



Nepal Rastra Bank

Annual Report
Fiscal Year 2010/11

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Acronyms Used

ACU	Asian Clearing Union
ADB	Asian Development Bank
ADB/N	Agricultural Development Bank (Nepal)
AML	Anti Money Laundering
ANNA	Association of National Numbering Agency
APG	Asia Pacific Group on Money Laundering
APRACA	Asia Pacific Rural and Agricultural Credit Association
BAFIA	Bank and Financial Institutions Act
BIS	Bank for International Settlement
BOD	Board of Directors
BOP	Balance of Payments
CAD	Cash Against Document
CDS	Central Depository System
CGISP	Community Ground-Water Irrigation Sector Project
CICL	Credit Information Center Limited
CIT	Citizen Investment Trust
CRR	Cash Reserve Ratio
DCGC	Deposit and credit Guarantee Corporation
DFID	Department for International Development
DRT	Debt Recovery Tribunal
ECC	Electronic Cheque Clearing
EoI	Expression of interest
EPF	Employees' Provident Fund
FATF	Financial Action Task Force
FIU	Financial Information Unit
FSTAP	Financial Sector Technical Assistance Project
FY	Fiscal Year
GDP	Gross Domestic Product
GNDI	Gross National Disposable Income
GoN	Government of Nepal
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IT	Information Technology
L/C	Letter of Credit
LIBOR	London Inter Bank Offer Rate
LMFF	Liquidity Monitoring and Forecasting Framework
LoLR	Lender of Last Resort
M ₁	Narrow Money Supply
M ₂	Broad Money Supply
MCPW	Micro Credit Program for Women
MoF	Ministry of Finance

n.i.e.	not included elsewhere
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NGOs	Non Governmental Organizations
NIDC	Nepal Industrial Development Corporation
NPL	Non Performing Loan
NRB	Nepal Rastra Bank
OMOs	Open Market Operations
PAN	Permanent Account Number
PAPWT	Poverty Alleviation Project in Western Terai
PCRW	Production Credit for Rural Women
RBB	Rastriya Banijya Bank
RMDC	Rural Microfinance Development Centre
RSRF	Rural Self-Reliance Fund
SDR	Special Drawing Rights
SEACEN	South East Asian Central Banks
SFCL	Small Farmers Cooperatives Limited
SKBBL	Sana Kisan Bikash Bank Limited
SLF	Standing Liquidity Facility
SLR	Statutory Liquidity Ratio
TLDP	Third Livestock Development Project
ToR	Terms of Reference
UK	The United Kingdom
UNDP	United Nations Development Programme
US	The United States
VAT	Value Added Tax

CONTENTS

Part 1

MACROECONOMIC SITUATION AND FINANCIAL OVERVIEW

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

Monetary Situation	15
Money Supply	15
Status of the Sources and Uses of Fund of Commercial Banks	16
Resource Mobilization of Commercial Banks	16
Uses of Funds of Commercial Banks	16
Non-performing Loan of Commercial Banks	17
Use of Standing Liquidity Facility and Status of Inter-bank Transactions	18
Short-term Interest Rate	18
Foreign Exchange Market Prevail	19
Security Market	19
Bank and Financial Institutions	20
Number of Financial Institutions	20
Financial Structure	21
Development Banks	21
Finance Companies	21
Financial Institutions conducting Micro-finance Activities	22
Rural Self Reliance Fund	22
NRB Licensed Financial Cooperatives	23
NRB licensed Non-Government Organizations	23
Insurance Companies	23
Employees Provident Fund	23
Citizen Investment Trust	24
Postal Savings Bank	24
Deposit and Credit Guarantee Corporation	24
Credit Information Centre Limited	24

Charts

Chart 1.1	GDP Growth Rate	1
Chart 1.2	Growth Rates of Agriculture, Industry and Service Sectors	2
Chart 1.3	Consumer Price Inflation	5
Chart 1.4	Wholesale Price Inflation	6
Chart 1.5	Structure of Government Expenditure on Cash Basis 2010/11	10
Chart 1.6	Structure of Revenue Mobilization in 2010/11	11
Chart 1.7	Situation of Stock Price	19
Chart 1.8	Share of Financial Institutions in Nepalese Financial Sector (Percent) Mid-July 2011	21

Text Tables

Table 1.1	Growth Rates of Primary, Secondary and Tertiary Sectors (At 2000/01 Prices)	2
Table 1.2	Tourists Arrival by Air in Nepal	4
Table 1.3	Gross National Disposable Income (At Current Price)	4
Table 1.4	Reserve Adequacy Indicators	9
Table 1.5	Exchange Rate Movement	9
Table 1.6	Tax Rates	13

Table 1.7	Status of Non-performing Loan of Commercial Banks (Percentage of Total Loan)	18
Table 1.8	Listed Securities and Mutual Fund Units	20
Table 1.9	Number of Bank and Financial Institutions	21
Table 1.10	Financial Activities of the Rural Self Reliance Fund	23

Tables

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

Appendix

Appendix 1.1	List of Licensed Banks and Non-bank Financial Institutions (Mid-July 2011)	49–53
Appendix 1.2	Micro Finance Programme Implemented with Donor Support	54–55

Part 2

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy of 2009/10	56
Objectives and Targets	56
The Strategic and Interim Target of Monetary Policy	56
Operating Target of Monetary Policy	57
Instruments of Monetary Policy	57
Open Market Operations	58
Uses of Refinance Facility	59
Micro Finance	59
Programmes and Activities Related to Microfinance Promotion	59
Foreign Exchange Management	60
Financial Sector Reform Program	63
Mechanization of Credit Information Bureau	63
Mechanization of Secured Transaction Registry	63
Diagnostic Assessment of Nepal Bank Ltd.	63
Banks and Financial Institutions Regulation	64
Restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank Ltd. (RBB)	64
Licensing/Establishment of Bank and Financial Institutions	64
Commercial Bank	64
Development Bank	64
Finance Company	64
Micro Finance	65
Financial Intermediaries Non-governmental Institution	65
Co-operatives with Ltd. Banking Transactions	65
Principal Circulars Issued to Bank and Financial Institutions	65
Guidelines issued to Bank and Financial Institutions	65
Other Bylaws and Policy Provisions	65
Refinance Facility to Bank and Financial Institutions	65
Credit Facility at Zero Interest Rate	66
About Lender of Last Resort Facility	66
About Subsidiary Company	66
Merger & Acquisition, Upgradation and Geographical Extension	66
Grievance Management Committee	66
Actions Including Forfeiture of Passport	66
Publication of the List of Professional Expert	66
Translation of Unified Directives 2010	66
Representative Office of Foreign Banks	67
Letter of Intent to Nepal Clearing House	67
Policy and Processwise Provision for Bank and Financial Institution Establishment	67
Notice/Direction for Account Suspense/Release	67

Banks and Financial Institutions Supervision	67
Bank Supervision	67
Financial Institution Supervision	69
Micro Credit and Limited Banking Institution	73
Currency Management	73
Printing of Currency Notes and Coin Mint	73
Note Issue	73
Notes in Circulation and Their Security Provision	73
Note Chest/Currency Chest Operation Directive, 2011	73
Clean Note Policy/Note Destruction	74
Miscellaneous	74
Human Resource Management	74
Work Plan, Budget Management and Corporate Risk Minimization	76
Information and Technology	77
Activities Related to Law	77
Internal Audit-related Works	78
General Service Execution	79
Public Debt Management	79
Training, Workshop, Seminars, Tours and Interaction	85
Studies/Works	85
Meeting of the Board of Directors	86
Activities of NRB Offices Out of Kathmandu Valley	86

Text Tables

Table 2.1 Inflation Rate and Balance of Payment Surplus	56
Table 2.2 Money Supply and Domestic Credit	57
Table 2.3 Bank Rate and Refinance Rates in FY 2010/11	58
Table 2.4 Status of Secondary Market Operation	58
Table 2.5 Issue of Development Bond Through Bidding	59
Table 2.6 Credit Flow Situation of the Rural Self Reliance Fund	60
Table 2.7 Branches of Commercial Banks Inspected in FY 2010/11	68
Table 2.8 Note Printing Details	73
Table 2.9 Minting of Coins	73
Table 2.10 Recruitment in and Termination of NRB-service	74
Table 2.11 Number of Existing Employees (Mid-July 201q1)	74
Table 2.12 Structure of Contract and Monthly Wages	75
Table 2.13 Description of the Recruited Post in 2010/11	75
Table 2.14 Issue of Internal Debt	80
Table 2.15 Total Internal Debt Liabilities of GON	80
Table 2.16 List of Corporate Ownership of Internal Debt	81
Table 2.17 List of Government Treasury Bill/Bond Owned by Nepal Rastra Bank	82
Table 2.18 Principal and Interest Payment	82
Table 2.19 Fees and Commission of Internal Debt Management	83
Table 2.20 Interest Rate of Treasury Bills (Short Term)	83
Table 2.21 Secondary Market Transaction of Treasury Bills	84

Tables

Table 31	Notes in Circulation	87
Table 32	Security against Note Issued	88
Table 33	Established Posts and Employees by Class	88
Table 34	List of Training Operated Internally	89
Table 35	Trainings Operated by Bankers' Training Centre	90
Table 36	Training, Seminar, Meeting and Workshop in Foreign Countries	91
Table 37	List of Fund Transfer and Transaction of Foreign Currency by Out of Kathmandu Valley Offices in FY 2010/11	97

Appendices

2.1	Major Directives Issued to Banks and Financial Institutions	98
2.2	Financial Institutions Inspected at Macro Level on 2010/11	101
2.3	Actions Taken Against Banks and Financial Institutions	103
2.4	List of Market Makers	105
2.5	Board of Directors	106
2.6	Principal Officers	106

Part 3

ANNUAL FINANCIAL STATEMENTS OF THE NRB

Assets and Liabilities	108
Income Statement	109

Charts

Chart 3.1: Assets Structure of the NRB	108
Chart 3.2: Liabilities of the NRB	108
Chart 3.3: Income Structure of the NRB	110
Annual Financial Statements of NRB	111–

PART - 1

OVERALL ECONOMIC AND FINANCIAL SITUATION

- **World Production, Trade and Inflation** 1
- **Macroeconomic and Financial Situation of Nepal** 1
- **Inflation and Salary and Wage Rate** 5
- **External Sector** 6
- **Fiscal Situation** 9
- **Monetary Situation** 15
- **Bank and Financial Institutions** 20

OVERALL ECONOMIC AND FINANCIAL SITUATION

World Production, Trade and Inflation

World Production

- 1.1 The world real GDP growth rate for 2010 was 5.1 percent. This is in contrast to the negative figure of 0.7 percent in 2009. The International Monetary Fund (IMF) has published this figure in the *World Economic Outlook* of September 2011.
- 1.2 The world output is expected to expand by 4.0 percent in both 2011 and 2012. The aggregate production of the developing countries is expected to expand by 1.6 percent in 2011 and 1.9 percent in 2012.
- 1.3 The emerging and developing economies are projected to decelerate by 6.4 percent in 2011 from 7.3 percent in 2010. The developing Asian economies grew by 9.5 percent in 2010 and are expected to moderate to 8.2 percent in 2011. Similarly, the neighboring countries – India and China – posted growth rates of 10.1 percent and 10.3 percent respectively in 2010 and are estimated to grow by 7.8 percent and 9.5 percent respectively in 2011.

World Trade

- 1.4 The imports of developed countries and emerging and developing countries in 2010 surged by 13.5 percent and 15.3 percent respectively. Similarly, the exports of developed countries and emerging and developing countries increased by 14.4 percent and 13.5 percent respectively during the same period. The imports of developed countries and emerging and developing countries are expected to increase by 6.9 percent and 12.4 percent respectively in 2011; whereas the exports for those economies in the same period are expected to increase by 7.1 percent and 9.6 percent respectively.

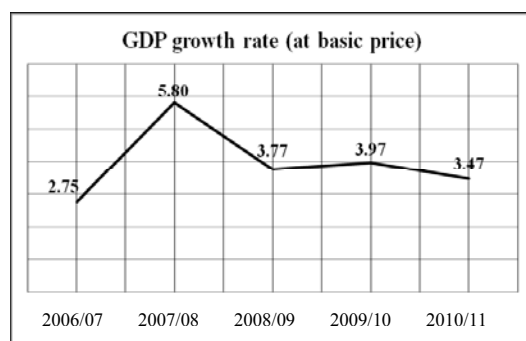
World Inflation

- 1.5 Inflation in advanced economies is estimated to be 2.6 percent and 1.4 percent in 2011 and 2012 respectively. Similarly inflation is projected to be 7.5 percent in the emerging economies and 5.9 percent in the developing economies during the same period. In 2010, inflation in the developed countries and emerging and developing countries remained at 1.6 percent and 6.1 percent respectively.

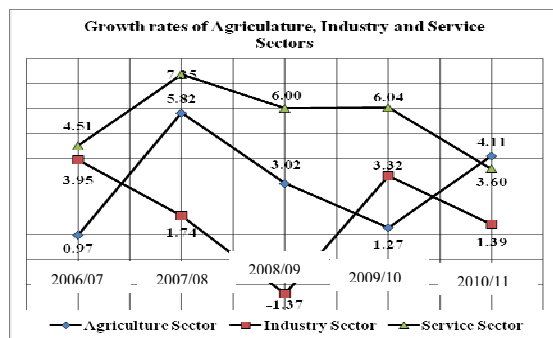
Macroeconomic and Financial Situation of Nepal

Gross Domestic Product (GDP)

- 1.6 According to preliminary estimates of Central Bureau of Statistics, the real Gross Domestic Product (GDP) at basic price grew by 3.5 percent in 2010/11 compared to 4.0 percent in 2009/10. The real GDP at producers' price was estimated to grow at 3.5 percent in the review year compared to 4.6 percent last year. While the growth performance of agriculture sector improved, the industry and services sectors witnessed slower growth rates in the review year.



- 1.7 In the review year, the agriculture and non-agriculture sectors were estimated to grow by 4.1 percent and 3.1 percent respectively. In the previous year, these sectors had grown by 1.3 percent and 5.4 percent respectively.
- 1.8 During the same period, industry and services sectors expanded by 1.4 percent and 3.6 percent respectively. In the previous year, these sectors had grown by 3.3 percent and 6.0 percent respectively.



Sectoral Composition of GDP

- 1.9 The agriculture, industry and services sectors accounted for 34.9 percent, 15.0 percent and 50.1 percent share of the real GDP respectively in the review year compared to that of 34.7 percent, 15.3 percent and 50.0 percent in the previous year. Thus, the shares of agriculture and services sectors marginally increased whereas the share of industry has slightly declined in the review year.
- 1.10 On the basis of broad industrial classification, the shares of primary (agriculture, forestry and fishery; and mining and quarrying), secondary (manufacturing industry; electricity, gas and water; and construction) and tertiary (services) sectors during the review year stood at 35.4 percent, 14.6 percent and 50.1 percent of the real GDP respectively. The respective shares of these sectors were 35.1 percent, 14.9 percent and 50.0 percent in the previous year.

Table 1.1
Growth Rates of Primary, Secondary and Tertiary Sectors
(At 2000/01 Prices)

Sector	As Percentage of GDP#			Percent Change	
	2008/09	2009/10	2010/11	2009/10	2010/11
Primary *	36.3	35.9	35.1	-1.1	-2.2
Secondary **	15.7	15.1	15.1	-3.8	0.0
Tertiary ***	48.0	49.0	49.8	2.1	1.6

GDP including financial intermediation

* Agriculture, forestry and fishery; and mining and quarrying

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

*** Services

Source: Central Bureau of Statistics

Agriculture Sector

- 1.11 The agriculture sector was estimated to expand by 4.1 percent in the review year compared to the growth of 1.3 percent in the previous year. In the review year, the production of major crops like paddy and maize grew by 10.9 percent and 11.5 percent respectively. Such a higher increment of production was due to favorable weather condition and expansion in the area of maize cultivation. The production of these crops had declined by 11.0 percent and 3.9 percent respectively in the previous year.
- 1.12 The production index of food and other crops sub-group increased by 5.8 percent in the review year as against the decline of 0.9 percent in the previous year. Likewise, the production index of vegetables, horticulture and nursery sub-group went up by 7.3 percent in the review year; this maintained the same growth rate of the previous year. The index of forest products increased by 12.5 percent as against the decline by 0.3 percent in the previous year.

- 1.13 The production indices of fruits and livestock increased by 4.8 percent and 2.0 percent respectively in the review year. These indices had increased by 3.6 percent and 1.4 percent respectively in the previous year.
- 1.14 According to Department of Hydrology and Meteorology; the rainfall in the three months of July, August and September in the review year was recorded at 115 percent, 122 percent and 114 percent respectively of the average annual rainfall. However, the rainfall in June that precedes the fiscal year was only at 75 percent of the average annual rainfall. Thus, higher than average rainfall during the review year had a favorable impact on the production of principle food crops.

Industry Sector

- 1.15 The performance of the industry sector remained weak in 2010/11. This sector recorded a marginal growth rate of 1.4 percent in the review year compared to that of 3.3 percent in the previous year. The sluggish growth of the industry sector was due to the lack of industry-friendly environment, inadequate power and fuel supply, along with weak labor-relation and security situation in the country.
- 1.16 The manufacturing industries sub-sector witnessed a marginal growth rate of 1.5 percent in the review year compared to the growth of 1.2 percent in the previous year.
- 1.17 The electricity, gas and water sub-sector declined by 4.0 percent in the review year as against the growth of 5.4 percent in the previous year. Likewise, the construction sector recorded a slower growth of 3.3 percent in the review year compared to that of 5.0 percent in the previous year. The slower growth of this sector in the review year was on account of decline in the construction activities accompanied by delay in the approval of fiscal budget.
- 1.18 The Department of Industry granted approval to 209 joint venture projects with a commitment of Rs. 10.05 billion as foreign investment in the review year. In the previous year, the Department of Industry had granted approval to 171 projects amounting to Rs. 9.10 billion. Of the total 209 registered projects, 88 were service related, 47 tourism, 39 manufacturing, 23 agriculture, 6 energy, 5 mines and 1 was construction. There has been a remarkable increment in the agro-based projects in the review year compared to the previous year. There were 50 projects related to tourism and 72 projects related to service sector last year. In the review year, the number of joint venture projects increased by 22.2 percent, while the investment amount has increased by 10.4 percent. Of the total approved projects, 69 were from China, 38 from India, 18 from South Korea and remaining 84 were from other countries. These projects were expected to generate employment opportunities for 10,887 people.

Services Sector

- 1.19 In the review year, the services sector witnessed a slower growth rate of 3.6 percent compared to 6.0 percent in the previous year. Contraction of the growth rate in this sector was due to the decline of wholesale and retail trade; and the slower growth of public administration, education, real estate and other community services sub-sectors respectively.
- 1.20 Under the services sector, the wholesale and retail trade sub-sector declined by 0.2 percent in the review year, as against the growth of 6.7 percent in the previous year. Likewise, the hotel and restaurant sub-sector increased by 7.4 percent in the review year, which had grown by 7.2 percent in the previous year. The transport, communication and storage sub-sector increased by 7.1 percent in the review year compared to the growth of 6.1 percent in the previous year. The financial intermediation; real estate, renting and business; and public administration and defense sub-sectors increased by 3.9 percent, 2.6 percent and 3.0 percent respectively in the review year. These sub-sectors had grown by 2.8 percent, 3.6 percent and 4.4 percent in the previous year. The growth rate of education sub-sector came down to 2.9 percent in the review year as compared to the growth of

7.3 percent in the previous year. In the review year, health and social work; and other community, social and personal services sub-sectors expanded by 5.9 percent and 8.6 percent respectively. These sub-sectors had grown by 4.3 percent and 11.8 percent respectively in the previous year.

- 1.21 In the review year, the number of tourist arrivals increased by 21.6 percent to 500,750 compared to the growth of 12.8 percent in the previous year. Of this growth, the share of Indian tourists accounted for 26.1 percent and the remaining 73.9 percent from other countries in the review year. The announcement of 'Nepal Tourism Year 2011' by GoN, the gradual recovery of the global economy from recession and increase in the number of airlines companies operating in Nepal, were the main reasons for such a higher growth of tourist arrival in the review year.

Table 1.2
Tourist Arrival by Air

	Arrival Number			Percentage Change		Share (Percent)	
	2008/09	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
India	87,818	91,116	130,717	3.8	43.5	22.1	26.1
Third Country	277,011	320,468	370,033	15.7	15.5	77.9	73.9
Total	364,829	411,584	500,750	12.8	21.6	100.0	100.0

Source: Ministry of Tourism and Civil Aviation.

- 1.22 From the regional perspective, tourist arrival from other countries increased by 15.5 percent to 370,033 in the review year compared to a growth of 15.7 percent in the preceding year. Similarly, the tourist arrival from India grew by 43.5 percent to 130,717 in the review year compared to the growth of 3.8 percent in the previous year.

Consumption, Investment and Saving

- 1.23 In the review year, the ratio of total consumption to GDP at current prices increased marginally to 93.3 percent from 92.6 percent last year. Consequently, the ratio of gross domestic saving to GDP stood at 6.7 percent in the review year compared to 7.4 percent in the previous year. In the review year, the public and private sector consumption increased by 10.1 percent and 16.6 percent respectively. Such consumption had grown by 16.7 percent and 22.0 percent respectively in the previous year. The ratio of gross investment to GDP stood at 30.2 percent in the review year compared to 35.0 percent in the preceding year. Likewise, the ratio of gross fixed capital formation to GDP has come down to 18.0 percent from 20.2 percent in the preceding year.
- 1.24 The gross internal demand at current prices in the review year increased by 11.2 percent compared to the growth of 23.9 percent in the previous year. Likewise, the gross investment declined by 0.9 percent in the review year in contrast to a significant growth of 31.3 percent in the previous year.

Table 1.3
Gross National Disposable Income (At Current Price)

Description	2008/09	2009/10	2010/11	2009/10	2010/11
	Rs. in Million			Percentage Change	
Total Consumption	895042	1085292	1257179	21.3	15.8
Total Investment	312810	410725	406919	31.3	-0.9
Domestic Demand	1207852	1496017	1664098	23.9	11.2
Gross Domestic Product	988053	1171905	1346816	18.6	14.9
Net Factor Income	11750	9117	6450	-22.4	-29.2
Net Transfer	249487	282648	320330	13.3	13.3
Gross National Disposable Income	1249289	1463670	1673596	17.2	14.3

Source: Central Bureau of Statistics

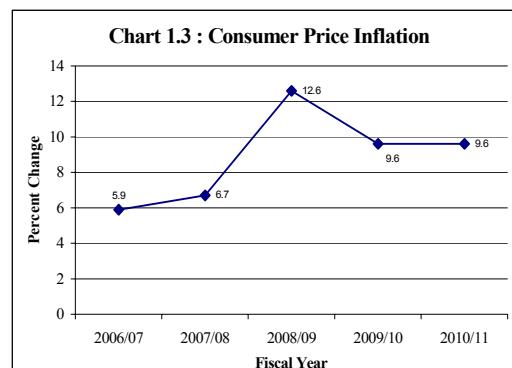
Gross National Disposable Income

- 1.25 The Gross National Disposable Income (GNDI) increased by 14.3 percent in 2010/11 compared to the growth of 17.2 percent in the previous year. Similarly, GDP at current prices grew by 14.9 percent in the review year which had grown by 18.6 percent in the previous year. In the review year, the ratio of GNDI to GDP remained at 124.3 percent compared to 124.9 percent in the preceding year.

Inflation and Salary and Wage Rate

Consumer Price Inflation

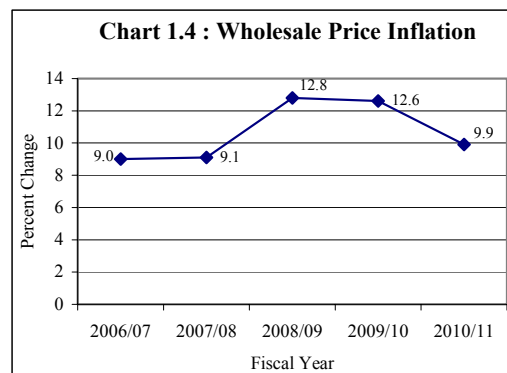
- 1.26 The annual average consumer price inflation remained constant to 9.6 percent in 2010/11, which was as same as in 2009/10. However, on the basis of the price index of base year 1995/96, such inflation was 10.5 percent. In review year, the annual average price index of food and beverages group, increased by 14.7 percent. Likewise, during the same period, the annual average price index of non-food and services group, moderated by 5.4 percent. The average annual price index of food and beverages and non-food and services had increased by 15.1 percent and 4.9 percent respectively in 2009/10.



- 1.27 In the review year, yearly average price index of vegetables, the item under food and beverages group increased sharply by 35.0 percent. It had increased by 20.5 percent in the previous year. Similarly, the annual average price indices of spices, sugar and sweets and fruits went up by 23.2 percent, 19.5 percent and 19.4 percent respectively compared to their respective rise of 27.4 percent, 45.3 percent and 20.5 percent in the previous year. The annual price index of restaurant and hotel grew by 15.5 percent compared to a 20.3 percent rise in the previous year. Likewise, the annual price indices of milk products and egg, cereals grains and their products and tobacco products increased by 14.6 percent, 13.9 percent and 13.5 percent respectively compared to their respective increase of 11.9 percent, 10.1 percent and 12.5 percent in the previous year. In 2010/11, the annual average price index of legume varieties declined by 7.6 percent as against a rise of 26.0 percent in the previous year.
- 1.28 Under the non-food and services group, the yearly average indices of clothing and footwear as well as housing and utilities rose up by 13.3 percent and 7.5 percent respectively compared to their respective rise of 7.6 percent and 3.1 percent in the previous year. Similarly, the annual price indices of furnishing and household equipment and education grew by 5.7 percent and 5.5 percent respectively, compared to their respective increment of 6.2 percent and 11.4 percent in the previous year. The annual average index of transport, which had declined by 4.7 percent in the previous year, increased by 10.1 percent in the review year. The annual average index of communication, which had remained unchanged in the previous year, declined by 10.6 percent during the review year.
- 1.29 Region-wise, annual average price indices of Kathmandu Valley, Hills and Terai in the review year increased by 12.1 percent, 10.6 percent and 7.2 percent respectively. In the last year, such indices had risen by 9.2 percent, 10.3 percent and 9.5 percent respectively.

Wholesale Price Inflation

1.30 The annual average wholesale price inflation rose by 9.9 percent in 2010/11 compared to a 12.6 percent rise in the previous year. The annual average price indices of agricultural commodities and domestic manufactured commodities increased by 10.8 percent and 9.1 percent respectively compared to their respective rise of 22.8 percent and 8.6 percent in the previous year. The annual average index of imported commodities, which had declined by 1.2 percent in the previous year, increased by 8.5 percent during the review year.



1.31 Within the agricultural commodities group, the annual average price indices of spices, fruits and vegetables and food grains rose by 38.1 percent, 23.6 percent and 13.0 percent respectively compared to their respective rise of 37.6 percent, 9.4 percent and 17.2 percent in the previous year.

1.32 The annual average price indices of beverages and tobacco and food related product, within domestic manufactured commodities group rose by 14.3 percent and 5.7 percent respectively in comparison to their respective rise of 13.4 percent and 12.5 percent in the previous year. The annual average price index of construction materials, which had increased by 4.0 percent in previous year, increased by 5.2 percent during the review year.

1.33 Within the imported commodities group, the annual average price indices of petroleum products and coal and transport vehicles and machinery goods, which had decreased by 4.8 percent and 1.5 percent in previous year, increased by 15.8 percent and 5.8 percent respectively during the the review year. Likewise, the annual average price index of chemical fertilizer and chemical goods, which had decreased by 9.9 percent in the previous year, increased by 4.9 percent during the the review year.

National Salary and Wage Rate

1.34 The annual average salary and wage rate index rose by 18.0 percent in 2010/11. It had increased by 17.2 percent in the previous year. In the review year, annual average price index of salary remained unchanged, where as, the wage rate index went up by 24.0 percent. Their respective increment were 20.2 percent and 16.3 percent in the previous year. During the review year, within the wage rate index, annual average indices of agricultural, industrial and construction laborer increased by 32.3 percent, 9.5 percent and 21.3 percent respectively.

External Sector

Overall Trade Situation

1.35 In 2010/11, Nepal's external sector demonstrated a slight improvement as a result of improvement in export trade accompanied with the slow growth of import. The growth of trade deficit was significantly lower when compared to that of the previous year. The services (net) also witnessed a marked improvement, largely from an increase in the earnings from services accompanied with a reduction in the service payment. In addition to these, the overall Balance of Payment (BOP) recorded surplus as a result of sizeable decline of the current account deficit resulting from a favourable situation of remittance inflow and satisfactory growth of the capital transfer. Consequently, the foreign exchange reserves also witnessed improvement.

Exports and Imports

- 1.36 In 2010/11, total exports increased by 6.1 percent to Rs. 64.56 billion. In the previous year, total exports had decreased by 10.2 percent. Total imports rose by 5.5 percent to Rs. 394.90 billion in comparison to a growth of 31.6 percent in the previous year. As a result, in the review year, total trade deficit grew by 5.4 percent to Rs. 330.34 billion. In the previous year, total trade deficit had risen by 44.6 percent to Rs. 313.51 billion. Similarly, total trade increased by 5.6 percent to Rs. 459.46 billion in comparison to its growth of 23.6 percent in the previous year (Table 10). While the ratio of total exports to GDP declined to 4.8 percent in the review year from 5.2 percent in the previous year, total imports to GDP ratio declined to 29.3 percent from 31.9 percent in the previous year. As a result, trade deficit to GDP ratio declined to 24.5 percent in the review year from 26.8 percent in the previous year.
- 1.37 Exports to India increased by 8.4 percent to Rs. 43.35 billion in contrast to a drop of 2.5 percent in the previous year. In the review year, exports to India of zinc sheet, jute goods, juice, cardamom and thread, among others increased considerably. (Tables 10 & 11).
- 1.38 In contrast to a drop by 22.0 percent in the previous year, exports to other countries increased by 1.8 percent to 21.21 billion in the review year. The exports of pashmina, woolen carpet, hide and skin and tea increased considerably in the review year (Tables 10 and 13).
- 1.39 In the review year, imports from India rose by 20.5 percent to Rs. 261.63 billion in comparison to a growth of 33.7 percent in the preceding year. The imports of petroleum products, M.S. billet, medicines, coldrolled sheet in coil and hot rolled sheet in coil, among others from India increased considerably. Under the provision of imports from India against the payment of convertible currency, goods worth Rs. 47.77 billion (this amounted to 18.3 percent of total imports from India) were imported. Such import was Rs. 47.70 billion (this amounted to 18.2 percent of total imports from India) in the previous year. Trade deficit with India that had gone up by 45.9 percent in the previous year rose by 23.2 percent in the review year.
- 1.40 In the review year, imports from countries other than India declined by 15.2 percent and amounted to Rs. 133.27 billion compared to a rise of 28.8 percent in the previous year. The imports of gold, readymade garments, steel rod and sheet, other machinery and parts, betel nuts and medicine declined considerably in the review year. The trade deficit with other countries, which had soared by 43.1 percent in the previous year, declined by 17.8 percent in the review year. (Tables 10 and 14).
- 1.41 The share of India in total trade increased to 66.4 percent in the review year from 59.1 percent in the previous year. The share of India in total exports went up to 67.1 percent in the review year from 65.8 percent in the previous year. Likewise, the share of India in total imports went up to 66.3 percent from 58.0 percent in the preceding year. As a result, the share of India in total trade balance increased to 66.1 percent in the review year from a level of 56.5 percent in the preceding year. (Table 10).

Balance of Payments

- 1.42 After adjusting border trade, total exports, under free-on-board (f.o.b) valuation, increased by 9.0 percent to Rs. 68.87 billion in 2010/11. In the previous year, such exports had declined by 9.6 percent. Due to the increase in the import of petroleum products by 45.5 percent and the reduction in import of other merchandise goods by 0.8 percent, total imports under free-on-board (f.o.b) valuation soared by 5.7 percent to Rs. 387.62 billion in the review year. In the previous year, due to the rise in the import of petroleum products by 24.8 percent and the rise in the import of other merchandise goods by 32.5 percent, total imports had increased by 31.3 percent. Consequently, trade deficit increased by 5.0 percent to Rs. 318.74 billion in the review year compared to the rise of 45.0 percent in the previous year (Table 15).

- 1.43 The travel income declined by 12.5 percent to Rs. 24.61 billion. Despite the fall in travel income, a rise in the income of other services by 39.9 percent, the total receipts from services rose by 3.7 percent to Rs. 53.01 billion in the review year in comparison to a drop of 3.2 percent in the previous year. In the review year, the transportation and travel expenses declined by 19.4 percent and 14.4 percent respectively. As a result, total services payments declined by 8.8 percent to Rs. 61.59 billion in comparison to an increase of 6.6 percent in the previous year. Thus, net services income was negative by Rs. 8.57 billion in the review year. In the previous year, such income was negative by Rs. 16.39 billion.
- 1.44 On the income front, income receipts increased by 17.3 percent to Rs. 17.50 billion. Similarly, because of the increase in the bonus and profit repatriated by foreign investors, income payments increased by 71.6 percent to Rs. 9.96 billion. Consequently, in comparison to the previous year, net income declined by 17.2 percent to Rs. 7.55 billion.
- 1.45 In the review year, grants declined by 3.4 percent to Rs. 25.78 billion as compared to a fall by 0.5 percent in the previous year. In comparison to the previous year's growth of 10.5 percent, workers' remittances in the review year increased by 9.4 percent to Rs. 253.55 billion. In this period, pension receipts increased by 12.2 percent to Rs. 28.99 billion. In this way, the net transfer receipts rose by 8.9 percent to Rs. 307.86 billion. As a result, the current account posted a deficit of Rs. 11.91 billion in the review year. Such deficit was 0.9 percent of GDP. In the preceding year, the current account had registered a deficit of Rs. 28.14 billion (2.4 percent of GDP) (Table 15).
- 1.46 Under the capital account, transfers stood at Rs.15.91 billion in the review year compared to Rs. 12.58 billion in the preceding year.
- 1.47 Under the financial account, the other investment assets rose by Rs. 25.76 billion. In the previous year, such assets had risen by Rs. 18.25 billion. Under other investment liabilities, the amount of trade credit in the review year increased by Rs. 18.29 billion. In 2010/11, the inflow of government loan was Rs. 13.70 billion while repayment amounted to Rs. 11.22 billion. In the review year, currency and deposit liabilities increased by Rs. 0.42 billion. As a result, the overall balance of payments recorded a surplus by Rs. 2.93 billion in the review year. In the previous year, the balance of payments had recorded a deficit by Rs. 3.63 billion (Table 15).

Gross Foreign Exchange Reserves

- 1.48 The gross foreign exchange reserves increased by 1.2 percent to Rs. 272.10 billion as at mid-July 2011 compared to the level as at mid-July 2010. From this amount, the share of Nepal Rastra Bank (NRB) was 78.3 percent. Such reserves had declined by 6.2 percent to Rs. 268.91 billion in the previous year; from this amount the share of NRB was 76.4 percent. Of the total reserves, the share of NRB gone up by 3.8 percent to 213.10 billion in the review year (Table 16). The gross foreign exchange reserves in terms of US\$ rose by 6.2 percent to US\$ 3.84 billion as at mid-July 2011 compared to its negative growth of 1.6 percent in the same period of the preceding year. The current level of reserves is adequate for financing merchandise imports of 8.4 months and merchandise and service imports of 7.3 months.

Table 1.4
Reserve Adequacy Indicators

	2008/09	2009/10	2010/11P
Trade indicators (in months)			
Import capacity (Goods only)	12.3	8.7	8.4
Import capacity (Goods and services)	10.0	7.4	7.3
Debt indicator (in percent)			
Gross foreign exchange reserve/Total foreign debt outstanding	103.4	104.9	104.9
Monetary indicators (in percent)			
Gross foreign exchange reserve/Broad money supply	45.4	37.4	34.5
Gross foreign exchange reserve/Reserve money	146.5	123.0	116.2
Gross foreign exchange reserve/GDP	29.0	23.0	20.2

P Provisional

Source: Nepal Rastra Bank and Financial Controller General Office

- 1.49 The ratios of gross foreign exchange reserve to broad money supply and reserve money remained at 34.5 percent and 116.2 percent respectively as at mid-July 2011. Such ratios were 37.4 percent and 123.0 percent respectively in the previous year.

Foreign Debt

- 1.50 The foreign debt outstanding increased by 1.2 percent to Rs. 259.35 billion as at mid-July 2011 compared to Rs. 256.24 billion in the previous year. As at mid-July 2011, the ratio of gross foreign exchange reserve to total foreign debt remained at the same level of 104.9 percent as that of mid-July 2010.

Exchange Rate Movement

- 1.51 The exchange rate of Nepalese currency with Indian currency remained unchanged in 2009/10. Compared to mid-July 2010, while the Nepalese currency vis-à-vis US dollar appreciated by 4.9 percent, it had depreciated against the Pound Sterling, Euro and Japanese Yen by 0.7 percent, 5.5 percent and 5.6 percent respectively.

Table 1.5
Exchange Rate Movement

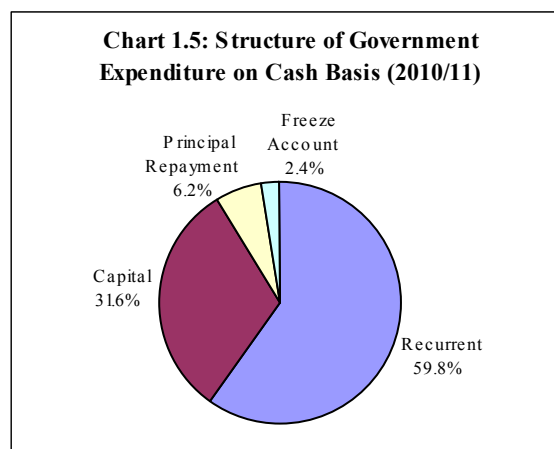
Foreign currency	Buying rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2009	2010	2011	2010	2011
1. US dollar	78.05	74.44	70.95	4.8	4.9
2. Pound sterling	126.78	113.71	114.54	11.5	-0.7
3. Euro	109.07	94.79	100.34	15.1	-5.5
4. Japanese yen	8.39	8.45	8.95	-0.7	-5.6

Fiscal Situation

- 1.52 Progress as expected would be achieved, if the full-fledged budget came prior to the start of the fiscal year. But the budget of 2010/11 did not come in time. The provision was made to spend one-third expenditure of last fiscal year's actual expenditure and full budget came only in November 2010. Due to above reasons GoN's fiscal sector couldn't improve as expected. The growth rate of total government expenditure decelerated due to delay in announcement of government's budget. During the review year, budget deficit on cash basis stood at 3.8 percent of GDP. Capital expenditure this year also didn't improve as expected. The trend of increasing capital expenditure at the end of the fiscal year continued in the review period as well.

Government Expenditure

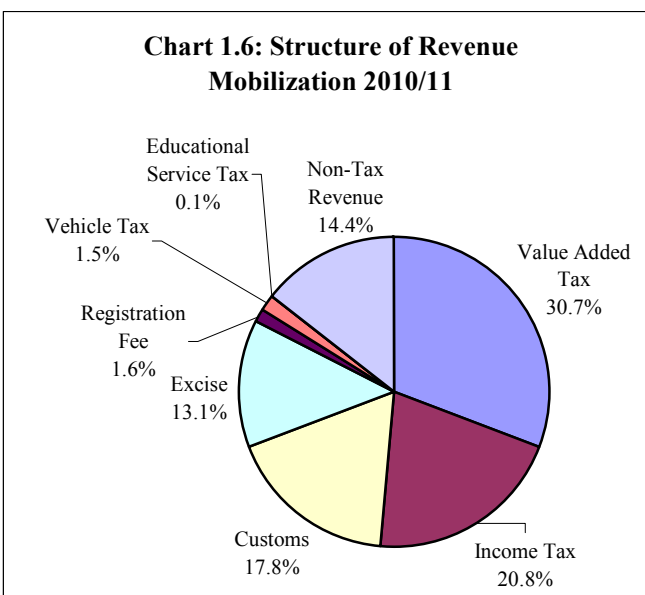
- 1.53 Total government expenditure on cash basis increased by 10.7 percent to Rs. 277.68 billion in 2010/11 compared to a rise of 21.3 percent to Rs. 250.82 billion in 2009/10. Slow growth in both recurrent as well as capital expenditure contributed to such a deceleration in total expenditures.
- 1.54 The recurrent expenditure on cash basis rose by 13.5 percent to Rs. 166.01 billion in 2010/11 compared to a rise of 22.3 percent in the previous year. Delay in announcement of annual budget of FY 2010/11 was responsible for such a low growth rate of recurrent expenditure.
- 1.55 In the review year, capital expenditure increased by 15.7 percent to Rs. 87.89 billion compared to a rise of 21.1 percent in the previous year. The total capital expenditure incurred in 2010/11 was 67.8 percent of the total budget estimate. Delay in the approval of program, infrastructure development and tender, late announcement of budget through the ordinance and unstable peace and security situation of the country were mainly attributed to such lower growth of capital expenditure in the review year.
- 1.56 The ratios of recurrent expenditure, capital expenditure, principal repayment and freeze expenditure with total government expenditure stood at 59.8 percent, 31.6 percent, 6.2 percent and 2.4 percent respectively in the review period. Such ratios in the previous year were 58.3 percent, 30.3 percent, 7.3 percent and 4.1 percent respectively.



Government Revenue

- 1.57 Total revenue of the GoN increased by 11.6 percent to Rs 200.79 billion in 2010/11. Such revenue amount is 92.7 percent of annual target of Rs. 216.64 billion. Government revenue had increased by 25.4 percent to Rs. 179.95 billion in the previous year. Consequently, revenue to GDP ratio remained at 14.9 percent in the review year. Such ratio was 15.4 percent in the previous year. The low growth of revenue mobilization was attributed to the delay in the announcement of the government budget, where revenue mobilization was based on previous year's Finance Act and there was slow growth of capital expenditure. Likewise, decline in the growth rate of import also affected the growth rate of revenue of the government during the review year.
- 1.58 Amongst the components of revenue, the Value Added Tax (VAT) collection increased by 15.3 percent to Rs 61.67 billion in the review period. Such revenue had increased by 35.0 percent in the previous year. Lack of expansion of industrial products, ineffective billing system, use of fake bills and low invoicing practice were attributed for such a low growth rate in VAT.
- 1.59 The revenue collection from customs increased only by 1.8 percent to Rs. 35.66 billion in 2010/11 compared to an increase of 31.6 percent in the previous year. The growth rate of custom declined mainly due to low growth rate of import compared to that of the previous year.

- 1.60 The income tax revenue increased by 23.9 percent to Rs. 41.68 billion in the FY 2010/11 which had increased by 22.4 percent to Rs. 33.65 billion in the previous year. This reflected positive impact of "Tax Implementation Campaign Year".
- 1.61 In the review year, excise revenue increased by 8.5 percent to Rs. 26.39 billion compared to an increase of 49.6 percent in the previous year. The growth rate of excise revenue declined mainly due to the decrease in the imports of high excise tax-yielding vehicles.
- 1.62 Of the total revenue mobilization, the contribution of VAT, custom, income tax and excise revenue remained at 30.7 percent, 20.8 percent, 17.8 percent and 13.1 percent respectively in 2010/11. Such contributions in the previous year were 29.7 percent, 18.7 percent, 19.5 percent and 13.5 percent respectively.
- 1.63 Non-tax revenue increased by 14.4 percent to Rs 28.97 billion in 2010/11 compared to a decrease of 4.3 percent in the previous year.



Tax Policy Provisions

- 1.64 Revenue mobilization policies are mainly based on the suggestions provided by Revenue Advisory Board, industrialists, businessmen and other stakeholders. It also takes into account on the commitment made in bilateral and multilateral agreements. The revenue policies as incorporated in the Budget speech for the FY 2010/11 are as follows:
- All persons or entities including doctors, artists, engineers, lawyers, auditors, businessmen, industrialists, investors should obtain a Permanent Account Number (PAN). Those persons or entities failing to get PAN shall not be eligible to get payment from government budget or grant or shall not be involved in such work bearing government budget.
 - Provision of compulsory renewal of casino license each year.
 - Exemption of 40 percent tax on income received from investment made in infrastructure development.
 - Provision of 25 percent tax rebate on income earned from export produced by using local raw materials.
 - 50 percent exemption of income tax to software development, data processing, cyber-cafe and digital mapping industries located within technology park, biotech park and information technology park.
 - If the banks and financial institutions go for merger, their asset and liabilities will be considered as disposal and will be made non-taxable; a special arrangement have been made in context of share holders, managers and employees.
 - In order to encourage taxpayers to issue bills and invoices to make their transaction transparent through the use of cash machines and fiscal printers, arrangement has been made to allow the lump sum deduction in depreciation on the purchase of such machines.

- (h) Arrangement has been made for an advance lump sum payment of land and house tax for five years at existing rates.

Box 1 : Revenue policies for Fiscal Year 2010/11

- Expand tax net by identifying persons and sectors not covered under the tax net.
- Provide protection and promotion with special facilities to import substituting and export promoting industries.
- Create an investment friendly environment to attract domestic and foreign investment.
- Reduce the trade deficit by promoting exports.
- Minimize financial crimes through collection and management of information related to revenue leakages, misuse of foreign exchange and money laundering.
- Enlarge the contribution of non-tax revenue as an important source of overall revenue collection.
- Develop revenue administration as fair, transparent, professional and taxpayer-friendly through making timely reform in the present organizational structure.

- (i) Among the existing seven slabs of import duty, the 25.0 percent rate slab has been removed, reducing the present seven slabs to six slabs.
- (j) Nepal-based authorized dealers of imported vehicles should publish the maximum retail price of the vehicle in the national-level daily newspaper in every four months.
- (k) Separate arrangements for the appropriation of one percent income tax, which was charged as social security tax from the beginning of the last year, were initiated with the objective of utilizing such fund in the social interest of employees and workers.
- (l) The rate of excise duty on public health affecting items such as beer, alcohol, cigarettes and tobacco has been increased.

Box 2 : Strategies for increasing Revenue Base for FY 2010/11

- Fiscal Year 2010/11 observed as "Tax Implementation Campaign Year".
- All persons or entities should obtain permanent account number (PAN) to run the business.
- Persons or entities failing to get PAN shall not be eligible to get payment from government budget or grant or shall not be involved in such work bearing government budget.
- Provision of expanding the tax base by increasing tax incentives and facilities.
- Emphasis on reforms in revenue administration and leakage control.
- Compulsory Value Added Tax (VAT) registration for businessmen not yet registered.

- (m) Commitment to reform existing structure and work procedure, to establish a revenue board to develop a taxpayer-friendly revenue administration and to make the internal investigation system more effective.
- (n) Proposal to provide authority to the government to increase tax rate from existing provision of the parliament only having such power.

- (o) With a view to make revenue administration autonomous and effective, proposal to present a bill in Legislative-Parliament to establish a Central Revenue Board.
- (p) Provision of 30.0 percent exemption to the land registration tax on land transferring ownership to women in rural areas.

Tax Rates

- 1.65 Tax exemption limit for natural individuals and couple in the fiscal year 2010/11 has been kept unchanged at Rs. 1,60,000 and Rs. 200,000 respectively. Similarly additional 40.0 percent tax on income above Rs. 25,00,000 has been kept unchanged. Social security measures have gradually been expanded and a provision to levy one percent tax on the first slab of the income of salaried people has been made from last fiscal year. This is a temporary measure until social security tax is levied.
- 1.66 In the import duties front, seven custom rates on import ranging 5 to 80 percent were prevalent in 2009/10. Such rates have been reduced to six rates in 2010/11. In 2009/10, customs rates on export remained unchanged at 70 and 200 percent, as in previous year. Similarly nine excise rates ranging from 5 to 60 percent remained in 2010/11. There were 7 rates ranging from 5 to 50 percent in 2009/10. (Table 1.6).

**Table 1.6
Tax Rates**

	Description	2009/10	2010/11
1.	Import Duties (Percent)	5, 10, 15, 20, 25, 30 and 80	5,10,15,20,30 and 80
2.	Export Duty (Percent)	70 and 200	70 and 200
3.	Excise(Percent)	5,10,15,25,30,45 and 50	5,10,15,30,35,40,50,55 and 60
4.	VAT (Percent)	13	13
5.	<u>Income Tax</u>		
	(a)Limit of Exemption		
	(i) First Slab of taxable income	1 percent	1 percent
	(ii) Individual	Rs. 160,000	Rs. 160,000
	(iii) Couple or Family	Rs. 200,000	Rs. 200,000
	(b) Rate of Tax (Percent)		
	(i) First Rs. 100,000after Exemption Limit	15 percent	15 percent
	(ii) On residual amount	25 percent	25 percent
	(iii) On additional 25 percent tax amount after Rs 25 lakhs	–	40 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	10 percent	10 percent
	Meeting Allowance	15 percent	15 percent
	Commission	15 percent	15 percent
	Lottery, Upahar, prize	25 percent	25 percent
	Interest Tax	5 percent	5 percent
	Provident Fund and Pension	5 percent	5 percent
	Government Debt	5 percent	5 percent
	Bonus Tax	5 percent	5 percent

Foreign Grants

1.67 In 2010/11, foreign grants reported a growth of 3.9 percent to Rs. 26.21 billion compared to a growth of 3.4 percent to Rs. 25.23 billion in the previous year.

Budget Deficit/Surplus

1.68 The GoN's budget deficit on cash basis increased by 24.3 percent to Rs. 50.63 billion in 2010/11 compared to a deficit of Rs. 40.73 billion in the previous year. The ratio of budget deficit to GDP remained at 3.8 percent in the review period. Such ratio was 3.5 percent in 2009/10.

Sources of Financing Deficit

1.69 In 2010/11, government has mobilized internal debt amounted to Rs. 33.68 billion as a source of deficit financing, which is 2.5 percent of current GDP.

1.70 In 2010/11, because of the repayment of internal debt amounted to Rs. 6.05 billion and the use of overdraft of Rs. 13.01 billion, GoN's net domestic borrowing stood at Rs. 40.64 billion in the review year. The ratio of net domestic borrowing to GDP stood at 3.0 percent. Consequently, the GoN's total outstanding domestic debt (including overdraft amount of Rs. 7.88 billion in 2009/10 and Rs. 13.01 billion in 2010/11) amounted to Rs. 200.21 billion as of mid-July 2011.

1.71 In 2010/11, the mobilization of external debt increased by 17.4 percent to Rs. 4.93 billion compared to Rs 4.20 billion in the previous year.

Status of the Public Enterprises

1.72 Out of 36 state owned enterprises in 2009/10, 22 enterprises had earned profit and 14 enterprises had incurred losses.

1.73 Public enterprises earned net profit of Rs. 10.56 billion in 2009/10. Such profit was Rs. 10.55 billion in the previous year. The increase in overall net profit of public enterprises in 2009/10 was contributed by Nepal Telecom, Rastriya Banijya Bank Ltd. (RBBL) and Agricultural Development Bank Ltd. (ADBN) with net profit of Rs. 10.77 billion, Rs. 1.91 billion and 1.89 billion respectively. The profitability of public enterprises improved slightly in fiscal year 2010/11 compared to that of 2009/10.

1.74 Total shareholders' fund of all state owned enterprises increased by 30.8 percent to Rs. 79.92 billion in 2009/10. In last year, the shareholders' fund of public enterprises in the financial sector was negative by Rs. 804.6 million, which reversed into positive of Rs. 3.50 billion by the end of 2009/10. Moreover, the shareholders' fund of public utility sector has been increased to Rs. 13.22 billion. Thus, in totality, the shareholders' fund has improved.

1.75 In 2009/10, share investment of the GoN decreased by 3.9 percent to Rs. 82.76 billion, which was Rs. 86.13 billion in the previous year. Total outstanding loan investment to the public enterprises in 2009/10 increased by 13.8 percent to Rs. 84.92 billion. Such investment was Rs. 74.60 billion in the previous year. Of this, internal loan was Rs. 19.57 billion and external loan was Rs. 65.34 billion.

1.76 The GoN earned a dividend of Rs. 4.80 billion, which is 5.8 percent of total share investment in 2009/10. Such dividend was Rs. 3.47 billion previous year.

