



**Nepal Rastra Bank**

**Annual Report**  
**Fiscal Year 2011/12**

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## Acronyms Used

ABBS	Any Branch Banking Services
ACU	Asian Clearing Union
ADB	Asian Development Bank
ADB/N	Agricultural Development Bank (Nepal)
AML	Anti Money Laundering
APG	Asia Pacific Group on Money Laundering
APRACA	Asia Pacific Rural and Agricultural Credit Association
BAFIA	Bank and Financial Institutions Act
BFI	Banks and Financial Institutions
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
EPF	Employees' Provident Fund
FATF	Financial Action Task Force
FIU	Financial Information Unit
FSI	Financial Soundness Indicators
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
INR	Indian Rupees
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 <sub>1</sub>	Narrow Money Supply
M <sub>2</sub>	Broad Money Supply
MCPW	Micro Credit Program for Women
MFFI	Micro Finance Financial Institutions
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
RBBL	Rastriya Banijya Bank Limited
RMDC	Rural Microfinance Development Centre
Rs.	Rupees
RSRF	Rural Self-Reliance Fund
SDR	Special Drawing Rights
SEACEN	South East Asian Central Banks
SFCL	Small Farmers Cooperatives 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
USD	United States Dollar
VAT	Value Added Tax

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## *PART - 1*

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## OVERALL ECONOMIC AND FINANCIAL SITUATION

### World Production, Trade and Inflation

#### World Production

- 1.1 The world economy in 2011/12 witnessed some deceleration. Compared to 5.1 percent world real GDP growth in 2010, the growth in 2011 fell to 3.8 percent.<sup>1</sup> The growth, as per the projection of International Monetary Fund (IMF), would remain at 3.3 percent and 3.6 percent in 2012 and 2013 respectively. Similarly, the world output of advanced economies in 2012 and 2013 is forecasted to expand by 1.3 percent and 1.5 percent respectively.
- 1.2 While the growth of developing Asia in 2011 was 7.8 percent, the growth in 2012 is projected to have remained at 6.7 percent. Correspondingly, the growth of emerging and developing countries is projected to have gone down to 5.3 percent in 2012 from 6.2 percent in 2011. In the neighboring countries – India and China – the growth rates of 6.8 percent and 9.2 percent in 2011 is also estimated to have declined to 4.9 percent and 7.8 percent respectively in 2012.

#### World Trade

- 1.3 The imports of advanced economies, and emerging and developing countries in 2011 increased by 4.4 percent and 8.8 percent respectively. Likewise, their exports rose by 5.3 percent and 6.5 percent. In 2012, the imports of advanced economies, and emerging and developing countries are anticipated to have increased by 1.7 percent and 7.0 percent; the exports of these countries are expected to have risen by 2.2 percent and 4.0 percent respectively.

#### World Inflation

- 1.4 Inflation in advanced economies is estimated to remain at 1.9 percent in 2012 and 1.6 percent in 2013. In the same period, inflation in emerging and developing countries is projected to reach 6.1 percent and 5.8 percent. In 2011, inflation had been 2.7 in advanced economies and 7.2 percent in emerging and developing countries.

### Macroeconomic and Financial Situation of Nepal

#### Gross Domestic Product (GDP)

- 1.5 As per the preliminary estimates of the Central Bureau of Statistics, the GDP in 2011/12 rose by 4.6 percent at basic as well as producers' prices. Last year, the real GDP had been 3.8 percent at basic prices and 3.9 percent at producers' prices. In the review year, the growth performance in agriculture and services sectors improved whereas the industry sector witnessed a slackening.
- 1.6 The agriculture and non-agriculture sectors are estimated to have grown by 4.9 percent and 4.3 percent respectively in the review year. These sectors had seen growth of 4.5 percent and 3.4 percent respectively in 2011.

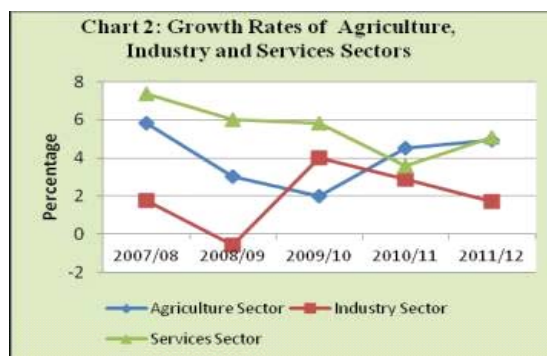


<sup>1</sup> International Monetary Fund, World Economic Outlook October, 2012

1.7 In the review year, the growth of industry and services sectors remained at 1.7 percent and 5.1 percent respectively. The growth in these sectors had been 2.9 percent and 3.6 percent respectively in 2011.

### Sectoral Composition of GDP

1.8 The agriculture, industry and services sectors accounted for 35.2 percent, 14.9 percent and 49.9 percent share of the real GDP respectively in the review year. The contribution of these sectors had been 35.1 percent, 15.3 percent and 49.6 percent respectively in the previous year. In comparison, the shares of agriculture and services sectors showed a nominal increase whereas the share of industry sector indicated a slight decline.



1.9 In the review year, the contribution in the real GDP of broadly categorized industrial sectors – primary (agriculture and forestry, fishery, and mining and quarrying), secondary (manufacturing industry, electricity, gas and water, and construction) and tertiary (services) – remained at 35.6 percent, 14.5 percent and 49.9 percent respectively. The three sectors had contributed 35.5 percent, 14.9 percent and 49.6 percent respectively in 2010/2011.

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

Sector	As Percentage of GDP#			Percent Change	
	2009/10	2010/11	2011/12	2010/11	2011/12
<b>Primary *</b>	35.3	35.5	35.6	0.7	0.4
<b>Secondary **</b>	15.0	14.9	14.5	-0.9	-2.8
<b>Tertiary ***</b>	49.7	49.6	49.9	-0.2	0.5

# GDP including Financial Intermediation Services Indirectly Measured (FISIM)

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

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

\*\*\* Services

Source: Central Bureau of Statistics

### Agriculture Sector

1.10 The agriculture sector in 2011/12, compared to the increment of 4.5 percent previously, is estimated to have grown by 4.9 percent. The production index of major food crops such as paddy and maize is predicted to have grown by 13.7 percent and 5.4 percent respectively. Such acceleration in production was feasible due to favourable weather condition, chemical fertilizer, improved seeds and expansion in the use of modern technologies. In the previous year, the production index of rice and paddy had gone up by 8.9 percent and 19.6 percent respectively. The index of fruits, beverage, nut, and spice groups in the review year slipped to 4.7 percent growth from 8.5 percent last year. Likewise, the index of livestock moderately fell from its growth of 3.5 percent last year to 3.2 percent.

1.11 The production index of food and other crops sub-group in the review year grew by 6.5 percent as against the growth of 7.5 percent last year. Likewise, the index of vegetables, horticulture and nursery sub-group increased marginally (0.01 percent) which had increased by 4.7 percent in the previous year. The index of forest products, compared to the sharp decline of 27.2 percent in the previous year, went up by 10.6 percent in the review year.

1.12 The production index of fruits and livestock increased by 4.7 percent and 3.2 percent respectively in the review year. Last year, these indices had increased by 8.5 percent and 3.5 percent respectively.

- 1.13 As per the records of meteorological stations of the Department of Hydrology and Meteorology, the country received higher than average rainfall in June, July, August, September and October despite the late start of monsoon: the rainfall in respective months was 110 percent, 96 percent, 97 percent and 101 percent higher than the average rainfall. In effect, it contributed to increase production of paddy, maize and other major crops.

### **Industry Sector**

- 1.14 In the review year, the performance growth of industry sector slackened. The growth is estimated to have fallen to 1.7 percent from 2.9 percent last year. The sluggish growth was mainly due to inadequate supply of power and fuel in addition to other structural bottlenecks.
- 1.15 The growth of manufacturing industries sub-sector is estimated to have remained at 1.3 percent in the review year. Last year, the sector had grown by 2.3 percent.
- 1.16 Electricity, gas and water sub-sectors, which had witnessed negative growth last year, are expected to have grown by 7.4 percent in the review year. In construction sub-sector, there has been a marginal decline in growth in the review year; last year, it had grown by 4.8 percent. The negative growth was due to significant reduction in the real estate business and consequent decline in private and public construction activities.
- 1.17 In spite of an increment in the number of foreign investment projects by 8.6 percent, the total investment amount decreased by 28.9 percent in the review year. The marginal decline in foreign investment commitment in the review year was due to slowness in anticipated improvement in political transition. The Department of Industry granted approval to 227 joint venture companies having foreign investment commitments of Rs 7.14 billion. Last year, the department had granted approval for the establishment of 209 joint venture companies with commitments of Rs 10.5 billion.
- 1.18 Of the total 227 joint venture projects registered in the review year, 106 were service-related, 64 tourism-related, 31 production-related, 15 agriculture-related, 7 mineral-related and the rest 4 were energy-related. Previously, the Department had granted permission to 88 service-related, 47 tourism-related, 39 production-related, 23 agriculture-related, 6 energy-related, 5 mineral-related and 1 construction-related projects. Compared to the last year, the quantity and amount of investment in services and mineral sectors increased whereas in agro and production-related projects, both quantity and amount declined in the review year.
- 1.19 Of the joint venture projects registered in the review year, 77 projects were from China, 24 from India, 24 from USA, 21 from South Korea and the remaining from other countries. These projects are expected to generate direct employment opportunities for 9,050 people.

### **Services Sector**

- 1.20 The service sector, which had grown by 3.6 percent last year, is estimated to have grown by 5.1 percent in the review year. The improved performance of this sector was due to the extension in hotel and restaurant, transportation, storage and communication, and health and social services sub-sectors.
- 1.21 Among the services sectors, wholesale and retail trade is expected to have increased by 3.8 percent in the review year compared to the growth of 1.2 percent last year. Likewise, hotel and restaurant sub-sector grew by 8.3 percent which in the last year had expanded by 7.4 percent. Transportation, storage and communication sub-sectors are projected to have increased by 6.8 percent in the review year compared to 5.7 percent growth in the previous year. Financial intermediation, real estate and professional services, and public administration and defense sub-sectors are projected to have expanded by 3.5 percent, 3.0 percent and 5.6 percent respectively in the review year. Last year, these sub-sectors had grown by 3.3 percent, 2.3 percent and 3.8 percent respectively. Education sub-sector is predicted to have expanded by 5.0 percent compared to the last year's growth of 3.0 percent. Likewise, health and social works, and other community, social and personal services sub-sectors grew by 5.5 percent and 9.1 percent

respectively in the review year while these sectors had grown by 5.3 percent and 8.0 percent respectively last year.

- 1.22 Compared to the total arrivals of 500,750 tourists via air in Nepal last year, the number in the review year increased by 18.9 percent to 595,262; among them, Indian tourists formed 28.3 percent and the remaining 71.7 percent were from other countries

**Table 1.2**  
**Tourist Arrival by Air**

	Arrival Number			Percentage Change		Share (Percent)
	2009/10	2010/11	2011/12	2010/11	2011/12	2011/12
India	92,748	130,717	168,594	40.9	30.0	28.3
Other Countries	319,019	370,033	426,668	16.0	15.3	71.7
Total	411,767	500,750	595,262	21.6	18.9	100.0

Source: Ministry of Tourism and Civil Aviation

- 1.23 To analyze tourist arrival countrywise, the number of Indian tourists increased only by 30.0 percent to 168,594 in the review year compared to the growth of 40.9 percent in the previous year. Likewise, the number of tourists from other countries grew by 15.3 percent to 426,668 compared to the growth of 16.0 percent last year.

### Consumption, Investment and Saving

- 1.24 The ratio of total consumption to GDP at current prices is estimated to have receded marginally to 90.0 percent in the review year from 91.4 percent of the previous year. Correspondingly, the ratio of gross domestic saving to GDP remained at 10.0 percent compared to 8.6 percent in the last year. In the review year, public and private sector consumption increased by 21.3 percent and 10.9 percent respectively compared to the growth of 10.5 percent and 19.6 percent respectively in the previous year. The share of total investment to GDP remained at 32.8 percent in the review year compared to 32.5 percent last year. Likewise, the ratio of gross fixed capital formation to GDP in the review year declined to 19.6 percent from 21.2 percent.
- 1.25 The gross internal demand at current prices, compared to the growth of 12.1 percent in the previous year, increased by 12.8 percent in the review year. Likewise, the total investment is estimated to have grown by 14.7 percent as against the decline of 2.6 percent in the previous year. The net exports of goods and services, which had previously been persistently negative, is estimated to have expanded by 8.5 percent in the review year; last year such exports had increased by 2.3 percent.

**Table 1.3**  
**Consumption, Investment, Internal Demand and Gross National Disposable Income**  
**(At Current Price)**

Description	2009/10	2010/11	2011/12	2010/11	2011/12
	Rs. in Million			Percentage Change	
Total Consumption	1,056,185	1,251,421	1,402,707	18.5	12.1
Total Investment	457,395	445,322	510,590	-2.6	14.7
Internal Demand	1,513,580	1,696,743	1,913,297	12.1	12.8
Net Export	-319,900	-327,314	-355,123	2.3	8.5
Gross Domestic Product	1,193,679	1,369,430	1,558,174	14.7	13.8
Net Factor Income	9,117	7,549	14,785	-17.2	95.9
Net Transfer	282,648	30,7859	400,835	8.9	30.2
Gross National Disposable Income	1,485,444	1,684,838	1,973,794	13.4	17.2

Source: Central Bureau of Statistics

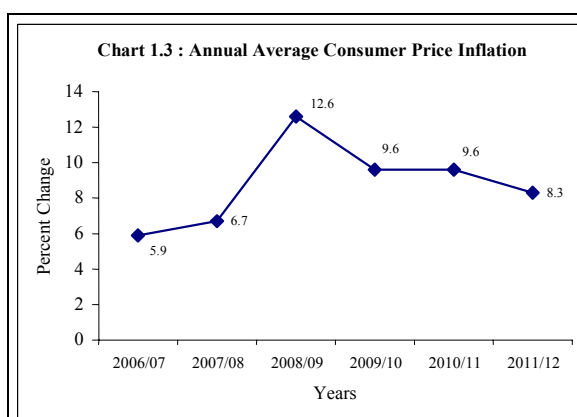
## Gross National Disposable Income

- 1.26 Gross National Disposable Income (GNDI), compared to the growth of 13.4 percent last year, is estimated to have increased by 17.2 percent in the review year. Likewise, the GDP at current prices is predicted to have grown by 13.8 percent compared to the increment of 14.7 percent last year. The ratio of GNDI to GDP stood at 126.7 percent in the review year compared to 123.0 percent in the preceding year.

