>	<b>33,426,429,219</b>

1 Reserves/ Funds other than capital reserve ( gold and silver equalization reserve) represent appropriation out of the profits, which are statutory or specific in nature. All the specific funds / reserve are created with the approval of the Board.

2 **Gold and Silver Equalization Reserve**

This represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve through income statement.

3 **Exchange Equalization Fund**

Represents net exchange gains on various foreign currency assets and liabilities. An amount equivalent to net exchange gain/loss is appropriated from/to income statement and adjusted in the opening balance of such reserve.

4 **General reserve**

Under Section 41 (kha) of the NRB Act, 2058, the NRB has to transfer to the general reserve fund not less than 10 percent of the net profit every year. Accordingly, 10 percent of the net profit is transferred to this reserve.

5 **Monetary Liabilities Reserve**

Under Section 41 (ka) of the NRB Act, 2058, the Bank is required to maintain a monetary liability reserve to meet its financial liability. Accordingly, five percent of the net profit is transferred to this reserve.

6 **Development Fund**

Specific fund created in order to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions.

7 **Banking Development Fund:**

This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars.

8 **Development Finance Project Mobilization Fund**

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund.

9 **Mechanization Fund**

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

10 **Scholarship Fund**

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

**11 Mint Development Fund**

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

**12 Employees welfare fund**

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

**13 Gold Replacement Fund**

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

**14 Rural Self Reliance Fund (GS Kosh)**

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

**15 Securities Revaluation Fund**

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

**NOTE - 23a : Movement of Provisions.**

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

## NEPAL RASTRA BANK

### Notes forming part of the Balance Sheet

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

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

- 1 Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank.
- 2 Claims not acknowledged as debt consist of legal and other claims pending against the Bank as at 31st Ashadh, 2066. No provision on such claims have been made, as the Bank is of the opinion that it is unlikely that any significant liabilities with respect to these will arise.
- 3 Guarantees issued are backed by counter guarantees from corresponding banks.
- 4 Contingent liability in respect of possible payment of Rs. 14,371,094 to obtain ownership on 50 % land having total area of 1-15-7-2 bigha where janakpur office is situated is included in the head 'other'

**NOTE - 23c: Contingent Assets**

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

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

**NEPAL RASTRA BANK**

**Notes forming part of the Income Statement**

**NOTE - 24: INTEREST INCOME**

**Foreign Currency Financial Assets**

Treasury bills & Deposits

SDR Holding

**Interest income from Foreign Currency Financial Assets**

**Local Currency Financial Assets**

Government Securities

Investment in financial and other institutions

Overdraft to Government

Loans and Refinance

**Interest income from Local Currency Financial Assets**

**Total interest income from financial assets**

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

**NOTE - 25: COMMISSION INCOME**

**Foreign Currency Financial Assets**

On Currency exchange

**Local Currency Financial Assets**

Government transaction & Other services

**Total Commission income from financial assets**

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

**NOTE - 26: INTEREST EXPENSES**

**Foreign Currency Financial Liabilities**

SDR Allocation & PRGF Loan

Others

**Sub Total**

**Local Currency Financial Liabilities**

Government Securities

**Sub Total**

**Total Interest Expense on Financial Liabilities**

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

**NOTE - 27: AGENCY AND SERVICE CHARGE**

**Foreign Currency Liabilities**

Service Charge

Commission

**Sub Total**

**Local Currency Liabilities**

Agency Expenses

**Sub Total**

**Total Agency and Service Charge**

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

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

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



**NEPAL RASTRA BANK**

**Notes forming part of the Income Instatement**

**NOTE - 28: OTHER OPERATING INCOME**

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

28a

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

(Amount in NRs.)