1.77 Executive chiefs have been appointed in National Insurance Company, Citizen Investment Trust, Nepal Stock Exchange Ltd. and Employee Provident Fund on performance contract basis as the GoN initiated the policy of appointing executive chiefs to the public enterprises on the basis of performance contract by holding competition among competent personalities with managerial competency.

- 1.78 Even among the profit earning public enterprises, the financial condition, capacity utilization and employee productivity did not remain satisfactory. Some enterprises are in losses and some enterprises even have negative net worth. A very low rate of return, lack of regular and updated audit, inadequate professional human resources, lack of unfunded liability for the provisions to meet employee-related facilities, enterprise operating in loss are putting ever growing dependence on government and enterprises operating in profit are in trend of taking undue benefits and facilities, lack of appropriate and modern technology, 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.

Privatization and Dissolution of Public Enterprises

- 1.79 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, increasing private sector participation in economic development, the GON had started privatization process since 1994. Up to mid-July, 2010, 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 public enterprise's obligation and GON's compulsion to pay for such obligation, problems in sale of assets, inability to utilize land provided on lease in the process of privatization due to the encroachment are the major challenges of privatization.

Monetary Situation

Money Supply

- 1.80 In FY 2010/11, the broad money supply went up by 9.5 percent. It expanded by 14.1 percent in the previous year. The narrow money supply, which increased by 11.0 percent last year had gone up by 4.5 percent in the review year. The lower growth rate of monetary aggregates in the review year as compared to those in the previous year is on account of lower growth of net domestic assets.
- 1.81 The currency in circulation, a component of narrow money supply, went up by 2.4 percent in the review year as compared to a rise of 13.0 percent in the previous year. In the review year, current deposit increased by 8.5 percent compared to the 7.6 percent growth in the previous year. Time deposit went up by 11.7 percent in the review year compared to 15.5 percent in the previous year.
- 1.82 In FY 2010/11, the net foreign asset (adjusting exchange valuation gain/loss) expanded by Rs. 2.93 billion. It had reduced by Rs. 3.63 billion in FY 2009/10. The lower growth of widening trade deficit coupled with a continuous rise of workers' remittances help to maintain a net surplus in the net foreign assets in the review year.
- 1.83 In FY 2010/11, gross domestic credit expanded by 12.9 percent as compared to 17.2 percent rise in the previous year.
- 1.84 In the review year, net claims on government scaled up by 18.9 percent (Rs. 25.16 billion). In previous year, such claims had increased by 26.9 percent (Rs. 28.26 billion). The claims on government overdraft stood at Rs. 15 billion by the end of the review year as compared to Rs. 16.71 billion last year.
- 1.85 In the review year, net claims on private sector increased by 11.7 percent (Rs. 58.36 billion). In previous year, such claims had increased by 14.2 percent (Rs. 62.30 billion). The sluggish growth of private sector credit in the review year is attributed due to the contraction in banking sector liquidity.

- 1.86 In the review year, claims on non-government financial institutions went down by 32.0 percent as a result of a sluggish growth of commercial banks' investment to development banks, finance companies and financial institutions. Such claims has increased by 64.2 percent in the previous year
- 1.87 In the review year claims on non-financial government enterprises increased by 20.0 percent. In previous year, the claim on that sector had increased by 6.9 percent. An increase in bank credit to National Trading Ltd., Nepal Oil Corporation and Janak Education Material Ltd. led to a rise in the claims to non-financial government enterprises in the review year.
- 1.88 In the review year, reserve money expanded by 7.2 percent as compared to an expansion of 11.7 percent in the previous year. Reduction in net foreign assets of the monetary authority is attributed to such a lower growth in reserve money in the review year.

Status of the Sources and Uses of Fund of Commercial Banks

Resource Mobilization of Commercial Banks

- 1.89 The asset/liabilities of commercial banks increased by 12.5 percent (Rs. 96.13 billion) in the review year as compared to a rise of 9.2 percent (Rs.65.10 billion) in the previous year. An increase in investment on government securities there by mobilizing additional capital, contributed to a significant rise in asset/liabilities of commercial banks.
- 1.90 In FY 2010/11, the deposit mobilization of the commercial banks increased by 9.6 percent (Rs. 59.62 billion) and reached Rs. 680.23 billion at mid-July 2011. In the previous year, the deposit mobilization had increased by 12.7 percent (Rs. 69.93 billion).
- 1.91 The time deposits of commercial banks increased by 22.5 percent in review year despite a fall of saving and current deposits by 2.9 percent and 1.2 percent respectively. An increase in interest rates on time deposits played a significant role for surging up time deposits in the review year.
- 1.92 In addition to the deposit mobilization, resource mobilization of commercial banks increased leading to an increase in paid up capital by Rs. 11.40 billion and general reserves by Rs. 7 billion in the review year. In the previous year, the paid up capital and general reserves had increased by Rs. 6.15 billion and Rs. 2.01 billion respectively. Besides capital mobilization, commercial banks utilized short-term borrowings amounting to Rs. 92.39 through repo auction in the review year.

Uses of Funds of Commercial Banks

- 1.93 The loans and advances of commercial banks increased by 13.4 percent (Rs. 79.80 billion) to Rs. 677.15 billion at mid-July 2011. In previous year, loans and advances had increased by 14.7 percent. Among the components of loans and advances, the share of private sector credit remained the highest. Such claims stood at 41.2 percent of GDP at mid-July 2011.
- 1.94 In FY 2010/11, commercial banks' credit to the private sector increased by 12.3 percent (Rs. 57.94 billion). In the previous year, such credit had gone up by 16.1 percent (Rs. 65.61 billion). Out of the total credit to private sector, the credit to productive sector increased by 21.3 percent (Rs. 20.13 billion) compared to a growth of 7.8 percent in the previous year. Within the productive sector credit, credit expansion to raw jute, cement, sugar, and beverage items remained encouraging. On the other hand, credit to agriculture sector declined by Rs. 1.77 billion in the review year. The credit on wholesale and retail trade; finance, insurance and fixed assets; and service sector increased by 23.3 percent (Rs. 20.63 billion), 7.1 percent (Rs. 3.84 billion) and 23.3 percent (Rs. 6.90 billion) respectively in the review year. Such credit had expanded by 28.7 percent, 39.1 percent and 26.7 percent respectively in the previous year. Similarly, the real estate credit expanded by Rs. 0.20 billion in the review year as compared to the rise by Rs. 13.20 billion in previous year.
- 1.95 Out of total assets of the commercial banks in the review year, the share of investment on the Government securities stood at 12.2 percent as compared to 10.8 percent in the previous year. The

commercial banks' investment on such securities increased by Rs. 22.94 billion in the review year and stood at Rs. 105.94 billion at mid-July 2011. On the other hand, credit to non-financial institutions including Gorkhapatra Sansthan and Nepal Electricity Authority declined during the year under review.

- 1.96 As at mid-July 2011, the liquid assets of commercial banks stood at Rs. 237.44 billion. It accounted for 34.9 percent of the total deposit in the review year as compared to 34.5 percent in the previous year. Out of the components of liquid assets, liquid fund increased by 0.3 percent in the review year. While commercial banks' balance held abroad decreased by 9 percent and reached Rs. 56.77 billion, balance with NRB increased by 6.2 percent (Rs. 3.16 billion) to Rs. 54.28 billion in the review year.

Non-Performing Loan of Commercial Banks

- 1.97 Although the ratio of non-performing loan of commercial banks had improved gradually over the years since the implementation of the financial sector reform program, it has increased to 3.2 percent at mid-July 2011 from 2.5 percent at mid-July 2010. Such ratio was 6.3 percent at mid-July 2008 and 3.6 percent at mid-July 2009.
- 1.98 The ratio of non-performing loan of government owned three commercial banks increased, albeit marginally, in the review year in contrast to a gradual improvement over the years after adopting the financial sector reform program. The non-performing loan of Nepal Bank Ltd. which was recorded at 49.6 percent at mid-July 2005, dropped to 5.3 percent at mid-July 2011. However, as per unaudited balance sheet, such ratio of Nepal Bank Ltd. increased slightly and reached 5.3 percent at mid-July 2011. Similarly, the non-performing loans of Rastriya Banijya Bank Ltd. increased to 10.9 percent at mid-July 2011 compared to 9.8 percent at mid-July 2010 and 53.0 percent at mid-July 2005. The non-performing loans of these two banks had been improving over the years due to a strong measure taken for loan recovery and a massive write-off of bad loans as these two banks have undergone through restructuring process. In the review year, however, such loans have increased due to a slowdown in the share market and real estate transactions. Challenges such as recovering write-off loans and minimizing the ratio of non-performing loans still prevail in these two banks. Similarly, the non-performing loan of Agriculture Development Bank Ltd. remained at 8.6 percent at mid-July 2011 as compared to 8.2 percent at mid-July 2010 and 9.0 percent at mid-July 2009. At mid-July 2011, the ratio of non-performing loan to total loan of government owned commercial banks and private sector commercial banks stood as 8.6 percent and 1.9 percent respectively. Among the private sector banks, the ratio of non-performing loan of Nepal Bangladesh Bank Ltd. remained the highest.

Table 1.7
Status of Non-performing Loan of Commercial Banks
 (Percentage of total loan)

Commercial Banks	2007/08	2008/09	2009/10	2010/11*
Nepal Bank Ltd.	12.4	5.4	2.3	5.3
Rastriya Banijya Bank Ltd.	21.7	15.7	9.8	10.9
Nabil Bank Ltd.	0.7	0.8	1.5	1.8
Nepal Investment Bank Ltd.	1.1	0.6	0.6	0.6
Standard Chartered Bank Nepal Ltd.	0.9	0.7	0.6	0.6
Himalayan Bank Ltd.	2.4	2.2	3.5	3.9
Nepal Bangladesh Bank Ltd.	31.7	19.3	4.4	19.2
Nepal SBI Bank Ltd.	3.8	2.0	1.5	1.1
Everest Bank Ltd.	0.7	0.5	0.2	0.3
Bank of Kathmandu Ltd.	1.7	1.3	1.5	1.8
Nepal Credit and Commerce Bank Ltd.	16.4	2.7	2.7	3.9
Lumbini Bank Ltd.	14.9	9.1	4.5	1.0
Nepal Industrial and Commercial Bank Ltd.	0.7	0.9	0.7	0.6
Machhapuchhre Bank Ltd.	1.0	2.8	2.1	4.5
Kumari Bank Ltd.	1.3	0.4	0.4	1.1
Laxmi Bank Ltd.	0.1	0.1	0.1	0.9
Siddhartha Bank Ltd.	0.7	0.4	0.5	0.6
Agriculture Development Bank Ltd.	11.7	9.0	8.2	8.6
Global Bank Ltd.	0.2	0.1	0.6	2.5
Citizen Bank International Ltd.	-	0.0	0.3	1.1
Prime Bank Ltd.	-	0.0	0.0	0.5
Bank of Asia Nepal Ltd.	-	0.0	0.3	0.6
Sunrise Bank Ltd.	-	0.2	1.0	3.4
NMB Bank Ltd.	-	0.5	0.7	0.3
DCBL Bank Ltd.	-	1.6	1.4	1.6
Kist Bank Ltd.	-	-	0.2	1.0
Janata Bank Ltd.	-	-	-	0.0
Megha Bank Ltd.	-	-	-	0.0
Commerz and Trust Bank Ltd.	-	-	-	0.0
Civil Bank Ltd.	-	-	-	0.0
Century Commercial Bank Ltd.	-	-	-	0.0
Government Owned Banks (Average)	-	10.6	7.3	8.6
Private Sector Banks (Average)	-	1.6	1.2	1.9
Total	6.3	3.6	2.5	3.2

* As per un-audited balance sheet of commercial banks.

Use of Standing Liquidity Facility and Status of Inter-bank Transaction

1.99 In FY 2010/11, the banks and financial institutions used the standing liquidity facility amounting to Rs. 216.67 billion as compared to Rs. 95.54 billion in the previous year. The amount of inter-bank transactions of commercial banks stood at Rs. 397.56 billion during the period under review. The total amount of such transaction was Rs. 268.85 billion in the previous year.

Short-term Interest Rate

1.100 In FY 2010/11, the weighted average interest rate of 91-days treasury bills remained at 7.41 percent while it was 6.50 percent in the previous year. Similarly, the weighted average inter-bank transaction rate recorded at 8.44 percent in the review year compared to 7.74 percent in the previous year. In the review year, the liquidity contraction of commercial banks as well as financial sector as a whole, played a supportive role for rising interest rate.

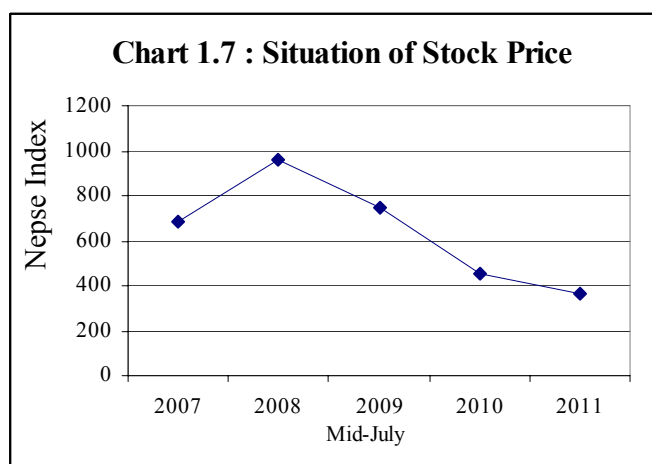
Foreign Exchange Market

1.101 In FY 2010/11, NRB injected Rs. 174.30 billion in money market by purchasing US dollar 2.41 billion from commercial banks through forex market intervention. In the previous year, Rs. 118.66 billion was injected by purchasing US dollar 1.60 billion from commercial banks. Similarly, the NRB purchased the Indian Rupees amounting to IRs. 123.85 billion by selling US dollar 2.74 billion in the review year as compared to the purchase of IRs. 102.9 billion by selling US dollar 2.19 billion in the previous year. The purchase of the Indian currency has increased due mainly to the increasing trade deficits with India

Security Market

1.102 The transaction in the security market could not improve as expected in FY 2010/11 because of the economic and non-economic reasons. Most of the indicators remained at a declining trend as compared to the previous year. Consequently, the transaction amount plummeted by 43.5 percent to Rs. 6.67 billion in FY 2010/11 compared to Rs. 11.79 billion in the previous FY.

1.103 The NEPSE index dropped by 24.0 percent to 362.85 at mid-July 2011 from 477.73 at mid-July 2010. The share price and market indicators both declined in the review year due to a significant rise in supply of share as well as adverse political and economic situation in the country. The NEPSE Sensitive Index (computed by taking mid-July 2006 as base) has stood at 89.44 at mid-July 2011 compared to 116.14 at mid-July 2010. The NEPSE Float Index (computed by taking 24 August 2008 as base) has declined by 30.80 percent to 30.67 at mid-July 2011 from 44.33 at mid-July 2010.



1.104 Since 2010/11, Nepal Stock Exchange Ltd. has commenced various programs in favor of investors and for the development of capital market. In the previous year, an agreement was made with CDSL of India to establish a Central Depository System (CDS) in Nepal while in the review year it had obtained membership of Association of National Numbering Agency (ANNA), Germany. These efforts can be taken as important steps in this regard. Similarly, the arrangement has been made to expand the broker service outside Kathmandu valley. The transaction service initiated by member share brokers in Pokhara from 25 January 2010 in coordination with Nepal Stock Broker Association which has extended to Biratnagar, Birgunj, Narayangadh and Butwal from the previous year.

1.105 The number of listed companies in Nepal Stock Exchange Ltd. reached 209 by mid-July 2011 as compared to 176 at mid-July 2010. Of the listed companies, 177 are financial institutions (including insurance companies), 18 production and processing industries, 4 hotels, 4 commercial institutions, 4 hydropower companies and 2 others. The paid up capital of listed companies increased by 25.6 percent to Rs. 100.23 billion at mid-July 2011, mainly due to a rise in additional shares in Nepal Stock Exchange Ltd.. In FY 2010/11, general share amounting to Rs. 8.79 billion of 31 companies, bonus share amounting to Rs. 3.95 billion of 58 companies, right share amounting to Rs. 8.95 billion of 40 companies have been listed. Out of the increased paid up capital in the review year, the right share, general share and bonus share comprises 41.3 percent, 40.5 percent 18.2 percent respectively. In the previous year, the percentage of general share, right share and bonus share

recorded at 52.0 percent, 28.0 percent and 20.0 percent respectively. Similarly, during the review year, the government bonds of Rs. 7.99 billion has been listed in Nepal Stock Exchange Ltd.

- 1.106 The market capitalization, on year-on-year point basis, has decreased by 14.2 percent to Rs. 323 billion at mid-July 2011. The market capitalization accounted for 24.0 percent of GDP. The ratio was 31.9 percent at mid-July 2010. In the value of market capitalization, the shares of banks and financial institutions accounted for 70.5 percent, production and processing sectors 3.2 percent, hotels 1.7 percent, hydropower 4.7 percent and others 19.4 percent, reflecting that the banks and financial institutions continue to hold a major chunk in the capital market.
- 1.107 Securities Board of Nepal, established in 7 June 1993 as the regulatory body of stock market, has given approval to issue ordinary share of Rs. 1.78 billion to 17 companies and right share of Rs. 5.05 billion to 31 companies in the review year.
- 1.108 The secondary market has been operated for development bond of GoN through auction since 15 December 2006. But, no transaction of such bonds took place in the secondary market during the review year.
- 1.109 By mid-July 2011, securities amounting to Rs. 5.02 billion including the bonds of Rs. 4.90 billion issued by Nepal Electricity Authority (with face value of Rs. 100 per unit), mutual fund of Rs. 0.10 billion (with face value of Rs. 10 per unit) managed by NIDC Capital Markets Ltd. under the trusteeship NIDC have been listed in Nepal Stock Exchange Ltd. (Table 1.8).

Table 1.8
Listed Securities and Mutual Fund Units

Institutions	Listing Date	Amount (Rs. in Million)	Interest Rate (%)
Everest Bank Ltd. – Debenture 2068	23 Aug 2005	300	6.0
Bank of Kathmandu Ltd. - Debenture 2069	21 Mar 2006	200	6.0
Nepal Investment Bank Ltd. - Bond 2070	27 Nov 2006	250	6.0
NIC Bank Ltd. - Bond 2070	22 Feb 2007	200	6.0
Nepal SBI Bank Ltd. – Debenture 2070	20 Feb 2007	200	6.0
Nepal Investment Bank Ltd. - Bond 2071	3 Sep 2007	225	6.5
NCM Mutual Fund – 2069	10 Sep 2003	100	5.0
Nepal Electricity Authority – Debenture 2069	5 June 2008	1500	8.0
Himalayan Bank Ltd. - Debenture 2072	6 Aug 2008	500	8.0
Kumari Bank Ltd. - Bond 2070	6 Aug 2008	400	8.0
Nepal Investment Bank Ltd. - Bond 2072	6 Aug 2008	250	8.0
Nabil Bank Ltd. - Bond 2075	19 Nov 2008	300	8.5
Laxmi Bank Ltd. - Debenture 2072	11 Jan 2009	350	8.5
Siddhartha Bank Ltd. - Bond 2072	8 Oct 2009	227	8.5
Total		5002	

Bank and Financial institutions

Number of Financial Institutions

- 1.110 The number of class 'A' commercial banks licensed by the NRB reached 31 at mid-July 2011. Similarly, there were 87 class 'B' (development banks), 79 class 'C' (finance companies) and 21 class 'D' financial institutions undertaking microcredit transactions (including rural development banks) in operation by the end of the review period. The number of cooperatives and non-government organizations (NGOs) licensed by the NRB to carry out limited banking transactions reached 16 and 38 respectively. At the end of FY 2010/11 (mid-July 2011), the number of financial institutions stood at 300 comprising of banks and financial institutions, a total of 25 insurance

companies, Employees Provident Fund, Citizen Investment Trust and Postal Saving Bank (Table 1.9).

Table 1.9
Number of Bank and Financial Institutions

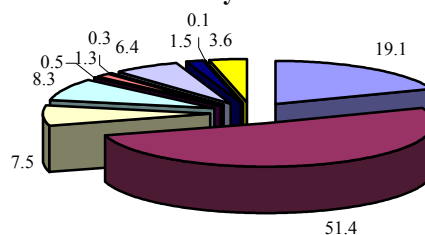
Banks and Financial Institutions	2010 (mid-July)	2011 (mid-July)
Commercial Banks	27	31
Development Banks	79	87
Finance Companies	79	79
Micro-Finance Institutions	18	21
The NRB licensed Cooperatives (with Ltd. banking)	16	16
The NRB licensed NGOs (with Ltd. banking)	45	38
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Saving Bank	1	1

Financial Structure

1.111 The ratio of total assets/liabilities of the banking system and contractual saving institutions to GDP remained at 142.7 percent in mid-July 2011.

1.112 In the composition of total assets/liabilities of financial institutions as of mid-July 2011, commercial banks had the highest share (51.4 percent) followed by NRB with 19.1 percent, finance companies with 7.5 percent, development banks with 8.3 percent, Employee Provident Fund with 6.4 percent and insurance companies with 3.6 percent.

Chart 1.8 : Share of Financial Institutions in Nepalese Financial Sector (percent) Mid-July 2011



■ Nepal Rastra Bank	■ Commercial Banks
■ Finance Companies	■ Development Banks
■ Cooperative Societies	■ Microfinance Development Banks
■ Microfinance NGOs	■ Employees Provident Fund
■ Citizen Investment Trust	■ Postal Saving Bank
■ Insurance Companies	

Development Banks

1.113 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. Prior to the enactment of this Act, there were two development banks namely Agricultural Development Bank (which has been converted into a commercial bank) and Nepal Industrial Development Corporation (NIDC). At present, development banks are operating under the Bank and Financial Institutions Act (BAFIA)-2006 as "B" class financial institutions. During the review period, total financial resources of these banks increased by 28.9 percent to Rs.140.10 billion (Table 23). Total deposit mobilization, the major source of fund for these banks, increased by 25.1 percent and remained at Rs. 96.88 billion. Similarly, capital fund and borrowing increased by 48.1 percent and 10.8 percent respectively. On the uses side of the fund, the major component, such as loan and advances, increased by 35.4 percent and stood at Rs. 88.92 billion.

Finance Companies

1.114 The process of establishing finance companies began after the first amendment in 1993 of the Finance Companies Act 1986. Now those companies are operating under Bank and Financial

Institutions Act, 2006 as "C" class financial institutions. The total financial resources of finance companies increased by 9.7 percent to Rs. 126.61 billion in mid-July 2011 (Table 24). In the previous year, it had increased by 32.1 percent. Total deposit, the major source of fund, increased by 7.5 percent to Rs. 85.48 billion in the review period. It had increased by 39.4 percent last year. Likewise, the capital fund increased by 7.1 percent and stood at Rs. 21.82 billion. The borrowing of these companies increased by 37.7 percent and reached at Rs. 4.51 billion in the review year.

- 1.115 On the uses side, loan and advances increased by 9 percent to Rs. 87 billion in mid-July 2011. During the review period, the investment of finance companies increased by 29.4 percent to Rs 5.72 billion. The liquid asset of finance companies remained at Rs. 20.51 billion in mid-July 2011. Such liquid asset was Rs. 21.66 billion last year.

Financial Institutions conducting Micro-finance Activities

- 1.116 There are 21 micro-finance institutions operating as "D" class financial institutions consisting of 5 Grameen Bikas Banks (Rural Development Banks), 13 private sector replicates of Grameen Banking and 3 wholesale lending microfinance institutions.
- 1.117 Grameen Bikas Banks are operating in each of the five development regions of the country with an objective of providing financial services for a variety of income-generating activities for deprived-rural sector women of the country by forming groups. Out of 5 Rural Development Banks, that were established with the capital investment of GoN, NRB and commercial banks, NRB has divested its share of Purwanchal, Madhyamanchal and Paschimanchal Grameen Bikas Bank among development bank group members, employees and other interested investors. By the end of FY 2010/11, NRB had 10 percent share ownership in Paschimanchal Grameen Bikas Bank and 68.46 percent in Sudur-Paschimanchal Grameen Bikas Bank.
- 1.118 Besides the 5 Grameen Bikas Banks and 5 private institutions conducting micro-financing activities, including Rural Micro-finance Development Center (RMDC) and Sana Kisan Bikas Bank Ltd. (SKBBL), 3 financial institutions have been involved in wholesale micro-financing activities. The RMDC was established on 20 October 1998 (B.S. 2055 Kartik 13) and has been providing wholesale lending to development banks, cooperatives, non-governmental organization. Likewise, the SKBBL which was established on 6 July 2001 (B.S. 2058 Ashadh 22) has been extending wholesale lending to Small Farmers Cooperatives Ltd. (SFCL). Similarly, the First Micro-finance Development Bank Ltd. is providing wholesale lending to co-operative and Non-Government institutions. The paid up capital of RMDC which was established under the joint share ownership of the NRB, commercial banks, micro finance development banks and Deposit and Credit Guarantee Corporation, reached to Rs. 0.32 billion by mid-July 2011. Similarly, total borrowings and loans of RMDC stood at Rs. 2.31 billion and Rs. 2.24 billion respectively in the review year. Likewise, the paid up capital of the First Micro-finance Development Bank stood at Rs. 0.07 billion in mid-July 2011. Similarly, total borrowing and total loans and investment of this bank recorded at Rs. 0.44 billion and Rs. 0.28 billion respectively.
- 1.119 Total assets/liabilities of "D" class micro finance institutions as of mid-July 2011 recorded a growth of 32.5 percent to Rs. 23.42 billion as compared to mid-July 2010. (Table 25). Total deposit mobilization of these institutions stood at Rs. 4.96 billion and total borrowing at Rs. 11.61 billion by mid-July 2011. Similarly, total loan and investment reached to Rs. 14.65 billion and Rs. 1.73 billion respectively.

Rural Self Reliance Fund

- 1.120 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 2011, the Fund has disbursed Rs. 0.56 billion and collected principal amount of Rs. 0.29 billion (Table 1.10).

Table 1.10
Financial Activities of the Rural Self Reliance Fund

Description	Mid-July 2010	Mid-July 2011
Loan Disbursement:		
Number of Districts	54	57
Number of Institutions	496	548
Number of benefited families	22950	27552
Loan Disbursed (Rs.in million)	402.9	558.1
Principal Repaid (Rs.in million)	203.3	293.0
Outstanding Loan (Rs.in million)	199.6	265.1
Overdue loan (as percentage of the loan to be repaid)	6.27	5.90
Loan Recovery (in percentage)	93.73	94.10

NRB Licensed Financial Cooperatives

1.121 Cooperatives, albeit established under Cooperative Act, 1992, are licensed by the NRB have been undertaking limited banking transactions. The total number of such cooperatives by the end of July 2011 reached to 16 including 1 National Cooperative Development Bank. The total assets/liabilities of these institutions amounted to Rs.7.99 billion at the end of the review year (Table 26). Similarly, total deposit, total loans and advances mobilized by these cooperatives stood at Rs. 5.42 billion and Rs. 5.11 billion respectively. The total investment comprising investment on government securities, fixed deposits and other investments stood at Rs 0.24 billion in mid- July 2011.

NRB licensed Non-Government Organizations

1.122 There are altogether 38 NGOs licensed by NRB undertaking limited banking transactions. These are registered under Institutions Registration Act, 1977 and carry out limited banking transactions in accordance with the provision of the Financial Intermediary Act, 1999. Total assets/liabilities of these institutions as of mid-July 2011 recorded 4.66 billion.

Insurance Companies

1.123 In mid-July 2011, there were altogether 25 insurance companies established under Insurance Act, 1992. Among these, 8 offer life insurance services, 16 perform non-life insurance services and one company rendered both life as well as non-life insurance services. According to the ownership structure, 3 insurance companies are operating under foreign investment and 3 insurance companies are in joint ventures with foreign insurance companies. Likewise, 18 insurance companies are in private sector whereas one company is under the government ownership. Based on the financial statistics received from the Insurance Board, total assets/liabilities of these companies increased by 29 percent from last year to Rs. 61.21 billion in mid-July 2011 (Table 27). Total premium collection of these companies is estimated to be Rs. 17.61 billion by mid-July 2011 as compared to Rs. 15.40 billion last year.

Employees Provident Fund

1.124 Employees Provident Fund (EPF), which was established on 16 September 1962 under the EPF Act, 1962, manages the provident fund of government employees, army, police, teachers, government corporations and of some private companies. Total assets/liabilities of the EPF, which is under GoN's Ministry of Finance, increased by 20.4 percent to Rs. 108.79 billion in mid-July 2011 (Table 28). The fund collected by the EPF increased by 19.5 percent and stood at Rs. 103.59 billion in mid-July 2011 compared to Rs. 86.70 billion last year.

Citizen Investment Trust

1.125 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. The Trust is under GoN's Ministry of Finance. Total assets/liabilities of the CIT increased by 18.8 percent to Rs. 26.91 billion in mid-July 2011 from Rs. 22.65 billion last year (Table 29). Fund collection, the major component in the liabilities side, increased by 16.9 percent to Rs. 23.55 billion in mid-July 2011. It was Rs. 20.14 billion last year. On the assets side, loan/advances of CIT reached to Rs. 4.36 billion in the review year from Rs. 3.54 billion last year.

Postal Savings Bank

1.126 The Postal Savings Bank established under GoN's Postal Service Department, came into operation in 1976. Out of a total of 117 licensed offices by mid-July 2011, only 68 postal savings offices mobilized deposits. Total deposit collected by these offices was Rs. 1.15 billion by mid-July 2011. Similarly, the number of total accounts stood at 51,093. As of mid-July 2011, the total investment made by its 59 offices engaged in investment related activities was Rs. 0.43 billion.

Deposit and Credit Guarantee Corporation Pvt. Ltd.

1.127 Deposit and Credit Guarantee Corporation was established on 20 September 1974 with an objective of providing banking services at the door step of poor people and to remote area by encouraging commercial banks to invest on priority sector. The Corporation guarantees loans that are extended to priority sector, livestock, vegetable farming, micro and deprived sector as well as small and medium scale industries. Total loan guaranteed by the Corporation reached to Rs. 0.48 billion as at mid-July 2011.

Credit Information Centre Ltd.

1.128 Credit Information Centre Ltd. (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 loan defaulters. 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 respectively. According to the Centre, there were 263 defaulters added and 131 borrowers were removed from the blacklist during the review period. The total number of blacklisted defaulters as at mid-July 2011 was 3910.

Table 1
World Economic Growth Rate
(Annual Percentage Change)

	2009	2010	Projection	
			2011	2012
World Production	-0.7	5.1	4.0	4.0
Advanced Economies	-3.7	3.1	1.6	1.9
United States	-3.5	3.0	1.5	1.8
Euro Area	-4.3	1.8	1.6	1.1
Japan	-6.3	4.0	-0.5	2.3
Other Developed Economies #	-2.3	4.3	2.8	3.0
Emerging and Developing Economies	2.8	7.3	6.4	6.1
Developing Asia	7.2	9.5	8.2	8.0
China	9.2	10.3	9.5	9.0
India	6.8	10.1	7.8	7.5

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

Source: *World Economic Outlook, September 2011, International Monetary Fund, Washington D.C.*

Table 2
World Trade
(Annual Percentage Change)

	2009	2010	Projection	
			2011	2012
Import				
Developed Economies	-13.6	13.5	6.9	4.0
Emerging and Developing Economies	-9.5	15.3	12.4	8.0
Export				
Developed Economies	-14.4	14.4	7.1	5.2
Emerging and Developing Economies	-8.0	13.5	9.6	7.6

Source: *World Economic Outlook, September 2011, International Monetary Fund, Washington D.C.*

Table 3
World Inflation
(Annual Percentage Change)

	2009	2010	Projection	
			2011	2012
Goods Price				
Fuel	9.4	8.2	10.6	8.4
Non-fuel	4.3	5.6	6.8	5.4
Consumer Price				
Advanced Economies	0.1	1.6	2.6	1.4
Emerging and Developing Economies	5.2	6.1	7.5	5.9

Source: *World Economic Outlook, September 2011, International Monetary Fund, Washington D.C.*

Table 4
Macroeconomic Indicators

S.N.	Description	2008/09	2009/10	2010/11
Percentage Change				
1	In producers' prices			
	a. GDP at 2000/01 prices	4.41	4.55	3.48
	b. GDP at current prices	21.14	18.61	14.93
2	In basic prices			
	a. GDP at 2000/01 prices	3.77	3.97	3.47
	b. GDP at current prices	20.40	16.67	14.92
3	Gross national income at current prices	21.39	18.13	14.58
4	Total Consumption	21.70	21.26	15.84
5	Total Investment	26.50	31.30	-0.93
6	Gross National Savings	30.74	6.81	10.05
7	Gross Fixed Capital Formation	18.27	12.25	2.55
8	Gross Domestic Savings	15.99	-6.88	3.49
9	Gross National Disposable Income	24.13	17.16	14.34
10	Money Supply (M1)	27.30	11.00	4.50
11	Broad Money Supply (M2)	27.30	14.10	9.50
12	Domestic Credit	27.10	17.20	12.90
13	Fixed Deposits	27.30	15.50	11.70
14	Total Exports	14.20	-10.20	6.10
15	Total Imports	28.20	31.60	5.50
16	Gross Foreign Exchange Reserves	34.80	-6.20	1.20
17	Government Revenue	33.30	25.40	11.60
18	Government Expenditure*	37.80	21.30	10.70
19	Government Budget Deficit*	52.90	18.60	24.30
20	Internal Borrowings	-10.10	62.40	12.60
21	National Consumer Price Index	12.60	9.60	9.60
22	Wholesale Price Index	12.80	12.60	9.90
As a percentage of GDP				
1	Total Consumption	90.59	92.61	93.34
2	Total Investment	31.66	35.05	30.21
3	Gross National Savings	35.85	32.29	30.92
4	Gross Fixed Capital Formation	21.36	20.21	18.04
5	Gross Domestic Savings	9.41	7.39	6.66
6	Gross National Disposable Income	126.44	124.90	124.26
7	Money Supply (M1)	19.80	18.40	16.90
8	Broad Money Supply (M2)	63.60	60.80	58.50
9	Domestic Credit	56.10	55.00	54.60
10	Fixed Deposits	43.80	42.40	41.60
11	Total Exports	6.90	5.20	4.80
12	Total Imports	28.80	32.00	29.30
13	Foreign Exchange Reserves	29.00	23.00	20.20
14	Government Revenue	14.50	15.40	14.90
15	Government Expenditure*	20.90	21.40	20.60
16	Government Budget Surplus/Deficit*	3.50	3.50	3.80
17	Internal Borrowings	1.90	2.60	2.50
18	Trade Balance	-21.90	-26.80	-24.50
19	Current Account Balance	4.20	-2.40	-0.90
20	Total Outstanding External Debt	28.00	21.90	19.30

* On cash basis.

Source: Central Bureau of Statistics.

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

(in percentage)

Sector	2008/09	2009/10 ^R	2010/11 ^P
1. Agriculture	3.02	1.27	4.11
Agriculture and Forestry	2.98	1.22	4.07
Fishery	5.31	3.90	6.80
2. Non-Agriculture	4.14	5.39	3.09
Industry	-1.37	3.32	1.39
Mining and Quarrying	0.72	3.14	2.09
Manufacturing	-2.79	1.21	1.47
Electricity, Gas and Water	-3.44	5.36	-4.02
Construction	0.99	4.98	3.33
Service	6.00	6.04	3.60
Wholesale and Retail Trade	5.25	6.67	-0.23
Hotels and Restaurant	2.31	7.24	7.37
Transport, Storage and Communication	6.96	6.14	7.15
Financial Intermediation	2.03	2.84	3.89
Real Estate, Renting and Business	1.93	3.64	2.60
Public Administration and Defence	7.44	4.36	2.99
Education	10.75	7.26	2.89
Health and Social Work	9.59	4.29	5.88
Other Community, Social and Personal Service	12.72	11.76	8.57
GDP at basic price	3.77	3.97	3.47
GDP at producers' price	4.41	4.55	3.48

R Revised estimate.

P Preliminary estimate.

Source: Central Bureau of Statistics.

Table 6
Agriculture Production Index

Agricultural Commodities	Weight	2008/09	2009/10 ^R	2010/11 ^P	2009/10 ^R	2010/11 ^P
		Index			Percent change	
Cereals and Other Crops	49.41	118.05	117.00	123.84	-0.89	5.85
Paddy	20.75	107.29	95.43	105.78	-11.05	10.85
Maize	6.88	130.09	125.00	139.31	-3.91	11.45
Wheat	7.14	116.06	134.43	133.77	15.83	-0.49
Millet	1.37	103.48	105.89	107.01	2.33	1.06
Barley/naked barley	0.22	76.17	90.48	29.00	18.79	-67.95
Potato	4.67	184.52	191.65	199.70	3.86	4.20
Sugarcane	1.24	106.45	117.21	117.21	10.11	0.00
Jute	0.17	95.74	127.90	129.92	33.59	1.58
Tobacco	0.06	62.85	62.70	62.64	-0.24	-0.10
Soyabeans	0.19	120.78	116.75	117.42	-3.34	0.57
Pulses	4.42	104.42	109.48	109.11	4.85	-0.34
Others	2.29	93.83	102.09	104.19	8.80	2.06
Vegetables, Horticultural and Nursery	9.71	164.89	176.92	189.85	7.30	7.31
Total vegetables	9.70	164.87	176.92	189.85	7.31	7.31
Others	0.01	179.26	179.71	180.17	0.25	0.26
Fruit, Nuts Beverage and Spice	7.10	155.60	161.14	168.90	3.56	4.82
Orange	0.97	167.16	177.28	188.00	6.05	6.05
Mango	1.56	117.49	113.94	121.61	-3.02	6.73
Banana	0.40	124.56	132.09	140.09	6.05	6.06
Apple	0.42	124.28	131.80	139.77	6.05	6.05
Spice Crops	1.79	212.69	225.56	239.21	6.05	6.05
Tea	0.05	267.25	293.38	322.06	9.78	9.78
Coffee	0.00	629.21	704.72	789.29	12.00	12.00
Others	1.85	136.64	142.28	152.71	4.13	7.33
Animal and Dairy Products	23.25	122.27	124.03	126.52	1.44	2.01
Buffaloes' Meat	4.42	125.45	129.93	134.61	3.57	3.60
Mutton	3.24	126.32	129.71	134.01	2.68	3.32
Milk	12.36	128.17	132.63	137.58	3.48	3.73
Others	3.23	91.11	77.19	65.42	-15.28	-15.25
Other Animal Products	2.43	127.93	119.64	129.07	-6.48	7.88
Pigs' Meat	0.50	111.50	111.99	114.00	0.44	1.79
Poultry Meat	0.67	124.67	123.67	122.91	-0.80	-0.61
Eggs	0.81	124.17	126.78	127.98	2.10	0.95
Hides and skins	0.35	183.48	120.40	182.85	-34.38	51.87
Others	0.11	95.14	94.49	94.02	-0.68	-0.50
Forestry	8.10	102.69	102.42	115.20	-0.26	12.48
Overall Index	100.00	125.06	126.30	133.31	0.99	5.55

R Revised estimate.

P Preliminary estimate.

Source: Central Bureau of Statistics.

Table 7
National Urban Consumer Price Index
(Annual Average)
 (Base Year: 1995/96=100)

Groups/Sub-groups	Weight %	2008/09	2009/10	2010/11	Percentage Change	
					2009/10	2010/11
Overall Index	100.00	127.2	139.4	152.7	9.6	9.6
1. Food and Beverage	46.82	137.3	158.1	181.3	15.1	14.7
Cereals Grains & their products	14.81	139.6	153.7	175.1	10.1	13.9
Legume Varieties	2.01	165.7	208.8	193.0	26.0	-7.6
Vegetables	5.65	133.4	160.7	217.0	20.5	35.0
Meat & Fish	5.70	141.8	171.5	186.3	20.9	8.6
Milk Products and Egg	5.01	133.1	149.0	170.7	11.9	14.6
Ghee and Oil	2.70	150.0	143.1	146.7	-4.6	2.5
Fruits	2.23	128.4	154.7	184.7	20.5	19.4
Sugar & Sweets	1.36	122.2	177.6	212.3	45.3	19.5
Spices	1.46	137.4	175.1	215.7	27.4	23.2
Soft Drinks	0.96	128.6	152.6	168.5	18.7	10.4
Hard Drinks	1.72	119.1	133.5	142.1	12.1	6.4
Tobacco Products	0.85	135.2	152.1	172.7	12.5	13.5
Restaurant & Hotel	2.35	136.5	164.2	189.7	20.3	15.5
2. Non-Food and Services	53.18	119.0	124.8	131.5	4.9	5.4
Clothing & Footwear	8.49	116.0	124.8	141.4	7.6	13.3
Housing & Utilities	10.87	121.0	124.8	134.1	3.1	7.5
Furnishing & Household Equipment	4.89	127.8	135.7	143.4	6.2	5.7
Health	3.25	114.0	117.8	122.7	3.3	4.2
Transport	6.01	129.7	123.6	136.1	-4.7	10.1
Communication	3.64	100.1	100.1	89.5	0.0	-10.6
Recreation and Culture	5.39	114.6	123.0	120.1	7.3	-2.4
Education	8.46	121.5	135.3	142.7	11.4	5.5
Miscellaneous Goods & Services	2.17	116.0	124.7	132.1	7.5	5.9
Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	129.8	141.8	158.9	9.2	12.1
1. Food and Beverage	49.67	140	159.6	187.5	14.0	17.5
2. Non-Food and Services	50.33	120.6	126.2	135.7	4.6	7.5
Consumer Price Index - Terai						
Overall Index	100.00	125.9	137.8	147.7	9.5	7.2
1. Food and Beverage	44.49	136.4	157.6	176.8	15.5	12.2
2. Non-Food and Services	55.51	118.2	123.7	128.3	4.7	3.7
Urban Consumer Price Index - Hills						
Overall Index	100.00	126.3	139.3	154.0	10.3	10.6
1. Food and Beverage	47.26	135.8	157.3	182.2	15.8	15.8
2. Non-Food and Services	52.74	118.4	124.9	132.5	5.5	6.1

Table 8
National Wholesale Price Index
(Annual Average)
 (Base Year: 1999/2000=100)

Groups/Sub-groups	Weight %	2008/09	2009/10	2010/11	Percentage Change	
					2009/10	2010/11
Overall Index	100.0	180.1	202.8	222.8	12.6	9.9
Agricultural Commodities	49.6	181.3	222.7	246.7	22.8	10.8
Food Grains	16.6	161.5	189.3	214.0	17.2	13.0
Cash Crops	6.1	199.6	275.4	245.4	38.0	-10.9
Pulses	3.8	226.6	278.6	275.6	22.9	-1.1
Fruits and Vegetables	11.2	166.7	182.4	225.4	9.4	23.6
Spices	1.9	143.9	198.0	273.4	37.6	38.1
Livestock Production	10.0	209.6	274.5	309.3	31.0	12.7
Domestic Manufactured Commodities	20.4	164.9	179.0	195.2	8.6	9.1
Food Related Products	6.1	153.8	173.1	183.0	12.5	5.7
Beverages and Tobacco	5.7	160.0	181.5	207.4	13.4	14.3
Construction Materials	4.5	217.9	226.6	238.3	4.0	5.2
Other	4.1	129.9	131.8	148.8	1.5	12.9
Imported Goods	30.0	188.4	186.2	202.1	-1.2	8.5
Petroleum Products and Coal	5.4	330.0	314.2	364.0	-4.8	15.8
Chemical Fertilizers and Chemical Goods	2.5	209.9	189.1	198.3	-9.9	4.9
Transport Vehicles and Machinery Goods	7.0	165.4	163.0	172.4	-1.5	5.8
Electric and Electronic Goods	1.9	100.1	97.0	99.9	-3.1	3.0
Medicine	2.7	123.0	132.2	134.4	7.5	1.7
Textile Related Products	3.1	125.0	128.8	135.7	3.0	5.4
Others	7.5	173.0	180.1	192.0	4.1	6.6

Table 9
National Salary and Wage Rate Index
(2004/05 = 100)

	Group & Sub-group	Weight	2007/08	2008/09	2009/10	2010/11	Percentage Change	
							2009/10	2010/11
	Overall Index	100.00	125.2	144.4	169.2	199.7	17.2	18.0
1.	Salary Index	26.97	118.2	130.6	157.0	157.0	20.2	0.0
	Officer Level	9.80	121.0	129.2	150.2	150.2	16.3	0.0
	Assistant Level	17.17	116.6	131.4	160.9	160.9	22.5	0.0
1.1	Government Service	2.82	135.8	161.2	199.3	199.3	23.6	0.0
	Officer Level	0.31	137.3	148.1	171.5	171.5	15.8	0.0
	Assistant Level	2.51	135.6	162.7	202.7	202.7	24.6	0.0
1.2	Public Institutions	1.14	121.2	138.4	164.1	164.1	18.6	0.0
	Officer Level	0.19	132.1	140.2	161.0	161.0	14.8	0.0
	Assistant Level	0.95	119.0	138.1	164.7	164.7	19.3	0.0
1.3	Bank & Financial Institutions	0.55	170.5	186.0	204.1	204.1	9.7	0.0
	Officer Level	0.10	167.7	173.8	182.3	182.3	4.9	0.0
	Assistant Level	0.45	171.2	188.8	209.0	209.0	10.7	0.0
1.4	Army & Police Service	4.01	121.8	146.9	180.2	180.2	22.7	0.0
	Officer Level	0.17	127.5	137.5	152.2	152.2	10.7	0.0
	Assistant Level	3.84	121.5	147.3	181.5	181.5	23.2	0.0
1.5	Education	10.55	122.8	134.5	174.5	174.5	29.7	0.0
	Officer Level	6.80	125.7	136.4	164.5	164.5	20.6	0.0
	Assistant Level	3.75	117.6	131.2	192.8	192.8	47.0	0.0
1.6	Private organizations	7.90	99.8	101.2	102.5	102.5	1.3	0.0
	Officer Level	2.24	100.5	101.0	101.4	101.4	0.4	0.0
	Assistant Level	5.66	99.5	101.2	102.9	102.9	1.7	0.0
2.	Wage Rate Index	73.03	127.8	149.4	173.8	215.5	16.3	24.0
2.1	Agricultural Labor	39.49	126.7	155.9	187.3	247.8	20.1	32.3
	Male	20.49	125.1	155.6	190.3	251.8	22.3	32.3
	Female	19.00	128.6	156.3	184.0	243.4	17.7	32.3
2.2	Industrial Labor	25.25	131.8	142.8	158.3	173.3	10.9	9.5
	High Skilled	6.31	122.4	131.4	144.8	169.5	10.2	17.1
	Skilled	6.31	129.3	140.1	155.1	168.6	10.7	8.7
	Semi-skilled	6.31	133.5	145.6	161.5	169.5	10.9	5.0
	Unskilled	6.32	142.2	154.2	171.7	185.6	11.3	8.1
2.3	Construction Labor	8.29	120.2	138.6	156.6	189.9	13.0	21.3
	Massion	2.76	119.3	134.4	151.3	179.2	12.6	18.4
	Skilled	1.38	118.2	132.2	149.9	177.0	13.4	18.1
	Unskilled	1.38	120.4	136.6	152.8	181.3	11.9	18.7
	Carpenter	2.76	114.9	130.1	144.6	169.8	11.1	17.4
	Skilled	1.38	114.7	126.7	141.4	167.0	11.6	18.1
	Unskilled	1.38	115.1	133.4	147.7	172.0	10.7	16.5
	Worker	2.77	126.5	151.3	173.8	220.0	14.9	26.6
	Male	1.38	124.2	149.7	171.6	221.7	14.6	29.2
	Female	1.39	128.8	152.9	176.0	219.5	15.1	24.7

Table 10
Direction of Foreign Trade*

(Rs. in million)

	2007/08	2008/09	2009/10P	Percent Change	
				2008/09	2009/10
TOTAL EXPORTS	67697.50	60824.00	64560.40	-10.2	6.1
To India	41005.90	39993.70	43346.00	-2.5	8.4
To Other Countries	26691.60	20830.30	21214.40	-22.0	1.8
TOTAL IMPORTS	284469.60	374335.20	394901.20	31.6	5.5
From India	162437.60	217114.30	261631.20	33.7	20.5
From Other Countries	122032.00	157220.90	133270.00	28.8	-15.2
TOTAL TRADE BALANCE	-216772.10	-313511.20	-330340.80	44.6	5.4
With India	-121431.70	-177120.60	-218285.20	45.9	23.2
With Other Countries	-95340.40	-136390.60	-112055.60	43.1	-17.8
TOTAL FOREIGN TRADE	352167.10	435159.20	459461.60	23.6	5.6
With India	203443.50	257108.00	304977.20	26.4	18.6
With Other Countries	148723.60	178051.20	154484.40	19.7	-13.2

1. Export/Import Ratio	23.8	16.2	16.3
India	25.2	18.4	16.6
Other Countries	21.9	13.2	15.9
2. Portion on Total Export			
India	60.6	65.8	67.1
Other Countries	39.4	34.2	32.9
3. Portion on Total Import			
India	57.1	58	66.3
Other Countries	42.9	42	33.7
4. Portion on Trade Balance			
India	56	56.5	66.1
Other Countries	44	43.5	33.9
5. Portion on Total Trade			
India	57.8	59.1	66.4
Other Countries	42.2	40.9	33.6
6. Portion of Export & Import on Total Trade			
Export	19.2	14	14.1
Import	80.8	86	85.9

* Based on customs data.

P Provisional.

Table 11
Exports of Major Commodities to India*

(Rs. in million)

	Fiscal Year			Percent Change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
A. Major Commodities	30454.93	28882.23	34263.43	-5.2	18.6
Aluminium Section	482.91	346.63	378.63	-28.2	9.2
Batica Hair Oil	22.70	33.80	39.40	48.9	16.6
Biscuits	151.20	0.00	0.50	-100.0	-
Brans	152.20	90.60	50.70	-40.5	-44.0
Brooms	35.80	59.70	7.60	66.8	-87.3
Cardamom	1216.00	1316.00	1914.50	8.2	45.5
Catechue	1217.10	1682.00	1114.00	38.2	-33.8
Cattlefeed	350.50	144.10	62.10	-58.9	-56.9
Chemicals	290.10	151.80	22.70	-47.7	-85.0
Cinnamon	21.30	21.00	35.10	-1.4	67.1
Copper Wire Rod	571.80	643.60	302.60	12.6	-53.0
Dried Ginger	68.00	91.10	3.40	34.0	-96.3
Fruits	69.70	1.80	0.30	-97.4	-83.3
G.I. pipe	1098.40	567.90	806.60	-48.3	42.0
Ghee (Vegetable)	9.10	4.60	19.40	-49.5	321.7
Ghee(Clarified)	106.48	126.80	303.50	19.1	139.4
Ginger	335.10	353.90	301.60	5.6	-14.8
Handicraft Goods	53.38	15.60	19.60	-70.8	25.6
Herbs	206.61	239.00	171.80	15.7	-28.1
Juice	1952.20	1750.10	2363.10	-10.4	35.0
Jute Goods	1282.50	2896.70	3998.10	125.9	38.0
(a) Hessian	207.10	363.90	893.70	75.7	145.6
(b) Sackings	458.80	2016.50	1866.10	339.5	-7.5
(c) Twines	616.60	516.30	1238.30	-16.3	139.8
Live Animals	24.40	36.80	65.60	50.8	78.3
M.S. Pipe	571.20	695.10	943.10	21.7	35.7
Marble Slab	175.40	34.40	52.90	-80.4	53.8
Medicine (Ayurvedic)	163.41	138.80	576.00	-15.1	315.0
Mustard & Linseed	77.20	11.40	26.40	-85.2	131.6
Noodles	803.20	576.40	518.10	-28.2	-10.1
Oil Cakes	532.72	497.50	509.60	-6.6	2.4
Paper	93.10	42.80	7.30	-54.0	-82.9
Particle Board	145.72	103.30	56.40	-29.1	-45.4
Pashmina	65.90	60.70	46.50	-7.9	-23.4
Plastic Utensils	513.42	181.70	600.20	-64.6	230.3
Polyster Yarn	2499.80	3397.90	2640.40	35.9	-22.3
Pulses	381.60	27.60	9.00	-92.8	-67.4
Raw Jute	146.30	64.50	0.00	-55.9	-100.0
Readymade garment	1715.10	333.90	372.70	-80.5	11.6
Ricebran Oil	143.30	111.90	77.40	-21.9	-30.8
Rosin	346.60	358.80	206.40	3.5	-42.5
Shoes and Sandles	750.10	568.00	765.70	-24.3	34.8
Skin	167.50	288.80	341.30	72.4	18.2
Soap	591.00	404.10	372.20	-31.6	-7.9
Stone and Sand	415.56	478.80	446.60	15.2	-6.7
Tarperntine	123.20	112.30	87.80	-8.8	-21.8
Textiles**	3193.54	3361.90	3733.30	5.3	11.0
Thread	2525.40	2771.50	3351.10	9.7	20.9
Tooth Paste	813.20	673.20	972.70	-17.2	44.5
Turmeric	0.50	1.80	1.30	260.0	-27.8
Vegetable	66.80	16.70	35.70	-75.0	113.8
Wire	895.00	1200.10	1637.70	34.1	36.5
Zinc Oxide	0.00	0.00	0.00	-	-
Zinc sheet	2821.70	1794.80	3894.80	-36.4	117.0
B. Others	10550.97	11111.48	9082.57	5.3	-18.3
Total(A+B)	41005.90	39993.70	43346.00	-2.5	8.4

* Based on customs data.