## Inflation, and Salary and Wage Rate Index

### Consumer Price Inflation

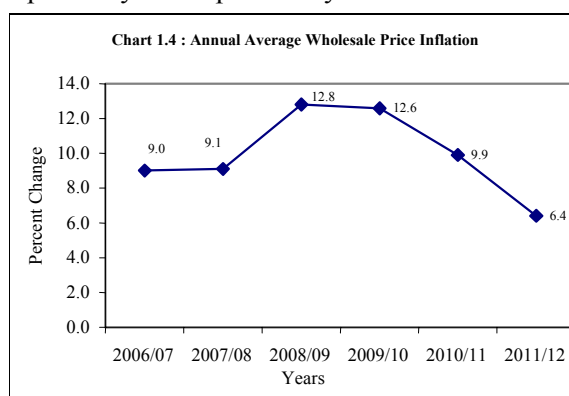
- 1.27 The annual average consumer price inflation remained at 8.3 percent in 2011/12 compared to last year's 9.6 percent. The average inflation index was lower in aggregate as the price index of food and beverages group stood at 7.7 percent though the index of non-food and services group increased by 9.0 percent. The indices of food and beverages, and non-food and services had increased by 14.7 percent and 5.4 percent respectively in the previous year.



- 1.28 Among the items under food and beverages groups, the annual average price increment of vegetables increased the maximum, *i.e.*, by 24.2 percent in the review year; last year, its increment had been 35.0 percent. Similarly, the price indices of ghee and oil, fruits, and milk and eggs saw rise of 16.9 percent, 14.4 percent and 13.6 percent respectively compared to their respective increments of 19.4 percent, 2.5 percent and 14.6 percent in the previous year. As against 15.5 percent increase in the annual price index of restaurant and hotel, the index grew by 11.9 percent in the review year. Likewise, the indices of tobacco products, and sugar and sweets increased by 10.8 percent and 9.2 percent respectively; last year the indices of these sub-groups had risen by 13.5 percent and 19.5 percent respectively. In the review year, unlike the rise of 23.2 percent last year, the price index of spices products declined by 9.1 percent.
- 1.29 Among the entities under non-food and services group, the yearly average price indices of transport, and clothing and footwear went up by 15.6 percent and 14.8 percent respectively. The increment in these indices had remained at 10.1 percent and 13.3 percent last year. Similarly, the indices of furnishing and household equipments, and education group grew by 13.4 percent and 9.8 percent respectively compared to their respective increments of 5.7 percent and 5.5 percent last year. The price index of communication, which had receded by 10.6 percent in the previous year, declined again in the review year by 8.2 percent.
- 1.30 The annual average price index of Hills, Terai and Katmandu Valley increased by 9.7 percent, 8.1 percent and 7.4 percent respectively in the review year. The index of these places had risen by 10.6 percent, 7.2 percent and 12.1 percent respectively in the previous year.

### Wholesale Price Inflation

- 1.31 The annual average wholesale price inflation increased by 6.4 percent in 2011/12 compared to 9.9 percent rise in the previous year. The annual average price indices of agricultural commodities, domestic manufactured commodities and imported commodities increased by 2.5 percent, 9.6 percent and 12.1 percent respectively. Last year, the indices of these commodities had



grown by 10.8 percent, 9.1 percent and 8.5 percent.

- 1.32 Within the agricultural commodities group, the annual average price index of cash crops, which had declined by 10.9 percent previously, increased by 14.0 percent in the review year. The indices of fruits and vegetables, and livestock production also rose by 11.5 percent and 3.0 percent respectively compared to their respective increment of 23.6 percent and 12.7 percent a year ago.
- 1.33 The annual average price indices of entities under domestic manufactured commodities group, *i.e.*, beverages and tobacco, and food related products rose by 11.6 percent and 10.8 percent respectively in comparison to their respective increments of 14.3 percent and 5.7 percent in the previous year. The index of construction materials, which had increased by 5.2 percent, increased by 5.3 percent in the review year.
- 1.34 Within the group of imported commodities, the annual average price indices of textiles related products, petroleum products and coal, and electric and electronic goods increased by 23.3 percent, 21.2 percent and 11.3 percent in the review year. Last year, the growth rate had been 5.4 percent, 15.8 percent and 3.0 percent respectively.

### National Salary and Wage Rate Index

- 1.35 The annual average salary and wage rate index recorded growth of 27.4 percent in the fiscal year 2011/12 whereas it had increased by 18.0 percent last year. Of this growth, the index of salary rose by 19.3 percent while the wage index grew by 29.6 percent. Last year, there had been no increment in the former while the latter had increased by 24.0 percent. In the review year, the highest increment in salary index, *i.e.*, by 42.4 percent was that of banks and financial institutions. Similarly, the index of public corporations, and army and police forces augmented by 27.1 percent and 26.5 percent respectively. The indices of education, civil services and private institutions stepped up by 19.1 percent, 18.7 percent and 8.6 percent respectively. In the review year, the wage rate index of construction laborers surged up by 31.8 percent whereas the index of industrial laborers and agricultural laborers extended by 29.8 percent and 29.1 percent respectively.

## External Sector

### Overall External Trade Situation

- 1.36 In 2011/12, the external sector performed better compared to that of the last year. Although exports of commodities increased, the rate of growth of trade deficit was higher due to higher rate of growth of imports in the review year. The net services income remained at surplus mainly because of significant increase in the earnings from services accompanied by a drop in service payment. In addition, the overall Balance of Payment (BOP) maintained the highest surplus so far as a result of favorable situation of remittance inflows, and satisfactory growth of the capital transfer. As a result, the foreign exchange reserves were also maintained at a significant level.

### Foreign Trade Situation

- 1.37 In 2011/12, the total exports increased by 15.4 percent (Rs. 9.92 billion) to Rs. 74.26 billion. Last year, the exports had increased by 5.8 percent. While the ratio of total exports to GDP had stood at 4.7 percent last year, it remained at 4.8 percent in the review year.
- 1.38 From 8.4 percent growth of the last year, exports to India increased by 14.4 percent (Rs. 6.26 billion) to Rs. 49.62 billion in the review year. Similarly, there was an increase in exports of textiles, cardamom, polyester yarn, copper wire and G.I. pipe, among others to India. (Tables 10 & 11).
- 1.39 The exports to other countries in the review year, unlike a marginal increment of 0.7 percent last year, increased by 17.5 percent (Rs. 3.67 billion) to Rs. 24.65 billion. The exports to other countries in USD increased by 5.2 percent to USD 305.1 million as against the growth of 4.1



percent in the previous year. Mainly, the exports of woolen carpet, pashmina, readymade garments, leather, and Nepalese paper and paper products, among others, increased in the review year (Tables 10 & 13).

- 1.40 The total merchandise imports in 2011/12 rose by 16.5 percent (Rs. 65.49 billion) to Rs. 461.67 billion. Last year, the imports had increased by 5.8 percent. The ratio of total imports to GDP rose to 29.6 percent from 28.9 percent of the previous year. The surge in total merchandise in the review year was primarily due to a significant rise in the imports of gold and petroleum products.
- 1.41 Of the total imports in the review year, imports from India rose by 14.3 percent (Rs. 37.46 billion) to Rs. 299.39 billion as against the higher growth of 20.6 percent in the preceding year. Mainly, the imports of petroleum products, coal, rice, M.S. wires (including rods, coils and bars), and chemical fertilizers etc. from India increased. Total merchandise worth Rs. 60.68 billion (20.3 percent of the total imports from India) was imported from India under the provision of payment of convertible currency. Such import in the previous year had amounted to Rs. 47.77 billion, *i.e.*, 18.2 percent of the total imports from India.
- 1.42 In contrast to 14.6 percent decline in the imports from other countries last year, it increased by 20.9 percent, *i.e.*, Rs. 28.03 billion to Rs. 162.28 billion in the review year. The imports from other countries in USD against the decline of 11.7 percent previously went up by 7.9 percent to USD 2.01 billion. Mainly, the imports of items such as gold, crude soybean oil, edible oil, polythene granules, and electrical good, among others, increased. (Tables 10 & 14).
- 1.43 As against the rise of 5.8 percent in the total trade deficit in 2010/2011, the deficit rose by 16.7 percent to Rs. 387.41 billion in the review year. As a result, trade deficit as percentage of GDP rose to 24.9 percent from 24.2 percent in the previous year. The trade deficit with India, which had gone up by 23.4 percent in the previous year, increased by 14.3 percent to Rs. 249.77 billion in the review year. Likewise, the deficit with other countries grew by 21.5 percent to Rs. 137.63 billion as against the decline of 17.0 percent in the previous year. (Table 10).
- 1.44 The total trade in 2011/12 increased by 16.4 percent to Rs. 535.93 billion compared to 5.8 percent growth of last year. The trade as percent of GDP increased to 34.4 percent from 33.6 percent of the last year. The total trade with India increased by 14.3 percent to Rs. 349.0 billion compared to the growth of 18.7 percent in the previous year. Such trade with other countries, in contrast to a decline of 12.8 percent in the previous year, rose by 20.4 percent to Rs. 186.92 billion. (Table 10).
- 1.45 The ratio of exports to imports declined marginally to 16.1 percent in 2011/12 from 16.2 percent of the previous year. In the total exports, the share of India remained at 66.8 percent while the same had occupied 67.4 percent last year. Likewise, the share of India in total imports was reduced to 64.8 percent from 66.1 percent of the previous year. In the total trade deficit, the share of India was 64.5 percent; last this figure was 65.9 percent. The share of India in total foreign trade stood at 65.1 percent compared to 66.3 percent in the previous year. (Table 10).

### Balance of Payments

- 1.46 The total exports, as per F.O.B. valuation, increased by 18.6 percent to Rs. 81.51 billion in 2011/12. Last year, such exports had increased by 8.7 percent. The total imports, as per F.O.B. valuation, soared up by 17.1 percent to Rs. 454.65 billion in the review year due to increase in the imports of petroleum products by 22.9 percent to Rs. 92.26 billion, and the increase in imports of other merchandize by 15.7 percent to Rs. 362.40 billion. In the previous year, the total imports had increased by 5.9 percent; the imports of other merchandize goods had declined by 0.6 percent while there was 45.5 percent increase in the imports of petroleum products. Thus, the trade deficit increased by 16.7 percent to Rs. 373.14 billion compared to the rise of 5.3 percent in the previous year. (Table 15).
- 1.47 Travel income increased by 24.8 percent to Rs. 30.70 billion in 2011/12 as against the decline of 12.5 percent in the previous year. Owing to a significant increase in other service income,

*i.e.*, by 38.1 percent compared to the growth of 3.7 percent in the previous year, the net service income surged by 36.5 percent to Rs. 72.35 billion in the review year. Travel expenses declined by 6.8 percent despite the rise of 19.8 percent in transportation expenses. The total services payments further declined by 5.5 percent to Rs. 58.30 billion; last year it had gone down by 8.6 percent. Overall, the net services income, which had remained at a deficit of Rs. 8.68 billion compared to a decline of 47.1 percent in the previous year, remained at surplus of Rs. 14.06 billion in the review year.

- 1.48 On the income front, the income receipts increased by 28.7 percent to Rs. 22.52 billion in 2011/12. Similarly, the income payments increased by 2.8 percent to Rs. 10.23 billion. Consequently, the net income surged by 62.8 percent to Rs.12.29 billion in contrast to the decline of 17.2 percent in the previous year.
- 1.49 The grants income, which had fallen by 3.4 percent, increased by 40.5 percent to Rs. 36.23 billion in 2011/12. In comparison to 9.4 percent growth of the last year, workers' remittances surged by 41.8 percent to Rs. 359.55 billion in the review period. The remittances in USD increased by 25.8 percent to Rs. 4.4 billion compared to the growth of 12.0 percent in the previous year. The pension receipts declined by 2.2 percent to Rs. 28.34 billion in the review year. Transfer payment increased by 52.6 percent in contrast to the decline of 35.6 percent in the previous year. In the review year, the total transfer income increased by 37.5 percent compared to the growth of 8.1 percent last year. The net transfer receipts rose by 37.3 percent to Rs. 422.77 billion compared to the growth of 8.9 percent in the previous year. As a result, the current account posted a surplus of Rs. 75.98 billion (4.9 percent of GDP) in the review year. This account had registered a deficit of Rs. 12.94 billion (0.9 percent of GDP) last year. (Table 15).
- 1.50 Of the capital account, the capital transfers increased by 14.7 percent to Rs.18.24 billion in 2011/12 compared to the figure of Rs. 15.91 billion in the preceding year.
- 1.51 In the financial account, foreign direct investment recorded an inflow of Rs. 9.20 billion in 2011/12. Likewise, other investment assets of Rs. 15.72 billion were also added. The inflow of government loan remained at Rs. 13.45 billion while the repayment amounted to Rs. 12.40 billion in the review year. From the transactions mentioned above, the overall BOP in the review year recorded a surplus of Rs. 127.70 billion. Such surplus had amounted to Rs. 2.18 billion in the previous year. The BOP as percent of GDP stood at 8.2 percent in the review period, whereas the ratio had been 0.2 percent in the previous year. (Table 15).