<b>Income</b>	<b>MCPW</b>	<b>TLDP</b>	<b>PCRW</b>	<b>PAPWT</b>	<b>RMP</b>	<b>TOTAL</b>
Interest income	7,591,375	8,643,327	4,426,171	5,462,361		<b>26,123,234</b>
	(10,121,518)	(8,197,676)	(5,256,303)	(5,017,493)		<b>(28,592,990)</b>
Other income	-	-	-	-	-	-
	-	-	-	-	(42,280)	<b>(42,280)</b>
<b>Current Year Total</b>	<b>7,591,375</b>	<b>8,643,327</b>	<b>4,426,171</b>	<b>5,462,361</b>	-	<b>26,123,234</b>
<b>Previous Year Total</b>	<b>(10,121,518)</b>	<b>(8,197,676)</b>	<b>(5,256,303)</b>	<b>(5,017,493)</b>	<b>(42,280)</b>	<b>(28,635,270)</b>

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

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

**NOTE - 29: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS**

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

**29a Staff Costs**

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

All leave compensations are included in the allowances.

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

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

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

**29d Miscellaneous Expenses**

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

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

(Amount in NRs.)

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

Figures in brackets represent the corresponding figures of the previous year

**NOTE - 30: CASH AND CASH EQUIVALENT**

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

	2065-66 NRs.	2064-65 NRs.
Foreign currency cash and bank balance	129,978,377,624	80,781,526,260
Local currency in hand	1,824,859,620	1,464,511,943
SDR holdings	555,366,917	630,644,378
Investment in Treasury Bills/Notes	64,856,851,692	73,864,566,502
Investment in Fixbis	3,743,356,590	13,568,776,253
Investment in repurchase agreement (Repo)	15,745,392,000	4,742,275,734
<b>Total</b>	<b>216,704,204,443</b>	<b>175,052,301,070</b>

## NOTE - 31: OTHER NOTES

### I. Financial Year

The financial statements relate to the financial year i.e. 1st Shrawon 2065 to 31st Ashadh 2066 corresponding to Gregorian calendar 16th July 2008 to 15th July 2009. The previous year was 1st Shrawon 2064 to 31st Ashadh 2065 (16th July 2007 to 15th July 2008). The corresponding information presented in the financial statements for the previous year has been rearranged and reclassified, wherever necessary, in order to facilitate comparison.

### II. Currency of Presentation

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

### III. Capital

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

### IV. Bills payable and Bills Receivable

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

### V. Quantity and market value of gold and silver

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

Particulars	Weight (Kg, gm, mg)	Market Price (NRs.) Per Grams.	Total Market Value (NRs.)
Gold	1456.057.075 (1,456.057.075)	2279.759 (2131.851)	3319458932 (3,104,097,756)
Gold held in Stock	2522.272.900 (2,967.999.100)	2279.759 (2131.851)	5750173844 (6,327,331,849)
Silver held in Stock	132269.813.584 (137,730.086.124)	32.170 (42.240)	4255129052 (5,817,718,838)
<b>Current Year Total</b>			<b>13,324,761,829</b>
<b>Previous Year Total</b>			<b>(13,398,882,466)</b>

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

### VI. Year end exchange rates

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

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

## **NRB general account**

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

## **Unclaimed account**

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

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

## **IX. Consolidation of Subsidiaries**

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

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

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

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

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

## **X. Related Parties**

### **i. Government:**

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

Transactions entered into with GON include:

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

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

**ii. Financial and other institutions:**

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

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

**iii. Key Management Personnel:**

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

Salary and related expenses to key management personnel are NRs. 14,024,634 previous year – NRs. 12,698,752). As at 15th July 2009 an amount of NRs.14, 283,350 (Previous year – NRs. 13, 189,728) was receivable from key

managerial personnel as approved loan and advances made by the Bank at the same standard rate of interest with that of other loan and advances provided to employees.

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

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

#### **XI. Prior Year Adjustment**

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

#### **XII. Risk Management**

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

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

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

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

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

#### **XIII. Concentration of funding**

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

#### **XIV. Fair values**

The carrying value of agency bank balances, investments in foreign currency Treasury bills, other held for trading/available for sale investments, Deposits and other balances are considered to approximate their fair value. BIS investment pool series 'C' has been measured in fair value at balance sheet date thereby transferring unrealized gain of Rs.251,810,964 to securities revaluation fund through income statement. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with its' fair value are as under.

NRs.

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

NRs.

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

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

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

NRs.