** Includes PP fabric.

P Provisional

Table 12
Imports of Major Commodities from India*

(Rs. in million)

	Fiscal Year			Percent Change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
A. Major Commodities	127580.16	171704.35	207690.90	34.6	21.0
Agri. Equip. & Parts	2490.58	3372.80	3146.80	35.4	-6.7
Aluminium Bars, Rods, Profiles, Foil etc.	654.05	1087.00	1181.71	66.2	8.7
Baby Food & Milk Products	860.19	708.50	999.00	-17.6	41.0
Bitumen	212.90	465.70	534.00	118.7	14.7
Books and Magazines	562.20	733.90	977.60	30.5	33.2
Cement	4226.64	4414.50	4049.80	4.4	-8.3
Chemical Fertilizer	130.20	2951.10	3073.40	2166.6	4.1
Chemicals	2784.64	3133.40	3096.00	12.5	-1.2
Coal	1532.26	2126.00	3074.00	38.7	44.6
Coldrolled Sheet in Coil	6072.98	6802.59	8235.53	12.0	21.1
Cooking Stoves	69.10	107.80	134.80	56.0	25.0
Cosmetics	872.50	1449.00	1646.20	66.1	13.6
Cuminseeds and Peppers	314.02	307.60	492.30	-2.0	60.0
Dry Cell Battery	134.50	275.80	821.20	105.1	197.8
Electrical Equipment	3942.52	6089.50	7212.00	54.5	18.4
Enamel & Other Paints	534.67	764.00	886.00	42.9	16.0
Fruits	349.40	433.80	623.10	24.2	43.6
Glass Sheet and G.Wares	977.74	1193.00	1676.30	22.0	40.5
Hotrolled Sheet in Coil	2851.74	4111.27	5459.42	44.2	32.8
Incense Sticks	121.20	116.30	205.10	-4.0	76.4
Insecticides	300.50	555.40	855.50	84.8	54.0
Live Animals	343.93	433.30	225.30	26.0	-48.0
M.S. Billet	7106.82	13720.69	18337.23	93.1	33.6
M.S. Wires, Rods, Coils, Bars	3701.04	6107.61	5003.81	65.0	-18.1
Medicine	6558.10	7962.80	9800.10	21.4	23.1
Molasses Sugar	67.72	26.30	18.40	-61.2	-30.0
Other Machinery & Parts	7296.89	8416.90	9144.70	15.3	8.6
Other Stationery Goods	254.10	413.50	489.20	62.7	18.3
Paper	1139.30	1389.50	2073.90	22.0	49.3
Petroleum Products	41407.05	51610.40	75076.20	24.6	45.5
Pipe and Pipe Fittings	695.88	652.80	860.50	-6.2	31.8
Plastic Utensils	140.30	128.90	463.50	-8.1	259.6
Radio, TV, Deck & Parts	642.58	860.20	965.00	33.9	12.2
Raw Cotton	57.39	55.60	87.50	-3.1	57.4
Readymade Garments	1178.49	1248.80	1691.60	6.0	35.5
Rice	1134.30	1256.50	1949.10	10.8	55.1
Salt	322.60	472.60	342.70	46.5	-27.5
Sanitaryware	247.80	414.30	916.10	67.2	121.1
Shoes & Sandles	131.35	149.50	196.40	13.8	31.4
Steel Sheet	15.47	0.00	0.00	-100.0	-
Sugar	662.30	673.80	774.30	1.7	14.9
Tea	26.10	24.80	27.10	-5.0	9.3
Textiles	2461.94	2440.70	1939.70	-0.9	-20.5
Thread	2597.20	3022.70	2847.50	16.4	-5.8
Tobacco	1061.56	1817.10	1844.40	71.2	1.5
Tyre, Tubes & Flapes	622.40	896.60	1216.10	44.1	35.6
Vegetables	1290.77	2079.40	1711.60	61.1	-17.7
Vehicles & Spare Parts	16158.63	23776.60	20668.30	47.1	-13.1
Wire Products	263.63	453.50	640.90	72.0	41.3
B. Others	34857.44	46009.95	53940.30	32.0	17.2
Total (A+B)	162437.60	217714.30	261631.20	34.0	20.2

* Based on customs data

P Provisional

Table 13
Exports of Major Commodities to Other Countries*

(Rs. in million)

		Fiscal Year			Percent Change	
		2008/09	2009/10	2010/11 ^P	2009/10	2010/11
A.	Major Commodities	20956.10	15648.90	15128.50	-25.3	-3.3
1	Handicraft (Metal and Wooden)	1077.80	1082.80	362.60	0.5	-66.5
2	Herbs	412.00	239.40	125.70	-41.9	-47.5
3	Nepalese Paper & Paper Products	361.20	553.30	399.00	53.2	-27.9
4	Nigerseed	1.00	0.00	0.00	-100.0	-
5	Pashmina	1526.90	1267.60	2272.10	-17.0	79.2
6	Pulses	6247.10	3952.00	3357.90	-36.7	-15.0
7	Readymade Garments	4904.70	3890.70	3053.80	-20.7	-21.5
8	Readymade Leather Goods	58.20	59.60	29.50	2.4	-50.5
9	Silverware and Jewelleries	262.40	126.60	90.50	-51.8	-28.5
10	Tanned Skin	305.40	307.00	434.20	0.5	41.4
11	Tea	63.90	91.20	144.90	42.7	58.9
12	Woolen Carpet	5735.50	4078.70	4858.30	-28.9	19.1
B.	Others	5735.50	5181.40	6085.90	-9.7	17.5
	Total (A+B)	26691.60	20830.30	21214.40	-22.0	1.8

* Based on customs data.

P Provisional.

Table 14
Imports of Major Commodities from Other Countries*

(Rs. in million)

	Fiscal Year			Percent Change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
A. Major Commodities	96744.90	130891.50	100287.20	35.3	-23.4
Aircraft Spareparts	2020.40	2218.20	2395.70	9.8	8.0
Bags	124.30	258.10	101.00	107.6	-60.9
Betelnut	2922.50	3324.10	1965.30	13.7	-40.9
Button	4.10	17.60	1.50	329.3	-91.5
Camera	1359.00	165.70	333.50	-87.8	101.3
Chemical Fertilizer	79.80	703.50	2367.90	781.6	236.6
Cigarette Paper	31.90	38.80	14.20	21.6	-63.4
Clove	22.50	31.30	73.20	39.1	133.9
Coconut Oil	99.90	17.40	13.60	-82.6	-21.8
Computer and Parts	3769.70	5341.10	6146.40	41.7	15.1
Copper Wire Rod, Scrapes & Sheets	1813.60	1776.20	1307.10	-2.1	-26.4
Cosmetic Goods	2632.50	852.20	783.20	-67.6	-8.1
Crude Coconut Oil	61.70	243.10	25.40	294.0	-89.6
Crude Palm Oil	2949.30	2026.40	6096.60	-31.3	200.9
Crude Soyabean Oil	3658.60	4337.50	6507.60	18.6	50.0
Cuminseed	0.00	0.00	0.00	-	-
Door Locks	91.80	63.30	49.70	-31.0	-21.5
Drycell Battery	150.50	29.90	199.80	-80.1	568.2
Edible Oil	941.40	629.30	486.70	-33.2	-22.7
Electrical Goods	8241.60	6837.70	6005.80	-17.0	-12.2
Fastener	81.00	82.00	27.00	1.2	-67.1
Flash Light	21.60	42.00	24.80	94.4	-41.0
G.I. Wire	61.20	118.80	12.30	94.1	-89.6
Glasswares	166.30	270.80	767.20	62.8	183.3
Gold	16574.60	41635.80	11357.60	151.2	-72.7
Insecticides	122.70	59.30	100.00	-51.7	68.6
M.S. Billet	2946.40	609.40	1668.50	-79.3	173.8
M.S. Wire Rod	280.10	311.60	8.70	11.2	-97.2
Medical Equip. & Tools	1827.60	1890.10	2114.30	3.4	11.9
Medicine	3117.30	3358.00	2131.50	7.7	-36.5
Office Equip. & Stationary	286.40	735.20	694.70	156.7	-5.5
Other Machinery & Parts	5972.30	7656.10	6145.70	28.2	-19.7
Other Stationaries	617.30	593.90	744.00	-3.8	25.3
P.V.C. Compound	1273.60	808.00	662.90	-36.6	-18.0
Palm Oil	416.90	462.30	360.30	10.9	-22.1
Parafin Wax	148.90	134.90	174.30	-9.4	29.2
Petroleum Products	955.70	1693.60	1640.50	77.2	-3.1
Pipe & Pipe Fittings	167.70	397.10	581.30	136.8	46.4
Polythene Granules	3616.50	5787.60	4701.20	60.0	-18.8
Powder Milk	143.00	130.50	106.40	-8.7	-18.5
Raw Silk	41.00	31.80	0.00	-22.4	-100.0
Raw Wool	355.90	873.30	912.70	145.4	4.5
Readymade Garments	4004.60	3736.30	1020.90	-6.7	-72.7
Shoes and Sandals	452.70	1258.10	384.80	177.9	-69.4
Silver	1175.40	3250.90	3725.60	176.6	14.6
Small Cardamom	180.20	139.60	147.90	-22.5	5.9
Steel Rod & Sheet	218.40	2094.00	299.80	858.8	-85.7
Storage Battery	281.00	875.10	696.10	211.4	-20.5
Synthetic & Natural Rubber	186.60	114.60	188.90	-38.6	64.8
Synthetic Carpet	142.80	351.60	383.20	146.2	9.0
Telecommunication Equip. Parts	4064.40	8521.90	8261.30	109.7	-3.1
Tello	165.70	284.70	280.70	71.8	-1.4
Textile Dyes	775.50	325.50	1896.00	-58.0	482.5
Textiles	2927.30	1910.50	1693.20	-34.7	-11.4
Threads	2173.00	2735.20	1638.30	25.9	-40.1
Toys	475.10	194.60	99.70	-59.0	-48.8
Transport Equip. & Parts	5502.10	4235.90	4113.10	-23.0	-2.9
Tyre, Tube & Flaps	261.00	351.20	416.00	34.6	18.5
Umbrella and Parts	145.70	158.20	167.10	8.6	5.6
Video Television & Parts	1818.60	1701.40	2817.50	-6.4	65.6
Watches & Bands	232.20	201.90	185.30	-13.0	-8.2
Writing & Printing Paper	1019.70	1426.50	1783.80	39.9	25.0
X-Ray Film	90.00	126.50	181.30	40.6	43.3
Zinc Ingot	283.80	303.80	96.60	7.0	-68.2
B. Others	25287.10	26329.40	32982.80	4.1	25.3
Total (A+B)	122032.00	157220.90	133270.00	28.8	-15.2

* Based on customs data.

P Provisional.

Table 15
Summary of Balance of Payments

(Rs. in million)

Particulars	Annual			% Change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
A. Current Account	41437.30	-28135.20	-11905.80	-167.9	-57.7
Goods: Exports f.o.b.	69906.80	63177.50	68873.00	-9.6	9.0
Oil	0.00	0.00	0.00	-	-
Other	69906.80	63177.50	68873.00	-9.6	9.0
Goods: Imports f.o.b.	-279227.80	-366692.50	-387614.80	31.3	5.7
Oil	-41356.70	-51607.20	-75076.20	24.8	45.5
Other	-237871.10	-315085.30	-312538.60	32.5	-0.8
Balance on Goods	-209321.00	-303515.00	-318741.80	45.0	5.0
Services: Net	-10478.00	-16385.30	-8572.10	56.4	-47.7
Services: credit	52830.10	51120.50	53012.50	-3.2	3.7
Travel	27959.80	28138.60	24610.70	0.6	-12.5
Government n.i.e.	12734.40	6635.60	5534.60	-47.9	-16.6
Other	12135.90	16346.30	22867.20	34.7	39.9
Services: debit	-63308.10	-67505.80	-61584.60	6.6	-8.8
Transportation	-22116.20	-22964.60	-18502.20	3.8	-19.4
Travel	-31396.30	-32288.20	-27642.90	2.8	-14.4
O/W Education	-12126.00	-12342.60	-7166.70	1.8	-41.9
Government services:debit	-980.40	-1874.50	-1154.60	91.2	-38.4
Other	-9795.60	-12253.00	-14284.90	25.1	16.6
Balance on Goods and Services	-219799.00	-319900.30	-327313.90	45.5	2.3
Income: Net	11749.50	9117.40	7549.40	-22.4	-17.2
Income: credit	16506.60	14917.90	17504.00	-9.6	17.3
Income: debit	-4757.10	-5800.50	-9954.60	21.9	71.6
Balance on Goods, Services and Income	-208049.50	-310782.90	-319764.50	49.4	2.9
Transfers: Net	249486.80	282647.70	307858.70	13.3	8.9
Current transfers: credit	257461.30	287770.60	311156.70	11.8	8.1
Grants	26796.20	26673.60	25780.00	-0.5	-3.4
Workers' remittances	209698.50	231725.30	253551.60	10.5	9.4
Pensions	17755.40	25850.70	28993.40	45.6	12.2
Other (Indian Excise Refund)	3211.20	3521.00	2831.70	9.6	-19.6
Current transfers: debit	-7974.50	-5122.90	-3298.00	-35.8	-35.6
B. Capital Account (Capital Transfer)	6231.00	12578.30	15906.10	101.9	26.5
Total, Groups A plus B	47668.30	-15556.90	4000.30	-132.6	-125.7
C. Financial Account (Excluding Group E)	21201.70	5898.20	2256.94	-72.2	-61.7
Direct investment in Nepal	1829.20	2852.00	6437.10	55.9	125.7
Portfolio Investment	0.00	0.00	0.00	-	-
Other investment: assets	-17675.10	-18253.90	-25762.16	3.3	41.1
Trade credits	-3024.20	-1009.00	-6133.40	-66.6	507.9
Other	-14650.90	-17244.90	-19628.76	17.7	13.8
Other investment: liabilities	37047.60	21300.10	21582.00	-42.5	1.3
Trade credits	19554.60	21968.90	18292.50	12.3	-16.7
Loans	-2899.00	-3933.50	2465.90	35.7	-162.7
General Government	-2832.40	-3901.50	2485.50	37.7	-163.7
Drawings	7287.90	6841.60	13703.10	-6.1	100.3
Repayments	-10120.30	-10743.10	-11217.60	6.2	4.4
Other sectors	-66.60	-32.00	-19.60	-52.0	-38.8
Currency and deposits	20392.00	-2979.70	422.20	-114.6	-114.2
Nepal Rastra Bank	-3.40	44.80	-7.80	-1417.6	-117.4
Deposit money banks	20395.40	-3024.50	430.00	-114.8	-114.2
Other liabilities	0.00	6244.40	401.40	-	-93.6
Total, Group A through C	68870.00	-9658.70	6257.24	-114.0	-164.8
D. Miscellaneous Items, Net	-3719.60	3048.50	-2909.74	-182.0	-195.4
Total, Group A through D	65150.40	-6610.20	3347.50	-110.1	-150.6
E. Reserves and Related Items	-65150.40	6610.20	-3347.50	-110.1	-150.6
Reserve assets	-65069.70	3311.40	-2944.80	-105.1	-188.9
<i>NEPAL RASTRA BANK</i>	-45751.30	4398.20	-7531.40	-109.6	-271.2
Deposit money banks	-19318.40	-1086.80	4586.60	-94.4	-522.0
Use of Fund Credit and Loans	-80.70	3298.80	-402.70	-4187.7	-112.2
Changes in reserve net (- increase)	-44758.40	3630.50	-2925.30	-108.1	-180.6

P Provisional, R Revised.

Table 16
Gross Foreign Exchange Reserves

	Mid-July			Percent change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
Rs. in million					
Nepal Rastra Bank	224190.27	205371.33	213095.10	-8.4	3.8
Convertible	201755.98	165992.71	165257.55	-17.7	-0.4
Inconvertible	22434.29	39378.62	47837.55	75.5	21.5
Commercial Bank	62345.22	63535.81	59008.00	1.9	-7.1
Convertible	58750.32	58222.21	55453.30	-0.9	-4.8
Inconvertible	3594.90	5313.60	3554.70	47.8	-33.1
Total Reserve	286535.49	268907.14	272103.10	-6.2	1.2
Convertible	260506.30	224214.92	220710.85	-13.9	-1.6
Inconvertible	26029.19	44692.22	51392.25	71.7	15.0
US dollar in million					
Nepal Rastra Bank	2872.39	2758.88	3003.45	-4.0	8.9
Convertible	2584.96	2229.89	2329.21	-13.7	4.5
Inconvertible	287.43	529.00	674.24	84.0	27.5
Commercial Bank	798.79	853.52	831.68	6.9	-2.6
Convertible	752.73	782.14	781.58	3.9	-0.1
Inconvertible	46.06	71.38	50.10	55.0	-29.8
Total Reserve	3671.18	3612.40	3835.14	-1.6	6.2
Convertible	3337.68	3012.02	3110.79	-9.8	3.3
Inconvertible	333.49	600.38	724.34	80.0	20.6

P Provisional.

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

(Rs. in Million)

Heads	Amount			Percent Change	
	2008/09	2009/10	2010/11 ^P	2009/10	2010/11
Sanctioned Expenditure`	218368.60	257501.30	282707.10	17.9	9.8
Recurrent	126294.30	147960.20	167562.80	17.2	13.2
Capital	67304.10	80929.50	91276.10	20.2	12.8
<i>a.Domestic Resources & Loans</i>	56301.90	65534.00	70611.90	16.4	7.7
<i>b.Foreign Grants</i>	11002.20	15395.50	20664.20	39.9	34.2
Principal Repayment	19180.40	18432.30	17310.30	-3.9	-6.1
Others (Freeze Account)	5589.80	10179.30	6557.90	82.1	-35.6
Unspent Government Balance	11676.20	6684.60	5026.10	-42.8	-24.8
Recurrent	6725.30	1711.30	1549.20	-74.6	-9.5
Capital	4573.70	4973.30	3387.10	8.7	-31.9
Principal Repayment	377.20	0.00	89.80	-100.0	-
Actual Expenditure	206692.40	250816.70	277681.00	21.3	10.7
Recurrent	119569.00	146248.90	166013.60	22.3	13.5
Capital	62730.40	75956.20	87889.00	21.1	15.7
Principal Repayment	18803.20	18432.30	17220.50	-2.0	-6.6
Others (Freeze Account)	5589.80	10179.30	6557.90	82.1	-35.6
Resources excluding Local Authorities' Account	172336.30	210084.90	227052.80	21.9	8.1
Revenue	143474.50	179945.80	200789.10	25.4	11.6
Foreign Grants	24400.50	25225.90	26207.60	3.4	3.9
Non-Budgetary Receipts,net	445.80	6032.30	1491.50	1253.1	-75.3
Others #	-57.90	85.80	59.60	-248.2	-30.5
V. A. T.	287.20	-307.90	2.60	-207.2	-100.8
Local Authorities' Account (LAA)	3786.20	-897.00	-1497.60	-123.7	67.0
Deficits(-) Surplus(+)	-34356.10	-40731.80	-50628.20	18.6	24.3
Sources of Financing	34356.06	40731.80	50628.20	18.6	24.3
Internal Loans	30629.66	36527.80	45694.00	19.3	25.1
Domestic Borrowings	18417.06	29914.00	33680.00	62.4	12.6
<i>a.Treasury Bills</i>	9000.00	19929.85	14996.60	121.4	-24.8
<i>b.Development Bonds</i>	7750.00	9040.90	8000.00	16.7	-11.5
<i>c.National Savings Certificates</i>	0.00	0.00	10680.00	-	-
<i>d. Citizen Saving Certificate*</i>	1667.06	943.25	3.40	-43.4	-99.6
Overdrafts ⁺⁺	12782.20	7875.70	13011.20	-38.4	65.2
Others@	-569.60	-1261.90	-997.20	121.5	-21.0
Foreign Loans	3726.40	4204.00	4934.20	12.8	17.4

+ Based on data reported by 8 offices of NRB, 65 out of total 65 branches of Rastriya Banijya Bank Ltd., 43 out of total 43 branches of Nepal Bank Ltd., 8 branches of Everest Bank Ltd. , 5 Nepal Bangladesh Bank Ltd. and 1 Global Bank Ltd. conducting government transactions.

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

++ Minus (-) indicates surplus.

@ Interest from Government Treasury transactions and others.

* Including foreign employment bond amounting Rs. 3.38 million of FY 2010/11.

P : Preliminary

Table 18
Outstanding Domestic Debt of the Government of Nepal

(Rs. in Million)

S. No.	Name of Bonds/Ownership	Amount			Amount Change		Percent change	
		2008/09	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
1	Treasury Bills	86515.08	102043.73	120340.68	15528.65	18296.96	17.9	17.9
	a. Banking Sector	83603.42	98586.93	114640.03	14983.51	16053.11	17.9	16.3
	<i>i. Nepal Rastra Bank</i>	22548.58	30477.43	28178.93	7928.85	-2298.49	35.2	-7.5
	<i>ii. Commercial Banks</i>	61054.84	68109.50	86461.10	7054.66	18351.60	11.6	26.9
	b. Non-Banking Sector	2911.66	3456.80	5700.65	545.14	2243.85	18.7	64.9
2	Development Bonds	29478.50	35519.40	43519.40	6040.90	8000.00	20.5	22.5
	a. Banking Sector	11038.93	15037.73	19670.33	3998.80	4632.60	36.2	30.8
	<i>i. Nepal Rastra Bank</i>	302.23	309.05	348.15	6.82	39.10	2.3	12.7
	<i>ii. Commercial Banks</i>	10736.70	14728.68	19322.18	3991.98	4593.50	37.2	31.2
	b. Non-Banking Sector	18439.58	20481.68	23849.08	2042.10	3367.40	11.1	16.4
3	National Saving Certificates	216.92	0.00	10680.00	-216.92	10680.00	-100.0	-
	a. Banking Sector	76.90	0.00	0.00	-76.90	0.00	-100.0	-
	<i>i. Nepal Rastra Bank</i>	76.90	0.00	0.00	-76.90	0.00	-100.0	-
	<i>ii. Commercial Banks</i>	0.00	0.00	0.00	0.00	0.00	-	-
	b. Non-Banking Sector	140.02	0.00	10680.00	-140.02	10680.00	-100.0	-
4	Citizen Saving Bonds	4433.64	5126.89	4630.27	693.25	-496.62	15.6	-9.7
	a. Banking Sector	1155.13	2634.97	3136.67	1479.85	501.70	128.1	19.0
	<i>i. Nepal Rastra Bank</i>	1155.13	2634.97	3136.67	1479.85	501.70	128.1	19.0
	b. Non-Banking Sector	3278.52	2491.92	1493.60	-786.60	-998.32	-24.0	-40.1
	<i>(Of which Remittance)</i>	0.00	4.00	7.38	-	-	-	-
5	Special Bonds	229.60	169.70	158.03	-59.90	-11.67	-26.1	-6.9
	a. Banking Sector	157.60	157.60	157.60	0.00	0.00	0.0	0.0
	<i>i. Commercial Banks</i>	157.60	157.60	157.60	0.00	0.00	0.0	0.0
	b. Non-Banking Sector	72.00	12.10	0.43	-59.90	-11.67	-83.2	-96.4
	<i>(Of which duty drawback)</i>	72.00	12.10	0.00	-59.90	-12.10	-83.2	-100.0
6	Short Term Loan & Advances	8835.80	16711.50	20886.80	7875.70	4175.30	89.1	25.0
	Nepal Rastra Bank	8835.80	16711.50	20886.80	7875.70	4175.30	89.1	25.0
7	Grand Total	129709.54	159571.22	200215.19	29861.69	40643.97	23.0	25.5
	a. Banking Sector	104867.77	133128.73	158491.43	28260.96	25362.71	26.9	19.1
	<i>i. NRB</i>	32918.62	50132.95	52550.56	17214.33	2417.61	52.3	4.8
	<i>ii. Commercial Banks</i>	71949.14	82995.78	105940.88	11046.63	22945.10	15.4	27.6
	b. Non-Banking Sector	24841.77	26442.50	41723.76	1600.72	15281.26	6.4	57.8

Table 19
Monetary Survey
(Mid- July)

(Rs. in million)

	2008/09	2009/10	2010/11 ¹	Amount Change		Percentage Change	
				2009/10	2010/11	2009/10	2010/11
1. Foreign Assets, net	224562.3	213036.5	216611.1	-3630.51¹	2,925.3²	-1.6	1.4
1.1 Foreign Assets	287090.8	275222.5	278833.7	-11868.4	3,611.2	-4.1	1.3
1.2 Foreign Currency Deposits	54866.0	51579.0	52074.1	-3287.0	495.1	-6.0	1.0
1.3 Other Foreign Liabilities	7662.5	10607.0	10148.4	2944.5	-458.6	38.4	-4.3
2. Net Domestic Assets	405958.9	506562.7	571670.1	92708.4¹	65,756.9²	22.8	13.0
<i>2.1 Domestic Credit</i>	555675.5	650982.4	734769.6	95306.8	83,787.3	17.2	12.9
(a) Net Claims on Govt*	104867.7	133128.8	158292.4	28261.0	25,163.6	26.9	18.9
<i>Claims on Govt</i>	104867.7	133128.8	158292.4	28261.0	25,163.6	26.9	18.9
<i>Govt Deposits</i>	0.0	0.0	0.0	0.0	0.0		
(b) Claims on Non-Financial Govt Enterprises	5092.4	5443.1	6507.1	350.8	1,064.0	6.9	19.5
(c) Claims on Financial Enterprises	7361.1	11759.9	10958.9	4398.8	-801.0	59.8	-6.8
<i>Government</i>	1376.1	1931.2	4279.8	555.1	2,348.6	40.3	121.6
<i>Non-Govt.</i>	5985.0	9828.7	6679.1	3843.7	-3,149.6	64.2	-32.0
(D) Claims on Private Sector	438354.4	500650.6	559011.3	62296.2	58,360.7	14.2	11.7
<i>2.2 Net Non-Monetary Liabilities</i>	149716.7	144419.7	163099.5	2598.4	18,030.4	1.7	12.5
3. Broad Money Supply (M2)	630521.2	719599.1	788281.3	89078.0	68,682.2	14.1	9.5
<i>3.1 Money Supply (M1)</i>	196459.4	218159.0	228058.6	21699.6	9,899.5	11.0	4.5
Currency	125758.5	142114.5	145576.6	16356.1	3,462.1	13.0	2.4
Demand Deposits	70700.8	76044.8	82481.5	5344.0	6,436.7	7.6	8.5
<i>3.2 Time Deposits</i>	434061.8	501440.1	560222.7	67378.3	58,782.6	15.5	11.7
4. Broad Money Liquidity (M3)	685387.1	771178.1	840355.4	85791.0	69,177.3	12.5	9.0
5. Reserve Money	195574.8	218547.1	234188.8	22972.3	15,641.6	11.7	7.2
6. Narrow Money Multiplier	1.005	0.998	0.974	-0.01	0.0	-0.6	-2.4
7. Broad Money Multiplier	3.224	3.293	3.366	0.07	0.1	2.1	2.2

E Estimates.

1 Adjusting exchange valuation gain of Rs.7895.4 million.

2 Adjusting exchange valuation loss of Rs.649.4 million.

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

(Rs. in million)

	2008/09	2009/10	2010/11 ^E	Amount Change		Percent Change	
				2009/10	2010/11	2009/10	2010/11
1. Total Deposits	550677.0	620608.7	680230.1	69931.7	59621.4	12.7	9.6
1.1 Demand Deposits	69489.5	79149.2	78203.6	9659.7	-945.6	13.9	-1.2
(a) Domestic Deposits	61749.3	67589.6	67933.2	5840.3	343.6	9.5	0.5
(b) Foreign Deposits	7740.3	11559.6	10270.4	3819.3	-1289.2	49.3	-11.2
1.2 Saving Deposits	259872.4	237492.6	230693.1	-22379.8	-6799.5	-8.6	-2.9
(a) Domestic Deposits	250300.9	232263.5	225019.4	-18037.5	-7244.0	-7.2	-3.1
(b) Foreign Deposits	9571.5	5229.1	5673.7	-4342.4	444.5	-45.4	8.5
1.3 Fixed Deposits	216854.7	298925.1	366195.9	82070.4	67270.8	37.8	22.5
(a) Domestic Deposits	179300.5	264134.8	330065.9	84834.4	65931.0	47.3	25.0
(b) Foreign Deposits	37554.2	34790.3	36130.1	-2763.9	1339.8	-7.4	3.9
1.4 Margin Deposits	4460.4	5041.8	5137.4	581.4	95.6	13.0	1.9
2. Borrowings from NRB	0.0	4783.3	8327.7	4783.3	3544.4	-	74.1
3. Foreign Liabilities	1670.8	1933.3	1868.1	262.5	-65.2	15.7	-3.4
4. Other Liabilities	153688.4	143814.2	176843.2	-9874.2	33029.0	-6.4	23.0
4.1 Paid-up Capital	40738.3	46890.5	58294.9	6152.2	11404.3	15.1	24.3
4.2 General Reserves	13359.5	15373.0	22370.4	2013.6	6997.4	15.1	45.5
4.3 Other Liabilities	99590.7	81550.6	96177.9	-18040.0	14627.3	-18.1	17.9
Assets=Liabilities	706036.2	771139.4	867269.0	65103.2	96129.6	9.2	12.5
5. Liquid Funds	122658.9	131051.5	131496.9	8392.6	445.4	6.8	0.3
5.1 Cash in Hand	15016.1	16863.7	19786.4	1847.6	2922.8	12.3	17.3
5.2 Balance with NRB	45848.7	51113.7	54277.5	5265.0	3163.7	11.5	6.2
5.3 Foreign Currency in Hand	823.3	437.3	500.3	-385.9	63.0	-46.9	14.4
5.4 Balance Held Abroad	59960.7	62357.2	56773.1	2396.5	-5584.1	4.0	-9.0
5.5 Cash in Transit	1010.2	279.6	159.7	-730.5	-119.9	-72.3	-42.9
6. Loans and Advances	520634.6	597348.5	677148.2	76713.9	79799.6	14.7	13.4
6.1 Claims on Government	71949.1	82995.8	105940.9	11046.7	22945.1	15.4	27.6
6.2 Claims on Non-financial Government Enterprises	5080.9	5431.7	6507.1	350.8	1075.4	6.9	19.8
6.3 Claims on Financial Enterprises	7130.6	11040.0	8376.6	3909.3	-2663.4	54.8	-24.1
Government	1177.7	1811.5	2573.5	633.8	762.0	53.8	42.1
Non-government	5953.0	9228.5	5803.1	3275.5	-3425.4	55.0	-37.1
6.4 Claims on Private Sector	434912.7	497139.8	554589.0	62227.2	57449.2	14.3	11.6
(a) Principal	406673.2	472284.0	530219.8	65610.8	57935.9	16.1	12.3
(b) Interest Accrued	28239.5	24855.9	24369.2	-3383.6	-486.7	-12.0	-2.0
6.5 Foreign Bills Purchased & Discounted	1561.2	741.3	1734.6	-819.9	993.3	-52.5	134.0
7. Other Assets	62742.7	42739.0	58624.4	-20003.7	15885.4	-31.9	37.2

E = Estimated.

Table 21
Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to
Banks and Financial Institutions

(Rs. in million)

S.N.	Institutions	2009/10	2010/11
1.	Commercial Banks	3330.0	2332.5
2.	Agriculture Development Bank	0.0	0.0
3.	Nepal Industrial Development Corporation	3.3	0.0
4.	Rural Development Banks	5.7	0.0
5.	Other Development Banks	584.2	2198.0
	Total	3923.2	4530.5

Table 22
Stock Market Indicators

S. No	Particulars	2006/07	2007/08	2008/09	2009/10	2010/11
1.	No. of listed companies	135	142	159	176	209
2.	Paid-up capital of the listed companies (Rs. in million)	21746	29465	61140	79786	10024
3.	Total Market capitalization (Rs. in million)	186301	366248	512939	376871	323484
4.	Annual turnover (Rs. in million)	8360	22873	21681	11787	6665
5.	Market days	232	235	234	225	231
6.	No. of companies traded	135	146	170	198	222
7.	No. of transactions	120510	150800	209091	213733	302364
8.	No. of listed shares (in '000)	243504	321131	637868	826046	1033674
9.	No. of shares traded (in '000)	18144.00	28696.00	30547.00	26231.35	26240.39
10.	Ratio of paid-up capital to GDP (%)	3.36	4.10	7.50	8.05	0.85
11.	Ratio of turnover to paid-up capital (%)	38.44	77.63	35.46	14.85	66.49
12.	Ratio of turnover to market capitalization (%)	4.49	6.25	4.23	3.14	2.06
13.	Ratio of market capitalization to GDP (%)	25.90	44.90	51.74	31.87	24.02
14.	NEPSE Index (closing)	683.95	963.36	749.10	477.73	362.85
15.	NEPSE Sensitive Index (Closing)	175.08	253.72	198.77	116.14	89.44
16.	NEPSE Float Index (Closing)			70.85	44.33	30.67

Source: Nepal Stock Exchange Ltd.

Table 23
Sources and Uses of Fund of Development Banks

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2008/09	2009/10	2010/11 ⁺	2009/10	2010/11
Sources					
Capital Funds	10844.2	15211.6	22524.6	40.3	48.1
Deposits	48936.4	77448.8	96886.6	58.3	25.1
Borrowings	3956.7	4241.1	4700.0	7.2	10.8
Others	4993.8	9560.4	13429.9	91.4	40.5
P/L Account	403.8	2261.9	2559.3	460.2	13.1
Sources=Uses	69134.9	108723.8	140100.4	57.3	28.9
Uses					
Liquid Funds	15942.9	26278.2	29411.2	64.8	11.9
Investment	5044.4	6958.7	5863.1	37.9	-15.7
Loans and Advances	43077.8	65680.6	88923.3	52.5	35.4
Others	4101.9	9604.1	14249.6	134.1	48.4
P/L Account	967.9	202.2	1653.2	-79.1	717.6

+ 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	
	2008/09	2009/10	2010/11 ⁺	2009/10	2010/11
Sources					
Capital Funds	10540.9	20369.4	21818.4	93.2	7.1
Deposits	57073.4	79535.9	85476.8	39.4	7.5
Borrowings	5193.7	3273.1	4505.8	-37.0	37.7
Others	11671.3	9307.4	12383.7	-20.3	33.1
P/L Account	2950.5	2976.6	2431.9	0.9	-18.3
Sources=Uses	87430	115462	126617	32.1	9.7
Uses					
Liquid Funds	16406.5	21664.5	20510.9	32.0	-5.3
Investment	3265.4	4423.6	5724.7	35.5	29.4
Loans and Advances	60078.1	79810.2	87002.3	32.8	9.0
Others	7018.9	9350.6	10817.6	33.2	15.7
P/L Account	661.1	213.5	2561	-67.7	1099.5

+ 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			Percentage Change	
	2008/09	2009/10	2010/11 ⁺	2009/10	2010/11
Sources					
Capital Funds	1939.8	2067.2	2580.5	6.6	24.8
Deposits	2000.6	2411.5	4963.6	20.5	105.8
Borrowings	8973.0	9901.3	11608.3	10.3	17.2
Others	2332.3	3034.5	3764.8	30.1	24.1
P/L Account	193.1	267.1	506.4	38.3	89.6
Sources=Uses	15438.8	17681.6	23423.6	14.5	32.5
Uses					
Liquid Funds	2854.9	2137.2	3272.4	-25.1	53.1
Investment	2068.3	2114.2	1725.2	2.2	-18.4
Loans and Advances	8222.7	10454.6	14648.3	27.1	40.1
Others	2013.5	2804.2	3551.6	39.3	26.7
P/L Account	279.4	171.4	226.1	-38.7	31.9

+ 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			Percentage Change	
	2008/09	2009/10	2010/11 ⁺	2009/10	2010/11
Sources					
Capital Funds	476.3	630.8	646.2	32.4	2.4
Deposits	3904.1	4693.7	5421.9	20.2	15.5
Borrowings	278.3	227.3	312.1	-18.3	37.3
Others	1083.8	1276.2	1395.1	17.8	9.3
P/L Account	92.2	147.2	219.4	59.7	49.0
Sources=Uses	5834.7	6975.2	7994.7	19.5	14.6
Uses					
Liquid Funds	908.7	951.8	1465.9	4.7	54.0
Investment	242.9	260.4	247.2	7.2	-5.1
Loans and Advances	3637.4	4340.8	5105.7	19.3	17.6
Others	1045.7	1350.6	876.9	29.2	-35.1
P/L Account		71.6	299.0		317.6

+ Unaudited.

Table 27
Sources and Uses of Fund of Insurance Companies

(Rs. in million)

Particulars	Mid-July			2009/10		2010/11	
	2008/09	2009/10	2010/11 ⁺	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paidup Capital	2917.7	3450.0	4093.4	532.3	18.2	643.4	18.6
Reserve Funds	28809.1	37310.0	50870.0	8500.9	29.5	13560.0	36.3
Other Liabilities	5287.5	6700.0	6250.0	1412.5	26.7	-450.0	-6.7
Total Sources	37014.3	47460	61213.4	10445.7	28.2	13753.4	29.0
Uses							
Bank and Cash Balances	1737.4	1620.0	1650	-117.4	-6.8	30.0	1.9
Investment	31029.8	40200.0	52693.4	9170.2	29.6	12493.4	31.1
Fixed Assets	1088.5	2410.0	3170.0	1321.5	121.4	760.0	31.5
Other Assets	3158.6	3230.0	3700.0	71.4	2.3	470.0	14.6
Total Uses	37014.3	47460.0	61213.4	10445.7	28.2	13753.4	29.0

+ Unaudited.

Source: Insurance Board Nepal.

Table 28
Sources and Uses of Fund of Employees Provident Fund

(Rs. in million)

Particulars	Mid-July			2009/10		2010/11	
	2008/09	2009/10	2010/11 ⁺	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Provident Fund	72649.8	86705.0	103590.9	14055.2	19.3	16885.9	19.5
Reserve Fund	4524.6	3175.0	4297.8	-1349.6	-29.8	1122.8	35.4
Other Liabilities	1945.2	510.3	904.8	-1434.9	-73.8	394.5	77.3
Total Sources	79119.6	90390.3	108793.5	11270.7	14.2	18403.2	20.4
Uses							
Bank & Cash Balance	3124.5	2073.0	3303.1	-1051.5	-33.7	1230.1	59.3
Investment	33349.3	39302.0	41961.3	5952.7	17.8	2659.3	6.8
<i>Fixed Deposits</i>	25450.0	30910.0	26969.0	5460.0	21.5	-3941	-12.7
<i>GON Borrowings</i>	6621.3	7027.6	13513.2	406.3	6.1	6485.6	92.3
<i>Housing Plan</i>	1.9	1.1	0.6	-0.8	-42.1	-0.5	-45.5
<i>Share Investment</i>	905.7	1000.3	1118.5	94.6	10.4	118.2	11.8
<i>Other Investment</i>	370.4	363.0	360.0	-7.4	-2.0	-3.0	-0.8
Loans and Advances	39404.8	47412.6	61628.1	8007.8	20.3	14215.5	30.0
<i>Project Loan</i>	3500.5	3625.4	6440.5	124.9	3.6	2815.1	77.6
<i>Depositor Loan</i>	35904.3	43787.2	55187.6	7882.9	22.0	11400.4	26.0
Fixed Assets	453.6	497.9	508.4	44.3	9.8	10.5	2.1
Other Assets	2787.4	1104.8	1392.6	-1682.6	-60.4	287.8	26.0
Total Uses	79119.6	90390.3	108793.5	11270.7	14.2	18403.2	20.4

+ Unaudited.

Source: Employees' Provident Fund.

Table 29
Sources and Uses of Fund of Citizen Investment Trust

(Rs. in million)

Particulars	Mid-July			2009/10		2010/11	
	2008/09	2009/10	2010/11 ⁺	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	80.0	100.0	125.0	20.0	25.0	25.0	25.0
Deposit	288.8	562.4	805.8	273.6	94.7	243.4	43.3
Borrowings	14166.8	20141.6	23554.0	5974.8	42.2	3412.4	16.9
Other Liabilities	10843.8	1843.8	2420.6	-9000.0	-83.0	576.8	31.3
Sources=Uses	25379.4	22647.8	26905.4	-2731.6	-10.8	4257.6	18.8
Uses							
Liquid Assets	9776.9	800.0	700.0	-8976.9	-91.8	-100.0	-12.5
Investments	12194.9	16904.9	18986.6	4710	38.6	2081.7	12.3
Loans and Advances	2686.1	3541.0	4363.8	854.9	31.8	822.8	23.2
Other Assets	721.5	1401.9	2855.0	680.4	94.3	1453.1	103.7
Total Uses	25379.4	22647.8	26905.4	-2731.6	-10.8	4257.6	18.8

+ Unaudited.

Source: Citizen Investment Trust.

Table 30
Structure of Nepalese Financial System

(Rs. in million)

Particulars	2008/09			2009/10			2010/11		
	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 (%)	Total assets/ Liabilities (Unaudited)	Percentage share in total	Ratio of total assets to nominal GDP (%)
Financial institutions	1272332.7	89.8	128.8	1332769.1	88.9	113.7	1485249.1	88.0	110.3
Nepal Rastra Bank	282328.4	19.9	28.6	296625.6	19.8	25.3	321760.1	19.1	23.9
Commercial banks	812165.9	57.3	82.2	787300.9	52.6	67.2	867269.0	51.4	64.4
Finance companies	87430	6.2	8.8	115462	7.7	9.9	126617	7.5	9.4
Development Banks	69134.9	4.9	7.0	108723.8	7.3	9.3	140100.4	8.3	10.4
Cooperatives	5834.7	0.4	0.6	6975.2	0.5	0.6	7994.7	0.5	0.6
Micro credit financial institutions	15438.8	1.1	1.6	17681.6	1.2	1.5	21507.9	1.3	1.6
Micro credit non-governmental Organizations	2382.6	0.2	0.2	2382.6	0.2	0.2	4667.4	0.3	0.3
Contractual Savings institutions	141513.3	10.0	14.3	160798.1	10.7	13.7	196912.3	11.6	14.6
Employees Provident Fund	79119.6	5.6	8.0	90390.3	6.0	7.7	108793.5	6.4	8.1
Citizen Investment Trust	25379.4	1.8	2.6	22647.8	1.5	1.9	26905.4	1.6	2.0
Insurance companies	37014.3	2.6	3.7	47760	3.2	4.1	61213.4	3.6	4.5
<i>Postal Saving Bank</i>	1025	0.1	0.1	1085.9	0.1	0.1	1152.4	0.1	0.1
Total	1417253.6	100.0	143.4	1497035.7	100.0	127.7	1687981.2	100.0	125.3
Nominal GDP (Rs Million)			988053.0			1171905.0			1346810.0
Market capitalization of Stock Exchange (Rs million)			512939.0			376871.4			323480.0
Ratio of stock Market capitalization to GDP (%)			51.91			32.16			24.02

Appendix 1.1

List of Licensed Banks and Non-bank Financial Institutions
(Mid-July 2011)

1. Class A : Commercial Banks

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1.	Nepal Bank Ltd.	1937/11/15	Dharmapath, Kathmandu	380.4
2.	Rastriya Banijya Bank Ltd.	1966/01/23	Singhadurbar, Kathmandu	385.3
3.	Agricultural Development Bank Ltd.	1968/01/02	Ramshahpath, Kathmandu	9437.5
4.	NABIL Bank Ltd.	1984/07/16	Kathmandu, Kathmandu	2029.8
5.	Nepal Investment Bank Ltd.	1986/02/27	Durbarmarga, Kathmandu	2409.1
6.	Standard Chartered Bank Nepal Ltd..	1987/01/30	Nayabaneswor, Kathmandu	1610.2
7.	Himalayan Bank Ltd.	1993/01/18	Thamel, Kathmandu	2000.0
8.	Nepal SBI Bank Ltd.	1993/07/07	Hatisar, Kathmandu	1869.3
9.	Nepal Bangladesh Bank Ltd.	05/06/1994	Nayabaneswor, Kathmandu	2010.3
10.	Everest Bank Ltd.	1994/10/18	Lazimpat, Kathmandu	1119.6
11.	Bank of Kathmandu Ltd.	1995/03/12	Kamaladi, Kathmandu	1359.5
12.	Nepal Credit and Commerce Bank Ltd.	1996/10/14	Siddharthanagar, Rupamdehi	1399.7
13.	Lumbini Bank Ltd.	1998/07/17	Narayangadh, Chitwan	1300.0
14.	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar, Morang	1311.6
15.	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara, Kaski	1627.2
16.	Kumari Bank Ltd.	2001/04/03	Durbarmarga, Kathmandu	1485.0
17.	Laxmi Bank Ltd.	2002/04/03	Birgunj, Parsa	1614.0
18.	Siddhartha Bank Ltd.	2002/12/24	Kamaladi, Kathmandu	1561.0
19.	Global Bank Ltd.	2007/01/02	Birgunj, Parsa	1500.0
20.	Citizens Bank International Ltd.	2007/06/21	Kamaladi, Kathmandu	1922.3
21.	Prime Commercial Bank Ltd	2007/09/24	Nayasadak, Kathmandu	2245.7
22.	Sunrise Bank Ltd.	2007/10/12	Gauridghara, Kathmandu	1855.4
23.	Bank of Asia Nepal Ltd.	2007/10/12	Tripureshwor, Kathmandu	1517.5
24.	Development Credit Bank Ltd.	2001/01/23	Kamaladi, Kathmandu	1920.9
25.	NMB Bank Ltd.	1996/11/26	Babarmahal, Kathmandu	1651.7
26.	KIST Bank Ltd.	2003/02/21	Anamnagar, Kathmandu	2000.0
27.	Janata Bank Nepal Ltd.	2003/01/20	Nayabaneswor, Kathmandu	1400.0
28.	Mega Bank Nepal Ltd.	2010/07/23	Kantipath, Kathmandu	1631.0
29.	Comerz and Trust Bank Nepal Ltd.	2010/09/20	Kamaladi, Kathmandu	1400.0
30.	Civil Bank Ltd.	2010/11/26	Kamaladi, Kathmandu	1200.0
31.	Century Commercial Bank Ltd.	2011/03/10	Putalisadak, Kathmandu	1080.0

2. 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	Uddyam Development Bank Ltd.	1999/02/22	Tandi, Chitawan	50.0
3	Malika Development Bank Ltd.	1998/12/27	Dhangadhi, Kailali	204.8
4	Siddhartha Development Bank Ltd.	1998/08/20	Butawal-11, Rupandehi	645.0
5	United Development Bank Ltd.	2002/03/16	Jeetpur, Bara	80.2
6	Manakamana Development Bank Ltd.	2001/06/19	Durbarmarga, Ktm.	1000.0
7	Narayani Development Bank Ltd.	2001/10/17	Ratna Nagar, Chitwan	65.5
8	Pashimanchal Development Bank Ltd.	2003/03/02	Butawal-8, Rupandehi	336.5
9	Sahayogi Bikas Bank Ltd.	2003/10/21	Janakpurdham	75.0
10	Pashupati Development Bank Ltd.	2004/01/01	Banepa, Kavre	663.2
11	Karnali Bikash Bank Ltd.	2004/02/14	Nepalgunj, Banke	80.0
12	Triveni Development Bank Ltd.	2004/07/26	Bharatpur, Chitwan	135.7
13	Annapurna Development Bank Ltd.	2004/08/23	Banepa, Kavre	672.0
14	Bhrikuti Bikas Bank Ltd.	2004/08/19	Butwal, Rupandehi	279.2
15	Shubhechha Bikas Bank Ltd.	2004/09/14	Narayangadh, Chitawan	100.8
16	Bageshowri Bikas Bank Ltd.	2004/10/19	Nepalgunj, Banke	59.5
17	Sanima Bikas Bank Ltd.	2004/11/26	Nagpokhari, Kathmandu	2016.0
18	Gaurishankar Bikas Bittiya Sanstha Ltd.	2004/11/29	Kawasoti, Nawalparasi	210.0
19	Gorkha Bikas Bank Ltd.	2004/12/01	Putalisadak, Kathmandu	660.8

20	Gandaki Bikas Bank Ltd.	2005/01/19	Pokhara, Kaski	200.0
21	Infrastructure Development Bank Ltd.	2005/04/29	Banepa, Kavre	660.7
22	Business Development Bank Ltd.	2005/05/10	Pokhara, Kaski	690.1
23	Biratlaxmi Bikas Bank Ltd.	2005/05/11	Biratnagar, Morang	60.5
24	Excel Development Bank Ltd.	2005/07/21	Anarmani, Jhapa	80.0
25	Western Development Bank Ltd.	2005/09/15	Tribhuvannagar, Dang	50.0
26	H & B Development Bank Ltd.**	2011/06/15	Kamalidi, Kathmandu	897.9
27	Arniko Development Bank Ltd.	2006/07/06	Dhulekhel, Kavre	200.0
28	Nepal Development and Employment Promotion Bank Ltd.	2006/07/17	Kamaladi, Kathmandu	546.1
29	Clean Energy Development Bank Ltd.	2006/09/06	Sitapaila, Kathmandu	1055.0
30	Mitery Development Bank Ltd.	2006/10/13	Mahendrapath, Dharan	90.3
31	Tinau Bikas Bank Ltd.	2006/10/13	Sangampath, Butawal	100.0
32	Rising Development Bank Ltd.	2006/12/18	Navalparasi, Gaidakot	140.0
33	Muktinath Bikas Bank Ltd.	2006/12/18	Pokhara, Kaski	130.0
34	Sewa Bikas Bank Ltd.	2007/2/25	Butawal, Rupandehi	100.0
35	Kankai Bikas Bank Ltd.	2007/05/04	Damak, Jhapa	40.0
36	Public Development Bank Ltd.	2007/06/07	Birjunj, Parsa	150.0
37	Ace Development Bank Ltd.	2007/08/15	Narayanchaur, Kathmandu	750.5
38	Mahakali Bikas Bank Ltd.	2007/08/18	Mahendranagar	35.6
39	Sangrila Bikas Bank Ltd.	2007/08/26	Pokhara, Kaski	224.0
40	Bhargab Bikas Bank Ltd.	2007/08/30	Nepalgunj, Banke	60.0
41	Vibor Bikas Bank Ltd.	2007/10/04	Tripureshwor, Ktm.	681.8
42	Resunga Bikas Bank Ltd.	2007/09/26	Tamghas, Gulmi	30.6
43	Rara Bikas Bank Ltd.	2007/09/30	Birendranagar, Surkhet	200.1
44	Diyalo Bikas Bank Ltd.	2007/10/01	Banepa, Kavre	100.0
45	Country Development Bank Ltd.	2007/10/04	Banepa, Kavre	320.0
46	Kasthamandap Development Bank Ltd.	2007/10/25	New Road, Kathmandu	336.0
47	Alpine Development Bank Ltd.	2007/10/05	Hetauda, Makawanpur	100.0
48	Nilgiri Bikas Bank Ltd.	2007/10/25	Beni, Maygdi	50.0
49	Corporate Development Bank Ltd.	2007/10/25	Birjung, Parsa	140.0
50	Kamana Bikas Bank Ltd.	2007/09/29	Lekhnath, Kaski	200.0
51	City Development Bank Ltd.	2007/10/19	Pokhara, Kaski	200.0
52	Garima Bikas Bank Ltd.	2007/11/23	Pokhara, Kaski	200.0
53	Biswo Bikas Bank Ltd.	2007/11/21	Pokhara, Kaski	240.0
54	Pathibhara Bikas Bank	2007/11/21	Urlabari, Morang	50.0
55	Professional Bikas Bank Ltd.	2007/10/17	Banepa, Kavre	100.0
56	Kabeli Bikas Bank Ltd.	2007/11/15	Dhankuta	20.0
57	Purnima Bikas Bank Ltd.	2008/05/20	Sidhardhanagar	100.0
58	Jyoti Development Bank Ltd.	2008/08/25	Kamalpokhari, Kathmandu	740.0
59	Shine Development Bank Ltd.	2009/02/22	Butawal, Rupandehi	120.0
60	Bagmati Development Bank Ltd.	2009/03/23	Hariwon, Sarlahi	14.0
61	Hamro Bikas Bank Ltd.	2009/04/19	Nuwokot	21.0
62	Kakre Bihar Bikas Bank Ltd.	2009/05/15	Surkhet	18.0
63	Pacific Development Bank Ltd.	2009/07/16	Besisahar, Lamjung	37.4
64	Sivik Development Bank Ltd.	2009/08/13	Dhading Beshi, Dhading	14.0
65	International Development Bank Ltd.	2009/09/04	Teku, Ktm.	448.0
66	Kanchan Development Bank Ltd.	2009/09/29	Mahendranagar, Kanchanpur	70.0
67	Gulmi Development Bank Ltd.	2009/09/24	Tamghas, Gulmi	14.0
68	Bright Development Bank Ltd.	2009/10/08	Panauti, Kabhre	98.0
69	Matribhumi Bikas Bank Ltd.	2009/10/09	Sindhulimadhi, Sindhuli	15.4
70	Innovative Development Bank Ltd.	2009/11/13	Siddharthanagar, Rupandehi	66.3
71	Jhimruk Bikas Bank Ltd.	2009/12/14	Bagdula, Pyuthan	12.0
72	Metro Development Bank Ltd.	2009/12/16	Pokhara, Kaski	70.0
73	Rapti-Bheri Bikas Bank Ltd.	2010/01/15	Nepalgunj, Banke	60.0
74	Gaumukhi Bikas Bank Ltd.	2010/01/25	Bijuwar, Pyuthan	14.0
75	Nepal Consumer Development Bank Ltd.	2010/02/05	Pokhara, Kaski	140.0
76	Khandbari Development Bank Ltd.	2010/03/05	Khandbari, Sankhuwasabha	17.5
77	Tourism Development Bank Ltd.	2010/03/18	Thamel, Kathmandu	400.0
78	Mission Development Bank Ltd.	2010/06/15	Butwal, Rupandehi	70.0
79	Surya Development Bank Ltd.	2010/07/01	Charikot, Dolakha	14.0
80	Mount Makalu Development Bank Ltd.	2010/07/21	Basantapur, Terhathum	14.0
81	Sindhu Bikas Bank Ltd.	2010/09/09	Barhabise, Sindhupalchok	51.0
82	Social Development Bank Ltd.	2010/10/13	Naxal, Kathmandu	382.7