### Gross Foreign Exchange Reserves

- 1.52 Compared to the reserves of the last year, the gross foreign exchange reserves increased by 61.5 percent to Rs. 439.46 billion as at mid-July 2012. Of the total reserves, the share of Nepal Rastra Bank (NRB) was 85.5 percent. Such reserves had increased by 1.2 percent to Rs. 272.15 billion last year; and NRB's share was 78.3 percent. Of the total reserves, the holding of NRB went up by 76.2 percent to Rs. 375.53 billion in the review year (Table16). The gross foreign exchange reserves in USD rose by 29.3 percent to USD 4.96 billion as against the growth of 6.2 percent in the same period last year (Table 17). Based on the imports of last year, the reserves are adequate for financing merchandise imports of 11.6 months, and merchandise and service imports of 10.3 months.

**Table 1.4**  
**Reserve Adequacy Indicators**

	2009/10	2010/11	2011/12 <sup>P</sup>
Trade Indicators (in months)			
Import Capacity (goods only)	8.7	8.4	11.6
Import Capacity (goods and services)	7.4	7.3	10.3
Monetary Indicators (in percent)			
Gross Foreign Exchange Reserve/Broad Money Supply	32.8	29.5	38.9
Gross foreign Exchange Reserve/Reserve Money	123.0	116.2	137.6
Monetary Indicators (in percent)			
Gross Foreign Exchange Reserve/GDP	22.5	19.9	28.2

P Provisional

Source: Nepal Rastra Bank

- 1.53 The ratios of gross foreign exchange reserve to broad money supply, and reserve money remained at 38.9 percent and 137.6 percent respectively as at mid-July 2012. Last year, such ratios had remained at 29.5 percent and 116.2 percent respectively.

### Exchange Rate Movement

- 1.54 The exchange rate of Nepalese currency with Indian currency remained stable in 2011/12. Compared to mid-July 2011, Nepalese currency depreciated vis-à-vis other major international currencies – USD, Pound Sterling, Euro and Japanese Yen. It depreciated by 19.9 percent, 16.2 percent, 7.1 percent and 19.9 percent against the US dollar, Pound Sterling, Euro and Japanese Yen respectively.

**Table 1.5**  
**Exchange Rate Movement**

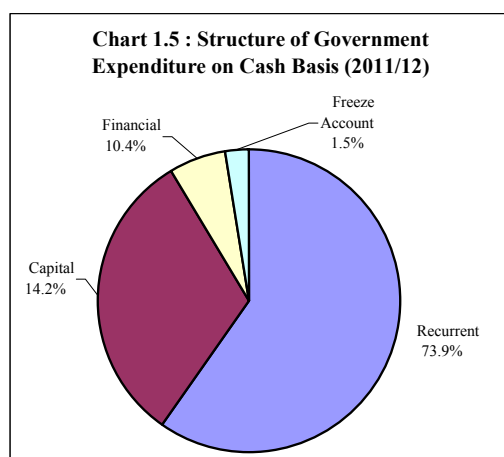
Foreign currency	Buying Rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2010	2011	2012	2011	2012
1 USD	74.44	70.95	88.6	4.9	-19.9
1 Pound Sterling	113.71	114.54	136.62	-0.7	-16.2
1 Euro	94.79	100.34	107.98	-5.5	-7.1
10 Japanese Yen	8.45	8.95	11.18	-5.6	-19.9

### Fiscal Situation

- 1.55 Classifications based on Government Finance Statistics Manual, 2001 have been implemented from 2011/12 to synchronize the headings and classifications of Nepal government's budget, expenditure, investment and revenue with international standard. In the new classification, as some of the headings under capital and recurrent expenditures have been adjusted and altered, the bases of comparing expenses of the review year with previous years have also changed. The total expenditure is classified under recurrent, capital and financial management instead of recurrent, capital and principal repayment respectively. The categorization and modification are expected to make the financial information simpler, better organized, more credible, internationally comparable and more transparent and thereby assist in maintaining financial discipline.
- 1.56 Despite the fact that the budget of 2011/12 was announced and implemented in time unlike the delayed process in the previous years, the growth rate of government expenditure could not improve as anticipated. Particularly, the capital expenditure remained low. The budget deficit on cash flow basis stood at 1.1 percent of GDP as against the ratio of 3.7 percent last year.

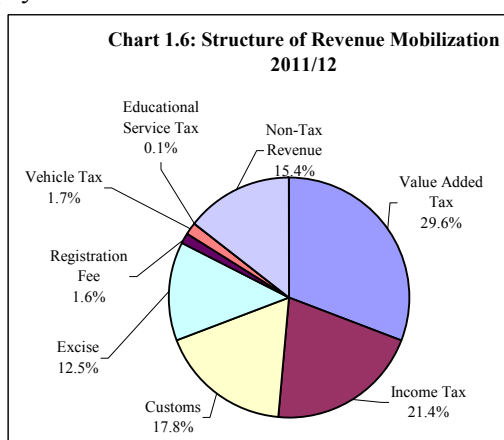
## Government Expenditure

- 1.57 In 2011/12, the total government expenditure on cash basis increased by 15.2 percent to Rs. 319.83 billion. Last year, the expenditure had expanded by 10.7 percent to Rs. 277.62 billion.
- 1.58 The recurrent expenditure of GoN on cash flow basis stood at Rs. 236.25 billion; the capital expenditure amounted to Rs. 45.44 billion during the review period.
- 1.59 Of the total government expenditure, the share of recurrent expenditure, capital expenditure, financial and freeze expenditure stood at 73.9 percent, 14.2 percent, 10.4 percent and 1.5 percent respectively.



## Government Revenue

- 1.60 The total revenue of Nepal Government in 2011/12 increased by 22.3 percent to Rs. 244.37 billion; revenue accounts for 101.1 percent of the annual target of Rs. 241.77 billion. Last year, the revenue had risen by 11.0 percent to Rs. 199.82 billion. In the review year, revenue to GDP ratio stood at 15.7 percent as against 14.6 percent in 2010/11. The expansion of economic activities as an upshot of timely budget announcement has mainly contributed to such growth in the revenue. The growth has also been attributed to the implementation of “Tax Enforcement Campaign Year 2011/12”, increase in PAN number holders, growth in imports, and control in the revenue leakages and reforms in tax administration.
- 1.61 Among the components of revenue, value added tax (VAT) increased by 17.1 percent to Rs. 72.19 billion in 2011/12. Last year, revenue had increased by 15.3 percent. The increase in the review year was due to growth in imports, investigation into taxpayers’ involvement in fraud VAT bill issuance and reforms in VAT administration.
- 1.62 Revenue collected from the customs increased by 21.7 percent to Rs. 43.41 billion in 2011/12 compared to the increase of 1.8 percent in the previous year. The increase in revenue was due to increase in imports compared to that of the previous year, increase in agriculture improvement duties and increase in DRP.
- 1.63 The income tax revenue in 2011/12 increased by 25.5 percent to Rs. 52.33 billion. Last year, it had increased by 23.9 percent to Rs. 41.68 billion. The increase was due to the effect of “Tax Compliance Campaign Year” and emphasis on taxpayer education.
- 1.64 In the review year, excise revenue increased by 15.2 percent to Rs. 30.41 billion compared to 8.5 percent growth last year. The increase was due to reforms in tax administration and measures taken to control leakages.
- 1.65 Of the total revenue in 2011/12, VAT constituted the highest, *i.e.*, 29.6 percent followed by income tax (21.4 percent), customs duties (17.8 percent) and excise duties (12.5 percent). Last year, the respective shares had been 30.9 percent, 20.9 percent, 17.8 percent and 13.2 percent.
- 1.66 In the review year, non-tax revenue rose by 34.4 percent to Rs. 37.62 billion compared to 10.8 percent increase last year. Such a significant growth was because of emphasis on non-tax revenue collection and its positive impact. In



addition, dividends from public enterprises, proceeds from rent and royalty, sales of goods and services, and charges on the issuance of passports and visa contributed to such growth.

### Some Tax Policy Provisions

1.67 Revenue mobilization policies are formulated based on the suggestions of Revenue Advisory Board, industrialists, businessmen and other concerned stakeholders. It also takes into account the commitments made by Nepal in bilateral and multilateral treaties. In this context, the following policy guidelines, with the aim to implement equitable tax system, were announced in the budget of 2011/12 so as to build sustainable, private sector friendly, transparent and self-reliant economy through maximum utilization of domestic resources:

- (a) To increase women's ownership over land, a provision of exempting 40 percent land registration fees has been granted.
- (b) To promote self-employment, an arrangement of charging only one percent custom duty on sewing machines has been made.
- (c) The existing rate of capital gain tax over the sales of house and land, and share transaction has been reduced by 50 percent.
- (d) The vehicle tax on the fire brigade and Sabbahan (a vehicle to carry dead-body) has been exempted.

#### Box 1 : Revenue Policies for Fiscal Year 2011/12

- Mobilize revenue through administrative reforms and administrative capacity building without increasing revenue rates,
- Create investment-friendly environment to attract domestic and foreign investment in hydropower and infrastructure sector,
- Gear national economy towards industrialization by protecting and promoting manufacturing, import-substituting and export-oriented industries,
- Broaden revenue bases by bringing in new and unidentified areas into the tax net,
- Develop non-tax revenue as a major source of revenue by identifying new areas of non-tax revenue and reviewing existing rates,
- Make revenue leakage control mechanism more effective by identifying and addressing existing problems of revenue leakages, foreign exchange misuses and money laundering,
- Establish central revenue information system in the Ministry of Finance and its departments,
- Establish a clean, transparent, professional and taxpayer-friendly revenue administration through an amendment of existing organization structure and functions in timely manner.

- (e) Prevailing flat rate custom duty on LCD, Plasma or LED TVs brought by the Nepalese workers in their return from foreign employment has been reduced.
- (f) The registration fee on land for the merged financial institutions has been waived if the land is to be used for the merger.
- (g) A provision is being undertaken whereby an investigation and subsequent legal action will be taken against the taxpayers who are not in the tax net, or involve in minimal, or trespass tax obligations.
- (h) The excise rate of alcohol, beer, cigarettes and tobacco products that are harmful to public health has been increased.

**Box 2 : Strategies for Increasing Revenue Base for FY 2011/12**

- Continuity has been given to “Tax Enforcement Campaign Year”,
- Emphasis has been given to voluntary disclosure of property to treat it as tax base effective from 2012/2013,
- An arrangement to declare Maximum Retail Price of the imported goods at the customs point is made obligatory to make the customs valuation more realistic and discourage under-invoicing tendencies,
- Excise rates on alcohol, beer, cigarettes and tobacco products have been increased marginally,
- Special campaigns are designed to classify, tabulate and finally collect long outstanding arrears on the basis of the amount and due period,
- Individuals having Permanent Account Number (PAN) are deemed eligible for registration process of land and house transactions,
- Emphasis on reforms of revenue administration and leakages control has been given.
- An arrangement is made where review of the existing non-tax rate, the cost of service delivery, and the principle of investment and recovery will be made through inter-agency coordination.

- (i) Formation of “Central Revenue Board” has been proposed to make revenue administration more autonomous and effective.
- (j) 13 additional Tax Payer's Service Centers have been proposed outside Kathmandu Valley to expand taxpayers' services and make the service more effective.
- (k) A plan is under way to update the existing income tax manual and to prepare manuals for excise duty and value added tax.

**Tax Rates**

- 1.68 In 2011/12, tax exemption limit for an individual and couple has been kept unchanged at Rs. 160,000 and Rs. 200,000 respectively. Similarly, one percent tax on the first slab of income of salaried people, levied as per the provision to expand social security gradually until the announcement of social security tax, has remained unchanged.
- 1.69 Import duties of six custom rates in 2010/2011, *i.e.*, 5, 10, 15, 20, 30 and 80 percent have been kept unchanged in 2011/12 too. Customs rates of 70 and 200 percent on export have also remained unchanged. Similarly, nine excise rates – 5, 10, 15, 30, 35, 40, 50, 55, and 60 percent – have remained the same in 2011/12.

**Table 1.6**  
**Tax Rates**

S.N.	Description	FY 2010/11	FY 2011/12
1.	Import Duties (in percentage)	5,10,15,20,30 and 80	5,10,15,20,30 and 80
2.	Export Duty (in percentage)	70 and 200	70 and 200
3.	Excise (in percentage)	5,10,15,30,35, 40,50,55 and 60	5,10,15,30,35, 40,50,55 and 60
4.	VAT (in percentage)	13	13
5.	<u>Income Tax</u>		
	(a) Exemption Threshold		
	(i) Individual	Rs. 160,000	Rs. 160,000
	(ii) Couple or Family	Rs. 200,000	Rs. 200,000
	(b) Tax Rates (in percentage)		
	(i) First Slab of Taxable Income Till Rs. 160,000	1	1
	(ii) First Rs. 100,000 After Exemption Limit	15	15
	(iii) On Residual Amount	25	25
	(iv) On Additional 25 Percent Tax Amount After Rs 2,500,000	40	40
	<u>Corporate Tax</u> (in percentage)		
	(a) Flat Rate at Corporate Net Income		
	(i) Bank and Financial Institutions	30	30
	(ii) Others	25	25
	(b) Partnership Firm	25	25
	House Rent Tax	10	10
	Meeting Allowance	15	15
	Commission	15	15
	Lottery, Upahar, Prize	25	25
	Interest Tax	5	5
	Provident Fund and Pension	5	5
	Government Debt	5	5
	Bonus Tax	5	5

### Foreign Grants

1.70 In 2011/12, foreign grants on cash basis increased to Rs. 46.57 billion. Last year, the grants had amounted to Rs. 26.21 billion.