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

#### XV. Gold and Silver

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

#### XVI. Projects' Asset and Liability

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

#### XVII. Number of employees

2066 Ashadh  
1465

2065 Ashadh  
1517

#### XVIII. Events occurred after Balance Sheet Date

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



NRs.

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

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

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

NRs.

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

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

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

**NEPAL RASTRA BANK**

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

Particulars	Weighted Average Interest Rate %	2008-09 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
<b>Interest Sensitive Foreign Currency Financial Assets</b>					
Cash and Bank Balance	1.55	129,018,822,624	129,018,822,624	-	-
Investment in Foreign Currency	2.04	90,971,172,884	86,294,096,544	-	4,677,076,341
IMF Related Assets	0.42	555,366,917	555,366,917	-	-
<b>Total Interest Sensitive Foreign Currency Financial Assets</b>	<b>A</b>	<b>220,545,362,425</b>	<b>215,868,286,085</b>	<b>0</b>	<b>4,677,076,341</b>
<b>Non Interest Sensitive Foreign Currency Financial Assets</b>					
Other Receivable		419,083,326	419,083,326	-	-
Other Securities		4,461,328,042	-	-	4,461,328,042
<b>Total Non Interest Sensitive Foreign Currency Financial Assets</b>		<b>4,880,411,368</b>	<b>419,083,326</b>	<b>-</b>	<b>4,461,328,042</b>
<b>Total Foreign Currency Financial Assets</b>	<b>B</b>	<b>225,425,773,793</b>	<b>216,287,369,411</b>	<b>0</b>	<b>9,138,404,383</b>
<b>Interest Sensitive Foreign Currency Financial Liabilities</b>					
IMF Related Liabilities	0.49	6,975,677,693	986,816,134	-	5,988,861,559
Asian Clearing Union		0	-	-	-
<b>Total Interest Sensitive Foreign Currency Financial Liabilities</b>	<b>C</b>	<b>6,975,677,693</b>	<b>986,816,134</b>	<b>-</b>	<b>5,988,861,559</b>
<b>Non Interest Sensitive Foreign Currency Financial Liabilities</b>					
Deposit from banks and other agencies		904,923,484	904,923,484	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		2,373,545	2,373,545	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>907,297,029</b>	<b>907,297,028</b>	<b>-</b>	<b>-</b>
<b>Total Foreign Currency Financial Liabilities</b>	<b>D</b>	<b>7,882,974,721</b>	<b>1,894,113,162</b>	<b>-</b>	<b>5,988,861,559</b>
<b>Foreign Currency Interest Rate Sensitivity Gap (A-C)</b>		<b>213,569,684,732</b>	<b>214,881,469,951</b>	<b>0</b>	<b>(1,311,785,218)</b>
<b>Total Gap (B-D)</b>		<b>217,542,799,072</b>	<b>214,393,256,249</b>	<b>0</b>	<b>3,149,542,824</b>