83	Sahara Bikas Bank Ltd.	2010/10/27	Malangwa, Rupandehi	14.0
84	Nepal Community Bank Ltd.	2010/11/03	Butwal, Rupandehi	70.0
85	Cosmos Development Bank Ltd.	2010/11/17	Gorkhabazar, Gorkha	17.5
86	Manasalu Development Bank Ltd.	2010/12/01	Baspark, Gorkha	70.0
87	Samridhi Bikas Bank Ltd.	2010/12/31	Gajuri, Dhading	70.0

3. 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, Kathmandu	167.6
2	Nepal Finance Co. Ltd.	1993/01/06	Kamaladi, Kathmandu	111.4
3	NIDC Capital Markets Ltd.	1993/03/11	Kamaladi, Kathmandu	222.4
4	Narayani Natiuonal Finance Ltd.	2009/11/1	Kalikaasthan, Ktm.	647.5
5	Annapurna Finance Co. Ltd.	1993/09/30	Chipledhunga, Pokhara	704.3
6	Nepal Share Markets and Finance Ltd.	1993/10/19	Ramshahapath, Ktm.	2034.3
7	People's Finance Ltd.	1993/04/15	Tripureshwor, Ktm.	289.0
8	Mercentile Finance Co. Ltd.	1994/11/10	Birgunj, Parsa	18.0
9	Kathmandu Finance Ltd.	1994/11/10	Putalisadak, Kathmandu	135.6
10	Himalaya Finance Co. Ltd.	1993/11/11	Sundhara, Kathmandu	140.0
11	Union Finance Ltd.	12/12/1995	Ganeshwor, Kathmandu	175.9
12	Gorkha Finance Ltd.	1995/03/12	Hattisar, Kathmandu	144.0
13	Paschhimanchal Finance Co.Ltd.	1995/04/09	Butawal, Rupandehi	148.8
14	Nepal Housing & Merchant Finance Co. Ltd.	1995/04/11	Dillibazar, Kathmandu	220.3
15	Universal Finance Co.Ltd.	1995/04/27	Kantipath, Kathmandu	151.8
16	Samjhana Finance Co. Ltd.	1995/05/03	Banepa, Kavre	
17	Goodwill Finance Ltd.	1995/05/16	Dillibazar, Kathmandu	300.0
18	Siddhartha Finance Co. Ltd.	1995/05/25	Siddarthanagar, Rupandehi	130.9
19	Shree Investment & Finance Co. Ltd.	1995/06/01	Dillibazar, Kathmandu	139.1
20	Lumbini Finance & Leasing Co. Ltd.	1995/06/26	Thamel, Kathmandu	268.1
21	Inbesta Finance Ltd.	1995/07/17	Birgunj, Parsa	24.0
22	Yeti Finance Co. Ltd.	1995/07/23	Hetauda, Makawanpur	161.0
23	Standard Finance Ltd.	1995/07/23	Putalisadak, Kathmandu	1001.9
24	International Leasing & Finance Co. Ltd.	1995/10/31	Naya Baneshwor, Kathmandu	2008.8
25	Mahalaxmi Finance Co. Ltd.	1995/11/26	Birgunj, Parsa	420.0
26	Lalitpur Finance Co. Ltd.	1995/12/12	Lalitpur	187.9
27	Bhajuratna Finance & Saving Co. Ltd.	1996/01/09	Kantipath, Kathmandu	38.5
28	United Finance Ltd.	1996/01/25	Kamaladi, Kathmandu	350.8
29	General Finance Ltd.	1996/02/02	Chabahil, Kathmandu	95.9
30	Progressive Finance Ltd.	1995/07/17	New Road, Kathmandu	30.0
31	Alpic Everest Finance Ltd.	1996/07/16	Baghbazar, Kathmandu	93.7
32	Nava Durga Finance Co. Ltd.	1997/02/09	Itachhe, Bhaktapur	126.6
33	Janaki Finance Ltd.	1997/03/07	Janakpurdham	97.5
34	Pokhara Finance Ltd.	1997/03/16	Pokhara, Kaski	312.0
35	Central Finance Co. Ltd.	1997/04/14	Kupondole, Lalitpur	168.4
36	Premier Finance Co. Ltd.	1997/05/08	Manbhavan, Lalitpur	120.7
37	Arun Finance & Saving Co. Ltd.	1997/08/17	Dharan, Sunsari	150.0
38	Multipurpose Finance Co. Ltd	1998/03/25	RajbiRaj, Saptari	15.0
39	Butwal Finance Co. Ltd.	1998/06/21	Butwal, Rupendehi	206.8
40	Shrijana Finance Ltd.	1999/12/14	RajbiRaj, Saptari	28.0
41	Om Finance Ltd.	2000/09/17	Pokhara, Kaski	246.8
42	Cosmic Merchant Banking & Finance Ltd.	2000/11/20	Lal Durbar Marg, Kathmandu	150.0
43	World Merchant Banking & Finance Ltd.	2001/08/10	Hetauda, Makawanpur	182.0
44	Capital Merchant Banking & Finance Ltd.	2002/02/01	Battisputali, Kathmandu	935.1
45	Crystal Finance Ltd.	2002/02/13	Bag Durbar, Kathmandu	70.0
46	Royal Merchant Banking & Finance Ltd.	2002/02/14	Durbarmarg, Kathmandu	293.9
47	Guheshwori Merchant Banking & Finance Ltd.	2002/06/13	Jawalakel, Lalitpur	135.3
48	Patan Finance Ltd.	06/23/2002	Man Bhawan, Lalitpur	100.0
49	Fewa Finance Ltd.	2003/04/30	Pokhara, Kaski	273.0
50	Everest Finance Co. Ltd.	2003/07/02	Bhairahawa, Rupendehi	48.0
51	Prudential Bittiya Sanstha Ltd	2003/06/06	Dillibazar, Kathmandu	293.1
52	ICFC Bittiya Shanstha Ltd.	2003/06/15	Bhatbhateni, Kathmandu	329.4
53	IME Financial Institution Ltd.	2005/08/01	Panipokhari, Kathmandu	359.9
54	Sagarmatha Merchant Banking and Finance Co. Ltd	2005/08/29	Maanvawan, Lalitpur	137.5

55	Shikhar Bittyia Sanstha Ltd.	2005/09/15	Thapathali, Kathmandu	99.5
56	Civil Merchant Bittyia Sanstha Ltd.	2005/09/18	Kuleshwor, Kathmandu	130.0
57	Prabhu Finance Co. Ltd.	2006/02/16	Lainchur, Kathmandu	408.0
58	Imperial Finance Ltd.	2006/03/08	Thapathali, Kathmandu	120.0
59	Kuber Merchant Bittyia Sanstha Ltd.	2006/03/24	Putalisadak, Kathmandu	175.2
60	Nepal Express Finance Ltd.	2006/05/04	Sundhara, Kathmandu	119.6
61	Valley Finance Ltd.	2006/05/11	Maharajganj, Kathmandu	128.0
62	Seti Bittyia Sanstha Ltd.	2006/06/07	Tikapur, Kailali	40.0
63	Hama Merchant & Finance Ltd.	2006/06/16	Tripureshwor, Kathmandu	200.0
64	Reliable Finance Ltd.	2006/09/06	Sundhara, Kathmandu	198.0
65	Lord Buddha Financial Institutions Ltd.	2006/11/19	Newroad, Kathmandu	130.7
66	Api Finance Ltd.	2007/04/25	Lekhanath Chock, Kaski	60.0
67	Namaste Bittyia Sanstha Ltd..	2007/07/07	Ghorai, Dang	14.2
68	Kaski Finance Ltd.	2007/07/30	Pokhara, Kaski	150.0
69	Suryadarshan Finance Co. Ltd.	2007/07/30	New Baneshor, Kathmandu	100.0
70	Zenith Finance Ltd.	2007/10/08	Newroad, Kathmandu	134.4
71	Unique Financial Institution Ltd.	2007/10/12	Putalisadak, Kathmandu	100.0
72	Manjushree Financial Institution Ltd.	2007/10/15	New Baneshor, Kathmandu	125.9
73	Swastik Merchant Finance Company Ltd.	2007/10/16	Kichapokhari, Kathmandu	100.0
74	Subhalaxmi Finance Ltd.	2007/11/11	Naxal, Kathmandu	200.0
75	Jebil's Finance Ltd.	2009/10/28	New Road, Kathmandu	102.0
76	Reliance Finance Ltd.	2009/12/3	Pradarshanmarga, Kathmandu	140.0
77	Lotus Investment Finance Ltd.	2010/4/11	New Road, Kathmandu	120.0
78	Baibhab Finance Ltd.	2011/01/24	New Baneshwor, Kathmandu	147.0
79	Bhaktapur Finance Company Ltd.	2011/02/08	Chyamhasingh, Bhaktapur	125.0

4. 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 Pashimanchal Grameen Bikas Bank	1993/03/28	Dhangadhi, Kailali	58.5
3	Pashimanchal Grameen Bikas Bank	1995/04/01	Butwal-8, Rupandehi	66.0
4	Madhya Pashimanchal Grameen Bikas Bank	1995/04/01	Nepalgunj, Banke	68.3
5	Madhymanchal Grameen Bikas Bank	1996/07/08	Janakpur, Dhanusha	100.0
6	Nirdhan Utthan Bank Ltd.	1999/04/13	Bhairahawa, Rupandehi	174.0
7	Rural Microfinance Development Centre	1996/12/06	Putalisadak, Ktm.	320.0
8	Deprosc Development Bank Ltd.	2001/07/03	Ratnanagar, Chitwan	42.5
9	Chhimek Development Bank Ltd.	2001/12/10	Hetauda, Makawanpur	123.4
10	Shawalamban Laghu Bitta Bikas Bank Ltd	2002/02/22	Janakpur, Dhanusha	115.9
11	Sana Kisan Vikas Bank Ltd.	2002/03/11	Bijulibazar, Ktm.	128.8
12	Nerude Laghu Bitta Bikas Bank Ltd.	2007/06/07	Biratnagar, Morang	40.0
13	Naya Nepal Laghu Bitta Bikas Bank Ltd.	2009/03/20	Dhulikhel	14.0
14	Mithila Laghu Bitta Bikas Banks Ltd	2009/04/29	Dhanusha	16.5
15	Shamit Microfinance Development Bank Ltd	2009/05/20	Jhapa	14.0
16	Sworojgar Laghu Bitta Bikas Bank Ltd.	2009/12/1	Banepa, Kabhre	11.0
17	First Microfinance Development Bank Ltd.	2009/12/28	Gyaneshwar, Kathmandu	70.0
18	Nagbeli Laghu Bitta Bikas Bank Ltd.	2010/2/4	Anarmani, Jhapa	10.0
19	Kalika Micro-credit Development Bank Ltd.	2010/07/21	Waling, Syangja	12.0
20	Mirmire Micro-finance Development Bank Ltd.	2010/09/23	Banepa, Kavrepalanchwok	14.0
21	Janautthan Samudayak Micro-finance Development Bank Ltd.	2010/11/09	Butwal, Rupandehi	11.0

5. NRB Licensed Savings and Credit Co-operatives (Undertaking Ltd. Banking Transactions)

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Shree Nabajivan Co-operative Ltd.	1993/12/15	Dhangadi, Kailali	53.8
2	Sagun Co-operative Society Ltd.	1994/10/09	Kathamandu	11.8
3	Nepal Co-operative Society Ltd.	1994/12/30	Kathamandu	42.3
4	The Sahara Loan, Savings & Investment Co-op. Soc. Ltd.	1995/04/15	Sarlahi	46.4

Overall Economic and Financial Situation

5	Bindabasini Saving and Credit Co-operative Society Ltd.	1995/06/21	Khopasi, Kavre	41.1
6	Mahila Co-operative Society Ltd.	1995/09/27	Kathmandu	17.3
7	Nepal Bahooddeshya Saving & Loan Co-op. Society Ltd.	1995/12/25	Jhapa	37.3
8	Sahakari Bittiya Sanstha Ltd.	1996/06/16	Nepalgunj, Banke	13.4
9	Shree Manakamanal Sahakari Sanstha Ltd.	1997/02/18	Banepa, Kavre	12.0
10	Very Co-operative Sanstha Ltd.	1997/12/25	Kathmandu	8.7
11	Viccu Saving & Loan Co-operative Sanstha	1997/02/18	Banepa, Kavre	16.5
12	Kisan Bahoo-uddesyiya Co-op. Sanstha Ltd.	1997/08/11	Lamki, Kailali	10.2
13	Himalaya Co-operative Ltd.	1998/12/29	Old Baneshwar, Kathmandu	49.3
14	Star Bahoo-Uddesyiya Saving & Credit Co-op Ltd.	1998/02/13	Biratnagar, Morang	7.3
15	Upakar Savings & Credit Co-operative So. Ltd.	1998/04/14	Walling, Sanja	29.5
16	Rastriya Sahakari Bank Ltd.	2010/07/20	Baneshwor, Kathmandu	162.8

6. 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	756
3	Chartare Yuba Club	2000/06/05	Baglung	110
4	Mahuli Samudyik Bijkas Kendra	2000/06/12	Saptari	7145
5	United Youth Community (UNYC NEPAL)	2000/06/29	Bardiya	-
6	Samudayik Mahila Bikas Kendra	2000/07/14	Saptari	980
7	Grameen Jagaran Manch (Programm Co-ordination Office)	2000/09/11	Baglung	156
8	Jan Jagaran Manch	2000/10/26	Rasuwa	111
9	Rastriya Shaichik Tatha Samajik Bikas Sanstha	2000/10/01	Parbat	-
10	Dhaulagiri Community Researh Development Centre	2000/10/21	Baglung	-
11	Bikaska Lagi Sthaniya Swoyam Sewakharuko Prayas	2001/07/10	Dhankuta	833
12	Nepal Mahila Udhami Sangha	2001/09/24	Kathmandu	1146
13	Nepal Adhikar Tatha Bikas Kendra	2002/04/12	Kathmandu	-
14	Manushi	2002/05/03	Kathmandu	6029
15	Jeewan Bikas Samaaj	2002/06/18	Morang	-
16	Mahila Adarsga Sewa Kendra	2002/07/02	Kathmandu	620
17	Patan Business and Professional Women	2002/07/02	Lalitpur	-
18	Nari Utthan Kendra	2002/07/02	Chitwan	-
19	Mahila Swabalamban Samaj	2002/07/04	Chitwan	-
20	Nepal Mahila Utthan Kendra	2002/07/12	Lalitpur	-
21	Bhagwan Yuba Club	2002/07/23	Kathmandu	35
22	Srujanatmak Mahila Batabaran Bikas Sashtan	2002/07/24	Kathmndu	730
23	Srijana Samudayak Bikas Kendra	2002/07/25	Siraha	-
24	Srijana Bikas Kendra	2002/08/22	Kaski	2090
25	Gharelu Tatha Sana Udhyog Sang	2002/09/02	Kathmandu	-
26	Adarsha Yubak Club	2002/09/06	Bhaktapur	-
27	Society Welfare Action Nepal	2002/10/25	Dang	-
28	Social Upgrage in Progress of Educational Region	2002/10/29	Dang	-
29	Nepal Mahila Samudayak Sewa Kendra	2002/10/30	Dang	-
30	Grameen Mahila Utsukta Bikas Munch	2002/12/30	Sunsari	-
31	Grameen Mahila Bikas Sashtan	2003/04/23	Dang	-
32	Grameen Mahila Utthan Kendra	2003/06/18	Dang	-
33	Grameen Sewa Nepal	2003/09/25	Kailali	253
34	Nati Abhdaya Kendra	2003/10/24	Chitwan	-
35	Mahila Upakar Munch	2003/10/29	Banke	2131
36	Swabalamban Bikas Kendra	2003/11/02	Kathmandu	57390
37	Bikas Aayojana Sewa Kendra(Deprox Nepal)	2004/11/01	Kathmandu	72500
38	Grameen Swamsewak Samaaj	2005/11/20	Sarlahi	1955

* Paid up capital as of mid-April 2011

** H and B development bank is being operated after merging Himchuli Bikas Bank and Birgunj Finance Ltd. since 15 June, 2011

Annex 1.2**Microfinance Programmes Operating under the Assistance of the Donor Agencies**

In connection to providing the microfinance services to the rural deprived class of population, Nepal Rastra Bank has been launching different programmes in coordination with the cooperatives and NGOs. The details of the programmes whose investment programmes has been completed and only the recovery and lending activities has been left is as per the follows.

S.N.	Programmes	Objectives	Agreement Date	District of Operation	Participated Entity	Investment Period	Total Investment (Rs. in Million)	Up to mid-July 2011			Donor Agency	Benefited	Last date of principal payment
								Total Outstanding	Principal paid back to GON	Outstanding principal to be paid the GON			
1.	Community Ground Water Irrigation Sector Project (CGISP)	To increase the income of the small farmers through the growth in the agricultural production.	17 Nov. 1998	Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanush, Mahottari, Sarlahi, Rautahat, Bara, Parsa and Chitawan	NBL, Small Farmer Development Bank, Purvanchal GBB, Madhyamanchal GBB, Sahara Nepal, Arunodaya, Krisak Upakar Sahakari Sanstha and Chhimek Bikash Bank.	2000-2007	Rs. 217.0	Rs 180.2	-	Rs. 217.0	Asian Development Bank (ADB)	7020 shallow tube well, 27322 marginalized farmer haouholds, 32194 bigha	Dec 2037.
2.	Poverty Alleviation Project in Western-Terai (PAPWT)	To bring improvement in the economic and social condition of the womens of the districts of the Western Terai.	12 Dec. 1997	Nabalparasi, Dang, Rupandehi, Bardiyu, Kapilvastu, Banke, Kailali and Kanchanpur.	Paschimanchal, Madhya-Paschimanchal and Sudur-Paschimanchal GBB, Nirdhan Utthan Bank and Swabalamban Bikash Centre.	1988-2004	Rs. 131.4	Rs. 28.3	Rs. 43.8	Rs. 87.6	International Fund for Agricultural Development (IFAD)	22 thousand deprived households	July 2033

Overall Economic and Financial Situation

3.	Third Live Stock Development Project (TLDP)	To encourage the farmers and business persons, operating or willing to operate the livestock business, to use the modern technology by providing needed services and credit.	23 Dec. 1996	Shyanja, Rupandehi, Palpa, Kaski, Tanahu, Lamjung, Nabalparasi, Kapilvastu, Parbat, Arghakhanchi, Gulmi, Baglung, Kailali, Kanchanpur, Banke, Bardiya, Surkhet, Doti and Chitwan.	RBBL, Siddhartha Bikash Bank, Malika Bikash Bank, Paschimanchal, Madhya-Paschimanchal and Sudur-Paschimanchal GBB, Nirdhan Utthan Bank, Biku Saving and Credit Cooperative Sanstha Ltd, Udayadev, Everest, Machhapuchhre, Sewar Dugdh Utpadak, Nabachetana, Gramin Jagaran Saving and Credit Cooperatives, dev Adarsha Yuba Club and Gramin Jagaran Manch	1997-2004	Rs. 169.5	Rs. 2.2	Rs. 39.6	Rs. 229.9	Asian Development Bank (ADB)	9773 households	July 2034
4.	Micro Credit Project for Women (MCPW)	To provide credit to women, as a supplementary to PCRW, without collateral in group guarantee, for conducting small business	16 Sept. 1993	Pyuthan, Salyan, Dang, Banke, Kaski, Baglung, Parbat, Chitwan, Kathmandu, Lalitpur, Bhaktapur, Siraha, Saptari, Dhankuta and Tanahu.	NBL and RBBL	1993-2002	Rs. 19.2	-	Rs. 103.7	Rs. 91.5	Asian Development Bank (ADB)	41634 number of womens of 6512 women's group.	Nov. 2018
5.	Production Credit for Rural Women (PCRW)	To bring improvement in the social and economic condition of the rural deprived women through the outreach to the institutional credit and income generating and employment programme.	2 Oct. 1988	67 distircts excluding Jumla, Dolpa, Mugu, Kalikot, Jajarkot, Rasuwa, Nuwakot and Manang	NBL, RBBL and ADBN	1988-1997	Rs. 234.5	Rs. 52.9	Rs. 152.4	Rs. 82.1	International Fund for Agricultural Development (IFAD)	-	May 2019

PART - 2

ACTIVITIES OF NEPAL RASTRA BANK

• Monetary Policy of 2010/11	56
• Micro Finance	59
• Foreign Exchange Management	60
• Financial Sector Reform Program	63
• Banks and Financial Institutions Regulation	64
• Banks and Financial Institutions Supervision	67
• Currency Management	73
• Miscellaneous	74

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy of 2010/11

- 2.1 In accordance with Nepal Rastra Bank Act, 2002, the bank has been formulating and executing Monetary Policy every year for supporting the objective of high and sustainable economic growth by maintaining price, external sector and financial sector stability through sound management of liquidity. With the challenging situation of low economic growth on one hand and the high inflation and BOP deficit on the other hand, the bank adopted a cautious monetary policy for 2010/11 which was made public on 28 July 2010. The policy has expanded the programs related to financial stability, access to finance, productive use of credit and deposit insurance.

Objectives and Targets

- 2.2 In a situation of high pressure of foreign trade deficit and BOP deficit on foreign exchange reserve, the major objective of Monetary Policy for 2010/11 was to maintain surplus on BOP for maintaining a comfortable level of foreign exchange reserve. On the basis of existing trends of foreign currency sources and its expenses, a BOP surplus of Rs. 9 billion was targeted in FY 2010/11 in order to maintain the foreign exchange reserve to cover the imports of goods and services at least for 6 months. Similarly, another objective of Monetary Policy for 2010/11 was to anchor inflation expectations for which policy was designed to limit average annual inflation rate at 7 percent.
- 2.3 Although the BOP account recorded a surplus of Rs. 2.93 billion during FY 2010/11 from deficits in preceding year, the targeted level was not achieved despite adopting a cautious and balanced monetary policy. Because of sluggish growth of import during the review year, the accumulated foreign exchange reserve remained sufficient to cover imports for over 6 months.
- 2.4 The annual average inflation rate recorded at 9.5 percent in FY 2010/11 as compared to a targeted rate of 7 percent. Although, liquidity did not cause the inflationary pressure as monetary and credit aggregates were controlled during the period under review, the targeted level of inflation was not achieved due mainly to price hike of food items. In fact, the contribution for high inflation in Nepal was due to price rise in food items, increase in wage rates, price adjustments of petroleum products (especially at higher side), weak distribution system and high inflation in the neighbor countries.

Table 2.1
Inflation Rate and Balance of Payment Surplus

	Actual of 2009/10	2010/11	
		Target	Actual
Inflation (In percent)	9.6	7.0	9.6
Balance of Payment Surplus (Rs. billion)	-3.63	9.00	2.93

The Strategic and Interim Target of Monetary Policy

- 2.5 Continuing the peg of the Nepalese currency with Indian currency as nominal anchor, monetary and credit aggregates were set to maintain the average annual inflation rate of 7.0 percent and to support for achieving economic growth of 5.5 percent. The growth rate of broad money supply, which has been taken as interim target of monetary policy, was projected to grow by 15.0 percent in 2010/11. In the review period, broad money supply, however, increased only by 9.5 percent mainly due to a decelerating growth of net foreign assets contrary to expectation,

coupled with relatively a low growth of net domestic assets as a result of sluggish growth of claims on private sector. According to the broad monetary survey which includes the balance sheet of development banks and financial institutions, broad money supply increased by 12.8 percent during the review period. Given the level of economic growth of 4.5 percent, which remained below the target, it is believed that monetary expansion did not have adverse impact on economic growth.

- 2.6 In FY 2010/11, the domestic credit increased by 12.9 percent as compared to the projection of 15.0 percent. A lower growth of both claims on government and claims on private sector as compared to the previous year resulted in a sluggish growth of domestic credit during the period under review. In the review period, the claims on private sector increased by 11.7 percent as per monetary survey while it increased by 15.4 percent based on broad monetary survey.

Table 2.2
Money Supply and Domestic Credit

	Actual of 2009/10	2010/11	
		Target	Actual
Growth rate of Broad Money Supply (In percent)	14.1	15.0	9.5
Growth rate of Narrow Money Supply (In percent)	11.0	13.4	4.5
Growth rate of Domestic Credit (In percent)	17.2	15.0	12.9

- 2.7 Considering a positive impact on deposit mobilization from the targeted level of economic growth with assuming surplus on BOP account and also from the increasing trend of interest rate; total deposit mobilization of commercial banks was projected to grow by 15.0 percent (Rs. 92 billion) in FY 2010/11 and reached to Rs. 709.0 billion. However, it increased only by 9.6 percent (Rs. 59.62 billion) and reached to Rs. 680.23 billion at Mid-July 2011. The total deposits including deposit mobilizations of development banks and finance companies increased by 13.5 percent (Rs. 98.14 billion) during the period under review and reached to Rs. 827.4 billion at mid July 2011.

Operating Target of Monetary Policy

- 2.8 From the FY 2004/05, the excess liquidity of commercial banks under the liquidity rule of monetary transmission mechanism, has been taken as the operating target of monetary policy to achieve projected intermediate targets. The excess liquidity of commercial banks as the operating target, was continued in FY 2010/11.
- 2.9 The Liquidity Monitoring and Forecasting Framework (LMFF) prepared on the basis of weekly balance sheet of NRB has been continued to measure, monitor and project the excess liquidity of commercial banks and open market operations (OMOs) have been carried out accordingly. The collection of daily financial statements from commercial banks regarding deposit, credit and cash balance etc and measurement of liquidity status on the basis of the statements has been continued to facilitate the liquidity projection through LMFF.

Instruments of Monetary Policy

- 2.10 Given the situation of inflation, BOP deficit and financial stability, cash reserve ratio which has to be maintained on the basis of total domestic deposit, was unchanged in FY 2010/11. Considering the interest rate structure, the bank rate was increased by 0.5 percent point to 7 percent from 6.5 percent. Moreover, the bank rate and general refinance rate are made unified to a single rate. The bank rate which had been used to indicate the monetary policy stance and determining interest rate for penalizing the banks in case of shortfall of cash reserve ratio was introduced as the factor for determining interest rate on standing liquidity facility (SLF) from FY 2009/10 and for general refinance from FY 2010/11. In addition, provision for using bank rate as the lender of the last resort to overcome the systemic risk has been continued.
- 2.11 In the monetary policy for FY 2010/11, the entire refinance rate has been unified to a single rate except for the rate of export credit provided in foreign currency. With this, the refinance rate to export industry, sick industry, small and cottage industry and the refinance to foreign employment of specified section of people is maintained at 1.5 percent. Under this facility,

banks and financial institutions are not allowed to charge the interest rate at more than 4.5 percent to their clients. Similarly, the provision of refinance facility in foreign currency at the rate of 0.25 percentage point plus the LIBOR rate has been continued.

Table 2.3
Bank Rate and Refinance Rates in FY 2010/11

Headings	Rate (In percent)
Bank Rate	7.0
General refinance rate	7.0
Special refinance rate (export industry, sick industry, small and cottage industry and foreign employment)	1.5
Refinance rate in foreign currency	LIBOR+0.25

2.12 With a view to strengthen financial stability and liquidity management, the provision of statutory liquidity ratio (SLR), which was re-introduced in 2009/10, has been revised. As per the new provision, commercial banks, development banks, finance companies and finance companies not authorized for operating current account deposits are required to maintain the SLR of 15 percent, 11 percent, 10 percent and 6 percent respectively. In the context of permission granted to "D" class financial institutions for public deposit mobilization and those already started deposit mobilization from general public are also required to maintain the SLR of 4 percent. The investment on government security, cash in vault; deposit held with the NRB including excess cash reserve ratio of bank and financial institutions are qualify for SLR purpose.

Open Market Operations

- 2.13 The NRB has been using OMOs as the main instrument in the conduct of monetary policy. The provisions of outright sale, outright purchase, repo and reverse repo have been continued in FY 2010/11. As per liquidity situation and major monetary targets, the provision of conducting open market transaction in any working days with the initiation of NRB has been continued.
- 2.14 Liquidity monitoring has been continued on the basis of weekly balance sheet of NRB. The liquidity position indicated by LMFF has been used as the basis of OMOs. In addition to weekly balance sheet of NRB, the use of the deposit, credit and cash balance of commercial banks while conducting OMOs is continued.
- 2.15 In FY 2010/11, net liquidity of Rs. 71.39 billion was injected through OMO as compared to Rs. 126.62 billion last year. In the review year, the total liquidity amounting to Rs. 21 billion was mopped up out of which Rs. 2 billion through outright sale and Rs. 19 billion through reverse repo. On the other hand, a total liquidity of Rs. 92.39 billion was injected through OMO. In fact, a huge amount of liquidity was injected through OMO during the period under review in order to mitigate both systematic risk and short-term liquidity problems as the BOP situation could not improve as per the expectation due to coupled with a sluggish capital expenditure and cash surplus of GON in most of the period.

Table 2.4
Status of Secondary Market Operation

	(Rs. in Billion)	
	2009/10	2010/11
Total liquidity mopped up (A)	8.44	21.00
Outright sale auction	7.44	2.00
Reverse repo auction	1.00	19.00
Total liquidity injection (B)	135.06	92.39
Outright purchase auction	3.38	0.0
Repo auction	131.68	92.39
Net liquidity mopped up (A-B)	-126.62	-71.39

- 2.16 From FY 2004/05, the primary auction of development bonds of GoN was started. In that year, development bonds amounting to Rs. 3 billion was issued through auction. Likewise, development bonds amounting to Rs. 0.75 billion was issued through auction in FY 2005/06, Rs. 5.50 billion in FY 2006/07, Rs. 6.07 billion in FY 2007/08, Rs. 7.75 billion in FY 2008/09 and Rs. 9.4 billion in 2009/10. In FY 2010/11, GoN mobilized internal borrowings through the issuance of development bonds amounting to Rs. 8 billion out of which Rs. 5 billion is set to mature in 3 years while Rs. 3 billion in 5 years time. Although the coupon rates of both bonds were fixed at 9.5 percent, they were sold through auction at premium.

Table 2.5
Issue of Development Bond Through Bidding

	Maturity (Years)	Issue Amount (Rs. in Billion)	Coupon Rate (In percent)	Weighted Average Bid Price
11 Feb 2010	3	1.50	9.0	101.93
10 June 2009	5	2.55	9.0	102.93
1 July 2009	5	4.99	9.0	100.73
31 Dec 2010	5	3.00	9.5	101.68
2 June 2011	3	5.00	9.5	101.25

Uses of Refinance Facility

- 2.17 Considering inadequate credit flow to productive sectors, which may arise at a time of liquidity crunch, refinance facility has been introduced to banks and financial institutions against the collateral of good loan of the same sector in order to minimize adverse impact on output and employment. Under this facility, a total of Rs. 5.38 billion was refinanced to 20 banks and financial institutions in FY 2010/11. This provision is expected to help improve production, price and external sector and financial stability through credit flow to productive units.
- 2.18 In FY 2010/11, some development banks and finance companies faced difficulties in managing liquidity. In such a situation, a provision of immediate refinance facility for liquidity management was made available in order to manage short-term liquidity to banks and financial institutions so as to maintain public confidence to the banking system. Such credit is made available up to 60 percent of core capital for not more than 120 days against the collateral of good loan. Under this facility, 3 development banks and 7 finance companies requested a total of Rs. 1.27 billion in 2010/11 and a sum of Rs. 0.59 billion was provided. In addition to this, Vibor Development Bank Ltd. utilized a total of Rs. 0.50 billion under the provision of lender of the last resort in 2010/11. Nepal Rastra Bank provides this facility by considering systemic risk in the banking institutions.

Micro Finance

Programmes and Activities Related to Microfinance Promotion

- 2.19 The total capital of the Rural Self Reliance Fund (RSRF), which has been operating under the auspices of the NRB, reached to Rs. 443.4 million with a contribution of Rs. 190 million by the government and Rs. 253.4 million by the NRB. The Fund has been providing credit to the affiliated institutions to the extent of 20 times of their core capital (share capital, general reserve fund, and profit amount) or up to Rs. 2.0 million for the first loan, 15 times of their core capital or up to Rs. 2.5 million for the second loan and 15 times of their core capital or up to Rs. 3.0 million for the third loan. For the purpose of economic upliftment of the deprived class of the economy, there is a provision of providing micro-credit (per person) at most Rs. 50 thousand for the first time, Rs. 55 thousand for the second time, Rs. 60 thousand for the third time and up to 60 thousand for refinancing through the cooperatives and NGOs. Under the group micro-enterprises credit schemes, a provision of providing loan up to 0.15 million for the establishment of group micro-enterprises is in place for the well recognized members of any group micro-enterprises who have utilized the second installment of the loan to a satisfactory level. On the

similar ground, a provision of providing wholesale loan, through the Agriculture Development Bank and any of the micro-finance development banks to the businesses like tea, cardamom, and the establishment of cold storage, which need long-term capital investment, has been made since 2002/03.

- 2.20 Up to mid-July 2011, the Fund has provided loan of Rs. 558.14 million through 495 cooperatives and 53 NGOs. Of the total loan disbursed, Rs. 294.92 million has been recovered and Rs. 263.22 million remains outstanding during the same period. Out of the total outstanding amount of long-term loan, Agricultural Development Bank, Western Rural Development Bank and Sana Kisan Bikas Bank owed Rs. 121.47 million, Rs. 107.77 million and Rs. 10.00 million respectively.

Table 2.6
Credit Flow Situation of Rural Self Reliance Fund
(Up to Mid-July 2011)

Particulars	NGOs	Cooperatives	Total
Credit Flow			
A) Number of Institutions	53	495	548
B) Credit Amount (Rs. in Thousand)	21196	536948	558144
C) Number of Benefited Households	3958	23594	27552
Recovery of Credit			
A) Number of Institutions	38	142	180
B) Principal Amount (Rs. in Thousand)	19088	275833	294921
C) Interest Amount (Rs. in Thousand)	2532	36610	39142
Circulated as Investment			
A) Number of Institutions	15	353	368
B) Principal Amount (Rs. in Thousand)	2108	261115	263223
Due Amount			
A) Number of Institutions	15	78	93
B) Principal Amount (Rs in Thousand)	2108	15154	17262

- 2.21 In order to enhance the access of cooperatives and NGOs established in the rural areas with the RSRF, publicity has been continued through conducting different workshops and programmes.
- 2.22 As per the subsidiary loan agreement between the GoN and NRB, a number of projects with specified term had been operated by Micro-Finance Promotion and Supervision Department of this Bank. The projects such as Productive Credit for Rural Women (20 years), Micro-credit for Women (16 years), Third Livestock Development Project (30 years), Poverty Alleviation Project for Western Terai (18 years) and Community Ground Water Irrigation Sector Project (CGISP) have already been completed. The outstanding amount is about 263.7 million of the total amount invested through these projects.
- 2.23 At the initiation of NRB, a structural reform programme was being carried out during the period from 2001 to 2006 for improving financial soundness and for the overall strengthening of five rural development banks. As per the objective of privatizing these rural development banks under the reform programme, the process was started from Western Rural Development Bank Ltd. in which NRB divested 51 percent out of total 61 percent equity share, keeping the equity share ownership at the level of 10 percent. On the similar ground, the divestment of the entire share owned by the NRB in the Eastern Regional Rural Development Bank Ltd., Mid-Regional Rural Development Bank Ltd. and Mid-Western Regional Rural Development Bank Ltd., to the private sector has already been completed. The policy of divesting the share of the Far-Western Regional Rural Development Bank Ltd. will also continue in the years to come.

Foreign Exchange Management

- 2.24 With respect to foreign exchange management, NRB has adopted a policy of deregulating the transaction of the convertible foreign currency and capital account, which is consistent with its strategic plan and the spirit of economic liberalization with the aim of confining its role in

policy-making. The Bank has initiated the following provisions and reforms in the areas of foreign exchange management in 2010/11:

- (1) The number of goods that can be imported from India against the payment of convertible currency has been increased to 157 in 2010/11 from the previous number of 124. The policy of gradual adding more items in the list on the basis of necessity, demand and relevance has been continued.
- (2) With regard to the exporters of goods and services, the facility of opening a bank account in foreign countries, on the recommendation of concerned regulatory entity and under the fulfillment of some procedures and conditions, is granted for the purpose of establishing and conducting branches/contact offices/ exhibition rooms etc. in order to promote exports and depositing and exchanging the foreign currency earned from their sales.
- (3) The provision of granting the facility for issuing the permission letter by the banks and financial institutions for exporting goods on the basis of Cash Against Documents (CAD) has been revised to USD five lakh from the existing maximum ceiling of USD two hundred thousand and the guarantee required to be kept is also brought to one percent of the declared price.
- (4) The provision of providing pre-shipment and post-shipment credit facility by the banks and financial institutions to the exporters at the annual interest rate of 6 percent and the provision of providing refinancing facility in the USD terms at the rate of 4 percent (only against the security of such good loan) to the banks and financial institutions on their demand has been revised and replaced by the provision of providing such facility against the export L/C, CAD permission letter, and certificate of advance payment. The central bank has made a provision of providing refinancing facility to the banks and financial institutions up to the extent of 1 lakh or multiple of it at the rate adding up 0.25 percent to the LIBOR rate for a maximum period of 6 months. The banks and financial institutions are allowed to provide such credit facility at the rate adding up 2.25 percent to the LIBOR rate.
- (5) An exchange facility of foreign currency, which is required for visa-charge, commission etc., through internet/electronic payment card, has been provided to the licensed foreign employment manpower companies on the basis of the authorized approved documents of the concerned agency of the GoN.
- (6) The facility of providing medium-term loan in foreign currencies, through banks and financial institutions, to travel, tours, ticketing agencies, is granted for a maximum period of 3 months, if they fail to meet the repatriation obligation in foreign currencies due to the sale of tickets and cargo on deferred payments basis.
- (7) A new provision has been made with regard to keeping and investing foreign currencies by the banks and financial institutions to the foreign agency banks. Under this provision the banks and financial institutions are allowed to keep in cash in agency banks to the extent of 25 percent of their foreign currency deposit, forward exchange contract liability and import L/C including other foreign exchange liabilities. With regard to the banks and financial institutions lacking in adequate source of foreign currency earnings, a provision of allowing them to keep at least USD two hundred thousand in cash for the purpose of conducting their international payments has been made. Such banks and financial institutions are allowed to invest such cash in call deposit, certificate of deposit or other similar types of short-term instruments provided that there should be no negative effect in their daily liquidity requirement.
- (8) A provision is made to declare compulsorily the details of the imported goods including, harmonized code, per unit price, amount, country of origin and model number and company, to the possible extent, in the L/C and other documents like invoices, which are required to submit at the time of issuing L/C. The beneficiary is required to pay all the interest and charges imposed in the case of discounting the documents related to deferred

payment L/C. An authority for discounting, under some conditions, by the opening bank is also granted. Similarly, with regard to opening the L/C for the import of fruits and water based non-alcoholic drinkables, juice and beverages, a pre-approval must compulsorily be taken from the Department of Food Technology and Quality Control.

- (9) A revision has been made in the provision of buying and selling of foreign currencies and travelers cheque and the hand-bill charges by the banks/financial institutions and money changers and also in the provision of exchanging the foreign currencies at the time of their submission to the offices of the central bank.
- (10) The existing provision of granting foreign exchange facility under passport facility to Nepalese citizens for personal visit to the foreign countries for only "two times a year" has been revised. According to the new provision the annual limit of the facility has been kept unchanged at USD 4000 however, the provision of "two times a year" has been scrapped. In case the limit of USD 4000 fails to meet the requirement, the provision of providing additional exchange facility on the basis of necessity has been made if the individual applies to the Foreign Exchange Management Department with his PAN number.
- (11) A complete ban on the import of gold which was imposed on 3 September 2010 by the GoN, has partially been relaxed on 27 December 2010 with the provision of permitting import of 15 kg of gold per day through class "A" banks as per the provision made by the "Gold Import and Sale Procedure, 2010". However, the import of silver has been brought under OGL.
- (12) The total number remittance companies, which was 52 in the last year, has increased to 54 as a result of closure of 3 companies and entry of 5 new companies during FY 2010/11.
- (13) After providing license to 19 new moneychangers and closure of 25, the total number of moneychanger companies reached to 442 in 2010/11, out of which 176 have been working in Kathmandu Valley alone.
- (14) In addition to banks and financial institutions and money transfer and moneychangers, the number of hotels, domestic and international airlines, travels, trekking, cargo and courier agencies, authorized to purchase foreign currencies reached 3,343, after getting license by 265 and closure of 10, in the review year from 3,088 in the previous year.
- (15) The inflow of remittance, which was recorded Rs. 211.76 billion last year, reached to Rs. 253.86 billion in 2010/11.
- (16) In order to manage the transactions carried out by moneychangers and money transfer companies and to simplify process of licensing and supervision in a timely manner byelaws related to money transfer and supervision have already been brought into action from 2067/5/19, 2067/5/31 and 2067/6/25.
- (17) A Monitoring and Regulation Division has been established in the Foreign Exchange Management Department and the supervisory work has already been initiated in order to regulate and supervise the banks and financial institutions and other entities licensed for conducting transactions in foreign currency. In this connection, 301 entities have been penalized last year. In accordance with the monitoring reports, the actions taken were cancellation of the license, warning, penalties, making cautious and asking for clarification etc.
- (18) The existing provision related to transaction and exchanging of Indian currency has been made more transparent, clear and simplified in order to manage and regulate the transaction of Indian currency.
- (19) In 2010/11, the net purchase of USD reached to 2410.4 million by purchasing USD 2419.9 million and selling USD 9.5 million through 136 market interventions compared to the previous period's net purchase of USD 1610.7 million by purchasing USD 1616.7 million and selling USD 6.0 million through 135 market interventions.

- (20) Due to exchange rate fluctuation, a net loss equal to Rs. 6.63 million was recorded in 2010/11 in contrast to a net gain of Rs. 10.24 billion in the previous year.
- (21) The gross reserve of foreign currencies mobilized by the Foreign Exchange Management Department reached to Rs. 160.55 billion with 60.57 percent share of USD in mid-July 2010 compared to a gross reserve of Rs. 160.55 billion and 55.11 percent share of the USD in mid-July 2011. In 2010/11 the interest income through the investment of the foreign currencies has reached to Rs. 2.28 billion in contrast to an income of Rs. 1.72 billion in 2009/10.
- (22) In order to finance the trade deficit and meet the BOP deficit with India, Indian currency worth of 123.85 billion was purchased by selling USD 2.74 billion in 2010/11 compared to purchase of Indian currency worth of 102.09 billion by selling USD 2.19 billion in 2009/10.
- (23) A needful change has been made in the directive related to investment of the foreign currency in order to minimize the management risk making it more effective, safe, liquid and beneficial. According to the new provision, the ceiling of investment in Indian Currency in the debt issued by the Government of India and the limit of investing in foreign branches of Indian banks kept in the total foreign exchange reserve has been revised.

Financial Sector Reform Program

- 2.25 The Financial Sector Technical Assistance Project (FSTAP), which was started on April 30, 2003 with the loan and aid of Government of Nepal (GON) and Department for International Development (DFID) of Government of United Kingdom, is going to terminate in December 31, 2011. The disbursement approved by the Planning Commission for some programs of this project for the fiscal year 2010-11 is NPR 133.94 million. Of which NPR 11.4 million, NPR 37.0 million and NPR 95.8 million borne by the resources of GON, grant of DFID and IDA loan respectively. Description of the programs and their progress are as below:

Mechanization of Credit Information Bureau

- 2.26 NRB board had cancelled the entire process of second stage bid (financial bid) and decided to reinstate the bidding procedures on May 18, 2011. This decision has been taken because selected bidder has proposed more money in the submitted financial bid proposal than the allocated budget pertaining to the mechanization of credit information bureau.

Mechanization of Secured Transaction Registry

- 2.27 Although a team including the representatives of Ministry of Finance, Nepal Rastra Bank and National Information Centre has finalized the documentation related to tender of the automation of the Secured Transaction Registry, the World Bank has expressed its concern that it cannot disburse the allocated budget if the project is not completed before December 31, 2011. It has been decided to write to the MOF to seek its opinion on the appropriate steps to be taken as it would be difficult to complete the said task by that date.

Diagnostic Assessment of Nepal Bank Ltd.

- 2.28 With respect to the appointment of a consultant for the Diagnostic Assessment of Nepal Bank Ltd. and the procurement expert for facilitating procurement work. The documents relating to expression of interest (EOI), Terms of Reference (TOR) as well as the selection criteria were being prepared. However, as per the letter of the World Bank it will be able to bear the expenses of the work pertaining to Diagnostic Assessment only if such work is completed by December 31, 2011, or else, it has to be borne by other sources. Hence, a letter dated July 8, 2011 has been sent to MOF seeking its opinion in this issue.

Banks and Financial Institutions Regulation

Restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank Ltd. (RBBL)

- 2.29 With an objective of restructuring Nepal Bank Ltd. (NBL) under the financial sector reform program, the management of NBL has been taken under control by NRB in accordance with NRB Act, 2002 article 86(C) sub-article 1(O). Initially, the take-over plan was to continue till mid-March 2011, but it was extended up to Mid-April 2012. In the context of termination of the contract with consulting firm, ICC Consulting of Bank of Scotland (Ireland) Ltd. in 21 July 2007, the NRB has deputed its own staffs to run the bank which will be continued until a new provision is set up. The NRB has given authority to the board of directors of NBL to appoint the Chief Executive Officer. The NRB has also forwarded a directive for preparing a roadmap by setting a deadline of mid-January 2012 to prepare a basis of withdrawing take-over in accordance with NRB Act, 2002, Clause 86 and handover it to a new Board of Directors after fully capitalizing NBL. In addition, the terms of reference for the CEO and selection procedure as well as norms have also been forwarded. A Committee headed by the Financial Comptroller General has been formed to select the CEO and the Committee has already started the necessary procedure.
- 2.30 With the main objective of restructuring Rastriya Banijya Bank Ltd. (RBBL), a contract was made with consultants of the bank management group. Initially, the contract was made till 16 Jan 2003 but extended several times till 31 March 2011. Currently, the government has appointed a professional Director of the RBBL to work as the CEO. As per the decision of NRB, a document which includes terms of reference of the CEO and selecting guidelines, have been forwarded to RBBL for the implementation. The selection committee headed by the Secretary of the Ministry of Energy has already started the selection procedure by advertizing the vacancy for the post.
- 2.31 While evaluating an overall progress made so far from the restructuring process of NBL and RBBL, they have been able to make net profits from 2003/04, reduce negative capital fund, introduce and implement various policies, directives, norms and regulation as per the international standard so as to stabilize the banks and have applied internationally accepted working style, approach and techniques. Considering all these achievements made so far, the restructuring process has gone through a positive direction, however, it is yet to achieve much.

Licensing /Establishment of Bank and Financial Institutions

Commercial Bank

- 2.32 In FY 2010/11, the NRB granted license to 5 new commercial banks, namely, Janata Bank Ltd., Megha bank Ltd., Commerze and Trust Bank Ltd., Civil Bank Ltd., and Century Commercial Bank Ltd. An application for establishing "A" class bank with a proposed name of State Bank of Nepal has been cancelled out on February 14, 2011 after refunding the deposit amount of 5 percent as the proposed bank became unable to fulfill all the terms and conditions. The total number of "A" class bank has reached to 31 by the end of this fiscal year.

Development Bank

- 2.33 In FY 2010/11, the total number of development banks ("B" class banks) reached to 87 after cancellation of the license of one bank and granting license to 9 new banks. Of the total 9 new development banks, one of them has been operating banking service at national level while 4 banks cover banking service within 3 districts and 1 bank confines within one district. Similarly, among the total applications received, letter of intent has been provided to three new development banks.

Finance Company

- 2.34 The total number of "C" class financial institutions reached 79 by the end of the current fiscal year. This was after granting license for two new institutions and upgradation of a company after merger of two companies in each other.

Micro Finance

- 2.35 The number of micro-finance development banks, which was 18 in mid-July 2010, reached to 21 in mid-July 2011, with the license to 3 new micro-finance development banks. The number of applications for the approval to perform micro finance transactions that was 13 at mid-July 2010, has reached to 34 in the review period with an addition of 21 such applications. The action on these applications is in different stages. Among the applications, proposed Vomi Microfinance Financial Institution Ltd. and Nepal Microfinance Financial Institution Ltd. has been given letter of intent. The interaction with proposed Nadep Microfinance Financial Institution Ltd., Mahila Sahayatra Microfinance Financial Institution and Jeevan Bikash Microfinance Financial Institution has been completed. Similarly, 3 proposed institutions namely Dibya Microfinance Financial Institution Ltd., Suryodaya Microfinance Financial Institution Ltd. and Nagarik Microfinance Financial Institution have been granted approval to deposit 5 percent of their share capital amount.
- 2.36 The board of directors of Central Rural Development Bank Ltd. has been suspended and taken under control for non-compliance of the directives issued by NRB. As per the decision taken on 8 July 2011, this bank is being operated by the board of directors formed by including the representatives from related banks and shareholders within the co-ordination of Chief Manager of Janakpur Office of this Bank.

Financial Intermediaries Non-governmental Institution

- 2.37 In FY 2010/11, license of 7 non-governmental financial institutions had been dismissed and the number of such institution stood at 38 as at mid-July 2011 from 45 as at mid-July 2010. In addition, license of 18 non-governmental institutions has been renewed.