### Budget Deficit/Surplus

1.71 The government budget deficit on cash basis, which had reached Rs 50.51 billion in 2010/2011, declined to Rs. 17.59 billion in the review year. Consequently, the ratio of budget deficit to GDP on cash basis remained at 1.1 percent during the review year, as against 3.7 percent of the last year.

### Sources of Financing Deficit

1.72 In 2011/12, the total of Rs. 36.41 billion was issued to meet budget deficit; the issued amount accounted for 2.3 percent of GDP.

1.73 In the review year, the net domestic borrowing of the government reached Rs. 27.41 billion: the calculated amount includes the principal repayment of Rs.6.63 billion in 2011/12, and Rs.2.37 billion balance of GoN in NRB (after adjusting government overdraft of Rs 20.76 billion of the preceding year). Thus, the ratio of the borrowing to GDP remained at 1.8 percent.

- 1.74 The total internal debt at mid-July 2012 amounted to Rs. 206.75 billion after adjusting GoN's balance of Rs. 2.37 billion in NRB from the GoN's internal debt of Rs. 209.12 billion in 2011/12.
- 1.75 In 2011/12, external debt as other sources of deficit financing increased to Rs. 5.75 billion (including Rs. 4.56 billion transferred to Principal Refund Account under financial provisioning). Such debt had amounted to Rs. 4.93 billion in the previous year.

### **Status of Public Enterprises**

- 1.76 An analysis of overall financial performance of the state owned 37 public enterprises in 2010/2011 disclosed that 21 public enterprises earned net profit, whereas 14 of them incurred net loss. Two of the enterprises – Nepal Engineering Consultancy Service Center Ltd., and Hydroelectricity Investment and Development Company – did not have any transactions during the period.
- 1.77 The state owned public enterprises earned net profit of Rs. 6.68 billion in 2010/11. Previously, the profit had amounted to Rs. 10.56 billion. The decrease in net profit was due to the loss of Rs. 6.09 billion and Rs. 5.11 billion incurred by Nepal Electricity Authority and Nepal Oil Corporation respectively in 2010/11.
- 1.78 The total shareholders' fund of the public enterprises in 2010/11 increased by 26.4 percent to Rs. 100.99 billion. The better figure was mainly because of increase in shareholders' fund of financial enterprises to Rs. 21.44 billion from Rs. 3.50 billion, and the rise in the fund of public utility related public enterprises by 9.3 percent to Rs. 81.42 billion from the previous years' Rs. 74.49 billion.
- 1.79 The share investment of the GoN, which had been Rs. 82.76 billion in 2009/10, increased by 11.4 percent to Rs. 92.19 billion in 2010/11. The total outstanding loan investment to the public enterprises in 2010/11 increased by 12.1 percent to Rs. 95.17 billion. In 2009/10, the investment had amounted to Rs. 84.92 billion. Of the total loan, internal loan was Rs. 21.90 billion and external loan was Rs. 73.68 billion.
- 1.80 The GoN earned dividend of Rs. 5.50 billion, which is 6.0 percent of the total share investment in 2010/11. Such dividend had reached Rs. 4.8 billion in 2009/10.
- 1.81 The plan of GoN to appoint Chief Executive of enterprises on performance contract after competition among the personalities having competent managerial skills has not yet been implemented fully. Though the Chief Executive Officers on five enterprises –Agricultural Development Bank, Citizen Investment Trust, Employees' Provident Fund, National Insurance Company and Nepal Stock Exchange – were appointed as per the decision, such an appointment in Nepal Electricity Authority did not last long. The “Public Enterprise Directive Board (constitution and operation) Order, 2068”, which was constituted in order to enhance functionality of the Enterprises and promote professionalism in them, has initiated its work already.
- 1.82 Even among the profit earning public enterprises, the financial condition, capacity utilization and employee productivity has not remained satisfactory. Some of the enterprises are in loss and some have negative net worth. A very low rate of return, lack of timely and updated audit, creation of unfunded liability to meet employee-related facilities, dependence of loss-incurring enterprises on the government, and lack of clear policy and mechanism to monitor and inspect the enterprises are the main challenges of public enterprises in Nepal.

### **Revenue and Contribution of Public Enterprises in GDP**

- 1.83 In 2010/11, the portion of dividend contributed by 37 public enterprises constituted 2.8 percent in the total revenue of GoN. The ratio of the dividend to investment, computed at 6.0 percent, is lower than current interest rate.



- 1.84 The contribution to GDP from operating income of public enterprises was 11.09 percent in 2010/2011. Among the enterprises, the share of commercial sector had been the highest, whereas social sector had the lowest share.

### **Privatization and Dissolution of Public Enterprises**

- 1.85 The privatization process had been initiated since 1994 with the objectives of minimizing the administrative and budgetary burden of the GON, strengthening capacity and productivity of the enterprises, and increasing private sector participation and effectiveness in economic development. Up to mid-July, 2010, 30 public enterprises had been privatized through liquidation, assets and business sales, share and equity sales, management contract and equity sales and lease. Since 2010/2011, however, privatization of the public enterprises has not been carried out. It has been essential to formulate mechanism for monitoring and supervising privatized enterprises in addition to making timely amendments of privatization policies before the re-commencement of the process.

### **Effort to Improve Public Enterprises and the Constitution of Public Enterprises Directive Board**

- 1.86 The “Public Enterprise Directive Board (constitution and operation) Order, 2068” has been issued (in Nepal Gazette on 2068/09/12 B.S.) as per the decision of the GoN on 2068/08/15 in order to operate public enterprises in a coordinating manner by promoting competition and professionalism in them. The Board has initiated its work already.
- 1.87 The provision to appoint the Chief Executive Officers and directors in the public enterprises by open competition to keep them out of non-professional influence by providing autonomy in administrative and economic decision-making is an important provision of the Order. Another important part of the Order is the provision of the government’s consent over the work performance contract with the Chief Executive Officers, and the provision of the work performance assessment of the Chief Executive Officers every year by the Board.
- 1.88 Since the “Public Enterprises Directive Board”, in addition to above mentioned functions, is entitled to study and do research on various issues so as to advise the GoN, this task is expected to help the Government to make policies regarding the operation of public enterprises effectively. It is also anticipated that the advisory function will help better managerial efficiency, improve economic/physical condition, and increase competitive capacity of the enterprises capacitating them to provide quality level of goods and services, maintain accountability and transparency in the work performance and ultimately contribute for positive improvement in the entire performance.

## ***Monetary and Financial Situation***

### **Monetary Situation**

- 1.89 In the context of significant increase in the transaction of development banks and finance companies, NRB has included these banks and companies in its broad monetary survey from the fourth month of 2011/12. As per the survey, the broad money supply went up by 22.7 percent in the review year. Last year, it had expanded by 12.3 percent. The expansion in the review year was contributed by a significant rise in the net foreign assets of monetary sector. Similarly, narrow money supply (M1) increased by 18.5 percent in the review year as compared to 5.2 percent growth last year.
- 1.90 The currency in circulation, a component of narrow money supply, went up by 20.1 percent in 2011/12 compared to 1.9 percent rise last year. In the review year, current deposit increased by 15.7 percent compared to the 11.4 percent growth in 2010/2011. Saving and call deposits went up by 31.4 percent, and time deposit rose by 14.1 percent compared to the growth of 5.9 percent and 29.4 percent respectively last year.

- 1.91 The net foreign assets (after adjusting foreign exchange valuation gain/loss), which had increased by 1.0 percent (Rs. 2.18 billion) in 2010/2011, soared up by 59.1 percent (Rs. 127.70 billion) in the review year. Such rise was due to improvement in exports, significant increase in workers' remittances and services income, improvement in capital account and favourable BOP.
- 1.92 Domestic credit increased by 8.0 percent in 2011/12; previously its growth had been 14.6 percent. The deceleration was because of lower level claims of private sector coupled with significant rise of the net saving in government account due to lower level of public expenditure relative to resource mobilization.
- 1.93 In the review year, the net claims on government decreased by 5.6 percent (Rs. 9.19 billion). Last year, such claims had increased by 19.7 percent (Rs. 26.92 billion). The claims on government deposit stood at Rs. 11 billion in 2011/12 compared to Rs. 20.77 billion overdraft claim of NRB last year.
- 1.94 The net claims on private sector, which had increased by 13.9 percent (Rs. 88.77 billion) in 2010/2011, grew by 11.3 percent (Rs. 82.50 billion) in the review year. The slow growth was contributed by the policy measures like sectoral credit limit implemented to curb excessive credit flow in unproductive sector and the reduction of credit by financial institutions having high credit deposit ratio to bring the ratio within the stipulated limit.
- 1.95 In the review year, claims on non-government financial enterprises increased by 58.7 percent. Last year, the claims had risen by 8.0 percent. The rise in the claims was due to bank credit to Nepal Electricity Authority, Nepal Oil Corporation, Nepal Salt Trading Corporation and Nepal Airlines Corporation.
- 1.96 Reserve money rose by 36.4 percent in 2011/12 compared to 7.2 percent increase last year. Despite the fall in NRB's claims on government and on banks and financial institutions, the expansion in reserve money was due to significant rise in the net foreign assets.

## Status of the Sources and Uses of Fund of BFIs

### Status of the Sources and Uses of Commercial Banks

- 1.97 The asset/liabilities of commercial banks increased by 23.3 percent (Rs. 198.96 billion) in the review year. Last year, it had risen by 11.8 percent (Rs.90.26 billion).
- 1.98 The loans and advances of commercial banks, which had increased by 13.0 percent last year, rose by 17.0 percent (Rs. 114.64 billion) to Rs. 787.75 billion in the review year. Among the components of loans and advances, the share of private sector credit remained the highest standing at 40.6 percent of the GDP.
- 1.99 In 2011/12, the credit of commercial banks to the private sector increased by 17.8 percent (Rs. 92.57 billion). Previously, such credit had gone up by 12.2 percent (Rs. 56.56 billion). Out of the total, the credit to productive sector increased by 25.0 percent (Rs. 28.78 billion) compared to the growth of 21.6 percent last year. In the productive sector, credit expansion to raw jute, manufacturing and agriculture, cement, sugar, and beverage items remained high. The credit to agriculture sector increased by Rs. 9.21 billion. The credit on wholesale and retail trade, finance along with insurance and fixed assets, and service sector increased by 18.3 percent (Rs. 20.3 billion), 7.3 percent (Rs. 4.25 billion) and 25.5 percent (Rs. 9.30 billion) respectively. Such credit had expanded by 23.3 percent, 7.1 percent and 23.3 percent respectively in the previous year. Similarly, the real estate credit, which had risen by Rs. 0.20 billion last year, expanded by Rs. 2.72 billion (7.1 percent).
- 1.100 Out of the total assets of commercial banks in the review year, the share of investment on the Government securities increased by 21.8 percent as against 27.6 percent rise of the last year. The investment of commercial banks on such securities increased by Rs. 23.5 billion in the review year and stood at Rs. 128.99 billion.
- 1.101 As at mid-July 2012, the liquid assets of commercial banks amounted to Rs. 315.17 billion accounting for 36.6 percent of the total deposit. Last year, it had stood at 34.9 percent.

Liquidity-deposits ratio increased marginally as there was increase in the claims on government of commercial banks. Of the components of liquid assets, liquid fund increased by 41.6 percent in the review year. While the balance of commercial banks held abroad increased by 5.0 percent (Rs. 2.86 billion) to reach Rs. 59.65 billion, the balance with NRB increased by 84.5 percent (Rs. 45.86 billion) to Rs. 100.14 billion in the review year.

- 1.102 As at mid-July 2012, the deposit mobilization of commercial banks increased by 26.7 percent (Rs. 181.46 billion) and reached Rs. 861.69 billion. Last year, the deposit mobilization had increased by 9.6 percent (Rs. 59.62 billion). The positive impact in deposit mobilization was due to expansion of economic activities, rise in the workers' remittance and increase in exports at higher rate.
- 1.103 The saving and current deposits of commercial banks rose by 32.1 percent and 16.5 percent respectively in the review year. An increase in interest rates on deposits played a significant role to raise the deposit.

#### **Status of the Sources and Uses of Development Banks**

- 1.104 With the objective of rendering financial services to agricultural, industrial and business sectors in Nepal, the process of establishing development banks even by the private sector began after the enactment of the Development Bank Act 1996. Prior to the Act, two development banks – Agricultural Development Bank (which has been converted into a commercial bank) and Nepal Industrial Development Corporation (NIDC) – were operating. At present, development banks are operating as “B” class financial institutions under the Bank and Financial Institutions Act (BAFIA)-2006. The total financial resources of these banks as at mid-July 2012 increased by 23.7 percent to Rs.160.36 billion (Table 21).The total deposit mobilization, a major source of fund for these banks, increased by 34 percent and remained at Rs. 122.13 billion. Similarly, capital fund increased by 1.9 percent. Loan and advances of the banks, which had increased by 23.4 percent last year, grew by 23.6 percent (Rs.27.25 billion) to stand at Rs. 142.7 billion. Among the components of loans and advances, the share of private sector credit remained the highest occupying 6.6 percent of the GDP.