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

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

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

Particulars	Weighted Average Interest Rate %	2008-09 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
<b>Interest Sensitive Local Currency Financial Assets</b>					
Investment in Government Securities	5.12	24,455,505,079	14,650,354,746.09	8,374,906,333	1,430,244,000
GON Overdraft		8,835,795,125	8,835,795,125	-	-
Other Investments	9.15	4,934,769,000	1,331,905,000	3,602,864,000	-
Refinance & Loans	6.09	7,000,000	7,000,000	-	-
<b>Total Interest Sensitive Local Currency Financial Assets</b>	<b>E</b>	<b>38,233,069,204</b>	<b>24,825,054,871</b>	<b>11,977,770,333</b>	<b>1,430,244,000</b>
<b>Non Interest Sensitive Local Currency Financial Assets</b>					
Cash in Hand		1,824,859,620	1,824,859,620	-	-
Investment in Government Securities		4,800,357,504	3,694,769,593	-	1,105,587,911
Investment in Financial & Other Institutions		320,035,500	-	-	320,035,500
Refinance & Loans (Loans to employees)		2,320,394,002	-	-	2,320,394,002
Other Receivables		3,340,144,403	3,340,144,403	-	-
<b>Total Non Interest Sensitive Local Currency Financial Assets</b>		<b>12,605,791,029</b>	<b>8,859,773,616</b>	<b>-</b>	<b>3,746,017,413</b>
<b>Total Local Currecny Financial Assets</b>	<b>F</b>	<b>50,838,860,233</b>	<b>33,684,828,487</b>	<b>11,977,770,333</b>	<b>5,176,261,413</b>
<b>Interest Sensitive Local Currency Financial Liabilities</b>					
<b>Total Interest Sensitive Local Currency Financial Liabilities</b>	<b>G</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Interest Sensitive Local Currency Financial Liabilities</b>					
Deposit and Other Balances		73,676,923,159	73,676,923,159	-	-
Bills Payable		1,121,290,448	1,121,290,448	-	-
Staff Liabilities		3,776,318,598	-	-	3,776,318,598
Other Payables		217,180,433	217,180,433	-	-
<b>Total Non Interest Sensitive Local Currency Financial Liabilities</b>		<b>78,791,712,638</b>	<b>75,015,394,040</b>	<b>-</b>	<b>3,776,318,598</b>
<b>Total Local Currecny Financial Liabilities</b>	<b>H</b>	<b>78,791,712,638</b>	<b>75,015,394,040</b>	<b>-</b>	<b>3,776,318,598</b>
<b>Local Currency Interest Rate Sensitivity Gap (E-G)</b>		<b>38,233,069,204</b>	<b>24,825,054,871</b>	<b>11,977,770,333</b>	<b>1,430,244,000</b>
<b>Total Gap (F-H)</b>		<b>(27,952,852,405)</b>	<b>(41,330,565,553)</b>	<b>11,977,770,333</b>	<b>1,399,942,815</b>

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

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

**NEPAL RASTRA BANK**

**Table 2 : Credit Exposure by Credit Rating**

Particulars	Credit Rating	2008/09		2007/08	
		NRs.	% Financial Assets	NRs.	% Financial Assets
<b>Foreign Currency Financial Assets</b>					
	A-	5,523,616,864	2.00%	8,048,484,806	3.90%
	A+	34,066,776,645	12.33%	15,222,439,029	7.37%
	A	19,922,847,635	7.21%	13,618,453,846	6.59%
	AA	12,650,063,188	4.58%	9,047,765,558	4.38%
	AA+	-	0.00%	5,539,797,025	2.68%
	AA-	20,937,538,653	7.58%	7,008,655,226	3.39%
	AAA	-	0.00%	81,368,296,636	39.39%
	BB	18,048,356,730	6.53%		0.00%
	BBB	21,249,472	0.01%	28,445,904	0.01%
	BBB-	15,674,789,089	5.67%		
	NR *	98,580,535,518	35.68%	31,251,768,164	15.13%
<b>Total Foreign Currency Financial Assets</b>		<b>225,425,773,793</b>	<b>81.60%</b>	<b>171,134,106,194</b>	<b>82.83%</b>
<b>Local Currency Financial Assets</b>	NR *	50,838,860,232	18.40%	36,397,926,051	17.17%
<b>Total Local Currency Financial Assets</b>		<b>50,838,860,232</b>	<b>18.40%</b>	<b>36,397,926,051</b>	<b>17.17%</b>
<b>Total Financial Assets</b>		<b>276,264,634,025</b>	<b>100.00%</b>	<b>167,444,299,173</b>	<b>100.00%</b>

\* NR represents not rated.

NEPAL RASTRA BANK

Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July, 2009 were as follows:

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

Comparative figures as at 15th July, 2008 for significant end-of-year concentration of funding were as follows:

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

NEPAL RASTRA BANK

Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July 2009 were as follows:

	Total NRs.	GON NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others NRs.
<b>Foreign currency</b>						
<b>Financial Liabilities</b>						
Deposit from banks and other agencies	904,923,484	-	-	901,678,981	-	3,244,503
IMF Related Liabilities	6,975,677,693	-	-	-	6,975,677,693	-
Others	2,373,545	-	-	2,373,545	0	-
<b>Total Foreign Currency Financial Liabilities</b>	<b>7,882,974,722</b>	<b>-</b>	<b>-</b>	<b>904,052,526</b>	<b>6,975,677,692</b>	<b>3,244,503</b>
<b>Local Currency Financial Liabilities</b>						
Deposit and other balances	73,676,923,159	-	-	62,813,904,955	5,150,593,800	5,712,424,404
Bills payables	1,121,290,448	-	1,121,290,448	-	-	-
Staff Liabilities	3,776,318,598	-	-	-	-	3,776,318,598
Other payables	217,180,433	-	-	-	-	217,180,433
<b>Total Local Currency Financial Liabilities</b>	<b>78,791,712,638</b>	<b>-</b>	<b>1,121,290,448</b>	<b>62,813,904,955</b>	<b>5,150,593,800</b>	<b>9,705,923,435</b>
<b>Total Financial Liabilities</b>	<b>86,674,687,360</b>	<b>-</b>	<b>1,121,290,448</b>	<b>63,717,957,482</b>	<b>12,126,271,492</b>	<b>9,709,167,939</b>
<b>Other Liabilities</b>						
Currency in circulation	141,210,000,000	-	139,385,140,380	-	-	1,824,859,620
Surplus payable to GON	2,530,000,000	2,530,000,000	-	-	-	-
Sundry Liabilities	3,423,198,222	-	-	-	-	3,423,198,222
Project liability	493,664,078	-	-	-	-	493,664,078
<b>Total Other Liabilities</b>	<b>147,656,862,300</b>	<b>2,530,000,000</b>	<b>139,385,140,380</b>	<b>-</b>	<b>-</b>	<b>5,741,721,920</b>
<b>Total Liabilities</b>	<b>234,331,549,659</b>	<b>2,530,000,000</b>	<b>140,506,430,828</b>	<b>63,717,957,482</b>	<b>12,126,271,492</b>	<b>15,450,889,859</b>

Comparative figures as at 15th July 2008 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Public NRs.	Com. Banks & F.I. NRs.	Supernational F.I. NRs.	Others NRs.
<b>Foreign currency</b>						
<b>Financial Liabilities</b>						
Deposit from banks and other agencies	593,501,492	-	-	586,797,671	-	6,703,821
IMF Related Liabilities	6,568,637,566	-	-	-	6,568,637,566	-
Others	8,488,994	-	-	-	8,488,994	-
<b>Total Foreign Currency Financial Liabilities</b>	<b>7,170,628,052</b>	<b>-</b>	<b>-</b>	<b>586,797,671</b>	<b>6,577,126,560</b>	<b>6,703,821</b>
<b>Local Currency Financial Liabilities</b>						
Deposit and other balances	45,177,872,241	-	-	31,475,752,853	5,150,593,800	8,551,525,587
Bills payables	679,983,024	-	679,983,024	-	-	-
Staff Liabilities	3,205,327,427	-	-	-	-	3,205,327,427
Other payables	234,645,611	-	-	-	-	234,645,611
<b>Total Local Currency Financial Liabilities</b>	<b>49,297,828,303</b>	<b>-</b>	<b>679,983,024</b>	<b>31,475,752,853</b>	<b>5,150,593,800</b>	<b>11,991,498,625</b>
<b>Total Financial Liabilities</b>	<b>56,468,456,355</b>	<b>-</b>	<b>679,983,024</b>	<b>32,062,550,524</b>	<b>11,727,720,360</b>	<b>11,998,202,446</b>
<b>Other Liabilities</b>						
Currency in circulation	112,950,000,000	-	111,485,488,057	-	-	1,464,511,943
Surplus payable to GON	1,309,276,491	-	-	-	-	-
Sundry Liabilities	519,785,869	-	-	-	-	519,785,869
Project liability	1,309,276,491	-	-	-	-	1,309,276,491
<b>Total Other Liabilities</b>	<b>114,779,062,360</b>	<b>-</b>	<b>111,485,488,057</b>	<b>-</b>	<b>-</b>	<b>3,293,574,303</b>
<b>Total Liabilities</b>	<b>171,247,518,715</b>	<b>-</b>	<b>112,165,471,082</b>	<b>32,062,550,524</b>	<b>11,727,720,360</b>	<b>15,291,776,749</b>