Co-operatives with Limited Banking Transactions

- 2.38 In the review period, the number of co-operatives licensed to perform limited banking transactions reached to 16 with the license provided to National Co-operative Bank Ltd. on 26 July 2010. The number of such co-operatives was 15 as at mid-July 2010.

Principal Circulars Issued to Bank and Financial Institutions

- 2.39 During the review period, 29 principal circulars have been issued to banks and financial institutions on different issues.

Guidelines issued to Bank and Financial Institutions

- 2.40 Guidelines on Service and Service Charge by Banks and Financial Institutions, 2010 has been issued to provide clear and simple information to their customers on interest on deposit, interest on credit, penalty charge, management charge, service charge and also to protect customers interest with transparency and uniformity in the service charge taken by these institutions.

Other Bylaws and Policy Provisions

- 2.41 Merger and Acquisition Bylaws, 2011 has been issued to develop, expand and maintain stability in financial system by enhancing the competitive capability of banks and financial institutions. Lender of Last Resort Policy, 2010 has been issued to act as the lender of last resort as per section 49 of Nepal Rastra Bank Act, 2002.

Refinance Facility to Banks and Financial Institutions

- 2.42 In this fiscal year, the refinancing facility equivalent to Rs 5.37 billion has been approved against good loan to 17 banks and financial institutions including 9 of 'A' class, 7 of 'B' class and 1 of 'C' class institutions. Of the refinancing figure, Rs 3.60 billion has remained outstanding. Out of refinance equivalent to Rs 768.7 million approved against good loan to 16 financial institutions including 3 of 'B' class and 13 of 'C' class, only 8 financial institutions utilized liquidity refinancing of 437.0 million till the end of fiscal year.

Credit Facility at Zero Interest Rate

2.43 6 'A' class banks and 7 'B' class financial institutions have been granted a total of 140.0 million loan with 80.0 million to 'A' class and 60.0 million to 'B' class at zero percent interest rate as operating expenses for establishment of branches in remote areas as specified by of this Bank.

Lender of Last Resort Facility

2.44 Vibor Development Bank has been provided a sum of Rs 500 million as lender of last resort facility against the collateral of good loan on 9 June 2011 for a maximum period of 6 months.

Provision related to Subsidiary Company

2.45 Eight institutions have submitted their applications to open the subsidiary company for undertaking micro finance transaction till end of mid-July 2010 and total applications reached to 11 as additional 3 banks/financial institutions have submitted their applications during the review period. Out of them, letter of intent was given to two subsidiary companies of Laxmi Bank Ltd. and I.L.F.C. Finance Company Ltd. Everest Bank Ltd. and Reliable Finance Company deposited 5 percent cash for establishing subsidiary company. Interaction has been completed with Everest Bank Ltd. for the establishment of Everest Microfinance Financial Institution. Three Banks including Laxmi Bank, Nabil Bank and NMB Bank were granted approval to establish subsidiary company for operating merchant banking transaction.

Merger and Acquisition, Upgradation and Geographical Expansion

2.46 In FY 2010/11, Nepal Bangladesh Bank Ltd. and Srilanka Merchant Banking and Finance Ltd. got approval for merger and acquisition and after the merger and acquisition of these two institutions, the financial transactions have been combed out by the name of Nepal Bangladesh Bank Ltd. since January 23, 2011. Likewise, Birgunj Finance Ltd. and Himchuli Development Bank Ltd got approval for merger and acquisition and after the merger and acquisition of these two institutions financial transactions are being carried out by the name of H & B Development Bank Ltd. since June 15, 2011.

Grievance Management Committee

2.47 Till mid July 2011, 588 complaints were submitted in the Grievances Management Committee headed by the senior Deputy Governor of this Bank to hear the injustice that may happen to any side in the transaction between banks and borrowers. Of the total 73 grievances registered in 2010/11, hearing of 54 complaints was completed and necessary correspondences with the concerned bank and financial institutions is going on. The remaining 13 complaints being unrelated with this committee have been referred to corresponding departments.

Actions Including Forfeiture of Passport

2.48 The actions including the forfeiture of passport by the Government of Nepal against 46 among 355 loan defaulters has been released up to mid-July, 2011. As per the decision made by the Government of Nepal (Council of Ministers) dated on 11/02/2009, a Monitoring Committee was formed under the chairmanship of Honorable Hari Rokka, Member of constitution Assembly for monitoring the effectiveness of actions against such defaulters and make such action more effective.

Publication of the List of Professional Expert

2.49 As per the provision of Bank and Financial Institution Act, 2006, Section 13, the list of 108, professional experts including 13 in the review period has been prepared.

Translation of Unified Directives 2010

2.50 The Unified Directives, 2010 issued to licensed bank and financial institutions has been translated into English language and made available in the website of this Bank.

Representative Office of Foreign Banks

- 2.51 Mashreqbank PSC, Dubai, UAE has been permitted to open its representative office in Nepal and the office came into operation.

Letter of Intent to Nepal Clearing House

- 2.52 Letter of intent is given with terms and condition to Nepal Clearing House Ltd. to perform automated clearing and settlement of cheques as per the provision of Nepal Rastra Bank Act, 2002, section 5 and 103.

Policy and Processwise Provision for Bank and Financial Institution Establishment

- 2.53 Revision/Ammendment till 29 March, 2011 was updated in the licensing policy and it has been posted in the website of this Bank.

Notice/Direction for Account Suspense/Release

- 2.54 Provision has been made to keep information for account suspense/release of persons/firms/organizations in banks/financial institutions in website <http://bfr.nrb.org.np/acstatus> despite letter and fax since 15 May 2011. User ID and Password have been provided to banks and financial institutions for the access of notice/directions kept in the website.

Banks and Financial Institutions Supervision

Bank Supervision

- 2.55 Annual corporate level on-site inspection practice of commercial banks also continued in the review year. The shortcomings found in course of on-site supervision of the banks have been suggested for improvements and the task of evaluating banks on the basis of available information also continued.
- 2.56 In 2010/11, corporate level onsite inspection of 29 commercial banks was completed. In this process, on-site inspection of 158 branch offices and several projects of the banks were conducted.

Table 2.7
Branches of Commercial Banks Inspected in FY 2010/11

S.N.	Name of Commercial Banks	No. of branches inspected
1	Nepal Bank Ltd.	9
2	Rastriya Banijya Bank Ltd.	9
3	Agriculture Development Bank Ltd.	13
4	Nabil Bank Ltd.	8
5	Nepal Investment Bank Ltd.	5
6	Standard Chartered Bank, Nepal Ltd.	3
7	Himalayan Bank Ltd.	8
8	Nepal SBI Bank Ltd.	10
9	Nepal Bangladesh Bank Ltd.	5
10	Everest Bank Ltd.	6
11	Bank of Kathmandu Ltd.	3
12	Nepal Credit and Commerce Bank Ltd.	5
13	Lumbini Bank Ltd.	3
14	Nepal Industrial and Commercial Bank Ltd.	5
15	Machapuchhre Bank Ltd.	5
16	Kumari Bank Ltd.	6
17	Laxmi Bank Ltd.	5
18	Siddhartha Bank Ltd.	5
19	Global Bank Ltd.	4
20	Citizen Bank International Ltd.	4
21	Bank of Asia Ltd.	9
22	Sunrise Bank Ltd.	4
23	Prime Bank Ltd.	5
24	DCBL Bank Ltd.	5
25	NMB Bank Ltd.	4
26	Kist Bank Ltd.	4
27	Janata Bank Ltd.	2
28	Mega Bank Ltd.	2
29	Comerz and Trust Bank Nepal Ltd.	2
Total		158

- 2.57 In addition to corporate level on-site inspection, 59 special onsite inspections of 27 banks were also carried out in the review year.
- 2.58 The off-site supervision based on balance sheet and other financial statements was also carried out on a regular basis 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 has been given to publish the annual financial statements for 2009/10 to 25 commercial banks. Different directives were issued regarding the remarks pointed out in onsite and offsite inspection report including remarks pointed out by external auditor.
- 2.59 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 has been continued. The supervision report was prepared on a quarterly basis for all the commercial banks in FY 2010/11.
- 2.60 NRB has adopted a policy of following current international banking supervisory practices in the context of Nepal. In this process, the newly developed Capital Accord (Capital Adequacy Framework, 2007), which was brought into full-fledged implementation since FY 2008/09, has been made further effective.
- 2.61 Preparing the CAELS 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.

- 2.62 The liquidity monitoring is continued on a daily basis for timely identification of liquidity risk and to assist in appropriate policy decision.
- 2.63 Monitoring of Cash Reserve Ratio by banks on a weekly basis and monetary penalty to those banks, which fail to maintain such ratio are continued. In FY2010/11, different banks have been penalized to the extent of Rs.23, 007.12 due to non-compliance of CRR.
- 2.64 The monitoring of deprived sector lending is continued and the monetary penalty in case of non-compliance is also continued. In FY 2010/11, banks failing to meet the requirement were penalized to the extent of Rs. 2,75,830.63.
- 2.65 Monitoring of statutory liquidity ratio maintained by banks on a monthly basis and penalizing the banks, which fail to maintain the mentioned statutory liquidity ratio have been continued.
- 2.66 The monitoring of concentrated risk on sectoral and product-wise credit of the banks has been continued.
- 2.67 For managing overall risks of the banking sector, a Risk Management Guideline has been approved and brought into implementation. Similarly, a draft has been prepared for gradual implementation of risk-based supervision practices so as to maximize the supervisory resources.
- 2.68 Study task force has prepared a draft of Stress Testing Framework for stress testing as per forward looking approach in banks' operations and the sample stress testing of commercial banks is being continued on a quarterly basis. Stress testing is considered as the important method for risk management.
- 2.69 A high level Financial Sector Co-ordination Committee headed by honorable Finance Minister has been formed in order to coordinate the regulatory bodies of the financial sector with regard to the existing challenges of the overall financial system, possible risks and their resolution. A technical committee headed by the Deputy Governor of Nepal Rastra Bank has also been formed under Nepal Contingency Planning Project with the representative of Ministry of Finance, Executive Directors of Banks and Financial Institutions Regulation Department, Bank Supervision Department and Financial Institution Supervision Department to assist the high-level committee. The technical committee has been doing policy coordination and recommendations for necessary decision making purpose.
- 2.70 One-day interaction programme was conducted on "Risk Appeared in Commercial Banks and Risk Management". The aim of the programme was to give information about the role of directors in minimizing the adverse impact of various risks existed in banking business. In the programme, chairman and directors of new commercial banks and concerned officers of regulation and supervision department of this Bank were participated.
- 2.71 Annual supervision report of fiscal year 2009/10, including pertinent issues related to regulation and supervision with activities of Bank Supervision Department and overall supervision analysis of financial position of commercial banks have been prepared.

Financial Institutions Supervision

- 2.72 NRB inspects and supervises financial institutions with an objective of ensuring financial stability through developing, healthy, sound and efficient financial institutions and thereby enhancing public confidence towards the financial system. In order to refine supervisory action, it has emphasized on risk-based supervision based on international standards and universally accepted norms.
- 2.73 As per annual plan of FY 2010/11, it has been put forth a programme to inspect all institutions of class of "B" and "C". 47 development banks and 45 finance companies have been supervised on site by the mid-July 2011. During the period, targeted inspections of 9 development banks and 3 finance companies, followup inspection of 10 financial institutions and special inspection of 22 development banks and 30 financial institutions have been carried out with a coverage of a total 52 financial institutions. In the review period, physical infrastructure inspection has also been completed in 6 financial institutions.

- 2.74 In the review period AGM clearance has been granted to 85 development banks and 77 finance companies based on their audited financial statements released in mid-July 2010.

Directives compliance and actions taken

- 2.75 From onsite inspection of United Development Bank Ltd. and based on its financial statement of mid-July 2010, it was found that the capital fund was negative by 103.90 percent; non performing loan was 87.81 percent, internal control mechanism and corporate governance was weak, the earlier directives issued by the NRB were not seriously being implemented and some of the directives were not complied with, the institution is passing through serious liquidity problem, accumulated loss was high with increasing trend, so financial situation was in decreasing trend, was unable to repay depositor's deposit and accounting system was not implemented as directives issued by the NRB with additional conditions, when the clarification was sought by the NRB was not satisfactory. So letting institution run on that situation, public depositor's deposit and investors' investment was found in additional risk, so the institution according to Article 3 (e) of Prompt Corrective Action Bylaw 2008 and Article 86 (b) of NRB Act, 2002, was declared problematic on 13 February 2010.
- 2.76 Based on the special inspection report of Gorkha Development Bank (Nepal) Ltd. and unaudited financial statements of end-March 2010 which suggest that bank's capital fund was only 2.1 percent, non-performing loan was 17.5 percent, was unable to repay some of matured institutional fixed deposits, institution seems to go on huge loss, was unable to maintain compulsory cash reserve and SLR, was decided to purchases land by making bank's capital fund more than hundred percent without source suspiciously, corporate governance was not maintained as directed, with additional, irregular and irresponsible action was taken against the goodwill of the depositors and shareholders and in conclusion financial situation of the institution is being weak so the institution according to Article 86 (b) of NRB Act, 2002, was declared problematic on 24 March 2010.
- 2.77 Relating with Gorkha Development Bank Ltd. former chairman Damber Bahadur Tamang (Bamjan) and promoters: Nirmal Gurung, Dhan Prasad Rai, Dinesh Shakya, Meena Shrestha, Sanjiv Kumar Mishra, Mahesh Prasad Rijal and Ramesh Bahadur Tamang, former Executive Manager Rajendra Das Shrestha, Credit Chief Dipak Rana Magar, former promoter Pravin Naulakha, Rakesh Kumar Adukiya, executive promoter of Nepal Mantha Products Pvt. Ltd., borrowers of the same bank: Sanjiv Kumar Agrawal, Jeevan Ghimire, promoter shareholder of same bank and promoter of Krishi Premura Holding Pvt. Ltd., Ruchi Jajodia and Poonam Khetan were found involved in irregular and illegal action against the interest of the depositors and institutions, so according to articles 7, 8 and 9 of financial Offence and Punishment Act 2008 it has been forwarded to the concerned government agencies for investigation and necessary action.
- 2.78 From the special inspection carried by NRB on Nepal Share Market and Finance Ltd., It is seen that the loan loss provision should be increased and the loan provided to prompter, promoter group and related person is to be deducted from core capital according to directive of NRB. So while similar integration, it is maintained only Rs. 240 million and 135 thousand or 4.03 percent of risk-weight assets and capital fund of that institution is less than minimum ratio indicated by NRB. So the actions is taken according to the Article 3 (d) Prompt Corrective Action By law 2007.
- 2.79 Relating with Nepal Share Market and Finance Ltd. the Executive Chairman Yogendra Prasad Shrestha and promoter both Geeta Shrestha and Saurav Shrestha were found to be involved in irregular and illegal action against interest of the depositors and institutions. So according to articles 7, 8, 9, 12 and 14 of Offence Criminal and Punishment Act 2008, they are to be investigated and taken necessary action against them and until investigation is completed it has been put forward to the concerned government agencies; passport, bank account, locker, share, saving bond, debenture and fixed assets or other assets of promoter Gaurab Srestha and Utsab Srestha to be blocked.

- 2.80 From onsite inspection of the Samjhana Finance Company Ltd., Banepa, Kavrepalanchowk and based on the financial statement of mid-January 2010, it was found that capital fund of the institutions (after supervisory adjustment) was excessively negative (Rs.130 million or 35.04 percent) and other norms related to capital adequacy were also not in condition to be obeyed, ratio of the non performing loan was excessively high (49.02 percent out of total loan), higher portion of loans was in risk, internal control mechanism and corporate governance was very weak, the earlier directives issued by the NRB were not seriously taken for implementation, some of the directives were not complied with, accumulated loss was high and there was an increasing trend, financial situation was in decreasing trend, financial statement could not reflect real financial situation of the institution, unable to repay depositor's deposit, institution is passing through serious liquidity problem and condition for improvement on that situation was not found exact and reliable from response of that company, capital of the investor was risky, so the institution according to Article 3 (e) of Prompt Corrective Action Bylaw 2008 and Article 86 (b) of NRB Act, 2002, was declared problematic and restriction has been started from 7 June, 2010. According to Article 6 (g) of NRB Act, 2002 and Article 74(1) of Bank and Financial Institution Act, 2006, asking why not to liquidate from the same Act's sub-article 5 article 74 it was ask to submit clarification within 15 days and was not found satisfactory. According to the decision by the Board of Directors of NRB Article 85 (6) of NRB Act, 2002 and Article 74(1) of Bank and Financial Institution Act, 2006 and Article 4(1) of Insolvency Act, 2006, the decision to liquidate Shamjhana Finance Company Ltd., a case was filed at the Appellate Court in Patan on 28 April 2010. It has been sent to the concerned agencies of the GoN for criminal's investigation and necessary legal action to former executive chairman of that finance company Shyam Bahadur Shrestha, former Chief Executive Officer Him Bahadur Gurung, Senior Manager Saroj Bajracharya and Bijayamani Acharya including Parvin Kumar Khanal and Pawan Kumar Khanal according to Financial Offence and Punishment Act, 2008. Accordingly, a clarification was asked under Article 100 (2) of NRB Act, 2002 and Article 74(4) of Bank and Financial Institution Act, 2006, on 26 April 2010, the reply was not found to be satisfactory and it was decided to fine Rs. 5 hundred thousand according to Article 100 (2) of NRB Act, 2002 and Article 74(4) of Bank and Financial Institution Act, 2006.
- 2.81 Under Directive No. 1 of the Unified Directive issued by NRB 2067, issued by the NRB, the World Merchant Banking and Finance Company Ltd. was prohibited to distribute the dividend as the company failed to maintain the minimum capital adequacy ratio.
- 2.82 According to the article 1.4 of the Licensing Policies for Financial Institutions 2006, fourteen financial institutions including Karnali Development Bank, Nepalgunj; Western Development Bank, Dang; Bhajuratna Finance, Katmandu; Api Finance, Pokhara; Namaste Financial Institution, Dang; Investa Finance, Birjung; Merchant Finance, Newroad, Kathmandu; Shikhar Financial Institution, Thapthali, Kathmandu; Valley Finance, Maharajgunj, Kathmandu; Seti Financial Institution, Kailali; Himalaya Finance, Sundhara, Kathmandu; Mercantile Finance, Birgunj; Multipurpose Finance, Rajbiraj and Shrijana Finance, Biratnagar were prohibited to distribute dividend and accept deposits as per 1.4 (a) and (b) of the Licensing Policies as the institutions did not increase the paid up capital proportionately in the FY 2010/11 according to the prescribed paid up capital by the NRB. Out of them, the NRB released its action against eight financial institutions including Karnali Development Bank, Nepalgunj; Western Development Bank, Dang; Api Finance, Pokhara; Merchant Finance, New Road, Kathmandu; Shikhar Financial Institution, Thapathali, Kathmandu; Valley Finance, Marajgunj, Kathmandu; Seti Financial institution, Kailali and Himalaya Finance, Sundhara, Kathmandu and such kind of prohibition upon remaining six financial Institution is still continuing.
- 2.83 According to the article 14(4) of the Bank and Financial Institution Act, 2006, the Executive Chairman of the Karnali Development Bank has been fined Rs. 1 Lakh regarding the failure to find the proper management and solution of the internal dispute between the promoters and trying to hide the self weakness and all purchasing, selling, constructing and printing related works performed directly taken as usual as of the special provisions of the financial rules.

Likewise, from the same letter as per the Article 18(1) he has been found and informed disqualified for the post of Executive Director.

- 2.84 According to the article 74(4) of the Bank and Financial Institution Act, 2006, the Chairman Harikrishna Shrestha, Directors Keshab Gyawali, Santosh Lal Shrestha and Uttam Aryal respectively and contemporary Director Bibek Pradhan and Managing Director Laxman Gyawali of the Paschimanchal Development Bank were penalized as the bank's board of director has approved salary including facilities which are non-compliant with Article 21(1) of the Bank and Financial Institution Act, 2006 and directive of this Bank. In this regard Paschimanchal Development Bank has been instructed to reimburse the illegally provided amount and to inform NRB. However, the bank did not follow this direction.
- 2.85 According to the article 74(2) of the Bank and Financial Institution Act, 2006, Chairman of the Board of Director Chandra Sharma along with directors Bal Krishna Neupane, Jagat Bahadur Shrestha and Jeevan Kumari Poudel of the Annapurna Development Bank Ltd., Banepa Kavre have been penalized as the bank utilized the same bank loan to purchase promoters' share which appears to be the non-compliance under the Article 48(1) of the Bank and Financial Institution Act, 2006 as well as the NRB Directive on corporate governance.
- 2.86 The Chairman of United Development Bank Ltd., Jitpur, Bara, Rabindra Bahadur Singh and Director Radhakrishna Amatya were fined each Rs. 5 Lakh along with Sisam Malla, General Manager of Himalaya Finance Ltd., Sundhara was fined Rs. 25 thousand according to the Article 100(2) of NRB Act, 2002 and Article 74(4) of the Bank and Financial Institution Act, 2006 from the same date decision.
- 2.87 According to the article 74(1) of the Bank and Financial Institution Act, 2006, the Board of Director of Shrijana Development Bank, Pokhara Kaski along with Chief Executive Officer of the same institution Hari Prasad Gurung have been penalized for having submitted forged statement at this Bank for the fit and poor test after selling of promoter group's share to the self debtors.
- 2.88 Contemporary Executive Chairman of Gorkha Development Bank Ltd., Katmandu, Damber Bahadur Tamang along with contemporary Managing Director of Paschimanchal Development Bank Ltd., Laxman Gyawali were fined each Rs. five Lakh as per the Article 100(2) of NRB Act, 2002 and Article 74(4) of the Bank and Financial Institution Act, 2006 and both of them have been instructed to be automatically disqualified for the post according to the Article 18(1) of the Bank and Financial Institution Act, 2006.
- 2.89 Some Companies were not found to be serious to correct the remarks pointed out by the pre on-site inspection report of NRB and to comply with the NRB directives. In this regards, the Bank asked clarification to Lalitpur Finance Ltd., Lalitpur; Annapurna Development Bank, Banepa; Nepal Share Market and Finance Ltd. and Himchuli Development Bank to justify the reasons for not initiating the proceedings, However, the reply from these institutions were not found to be satisfactory. Consequently, they were prohibited to distribute dividend as per the Article 74(1) of the Bank and Financial Institution Act, 2006 for the FY 2010/11 even though the institutions made net profit.

Statement Regarding the Proceedings for Failure to Maintain Cash Reserve Ratio and Deprived Sector Credit Requirement

- 2.90 According to the article 47 of NRB Act, 2002, and directive No.13/2010, point No. (Ka) 1 (3) of the Unified Directive 2010, twenty-one development banks and fifteen finance companies have been fined for not maintaining the cash reserve ratio at the different weeks of the review period.
- 2.91 According to the Unified Directive 2010, 13/2010 (Kha), eight development banks and thirty-three finance companies have been fined for not maintaining the statutory liquidity ratio at the different months of the review period.
- 2.92 According to the article 81(2) of NRB Act, 2002 and Unified Directive 2010, directive No.17/2010, point No. 15 eleven development banks and eleven finance companies have been

financed as they failed to maintain the deprived sector credit requirement as per directive at different quarters of the review period.

Micro Credit and Limited Banking Institution

- 2.93 Draft of the Micro Credit Authority Act for the purpose of establishing the Micro Credit Authority as a Second Tier Institution for regulation, supervision and inspection of micro credit institutions and draft of the another act relating to the Rural Self-reliance Fund operated by the Micro Finance Promotion and Supervision Department of this bank for establishing a separate agency named Micro Credit Development Fund, have been sent to the GoN.
- 2.94 In the fiscal year 2010/11, on-site inspection of 18 micro credit development banks, 8 limited banking institutions and 15 financial intermediary NGOs has been conducted

Currency Management

Printing of Currency Notes and Coin Mint

- 2.95 In FY 2010/11, the following quantities of notes were printed and received in the vault.

**Table 2.8
Note Printing Details**

S.N.	Denominations (Rs.)	Quantity
1	5	20,00,00,000
2	10	16,00,00,000
3	20	13,00,00,000
4	50	9,00,00,000
5	500	9,36,50,000
6	1000	3,67,50,000
Total		71,04,00,000

**Table 2.9
Minting of Coins**

S.N.	Denomination (Rs.)	Quantity
1	1	29,25,00,000
2	2	8,20,80,000
Total Quantity		37,45,80,000

Note Issue

- 2.96 On the stock front, notes of various denominations have been issued equivalent to Rs. 92.63 billion during FY 2010/11.

Notes in Circulation and Their Security Provision

- 2.97 As at mid-July 2010, notes of different denominations equivalent to a sum of Rs. 161.30 billion were in circulation. Additional notes equivalent to Rs. 6.32 billion were issued during the review year making a total of Rs. 167.62 billion in circulation as at mid-July 2011. Of the total issued notes, foreign currencies and securities constituted 97.5 percent of the assets placed as security against the issue of notes and the remaining portion covered by government securities.

Currency Chest/Currency Chest Operation Directive, 2011

- 2.98 To widen the use of Nepalese currency and to continue smooth banking services across the nation, necessary supply of currency has been provided by establishing currency chests in 43 branches of RBBL and 24 branches/sub-branches of NBL. This is in addition to seven NRB offices outside valley. Under this provision, any excess fund deposited with such currency chests and any shortage of notes thereon is being managed by this bank at its own expenses. In addition, there is a provision to provide an access to currency chest for other private sector

commercial banks. To manage such activities effectively, Currency Chest Operation Directives, 2011 has been framed and implemented. This bank regularly inspects and monitors these currency chests to overcome the problems associated with currency chest operation and for performing services more effectively.

Clean Note Policy/Note Destruction

2.99 With the objective of circulating fresh and clean note, Clean Note Policy has been implemented during FY 2010/11. In this regard, public awareness programs have been conducted through organizing different programs, workshops and media release. From mid-July 2010 to mid-July 2011, Currency Management Department and NRB offices outside the valley together destroyed a total of Rs. 35.36 billion soiled and non-issuable notes. As a result, a total of Rs. 166.38 billion soiled and non-issuable notes have been destroyed so far.

Miscellaneous

Human Resource Management

2.100 In the process of recruiting officer third and assistant level second in bank service by free competition in the review year, a person has already been appointed in legal service, the result of 17 third class officers have been published with the appointment process going on, and the results of written examination of 45 assistants second for the offices outside the valley are being published gradually.

Table 2.10
Recruitment in and Termination of NRB-Service
(Mid-July 2010 – Mid-July 2011)

Level	Compulsory Retirement	Resignation	Dismissal	Death	Entrance
Officer Level	47	4	2	0	1
Officer-Executive	4	–	–	–	–
Officer-First	4	1	–	–	–
Officer-Second	5	1	–	–	–
Officer-Third	34	2	2	–	1
Assistant Level	26	0	0	2	0
Assistant-First	8	–	–	–	–
Assistant-Second	5	–	–	–	0
Assistant-Third	11	–	–	–	–
Assistant-Fourth	2	–	–	2	–
Assistant-Fifth	–	–	–	–	–
Total	73	4	2	2	1

Table 2.11
Number of Existing Employees (Mid-July 2011)

S.No.	Level	Current Manpower as of mid-July 2011
1	Officer-Executive	12
2	Officer-First	40
3	Officer-Second	140
4	Officer-Third	533
Total in Officer Level		725
5	Assistant-First	241
6	Assistant-Second	92
7	Assistant-Third	146
8	Assistant Fourth	159
9	Assistant-Fifth	1
Total in Assistant Level		639
Total		1364

- 2.101 Out of total 1364 permanent staffs working in the bank, there were 725 officers and 639 assistants as at mid-July 2011. The ratio of officer and assistant remained at 1:0.88.

Table 2.12
Structure of Contract and Monthly Wages

S.No.	Descriptions	Contract	Monthly Wages	Total	Remarks
1	Medical Employee	10		10	Yearly Contract
2	Security Group	65		65	Yearly Contract
3	Maintenance Supervisor	1		1	Yearly Contract
4	Dresser		2	2	Renewable every 6 month
5	Plumber		1	1	Renewable every 6 month
6	Electrician		1	1	Renewable every 6 month
7	Others	32	29	61	Yearly Contract & Monthly Wages
	Total	108	33	141	

- 2.102 The promotion chart of officer special to assistant fifth class for the career development of employees working in the bank in the FY 2010/11 is as follows:

Table 2.13
Description of the Recruited Post in 2010/11

S.No.	Post	Administration	Technical	Total
1	Officer-Executive	1	–	1
2	Officer-First	6	–	6
3	Officer-Second	11	2	13
4	Officer-Third	100	4	104
Total Officer Level		118	6	124
5	Assistant-First	9	–	9
6	Assistant-Second	–	4	4
7	Assistant-Third	41	2	43
8	Assistant-Forth	–	–	–
9	Assistant-Fifth	–	–	–
Total Assistant Level		50	6	56
Total		168	12	180

- 2.103 Efforts and other policy-wise provisions for employees' motivation are as follows.
- a. Provision of "Nepal Rastra Bank Karmachari Sapati Byabastha, 2068" has been made and is to be implemented by 2011/06/08.
 - b. Central bank allowance, daily allowance, tiffin, uniform facility, settlement allowance, note counting, sorting and counter allowance, fixed tiffin allowance for technical employees and drivers, out station allowance for deserving employees to get such facility, financial facilities and so on, have been revised and the provision to provide internet facility for all employees has been made.
 - c. Annual office operating cost for employee unions has been increased in accordance with change in time.
 - d. In the context of management of daily wage based employees, the provision to keep them in yearly contract basis has been made by amending "Nepal Rastra Bank Karmachari Sewa Biniyamawali, 2062".

Work Plan, Budget Management and Corporate Risk Minimization

- 2.104 The meeting of NRB's Board of Directors (BoD) held in 2011.07.12 has approved program and budget of the bank for FY 2011/12 and has also issued 24-point directions to make the budget system more realistic, manageable, economic and effective.
- 2.105 The progress report up to third quarter of FY 2010/11 has been reviewed in the Annual Work Plan and a Budget Discussion Workshop was held in 2011/06/13, which was conducted through participation by chiefs of all the departments and offices of the bank. Based on the suggestions and conclusions drawn in the workshop from the work plan submitted by different departments and offices for the FY 2011/12, the final work plan after approval from the BoD is now in process of implementation.
- 2.106 The budget review report of FY 2009/10 and first three quarters of 2010/11, submitted by 'Budget Review Committee' under the coordination of Board of Director Dr. Bishwambher Pyakuryal, has been endorsed by the BoD.
- 2.107 The directives have been circulated to all departments/offices as per the decisions of Risk Management Committee in different points of time. The provision of record keeping of risk by fixed risk management officer in all departments/offices/divisions, has been managed. Risk register from different departments/offices has been collected quarterly and the work of compilation is being done.
- 2.108 Directions for improvement have been made after discussing it on point-wise basis by the risk management committee with the related department head as invitee.
- 2.109 Sufficient initiation is to be taken by chief of departments/offices beside risk management officer to minimize the risk; five departments/offices have been selected for this time to form a sub-committee of related department chief, deputy chief and risk officer; direction has been made by risk management committee to send the risk register after analyzing departmental risk by such department/office level sub-committee.

Towards Annual Work Plan

- 2.110 Including progress evaluation and review report of yearly work plan of FY 2009/10, evaluation and review report of yearly work plan of first, second and third quarter of FY 2010/11 have been prepared. The summary of work performed in FY 2009/10 and up to third quarter of FY 2010/11 is as follows:

S. N.	Time period of performance of work	No of goal oriented function	Status of performance			
			Performed		Not performed	
			No of action	%	No of action	%
1.	FY 2009/2010	235	167.66	71.34	67.34	28.66
2.	FY 2010/2011 Up to 3 rd Quarter	191.65	126.40	65.95	65.26	34.05

- 2.111 The review report of work performance situation of first strategic plan (2006-2010) has been prepared and submitted to the BoD.
- 2.112 In the process of formation of the Second Strategic Plan (2012-2016), interaction/seminar with stakeholders and SWOT analysis of NRB program have been conducted with participation of higher level officers of the bank; after incorporating the suggestions from such programs and discussions with different department/office /division of the bank, the primary draft of the second strategic plan has been prepared.

Information and Technology

- 2.113 In the process of development and improvement of computerization work in various departments and offices, improvement in software of banking system, accounting, payroll, staff facility and HS code based software of foreign trade statistics in Balance of Payments Division has been made.
- 2.114 Latest Antivirus software has been procured and installed in offices outside the valley and Novell based server existing in Information Technology Department has been changed into windows based server.
- 2.115 Information technology related infrastructure has been inspected in newly established banks and financial institutions.

Progress in New Software Procurement Procedure

- 2.116 With self-initiation, enhancement of IT capacity building is going on with major objectives of the capacity enhancement of information and technology of the bank. In this connection, the major function is to replace old technology based legacy software by new modern industry standard software. The progress made in new software procurement process has been as follow:
- a. The contract has been signed and consultant has started to study about Accounting (General Ledger) Software Procurement and implementation for the bank.
 - b. To simplify the online data collection and dissemination work after receiving the essential data from various department of the bank, online through internet from different banks and financial institutions, the process of procurement of "Online Data Collection and Dissemination System Software", proposal have been received from different firms/companies after short listing as per their submitted letter of intent for procuring the necessary data of various departments to get online through internet.
 - c. Different firms/companies have been requested to submit letter of intent to procure the Human Resource Management Information System (Including e-Attendance System).
 - d. With regard to the process to acquire the software for Financial Information Unit (FIU-Nepal), different firms/companies submitted proposals which were evaluated.
 - e. The necessary software has been procured and implemented for collection of price information through Internet for Price Division of Research Department.
 - f. The software of Inventory Management System has been procured; it is in trial process.

IT Policy/IT Guidelines/IT Code of Conduct

- 2.117 IT guidelines, IT policy and IT code of conduct have been approved by NRB board of directors for facilitating the use of computer, computer related equipments and software in various departments/offices.

Activities Related to Law

- 2.118 Following activities were performed for the execution and amendment of the Acts, Rules and Regulations

Activities under Anti-Money Laundering Act, 2064

- (a) Directives were issued to Banks and Financial Institutions, Remittance Companies, Money Changers, Casinos, Cooperatives, Government Agencies, Insurance Companies and Professionals, Securities related companies, Lawyers and Professionals, Auditors and Gold and precious metal business persons for Customer Identification, suspicious transactions identifications, risk management, and reporting of threshold and suspicious transactions under the provision of Section 10(1) of the Anti-Money Laundering Act, 2064 and Rules 7(1) of Anti-Money Laundering Rules 2066 to prevent and bring into book the activities related to Money Laundering and Financing of Terrorism.

- (b) A comprehensive report on implementation of the AML/CFT international standards on Nepalese legal instruments and practice has been sent to Asia Pacific Group on Money Laundering (APG).
- (c) Memorandum of Understanding has been concluded with Korea and Taiwan for exchange of information based on reciprocity.
- (d) Highlights of Nepalese efforts on AML/CFT were presented to the 14th annual meeting of APG held on July 2011 in India and queries of different member countries on the Mutual Evaluation Report were answered.
- (e) The progress of Nepal on AML/CFT has been presented during different face to face meetings with Regional Review Group (RRG), which is a regional body of International Cooperation Review Group of Financial Action Task Force and is currently reviewing Nepal's compliance on AML/CFT and is authorized for international sanction.
- (f) A study on assessment of the risk has been started to find out the risk of Money Laundering and Financing of Terrorism, which is necessary for formulating national policy on AML/CFT.
- (g) A study on drafting of national strategy on AML/CFT is going on with the technical assistance of the IMF.
- (h) More than 400 cases received from different reporting institutions as Suspicious Transaction Reports and Threshold Transaction Reports, were forwarded to the Department of Revenue Investigation for further investigation and prosecution.

Activities Related to Legal Drafting

The First Amendment on the Anti-Money Laundering Act, 2064 has now been enforced. The draft of the amendment was forwarded to Ministry of Finance from NRB. Likewise, drafts of Bank and Financial Institutions Bill, which is under discussion in Parliament and Mutual Legal Assistant Bill, were submitted to GoN.

Activities Related to Court Cases

More than 50 cases are running in different courts where NRB is a party by the end of FY 2067/68. Decisions of the majority of the cases decided during review period are in favor of NRB.

Internal Audit-related Works

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

- (a) Compliance Audit were completed of Financial Management Department, Banking Office, Currency Management Department (including Mint division) and the 7 offices outside the valley.
- (b) Similarly, risk based/performance audit, posting and transfer provision of human resource management department, investment management of foreign exchange management department, real state and vehicle asset management of general service department, investment, recovery and fund management of different projects conducted by Micro Finance Promotion and Supervision Department, fund transfer management of Currency Management Department, licensing provision of Bank and Financial Institutions Regulation Department, provision of operation of clearing house by Banking Office, effectiveness of work performed by IT Department and record management of Legal Division have also been completed.
- (c) Yearly report of the FY 2010/11 of Audit Committee has been submitted to the BoD.

General Service Execution

- 2.120** With the objectives of providing suggestions for constructing a head office building and other infrastructure management of the bank, a high level committee under the coordination of a Deputy Governor was formed. The committee prepared a report and which has been theoretically approved by the BoD. Consequently, construction of a modern head office building and management of all infrastructures inside and outside the valley has been initiated.
- 2.121** The evaluation of CCTV connection in offices outside the valley including Thapathali building, has reached its last phase.
- 2.122** In the context of time-to-time correspondence by Department of Road to widening the road in northern side of Nepalgunj office, by leaving the land 7 to 10 meter for the road and reconstruction of the boundary wall, this will lead to probable risk to the cash vault. In this regard, alternative places for Nepalgunj office are being explored and existing place are being initiated.
- 2.123** Electronic security lock including voice logger has been connected for the offices of the Governor and Deputy Governors to manage the entrance. Electronic identity card has also been issued for all employees.
- 2.124** Two ATM machines have been installed outside the main gate of central office considering the facility for the employees of the bank; earlier, there was only one machine.
- 2.125** Including old vehicles and motorbikes, a total of 7 items has been sold and notice has been published to sell old press machines and related items by auction.

Public Debt Management

- 2.126** Public Debt Management Department of this bank has been issuing short-term and long-term bonds as an instrument to manage internal debt of GoN including monetary management (liquidity management) for effective implementation of NRB's monetary policy. In this regard, brief descriptions of the internal debt management and monetary management conducted in FY 2010/11 are as follows:

Internal Debt Management

- 2.127** NRB had published four bi-monthly issue calendar to mobilize the internal debt of Rs. 33.68 billion in FY 2010/11 as per the Budget Speech of GoN, this includes the situation of Treasury bills of GoN and liquidity crunch in financial sector. Internal debt totaling Rs. 33.68 billion was mobilized. This comprised in 2067 Mangsir, Rs. 4.5 billion (13.36%), in Magh Rs. 4 billion (11.88%), in 2068 Baisakh Rs. 2.25 billion (6.68%), in Jestha Rs. 8.25 billion (24.5%) and Asar Rs. 14.68 billion (43.58%). Although there was the target of Rs. 5.0 billion internal debt mobilization through Foreign Employment Saving Certificate, Rs. 3.4 million has only been mobilized by such saving certificate; hence, out of Rs. 5.0 billion, internal debt equal to Rs.4.97 billion was mobilized by issuing treasury bills. Internal debt mobilization in FY 2010/11 has increased by 12.59% compared to Rs. 29.91 billion in FY 2009/2010.

(1) Instrument-wise Debt Securities Issuance

- 2.128** Instrument-wise comparison of GoN's internal debt mobilization during the last three FYs, are as follows:

Table 2.14
Issue of Internal Debt

(Rs. in Million)

S.N	Types of Bond	2008/09		2009/10		2010/11		% change	
		Amount	%	Amount	%	Amount	%	2009/10	2010/11
1.	Development Bond	7750.00	42.08	9040.9	30.22	8000.00	23.75	16.66	(11.51)
2.	Treasury Bill	9000.00	48.87	19929.85	66.33	14996.6	44.53	121.44	(24.75)
3.	Citizen Bond	1667.06	9.05	939.25	3.14	-	-	(43.66)	-
4.	National Saving Bond	-	-	-	-	10680.00	31.71	-	-
5.	Foreign Employment Saving Bond	-	-	4.00	0.01	3.38	0.01	-	(15.50)
Total		18417.06	100.00	29914.00	100.00	33679.98	100.00	-	-

A glance at the debt securities on the basis of instrument structure shows that, as in the past, the share of short-term instrument i.e. Treasury bill was higher during FY 2010/11. The share of Treasury bill declined by 24.75 percent in FY 2010/11 compared to that of FY 2009/10 and constituted 44.53 percent of the total issuance of debt securities during the review year.

Long-term development bond for corporate savers issued by auctions formed 23.75 percent share. Similarly, issuance of National Saving Certificates as a medium-term instrument for general public and non-financial institutions constituted 31.71 percent share. Besides this, by the provision of Budget Speech of GoN for 2009/10 and 2010/11, the internal debt equivalent to Rs. 4.00 million and Rs. 3.38 million were mobilized by the Foreign Employment Saving Certificates as a new instrument. With regard to the annual internal debt mobilization, it has increased significantly by 12.59 percent in FY 2010/11 compared to that of 2009/10. Similarly reviewing the trend relating to instrument-wise collection in the review year 2009/10, the Treasury bill, development bond and employment saving certificates have decreased by 24.75 percent, 11.51 percent and 15.50 percent respectively compared to that of the previous year. No citizen saving bond has been issued and National Saving Certificate of Rs. 10.68 billion has been issued during the FY 2010/11.

(2) Total Outstanding Internal Debt of GoN

2.129 Comparative description of total internal debt liabilities (instrument-wise) of the GoN for last three FYs is presented in the following table.

Table 2.15
Total Internal Debt Liabilities of GON

(Rs. in Million)

S. N.	Types of Bond	2008/09		2009/10		2010/11		% Change	
		Amount	%	Amount	%	Amount	%	2009/10	2010/11
1.	Development Bond	29478.5	24.39	35519.4	24.86	43519.4	24.27	20.49	22.52
2.	National Saving Certificate	216.92	0.18	-	-	10680.00	5.96	-	-
3.	Treasury Bill	86515.07	71.57	102043.73	71.43	120340.68	67.11	17.95	17.93
4.	Special Bond	229.62	0.19	169.70	0.12	158.03	0.09	(26.09)	(6.87)
5.	Citizen Saving Certificate	4433.64	3.67	5122.89	3.58	4622.89	2.58	15.55	(9.76)
6.	Foreign Employment Saving Certificate	-	-	4.0	0.01	7.38	0.01	-	84.05
Total		120873.75	100.00	142859.72	100.00	179328.39	100.00	18.19	25.5

Total internal debt liabilities of GoN rose by 25.5 percent to Rs.179.33 billion during FY 2010/11 compared to an increment of 18.19 percent in the previous FY 2009/10. Such internal debt has the ratio of 13.33 percent to the total GDP in nominal price (initial estimate) of the FY 2010/11. At the end of the FY 2010/11, the share of Treasury bills, development bonds, citizen saving certificates, foreign employment saving certificates and special bond are observed as 67.11, 24.27, 2.58, 5.96 and 0.01 percent respectively as internal debt liabilities.

(3) Ownership Structure of Total Internal Debt Outstanding

Structure of personal and institutional ownership of bonds issued by the GoN in the previous year were as follows:

a. Ownership of Bond of Various Institutions

2.131 Public Debt Management Department has been issuing treasury bills (short-term), development bond (long-term), citizen saving certificate (mid-term) and special bond for contingent liability as per Budget Speech of the GoN. Corporate ownership structure of issued bonds till FY 2010/11 is as follows:

**Table 2.16
List of Corporate Ownership of Internal Debt
July 2011**

(Rs. in Million)

Owner	Dev. Bond	RATIO %	Foreign Employ. Bond	Ratic %	Treasury Bill	Ratic %	Citizen Saving Bond	Ratic %	Special Bond	Ratic %	Total	%
NEPAL RASTRA BANK	348.15	0.80	-	-	28178.93	23.42	3136.67	67.85	-	-	31671.32	17.66
Commercial Bank	19322.18	44.40	-	-	86461.10	71.85	-	-	157.60	99.73	105840.88	59.08
Development Bank	814.08	1.87	-	-	1760.95	1.46	-	-	-	-	2675.03	1.44
Finance company	1462.80	3.36	-	-	922.40	0.77	98.87	2.14	-	-	2487.07	1.39
Employee Provident Fund	6539.08	15.03	-	-	-	-	-	-	-	-	6539.08	3.65
Cit. Invest. Trust	1056.28	2.43	-	-	-	-	-	-	-	-	1056.28	0.59
Nepal Telecom	1883.33	4.33	-	-	-	-	-	-	-	-	1883.33	1.05
Retirement Fund	2621.58	6.02	-	-	-	-	-	-	-	-	2621.58	1.46
Insurance Companies	8946.55	20.56	-	-	-	-	-	-	-	-	8946.55	4.99
Public	96.58	0.22	7.38	100.0	-	-	1387.35	30.01	-	-	2140.14	1.19
Others	428.83	0.99	-	-	3017.30	2.51	-	-	0.43	0.27	13467.16	7.51
Total	43519.40	100.00	7.38	100.0	120340.68	100	4622.89	100.0	158.03	100.0	179328.39	100.00

Among the corporate ownership structure of total outstanding internal debt of Rs.179.33 billion, commercial banks are the major owners till the end of FY 2010/11. Commercial banks own 59.08 percent followed by NRB with 17.66 percent ownership of total internal debt liabilities of the GoN. Besides, insurance companies have 4.99 percent and Employee Provident Fund has 3.65 percent ownership. Similarly, different retirement funds have jointly 1.46 percent; development banks have 1.44 percent and finance companies have 1.39 percent while the general public has 1.19 percent ownership.

On the basis of instrument-wise ownership structure, out of total Treasury bill of Rs.120.34 billion, commercial banks have Rs.86.46 billion (71.85 percent) and Nepal Rastra Bank has Rs.28.17 billion (23.42 percent) ownership. Commercial banks have also the highest ownership position in the total liabilities Rs. 43.51 billion of development bonds. Commercial banks have Rs. 19.32 billion (44.4 percent) ownership in development bond. After that, Employee Provident Fund and Insurance Companies have 15.03 and 20.56 percent ownership respectively.

Out of total Citizen Saving Certificate liabilities of Rs. 4.62 billion, general public has Rs.1.39 billion (30.01 percent), Nepal Rastra Bank has Rs.3.14 billion (67.85 percent, which was purchased through secondary market) ownership and finance companies have Rs. 98.8 million (2.14 percent). Similarly, general public has ownership of Rs. 7.38 million in the total amount of Foreign Employment Saving Certificate issued by the GoN.

b. Debt Securities Ownership of NRB

2.132 NRB has been continuously issuing Treasury bills (short term), development bonds (long term) and citizen saving certificates (mid-term) to mobilize internal debt as per the Budget Speech of GoN. NRB purchases the residual Treasury bills automatically through the secondary market,

in case the renewal and primary issue of Treasury bill is under-subscribed in auction. This bank has the following government bonds ownership including purchased bond from market makers, Treasury bills issued for the payment of special bond, and overdraft etc.

Table 2.17
List of Government Treasury Bill/Bond owned by Nepal Rastra Bank

S. N.	Types of Bond/Bill	(Rs. in Million)							
		2008/09		2009/10		2010/11		% change	
		Amount	%	Amount	%	Amount	%	2009/10	2010/11
1.	Development Bond	302.25	1.26	309.05	0.93	348.15	1.10	2.25	12.65
2.	National Saving Certificate	76.90	0.32	-	-	7.56	0.02	-	-
3.	Treasury Bill	22548.57	93.62	30477.43	91.19	28178.93	88.97	35.16	-7.54
4.	Citizen Saving Certificate	1155.13	4.80	2634.97	7.88	3136.67	9.90	128.11	19.04
Total		24082.85	100.00	33421.45	100.00	31671.32	100.00	38.78	-5.24

Ownership of NRB has remained at Rs. 31.67 billion, which decreased by 5.24 percent (Rs. 1.75 billion) in FY 2010/11 compared to that of the previous year. It had increased by 38.78 percent in the previous year.

(4) Position of Principal and Interest Payment of Bonds

2.133 The principal and interest payment of internal debt of the GoN showed an increasing trend each year. In 2010/11, the payment of principal and interest has increased by 9.6 percent compared to the marginal increment of 1.5 percent in FY 2009/10.

Table 2.18
Payment of Principal and Interest

S. N.	Types of Bond	(Rs. in Million)		
		2008/09	2009/10	2010/11
		Principal/Interest	Principal/Interest	Principal/Interest
1	Development Bond	1794.11	5194.46	2875.85
2	National Saving Certificate	972.60	248.72	8.77
3	Treasury Bill	11287.91	8801.79	12510.73
4	Citizen Bond	473.54	565.04	907.08
5	Special Bond	148.23	85.92	25.62
6	Foreign Employment Saving Certificate	-	-	0.39
Total		14676.38	14895.92	16328.05
Change in %		34.27	1.50	9.60

(5) Fees and Commission of Internal Debt Management

2.134 NRB has been receiving management fees on a half yearly basis (September/October and March/April of each year, 0.05 percent of total internal loan) for internal debt management on behalf of GoN. Due to continuous increment in liabilities of internal debt, management fees to this bank from GoN have also been increasing. Management fees received by NRB during last three years for internal debt management are as follows:

Table 2.19
Fees and Commission of Internal Debt Management

(Rs. in Million)

S.N.	Fee/Commission	Rate	2008/09	2009/10	2010/11
1	Management fee of NRB	0.05 % of total amount	55.78	59.86	72.11
2	Sales commission of primary Issue of FESC	0.5 % of total amount	-	0.02	0.02
Total			55.78	59.88	72.13
Change %			6.22	4.22	19.60

The amount of management fee provided to NRB is in increasing trend because of increased total internal loan liabilities of GoN, which has been tied with internal loan liabilities. This amount increased by 19.6 percent to Rs. 72.13 million compared to being Rs. 59.88 million last year.

Reimbursement amount of sales commission of primary issuance of bonds and commission to financial intermediaries for interest payment has not been received from GoN from FY2007/08. The discussion between Nepal Government and this bank has begun to set up new agreement in this regard.

Monetary Management

(1) *New and Renewal Issuance of Treasury Bills by Auctions*

2.135 In the FY 2010/11, treasury bill of Rs. 14.99 billion has been issued as mentioned in the Budget Speech of Government of Nepal.

The weighted minimum, maximum and average discount rates of treasury bills issued during the last three years are as follows:

Table 2.20
Interest Rate of Treasury Bills (Short Term)

S.N.	Treasury Bills	Weighted Discount Rate						
		2008/09	2009/10			2010/11		
		Annual Average	Minimum	Maximum	Annual Average	Minimum	Maximum	Annual Average
1	28-days	6.2653	1.5109	9.7177	6.7780	1.8903	10.1300	6.0963
2	91-days	5.6067	1.1200	9.6820	6.5023	2.1202	10.0086	7.4139
3	182-days	5.4493	2.6771	9.5041	7.2566	3.7500	9.9991	8.3122
4	364-days	6.0493	3.2757	9.2077	7.6016	3.09	9.75	8.3512

Weighted average discount rate of 28-days Treasury bill remained at the minimum level of 1.8903 percent and maximum at 10.13 percent in FY2010/11. Yearly average discount rate remained at 6.09 percent. Similarly, the weighted average discount rate of 91-days Treasury bill remained minimum at 2.1202 percent, maximum at 10.0086 percent and yearly average discount rate remained at 7.4139 percent. The weighted average discount rate of 182-days Treasury bill remained minimum at 3.7500 percent, maximum at 9.9991 percent and yearly average discount rate remained at 8.3122 percent. Similarly, the weighted average discount rate of 364-days Treasury bill remained minimum at 3.09 percent, maximum at 9.75 percent and yearly average discount rate remained at 8.3512 percent.

In FY 2010/11, the average interest rate of all types of Treasury bills has increased compared to that of FY 2009/10. Of the total Treasury bills, the yearly average discount rate of 91-days, 182-days and 364-days Treasury bills have increased by 14.02 percent, 14.55 percent and 9.86 percent respectively and 28-days Treasury bills has decreased by 10.06 percent.