#### **Status of the Sources and Uses of Finance Companies**

- 1.105 The process of establishing finance companies began after the first amendment of the Finance Companies Act 1986 in 1993. Now, the companies are operating as “C” class financial institutions under the Bank and Financial Institutions Act, 2006. In the review year, the total financial resources of the finance companies decreased by 7.5 percent to Rs. 109.69 billion (Table 22). The decrease in loan and investment was due to the merger of 3 finance companies into 2 commercial banks, and 7 development banks and 5 finance companies into 6 development banks. Last year, the total resources of these companies had increased by 7.8 percent. In the review period, the total deposit, a major source of fund, decreased by 7.5 percent to Rs. 75.40 billion. Last year, it had increased by 8.1 percent. The capital fund of these companies declined by 10.2 percent to stand at Rs.17.43 billion in the review period. Loan and advances of the companies, which had increased by 7.8 percent last year, decreased by 10.6 percent (Rs.11.24 billion) and reached Rs.95.03 billion. Of the components of loans and advances, the share of private sector credit remained the highest to occupy 4.4 percent of the GDP.

#### **Use of Standing Liquidity Facility and the Status of Inter-bank Transaction**

- 1.106 In 2011/12, the banks and financial institutions used standing liquidity facility amounting to Rs. 5.57 billion as compared to the use of Rs. 216.67 billion last year. The amount of inter-bank transactions of commercial banks, which had reached Rs. 397.56 billion last year, stood at Rs. 212.77 billion during the review period.

#### **Short-term Interest Rate**

- 1.107 In 2011/12, the weighted average interest rate of 91-day treasury bills remained at 1.31 percent. Last year, it had been 7.41 percent. Similarly, the weighted average inter-bank transaction rate

was recorded at 1.28 percent compared to 8.44 percent rate last year. In the review year, an excess liquidity position of commercial banks and financial institution played a major role in reducing the interest rate.

### Foreign Exchange Market

- 1.108 NRB injected net liquidity of Rs. 258.28 billion through the purchase of USD 3.19 billion from the foreign exchange market (commercial banks) in 2011/12. Last year, the bank had injected net liquidity of Rs. 174.30 billion through the purchase of USD 2.42 billion. In the review period, Indian currency (INR) equivalent to Rs. 213.95 billion was purchased through the sale of USD 2.66 billion. Last year, INR equivalent to Rs. 198.15 billion had been purchased through the sale of USD 2.74 billion. Though a higher amount of INR was purchased in the review year due to the widening trade deficit with India on account of increase in the imports of petroleum products, lower amount of USD, compared to the previous year, was spent to purchase INR due to depreciation of INR against USD.

### Financial Institutions Conducting Micro-finance Activities

- 1.109 A total of 24 micro-finance institutions are operating as “D” class financial institutions; this category consists of 5 Grameen Bikas Banks (Rural Development Banks), 16 private sectors replicates of Grameen Banking and 3 wholesale lending micro finance institutions.
- 1.110 One Grameen Bikas Bank is operating in each development region with an objective of providing financial services to deprived-rural sector women by forming groups for a variety of income-generating activities. Of the five banks, which 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 to the development bank group members, employees and other interested investors. In the remaining two, NRB had 10 percent share ownership in Paschimanchal and 68.46 percent in Sudur-Paschimanchal Grameen Bikas Bank at the end of 2011/12.
- 1.111 Three financial institutions have been involved in wholesale micro-financing activities. While RMDC, established on 20 October 1998, has been providing wholesale lending to development banks, cooperatives and non-governmental organization, the Small Farmer Development Bank Ltd., established on 6 July 2001, has been offering its service to Small Farmers Cooperatives Ltd. (SFCL). Similarly, First Micro- Finance Development Bank Ltd., which was established on 28 Dec 2009, has been providing wholesale lending to co-operatives, NRB licensed Non-Government Organizations and micro finance development banks.
- 1.112 In comparison to last year, the total assets/liabilities of “D” class micro finance institutions recorded a growth of 42.9 percent to Rs. 29.82 billion in 2011/12. The total deposit mobilization of these institutions stood at Rs. 5.13 billion and the total borrowing reached Rs.16.57 billion. The total loan and investment reached Rs. 17.70 billion and Rs.2.19 billion respectively.

### NRB Licensed Limited Banking Cooperatives

- 1.113 Cooperatives established under Cooperative Act, 1992 and licensed by NRB have been undertaking limited banking transactions abiding by the directives of NRB. The total number of such cooperatives, including 1 National Cooperative Development Bank, reached 16 by the end of July 2012. The total assets/liabilities of these institutions amounted to Rs.11.36 billion. Similarly, their total deposits reached Rs. 8.52 billion whereas their loans and advances stood at Rs. 6.39 billion. The total investment comprising investment on government securities, fixed deposits and other investments amounted to Rs 0.77 billion by mid- July 2012.

### NRB Licensed Non-Government Organizations

- 1.114 The number of NGOs registered under Institutions Registration Act, 1977 and licensed by NRB to undertake limited banking transactions in accordance with the provision of the Financial Intermediary Act, 1999 have reached 35. The total deposits and investment of these institutions as of mid-July 2012 amounted to 1.85 billion and 4.36 billion respectively.

### Rural Self Reliance Fund

1.115 The total capital in Rural Self Reliance Fund (RSRF), established by the combined effort of GON and NRB in 1991, reached Rs.0.44 billion after the contribution of Rs.0.19 billion and Rs.0.25 billion from GON and NRB respectively. The Fund has been providing loan on installment basis to its affiliates not exceeding 20 times at first loan, and 15 times at second and third loan of core capital (share capital, general reserve, and profit) amounting to Rs. 2 million, Rs 2.5 million and Rs. 3 million at first, second and third time respectively. The fund to enhance the economic status of the deprived sector provides micro credit upto Rs.50 thousand, Rs.55 thousand and Rs.60 thousand at first, second and third time, and reloan of Rs. 60 thousand to each member through cooperatives/Non-Government organization. The provision of providing maximum of Rs.1.5 million to each project of well renowned best utilizers of second time loan to operate any mutual micro enterprises has been made. Similarly, the provision of providing wholesale lending to Agriculture Development Bank and Micro credit Development Bank so as to help them manage long-term loan for the enterprises like tea, cardamom (*Aalaichi*) and cold store has been made.

**Table 1.7**  
**Financial Activities of RSRF**

Description	Mid-July 2011	Mid-July 2012
Loan Disbursement:		
Number of Districts	57	60
Number of Institutions	548	680
Number of Benefited Families	27,552	32,295
Loan Disbursed (Rs.in million)	558.1	741.6
Principal Repaid (Rs.in million)	293.0	421.4
Outstanding Loan (Rs.in million)	265.1	320.1
Overdue Loan (as percentage of the loan to be repaid)	5.9	5.7
Loan Recovery (in percentage)	94.1	94.3

### Insurance Companies

1.116 As of mid-July 2012, 25 insurance companies are operating under Insurance Act, 1992. Among them, 8 offer life insurance services, 16 provide non-life insurance services, and 1 renders life and non-life insurance services. In terms of ownership, 3 insurance companies are operating under foreign investment and 2 are in joint ventures with foreign insurance companies. Likewise, 19 insurance companies are run by private sector and 1 is under the government ownership. Based on the record of the Insurance Board, the total assets/liabilities of these companies increased by 15.8 percent from last year to Rs. 70.89 billion in mid-July 2012 (Table 26). The total premium collection is estimated to be Rs. 19.70 billion (excluding National Insurance Corporation) as compared to the collection of Rs. 17.61 billion last year.

### Employees Provident Fund

1.117 Employees Provident Fund (EPF) established on 16 September 1962 under the EPF Act, 1962 manages provident fund of government employees, army, police, teachers, government corporations and some private companies. Functioning as a body under GoN's Ministry of Finance, the assets/liabilities of the EPF increased by 19.6 percent to Rs. 127.48 billion in mid-July 2012 (Table 27). Last year, it had amounted to Rs. 106.58 billion. The fund, which had stood at Rs.102.33 billion last year, increased by 21.8 percent to reach Rs.124.59 billion in mid-July 2012.

### Citizen Investment Trust

1.118 Citizen Investment Trust (CIT) established on 18 March 1991 under CIT Act, 1991 mobilizes private and institutional savings, and extends loans and advances in addition to working as an issue manager of securities. The Trust is also under GoN's Ministry of Finance. The total

assets/liabilities of CIT increased by 41.5 percent to Rs. 38.07 billion in mid-July 2012 (Table 28). Last year, it had amounted to Rs. 26.91 billion. Fund collection, a major component in the liabilities side, increased from Rs. 23.55 billion of the last year by 33.3 percent to Rs. 31.39 billion in mid-July 2012. On the assets side, loan/advances reached Rs. 9.66 billion from Rs. 4.36 billion of 2010/2011.

### **Postal Savings Bank**

1.119 The Postal Savings Bank established under GoN's Postal Service Department initiated its operation from 1976. Of the total of 117 licensed offices, only 68 offices mobilized deposits as at mid-July 2012. The total deposit collected by these offices reached Rs. 1.28 billion by mid-July 2012 and the number of total accounts was 54,796. The total investment made by its 59 offices was Rs. 475.7 million.

### **Deposit and Credit Guarantee Corporation Pvt. Ltd.**

1.120 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 people in remote areas by encouraging commercial banks to invest on priority sector. The Corporation guarantees loans extended to priority sector, livestock security, foreign employment, vegetable farming, micro and deprived sector, and small and medium scale industries. The total loan guaranteed by the Corporation reached Rs. 0.54 billion by mid-July 2012.

### **Credit Information Centre Ltd.**

1.121 Credit Information Centre Ltd. (CICL) established in 1989 at the initiation of NRB collects credit information from banks and financial institutions to disseminate them on demand; it also maintains and updates the black listing of loan defaulters. In CICL, NRB holds 10 percent share whereas commercial banks, development banks and finance companies own 65 percent, 10 percent and 15 percent share respectively. As per the information of the Centre, 353 defaulters were added and 121 borrowers were removed from the blacklist during the review period. The total number of blacklisted defaulters as at mid-July 2012 was 4032.

### **Number of Financial Institutions**

1.122 The number of 'A' category commercial banks licensed by NRB reached 32 at mid-July 2012. And the number 'B' (development banks), 'C' (finance companies) and 'D' (financial institutions undertaking micro-credit transactions including rural development banks) categories in operation was 88, 70 and 24 respectively. The number of cooperatives and non-government organizations (NGOs) licensed by NRB to carry out limited banking transactions reached 16 and 36 respectively. 25 insurance companies and 294 financial institutions (including banks and financial institutions, Employees Provident Fund, Citizen Investment Trust and Postal Saving Bank) were operating as at the end of mid-July 2012. (Table 1.8)

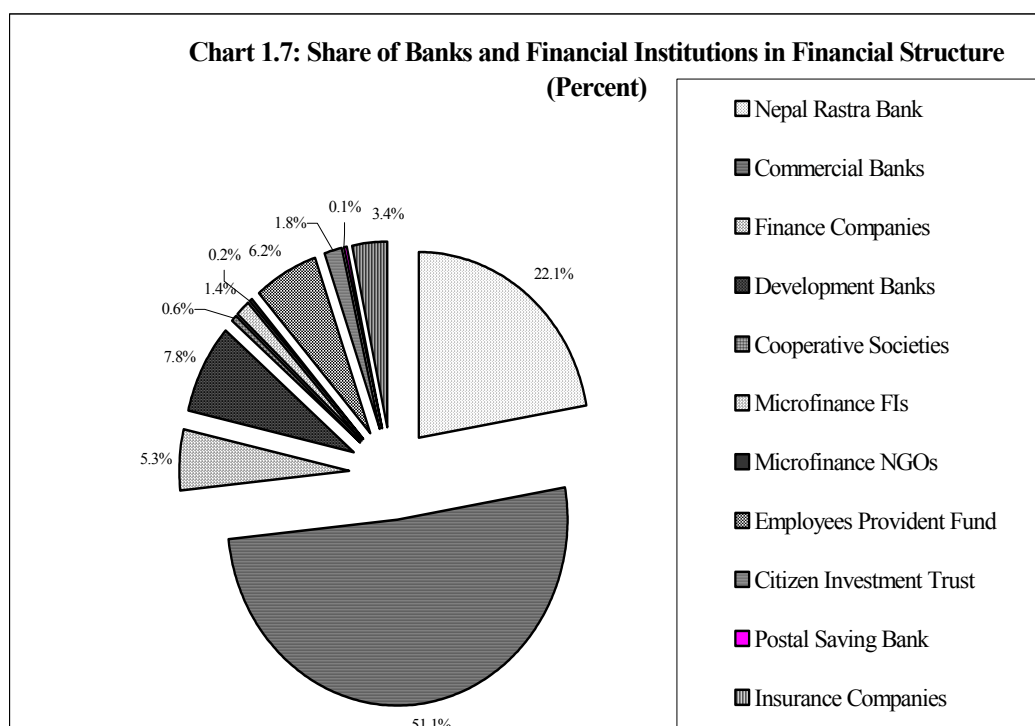
**Table 1.8**  
**Number of Banks and Financial Institutions**

Banks and Financial Institutions	2011 (mid-July)	2012 (mid-July)
Commercial Banks	31	32
Development Banks	87	88
Finance Companies	79	70
Micro-Finance Institutions	21	24
NRB Licensed Cooperatives (with Ltd. banking)	16	16
NRB Licensed NGOs (with Ltd. banking)	38	36
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Saving Bank	1	1

### Financial Structure

1.123 The ratio of the total assets/liabilities to the GDP of institutions operating banking system and contractual saving remained at 132.3 percent in mid-July 2012.

1.124 In the composition of total assets/liabilities of financial institutions as of mid-July 2012, commercial banks had the highest share (51.1 percent) followed by NRB (22.1 percent), development banks (7.8 percent), EPF (6.2 percent), finance companies (5.3 percent) and CIT (1.8 percent).



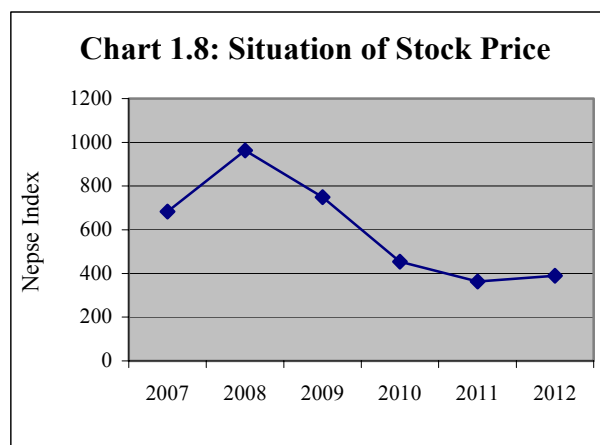
### Security Market

1.125 Some positive signals have been visible in securities market in 2011/12. Most of the indicators of market unlike in the previous year remained at an increasing trend. Consequently, the transaction amount increased by 54.2 percent to Rs. 10.28 billion compared to the rise of Rs. 6.67 billion last year.

1.126 The NEPSE Index, from 362.9 last year, increased by 7.4 percent to 389.7 at mid-July 2012. The NEPSE Sensitive Index (based on the calculation as of mid-July 2006) stood at 98.8 points. Last year, the index had remained at 89.4. The NEPSE Float Index, calculated on the basis of

closing transaction as of 24 August 2008 (as base market value) dropped marginally by 0.4 percent in the review year to 30.6 from 30.7 of the last year.

1.127 Since 2010/11, Nepal Stock Exchange Ltd. has initiated various activities in favor of the investors and develop capital market. In this regard, arrangements have been made to expand broker service from outside Kathmandu valley. The service initiated in coordination with Nepal Stock Broker Association since 2009/2010 from Pokhara has been extended to Biratnagar, Birgunj, Narayangadh and Butwal. Credit Rating Rules 2011 has been issued and implemented from 2011/12. Accordingly, a letter of intent



has been provided to ICRA India Ltd. to grant permission for the interested companies to enter into credit rating service and facilitate them to enter into the credit rating business. Securities allocation and mutual investment fund directives have been in the making and Mutual Investment Fund Rules 2012 has been amended to increase the demand of securities and to allocate securities transparently.

1.128 The total number of companies listed at Nepal Stock Exchange Ltd. increased from 209 in mid-July 2011 to 216 in the review year. Of the companies, the number of banks and financial institutions (including insurance companies) was 184 followed by production and processing industries (18), hotels (4), trading (4), hydropower (4) and other groups (2). The paid up capital of listed companies increased by 10.3 percent to Rs. 110.61 billion. The increase was due to additional listing of ordinary share of 11 companies worth Rs. 3.57 billion, bonus share of 61 companies worth to Rs. 4.21 billion and right share of 33 companies worth Rs. 2.40 billion at the NEPSE. Similarly, government securities of Rs. 15 billion and commercial banks' bond of Rs. 0.70 billion were also listed at the NEPSE in the review year.

1.129 The y-o-y market capitalization increased by 13.8 percent to Rs. 368.26 billion in mid-July 2012. As a result, the ratio of market capitalization to the GDP stood at 23.6 percent. Last year too the ratio had been 23.6 percent. In the total market capitalization, the share of bank and financial institutions was 68.9 percent; the share of manufacturing and processing companies, hotels, trading companies, hydropower and other sectors stood at 3.2 percent, 1.8 percent, 0.3 percent, 5.3 percent and 20.5 percent respectively.

1.130 In 2011/12, Securities Board of Nepal gave approval to issue ordinary share of Rs. 1.30 billion to 15 companies, right share of Rs. 0.45 billion to 7 companies and debenture of Rs. 1.20 billion to 3 companies.

1.131 The secondary market has been operating for the development bond of GoN through auction since 15 December 2006 in Nepal Stock Exchange Ltd. During the review year, such bonds amounting to Rs. 15 billion have been listed in the market.

1.132 By mid-July 2012, securities amounting to Rs. 20.40 billion including the bonds of Rs. 5.30 billion issued by Nepal Electricity Authority (with the face value of Rs. 100 per unit) and commercial banks, mutual fund of Rs. 0.10 billion (with the face value of Rs. 10 per unit) managed by NIDC Capital Markets Ltd. under the trusteeship NIDC, Development Bond 2071 "ga" of Rs. 5 billion, Development Bond 2070 "ka" of Rs. 3.50 billion, and Development Bond 2071 "gha" of Rs. 6.5 billion have been listed in Nepal Stock Exchange Ltd. (Table 1.9)



**Table 1.9**  
**Listed Securities and Mutual Fund Units**

Institutions	Listing Date	Amount (Rs. in Million)	Interest Rate (%)
Bank of Kathmandu Ltd. - Debenture 2069	2006/03/21	200	6.0
Nepal Investment Bank Ltd. - Bond 2070	2006/11/27	250	6.0
NIC Bank Ltd. - Bond 2070	2007/02/22	200	6.0
Nepal SBI Bank Ltd. - Debenture 2070	2007/02/20	200	6.0
Nepal Investment Bank Ltd. - Bond 2071	2007/09/03	225	6.5
NCM Mutual Fund - 2069	2003/09/10	100	5.0
Nepal Electricity Authority - Debenture 2069	2008/06/05	1500	8.0
Himalayan Bank Ltd. - Debenture 2072	2008/08/06	500	8.0
Kumari Bank Ltd. - Bond 2070	2008/08/06	400	8.0
Nepal Investment Bank Ltd. - Bond 2072	2008/08/06	250	8.0
Nabil Bank Ltd. - Bond 2075	2008/11/19	300	8.5
Laxmi Bank Ltd. - Debenture 2072	2009/01/11	350	8.5
Siddhartha Bank Ltd. - Bond 2072	2009/10/08	227	8.5
Development Bond 2071 "ga"	2011/09/08	5000	9.5
Development Bond 2070 "ka"	2012/03/21	3500	8.0
Nepal S.B.I. Bank Ltd. - Bond 2072	2012/03/22	400	12.5
Nepal Investment Bank Ltd. - Bond 2075	2011/09/06	300	12.0
Development Bond 2071 "gha"	2012/07/19	6500	8.50
<b>Total</b>		<b>20402</b>	

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

	2010	2011	Projection	
			2012	2013
World Production	5.1	3.8	3.3	3.6
Advanced Economies	3.0	1.6	1.3	1.5
United States	2.4	1.8	2.2	2.1
Euro Area	2.0	1.4	-0.4	0.2
Japan	4.5	-0.8	2.2	1.2
Emerging and Developing Economies	7.4	6.2	5.3	5.6
Developing Asia	9.5	7.8	6.7	7.2
China	10.4	9.2	7.8	8.2
India	10.1	6.8	4.9	6.0

Source: IMF, World Economic Outlook, October 2012

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

	2010	2011	Projection	
			2012	2013
Import				
Developed Economies	11.4	4.4	1.7	3.3
Emerging and Developing Economies	14.9	8.8	7.0	6.6
Export				
Developed Economies	12.0	5.3	2.2	3.6
Emerging and Developing Economies	13.7	6.5	4.0	5.7

Source: IMF, World Economic Outlook, October 2012

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

Goods Price				
Fuel	27.9	31.6	2.1	-1.0
Non-Fuel	26.3	17.8	-9.5	-2.9
Consumer Price				
Advanced Economies	1.5	2.7	1.9	1.6
Emerging and Developing Economies	6.1	7.2	6.1	5.8

Source: IMF, World Economic Outlook, October 2012

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

S.N.	Description	2009/10	2010/11	2011/12
<b>Percentage Change</b>				
1	In Producers' Prices			
	a. GDP at 2000/01 Prices	4.8	3.9	4.6
	b. GDP at Current Prices	20.8	14.7	13.8
2	In Basic Prices			
	a. GDP at 2000/01 Prices	4.3	3.8	4.6
	b. GDP at Current Prices	19.1	15.1	13.8
3	Gross National Income at Current Prices	20.3	14.5	14.2
4	Total Consumption	18.0	18.5	12.1
5	Total Investment	46.1	-2.6	14.7
6	Gross National Savings	21.1	1.0	31.8
7	Gross Fixed Capital Formation	25.5	9.7	5.2
8	Gross Domestic Savings	47.5	-14.2	31.7
9	Gross National Disposable Income	18.9	13.4	17.2
10	Money Supply (M1)	11.0	5.2	18.5
11	Broad Money Supply (M2)	14.1	12.3	22.7
12	Domestic Credit	17.2	14.6	8.0
13	Fixed Deposits	15.5	29.4	14.1
14	Total Exports	-10.2	5.8	15.4
15	Total Imports	31.6	5.8	16.5
16	Gross Foreign Exchange Reserves	-6.2	1.2	61.5
17	Government Revenue	25.4	11.0	22.2
18	Government Expenditure*	21.3	10.7	11.9
19	National Consumer Price Index	9.6	9.6	8.3
20	Wholesale Price Index	12.6	9.9	6.4
<b>As a percentage of GDP</b>				
1	Total Consumption	88.5	91.4	90.0
2	Total Investment	38.3	32.5	32.8
3	Gross National Savings	36.0	31.7	36.7
4	Gross Fixed Capital Formation	22.2	21.2	19.6
5	Gross Domestic Savings	11.5	8.6	10.0
6	Gross National Disposable Income	124.4	123.0	126.7
7	Money Supply (M1)	18.3	16.3	17.0
8	Broad Money Supply (M2)	60.3	67.4	72.6
9	Domestic Credit	55.5	66.7	63.3
10	Fixed Deposits	42.0	21.8	21.9
11	Total Exports	5.2	4.7	4.8
12	Total Imports	31.9	28.9	29.6
13	Foreign Exchange Reserves	22.9	19.9	28.2
14	Government Revenue	15.1	14.6	15.7
15	Government Expenditure*	21.0	20.3	19.9
16	Government Budget Surplus/Deficit*	3.4	3.7	0.6
17	Internal Borrowings	2.5	2.5	2.3
18	Trade Balance	-26.8	-24.2	-24.9
19	Current Account Balance	-2.4	-0.9	4.9
20	Total Outstanding External Debt**	21.5	19.0	19.8

\* On cash basis

\*\* Source: Economic Survey, 2011/12

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

Sector	2009/10	2010/11 <sup>R</sup>	2011/12 <sup>P</sup>
<b>1. Agriculture</b>	<b>2.0</b>	<b>4.5</b>	<b>4.9</b>
Agriculture and Forestry	2.0	4.5	4.9
Fishery	3.6	6.9	8.8
<b>2. Non-Agriculture</b>	<b>5.4</b>	<b>3.4</b>	<b>4.3</b>
<b>Industry</b>	<b>4.0</b>	<b>2.9</b>	<b>1.7</b>
Mining & Quarrying	2.1	2.0	5.0
Manufacturing	3.0	2.3	1.3
Electricity, Gas & Water	1.9	-0.5	7.4
Construction	6.2	4.8	-0.1
<b>Service</b>	<b>5.8</b>	<b>3.6</b>	<b>5.1</b>
Wholesale & Retail Trade	6.8	1.2	3.8
Hotels & Restaurant	6.5	7.4	8.3
Transport, Storage & Communication	6.0	5.7	6.8
Financial Intermediation	2.8	3.3	3.5
Real Estate, Renting & Business	3.0	2.3	3.0
Public Administration & Defence	3.9	3.8	5.6
Education	6.6	3.0	5.0
Health & Social Work	4.8	5.3	5.5
Other Community, Social & Personal Service	11.9	8.0	9.1
<b>GDP at Basic Price</b>	<b>4.3</b>	<b>3.8</b>	<b>4.6</b>
<b>GDP at Producers' Price</b>	<b>4.8</b>	<b>3.9</b>	<b>4.6</b>

R Revised estimate

P Preliminary estimate

Source: Central Bureau of Statistics

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

Agricultural Commodities	Weight	2009/10	2010/11 <sup>R</sup>	2011/12 <sup>P</sup>	2010/11 <sup>R</sup>	2011/12 <sup>P</sup>
		Index			Percent change	
<b>Cereals &amp; Other Crops</b>	<b>49.41</b>	<b>115.98</b>	<b>124.70</b>	<b>132.78</b>	<b>7.5</b>	<b>6.5</b>
Paddy	20.75	95.43	103.89	118.14	8.9	13.7
Maize	6.88	125.00	149.55	157.64	19.6	5.4
Wheat	7.14	134.43	126.75	128.72	-5.7	1.6
Millet	1.37	105.89	110.27	110.08	4.1	-0.2
Barley/Naked Barley	0.22	90.48	99.19	99.11	9.6	-0.1
Potato	4.67	191.65	190.91	193.09	-0.4	1.1
Sugarcane	1.24	112.81	122.90	125.25	8.9	1.9
Jute	0.17	79.06	87.96	87.05	11.3	-1.0
Tobacco	0.06	62.70	31.16	27.88	-50.3	-10.5
Soyabeans	0.19	126.17	162.10	169.59	28.5	4.6
Pulses	4.42	106.44	128.47	131.78	20.7	2.6
Others	2.29	95.91	105.04	107.33	9.5	2.2
<b>Vegetables, Horticultural &amp; Nursery</b>	<b>9.71</b>	<b>181.70</b>	<b>190.23</b>	<b>190.24</b>	<b>4.7</b>	<b>0.0</b>
Total Vegetables	9.70	181.77	190.31	190.32	4.7	0.0
Others	0.01	180.20	182.65	182.68	1.4	0.0
<b>Fruit, Nuts Beverage &amp; Spice</b>	<b>7.10</b>	<b>194.16</b>	<b>210.58</b>	<b>220.41</b>	<b>8.5</b>	<b>4.7</b>
Orange	0.97	233.79	239.98	246.33	2.6	2.6
Mango	1.56	106.05	147.24	147.24	38.8	0.0
Banana	0.40	186.1	248.85	272.45	33.7	9.5
Apple	0.42	131.29	134.27	138.07	2.3	2.8
Spice Crops	1.79	246.43	259.27	284.17	5.2	9.6
Tea	0.05	220.91	212.71	162.81	-3.7	-23.5
Coffee	0.00	346.07	451.12	501.61	30.4	11.2
Others	1.85	210.78	208.79	213.85	-0.9	2.4
<b>Animal &amp; Dairy Products</b>	<b>23.25</b>	<b>129.30</b>	<b>133.77</b>	<b>137.99</b>	<b>3.5</b>	<b>3.2</b>
Buffaloes' Meat	4.42	130.04	134.46	139.88	3.4	4.0
Mutton	3.24	130.51	136.69	142.2	4.7	4.0
Milk	12.36	132.76	137.96	142.51	3.9	3.3
Others	3.23	113.83	113.83	113.83	0.0	0.0
<b>Other Animal Products</b>	<b>2.43</b>	<b>131.71</b>	<b>169.49</b>	<b>179.65</b>	<b>28.7</b>	<b>6.0</b>
Pigs' Meat	0.50	111.94	117.61	122.36	5.1	4.0
Poultry Meat	0.67	131.23	250.93	275.43	91.2	9.8
Eggs	0.81	127.75	138.79	142.73	8.6	2.8
Hides & Skins	0.35	183.48	183.48	191.67	0.0	4.5
Others	0.11	88.15	87.46	86.48	-0.8	-1.1
<b>Forestry</b>	<b>8.10</b>	<b>101.90</b>	<b>74.19</b>	<b>82.04</b>	<b>-27.2</b>	<b>10.6</b>
<b>Overall Index</b>	<b>100.00</b>	<b>130.20</b>	<b>136.24</b>	<b>142.79</b>	<b>4.6</b>	<b>4.8</b>