(2) Secondary Market Transaction Situation of Treasury Bills

2.136 Since FY 2004/05, liquidity has been injected and mopped up through the four windows: repo auction, reverse repo auction, outright sale auction and outright purchase auction as the secondary market operations of treasury bills on the basis of Liquidity Monitoring and Forecasting Framework (LMFF) and monetary aggregates. These types of transaction amount have been determined at the initiation of this bank and operated in the secondary market through auction. The transaction of open market operations (OMOs) on the basis of liquidity of the market has been operated at the initiation of NRB which had been initiated by commercial bank in preceding years from FY 2004/05. This is given below:

Table 2.21
Secondary Market Transaction of Treasury Bills

		(Rs. in million)	
S.N.	Open Market Instrument	2009/10	2010/11
1	Repo Auction	134676.8	92386.08
2	Outright Purchase Auction	3381.7	-
3	Reverse Repo Auction	1000.00	19000.00
4	Outright Sale Auction	7440.0	2000.00

In FY 2010/11, on the basis of the secondary market transaction of treasury bills, liquidity has been injected by repo auction of Rs. 92.38 billion. Liquidity of Rs. 21.0 billion has been mopped up through reverse repo and outright sale auction of Rs. 19.0 billion and Rs. 2.0 billion respectively. Accordingly, through such instruments net liquidity of Rs. 71.38 billion has been injected. A net liquidity of Rs. 58.23 billion has been in shortfall in FY 2010/11 compared to that of previous year.

(3) Policy-wise Provision**(a) Standing Liquidity Facility (SLF)**

2.137 Standing Liquidity Facility has been provided to the commercial banks for up to 5 days if they need short-term liquidity facility. This facility is being provided since FY 2004/05, while this facility was limited only to commercial banks, since FY 2008/09 it has been extended to "B" and "C" class financial institutions. Such institutions can use SLF up to 90 percent of the total collateral value of their treasury bills and development bond holdings. And the interest rate is determined as weighted average interest rate of 91-day Treasury bills of last week or the last repo rate (within 30 days) whichever is greater plus 3 percent (penal rate). A sum of Rs. 216.67 billion SLF was provided in the FY 2010/11.

(b) Master Repurchase Agreement

2.138 Previously, the master repurchase agreement had been made between the Nepal Rastra Bank and commercial banks, to make transaction through repo, reverse repo, outright purchase, outright sale, as per the recommendation of LMFF, in order to inject or mop-up the liquidity in the system. However, the Monetary Policy of FY 2008/09 has made the provision of providing such facility also to the development banks and finance companies. Accordingly, in FY 2010/11, such agreement has been made with 5 commercial banks, 2 development banks and 4 finance companies whereas in FY 2009/10, the agreement was made with 2 commercial banks, 10 development banks and 4 finance companies.

(4) Others Activities

2.139 In FY 2010/11, for the primary issuance and secondary market transactions of medium and long term saving certificates for general public, license has been provided to 79 banks and financial institutions including Citizen Investment Trust. In this process 7 institutions have taken new licenses; however, 64 have renewed the previous ones. On the basis of geographical situation of market makers, 57 license holders are inside the Kathmandu valley and 14 are outside the valley. Similarly, as per annual working plan of FY 2010/11, the inspection had

been made for total 16 market makers - 12 inside the valley and 4 outside the valley. The list of licensed market makers is shown in Appendix-1.

- 2.140 After implementation of "Primary and Secondary Market Management of Bonds By-law 2004" as the legal framework for sale of development bonds from primary market by auctions, the development bonds have been started to be sold by auctions. In FY2010/11, the development bond of the GoN amounting to Rs. 8.0 billion had primarily been issued by auctions. In previous FY, the development bond of Rs. 9.4 billion had been issued by auctions.
- 2.141 The issue calendar of Treasury bills and other bonds (for internal debt management) has been prepared and published bi-monthly as approved by Nepal Government. Public debt has been collected by making amendment in the issue calendar as per necessity.

Training, Workshop, Seminars, Tours and Interaction

- 2.142 To promote the bank's work capacity and effectiveness through enhancing talent and skill development, Bankers' Training Center in FY 2010/11 conducted 28 training, workshops and seminars for 590 employees nominated by Human Resource Management Department and 6 training and workshops for officials from commercial banks, finance companies and others. Altogether, 861 personnel benefited from the various programs.
- 2.143 To conduct training, seminar and workshop programs by the Center, of the total sanctioned budget of Rs. 6.6 million, expenditure of only Rs.3.8 million (58.6 percent) was made during the FY 2010/11.
- 2.144 Opportunities for foreign training, workshop, study and observation tour were provided to a total of 364 officials of the banks, including officer and non-officer level employee during review period.
- 2.145 Study facility has been provided to 3 employees for M Phil. in home country and 1 staff for "Master's Degree in International Economics" from Korea. Similarly, 1 employee has been granted study leave for Ph.D. in Economics.
- 2.146 A training program on economic journalism by the Asian Institute of Technology (AIT), Thailand, Bangkok was provided to 13 economic journalists, working in the field of media and publication.
- 2.147 A sum of 66 employees working on various departments in this bank participated in foreign training, workshop, seminar and observation tour program from the Financial Sector Technical Assistance Project during mid-July 2010 to ending mid-July 2011.
- 2.148 A 1-day interaction program was conducted to functional officers of cooperatives regarding implementation of directives for controlling of money laundering by the Financial Information Unit of this bank.

Studies/Works

Economic Research-related

- 2.149 Strengthening Capacity for Macroeconomic Analysis Project, with technical assistance from Asian Development Bank, was completed by the Research Department of this bank. Various types of training and seminars related to macroeconomic model have been completed and Nepal Macroeconomic Model (NMEM) 2011 has been prepared to facilitate economic analysis work during the two-year period. Moreover, a plan formulation related to Dynamic Stochastic General Equilibrium (DSGE) model is being prepared as an alternative use of this model.
- 2.150 Four special studies have been conducted by Research Department of this bank in FY 2010/11. These include (1) "Real Estate Financing in Nepal: A Case Study of Katmandu Valley" (2) "Status of IC Circulation in Nepal" (3) "Parallel Markets of Foreign Currency in Nepal" and (4) "Financial Transaction of Saving and Credit Cooperative Institutions in Nepal." Moreover, a special study regarding situation of Dhukuti transactions in Nepal is in the process of being completed.

Financial Sector Regulation and Supervision-related

2.151 Various study works by the Bank and Financial Institutions Regulation Department of this bank include amendment and inclusion of additional provisions in existing policy on establishment of banks and financial institutions, 2006 and revision of guidelines regarding salary and other benefits of chief executive officers of bank and financial institutions. The study pertaining to the issuance of e-banking policy is ongoing.

Physical Infrastructure Improvement-related Study

2.152 A study report has been prepared; after discussing with related parties with various provisions regarding construction of a well equipped physical infrastructure building either in bank's periphery in Thapathali, bank's land located at Sanothimi or in other appropriate places.

Meeting of Board of Directors

2.153 In FY 2010/11, a total of 46 meetings of Board of Directors were held. 48 meetings were conducted in the previous year.

Activities of NRB Offices Out of Kathmandu Valley

2.154 In FY 2010/11, a total of Rs. 200.19 billion fund was transferred 722 times from 56 currency chests under 7 located outside Kathmandu Valley offices and Rs. 6.76 billion was deposited 161 times. Similarly, Indian currency worth a total of Rs. 143.4 million was transferred from outside Kathmandu Valley offices to bank branches operating Indian note chests 14 times and Indian currency worth of Rs. 930.3 million was deposited 15 times. In the review period, Indian currency equal to Rs 1.30 billion was purchased and Rs. 2.31 billion was sold from those offices. Similarly, foreign currency worth of Rs. 5.85 billion was purchased and was not sold to customer by the offices (Table 37).

Table 31
Notes in Circulation

(Rs. in million)

Denominations	Mid July					
	2009		2010		2011	
	Amount	Percent	Amount	Percent	Amount	Percent
1	32	0.0	31	0.0	31	0.0
2	66	0.0	65	0.0	63	0.0
5	244	0.2	233	0.1	239	0.1
10	577	0.4	529	0.3	559	0.3
20	671	0.5	531	0.3	486	0.3
25	391	0.3	388	0.3	386	0.3
50	3039	2.2	3237	2.0	3319	2.0
100	9223	6.5	9404	5.9	10001	6.0
250	106	0.1	109	0.1	109	0.1
500	3,3092	23.4	4,0863	25.3	46260	27.6
1000	9,3769	66.4	10,5910	65.7	106168	63.3
Total	14,1210	100.0	16,1300	100.0	167620	100.0

Table 32
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)	(4)			(5)	(6)	(4÷6)/100
	(1)	(2)	(3)	(4)			(5)	(6)	(7)
2006	703	-	79756	80459	4172	84631	95.1		
2007	-	-	87138	87138	4172	91310	95.4		
2008	-	-	108778	108778	4172	112950	96.3		
2009	-	-	137038	137038	4172	141210	97.0		
2010	-	-	157128	157128	4172	161300	97.4		
2011	-	-	163448	163448	4172	167620	97.5		

Table 33
Established Posts and Employees by Class

	Mid-July 2010		Mid-July 2011	
	Posts	In-service	Posts	In-service
Officer-Special	16	15	16	12
Officer-First	42	38	45	40
Officer-Second	151	141	162	140
Officer-Third	616	474	669	533
Assistant- First	415	350	250	241
Assistant-Second	193	102	182	92
Assistant-Third	163	112	164	146
Assistant-Fourth	259	213	160	159
Assistant- Fifth	5	1	36	1
Total	1860	1446	1684	1364

Table 34
List of Training Operated Internally

S.No.	Subject	Officer/Non Officer	Training Days	No. of Participants		NRB Total Participants
				NRB Local Office	NRB Outside Office	
1	Training Program on Web Designing, Development, Hosting and Support Engineer	Officer	2 Month	2		2
2	e-Learning Course on TQM for the Service Industry	Officer	4	1		1
3	SWIFT Training, Basics-Your Passport to SWIFT	Both	1	8		8
4	SWIFT Training, Payment and Cash Management	Officer	2	3		3
5	SWIFT Training, Collection and Documentary Credits	Both	2	2		2
6	Nepal Micro Finance: Vision 2015	Officer	2	1		1
7	SWIFT Training, Operating the Relationship Management Application	Officer	1	1		1
8	Emotional Intelligence at Work	Officer	4	1		1
9	SWIFT Training, SWIFT Audit Guidelines	Officer	2	1		1
10	Preparation of Tender document	Officer	2	1		1
11	Training on Market Research and Product Development	Officer	5	3		3
12	Macro-Modeling	Officer	16	1		1
13	Macro-Modeling	Non-Officer	4	1		1
14	Mashreq Seminar in Kathmandu	Officer	1	3		3
15	Seminar on "IFRS: Issues & Challenges"	Officer	1	2		2
16	"Building e-Nepal: Prospects & Challenges"	Officer	2	2		2
17	Program on Training Techniques for Trainers of Cooperatives and Rural Financing Institutions	Officer	5	3		3
18	Management Training	Officer	36	2		2
19	Workshop on Regulatory Framework for Domestic Credit Rating Agencies (DCRAS) in Nepal	Officer	1	10		10
20	Targeted Credit Program in SAARC Region SAARCFINANCE Seminar	Officer	3	3		3
21	Risk Based Approach to Auditing	Officer	2	4		4
22	Management Change for Sustainable Development in the SAARC Region	Officer	2	1		1
23	Trainers Training	Officer	15	1		1
	Total			57	0	57

Table 35
Training Operated by Bankers' Training Centre

S.No.	Subject	Officer/Non Officer	Training Days	No. of Participants		NRB Total Participants
				NRB Local Office	NRB Outside Office	
1	Risk Based Internal Audit	Officer	2	22	1	23
2	Macro Economic Stability and Financial Sector Issues	Officer	6	12	7	19
3	Central Banking	Officer	6	18	7	25
4	Cash Operation	Non-Officer	3	11	14	25
5	Management Development Programme	Officer	6	10	6	16
6	Kathmandu Banking Office System	Both	3	13	7	20
7	Software Procurement Process & Techniques	Officer	3	13	7	20
8	Note Sorting Standards & Fake Note Identification	Both	1		3	3
9	Training Facilitation for Resource Persons of NRB	Officer		15	2	17
10	Implementation of BASEL II FOR Development Banks	Officer	4	10		10
11	IT Infrastructure of NRB & their Proper Usage Simple Trouble Shooting of HW/SW	Officer	2	7	7	14
12	NRB New Accounting Manual	Both	3	11	14	25
13	Primary and Secondary Market Operation and Management	Officer	2	1	7	8
14	Supervision of Bank and Financial Institutions (Including Risk Based Supervision)	Officer	6	22		22
15	Central Banking	Both	6	20	5	25
16	NRB Accounting with IAS, NAS	Officer	5	18	7	25
17	Strengthening the Off-Site Supervision	Both	6	23		23
18	Risk Based Internal Audit	Officer	3	17	7	24
19	BOP Statistics	Both	4	3	5	8
20	Quality Enhancement in Support Staffs	Non-Officer	3	15	10	25
21	Enhancing Technical Efficiency and Practical Knowledge of Drivers	Non-Officer	3	16	2	18
22	Information Security Management System	Officer	6	19		19
23	Leadership, Negotiation and Bargaining Skills	Officer	3	13	2	15
24	Currency Operation Management (Including Note Demand Projection)	Officer	4	11	14	25
25	Latest Technological Updates HW / SW	Officer	1	6	14	20
26	Trainers Training	Officer	6	20	0	20
27	E-views Analytical Tools (Software)	Officer	5	14	7	21
28	Stress Management	Officer	3	17	1	18
		Total		377	156	533

**Table 36
Training, Seminar Meeting and Workshop in Foreign Countries**

	Programme	No. of Participants	Host Institution	Place
1	Observation Visit of Debt Recovery Tribunal of Sri-Lanka	2	DRT, Nepal	Colombo, Sri Lanka
2	First SEACEN Research Workshop on Relative Effectiveness of Policy during Financial Crisis	1	The SEACEN Centre	Kuala Lumpur, Malaysia
3	Achieving High Performance Information Technology in Central Bank and Meeting with CIOs	1	Bank of England	London, England
4	SEACEN Course on Enterprise Risk Management in Central Bank	4	The SEACEN Centre	Siem Reap, Cambodia
5	4th SEACEN-CeMCoA/BOJ Intermediate Course on Macroeconomic and Monetary Policy Management	3	The SEACEN Centre	Colombo, Sri Lanka
6	Central Bankers Courses 2010: Advanced Topics in Monetary Economics II	1	Study Center Gerzensee	Gerzensee, Switzerland
7	SEACEN-IADI Course on Resolution of Problem Banks in Collaboration with MDIC Bank	2	The SEACEN Centre	Kuala Lumpur, Malaysia
8	Seminar on Banking Supervision Under Basel II (Basic)	1	Deutsche Bundesbank	Frankfurt, Germany
9	Observation of Die Destruction of Rs. 100/- Banknote	2	Security Printing & Minting Corporation of India Ltd.	Mumbai, India
10	Freight Management of Note and coins	2	NRB	Calcutta, India
11	Trainers Training Programme on Restructuring and Strengthening Agricultural/Rural Financing Institutions	2	CICTAB	Pune, India
12	APG/IMF Training Workshop for Mutual Evaluation Assessors	2	IMF/GoS/APG	Singapore
13	Course on Economic Policies for Financial Stability	1	IMF-STI	Singapore
14	Korea-FSB Financial Reform Conference: An Emerging market Perspective	1	FSB	Seoul, Korea
15	Training Course on Regional Economic and Financial Monitoring	1	ADB	Manila, Philippines
16	Financial Analytical Techniques for AML/CFT Officials	4	IMF - APG	Singapore
17	5th SEACEN-CeMCoA/BOJ Intermediate Course on Payment and Settlement Systems for Emerging Economies	4	The SEACEN Centre	Seoul, Korea
18	28th SEANZA Central Banking Course	1	SEANZA	Port Moresby, Papua New Guinea
19	28 th SEANZA Governors' Symposium	1	SEANZA	Port Moresby, Papua New Guinea
20	SEACEN Course on Crisis Preparedness in Interconnected Markets	3	The SEACEN Centre	Kuala Lumpur, Malaysia
21	Government Finance Statistics for Managers: Preparation and Dissemination (GFS)	1	Joint-IMF (ITP)	Pune, India
22	Tactical Analysis Course and Train the Trainer Course	1	The World Bank / Egmont Group	Kuala Lumpur, Malaysia
23	Boards of Governors/ 2010 Annual Meetings	2	IMF-World Bank	Washington D.C., USA
24	Banking, Supervision and Internal Audit	2	SAARC FINANCE Staff Exchange Program	Reserve Bank of India, Mumbai
25	4th SEACEN Advanced Leadership Course	4	The SEACEN Centre	Kuala Lumpur, Malaysia
26	Course on Trainers Training Programme	1	CICTAB	Colombo, Sri Lanka
27	International Study Visit Program on Philippines' Mobile Phone Banking	2	APRACA	Manila and Butuan, Philippines
28	SEACEN-OCC Course on Operational Risk	2	The SEACEN Centre	Kuala Lumpur, Malaysia
29	Global Payments Week 2010/210 SWIFT SIBOS Conference	1	The World Bank	Amsterdam, Netherlands
30	32 nd Meeting of SEACEN Directors of Research and Training "Central Banking: Creating a Perspective for Sustainable Growth"	2	The SEACEN Centre	Kuala Lumpur, Malaysia
31	9th Central Banking Study Program	1	The Bank of Korea	Seoul, Korea

	Programme	No. of Participants	Host Institution	Place
32	Programme on Development of Managerial Skills for Agricultural Cooperatives and Rural Financing Institutions	2	CICTAB	Gurgaun, India
33	High-Level Consultation on the G20 Seoul Summit: Perspectives from Asia-Pacific	1	ESCAP	Bangkok, Thailand
34	2010 APG Typologies Workshop	1	Asia Pacific Group on Money Laundering (APG) / Bangladesh Bank	Dhaka, Bangladesh
35	3rd SEACEN-Deutsche Bundesbank Advanced Course on Banking Supervision and Financial Stability: Financial Market Analysis and Surveillance	1	The SEACEN Centre	Taipei, Taiwan
36	59th APRACA Executive Committee Meeting	2	APRACA	Paris, France
37	Representation In IMF Advisor to Executive Director	1	IMF	Washington D.C., USA
38	Workshop on Foreign Reserve Management	1	Deutsche Bundesbank	Frankfurt, Germany
39	SEACEN-IMF/STI Course on Macroeconomic Management and Financial Sector Issues	1	The SEACEN Centre	Bangkok, Thailand
40	Monetary and Financial Statistics	1	IMF / STI	Singapore
41	APEC Financial Regulators Training Initiative Regional Seminar on Risk Management and Internal Controls	2	ADB	Hong Kong, China
42	FSI-EMEAP Regional Seminar on Stress Testing	3	FSI	Bangkok, Thailand
43	Eight SAARC Payments Council (SPC) Meeting	1	RBI	Bengaluru, India
44	23 rd Annual meeting and Conference of Asian Credit Supplementation Institution Confederation (ACSIC)	1	ACSIC	Sibu, Philippines
45	9th SEACEN-CPSS Advanced Course on Payment and Settlement Systems for Emerging Economies	2	The SEACEN Centre	Kuching, Sarawak, Malaysia
46	From Cost to Capital: A Paradigm Shift on People Management	2	APRACA CENTRAB	Manila, Philippines
47	Country Researcher for SEACEN Second Research Project on 'Relative Effectiveness of Policy Choice during Financial Crisis'	1	The SEACEN Centre	Kuala Lumpur, Malaysia
48	APEC Financial Regulators Training Initiative, Regional Seminar on Early Warning Tests and Problem institutions	2	ADB	Manila, Philippines
49	Prevention of Money Laundering and Terror Financing	1	INWent, Capacity Building International, Germany, Ministry of Finance, India / Federal Ministry of Finance, Germany	India
50	9th Meeting of Directors of Payment and Settlement Systems of Asia-Pacific Central Banks on Towards Safer and More Efficient Payment and Settlement Systems	1	The SEACEN Centre	Kuching, Sarawak, Malaysia
51	United Nations Capital Development Programme Regional Retreat	2	The UNCDF	Bangkok, Thailand
52	Macroeconomic Diagnostics (MDS)	2	Joint India-IMF (ITP)	Pune, India
53	SEACEN Course on Regulation and Supervision of Microfinance Institutions	3	The SEACEN Centre	Sri-Lanka
54	SEACEN Expert Group (SEG) Workshop on Extreme Exchange Market Pressure (EMP)	1	The SEACEN Centre	Kuala Lumpur, Malaysia
55	FSI-SEANZA Forum of Banking Supervisors Regional Seminar on Consolidated Supervision	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
56	Second SEACEN Extended Research Workshop on New Financial Products and Challenges for Central Bank	1	The SEACEN Centre	Kuala Lumpur, Malaysia
57	Debt Sustainability Analysis (DSA) Training	1	The World Bank	Dhaka, Bangladesh
58	12th MAS Banking Supervisors Training Programme	2	MAS	Singapore
59	Seminar on Payment and Securities Settlement Systems	1	Bundesbank	Germany

Activities of Nepal Rastra Bank

	Programme	No. of Participants	Host Institution	Place
60	International Study Visit Program on Management and Operation of Cooperative Banks in Philippines	3	APRACA CENTRAB	Manila, Philippines
61	Regional Advanced Analytical Skills Workshop	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
62	Observation of the Professional Development Course on Management Skills for Central Bank	1	AIT	Bangkok, Thailand
63	Management Skills for Central Bank	30	AIT	Bangkok, Thailand
64	South Asia Regional Forum on Best Practice for Regulatory Framework and Use of Credit Rating Information of Domestic Credit Rating Agencies	1	ADB	Manila, Philippines
65	SEACEN-Bank Indonesia High Level Seminar for Deputy Governors: 'Optimal Central Banking for Financial Stability' Back-to-back with Meeting of SEACEN Deputy Governors	1	The SEACEN Centre	Bali, Indonesia
66	10th SEACEN-Toronto Centre Leadership Seminar on Cross Border Resolution of Problem Financial Institutions	2	The SEACEN Centre	Singapore
67	International Study Visit Program on Microfinance: Challenges, Risks and Expectations	3	APRACA	Manila, Philippines
68	Training on International Study Visit Program on Microfinance: Challenges, Risks and Expectations Institutions	2	APRACA	Manila, Philippines
69	Extended-Stay Research Program (ESRP) for Country Researchers on "Addressing Risks in Promoting Financial Stability"	1	The SEACEN Centre	Kuala Lumpur, Malaysia
70	Exposure Visit Program for Financial Journalists	1	AIT	Bangkok, Thailand
71	Course on Financial Programming & Policies	1	IMF/STI	Singapore
72	5th NRN Regional Conference on "Collective Investment and Safe Migratio	1	Non-Resident Nepali Association (NRNA)	Dubai, UAE
73	FSI-EMEAP High Level Meeting on "Better Supervision and Better Banking in a Post-Crisis Era"	1	FSI	Kuala Lumpur, Malaysia
74	Face to Face Meeting of Nepalese Authorities with Asia Pacific Regional Review Group (RRG) of Financial Action Task Force (FATF) Co-Chair regarding Anti-Money Laundering (AML)/Anti-Terrorist Financing (ATF) Issues of Nepal	2	Asia Pacific Regional Review Group (RRG) of Financial Action Task Force (FATF) Co-Chair	Canberra, Australia
75	The 9th SEACEN Executive Committee Meeting and Seminar on "Macro-Financial Linkages: Financial Stability and Economic Growth"	1	National Bank of Cambodia	Phnom Penh, Cambodia
76	Course on Financial Programming and Policies (FPP)	1	IMF	Washington D.C., USA
77	Seminar on Liquidity Risk	1	FSI / BIS	Basel, Switzerland
78	CeMCoA/BOJ Workshop on Financial Market Analysis and Surveillance	5	The SEACEN Centre	Kuala Lumpur, Malaysia
79	SEACEN-WB Treasury Workshop on Fixed Income Portfolio Indexation	1	The SEACEN Centre	Bangkok, Thailand
80	Asia Regional Conference on Banking Supervision and Regulation	1	IMF	Tokyo, Japan
81	Exposure Visit on SHG-Bank Linkage BASIX Model	2	UNDP / ESFSP	Hydrabad, India
82	Workshop on M-Commerce and Study Tour to Observe the Mobile Telecom Application for the Management of Banking Services to the Rural Market Segment in Philippines	2	Utiba Pvt. Ltd., Singapore	Manila, Philippines
83	42nd Meeting of the Managing Committee of CICTAB	1	CICTAB	Pune, India
84	International Exposure Visit Program on Agricultural Finance and Credit Business Cooperative	2	APRACA CENTRAB	Tokyo, Japan
85	21st FSI-SEACEN Regional Seminar on Basel III and Capital Management by Banks	5	The SEACEN Centre	Kuala Lumpur, Malaysia
86	Plenary and Working Group Meetings of Financial Action Task Force (FATF) as Part of the APG Delegation	1	Asia Pacific Group on Money Laundering (APG)	Paris, France
87	International Program on Central Banking	2	Reserve Bank of India	Chennai, India

	Programme	No. of Participants	Host Institution	Place
88	Seminar on Financial Stability	1	Deutsche Bundesbank	Frankfurt, Germany
89	Programme on Skill Development of Trainers in the Area of Promotion and Financing of Self-help Groups and Joint Liability Groups for Financial Inclusion of Rural Poor	2	Lucknow, India	CICTAB
90	Destruction of Rs.1000 Denominations Bank Notes	2	Indonesian Government's Security Printing and Minting Corporation (Perum Peruri)	Jakarta, Indonesia
91	Exposure Visit of CEO and BOD of Micro Finance Development Bank	1	Centre for Micro Finance (CMF) Nepal	Dhaka, Bangladesh
92	46th SEACEN Governors Conference, High-Level Seminar and 30th Meeting of the SEACEN Board of Governors	2	Central Bank of Sri Lanka	Colombo, Sri Lanka
93	International Exposure Visit Program on Promoting Micro, Small and Medium Enterprises	1	APRACA CENTRAB	Jakarta, Indonesia
94	International Program in Banking and Finance	1	Government of India / Colombo Plan	Pune, India
95	Invitation to Visit United Overseas Bank Ltd. Singapore to Sign Agreement and Necessary Documents Regarding Foreign Exchange Transaction	2	United Overseas Bank Ltd. Singapore	Singapore
96	Enhancing the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Legislative Framework	3	IMF / STI	Singapore
97	Monetary and Financial Statistics (MFS)	1	Joint India-IMF (ITP)	Pune, India
98	5th SEACEN-OCC Course on Problem Bank Supervision	5	The SEACEN Centre	Kuala Lumpur, Malaysia
99	FSI-EMEAP Regional Seminar on Financial Stability on Macroprudential Supervision	1	FSI / BIS	Wellington, New Zealand
100	4th SEACEN-CCBS/BOE Advanced Course on Macroeconomic and Monetary Policy Management	2	The SEACEN Centre	Hanoi, Vietnam
101	Observation/Study Visit Program to State Bank of Pakistan	7	State Bank of Pakistan	Karachi, Pakistan
102	5th SEACEN Intermediate Leadership course: Leadership in Times of Uncertainty	4	The SEACEN Centre	Kuala Lumpur, Malaysia
103	Training Session on Anti-Money Laundering and Countering Financing of Terrorism Surveillance.	5	Anti-Money Laundering Division, Government of Taiwan	Taipei, Taiwan
104	IMF-WB-UNCTAD Workshop on Developing a Medium-term Debt Management Strategy (MTDS)	1	IMF-WB-UNCTAD	Jakarta, Indonesia
105	SAARCFINANCE Staff Exchange Program to Bangladesh Bank	10	Bangladesh Bank	Dhaka, Bangladesh
106	Fund Transfer of IC in Nepal by road and relating to that alternative, to discuss about feasibility study of Fund Transfer of IC by road in coordination with Indian transportation, with Reserve Bank of India, Patna and Calcutta office.	2	Reserve Bank of India Patna / Calcutta	Patna, Calcutta, India
107	SEACEN-IMF Course on Macroeconomic Diagnostics	1	The SEACEN Centre	Kuala Lumpur, Malaysia
108	Financial Inclusion Policymakers Forum on "Consumer Protection and Financial Education"	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
109	14th SAARCFINANCE Coordinators' Meeting	1	Royal Monetary Authority of Bhutan	Thimphu, Bhutan
110	Site Visit of the Central Bank of Luxembourg and the Switzerland Office of ERI Banking Ltd., UK to Observe the Performance of GL Accounting Software	3	ERI Banking Software Ltd., UK	Luxembourg and Switzerland
111	Course on Government Finance Statistics (GFS)	1	IMF	Washington D.C, USA
112	SAARCFINANCE Seminar on "Basel II Enhancements and Policy Responses of SAARC Countries"	3	State Bank of Pakistan	Islamabad, Pakistan

Activities of Nepal Rastra Bank

	Programme	No. of Participants	Host Institution	Place
113	Executive Forum for Senior Central Bankers and Other Official Sector Asset Managers	1	The World Bank	USA
114	APEC Regional Seminar on Bank Analysis and Supervision School	2	ADB	Manila, Philippines
115	4th SEACEN-Deutsche Bundesbank Intermediate Course on Banking Supervision and Financial Stability: Financial Market Analysis and Surveillance	2	The SEACEN Centre	Seoul, Korea
116	Course on Financial Market Analysis (FMA)	1	IMF/STI	Singapore
117	Programme on Development of Co-operatives and Rural Financing Institutions and Agencies	3	CICTAB	Colombo, Sri Lanka
118	Training Program on IFRS, Monetary Policy and Accounting System in Bank of Korea	14	The Bank of Korea	Seoul, Korea
119	FAO-APRACA International Training Course on Value Chain Finance with Bank of Agriculture and Agricultural Cooperatives	2	APRACA	Pattaya, Thailand
120	IMF Workshop on Coordinated Direct Investment Survey (CDIS)	1	IMF	Bangkok, Thailand
121	Seminar on Human Resource Management	1	Deutsche Bundesbank	Frankfurt, Germany
122	ADB Training Course on Regional Economic and Financial Monitoring	1	ADB	Seoul, Korea
123	Role of Central Bank in Federal System	6	RBI	Mumbai, India
124	Regional Seminar on Risk Management and Internal Controls	3	ADB	Manila, Philippines
125	Operational Risk Management and Internal Audit Course	1	Federal Reserve Bank of New York	New York, USA
126	Balance of Payments Statistics (BPS)	1	IMF	Washington D.C., USA
127	Seminar on Monetary Policy Support for the Post-Financial Crisis for Developing Countries	1	Government of China	Beijing, China
128	Face-to-Face Meeting of Nepal with Co-Chair of Asia Pacific Regional Review Group (RRG) on AML/CFT Issues	2	Co-Chair of Asia Pacific Regional Review Group (RRG)	Macao, China
129	SIP Workshop on Advanced Techniques for Portfolio Management	2	The World Bank	Singapore
130	SEACEN Course on Operational Risk Management and Business Continuity	2	The SEACEN Centre	Bangkok, Thailand
131	13th MAS Banking Supervisors Training Programme	1	MAS	Singapore
132	The Bank of Korea 2011 Conference on Future of the International Financial Architecture	2	The Bank of Korea	Seoul, Korea
133	Financial Programming and Policies (FPP)	1	IMF	Washington D.C., USA
134	9th SAARC Payment Council (SPC) Meeting	1	Maldives Monetary Authority (MMA)	Maldives
135	Study/Observation Visit on Micro Finance System of Sri Lanka	1	Rural Micro finance Development Centre Ltd., Nepal	Sri Lanka
136	IMF-STI Course on Monetary and Financial Statistics	1	IMF-STI	Singapore
137	First Regional Forum on Investment Management of Foreign Exchange Reserves	1	ADB and Monetary Authority of Singapore	Singapore
138	Investment Management of Foreign Exchange Reserves	1	ADB and Monetary Authority of Singapore	Singapore
139	SEACEN-CeMCoA/BoJ Workshop on Communication Strategies for Central Bank Policy Effectiveness	2	The SEACEN Centre	Ulanbaatar, Mongolia
140	Regional Seminar on Macro-Prudential Supervision	5	ADB	Bangkok, Thailand
141	Workshop on Best Practices in Establishing a Financial Intelligence Unit (FIU)	1	IMF	Pune, India
142	Meeting of Asian Clearing Union Technical Committee and 40th Annual Meeting of Directors of Asian Clearing Union	2	Reserve Bank of India	Kerala, India
143	40th Annual Meetings of ACU/SAARCFINANCE Governors' Symposium on "Financial Stability"	2	Reserve Bank of India	Kerala, India
144	60th Executive Meeting of APRACA; Asian Open Forum on Rural and Agricultural Finance; FAD-APRACA Fin Power CEO Policy Forum on Micro finance; and Exposure Visit to Isfahan	2	APRACA	Teheran, Iran

	Programme	No. of Participants	Host Institution	Place
145	Course on Financial Programming and Policies (FPP)	1	IMF-STI	Singapore
146	Bangladesh Bank and Bank of England High Level Seminar on "Modeling and Forecasting for Inflation Targeting"	1	Bangladesh Bank	Dhaka, Bangladesh
147	Joint Plenary Meeting of FATF and GAFISUD	1	Asia/Pacific Group on Money Laundering	Hilton Mexico City Reforma, Mexico
148	Observation / Study Visit to Bank of Korea on "Dynamic Stochastic General Equilibrium (DSGE) Model"	5	The Bank of Korea	Seoul, Korea
149	Designing Government Debt Management Strategies	1	The World Bank Treasury	Vienna, Austria
150	Seminar on Central Bank Governance	1	Deutsche Bundesbank	Frankfurt, Germany
151	Workshop on Enterprise Risk Management.	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
152	International Seminar on Accounting, Planning and Control, Risk and Process Management in a Central Bank	2	De Nederlandsche Bank	Nederlands, Amsterdam
153	Exposure Visit to Kenya for Observing Micro-Finance Activities.	4	Enhancing Access to Financial Services Project	Nairobi, Kenya
154	Invitation Visit to CIMB Bank, Singapore	3	CIMB Bank, Singapore	Bangkok / Singapore
155	Course on "Governance and Organizational Performance Management"	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
156	Implementing Government Debt Management Strategies	1	The World Bank Treasury	Vienna, Austria
157	Course on Monetary and Exchange Rate Policy	1	IMF / STI	Singapore
158	7th SEACEN-ABAC/ABA/PECC Public-Private Dialogue for the Asia Pacific Region on "The Impact of Global Financial Reforms and Challenges for Asian Emerging Markets"; 13th SEACEN Conference of Directors of Supervision; and 24th Meeting of SEACEN Directors of Supervision	2	The SEACEN Centre	Colombo, Sri Lanka
159	Policy level discussion with Reserve Bank of India	3	Reserve Bank of India	Mumbai, India
160	Course on ITP-IMF Workshop on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)	3	Joint India-IMF Training Program in Pune	Pune, India
161	Portfolio Analytics Workshop	1	FSI / BIS	Lucerne and Basel, Switzerland
162	ADB Seminar on "Financial Inclusion for Central Asia	1	Asian Development Bank (ADB), Ministry of Finance	Urumqi, China
163	Meeting of Experts and Senior Officials from SAARC Central Banks on SWAP Arrangement	2	Reserve Bank of India	Mumbai, India
164	14th Annual Meeting and Technical Assistance Forum of APG and its Preparatory Meetings	5	Asia/Pacific Group on Money Laundering (APG)	Kerala, India
165	14th Annual Meeting and Technical Assistance Forum of APG and its Preparatory Meetings	1	Received by Asia/Pacific Group on Money Laundering (APG) Minisatary of Finance	Kerala, India
166	High Level Seminar / Workshop on Policy Responses and Adjustments in the Course of Exchange Rate Appreciation.	2	The SEACEN Centre	Bali, Indonesia
167	Trainers Training Program on Restructuring and Strengthening Agricultural / Rural Financing Institutions.	5	CICTAB	Pune, India
168	Course on Macroeconomic Management and Fiscal Policy (MFP)	1	Joint India-IMF Training Program in Pune	Pune, India
	Total	364		

Table 37
List of Fund Transfer and Transaction of Foreign Currency by Out of Kathmandu Valley Offices In FY 2010/11

S.No	Office	Fund Out and In								Transaction of Foreign Currency						
		Rs. in Million				IRs.(Rs. in Million)				Other Foreign currency			IRs			
		Fund Transfer		Fund In*		Fund Transfer		Fund In*		Rs. in Million			Rs. in Million			
		No of Note Chest +	Times	Amount Rs	Times	Amount Rs	Times	Amount Rs	Times	Amount Rs	Purchase	Sale #	Balance @	Purchase	Sale #	Balance @
1	Biratnagar	10	148	22729.2	19	861.2	6	110.4	0	0.0	200.0	0.0	10.0	510.0	390.0	120.0
2	Janakpur	6	95	13730.0	18	470.9	0	0.0	4	352.0	3893.0	0.0	2.1	448.0	18.2	93.4
3	Birgunj	4	63	9911.0	12	941.8	0	0.0	0	0.0	216.9	0.0	2.6	0.0	1241.8	245.4
4	Pokhara	8	113	119910.0	24	734.3	0	0.0	1	4.6	859.7	0.0	22.8	41.0	26.2	30.2
5	Siddharthanagar	5	81	11420.0	39	1151.8	0	0.0	5	520.0	585.0	0.0	210.0	0.0	410.0	80.0
6	Nepalgunj	18	151	15720.0	31	2100.0	8	33.0	0	0.0	76.0	0.0	32.0	268.0	98.0	45.0
7	Dhangadhi	6	71	6770.0	18	500.0	0	0.0	5	53.7	27.2	0.0	42.9	38.7	135.7	43.5
	Total	56	722	200190.2	161	6760.0	14	143.4	15	930.3	5857.8	0.0	322.4	1305.7	2319.9	657.5

+ No of Note Chest under the Office.

* Deposit by Note Chest Offices.

Note Sale to the Party by Offices.

@ Balance at the end of mid-July, 2011 into the other Offices.

Appendix 2.1

Major Directives Issued to Banks and Financial Institutions

Circular No.	Subject
1.	<p>Relating to implementation of Monetary Policy 2010/11.</p> <ul style="list-style-type: none"> • Exiting bank rate of 6.5 percent has been maintained at 7 percent. • Provision has been made regarding 'A' class commercial banks, 'B' class development banks, 'C' class finance companies, and, 'B' and 'C' class financial institutions not authorized for operating current accounts deposits are required to maintain 15 percent, 11percent, 10 percent and 6 percent SLR respectively and 'D' class financial institutions those who have already started deposit mobilization from general public are also required to maintain 4 percent SLR. • Provision has been made concerning the rate on general refinance provided by this Bank has maintained at 7 percent and banks/financial institutions using this facility can not charge more than 10 percent interest to the borrower on such loan. NRB provide refinance facility against the collateral of credit up to Rs. 0.3 million provided by banks and financial institutions for micro-enterprise run by women to be calculated as deprived sector credit of banks and financial institutions. • The refinance rate provided by this bank to export industry, sick industry, small and cottage industry and assigned group people for foreign employment is maintained at 1.5 percent. In addition, the provision of providing refinance facility at 1.5 percent against the collateral of credit provided to <i>dalit</i>, Janajatis, marginalized group and women as defined by the government of Nepal to provide relief to targeted people and to promote foreign employment is continued. • On the structure of Appendix 1.1(Capital Adequacy Framework, 2007, updated July 2008) of directive no.1/010 of unified directives issued by this bank to the licensed Banks and Financial institution 2010, from fiscal year 2010/2011 national level 'B' Class Development Banks should also parallelly submit statement of capital adequacy ratio and annual financial statements beside the exiting provision to the related supervision department regularly. • Licensed 'A' class Institution by this bank has been restricted to open any interest earning account in NPR with domestic banks and financial institutions or other kind of deposit accepted institution. • Inter-bank borrowing period will be only 7 days and if taken permission from board of directors, this type of transaction can be done up to maximum of 30 days. • Provision has been made consent to bank and financial institutions (except the financial institutions licensed to provide credit to one single sector of the economy) can extend credit up to maximum 40 percent to any one of the sectors out of total loan and advances. • Provision has been made for promoters/shareholders of promoter group of licensed banks and financial institutions holding more than 1 percent promoter share for pledging 50 percent of their total share holdings as collateral to get loan and its value may remain according to the market value. • 'A', 'B' & 'C' class banks and financial institution can provide trust receipt loan or import loan of same nature only upto maximum of 120 days. • Banks and financial institutions require permission to expand their branches from this bank. • Provision has been made to provide an interest free loan up to Rs. 5 million and Rs. 10 million respectively to those 'A' class and national level 'B' class licensed institutions to open branch in district head quarter and outside of district head quarter of 22 remote districts (Solukhumbu, Manang, Mustang, Rukum, Dolpa, Mugu, Humla, Jumla, Kalikot, Jajarkot, Bajura, Bajhang, Darchula, Taplejung, Sankhuwasabha, Dolakha, Rasuwa, Gorkha, Rolpa, Accham, Sindupalchok, and Dhadhing) specified by the Government. • Provision has been made that bank and financial institutions will be allowed to open a branch in Kathmandu valley only after having the operation of one branch among the 30 specified districts (Panchthar, Taplejung, Terathum, Sankhuwasabha, Bhojpur, Khotang, Okhaldhunga, Dolakha, Ramechhap, Rasuwa, Sindhupalchowk, Manag, Argakhanchi, Mustang, Rolpa, Rukum, Salyan, Pyuthan, Jumla, Mugu, Humla, Klikot, Dolpa, Dailekh, Jajarkot, Bajhang, Doti, Bajura, Darchula and Baitadi) with Ltd. presence of bank and financial institutions and one more branch anywhere outside Kathmandu valley come. • Licensed 'A' class bank and national level 'B' class development bank on the form of Ltd. banking unit can provide banking services in the sectors not in access with banking service (except Kathmandu valley and other sub-metropolitan/municipality of the country) under directed conditions by establishing office (providing services by appointing employers on regular basis or on specific day). • Provision has been made that licensed bank and financial institution should establish a separate desk under the credit department for access and effectiveness of credit to micro, small and medium scale industries. • Provision has been made that licensed 'B'&'C' class financial institutions required to lend 2.5 percent and 2 percent respectively of their total lending in deprived sector on the basis of outstanding loan and advances of mid-July 2010, this type of lending should be provided on specific ratio till mid- January 2011.

	<ul style="list-style-type: none"> The provision has been made to maintain deposit guarantee of Rs 0.2 million in saving and fixed account of the licensed 'D' class institutions in the name of natural person with Deposit and Credit Guarantee Corporation (DCGC). Since inspection and supervision arrangement of 'D' class microfinance institutions licensed by this bank, cooperatives to undertake Ltd. banking transactions, Non-Government Organizations which undertake Ltd. banking transactions has been made effective from 17 July 2010 by microfinance promotion and supervision department, arrangement has been made to submit inspection and supervision related returns to aforementioned department. 														
2	<ul style="list-style-type: none"> The account for the purpose of compulsory reserve should be opened only on the place where central office of related bank and financial institution is situated and if there is no NRB offices located, then it can open in a 'A' class institution near to the related institution but the institution is not supposed to access any credit facility from the deposited institution for maintaining CRR requirement. Provision has been made that no loan can be provided on collator or guarantee of any type of cheque. In the form of non-banking asset can return the collator/guarantee to related guaranteed owner by negotiation between related institution and related guaranteed owner while returning the accepted assets collateral guarantee to the owner so that there is no decrease during valuation in non banking asset's value. 														
3	Risk Management Guidelines has been implemented to make sound the risk management of 'A' class commercial bank licensed by this bank.														
4	It has been provided discount on provision to raise investment adjustment fund while investing on share of Credit Information Bureau , Nepal Clearing House Ltd. and National Banking Training Institute.														
5	<ul style="list-style-type: none"> Policy level arrangement has been made and following time frame has been allowed to limit real estate loan and over the limit loan within limit. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Subject</th> <th style="width: 30%;">Mid-July, 2011</th> <th style="width: 30%;">Mid-July, 2012</th> </tr> </thead> <tbody> <tr> <td>(a) Residential home loan.</td> <td rowspan="3">Not exceeding 30 percent of the total loans.</td> <td rowspan="3">Not exceeding 25 percent of the total loans..</td> </tr> <tr> <td>(b) Commercial building and residential apartment construction loan.</td> </tr> <tr> <td>(c) Construction completed and income generating commercial complex loan.</td> </tr> <tr> <td>(d) Other real state loan (land purchasing and plotting loan too.)</td> <td>Not exceeding 15 percent of the total loans</td> <td>Not exceeding 10 percent of the total loans</td> </tr> <tr> <td>Total [(a), (b), (c) and (d)]</td> <td>Not exceeding 30 percent of the total loans.</td> <td>Not exceeding 25 percent of the total loans.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Provision has been made to classify non-performing loan if good loan is restructured/re-scheduled from the existing provision of classifying them in performing loan. 	Subject	Mid-July, 2011	Mid-July, 2012	(a) Residential home loan.	Not exceeding 30 percent of the total loans.	Not exceeding 25 percent of the total loans..	(b) Commercial building and residential apartment construction loan.	(c) Construction completed and income generating commercial complex loan.	(d) Other real state loan (land purchasing and plotting loan too.)	Not exceeding 15 percent of the total loans	Not exceeding 10 percent of the total loans	Total [(a), (b), (c) and (d)]	Not exceeding 30 percent of the total loans.	Not exceeding 25 percent of the total loans.
Subject	Mid-July, 2011	Mid-July, 2012													
(a) Residential home loan.	Not exceeding 30 percent of the total loans.	Not exceeding 25 percent of the total loans..													
(b) Commercial building and residential apartment construction loan.															
(c) Construction completed and income generating commercial complex loan.															
(d) Other real state loan (land purchasing and plotting loan too.)	Not exceeding 15 percent of the total loans	Not exceeding 10 percent of the total loans													
Total [(a), (b), (c) and (d)]	Not exceeding 30 percent of the total loans.	Not exceeding 25 percent of the total loans.													
7	Provision was made to formulate the action plan with in mid-Jan 2011 for assurance of credit flow to productive sector specially in agriculture, energy, tourism, small and cottage industry double in an average or 20 percent with in 3 years as mentioned in the monetary policy of FY 2010/11														
10	Guidelines related to management expenses of licensed bank and financial institutions and the salary, bonus and other benefits of CEO has been issued.														
11	Provision of opening extension counter and contact office by banks and financial institutions has been revised.														
12	Implementation of the provision made in point 8 of the directive no 6/010 of the unified directive related to good corporate governance has been postponed for the time being.														
13	Provision was made to submit miscellaneous data through electronic media as per unified directive.														
14	Procedures of providing credit to licensed banks and national level 'B' Class institutions in zero interest rate who open their branches in remote area to provide credit as per Section 49 of NRB Act, 2002 has been issued.														
15	<ul style="list-style-type: none"> Credit Information Bureau can remove the Board of Directors and Executive Officers from blacklist if bank and financial institution write about the payment made against their liabilities with the order from Debt Recovery Tribunal and other related hearing institutions. If the licensed 'A', 'B' and 'C' class institution change their interest rate and the minimum balance to be maintained in the current and saving account, should be informed to general public by publishing public notice in newspaper. Licensed 'B', 'C' and 'D' class institution should provide the information on the deposit of up to Rs.2 Lakhs in saving and fixed account and the depositors' number to Credit Guarantee Corporation quarterly with in a month after finishing each quarter. 														
16	Non-executive board of directors is not supposed to use official letter pad and stamps. As per Bank and Financial Institution Act, 2063, section 24, subsection 6, using letter pad and stamp is not restricted.														
17	Quarterly report on credit with collateral of promoters share should be submitted through Form No. 9.6.														
18	Provision has been made regarding deposit guarantee of up to Rs. 0.2 million of saving and fixed deposit of 'B', 'C' and 'D' class licensed financial institutions in the name of natural person with Deposit and Credit Guarantee Corporation (DCGC).														

19	Revised provision with additional condition and standard to extend geographical coverage has been made.
20	Provision has been made to include the valuator in black list by Credit Information Bureau in recommendation of bank and financial institution if amount from auction is less than two third of the value of the property and valuation is not proper.
21	<ul style="list-style-type: none"> • Existing policy about real estate loan has been revised and personal home loan up to Rs. 6 million is removed from real estate loan. • Margin call in Margin lending and its renewal procedure have been simplified.
22	Policy level provision has been made to implement sub article (1) of Article (47) of Bank and financial institution act 2006 to operate mutual investment fund for 'A' class licensed bank.
23	Upgradation plicy, 2010 has been issued and implemented.
24	Provision has been made for approval from this bank to purchase/ sales of promoters shares more than 2 percent of paid up capital if promoter has not gone under Fit & Proper Test.
25	The policy provision regarding the contraction of working area has been made for the licensed 'B', 'C' and 'D' class financial institutions to contract the existing working area remaining under the same licensed group.
26	Nepal Electronic Cheque Clearing (ECC) Rule Book, Nepal Electronic Cheque Clearing (ECC) Operating Rule/Cheque Standard & Specification submitted by Nepal Clearing House for licensed bank and financial institution is accepted and implemented by this bank.
27	Provision has been made to provide re-financing facility in order to maintain liquidity management of licensed 'A' 'B' &'C' class bank and financial institutions.
28	Following provision has been made regarding the action taken against those bank and financial institutions who failing to maintain the adequate paid up capital till mid April 2011 (a) Prohibition to branch expansion. (b) Prohibition to distribution of cash dividend.
29	3% additional interest rate is added to prevailing rate for the facility of refinancing for liquidity management and Lender of Last Resort (LOLR).
30	Provision has been made regarding the communal loan and advances transaction between licensed 'A','B' and 'C' class financial institutions at the acceptable collateral up to maximum six months under the assigned condition.
31	<ul style="list-style-type: none"> • Personnel residential home loan up to Rs. 8 million has been removed from real state loan by amendment of the existing real state loan provision and provision has been made concerning the such kind of loan can be renewed up to mid July 2012 later than the repayment of all due interest. • To make simplified at the margin lending of the bank and financial institution through maintain required margin itself by making lending risk minimization.
32	Revised Unified Directive 2011 has been issued via including the Unified Directive 2010 and all issued circulars till mid July 2011.

Appendix 2.2

Financial Institutions Inspected at Macro Level on FY 2010/11

(A) Onsite Inspection

Development Banks

Innovative Development Bank Ltd., Siddharthnagar	Public Development Bank Ltd., Birgunj
Gorkha Bikas Bank Ltd., Putalisadak, Ktm.	Pashimanchal Development Bank Ltd., Butawal
Ace Development Bank Ltd., Narayanchaur, Ktm.	Triveni Bikas Bank Ltd., Narayangadh, Chitwan
Clean Energy Development Bank Ltd., Sitapaila, Ktm.	Annapurna Bikas Bank Ltd., Banepa, Kavre
Nepal Dev. & Employment Promotion Bank Ltd., Ktm.	Gandaki Development Bank Ltd., New Road, Pokhara
Manakamana Development Bank Ltd., Durbar marg, Ktm.	Bageshowri Bikas Bank Ltd., Nepalgunj
United Development Bank Ltd., Jeetpur, Bara	Karnali Bikas Bank Ltd., Nepalgunj
Vibor Bikas Bank Ltd., Tripureshwor, Kathmandu	Shubhechchha Bikas Bank Ltd., Chitwan
Mitery Development Bank Ltd., Dharan, Sunsari	Shine Development Bank Ltd., Butawal, Rupandehi
Kasthamandap Development Bank Ltd., New Road	Business Development Bank Ltd., New Road, Pokhara
Biratlaxmi Bikas Bank Ltd., Biratnagar	Pashupati Bikas Bank Ltd., Banepa, Kavre
Muktinath Bikas Bank Ltd., Pokhara	Kamana Bikas Bank Ltd., Lekhnath, Kaski
Siddhartha Development Bank Ltd., Tinkune	Nepal Consumer Development Bank Ltd., Pokhara
City Development Bank Ltd., Chipledhunga	Kabeli Bikas Bank Ltd., Dhankuta
Biswo Bikas Bank Ltd., Pokhara	Narayani Development Bank Ltd., Ratnanagar, Chitwan
Malika Bikas Bank Ltd., Dhangadhi, Kailali	Hamro Bikas Bank Ltd., Battar, Trishuli
Kankai Bikas Bank Ltd., Damak, Jhapa	Country Development Bank Ltd., Banepa, Kavre
Excel Development Bank Ltd., Birtamod	International Development Bank Ltd., Teku, Kathmandu
Bhargab Bikas Bank Ltd., Nepalgunj, Banke	Jyoti Bikas Bank Ltd., Kamaladi, Kathmandu
Western Development Bank Ltd., Dang, Gohari	Alpine Development Bank Ltd., Makawanpur, Hetauda
Bagmati Bikas Bank Ltd., Sarlahi	Nepal Industrial Dev. Corporation, Durbar Marg, Ktm.
Sahayogi Bikas Bank Ltd., Janakpurdham	Tinau Bikas Bank Ltd., Butawal, Rupandehi
Sangrila Bikas Bank Ltd., Pokhara, Kaski	Infrastructure Development Bank Ltd., Banepa

Finance Companies

Siddhartha Finance Ltd., Bhairahawa	Manjushree Financial Institution Ltd., Naya Baneshwor
Jebil's Finance Ltd., New Road, Kathmandu	ICFC Finance Ltd., Bhatbhateni, Kathmandu
International Leasing & Finance Company Ltd., Ktm.	Prudential Finance Company Ltd., Dillibazar, Ktm.
Kathmandu Finance Ltd., Dillibazar, Kathmandu	Lord Buddha Finance Ltd., Fasikeba, Ktm.
Namaste Bittiya Sanstha, Dang, Ghorahi	Unique Financial Institution Ltd., Putalisadak, Ktm.
Seti Bittiya Sanstha Ltd., Tikapur	Union Fiance Ltd., Kamaladi, Kathmandu
General Finance Ltd., Chabahil, Kathmandu	Premier Finance Company Ltd., Manbhavan, Lalitpur
Lumbini Finance & Leasing Company Ltd., Thamel	Nepal Housing & Merchant Finance Ltd., Dillibazar
World Merchant Banking & Finance Ltd., Hetauda	NIDC Capital Markets Ltd., Kamalpokhari, Ktm.
Pokhara Finance Ltd., Pokhara	Birgunj Finance Ltd., Kamaladi, Kathmandu
Swastik Merchant Finance Company Ltd., Kathmandu	Zeneth Finance Ltd., New Road, Kathmandu
CMB Finance Ltd., Jamal, Kathmandu	Alpic Everest Finance Ltd., Sundhara, Kathmandu
Himalaya Finance Ltd., Sundhara, Kathmandu	Shrijana Finance Ltd., Biratnagar, Morang
Lalitpur Finance Company Ltd., Lagankhel, Lalitpur	Standard Finance Ltd., Kamalpokhari, Kathmandu
Nepal Share Markets & Finance Ltd., Ramshahpath	Nepal Share Markets Finance Ltd., Ramshahpath, Ktm.
Nepal Express Finance Ltd., Sundhara, Kathmandu	Suryadarshan Finance Ltd., Kathmandu
Mercentile Finance Company Ltd., Birgunj	Capital Merchant Bank & Finance Ltd., Kathmandu
Api Finance Company Ltd., Pokhara	Everest Finance Company Ltd., Siddharthanagar
Valley Finance Company Ltd., Maharajgunj, Ktm.	Royal Merchant Banking & Finance Ltd., Durbar marg
Imperial Finance Ltd., Thapathali, Katmandu	Lotus Investment & Finance Ltd., Dillibazar, Ktm.
Kuber Merchant Bittiya Sanstha Ltd., Kamalpokhari	Butawal Finance Ltd., Butwal, Rupandehi
Hama Merchant & Finance Ltd., Tripureshwor, Ktm.	Nepal Awas Bikas Bittiya Company Ltd., Tinkune
Reliable Finance Ltd., Sundhara, Kathmandu	

**(B) Targeted Inspection
Development Banks**

Innovative Development Bank Ltd., Rupandehi	Khandbari Development Bank Ltd., Sankhuwasabha
Metro Development Bank Ltd., New Road, Pokhara	Sindhu Bikas Bank Ltd., Barhabisay, Sindhupalchowk
Jhimruk Bikas Bank Ltd., Bagdula, Pyuthan	Surya Development Bank Ltd., Charikot, Dolkha
Gaumukhi Bikas Bank Ltd., Bijuwar, Pyuthan	Mount Makalu Development Bank Ltd., Terhathum
Repti-Bheri Bikas Bank Ltd., Nepalgunj, Banke	

Finance Companies

Jebils Finance Ltd., Newroad, Kathmandu	Lotus Investment Finance Ltd., New Road, Kathmandu
Reliance Finance Ltd., B.J. Bhawan, Kathmandu	

**(c) Physical Infrastructure Inspection
Development Banks**

Sindhu Bikas Bank Ltd., Barhabise	Nepal Community Development Bank Ltd., Butwal
Sahara Bikas Bank Ltd., Malangawa	Manshlu Bikas Bank Ltd., Gorkha
Kasmas Development Bank Ltd., Gorkha	Sambridhi Bikas Bank Ltd., Dhading

**(D) Special Inspection
Development Banks**

Arniko Development Bank Ltd., Banepa	Sanima Bikas Bank Ltd., Nagpokhari, Kathmandu
Annapurna Bikas Bank Ltd., Banepa	Gaurishankar Development Bank Ltd., Nawalparasi
Pashimanchal Development Bank Ltd., Butwal	Biratlaxmi Bikas Bank Ltd., Biratnagar
Jyoti Bikas Bank Ltd., Kamalpokhari, Kathmandu	Vibor Bikas Bank Ltd., Tripureshwor, Kathmandu
Gorkha Bikas Bank Ltd., Putalisadak, Kathmandu	Rising Development Bank Ltd., Narayangadh, Chitwan
Malika Bikas Bank Ltd., Achham Branch	Shubhechchha Bikas Bank Ltd., Narayangadh, Chitwan
Rising Development Bank Ltd., Gaindakot, Navalparasi	H & B Development Bank Ltd., Kamaladi
Gorkha Bikas Bank Ltd., Putalisadak, Kathmandu	Siddhartha Development Bank Ltd., Tinkune
Rising Development Bank Ltd., Gaidakot, Nabalparashi	Muktinath Bikas Bank Ltd., Syangja
Gorkha Bikas Bank Ltd., Putalisadak, Kathmandu	Garima Bikas Bank Ltd., Kaski

Finance Companies

NIDC Capital Markets Ltd., Kamalpokhari	International Leasing and Finance Ltd., Nagpokhari
Guheshwori Finance Ltd., Jawalakhel	People's Finance Ltd., Mahabaudha, Kathmandu
IME Financial Institution Ltd., Kathmandu	Progressive Finance Ltd., Pako, New Road, Kathmandu
Himalaya Finance Ltd., Sundhara, Kathmandu	Lalitpur Finance Company Ltd., Lalitpur
Api Finance Ltd., Pokhara	Kuber Merchant Finance Ltd., Kamalpokhari
Samjhana Finance Company Ltd., Banepa, Kavre	Universal Finance Ltd., New Road, Kathmandu
Prudential Finance Company Ltd., Dillibazar	Reliance Finance Ltd., Pradarshanmarg, Kathmandu
Annapurna Finance Ltd., Newplaza, Putalisadak	Lord Buddha Finance Ltd., New Road, Kathmandu
Narayani National Finance Company Ltd., Kalikasthan	Royal Merchant Bank and Finance Ltd., Durbar marg
International Leasing and Finance Ltd., Baneshwor	Sagarmatha Merchant Banking & Finance Ltd.
Nepal Share Market & Finance Ltd., Ramsahapath	Central Finance Ltd., Kupondole, Lalitpur
Butawal Finance Ltd.	Unique Finance Ltd., Putalisadak
Standard Finance Ltd.	Valley Finance Ltd., Maharajgunj
United Finance Ltd., Durbar marg, Kathmandu	Manjushree Finance Ltd., Naya Baneshwor
Nepal Share Market & Finance Ltd., Ramsahapath	Fewa Finance Ltd.

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

Pathibhara Bikas Bank Ltd.	Biratlaxmi Bikas Bank Ltd.
Tourism Development Bank Ltd.	Kakre Bihar Bikas Bank Ltd.
Kanchan Development Bank Ltd.	Rara Bikas Bank Ltd.

Finance Companies

Birgunj Finance Ltd.	Arun Finance Ltd., Dharan
Samjhana Finance Company Ltd., Kavre	Suryadarshan Finance Ltd.

Appendix 2.3

Actions taken against Banks and Financial Institutions

Financial Institutions fined for failing to disburse the Deprived Sector Credit

Development Banks

Nepal Industrial and Development Bank Ltd., Durbarmarg	Karnali Development Bank, Nepaljung
Narayani Development Bank Ltd., Ratna Nagar, Chitwan	Annapurna Development Bank Ltd., Banepa
NDEP Development Bank Ltd., Kamaladi, Kathmandu	Rara Bikas Bank Ltd.
Hamro Development Ltd., Nuwakot	Gorkha Development Bank Ltd., Putalisadak
Kanchan Development Bank Ltd., Mahendra Nagar	Kastamandap Development Bank Ltd., New Road
Shangrila Bikas Bank Ltd., Newroad, Pokhara	Corporate Development Bank Ltd., Birgunj

Finance Companies

Nepal Finance Ltd. , Kamaladi, Kathmandu	Srijana Finance Ltd., Biratnagar
NIDC Capital Markets Ltd. , Kamaladi, Kathmandu	Imperial Finance Ltd., Thapathali, Kathmandu
Nepal Share Markets and Finance Ltd. , Ramshahapath	Patan Finance Ltd., Man Bhawan, Lalitpur
United Finance Ltd., Durbarmarg	ICFC Finance Ltd., Pulchok, Lalitpur
General Finance Ltd	Nepal Srilanka Merchant Banking and Finance Ltd., Kathmandu
Multipurpose Finance Ltd. , Rajbiraj	

Financial Institutions fined for failing to maintain the Cash Reserve Ratio

Development Bank

Western Development Bank Ltd., Dang	Sanima Development Bank Ltd., Kamalpokhari, Kathmandu
Matribhumi Development Bank Ltd., Sindhuli	Subhechha Development Bank Ltd., Chitwan
Sangrila Development Bank Ltd., Pokhara	Raptibheri Development bank Ltd., Nepalgunj
Pacific Development Bank Ltd., Lamjung	Infrastructure Development Bank Ltd., Banepa, Kavre
Civic Development Bank, Ltd., Dhading	Kabeli Development bank Ltd., Dhankuta
Bright Development Bank Ltd., Kavre	Manakamana Development bank Ltd., Durbarmarg
Uddham Development Bank, Ltd., Chitwan	Vibhor Development Bank Ltd., Tripureshwor
Gaumukhi Development Bank Ltd., Pyuthan	NDEP Development Bank Bank Ltd., Kamaladi
Public Development Bank Ltd., Birgunj	International Development Bank Ltd., Teku
Nilgiri Development Bank Ltd., Myagdi	Muktinath Development Bank Ltd., Syangja
Gorkha Development Bank Ltd., Putalisadak	

Finance Companies

Pokhara Finance Ltd., Pokhara	Crystal Finance Ltd., Thapalthali
Standard Finance Ltd., Kamalpokhari	Pupils Finance Ltd., Mahaboudha
General Finance Ltd., Chabahil	Nepal Share Market Finance Ltd., Ramshahpath
Nepal Srilanka Merchant Banking and Finance Ltd., Kathmandu	Prudential Finance Ltd., Dillibazar
United Finance Ltd., Durbarmarg	Kuber Merchant Banking and Finance Ltd., Kamalpokhari
Mercantile Finance Ltd., Birgunj	Suryadarshan Finance Ltd., Baneshwor
World Merchant Finance Ltd., Hetauda	Crystal Finance Ltd., Thapalthali
Capital Merchant Banking and Finance Ltd., Battisputali	National Finance Ltd., Newroad

Financial Institutions fined for failing to maintain the Statutory Liquidity Ratio

Development Banks

NDEP Development Bank	Sangrila Development Bank
Gorkha Development Bank	Ace Development Bank
Vibhor Development Bank	Jyoti Bikas Bank
Malika Development Bank	United Development Bank

Finance Companies

NIDC Capital Markets	Civil Finance
Nepal Housing Development Finance Lid.	Imperial Finance
Nepal Finance	Arun Finance
Nepal Share market Finance	Sirjana Finance
Pupils Finance	General Finance
Mercantile Finance	Ptrudential Finance
Himalaya Finance	Manjushri Finance
Union Finance	Subhaluxmi Finance
Nepal Housing and Merchant Finance	Progressive Finance
Siddartha Finance	Multipurpose Finance
Yeti Finance	lalitpur Finance
OM Finance	Royal Finance
Crystal Finance	Fewa Finance
Patan Finance	Kuber Finance
Vally Finance	Suryadarshan Finance
Hama Merchant Banking and Finance	Reliance Finance
Narayani National Finance	

Appendix 2.4
List of Market Makers

S.N.	Name	S.N.	Name
1	Machhapuchhere Bank Ltd.	37	Narayani National Finance Ltd.
2	Sunrise Bank Ltd.	38	Nepal Share Markets & Finance Ltd.
3	Laxmi Bank Ltd.	39	Citizen Investment Trust
4	Siddhartha Bank Ltd.	40	Unique Finance Ltd.
5	Nabil Bank Ltd.	41	Progressive Finance Ltd.
6	Citizen Bank International Ltd.	42	Kasthamandap Development Bank Ltd.
7	Nepal Industrial and commercila Bank Ltd.	43	Jebbiles Finance Ltd.
8	DCBL Bank Ltd.	44	Lord Buddha Finance Ltd.
9	Civil Bank Ltd.	45	Nepal Express Finance Ltd.
10	Lumbini Bank Ltd.	46	Civil Merchant Bittiya Sanstha
11	Kumari Bank Ltd.	47	International Development Bank Ltd.
12	Century Commercial Bank Ltd.	48	Vibor Bikas Bank Ltd.
13	Agriculture Development Bank Ltd.	49	Crystal Finance Ltd. (Bittiya Sanstha)
14	NMB Bank Ltd.	50	Internationaol Leasing & Finance Co. Ltd.
15	Kist Bank Ltd.	51	Suryadarshan Finance company Ltd.
16	Nepal Bangladesh Bank Ltd.	52	Central Finance Ltd.
17	Janata Bank Nepal Ltd.	53	Guheshwori Merchant Banking & Finance Ltd.
18	Clean Energy Development Bank Ltd.	54	Patan Finance Ltd.
19	IME Financial Institution Ltd.	55	Primier Finance Co. Ltd.
20	ICFC Finance Ltd.	56	Lalitpur Finance Ltd.
21	ACE Development Bank Ltd.	57	Siddhartha Development Bank Ltd.
22	Sanima Bikas Bank Ltd.	58	Navadurga Finance Co. Ltd. (Bittiya Sanstha)
23	Gorkha Finance Ltd.	59	Araniko Development Bank Ltd.
24	NIDC Capital Markets Ltd.	60	Sindhu Bikas Bank Ltd.
25	Prabhu Finance Company Ltd.	61	Biratlaxmi Bikas Bank Ltd.
26	Lumbini Finance and Leasing Co Ltd.	62	Sahayogi Bikas Bank Ltd.
27	Bhajuratna Fin & Saving Co Ltd.	63	Mercantile Finance Co. Ltd. (Bittiya Sanstha)
28	CMB Finance Ltd.	64	Annapurna Finance Co. Ltd.
29	Royal Merchant Banking & Finance Ltd.	65	Fewa Finance Ltd.
30	United Finance Ltd.	66	City Development Bank Ltd.
31	NDEP Development Bank Ltd.	67	Butawal Finance Ltd.
32	Nepal Finance Ltd. (NEFINSKO)	68	Siddhartha Finance Ltd.
33	Union Finance Ltd. (Bittiya Sanstha)	69	Reshunga Bikas Bank Ltd.
34	Capital Merchant Banking & Finance Ltd.	70	Bageshwari Development Bank Ltd.
35	Prudential Finance Ltd.	71	Malika Bikas Bank Ltd.
36	Goodwill Finance Ltd. (Bittiya Sanstha)		

Appendix 2.5

Board of Directors

(Mid-July 2011)

Dr. Yuba Raj Khatiwada, Governor	Chairman
Mr. Krishna Hari Baskota, Secretary, Ministry of Finance	Member
Mr. Gopal Prasad Kaphle, Deputy Governor	Member
Mr. Maha Prasad Adhikari, Deputy Governor	Member
Prof. Dr. Parthibeshwar Prasad Timilsina	Member
Prof. Dr. Bishwambher Pyakuryal	Member
Mr. Shambhu Sharan Prasad Kayastha	Member

Appendix 2.6

Principal Officers

(July 2011)

Special Class		
1	Mr. Lila P. Sitaula	Executive Director, Foreign Exchange Management Department
2	Mr. Ashwini K. Thakur	Executive Director, Currency Management Department
3	Mr. Vishnu Nepal	Executive Director, Financial Institutions Supervision Department
4	Mr. Gokul Ram Thapa	Executive Director, Internal Audit Department
5	Mr. Ramjee Regmi	Executive Director, Corporate Planning Department
6	Mr. Bhaskar M. Gyanwali	Executive Director, Bank and Financial Institution Regulation Department
7	Mr. Manmohan K. Shrestha	Executive Director, Financial Management Department
8	Mr. Lok B. Khadka	Executive Director, Bank Supervision Department
9	Mr. Pradeep R. Panday	Executive Director, Microfinance Promotion and Supervision Department
10	Mr. Hari P. Kafle	Executive Director, General Services Department
11	Mr. Siddhi K. Joshi	Executive Director, Banking Office
12	Mr. Trilochan Pangen	Executive Director, Bankers' Training Center
13	Mr. Mahesh Bhattarai	Act. Executive Director, Public Debt Management Department
14	Mr. Shambhu Thapa	Act. Executive Director, Human Resources Management Department
15	Dr. Minbahadur Shrestha	Act. Executive Director, Research Department
16	Mrs. Rameshwari Panta	Act. Executive Director, Office of the Governor
First Class Officers		
1	Mr. Shiva R. Shrestha	Director, Information Technology Department
2	Mr. Naresh Dhakal	Director, General Services Department
3	Mr. Narayan P. Paudel	Director, Research Department
4	Mr. Nara B. Thapa	Chief Manager, NRB, Biratnagar office

5	Dr. Binod Atreya	Director, Corporate Planning Department
6	Mr. Janak B. Adhikari	Director, Micro-Finance Promotion and Supervision Department
7	Mr. Purna B. Khatri	Director, Banks and Financial Institutions Regulation Department
8	Mr. Bhishma R. Dhungana	Director, Foreign Exchange Management Department
9	Mr. Chintamani Siwakoti	Director, Foreign Exchange Management Department
10	Mr. Laxmi P. Niraula	Director, Financial Institutions Supervision Department
11	Mr. Shankar P. Acharya	Director, Public Debt Management Department
12	Mr. Dharma R. Sapkota	Director, Legal Division
13	Mr. Rajan B. Shah	Director, Banking Office
14	Mr. Jagdishwor P. Adhikary	Director, Bankers' Training Center
15	Mr. Parbat K. Karki	Director, Financial Institutions Supervision Department
16	Mr. Shiva N. Pandey	Director, Bank Supervision Department
17	Mr. Khyam N. Dhakal	Director, Microfinance Promotion and Supervision Department
18	Mr. Bhuvan Kandel	Director, Internal Audit Department
19	Dr. Nephil M. Maskay	Chief Manager, NRB, Siddharthanagar office
20	Mr. Deepak B. Thapa	Director, Mint Division
21	Mr. Upendra K. Paudel	Director, Research Department
22	Mr. Yejjindra P. Luintel	Chief Manager, NRB, Birgunj office
23	Dr. Bhubanesh Pant	Director, Research Department
24	Dr. Bama Dev Sigdel	Director, Human Resource Management Department
25	Mr. Basu Dev Adhikari	Director, Banks and Financial Institutions Regulation Department
26	Mr. Pradhuma K. Bhattarai	Director, Financial Management Department
27	Dr. Gopal Prasad Bhatta	Chief Manager, NRB, Janakpur office
28	Mrs. Neelam Dhungana (Timsina)	Director, Bank Supervision Department
29	Mr. Jhalak Sharma Acharya	Director, Human Resource Management Department
30	Mr. Bhola Nath Baral	Chief Manager, NRB, Pokhara office
31	Mr Arjun Bahadur Adhikari	Director, Bank Supervision Department
32	Mr. Sher Jung Rana	Director, Financial Institutions Supervision Department
33	Mr. Dev Kumar Dhakal	Director, Financial Management Department
34	Mr. Basanta Bahadur Shakya	Director, Currency Management Department
35	Mr. Mukunda Prasad Chhetri	Act. Director, Financial Institutions Supervision Department
36	Mr. Kiran Bista	Act. Director, Banks and Financial Institutions Regulation Department
37	Mr. Balaram Parajuli	Act. Director, Research Department
38	Mr. Radhika Shakya (Sharma)	Act. Director, Public Debt Management Department
39	Mr. Ramesh Dahal (ka)	Act. Director, Office of the Governor
On Leave and Deputation		
1	Director Mr. Maheshwor Lal Shrestha	Nepal Bank Ltd. (Deputation)
2	Director Mr. Ramesh K. Pokharel	IMF (Deputation)

PART - 3

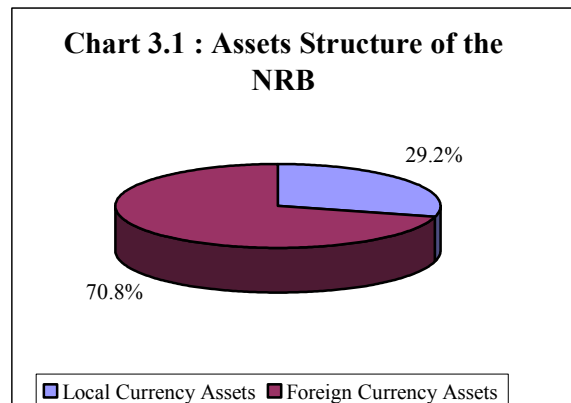
ANNUAL FINANCIAL STATEMENTS OF THE NRB

- **Assets and Liabilities** 108
- **Income Statement** 109

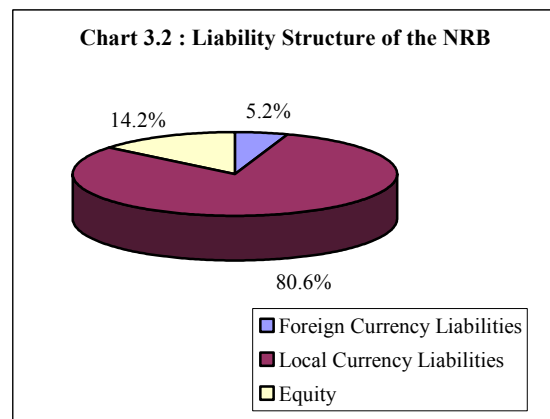
ANNUAL FINANCIAL STATEMENTS OF THE NRB

Assets and Liabilities

3.1 As per the balance sheet of mid-July 2011, total assets and total liabilities and equity of the NRB increased by 7.4 percent to Rs. 320.87 billion as compared to those of mid-July 2010. Out of total assets of mid-July 2011, the shares of foreign currency assets (including gold reserves) and local currency assets remained at 70.8 percent and 29.2 percent respectively. As at mid-July 2010, shares of such assets were 72.6 percent and 27.4 percent respectively. Of the total liability and equity at mid-July 2011, the shares of local currency liability, equity and foreign currency liabilities stood at 80.6 percent, 14.2 percent and 5.2 percent respectively. As at mid-July 2010, shares of such liabilities were 81.3 percent, 13.0 percent and 5.7 percent respectively.



3.2 As at mid-July 2011, the share of cash and bank balances in foreign assets remained at 7.2 percent, whereas the shares of investments, other receivables and SDR holdings with IMF remained at 86.8 percent, 0.2 percent and 3.0 percent respectively. As compared to mid-July 2010, such cash and bank balances increased by 9.7 percent, investment by 3.5 percent and other receivables by 51.8 percent at mid-July 2011. Likewise, SDR holding with IMF decreased by 4.4 percent as at mid-July 2011 as compared to an increase by more than 11 fold as at mid-July 2010. Under foreign currency other assets, gold increased by 52.4 percent to Rs. 6.41 billion in the review year compared to that of the previous year. Overall, total foreign currency assets increased by 4.7 percent to Rs. 227.06 billion at mid-July 2011 as compared to a decrease of 5.2 percent at mid-July 2010.



Under foreign currency other assets, gold increased by 52.4 percent to Rs. 6.41 billion in the review year compared to that of the previous year. Overall, total foreign currency assets increased by 4.7 percent to Rs. 227.06 billion at mid-July 2011 as compared to a decrease of 5.2 percent at mid-July 2010.

3.3 In the local currency financial assets, the shares of investment in government securities, other investments and other receivables stood at 38.9 percent, 11.5 percent and 4.0 percent respectively where as such share of refinance and loans stood at 15.9 percent in the review year. Likewise, shares of cash in hand and investments in financial and other institutions stood at 4.0 percent and 0.4 percent respectively. As compared to those of mid-July 2010, other receivables and other investments increased by 19.2 percent and 11.3 percent respectively while cash in hand and investments in government securities decreased by 0.7 percent and 4.0 percent respectively in the review year. On the other hand, refinance and loans and investments in financial and other institutions increased by 84.3 and 4.0 percent respectively at mid-July 2011.

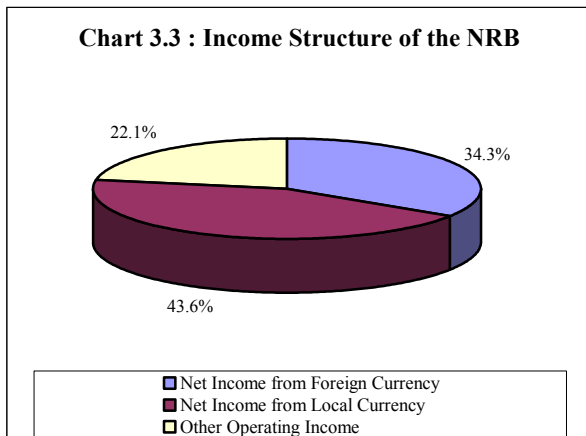
- 3.4 On the local currency other assets, the shares of gold and silver; other inventories; property, plant and equipment; project assets and intangible assets remained at 10.5 percent, 55.8 percent, 17.7 percent, 15.8 percent and 0.1 percent respectively. Intangible assets decreased from Rs. 3.6 million to Rs. 2.2 million while other inventories increased by 162.9 percent as at mid-July 2011 compared to that of mid-July 2010. Similarly, gold and silver increased by 3.7 percent whereas property, plant and equipment decreased by 0.5 percent. Overall, total local currency assets increased by 14.8 percent to Rs. 93.80 billion as at mid-July 2011 compared to that of mid-July 2010.
- 3.5 In foreign currency financial liabilities, the shares of IMF related liabilities and deposits from banks and other agencies stood at 94.5 percent and 3.1 percent respectively at mid-July 2011. At mid-July 2011, deposits from banks and other agencies decreased by 29.5 percent while the IMF related liabilities decreased by 1.8 percent compared to those of mid-July 2010. Other liabilities, which had increased by 232.8 percent in the previous year, increased by more than 50 fold in the review year. Overall, foreign currency liabilities decreased by 0.6 percent to Rs 16.89 billion at mid-July 2011 compared to that of mid-July 2010.
- 3.6 Other liabilities occupy the highest share (66.7 percent) in local currency liabilities. In the total other liabilities, the share of currency in circulation remained at 97.2 percent and shares of surplus payable to GoN, sundry liabilities and project liability stood at 1.9 percent, 0.7 percent, and 0.3 percent respectively. Currency in circulation increased by 3.9 percent to Rs. 167.61 billion in mid-July 2011 compared to that of mid-July 2010. In mid-July 2010 surplus payable to GoN had increased by 22.9 percent whereas it increased by 3.5 percent to Rs. 3.22 billion in the review year. Sundry liabilities decreased by 68.1 percent to Rs. 1.21 billion in the review year. Project liability increased by 0.4 percent to Rs. 462.87 million as at mid-July 2011 compared to that of mid-July 2010. Other liabilities, in total, increased by 2.3 percent to Rs. 172.52 billion.
- 3.7 In local currency financial liabilities, the share of deposit and other balances remained at 92.5 percent while the shares of bills payable and other payables were 0.7 percent, 6.6 percent and 0.2 percent respectively. Bills payable and other payables decreased by 36.4 percent and 27.1 percent respectively whereas deposit and other balances and staff liabilities increased by 16.3 percent and 26.7 percent respectively as of mid-July 2011 compared to those of mid-July 2010. Overall, the local currency financial liabilities increased by 6.5 percent to Rs. 258.51 billion as at mid-July 2011 compared to that of mid-July 2010.
- 3.8 In equity, the share of reserves stood at 93.2 percent whereas the rest was in share capital. The reserves fund, which had decreased by 18.1 percent in the previous year, has increased by 18.1 percent to Rs. 42.47 billion in the review year. Total equity increased by 16.7 percent whereas total liabilities and equities increased by 7.4 percent as at mid-July 2011 compared to that of mid-July 2010.

Income Statement

- 3.9 As per the income statement of the period from 17 July 2010 to 16 July 2011, total net operating income of NRB in fiscal year 2010/11 stood at Rs. 11.68 billion.
- 3.10 During the fiscal year 2009/10, the income from local currency financial assets was higher than the income from foreign currency financial assets in fiscal year 2010/11. As usual, interest income was the prime contributor toward total income of fiscal year 2010/11.
- 3.11 In the total income of fiscal year 2010/11 from foreign currency financial assets, the shares of interest and commission income stood at 93.1 percent and 6.9 percent respectively. In fiscal year 2009/10, the shares of interest income and commission income were 89.8 percent and 10.2 percent respectively. Interest income increased by 16.9 percent, while commission income declined by 23.5 percent in the review year compared to those of the previous year.

- 3.12 Similar with the fiscal year 2009/10, in total income of the fiscal year 2010/11 from local currency financial assets, the shares of interest income and commission income stood at 99.9 and 0.1 percent respectively. Interest income increased by 47.3 percent and commission income increased by 18.0 percent in the review year compared to those of the previous year.
- 3.13 In the expenses front under foreign currency financial liabilities in the review year, the share of interest expenses and agency and service charge remained at 87.7 percent and 12.3 percent respectively. The share of interest expenses and agency and service charges in the previous year stood at 85.1 percent and 14.9 percent respectively. Interest expenses increased by 0.5 percent whereas agency and service charges decreased by 19.8 percent in the review year as compared to those of the previous year.
- 3.14 In the review year's expenses under the local currency financial liabilities, the share of interest expenses was 16.1 percent and that of agency and service charge was 83.9 percent. The share of interest expenses in the previous year was 9.6 percent and that of agency and service charges was 90.4 percent. In the review year, interest expenses increased by 13.1 percent where as agency and service charges declined by 37.2 percent.
- 3.15 Income from foreign currency financial assets increased by 12.8 percent to Rs. 4.04 billion whereas expenses under foreign currency financial liabilities declined by 2.5 percent to Rs. 37.8 million in the review year compared to those of the previous year. Consequently, net income from foreign currency increased by 12.9 percent to Rs. 4.0 billion in the review year.
- 3.16 Income from local currency financial assets increased by 47.3 percent to Rs. 5.53 billion whereas expenses under local currency financial liabilities decreased by 32.3 percent to Rs. 433.22 million in the review year compared to those of the previous year. Consequently, net income from local currency increased by 63.6 percent to Rs. 5.10 billion in the review year compared to that of the previous year.
- 3.17 The other operating income increased by 312.6 percent to Rs. 2.58 billion in the review year. Thus, total net operating income in the fiscal year 2010/11 increased by 60.3 percent to Rs. 11.68 billion.

3.18 In fiscal year 2010/11, out of total net operating income of Rs. 11.68 billion, income from local currency financial assets is 5.10 billion (43.6 percent), income from foreign currency financial assets was Rs. 4.0 billion (34.3 percent) and other operating income was Rs. 2.58 billion (22.1 percent).



- 3.19 General administrative expenses and provisioning increased by 32.6 percent to Rs. 4.98 billion in the review year compared to that of the previous year. Consequently, net profit (before foreign currency revaluation gain/loss, gold and silver revaluation gain/loss and previous year's adjustment) increased by 89.9 percent to Rs. 6.71 billion in the review year.
- 3.20 In the review year, out of net profit Rs. 9.73 billion, Rs.1.86 billion was separated in exchange equalization fund, Rs. 1.18 billion in gold-silver equalization fund and Rs. 2.31 billion in gold rehabilitation fund. Thus, profit available for distribution is Rs. 4.38 billion. Such profit was Rs. 3.92 billion in previous year.

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION AS ON 16th JULY 2011

Particulars	Note	As on 16th July 2011 NRs.	As on 16th July 2010 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	3	16,337,109,976	14,896,995,310
SDR Holdings - with IMF		6,730,704,535	7,042,007,705
Investments	3a	197,134,222,474	190,486,661,053
Other Receivables		448,199,792	295,175,848
Sub-Total		220,650,236,777	212,720,839,916
Other Assets			
Gold		6,411,154,715	4,206,133,922
Sub-Total		6,411,154,715	4,206,133,922
Total Foreign Currency Assets		227,061,391,492	216,926,973,838
Local Currency Financial Assets			
Cash in Hand		3,730,978,127	3,756,191,628
Investments in Government Securities	4	36,509,216,412	38,022,709,404
GON Overdraft		20,764,094,278	16,711,491,611
Investments in Financial and Other Institutions	5	337,892,500	325,035,500
Other Investments	6	10,782,610,000	9,689,100,000
Refinance & Loans	7	14,951,607,667	8,112,165,241
Other Receivables	8	3,795,691,468	3,185,510,203
Sub-Total		90,872,090,452	79,802,203,587
Other Assets			
Gold and Silver	9	309,091,119	298,184,530
Other Inventories	10	1,636,700,152	622,632,522
Property, Plant & Equipment	11a	519,867,158	522,408,959
Intangible Assets	11b	2,206,358	3,642,638
Assets received in grant	11c	968,058	656,648
Project Assets	12	462,868,641	461,098,098
Sub-Total		2,931,701,486	1,908,623,395
Total Local Currency Assets		93,803,791,938	81,710,826,982
Total Assets		320,865,183,430	298,637,800,820

Contingent Assets

23c

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

As per our report of the even date.

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

.....
(Yuba Raj Khatiwada)
Governor

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

Board of Directors :-

Krishna Hari Baskota

Dr. Parthibeshwar Prasad Timilsina

.....
(JB Rajbhandary)
Chartered Accountant
Kathmandu

.....
(B.K.Agrawal)
Chartered Accountant
Kathmandu

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : Nov. 15, 2011
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION AS ON 16th JULY, 2011

Particulars	Note	As on 16th July 2011 NRs.	As on 16th July 2010 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	13	523,025,694	741,560,336
IMF Related Liabilities	14	15,955,815,523	16,245,357,425
Other Liabilities	15	406,992,510	7,899,401
Total Foreign Currency Liabilities		16,885,833,727	16,994,817,162
Local Currency Financial Liabilities			
Deposit and Other Balances	16	79,563,300,071	68,388,913,171
Bills Payable		586,284,224	921,594,753
Staff Liabilities	17	5,695,278,571	4,495,476,850
Other Payables	18	144,199,718	197,882,080
Sub-Total		85,989,062,584	74,003,866,854
Other Liabilities			
Currency in Circulation	19	167,620,000,000	161,300,000,000
Surplus Payable to GON		3,220,000,000	3,110,000,000
Sundry Liabilities	20	1,214,711,228	3,806,355,376
Project Liability	21	462,868,641	461,098,098
Sub-Total		172,517,579,869	168,677,453,474
Total Local Currency Liabilities		258,506,642,453	242,681,320,328
EQUITY			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	42,472,707,250	35,961,663,330
Total Equity		45,472,707,250	38,961,663,330
Total Liabilities and Equity		320,865,183,430	298,637,800,820

Contingent Liabilities and Commitments

23b

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

As per our report of the even date.

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

.....
(Yuba Raj Khatiwada)
Governor

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

Board of Directors :-

Krishna Hari Baskota

Dr. Parthibeshwar Prasad Timilsina

.....
(JB Rajbhandary)
Chartered Accountant
Kathmandu

.....
(B.K.Agrawal)
Chartered Accountant
Kathmandu

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : Nov. 15, 2011
Place : Kathmandu

NEPAL RASTRA BANK

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 16th JULY, 2011**

Particulars	Note	2010/11 NRs.	2009/10 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	24	3761628272	3,219,016,664
Commission Income	25	278047354	363,649,585
		4039675626	3,582,666,248
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	26	33124217	32,960,431
Agency and Service Charge	27	4636947	5,782,910
		37761164	38,743,341
Net Income from Foreign Currency		4001914462	3,543,922,908
Income from Local Currency Financial Assets			
Interest Income	24	5525830565	3,751,664,518
Commission Income	25	5671983	4,808,469
		5531502548	3,756,472,987
Expenses on Local Currency Financial Liabilities			
Interest Expenses	26	69787799	61,713,970
Agency and Service Charge	27	363431242	578,524,781
		433219041	640,238,751
Net Income from Local Currency Financial assets		5098283507	3,116,234,236
Other Operating Income	28	2582975198	626,028,570
Total Net Operating Income		11683173167	7,286,185,714
General, Administrative Expenses & Provisions	29	4977550254	3,754,759,643
Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment		6705622913	3,531,426,071
Foreign Exchange Gain/(Loss) (Net)		1858159100	(9,189,754,117)
Gold and Silver Revaluation Gain/(Loss) (Net)			
- Amount Transferred from Gold & Silver Equalisation Reserve	31(XVII)(i)	1184717792	886,674,990
- Securities Revaluation			-
- other			
Prior Year Adjustment		(18579822)	(87,730,424)
Net Profit/(Loss) for the year		9729919983	(4,859,383,480)
Net Profit/(Loss) for Appropriation			
Net Profit/(Loss) for the year		9729919983	(4,859,383,480)
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		-1858159100	9,189,754,117
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XVII)(i)	-1184717792	(886,674,990)
Amount Transferred to Gold Replacement Fund	31(XVII)(ii)	-2307013551	(44,081,584)
Securities Revaluation Fund			520,067,241
Profit available for distribution		4380029540	3,919,681,304
General Reserve		491929540	432,800,000
Monetary Liability Reserve		219000000	196,000,000
Development Fund		172000000	140,281,304
Dev. Fin. Projects Mob. Fund		43100000	23,100,000
Liquidity Stabilization Fund		22000000	17,500,000
Mechanization Fund		10000000	-
Banking Development Fund		11200000	-
Surplus to be transferred to GON		322000000	3,110,000,000
Total		4380029540	3,919,681,304

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

As per our report of the even date.

(Manmohan Kumar Shrestha)
Executive Director

(Yuba Raj Khatiwada)
Governor

(.....)
Auditor General

Board of Directors :-

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Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphe (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : Nov. 15, 2011
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 16th JULY, 2011

Particulars	2010/11 (NRs.)	2009/10 (NRs.)
Cash flow from operating activities:		
Profit for the Year	9,729,919,983	(4,859,383,480)
Adjustments		
Gold and Silver revaluation gain/(loss) (Net)	(1,184,717,792)	(886,674,990)
- Other	-	-
- Revaluation gain or loss on foreign exchange	(1,858,159,100)	9,189,754,117
Securities revaluation		
Depreciation	56,644,483	53,266,775
Prior period adjustment	18,579,822	87,730,424
Note printing expenses	611,333,378	424,005,536
Dividend Income	(2,735,850)	(2,799,237)
Profit from sale of assets		(125,973,592)
Sundry balances written off	-	10,423,869
Interest paid on PRGF Loan & ACU	31,941,819	32,722,933
Provision for :		
Loan and advances	-	(77,439,510)
Diminution in value of investment	-	(16,000,000)
Doubtful of recovery on sundry accrued	-	(3,297,869)
Provision for doubtful investment	1,030,705,000	-
Cash flow from operation before inc / dec in operating assets	8,433,511,743	3,826,334,978
(Increase)/Decrease in operating assets	(14,311,860,898)	(14,002,685,811)
GON overdraft	(4,052,602,667)	(7,875,696,486)
Refinance & loans	(6,839,442,424)	(5,707,331,730)
Other receivable	(763,205,210)	276,419,372
Gold & silver	(1,031,209,589)	14,113,500
Inventories	(1,625,401,008)	(710,190,467)
Increase/(Decrease) in operating liabilities	9,590,857,880	2,151,088,199
SDR Allocation	15,935,306	6,713,614,123
Deposit liabilities	10,955,852,258	(5,451,373,138)
Bills payable	(335,310,529)	(199,695,695)
Deferred staff liabilities	1,200,614,247	708,169,388
Other liabilities	345,410,746	(2,783,632)
Sundry liabilities	(2,591,644,148)	383,157,154
Operating cash flow before prior period adjustment	3,712,508,725	(8,025,262,636)
Prior period adjustment	(18,579,822)	(87,730,424)
Cash flow from operating activities	3,693,928,903	(8,112,993,059)
Cash flow from investing activities:		
Net Decrease in Government Securities and Bank Deposits	(18,452,149,353)	3,360,694,523
Sale/purchase of Investment in Financial Institutions	(12,857,000)	136,973,592
Purchase of Investments-other	(1,467,694,008)	1,519,913,248
Fixed assets including WIP	(52,666,402)	(48,884,899)
Dividend income	2,735,850	2,799,237
Total (B)	(19,982,630,913)	4,971,495,702
Cash flow from financing activities:		
Bank note issued	6,320,000,000	20,090,000,000
Increase/decrease in PRGF Loan & ACU	(305,477,208)	2,556,065,609
Interest paid on PRGF Loan & ACU	(31,941,819)	(32,722,933)
Surplus transferred to GON	(3,110,000,000)	(2,530,000,000)
Total (C)	2,872,580,973	20,083,342,676
Net cash flow for the year (A+B+C)	(13,416,121,037)	16,941,845,318
Revaluation gain or loss on foreign exchange	1,858,159,100	(9,189,754,117)
Cash and cash equivalent at the beginning of the year	224,456,295,645	216,704,204,443
Cash and cash equivalent at the end of the year (Note - 30)	212,898,333,708	224,456,295,645

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

As per our report of the even date.

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

.....
(Yuba Raj Khatiwada)
Governor

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

Board of Directors :-

Krishna Hari Baskota

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Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kapphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : Nov. 15, 2011
Place : Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 16th JULY, 2011

Particulars	NRs.			
	Balance as at July 16, 2010	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at July 16, 2011
Capital	3,000,000,000	-		3,000,000,000
General Reserve	12,794,127,005	491,929,540	1,021,115,525	14,307,172,070
Monetary Liability Reserve	1,579,600,000	219,000,000		1,798,600,000
Exchange Equilisation Fund	9,903,611,935	1,858,159,100		11,761,771,035
Gold & Silver Equilisation Reserve	4,184,079,683	1,184,717,792		5,368,797,475
Grants assets reserve	656,648		311,410	968,058
Grameen Swabalamban Kosh	253,400,000	-		253,400,000
Other Reserve Funds	7,246,188,059	2,756,113,551	(1,020,302,998)	8,981,998,612
Secutiry Revaluation Fund	-	-		-
Total	38,961,663,330	6,509,919,983	1,123,937	45,472,707,250

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 16th JULY, 2010

Particulars	NRs.			
	Balance as at July 16, 2009	Amt.transferred from/(to) profit	Inter fund transfer	Balance as at July 16, 2010
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	12,361,327,005	432,800,000	-	12,794,127,005
Monetary Liability Reserve	1,383,600,000	196,000,000	-	1,579,600,000
Exchange Equilisation Fund	19,093,366,052	(9,189,754,117)	-	9,903,611,935
Gold & Silver Equilisation Reserve	3,297,404,693	886,674,990	-	4,184,079,683
Grants assets reserve	-		656,648	656,648
Grameen Swabalamban Kosh	253,400,000		-	253,400,000
Other Reserve Funds	7,021,225,171	224,962,888	-	7,246,188,059
Security Revaluation Fund	520,067,241	(520,067,241)	-	-
Total	46,930,390,162	(7,969,383,480)	656,648	38,961,663,330

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

As per our report of the even date.

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

.....
 (Yuba Raj Khatiwada)
 Governor

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

Board of Directors :-

Krishna Hari Baskota

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Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : Nov. 15, 2011
 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, 1955 repealed by NRB Act, 2002. 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 16th July, 2011.

2 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.

The Board of Directors of the Bank has approved these financial statements on **November 15, 2011**.

3 Summary of significant Accounting Policies

3.1 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 32:	Financial Instruments presentation.
IAS 36:	Impairment of Assets
IAS 37:	Provisions, Contingent Liabilities and Contingent Assets
IAS 39:	Financial Instrument; Recognition and measurements
IFRS 5:	Non-current Assets held for sale and discontinued operation
IFRS 7:	Financial Instruments Disclosures.

3.2 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.

3.3 Currency in circulation

Currency notes issued by the Bank are legal tender under the NRB Act, 2002. 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.

3.4 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.

3.4.1 Classification

Instruments at fair value through profit or loss

Instruments at fair value through profit or loss are financial instruments either financial asset or financial liability that meets either of following conditions :

- a) It is classified as held for trading.
- b) Upon initial recognition it is designated by the entity as at fair value through profit or loss

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.

3.4.2 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 gold are recognized.

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

3.4.3 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, Investment in Gold have been measured at fair value. and gains and losses are recognized in equity through Statement of comprehensive income. Investment in 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 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.

Loans and receivables includes Loans to employees and GON Treasury Bills are recognized initially at cost. However, subsequent measurement at amortized cost using effective interest method, with possible impairment losses has not been considered and the impact of such measurement is yet to be ascertained at this stage.

3.4.4 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.

3.4.5 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 loans and receivables are de-recognized on receipt of money or money's worth there against.

3.5 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.

3.6 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 Statement of comprehensive Income.

3.7 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 Statement of comprehensive Income.

3.8 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 Weighted average 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 2007/08. 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 Statement of Comprehensive income at the time of purchase.

3.9 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 in Statement of Comprehensive income.

3.9.1 Intangible assets

Intangible assets includes software purchased by the bank. Softwares, 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 straightline basis over the useful life of asset.

Softwares, useful life of which have not been clearly defined, are classified as "software with indefinite useful life". Since, Useful life of softwares is usually short due to technological obsolescence, "software with indefinite useful life"

have been amortized on straightline basis over estimated useful life of ten years and five years respectively for business application softwares and other softwares.

3.10 Assets received in grant

Grants or donation on account of capital expenditure are recorded as "grant assets" with corresponding credit to "grant assets reserve" under the head of Capital Reserve.

Nepal Rastra Bank has received assets in grant from the Financial Sector Technical Assistance Project Phase I and Financial Sector Restructuring Project (Phase II) in Financial years 2003/04, 2004/05, 2005/06, 2006/07, 2009/10 and 2010/11 (and go backward). Financial Sector Restructuring Project (Phase II) has already been closed in 2008/09. However, these assets were not booked in Nepal Rastra Bank's books of account till FY 2008/09, even though the assets were in use by NRB.

Assets received in grant includes Computer Equipments, Office Equipments and miscellaneous furniture. Assets which costs upto Rs.25000/- has been classified as miscellaneous furniture.

Miscellaneous furniture up to Rs 25000/- acquired till FY 2010/11 amounting to Rs10,03,315 are not adjusted in the financial statements of FY 2009/10. Miscellaneous furniture acquired in FY 2010/11 amounting to Rs 2,60,804/- has been shown in income side as the grants received for expenses under non operating income and on the expenses side as Miscellaneous Furniture account in General administrative expenses and provisions in Statement of comprehensive Income.

Computer Equipments and Office equipments acquired till FY 2010/11 has been booked in Financial Statement. Assets acquired in FY 2010/11 have been recorded as "grant assets" with corresponding credit to "grant assets reserve" under the head of Capital Reserve. Accordingly, Rs 5,79,125/- has been booked as Computer equipments with corresponding credit of Rs 5,79,125/- to the capital reserve account. Depreciation of Rs 2,67,715/- for the F.Y.2067/68 has been shown as depreciation on the expenses side and reversal of grant assets reserve under the income side of income statement of FY 2010/11. Grants for training expenses is not received during current year.

Details of Assets acquired on grant/donation and depreciation chargeable over the years of use by Nepal Rastra Bank is given as under:

	Cost of assets acquired during the year				Chargeable Depreciation		
	Computer Equipments	Office equipments	Miscellaneous furniture	Total Rs	Computer Equipments	Office equipments	Total Rs
2003/04	0	0	1,69,853	1,69,853	0	0	0
2004/05	81,74,045	4,90,501	4,11,470	90,76,016	16,34,809	98,100	17,32,909
2005/06	0	0	16,157	16,157	16,34,809	98,100	17,32,909
2006/07	5,37,880	1,52,550	35,449	7,25,879	17,42,385	1,28,610	18,70,995
2007/08	0	0	0	0	17,42,385	1,28,610	18,70,995
2008/09	0	0	0	0	17,42,363	1,28,608	18,70,971
2009/10	5,84,891	63,280	1,09,582	7,57,753	2,24,554	43,166	2,67,720
2010/11	5,79,125	0	2,60,804	8,39,929	2,24,550	43,165	2,67,715
Total Rs	98,75,941	7,06,331	10,03,315	1,15,85,586	89,45,855	6,68,359	96,14,215

3.11 Employee benefits

3.11.1 Contributory Retirement Fund

All permanent employees are entitled for participation in employee's provident fund (now Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of 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.

3.11.2 Gratuity and Pension Scheme

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

Up to 15th July 2005 the bank had calculated Pension and Gratuity liability on reasonable estimates basis and recognized expense based on the same. Effective from that date the bank has actuarially valued its pension and

gratuity liability for the first time and deficit amount in the fund has been provided on a straight-line basis over five years commencing from financial year 2004/05 in accordance with the transitional provisions.

However, actuarial valuation of the Gratuity and pension scheme has been done for the liability as on 16th July 2010 and as per management decision, deficit in the fund balance was to provided on straight line basis over three years. Accordingly only one third of deficit amount in fund on valuation date has been booked as expenses in financial year 2009/10. Remaining one third of deficit amount shall be provided for in FY 2011/12. For details see other notes.(XV)

3.11.3 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.

3.11.4 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. This year incremental liability has been provided for.

3.11.5 Staff Security Fund

Actuarial valuation of the Staff security fund has been done for the liability as on 16th July 2010 and as per management decision, deficit in the fund balance needs to provide on straight line basis over three years. Accordingly only one third of deficit amount in fund has been booked as expenses in financial year 2010/11. Remaining one third of deficit amount shall be provided for in FY 2011/12. For details see other notes.(XVI)

3.11.6 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.

3.12 Revenue recognition

Incomes and expenses are recognized on accrual basis.

3.13 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.

3.14 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.

3.15 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 Statement of comprehensive income. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the statement of comprehensive income .

3.16 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.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 3: CASH AND BANK BALANCES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Cash in Hand	1,965,227,223	2,208,269,181
Balance with Banks in Demand Deposits	14,371,882,753	12,535,496,556
Asian Clearing Union	0	153,229,573
Total	16,337,109,976	14,896,995,310

NOTE - 3 a: INVESTMENTS

i. Treasury Bills

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
US Government Treasury Bills	32,366,314,326	29,766,899,189
GOI Treasury Bills	46,328,091,962	38,971,668,698
Sub -Total	78,694,406,288	68,738,567,888

ii. Other

US Government Treasury Notes/Bond	708,940,235	744,389,634
Investment in Mid Term Instrument	10,325,741,169	8,822,597,761
Investment in Fixbis	7,738,532,219	4,884,334,510
Investment in Repurchase Agreement (Repo)	9,339,154,059	18,840,991,083
Balance with Banks in Time Deposits	90,327,448,504	88,455,780,178
Sub -Total	118,439,816,186	121,748,093,166
Total	197,134,222,474	190,486,661,053

Investments in all of above instruments have been classified as held to maturity. However amortized cost of Time deposits, GOI Treasury Bill, Government Of India Treasury Bills, Investment in Fixbis and Repurchase agreements have not been subsequently measured at amortized cost using effective interest rate, which is insignificantly different from costs as maturity period of these instruments is less than six months. US Treasury bills has been reclassified as available for sale from current fiscal year. Please refer Note XX.

Interest on time deposit (where ever applicable) were earned at various rates ranging from 0.05% to 2.02% per annum (P.Y. 0.05% to 2.15% per annum). Time deposits with banks are for the period less than six months.

NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Government Treasury Bills	28,174,457,369	29,926,489,463
Saving Certificates	3,463,708,000	2,895,474,000
Government Bond	4,871,051,043	5,200,745,941
Other Bonds and securities	-	-
Total	36,509,216,412	38,022,709,404

Above investments are classified as follows:

Loans and receivables	28,174,457,369	29,926,489,463
Held-to-maturity	4,871,051,043	5,200,745,941
Available-for-sale	3,463,708,000	2,895,474,000
Total	36,509,216,412	38,022,709,404

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.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 5: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

	% of holding	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
(a) Investment in shares of Subsidiaries			
Sudur Pashchimanchal GBB	68.46	40,050,000	40,050,000
Agricultural Project Services Center	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		46,050,000	46,050,000
(b) Investment in shares of Associates			
Deposit & Credit Guarantee Corporation	22.58	20,500,000	20,500,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.52	2,500,000	2,500,000
Sub-Total		35,080,500	35,080,500
(c) Other Investments			
Shares:			
Nepal Clearing House	10.00	12,857,000	-
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
National Banking Training Centre	10.00	5,000,000	5,000,000
Sub-Total		317,812,000	304,955,000
Total		398,942,500	386,085,500
Less: Provision for diminution in the value		61,050,000	61,050,000
Total		337,892,500	325,035,500

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

1. According to NRB Act, 2002, 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), Citizen Investment Trust, 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, 2002.
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. NRB has received 133400 bonus shares of Rs 100 each for Financial Years 2005/06, 2006/07 and 2007/08 with which NRB has total 133500 shares in its possession with market value of Rs 54067500/- (Rs405/- quoted price on 2011/7/7 last trading date of year end) of Citizen Investment Trust.
6. NRB has received 6,12,638 bonus shares of Rs 100 each on Investment in Deposit and Credit Guarantee Corporation (DCGC) which makes total Shareholding of 10,83,898 shares
7. Nepal Development Bank is in process of liquidation.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 6: OTHER INVESTMENTS

Investment of funds

Fixed deposits with commercial banks and Financial Institutions

Less: Provision for doubtful Investment

Total

As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
11,813,315,000	9,689,100,000
1,030,705,000	0
10,782,610,000.00	9,689,100,000.00

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 July 16, 2011 NRs.	As on July 16, 2010 NRs.
2,096,500,000	2,758,251,000
6,231,180,000	2,025,000,000
2,582,277,869	603,247,868
4,054,947,667	2,738,964,241
14,964,905,536	8,125,463,110
13,297,869	13,297,869
14,951,607,667	8,112,165,241

Interest on refinance and loans were earned at various rates ranging from 1.5% to 10% per annum (P.Y. 1.50% to 7.5% per annum).

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 8: OTHER RECEIVABLE

		As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Interest Accrued	2,453,202,180		
Less: Provision for doubtful amounts	-	2,453,202,180	1,023,002,568
Deposits		1,755,604	1,813,026
Advances Recoverable	878,413,427		
Less: Provision for doubtful amounts	-	878,413,427	1,343,065,368
Other recoverable		53,388,537	23,113,850
Bills Purchased		408,931,720	794,515,391
Total		3,795,691,468	3,185,510,203

NOTE - 9: GOLD & SILVER STOCK

		As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Gold held in Stock		248,143,154	251,921,632
Silver held in Stock		60,947,965	46,262,898
Total Gold and silver stock		309,091,119	298,184,530

NOTE - 10: OTHER INVENTORIES

		As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Security Note Stock		1,179,680,636	480,534,035
Coin Stock		431,583,571	108,806,619
Numismatic and Medallion coins	44,727,733		
Less: Provision for non-moving coins	22,465,793	22,261,940	16,833,312
Other Metal Stock	11,511,026		
Less: Provision for non-moving stock	8,716,000	2,795,026	16,174,629
Dispensory stock	378,979		
Less: Provision for non-moving items	-	378,979	283,927
Total Inventories		1,636,700,152	622,632,522

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 July 16, 2010	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at July 16, 2011	Upto July 16, 2010	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto July 16, 2011	As at July 16, 2011	As at July 16, 2010
Land		31,349,239	-	-	-	31,349,239	-	-	-	-	-	31,349,239	31,349,239
Building	3	554,106,538	-	7,249,386	93,624	561,449,546	167,927,232	-	16,426,167	85,807	184,439,206	377,011,235	386,179,306
Furniture and Fixture	10	51,822,455	-	1,904,438	(295,069)	53,431,824	42,127,470	-	2,543,368	(295,065)	44,375,774	9,056,049	9,694,984
Office Equipment	20	82,562,644	206,904	5,277,412	(2,819,374)	85,227,586	68,447,568	-	5,396,536	(2,590,076)	71,254,029	13,973,558	14,115,076
Vehicles	20	177,109,128	879,742	18,095,000	(21,988,595)	174,095,275	128,159,967	-	18,359,005	(19,418,556)	127,100,417	46,994,858	48,949,161
Machinery Equipment	15	62,905,382	(206,904)	8,166,404	(42,970)	70,821,912	60,514,981	-	2,084,616	(249,871)	62,349,725	8,472,187	2,390,401
Computer Equipments	20	121,203,589	-	16,083,650	(5,176,109)	132,111,130	95,636,541	-	10,150,005	(2,647,660)	103,138,878	28,972,252	25,567,052
Miscellaneous	15	4,730,266	-	-	-	4,730,266	3,932,469	-	248,504	-	4,180,972	549,294	797,796
Total		1,085,789,241	879,742	56,776,290	(30,228,494)	1,113,216,778	566,746,228	-	55,208,201	(25,115,421)	596,839,000	516,378,671	519,043,017
Capital Work-in-Progress		3,365,942	-	122,546	-	3,488,487	-	-	-	-	-	3,488,487	3,365,942
Grand Total		1,089,155,183	879,742	56,898,836	(30,228,494)	1,116,705,265	566,746,228	-	55,208,201	(25,115,421)	596,839,000	519,867,158	522,408,959
Previous Year		1,091,161	8,974,196	50,656,871	(61,637,295)	1,089,155,183	558,231,188	3,377,400	51,384,560	(46,246,924)	566,746,224	522,408,959	

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

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at July 16, 2010	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at July 16, 2011	Upto July 16, 2010	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto July 16, 2011	As at July 16, 2011	As at July 16, 2010
Software with Defined useful life		3,627,717		-		3,627,717	1,693,562		930,412		2,623,974	1,003,743	1,934,154
Software with indefinite useful life		-				-	-	-	-	-	-	-	-
- Business application softwares	10	-				-	-				-	-	-
- Other softwares	20	3,288,653				3,288,653	1,580,169		505,869		2,086,037	1,202,616	1,708,484
Grand Total		6,916,370	-	-	-	6,916,370	3,273,732	-	1,436,281	-	4,710,012	2,206,358	3,642,638
Previous Year		4,344,394		2,571,976		6,916,370	1,837,449		1,436,283		3,273,732	3,642,638	

Note 11c Assets received in grant

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at July 16, 2010	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at July 16, 2011	Upto July 16, 2010	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto July 16, 2011	As at July 16, 2011	As at July 16, 2010
Office Equipment	20	706331				706,331	625194		43165		668359.0	37,972	81,137
Computer Equipments	20	9296816		579125		9,875,941	8721305		224550		8945855.0	930,086	575511
Grand Total		10003147	0	579125	0	10582272	9346499	0	267715	0	9614214	968058	656648
Previous Year		0	0	648171	9354976	10,003,147	0	0	267720	9078779	9346499	656648	0

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 12: PROJECTS ASSETS: *

(Amount in NRs.)

Assets	MCPW	TLDP	PCRW	PAPWT	TOTAL
Current account	923699	2144433	5558732	6056738	14683602
	(1000581)	(52540)	(4430548)	(248514)	(5732183)
Imprest Account	0	0		0	0
	0	0		0	0
Investment in fixed deposit	72142949	151251293	36761373	65742200	325897815
	(106790755)	(142424902)	(36846815)	(60433991)	(346496463)
Investment in GON bonds	28675000	0		0	28675000
	0	0		0	0
Loans to Banks, Fls, and NGOs	0	2186525	52927908	28299352	83413785
	0	(2255180)	(62182883)	(37312192)	(101750255)
Fixed assets	0	0	0	0	0
	0	0	0	0	0
Interest receivables	1935042	4131093	1103196	1966298	9135629
	(1243389)	(3170560)	(692640)	(684096)	(5790684)
Principal (Instalment) receivables	0	0		0	0
	0	0	0	0	0
Expenses not written off	1062810	0	0	0	1062810
	(1328513)	0	0	0	(1328513)
Current Year Total	104739500	159713344	96351209	102064588	462868641
Previous Year Total	(110363237)	(147903182)	(104152886)	(98678793)	(461098098)

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

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

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 13: DEPOSIT FROM BANKS AND OTHER AGENCIES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Deposit from Banks	482,583,336	693,362,979
Foreign Diplomatic Missions and other agencies	40,442,358	48,197,357
Total	523,025,694	741,560,336

NOTE - 14: IMF RELATED LIABILITIES

	As on July 16, 2011 NRs.	As on 32.3.2067 NRs.
SDR Allocation	7,716,365,563	7,700,430,257
Loan under Poverty Reduction and Growth Facility (PRGF)	5,007,848,760	5,319,999,648
Loan under Rapid Credit Facility	3,231,601,200	3,224,927,520
Total	15,955,815,523	16,245,357,425

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 JULY 16, 2011

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)		
No. 1 Account	2,318,061,941	20,155,827
No. 2 Account	5,356,256,857	46,573,294
Valuation adjustments:	606,828	5,276
Securities and No. 1 Account	523,179,094	4,549,105
No. 2 Account	41,403	360
Total Currency Holdings	8,198,146,123	71,283,862
Other Information		
	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	99.99	71,283,862
Reserve Tranche Position	0.03	21,774
1. Converted into SDR at the rate of SDR 0.00869512 per currency unit .		

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2011

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)		
No. 1 Account	2,318,061,941	20,155,827
No. 2 Account	5,356,256,584	46,573,294
Valuation adjustments:	606,828	5,276
Securities and No. 1 Account	523,179,093	4,549,105
No. 2 Account	41,402,530	360
Total Currency Holdings	8,239,506,976	71,283,862
Other Information		
	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	99.99	71,290,115
Reserve Tranche Position	0.03	12,486
1. Converted into SDR at the rate of SDR 0.009287890000 per currency unit .		

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2010

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)		
No. 1 Account	2,318,061,941	21,529,904
No. 2 Account	6,245,424,510	58,006,816
Valuation adjustments:	312,427	2,902
Securities and No. 1 Account	(888,167,926)	(8,249,206)
No. 2 Account	(32,408)	(301)
Total Currency Holdings	7,675,598,545	71,290,115
Other Information		
	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	99.99	71,290,115
Reserve Tranche Position	0.02	12,486
1. Converted into SDR at the rate of SDR 0.009287890000 per currency unit .		

SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2010

Particlars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)		
No. 1 Account	2,318,061,941	21,529,904
No. 2 Account	5,357,256,584	49,757,610
Valuation adjustments:	280,019	2,601
Securities and No. 1 Account		
No. 2 Account		
Total Currency Holdings	7,675,598,545	71,290,115
Other Information		
	Per cent of Quota	
Quota	100.00	71,300,000
Currency Holding	99.99	71,290,115
Reserve Tranche Position	0.02	12,486
1. Converted into SDR at the rate of SDR 0.008324590000 per currency unit .		

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 15: OTHER LIABILITIES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Accrued Interest	9,010,181	7,899,401
Asian Clearing Union	397,982,329	-
Total	406,992,510	7,899,401

NOTE -16: DEPOSIT AND OTHER BALANCES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Balances of GON	-	-
Deposits from Banks and Financial Institutions	56,752,564,852	58,396,668,188
Balances of Other Institutions	14,548,254,834	3,138,927,211
IMF Account No 1	5,879,421,428	5,357,242,334
IMF Account No 2	662,481	294,269
Earnest Money	1,261,375	927,679
Money Changer	8,717,100	8,328,000
Margin against LCs	2,372,418,001	1,486,525,490
Total	79,563,300,071	68,388,913,171

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 July 16, 2011 NRs.	As on July 16, 2010 NRs.
Medical Fund	531,179,903	476,418,173
Welfare Provident Fund	271,433,264	243,376,376
Gratuity and Pension Fund	3,560,217,718	2,485,026,827
Staff Security Fund	752,691,243	731,958,805
Liability for Staff Leave Encashment	517,541,102	460,137,302
Liability for Retired staff insurance premium	45,709,684	59,715,565
Other payable to staff	16,505,657	38,843,802
Total	5,695,278,571	4,495,476,850

NOTE - 18: OTHER PAYABLES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Insurance Premium collected from Staff	1,403,890,483	1,311,908,622
Less: Advance Insurance Premium paid on behalf of Staff	(1,259,690,765)	(1,114,026,542)
Total	144,199,718	197,882,080

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE -19: CURRENCY IN CIRCULATION

Currency in Circulation

As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
167,620,000,000	161,300,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs 3,730,978,127(P.Y. NRs. 3,75,61,91,628).

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 July 16, 2011 NRs.	As on July 16, 2010 NRs.
147,840,568,000	141,520,568,000
15,607,732,000	15,607,732,000
4,171,700,000	4,171,700,000
167,620,000,000	161,300,000,000

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

Denomination

Notes

1
2
5
10
20
25
50
100
250
500
1000

As on July 16, 2011 Face Value (NRs.)	As on July 16, 2010 Face Value (NRs.)
31,000,000	31,500,000
62,900,000	64,800,000
238,900,000	233,500,000
558,500,000	528,700,000
486,500,000	531,200,000
385,500,000	387,700,000
3,319,000,000	3,236,900,000
10,000,700,000	9,403,800,000
109,000,000	109,000,000
46,260,000,000	40,863,400,000
106,168,000,000	105,909,500,000
167,620,000,000	161,300,000,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 20: SUNDRY LIABILITIES

		As on July 16, 2011		As on July 16, 2010
		NRs.		NRs.
Sundry creditors		664,423,414		2,693,751,291
Unclaimed		2,200,235		2,078,431
Bills Collection		11,043,569	70,434,795	
Less: Bills Lodged		<u>11,043,569</u>	<u>70,434,795</u>	-
Pension Payable to NRB Ex-Staff		140,886,791		118,877,455
General Account	19b	407,260,788		677,248,199
Note Kosh account	19c	<u>(60,000)</u>		<u>314,400,000</u>
Total		<u>1,214,711,228</u>		<u>3,806,355,376</u>

Note :General account includes Payorder balance of Rs 58,632,805.12(P.Y.87,36,298.86) and debit balance in MBL Non Operative Account of Rs.85,666.22(P.Y.61,517.32)

NOTE - 21: PROJECTS LIABILITIES: *

(Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Loans from IFAD/ADB	91,504,292	132,775,000	82,107,530	91,250,000	-	397,636,822
	(103,704,865)	(135,600,000)	(93,837,177)	(94,900,000)	-	(428,042,042)
ADB grants	-	-	-	-	-	-
	-	-	-	-	-	-
Exchange fluctuation account	-	-	-	-	-	-
	-	-	-	-	-	-
Split interest reserve	-	-	4,233,489	-	-	4,233,489
	-	-	(4,233,489)	-	-	(4,233,489)
Sundry Payables	476,771	2,726,974	19,250	1,388,000	-	4,610,995
	(534,274)	(16,226)	(641,331)	(15,750)	-	(1,207,582)
Provisions	-	2,186,525	529,279	282,994	-	2,998,798
	-	(2,255,180)	(1,872,834)	(373,122)	-	(4,501,136)
Profit to be transferred to NRB	12,758,436	22,024,845	9,461,661	9,143,595	-	53,388,537
	(6,124,098)	(10,031,776)	(3,568,055)	(3,389,921)	-	(23,113,850)
Current Year Total	104,739,499	159,713,344	96,351,209	102,064,589	-	462,868,641
Previous Year Total	(110,363,237)	(147,903,182)	(104,152,886)	(98,678,793)	-	(461,098,098)

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

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

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

19b. NRB general account represents NRB inter-office transactions, and the year end balances are under reconciliation.

19c Note Kosh account represents NRB interoffice transactions pending for settlement on July 16, 2010, and have been settled in FY 2010/11.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 22: RESERVES

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Capital Reserve:		
Gold and Silver Equalization Reserve	5,368,797,475	4,184,079,683
Grants assets reserve	968,058	656,648
Statutory Reserve:		
General Reserve	14,307,172,070	12,794,127,004
Monetary Liabilites Reserve	1,798,600,000	1,579,600,000
Exchange Equalization Fund	11,761,771,035	9,903,611,935
Other Reserves and Funds:		
Development Fund	5,007,503,358	4,835,503,358
Banking Development Fund	639,087,319	527,087,319
Development Finance Project Mob. Fund	172,528,164	129,428,163
Liquidity Stabilization fund	42,000,000	20,000,000
Mechanisation Fund	191,316,414	91,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	2,320,255,910	1,033,545,359
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Total Reserves and Funds	42,472,707,250	35,961,663,330

1 Reserves/ Funds other than capital reserve (gold and silver equalization reserve and Grant assets 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, 2002, 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 Liabilites Reserve**

Under Section 41 (ka) of the NRB Act, 2002, 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 2058/59 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 **Grants assets reserve**

This reserve represents assets received in grant with corresponding effect in fixed assets. Equivalent amount of depreciation charged on these assets is transferred to income from this reserve.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23a : Movement of Provisions.

Particulars	As on July 16, 2010 NRs 1	Addition 2	Adjustments 3	Payment/ Writeback 4	As on July 16, 2011 NRs. 5=1+2+3-4
Leave encashment	460,137,302	133,760,139	(76,356,339)		517,541,102
Gratuity and Pension Fund	2,485,026,827	1,240,328,259		(165,137,368)	3,560,217,718
Staff Security Fund	731,958,805	125,354,156	(104,621,718)		752,691,243
Medical Fund	475,742,827	84,271,656		(61,037,029)	498,977,454
Diminution in value of investment in Financial and other institutions	61,050,000				61,050,000
Provision for doubtful loans	13,297,869				13,297,869
Nuismatic and Medallion Coins	22,465,793	-		-	22,465,793
Provision for non moving metal stock	8,716,000	-		-	8,716,000
Provision for other investments		1,030,705,000			1,030,705,000
Total	4,258,395,422	2,614,419,210	(180,978,057)	(226,174,397)	6,465,662,179

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23b: Contingent Liabilities and Commitments

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Letters of Credit	1,121,110,806	-
Guarantees Issued	-	-
Claims not acknowledged as debt	155,370	155,370
Other	114,350,305	114,214,409
Total	1,235,616,481	114,369,779

- 1 Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, hence it is not shown as contingent liabilities of the bank.
- 2 Claims not acknowledged as debt consist of legal and other claims pending against the Bank as at July 16, 2010. 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 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'
- 4 Contingent liabilities in respect of Unclaimed Creditors amount of Rs 9,99,79,210.67 transferred to Income is included in head others.

NOTE - 23c: Contingent Assets

	As on July 16, 2011 NRs.	As on July 16, 2010 NRs.
Land where Janakpur office is situated.	14,371,094	14,371,094
Total	14,371,094	14,371,094

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

NEPAL RASTRA BANK

Notes forming part of the Income Statement

NOTE - 24: INTEREST INCOME

Foreign Currency Financial Assets

	2010/11 NRs.	2009/10 NRs.
Treasury bills & Deposits	3,755,868,665	3,202,275,367
SDR Holding & Asian Clearing Union	5,759,607	16,741,297
Interest income from Foreign Currency Financial Assets	3,761,628,272	3,219,016,664

Local Currency Financial Assets

Government Securities	76,666,566	62,604,355
Investment in financial and other institutions	4,705,328,286	3,262,281,288
Overdraft to Government	509,430,494	406,207,389
Loans and Refinance	234,405,219	20,571,486
Interest income from Local Currency Financial Assets	5,525,830,565	3,751,664,518

Total interest income from financial assets

	9,287,458,837	6,970,681,182
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NOTE - 25: COMMISSION INCOME

Foreign Currency Financial Assets

	2010/11 NRs.	2009/10 NRs.
On Currency exchange	278,047,354	363,649,585

Local Currency Financial Assets

Government transaction & Other services	5,671,983	4,808,469
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Total Commission income from financial assets

	283,719,337	368,458,054
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NOTE - 26: INTEREST EXPENSES

Foreign Currency Financial Liabilities

	2010/11 NRs.	2009/10 NRs.
SDR Allocation & PRGF Loan	31,941,819	32,722,933
Others	1,182,398	237,498

Sub Total

	33,124,217	32,960,431
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Local Currency Financial Liabilities

Government Securities	69,787,799	61,713,970
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Sub Total

	69,787,799	61,713,970
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Total Interest Expense on Financial Liabilities

	102,912,016	94,674,401
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NOTE - 27: AGENCY AND SERVICE CHARGE

Foreign Currency Liabilities

	2010/11 NRs.	2009/10 NRs.
Service Charge	-	-
Commission	4,636,947	5,782,910

Sub Total

	4,636,947	5,782,910
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Local Currency Liabilities

Agency Expenses	363,431,242	578,524,781
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Sub Total

	363,431,242	578,524,781
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Total Agency and Service Charge

	368,068,189	584,307,691
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Agency Expenses includes agency commission paid to the following banks for operating government accounts.

	2010/11 NRs.	2009/10 NRs.
Nepal Bank Ltd.	214,350,000	211,585,856
Rastriya Banijya Bank	132,150,000	324,580,741
Nepal Bangladesh Bank	2,700,000	4,886,689
Everest Bank Ltd	1,200,000	5,027,468
Total	350,400,000	546,080,754

NEPAL RASTRA BANK

Notes forming part of the Income Instatement

NOTE - 28: OTHER OPERATING INCOME

	2010/11 NRs.	2009/10 NRs.
Income from Mint (Sale of coin)	142,493,012	146,675,075
Gain from sale of precious metals and coins	2,277,950,530	78,543,770
Fine/Penalty charge	11,999,391	40,807,679
Profit from sale of investments	0	125,973,592
Dividend Income	2,735,850	2,799,237
Provision on Investment written back (Net)	0	16,000,000
Provision on Loans & Advances written back (Net)	0	77,439,510
Interest suspense written back (Net)	0	3,297,869
Project income 28a	42,882,170	37,676,571
Provision no longer required written back	0	
Grants assets reserve	267,715	267,720
Grants received for expenses	260,804	17,610,627
Miscellaneous	104,385,726	78,936,920
Total	2,582,975,198	626,028,570

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

(Amount in NRs.)

Income	MCPW	TLDP	PCRW	PAPWT	TOTAL
Interest income	9,863,680	17,376,445	7,091,120	8,550,925	42,882,170
	(9,719,457)	(15,630,276)	(5,547,546)	(6,779,293)	(37,676,571)
Other income	-	-	-	-	
Current Year Total	9,863,680	17,376,445	7,091,120	8,550,925	42,882,170
Previous Year Total	(9,719,457)	(15,630,276)	(5,547,546)	(6,779,293)	(37,676,571)

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

		2010/11	2009/10
		NRs.	NRs.
Staff Costs	29a	2,412,235,714	2,676,414,208
Depreciation and amortization		56,912,198	53,534,495
Directors Fees and Expenses		2,929,686	2,556,687
Note Printing charges	29b	611,333,378	424,005,536
Mint Expenses		250,861,961	142,466,196
Security charges		18,503,842	18,503,842
Remittance charges		65,839,251	78,359,989
Travelling expenses		81,177,840	86,449,604
Insurance charges		69,484,901	60,297,230
Repair & Maintenance		16,424,905	13,887,078
Provisions on loans & advances, Investments, etc.	29c	1,171,830,442	5,689,003
Project expenses	29e	12,607,482	14,562,721
Miscellaneous	29d	207,408,654	178,033,054
Total		4,977,550,254	3,754,759,643

29a Staff Costs

		2010/11	2009/10
		NRs.	NRs.
Salary		345,588,785	358,199,074
Allowances		306,388,629	402,163,357
Provident Fund Contribution		34,388,530	35,477,855
Staff Welfare (Including Medical fund contribution)		131,552,466	320,244,958
Staff Welfare Provident Fund		230,000,000	200,000,000
Pension & Gratuity Fund		1,168,372,517	1,164,372,517
Staff Security Fund		121,354,156	125,354,156
Others		74,590,631	70,602,291
Total		2,412,235,714	2,676,414,208

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.

		2010/11	2009/10
		NRs.	NRs.
Provision for retired Staff Insurance Premium		6,565,268	5,689,003
Provision for Doubtful investment and Others		1,165,265,174	-
Total		1,171,830,442	5,689,003

29d Miscellaneous Expenses

		2010/11	2009/10
		NRs.	NRs.
Banking Promotion		12,298,552	6,291,835
Audit Fees and Expenses		874,425	1,119,824
Sundry balances written off		-	10,423,869
Others		194,235,677	160,197,526
Total		207,408,654	178,033,054

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

(Amount in NRs.)

Expenses	MCPW	TLDP	PCRW	PAPWT	TOTAL
Interest IFAD	-	-	1,192,514	2,792,250	3,984,764
	-	-	(1,974,491)	(3,011,250)	(4,985,741)
Interest ADB	2,958,639	5,367,500	-	-	8,326,139
	(3,324,656)	(5,593,500)	-	-	(8,918,156)
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	1,500	6,000
	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)
Depreciation	265,702	-	-	-	265,702
	(265,702)	-	-	-	(265,702)
Loan loss provision and other provisions	-	10,877	-	-	10,877
	-	-	-	(373,122)	(373,122)
Profit transferred to NRB Central Office	6,634,338	11,993,069	5,893,606	5,753,675	30,274,688
	(6,124,098)	(10,031,776)	(3,568,055)	(3,389,921)	(23,113,850)
(Loss transferred to ADB grants)	-	-	-	-	-
	-	-	-	-	-
Current Year Total	9,863,679	17,376,446	7,091,120	8,550,925	42,882,170
Previous Year Total	(9,719,456)	(15,630,276)	(5,547,546)	(6,779,293)	(37,676,571)

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

NOTE - 30: CASH AND CASH EQUIVALENT

	2010/11	2009/10
Foreign currency cash and bank balance	16,337,109,976	16,964,757,310
Foreign currency time deposits	90,327,448,504	88,455,780,178
Local currency in hand	3,730,978,127	3,756,191,628
SDR holdings	6,730,704,535	7,042,007,705
Investment in Treasury Bills/Notes	78,694,406,288	84,512,233,233
Investment in Fixbis	7,738,532,219	4,884,334,510
Investment in repurchase agreement (Repo)	9,339,154,059	18,840,991,083
Total	212,898,333,708	224,456,295,645

NOTE - 31: OTHER NOTES

I. Financial Year

The financial statements relate to the financial year i.e. 1st Shrawan 2067 to 32nd Ashadh 2068 corresponding to Gregorian calendar 17th July 2010 to 16th July 2011. The previous year was 1st Shrawan 2066 to 32 Ashadh 2067 (16th July 2009 to 16th July 2010). 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 and figures may not add up.

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	Period	Weight (Kg, gm, mg)	Market Price (Nrs.) Per Grams	Total market Value (Nrs.)
Gold	As on July 16, 2011	1767.091.843	3628.082	6,411,154,714.079
	As on July 16, 2010	1456.057.075	2888.715	4,206,133,922
Gold held in Stock	As on July 16, 2011	2378.404.070	3628.082	8,629,044,995.09
	As on July 16, 2010	2952.420.75	2888.715	8,528,702,106
Silver held in Stock	As on July 16, 2011	126279.094.219	86.613	10,937,435,806.913
	As on July 16, 2010	134355.273.502	43.677	5,734,394,044
Current Year Total				25,977,635,516.082
Previous Year Total				18,469,230,072

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

VI. Year end exchange rates

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

NRs.			
S.No.	Currency	July 16, 2011	July 16, 2010
1	US Dollar	70.95	74.44
2	Sterling Pound	114.54	113.71
3	Euro	100.34	94.79
4	Swiss Frank	86.93	70.63
5	Australian Dollar	75.71	65.34
6	SDR	113.310	113.07

VII. NRB general account

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

VIII Unclaimed account

Unclaimed account represents amount that remained unclaimed and outstanding for more than two years in sundry creditors being transferred to unclaimed account as per policy of Nepal Rastra Bank. Amount transferred from sundry creditors to Unclaimed account during FY 2010/11 is Rs 2,51,342.69(P.Y.1,804,941.35) .

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 during FY 2010/11 in Profit and Loss account is Rs 1,35,895.67(P.Y.4,256,783.59).

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 unsubscribe 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 Up to FY 2010/11 Rs.
a. Investment in share of Subsidiaries			
1	Sudur Pashchimanchal GBB	40,050,000.00	40,050,000.00
2.	Agriculture Project Service Centre	5,000,000.00	5,000,000.00
3.	Rastriya Bima Sansthan-Life insurance	1,000,000.00	-
b. Investment in share of Associates			
1	Deposit & Credit Guarantee Corporation	20,500,000.00	
2	Nepal Stock Exchange Ltd.	12,080,500.00	
3	National Productivity and Economic Development	2,500,000.00	
c. Other Investments:			
1	Nepal Clearing House	12,857,000.00	-
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
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	
8.	National Bankers Training Centre	5000,000.00	
	Total	398,942,500.00	61,050,000.00

iii. Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Yuba Raj Khatiwada	Governor
2.	Gopal Prasad Kafle	Deputy Governor
3.	Maha Prasad Adhikari	Deputy Governor
4.	Lila Prakash Sitaula	Executive Director
5.	Ashwini Kumar Thakur	Executive Director
6.	Bishnu Nepal	Executive Director
7.	Gokul Ram Thapa	Executive Director
8.	Ramjee Regmi	Executive Director
9.	Bhaskar Mani Gyawali	Executive Director
10.	Manmohan Kumar Shrestha	Executive Director
11.	Lok Bahadur Khadka	Executive Director
12.	Pradeep Raj Pandey	Executive Director
13.	Hari Prasad Kaphle	Executive Director
14.	Sidhi Krishna Joshi	Executive Director
15.	Trilochan Pangen	Act. Executive Director
16.	Mahesh Bhattarai	Act. Executive Director
17.	Shambhu Thapa	Act. Executive Director
18.	Dr. Min Bahadur Shrestha	Act. Executive Director
19.	Rameshwori Pant	Act. Executive Director

Salary and related expenses to key management personnel are NRs. 2,41,30,502 (previous year – NRs 12,136,320). As at 16th July 2011 an amount of NRs 4,46,77,537(Previous year – NRs. 23,804,847) 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. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with their fair value are as under.

Name of Instruments	Cost of Investment As on July 16, 2011	NRs.
		Fair Value As on July 16, 2011
US Government Treasury Notes/Bonds	708,568,596.78	710,650,170.45
US Government Treasury Bills	28,376,502,732.60	28,379,827,449.60

Name of Instruments	Cost of Investment As on July 16, 2010	NRs.
		Fair Value As on July 16, 2010
US Government Treasury Notes/Bonds	744,389,634.00	7,445,861,000.00
US Government Treasury Bills	29,766,899,188	29,771,223,073.54

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 of Rs 2,269,949,046 was determined for the first time based on actuarial valuation and deficit in the gratuity and pension fund has been provided for on straight-line basis over the period of 5 years commencing from fiscal year 2004/05 till fiscal year 2008/09.

During financial year 2009/10 actuarial valuation of liability on account of pension and gratuity fund has been made for the second time. Accordingly, total liability of Rs 4,813,771,862/- has been determined. Two third of Deficit amount in the Gratuity and pension fund has been transferred to the fund and rest will be transferred in fiscal year 2068/69. The status is reflected from under mentioned table.

NR
S.

Present value of liability as on 16th July 2010	Liability as per books as on 16th July 2010	Total Deficit	Recognized in F.Y.2009/10	Recognized in F.Y.2010/11	To be provided in next year F.Y. 2011/12
4,813,771,862	1,320,654,310	3,493,117,552	1,164,372,517.33	1,164,372,517.33	1,164,372,517.33

XVI. Disclosure of obligation under Staff security fund.

During financial year 2009/10 actuarial valuation of liability on account of Staff security fund has been made for the first time. Accordingly, total liability of Rs 982,667,117/- has been determined. Two third of Deficit amount in the Staff security fund has been transferred to the fund and rest will be transferred in fiscal year 2011/12. The status is reflected from under mentioned table.

NRs.

Present value of liability as on 16th July 2010	Liability as per books as on 16th July 2010	Total Deficit	Recognized in F.Y.2009/10	Recognized in F.Y.2010/11	To be provided in next year F.Y. 2011/12
982,667,117	606,604,648	376,062,469	125,354,156.33	125,354,156.33	125,354,156.33

XVII. Gold and Silver

- Gold (other than inventory) till the financial year 2003/04 was valued at a price revalued in year 1986. In terms of the board resolution dated Jan. 2, 2006 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 1,184,717,792 has been taken to "Gold and Silver Equalizations Reserve" through Income Statement..
- An amount of Rs 2,30,70,13,551 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).

XVIII 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 FY 2005/06. From FY 2006/07, 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.

XIX. Government of Nepal Overdraft

Balance of Government of Nepal Overdraft of Rs 20764094278 and accrual of interest thereon of Rs 509430494 are yet to be confirmed by Mahalekha Niyantarak Karyalaya (Comptroller General's office of GON) However, Management believes that difference if any, between records of NRB and Mahalekha Niyantarak Karyalaya shall be insignificant and will not have material impact on financial position.

XX. Change in Accounting policy:

Classification of Treasury bills has been changed to Available for sale from FY 2010/11 onwards which were henceforth classified as Held to maturity up to FY 2009/10. Change in classification shall result in increment in value of Treasury bills by Rs 2,71,13,123.52 thereby increase in profit by the same amount and reversal of Interest income amounting to Rs 67,30,575.65 with net effect of Rs 2,03,82,547.87 on Net profit of current Financial year, which is yet

to be recognized in financial statements. Management considers impact to be insignificant (only 0.47 percent of Net profit) for incorporation in financial statements.

XXI Measurement of Amortized cost of MTI:

As per accounting policy of NRB, while purchase of Medium Term Instruments, interest accrued from the last interest pay date to the date of purchase is accounted as interest accrued without considering its carrying cost of investments. While calculating amortized cost using effective interest method, amortized cost incorporated in financial statements, using effective interest method is lower by Rs 1,12,11,330.23 in comparison to amortize cost amount calculated by incorporating interest accrued in carrying cost. Management considers effect of above is insignificant (0.26 percent of Net profit).

XXII. Number of employees

<u>July 2011</u>	<u>July 2010</u>
1372	1446

XXIII. Events occurred after Balance Sheet Date

- i. 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 NRs. vis-à-vis major other currencies are depicted hereunder:

NRs.					
S.No.	Currency	Nov. 15, 2011	July 16, 2011	Increase / (decrease)	Estimated Financial Statements Impact
1	US Dollar	79.89	70.95	8.94	10,34,93,79,570
2	Sterling Pound	127.42	114.54	12.88	1,94,09,83,683
3	Euro	109.53	100.34	9.19	2,52,34,09,960
4	Australian Dollar	82.04	75.71	6.33	2,03,72,19,860
5	Canadian Dollar	78.61	73.85	4.76	20,68,88,232
6	Japanese Yen	1.038	0.895	0.14	71,77,100
7	SDR	126.08	113.310	12.77	-11,11,01,074
	Total				16,95,39,57,332

This change in exchange rate results in Increase in net foreign currency assets, exchange equalization fund and Net profit/(loss) for the period of the bank. The increase is estimated to be around Rs. 16,95,39,57,332 in each head.

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

NRs.					
S.No.	Particular	Nov. 15, 2011	July 16, 2011	Increase / (decrease)	Estimated Financial Statements Impact
1	Gold per gram	4553.991	3,628.082	925.901	2,20,21,87,002

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. 2,20,21,87,002 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 %	2010-11 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Foreign Currency Financial Assets					
Cash and Bank Balance	0.74	16,337,109,976	16,337,109,976	-	-
Investment in Foreign Currency	1.49	197,134,222,474	178,758,581,538	3,743,994,566	14,631,646,370
IMF Related Assets	0.31	6,730,704,535	6,730,704,535	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	220,202,036,985	201,826,396,050	3,743,994,566	14,631,646,370
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		448,199,792	448,199,792	-	-
Other Securities		0	0	-	0
Total Non Interest Sensitive Foreign Currency Financial Assets		448,199,792	448,199,792	-	0
Total Foreign Currency Financial Assets	B	220,650,236,777	202,274,595,842	3,743,994,566	14,631,646,370
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	0.31	15,955,815,523	-	-	15,955,815,523
Asian Clearing Union		-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	15,955,815,523	0	-	15,955,815,523
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		523,025,694	523,025,694	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		406,992,510	406,992,510	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		930,018,204	930,018,204	-	-
Total Foreign Currency Financial Liabilities	D	16,885,833,727	930,018,204	-	15,955,815,523
Foreign Currency Interest Rate Sensitivity Gap (A-C)		204,246,221,462	201,826,396,050	3,743,994,566	(1,324,169,153)
Total Gap (B-D)		203,764,403,050	201,344,577,637	3,743,994,566	(1,324,169,153)

Comparative Figure as on 16 July 2010 of Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

Particulars	Weighted Average Interest Rate %	2009-10 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Foreign Currency Financial Assets					
Cash and Bank Balance	1.34	14,896,995,310	14,896,995,310	-	-
Investment in Foreign Currency	1.92	190,486,661,053	185,384,295,263	-	5,102,365,790
IMF Related Assets	0.31	7,042,007,705	7,042,007,705	-	-
Total Interest Sensitive Foreign Currency Financial Assets	A	212,425,664,068	207,323,298,278	0	5,102,365,790
Non Interest Sensitive Foreign Currency Financial Assets					
Other Receivable		295,175,848	295,175,848	-	-
Other Securities		0	0	-	0
Total Non Interest Sensitive Foreign Currency Financial Assets		295,175,848	295,175,848	0	0
Total Foreign Currency Financial Assets	B	212,720,839,917	207,618,474,127	0	5,102,365,790
Interest Sensitive Foreign Currency Financial Liabilities					
IMF Related Liabilities	0.31	16,245,357,425	7,700,430,257	-	8,544,927,168
Asian Clearing Union		-	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities	C	16,245,357,425	7,700,430,257	0	8,544,927,168
Non Interest Sensitive Foreign Currency Financial Liabilities					
Deposit from banks and other agencies		741,560,335	741,560,335	-	-
IMF Related Liabilities		0	-	-	-
Other Liabilities		7,899,401	7,899,401	-	-
Total Non Interest Sensitive Foreign Currency Financial Liabilities		749,459,736	749,459,735	-	-
Total Foreign Currency Financial Liabilities	D	16,994,817,161	8,449,889,992	0	8,544,927,168
Foreign Currency Interest Rate Sensitivity Gap (A-C)		196,180,306,644	199,622,868,022	0	(3,442,561,378)
Total Gap (B-D)		195,726,022,756	199,168,584,135	0	(3,442,561,378)

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

Particulars	Weighted Average Interest Rate %	2010-11 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	6.52	31,638,165,369	16,472,249,923	12,208,625,446	2,957,290,000
GON Overdraft		20,764,094,278	20,764,094,278	-	-
Other Investments	13.52	10,782,610,000	4,913,097,500	6,261,000,000	-
Refinance & Loans	8.49	10,896,660,000	10,896,660,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	74,081,529,647	53,046,101,701	18,469,625,446	2,957,290,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		3,730,978,127	3,730,978,127	-	-
Investment in Government Securities		4,871,051,043	-	-	487,105,104
Investment in Financial & Other Institutions		337,892,500	-	-	337,892,500
Refinance & Loans (Loans to employees)		4,054,947,667	-	-	4,054,947,667
Other Receivables		3,795,691,468	3,795,691,468	-	-
Total Non Interest Sensitive Local Currency Financial Assets		16,790,560,805	7,526,669,595	-	9,263,891,210
Total Local Currency Financial Assets	F	90,872,090,452	60,572,771,296	18,469,625,446	12,221,181,210
Interest Sensitive Local Currency Financial Liabilities					
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		79,563,300,071	79,563,300,071	-	-
Bills Payable		586,284,224	586,284,224	-	-
Staff Liabilities		5,695,278,571	-	-	5,695,278,571
Other Payables		144,199,718	144,199,718	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		85,989,062,584	80,293,784,013	-	5,695,278,571
Total Local Currency Financial Liabilities	H	85,989,062,584	80,293,784,013	-	5,695,278,571
Local Currency Interest Rate Sensitivity Gap (E-G)		74,081,529,647	53,046,101,701	18,469,625,446	2,957,290,000
Total Gap (F-H)		4,883,027,868	(19,721,012,717)	18,469,625,446	6,525,902,639

Comparative Figure as on 16, July 2010 of Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

Particulars	Weighted Average Interest Rate %	2009-10 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	6.79	32,821,963,463	15,870,360,460	14,401,607,003	2,549,996,000
GON Overdraft		16,711,491,611	16,711,491,611	-	-
Other Investments	13.05	9,689,100,000	3,185,400,000	4,268,700,000	2,235,000,000
Refinance & Loans	7.59	5,373,201,000	5,373,201,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	64,595,756,074	41,140,453,071	18,670,307,003	4,784,996,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		3,756,191,628	3,756,191,628	-	-
Investment in Government Securities		5,200,745,941	33,438,402	296,256,497	4,871,051,043
Investment in Financial & Other Institutions		325,035,500	-	-	325,035,500
Refinance & Loans (Loans to employees)		2,738,964,241	-	-	2,738,964,241
Other Receivables		3,185,510,202	3,185,510,202	-	-
Total Non Interest Sensitive Local Currency Financial Assets		15,206,447,514	6,975,140,232	296,256,497	7,935,050,785
Total Local Currency Financial Assets	F	79,802,203,587	48,115,593,303	18,966,563,500	12,720,046,785
Interest Sensitive Local Currency Financial Liabilities					
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		68,388,913,171	68,388,913,171	-	-
Bills Payable		921,594,753	921,594,753	-	-
Staff Liabilities		4,495,476,850	-	-	4,495,476,850
Other Payables		197,882,080	197,882,080	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		74,003,866,854	69,508,390,004	-	4,495,476,850
Total Local Currency Financial Liabilities	H	74,003,866,854	69,508,390,004	-	4,495,476,850
Local Currency Interest Rate Sensitivity Gap (E-G)		64,595,756,074	41,140,453,071	18,670,307,003	4,784,996,000
Total Gap (F-H)		5,798,336,733	(21,392,796,701)	18,966,563,500	8,224,569,935

NEPAL RASTRA BANK

Table 2 : Credit Exposure by Credit Rating

Particulars	Credit	2010/11		2009/10	
	Rating	NRs.	% Financial Assets	NRs.	% Financial Assets
Foreign Currency Financial Assets					
	A-	10,989,806,227	3.53%	4,829,074,224	1.65%
	A1(ICRA)	11,057,968,463	3.55%	7676333704	2.62%
	A+	13,729,445,802	4.41%	18,447,896,778	6.31%
	A	6,558,891,417	2.11%	10,102,039,530	3.45%
	AA	11,203,059,791	3.60%	8,048,386,205	2.75%
	AA+	-	0.00%	34,118,930	0.01%
	AA-	18,347,664,406	5.89%	15,824,776,785	5.41%
	AAA	-	0.00%		0.00%
	BB	-	0.00%		0.00%
	BBB	-	0.00%	6,413,974	0.00%
	BBB+	-	0.00%	127338739.1	0.04%
	BBB-	18,350,612,399	5.89%	15,180,511,555	5.19%
	NR *	130,412,788,272	41.86%	132,443,949,493	45.28%
Total Foreign Currency Financial Assets		220,650,236,777	70.83%	212,720,839,917	72.72%
Local Currency Financial Assets	NR *	90,872,090,452	29.17%	79,802,203,587	27.28%
Total Local Currency Financial Assets		90,872,090,452	29.17%	79,802,203,587	27.28%
Total Financial Assets		311,522,327,229	100.00%	292,523,043,504	100.00%

* NR represents not rated.

NEPAL RASTRA BANK

Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 16th July, 2011 were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign Currency									
Financial Assets									
Cash and Bank Balances	16,337,109,976	-	-	-	14,371,882,753	-	-	-	1,965,227,223
SDR holdings - with IMF	6,730,704,535	-	-	-	-	-	6,730,704,535	-	-
Investments in Foreign Currency	197,134,222,474	-	-	-	-	117,730,875,951	79,403,346,523	-	-
Other receivables	448,199,792	-	-	-	-	-	-	-	448,199,792
Sub-Total	220,650,236,777	-	-	-	14,371,882,753	117,730,875,951	79,403,346,523	6,730,704,535	2,413,427,015
Other Assets									
Gold	6,411,154,715	-	-	-	-	6,411,154,715	-	-	-
Sub-Total	6,411,154,715	-	-	-	-	6,411,154,715	-	-	-
Total Foreign Currency Assets	227,061,391,492	-	-	-	14,371,882,753	124,142,030,666	79,403,346,523	6,730,704,535	2,413,427,015
Local Currency									
Financial Assets									
Cash in hand	3,730,978,127	-	-	-	-	-	-	-	3,730,978,127
Investments in Government Securities	36,509,216,412	36,509,216,412	-	-	-	-	-	-	-
GON Overdraft	20,764,094,278	20,764,094,278	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	337,892,500	-	-	-	337,892,500	-	-	-	-
Other Investments	10,782,610,000	-	-	-	10,782,610,000	-	-	-	-
Refinance & Loans	14,951,607,667	-	-	4,054,947,667	10,896,660,000	-	-	-	-
Other Receivables	3,795,691,468	-	408,931,720	-	-	-	-	-	3,386,759,748
Sub-Total	90,872,090,452	57,273,310,690	408,931,720	4,054,947,667	22,017,162,500	-	-	-	7,117,737,875
Other Assets									
Gold & Silver	309,091,119	-	-	-	-	-	-	-	309,091,119
Other Inventories	1,636,700,152	-	-	-	-	-	-	-	1,636,700,152
Property, Plant & Equipment	519,867,158	-	-	-	-	-	-	-	519,867,158
Intangible Assets	2,206,358	-	-	-	-	-	-	-	2,206,358
Project Asset & Grant Assets	463,836,699	-	-	-	-	-	-	-	463,836,699
Sub-Total	2,931,701,486	-	-	-	-	-	-	-	2,931,701,486
Total Local Currency Assets	93,803,791,938	57,273,310,690	408,931,720	4,054,947,667	22,017,162,500	-	-	-	10,049,439,361
Total Assets	320,865,183,430	57,273,310,690	408,931,720	4,054,947,667	36,389,045,253	124,142,030,666	79,403,346,523	6,730,704,535	12,462,866,376

Comparative figures as at 16th July, 2010 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
Foreign Currency									
Financial Assets									
Cash and Bank Balances	14,896,995,310	-	-	-	12,688,726,129	-	-	-	2,208,269,181
SDR holdings - with IMF	7,042,007,705	-	-	-	-	-	7,042,007,705	-	-
Investments in Foreign Currency	190,486,661,053	-	-	-	-	121,003,703,531	69,482,957,522	-	-
Other receivables	295,175,848	-	-	-	-	-	-	-	295,175,848
Sub-Total	212,720,839,917	-	-	-	12,688,726,129	121,003,703,531	69,482,957,522	7,042,007,705	2,503,445,030
Other Assets									
Gold	4,206,133,922	-	-	-	-	4,206,133,922	-	-	-
Sub-Total	4,206,133,922	-	-	-	-	4,206,133,922	-	-	-
Total Foreign Currency Assets	216,926,973,839	-	-	-	12,688,726,129	125,209,837,453	69,482,957,522	7,042,007,705	2,503,445,030
Local Currency									
Financial Assets									
Cash in hand	3,756,191,628	-	-	-	-	-	-	-	3,756,191,628
Investments in Government Securities	38,022,709,404	38,022,709,404	-	-	-	-	-	-	-
GON Overdraft	16,711,491,611	16,711,491,611	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	325,035,500	-	-	-	325,035,500	-	-	-	-
Other Investments	9,689,100,000	-	-	-	9,689,100,000	-	-	-	-
Refinance & Loans	8,112,165,241	-	-	2,738,964,241	5,373,201,000	-	-	-	-
Other Receivables	3,185,510,202	-	794,515,391	-	-	-	-	-	2,390,994,811
Sub-Total	79,802,203,587	54,734,201,015	794,515,391	2,738,964,241	15,387,336,500	-	-	-	6,147,186,439
Other Assets									
Gold & Silver	298,184,530	-	-	-	-	-	-	-	298,184,530
Other Inventories	622,632,522	-	-	-	-	-	-	-	622,632,522
Property, Plant & Equipment	523,065,607	-	-	-	-	-	-	-	523,065,607
Intangible Assets	3,642,638	-	-	-	-	-	-	-	3,642,638
Project Asset	461,098,098	-	-	-	-	-	-	-	461,098,098
Sub-Total	1,908,623,395	-	-	-	-	-	-	-	1,908,623,395
Total Local Currency Assets	81,710,826,981	54,734,201,015	794,515,391	2,738,964,241	15,387,336,500	-	-	-	8,055,809,833
Total Assets	298,637,800,820	54,734,201,015	794,515,391	2,738,964,241	28,076,062,629	125,209,837,453	69,482,957,522	7,042,007,705	10,559,254,864

NEPAL RASTRA BANK

Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 16th July 2011 were as follows:

	Total NRs.	GON NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	523,025,694	-	-	482,583,336	-	40,442,358
IMF Related Liabilities	15,955,815,523	-	-	-	15,955,815,523	-
Others	406,992,510	-	-	406,992,510	0	-
Total Foreign Currency Financial Liabilities	16,885,833,727	-	-	889,575,846	15,955,815,523	40,442,358
Local Currency Financial Liabilities						
Deposit and other balances	79,563,300,071	-	-	56,752,564,852	5,880,083,908	16,930,651,311
Bills payables	586,284,224	-	586,284,224	-	-	-
Staff Liabilities	5,695,278,571	-	-	-	-	5,695,278,571
Other payables	144,199,718	-	-	-	-	144,199,718
Total Local Currency Financial Liabilities	85,989,062,584	-	586,284,224	56,752,564,852	5,880,083,908	22,770,129,600
Total Financial Liabilities	102,874,896,311	-	586,284,224	57,642,140,698	21,835,899,431	22,810,571,958
Other Liabilities						
Currency in circulation	167,620,000,000	-	163,889,021,873	-	-	3,730,978,127
Surplus payable to GON	3,220,000,000	3,220,000,000	-	-	-	-
Sundry Liabilities	1,214,711,228	-	-	-	-	1,214,711,228
Project liability	462,868,641	-	-	-	-	462,868,641
Total Other Liabilities	172,517,579,869	3,220,000,000	163,889,021,873	-	-	5,408,557,996
Total Liabilities	275,392,476,180	3,220,000,000	164,475,306,097	57,642,140,698	21,835,899,431	28,219,129,954

Comparative figures as at 16th July 2010 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	741,560,335	-	-	693,362,979	-	48,197,357
IMF Related Liabilities	16,245,357,425	-	-	-	16,245,357,425	-
Others	7,899,401	-	-	7,899,401	-	-
Total Foreign Currency Financial Liabilities	16,994,817,161	-	-	701,262,380	16,245,357,424	48,197,357
Local Currency Financial Liabilities						
Deposit and other balances	68,388,913,171	-	-	58,396,668,188	5,357,536,603	4,634,708,379
Bills payables	921,594,753	-	921,594,753	-	-	-
Staff Liabilities	4,495,476,850	-	-	-	-	4,495,476,850
Other payables	197,882,080	-	-	-	-	197,882,080
Total Local Currency Financial Liabilities	74,003,866,854	-	921,594,753	58,396,668,188	5,357,536,603	9,328,067,309
Total Financial Liabilities	90,998,684,014	-	921,594,753	59,097,930,568	21,602,894,027	9,376,264,666
Other Liabilities						
Currency in circulation	161,300,000,000	-	157,543,808,372	-	-	3,756,191,628
Surplus payable to GON	3,110,000,000	3,110,000,000	-	-	-	-
Sundry Liabilities	3,806,355,376	-	-	-	-	3,806,355,376
Project liability	461,098,098	-	-	-	-	461,098,098
Total Other Liabilities	168,677,453,474	3,110,000,000	157,543,808,372	-	-	8,023,645,102
Total Liabilities	259,676,137,488	3,110,000,000	158,465,403,125	59,097,930,568	21,602,894,027	17,399,909,767