R Revised estimate

P Preliminary estimate

Source: Central Bureau of Statistics

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

Groups/Sub-Groups	Weight %	2009/10	2010/11	2011/12	Percentage Change	
					2010/11	2011/12
<b>Overall Index</b>	<b>100.00</b>	<b>139.4</b>	<b>152.7</b>	<b>165.4</b>	<b>9.6</b>	<b>8.3</b>
<b>1. Food &amp; Beverage</b>	<b>46.82</b>	<b>158.1</b>	<b>181.3</b>	<b>195.2</b>	<b>14.7</b>	<b>7.7</b>
Cereal Grains & their Products	14.81	153.7	175.1	175.7	13.9	0.3
Legume Varieties	2.01	208.8	193.0	192.9	-7.6	0.0
Vegetables	5.65	160.7	217.0	269.6	35.0	24.2
Meat & Fish	5.70	171.5	186.3	200.3	8.6	7.5
Milk Products & Egg	5.01	149.0	170.7	193.9	14.6	13.6
Ghee & Oil	2.70	143.1	146.7	167.9	2.5	14.4
Fruits	2.23	154.7	184.7	216.0	19.4	16.9
Sugar & Sweets	1.36	177.6	212.3	231.9	19.5	9.2
Spices	1.46	175.1	215.7	196.0	23.2	-9.1
Soft Drinks	0.96	152.6	168.5	176.0	10.4	4.4
Hard Drinks	1.72	133.5	142.1	148.6	6.4	4.6
Tobacco Products	0.85	152.1	172.7	191.4	13.5	10.8
Restaurant Food	2.35	164.2	189.7	212.3	15.5	11.9
<b>2. Non-Food &amp; Services</b>	<b>53.18</b>	<b>124.8</b>	<b>131.5</b>	<b>143.4</b>	<b>5.4</b>	<b>9.0</b>
Clothing & Footwear	8.49	124.8	141.4	162.3	13.3	14.8
Housing & Utilities	10.87	124.8	134.1	142.3	7.5	6.1
Furnishing & Household Equipment	4.89	135.7	143.4	162.6	5.7	13.4
Health	3.25	117.8	122.7	128.3	4.2	4.6
Transport	6.01	123.6	136.1	157.3	10.1	15.6
Communication	3.64	100.1	89.5	82.2	-10.6	-8.2
Recreation & Culture	5.39	123.0	120.1	129.4	-2.4	7.8
Education	8.46	135.3	142.7	156.6	5.5	9.8
Miscellaneous Goods & Services	2.17	124.7	132.1	145.2	5.9	9.9
<b>Consumer Price Index - Kathmandu Valley</b>						
<b>Overall Index</b>	<b>100.00</b>	141.8	158.9	170.6	12.1	7.4
1. Food & Beverage	49.67	159.6	187.5	201.4	17.5	7.4
2. Non-Food & Services	50.33	126.2	135.7	145.7	7.5	7.4
<b>Consumer Price Index - Terai</b>						
<b>Overall Index</b>	<b>100.00</b>	137.8	147.7	159.7	7.2	8.1
1. Food & Beverage	44.49	157.6	176.8	188.4	12.2	6.6
2. Non-Food & Services	55.51	123.7	128.3	140.2	3.7	9.3
<b>Urban Consumer Price Index - Hills</b>						
<b>Overall Index</b>	<b>100.00</b>	139.3	154.0	168.9	10.6	9.7
1. Food and Beverage	47.26	157.3	182.2	199.3	15.8	9.4
2. Non-Food and Services	52.74	124.9	132.5	145.9	6.1	10.1

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

Groups/Sub-Groups	Weight %	2009/10	2010/11	2011/12	Percentage Change	
					2010/11	2011/12
<b>1. Overall Index</b>	<b>100.0</b>	<b>202.8</b>	<b>222.8</b>	<b>237.0</b>	9.9	6.4
<b>1.1 Agricultural Commodities</b>	<b>49.6</b>	<b>222.7</b>	<b>246.7</b>	<b>252.8</b>	10.8	2.5
Foodgrains	16.6	189.3	214.0	203.7	13.0	-4.8
Cash Crops	6.1	275.4	245.4	279.7	-10.9	14.0
Pulses	3.8	278.6	275.6	266.2	-1.1	-3.4
Fruits & Vegetables	11.2	182.4	225.4	251.4	23.6	11.5
Spices	1.9	198.0	273.4	229.7	38.1	-16.0
Livestock Production	10.0	274.5	309.3	318.7	12.7	3.0
<b>1.2 Domestic Manufactured Commodities</b>	<b>20.4</b>	<b>179.0</b>	<b>195.2</b>	213.9	9.1	9.6
Food-Related Products	6.1	173.1	183.0	202.7	5.7	10.8
Beverages & Tobacco	5.7	181.5	207.4	231.4	14.3	11.6
Construction Materials	4.5	226.6	238.3	250.9	5.2	5.3
Others	4.1	131.8	148.8	165.3	12.9	11.1
<b>1.3 Imported Commodities</b>	<b>30.0</b>	<b>186.2</b>	<b>202.1</b>	226.6	8.5	12.1
Petroleum Products & Coal	5.4	314.2	364.0	441.2	15.8	21.2
Chemical Fertilizers & Chemical Goods	2.5	189.1	198.3	206.7	4.9	4.2
Transport Vehicles & Machinery Goods	7.0	163.0	172.4	185.9	5.8	7.8
Electric & Electronic Goods	1.9	97.0	99.9	111.2	3.0	11.3
Drugs & Medicine	2.7	132.2	134.4	138.1	1.7	2.8
Textile-Related Products	3.1	128.8	135.7	167.3	5.4	23.3
Others	7.4	180.1	192.0	202.1	6.6	5.2

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

	Group & Sub-Group	Weight	2008/09	2009/10	2010/11	2011/12 <sup>P</sup>	Percentage Change	
							2010/11	2011/12
	<b>Overall Index</b>	<b>100.00</b>	<b>144.4</b>	<b>169.2</b>	<b>199.7</b>	<b>254.4</b>	<b>18.0</b>	<b>27.4</b>
<b>1.</b>	<b>Salary Index</b>	<b>26.97</b>	<b>130.6</b>	<b>157.0</b>	<b>157.0</b>	<b>187.3</b>	<b>0.0</b>	<b>19.3</b>
	Officers	9.80	129.2	150.2	150.2	177.7	0.0	18.3
	Non Officers	17.17	131.4	160.9	160.9	192.7	0.0	19.8
<b>1.1</b>	<b>Civil Service</b>	<b>2.82</b>	<b>161.2</b>	<b>199.3</b>	<b>199.3</b>	<b>236.5</b>	<b>0.0</b>	<b>18.7</b>
	Officers	0.31	148.1	171.5	171.5	215.4	0.0	25.6
	Non Officers	2.51	162.7	202.7	202.7	239.1	0.0	18.0
<b>1.2</b>	<b>Public Corporations</b>	<b>1.14</b>	<b>138.4</b>	<b>164.1</b>	<b>164.1</b>	<b>208.6</b>	<b>0.0</b>	<b>27.1</b>
	Officers	0.19	140.2	161.0	161	186.5	0.0	15.8
	Non Officers	0.95	138.1	164.7	164.7	213.0	0.0	29.3
<b>1.3</b>	<b>Bank &amp; Financial Institutions</b>	<b>0.55</b>	<b>186.0</b>	<b>204.1</b>	<b>204.1</b>	<b>290.6</b>	<b>0.0</b>	<b>42.4</b>
	Officers	0.10	173.8	182.3	182.3	250.0	0.0	37.1
	Non Officers	0.45	188.8	209.0	209.0	299.9	0.0	43.5
<b>1.4</b>	<b>Army &amp; Police Forces</b>	<b>4.01</b>	<b>146.9</b>	<b>180.2</b>	<b>180.2</b>	<b>227.9</b>	<b>0.0</b>	<b>26.5</b>
	Officers	0.17	137.5	152.2	152.2	194.8	0.0	28.0
	Non Officers	3.84	147.3	181.5	181.5	229.4	0.0	26.4
<b>1.5</b>	<b>Education</b>	<b>10.55</b>	<b>134.5</b>	<b>174.5</b>	<b>174.5</b>	<b>207.8</b>	<b>0.0</b>	<b>19.1</b>
	Officers	6.80	136.4	164.5	164.5	194.7	0.0	18.4
	Non Officers	3.75	131.2	192.8	192.8	231.6	0.0	20.1
<b>1.6</b>	<b>Private Institutions</b>	<b>7.90</b>	<b>101.2</b>	<b>102.5</b>	<b>102.5</b>	<b>111.3</b>	<b>0.0</b>	<b>8.6</b>
	Officers	2.24	101.0	101.4	101.4	115.3	0.0	13.7
	Non Officers	5.66	101.2	102.9	102.9	109.7	0.0	6.6
<b>2.</b>	<b>Wage Rate Index</b>	<b>73.03</b>	<b>149.4</b>	<b>173.8</b>	<b>215.5</b>	<b>279.2</b>	<b>24.0</b>	<b>29.6</b>
<b>2.1</b>	<b>Agricultural Labourer</b>	<b>39.49</b>	<b>155.9</b>	<b>187.3</b>	<b>247.8</b>	<b>320.0</b>	<b>32.3</b>	<b>29.1</b>
	Male	20.49	155.6	190.3	251.8	322.4	32.3	28.0
	Female	19.00	156.3	184.0	243.4	317.4	32.3	30.4
<b>2.2</b>	<b>Industrial Labourer</b>	<b>25.25</b>	<b>142.8</b>	<b>158.3</b>	<b>173.3</b>	<b>225.0</b>	<b>9.5</b>	<b>29.8</b>
	High Skilled	6.31	131.4	144.8	169.5	214.0	17.1	26.3
	Skilled	6.31	140.1	155.1	168.6	220.4	8.7	30.7
	Semi Skilled	6.31	145.6	161.5	169.5	221.8	5.0	30.9
	Unskilled	6.32	154.2	171.7	185.6	243.7	8.1	31.3
<b>2.3</b>	<b>Construction Labourer</b>	<b>8.29</b>	<b>138.6</b>	<b>156.6</b>	<b>189.9</b>	<b>250.3</b>	<b>21.3</b>	<b>31.8</b>
	<b>Mason</b>	<b>2.76</b>	<b>134.4</b>	<b>151.3</b>	179.2	235.3	18.4	31.3
	Skilled	1.38	132.2	149.9	177.0	226.1	18.1	27.7
	Unskilled	1.38	136.6	152.8	181.3	244.5	18.7	34.9
	<b>Carpenter</b>	<b>2.76</b>	<b>130.1</b>	<b>144.6</b>	169.8	227.5	17.4	34.0
	Skilled	1.38	126.7	141.4	167.0	217.7	18.1	30.4
	Unskilled	1.38	133.4	147.7	172.0	237.2	16.5	37.9
	<b>Worker</b>	<b>2.77</b>	<b>151.3</b>	<b>173.8</b>	220.0	288.1	26.6	31.0
	Male	1.38	149.7	171.6	221.7	292.2	29.2	31.8
	Female	1.39	152.9	176.0	219.5	283.9	24.7	29.3



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

(Rs. in million)

	2009/10	2010/11	2011/12 <sup>P</sup>	Percent Change	
				2010/11	2011/12
<b>TOTAL EXPORTS</b>	<b>60824.0</b>	<b>64338.5</b>	<b>74261.0</b>	<b>5.8</b>	<b>15.4</b>
To India	39993.7	43360.4	49616.3	8.4	14.4
To Other Countries	20830.3	20978.1	24644.7	0.7	17.5
<b>TOTAL IMPORTS</b>	<b>374335.2</b>	<b>396175.5</b>	<b>461667.7</b>	<b>5.8</b>	<b>16.5</b>
From India	217114.3	261925.2	299389.6	20.6	14.3
From Other Countries	157220.9	134250.3	162278.1	-14.6	20.9
<b>TOTAL TRADE BALANCE</b>	<b>-313511.2</b>	<b>-331837.0</b>	<b>-387406.7</b>	<b>5.8</b>	<b>16.7</b>
With India	-177120.6	-218564.8	-249773.3	23.4	14.3
With Other Countries	-136390.6	-113272.2	-137633.4	-17.0	21.5
<b>TOTAL FOREIGN TRADE</b>	<b>435159.2</b>	<b>460514.0</b>	<b>535928.7</b>	<b>5.8</b>	<b>16.4</b>
With India	257108.0	305285.6	349005.9	18.7	14.3
With Other Countries	178051.2	155228.4	186922.8	-12.8	20.4

<b>1. Ratio of Export to Import</b>	16.2	16.2	16.1
India	18.4	16.6	16.6
Other Countries	13.2	15.6	15.2
<b>2. Share in Total Export</b>			
India	65.8	67.4	66.8
Other Countries	34.2	32.6	33.2
<b>3. Share in Total Import</b>			
India	58.0	66.1	64.8
Other Countries	42.0	33.9	35.2
<b>4. Share in Trade Balance</b>			
India	56.5	65.9	64.5
Other Countries	43.5	34.1	35.5
<b>5. Share in Total Trade</b>			
India	59.1	66.3	65.1
Other Countries	40.9	33.7	34.9
<b>6. Share of Export &amp; Import in Total Trade</b>			
Export	14.0	14.0	13.9
Import	86.0	86.0	86.1

\* Based on customs data

P Provisional

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

(Rs. in million)

	Fiscal Year			Percent Change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>A. Major Commodities</b>	<b>28882.2</b>	<b>34606.1</b>	<b>41468.6</b>	<b>19.8</b>	<b>19.8</b>
Aluminium Section	346.6	378.6	312.7	9.2	-17.4
Batica Hair Oil	33.8	39.4	11.2	16.6	-71.6
Biscuits	0.0	0.5	0.0	-	-100.0
Brans	90.6	50.7	70.5	-44.0	39.1
Brooms	59.7	7.6	74.8	-87.3	884.2
Cardamom	1316.0	1914.5	3275.5	45.5	71.1
Catechue	1682.0	1114.0	1002.5	-33.8	-10.0
Cattlefeed	144.1	63.7	83.3	-55.8	30.8
Chemicals	151.8	147.6	8.6	-2.8	-94.2
Cinnamon	21.0	35.1	63.1	67.1	79.8
Copper Wire Rod	643.6	302.6	1213.2	-53.0	300.9
Dried Ginger	91.1	3.4	20.3	-96.3	497.1
Fruits	1.8	0.3	2.7	-83.3	800.0
G.I. Pipe	567.9	806.6	1593.2	42.0	97.5
Ghee (Vegetable)	4.6	19.4	0.0	321.7	-100.0
Ghee (Clarified)	126.8	321.9	371.0	153.9	15.3
Ginger	353.9	301.6	366.6	-14.8	21.6
Handicraft Goods	15.6	19.7	73.2	26.3	271.6
Herbs	239.0	172.0	89.9	-28.0	-47.7
Juice	1750.1	2363.1	3027.1	35.0	28.1
Jute Goods	2896.7	3998.1	4064.7	38.0	1.7
(a) Hessian	363.9	893.7	1094.5	145.6	22.5
(b) Sackings	2016.5	1866.1	2102.4	-7.5	12.7
(c) Twines	516.3	1238.3	867.8	139.8	-29.9
Live Animals	36.8	65.6	248.8	78.3	279.3
M.S. Pipe	695.1	943.1	797.8	35.7	-15.4
Marble Slab	34.4	52.9	1.9	53.8	-96.4
Medicine (Ayurvedic)	138.8	576.0	848.3	315.0	47.3
Mustard & Linseed	11.4	26.4	6.3	131.6	-76.1
Noodles	576.4	518.1	458.3	-10.1	-11.5
Oil Cakes	497.5	510.3	642.7	2.6	25.9
Paper	42.8	7.3	6.4	-82.9	-12.3
Particle Board	103.3	100.9	183.7	-2.3	82.1
Pashmina	60.7	46.5	41.6	-23.4	-10.5
Plastic Utensils	181.7	610.0	721.1	235.7	18.2
Polyster Yarn	3397.9	2640.7	3657.2	-22.3	38.5
Pulses	27.6	9.0	202.5	-67.4	2150.0
Raw Jute	64.5	0.0	0.0	-100.0	-
Readymade Garment	333.9	372.7	386.0	11.6	3.6
Ricebran Oil	111.9	77.4	191.1	-30.8	146.9
Rosin	358.8	209.7	315.2	-41.6	50.3
Shoes & Sandles	568.0	765.7	1341.4	34.8	75.2
Skin	288.8	341.3	382.4	18.2	12.0
Soap	404.1	372.2	244.2	-7.9	-34.4
Stone & Sand	478.8	574.7	905.7	20.0	57.6
Tarpetine	112.3	98.4	81.1	-12.4	-17.6
Textiles**	3361.9	3733.5	5130.3	11.1	37.4
Thread	2771.5	3351.1	2628.2	20.9	-21.6
Tooth Paste	673.2	972.7	1099.0	44.5	13.0
Turmeric	1.8	1.3	2.2	-27.8	69.2
Vegetable	16.7	35.7	68.1	113.8	90.8
Wire	1200.1	1637.7	1809.6	36.5	10.5
Zinc Oxide	0.0	0.0	0.0	-	-
Zinc Sheet	1794.8	3894.8	3343.4	117.0	-14.2
<b>B. Others</b>	<b>11111.5</b>	<b>8754.3</b>	<b>8147.7</b>	<b>-21.2</b>	<b>-6.9</b>
<b>Total (A+B)</b>	<b>39993.7</b>	<b>43360.4</b>	<b>49616.3</b>	<b>8.4</b>	<b>14.4</b>

\* Based on customs data

\*\* Includes PP fabric

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

(Rs. in million)

	Fiscal Year			Percent Change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>Major Commodities</b>	171704.4	209697.0	237147.4	22.1	13.1
Agricultural Equipments & Parts	3372.8	3162.3	4145.8	-6.2	31.1
Aluminium Bars, Rods, Profiles, Foil, etc.	1087.0	1181.7	1289.6	8.7	9.1
Baby Food & Milk Products	708.5	999.1	979.1	41.0	-2.0
Bitumen	465.7	536.6	517.9	15.2	-3.5
Books & Magazines	733.9	1040.0	801.9	41.7	-22.9
Cement	4414.5	4372.8	3300.1	-0.9	-24.5
Chemical Fertilizer	2951.1	3073.4	4506.5	4.1	46.6
Chemicals	3133.4	3123.5	4072.9	-0.3	30.4
Coal	2126.0	3118.7	5550.4	46.7	78.0
Coldrolled Sheet in Coil	6802.6	8235.5	7507.9	21.1	-8.8
Cooking Stoves	107.8	135.0	164.9	25.2	22.1
Cosmetics	1449.0	1647.1	1944.8	13.7	18.1
Cuminseeds & Peppers	307.6	499.3	702.3	62.3	40.7
Dry Cell Battery	275.8	821.2	1446.0	197.8	76.1
Electrical Equipment	6089.5	7223.7	7009.8	18.6	-3.0
Enamel & Other Paints	764.0	887.1	1064.5	16.1	20.0
Fruits	433.8	651.7	857.6	50.2	31.6
Glass Sheet & G.Wares	1193.0	1677.4	1692.7	40.6	0.9
Hotrolled Sheet in Coil	4111.3	5459.4	5542.6	32.8	1.5
Incense Sticks	116.3	205.7	272.3	76.9	32.4
Insecticides	555.4	855.9	942.4	54.1	10.1
Live Animals	433.3	489.9	422.9	13.1	-13.7
M.S. Billet	13720.7	18337.2	19437.3	33.6	6.0
M.S. Wires, Rods, Coils & Bars	6107.6	5003.8	6761.0	-18.1	35.1
Medicine	7962.8	9807.8	10383.4	23.2	5.9
Molasses Sugar	26.3	41.8	49.7	58.9	18.9
Other Machinery & Parts	8416.9	9793.1	8342.0	16.4	-14.8
Other Stationery Goods	413.5	489.2	461.4	18.3	-5.7
Paper	1389.5	2074.1	2278.1	49.3	9.8
Petroleum Products	51610.4	75080.8	92255.6	45.5	22.9
Pipe & Pipe Fittings	652.8	875.4	800.8	34.1	-8.5
Plastic Utensils	128.9	463.6	294.2	259.7	-36.5
Radio, TV, Deck & Parts	860.2	972.1	1015.7	13.0	4.5
Raw Cotton	55.6	91.4	61.6	64.4	-32.6
Readymade Garments	1248.8	1700.6	2991.0	36.2	75.9
Rice	1256.5	1954.3	4267.0	55.5	118.3
Salt	472.6	372.3	721.3	-21.2	93.7
Sanitaryware	414.3	916.4	1139.5	121.2	24.3
Shoes & Sandles	149.5	202.8	337.6	35.7	66.5
Steel Sheet	0.0	0.0	0.0	-	-
Sugar	673.8	786.1	99.4	16.7	-87.4
Tea	24.8	27.1	29.0	9.3	7.0
Textiles	2440.7	1966.1	2410.5	-19.4	22.6
Thread	3022.7	2855.3	4132.5	-5.5	44.7
Tobacco	1817.1	1846.8	1916.8	1.6	3.8
Tyre, Tubes & Flapes	896.6	1216.4	1780.0	35.7	46.3
Vegetables	2079.4	2096.6	2589.5	0.8	23.5
Vehicles & Spare Parts	23776.6	20681.4	17051.0	-13.0	-17.6
Wire Products	453.5	647.4	806.6	42.8	24.6
<b>B. Others</b>	<b>46009.9</b>	<b>52228.2</b>	<b>62242.2</b>	<b>13.5</b>	<b>19.2</b>
<b>Total (A+B)</b>	<b>217714.3</b>	<b>261925.2</b>	<b>299389.6</b>	<b>20.3</b>	<b>14.3</b>

\* Based on customs data

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

(Rs. in million)

		Fiscal Year			Percent Change	
		2009/10	2010/11	2011/12	2010/11	2011/12
<b>A.</b>	<b>Major Commodities</b>	<b>15648.9</b>	<b>15236.6</b>	<b>19152.6</b>	<b>-2.6</b>	<b>25.7</b>
1	Handicraft (metal and wooden )	1082.8	457.5	510.1	-57.7	11.5
2	Herbs	239.4	125.7	197.7	-47.5	57.3
3	Nepalese Paper & Paper Products	553.3	399.0	587.3	-27.9	47.2
4	Nigerseed	0.0	0.0	0.0	-	-
5	Pashmina	1267.6	2273.1	3230.3	79.3	42.1
6	Pulses	3952.0	3357.9	2497.0	-15.0	-25.6
7	Readymade Garments	3890.7	3062.7	4006.3	-21.3	30.8
8	Readymade Leather Goods	59.6	29.6	100.6	-50.3	239.9
9	Silverware & Jewelleries	126.6	90.5	110.0	-28.5	21.5
10	Tanned Skin	307.0	434.2	723.5	41.4	66.6
11	Tea	91.2	146.0	251.8	60.1	72.5
12	Woolen Carpet	4078.7	4860.4	6938.0	19.2	42.7
<b>B.</b>	<b>Others</b>	<b>5181.4</b>	<b>5741.5</b>	<b>5492.1</b>	<b>10.8</b>	<b>-4.3</b>
	<b>Total (A+B)</b>	<b>20830.3</b>	<b>20978.1</b>	<b>24644.7</b>	<b>0.7</b>	<b>17.5</b>

\* Based on customs data

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

(Rs. in million)

	Fiscal Year			Percent Change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>A. Major Commodities</b>	130891.5	108997.2	119622.0	-16.7	9.7
Aircraft Spareparts	2218.2	2472.4	1406.1	11.5	-43.1
Bags	258.1	303.9	171.8	17.7	-43.5
Betelnut	3324.1	1965.3	1639.2	-40.9	-16.6
Button	17.6	18.7	5.0	6.2	-73.3
Camera	165.7	339.5	442.5	104.9	30.3
Chemical Fertilizer	703.5	2368.1	2291.3	236.6	-3.2
Cigarette Paper	38.8	14.2	0.0	-63.4	-100.0
Clove	31.3	73.2	19.6	133.9	-73.2
Coconut Oil	17.4	13.6	19.3	-21.8	41.9
Computer & Parts	5341.1	6178.3	6150.3	15.7	-0.5
Copper Wire Rod, Scrapes & Sheets	1776.2	1312.8	1875.2	-26.1	42.8
Cosmetic Goods	852.2	907.9	907.6	6.5	0.0
Crude Coconut Oil	243.1	25.4	25.7	-89.6	1.2
Crude Palm Oil	2026.4	6096.6	4210.6	200.9	-30.9
Crude Soyabean Oil	4337.5	6507.6	9962.3	50.0	53.1
Cuminseed	0.0	0.0	0.3	-	-
Door Locks	63.3	56.7	63.2	-10.4	11.5
Drycell Battery	29.9	199.8	46.4	568.2	-76.8
Edible Oil	629.3	486.7	2794.1	-22.7	474.1
Electrical Goods	6837.7	6505.5	7311.6	-4.9	12.4
Fastener	82.0	61.8	43.5	-24.6	-29.6
Flash Light	42.0	28.7	54.0	-31.7	88.2
G.I. Wire	118.8	12.3	34.9	-89.6	183.7
Glasswares	270.8	845.1	776.1	212.1	-8.2
Gold	41635.8	11357.6	25770.4	-72.7	126.9
Insecticides	59.3	100.0	206.7	68.6	106.7
M.S. Billet	609.4	1668.5	569.5	173.8	-65.9
M.S. Wire Rod	311.6	8.7	135.6	-97.2	1458.6
Medical Equipments & Tools	1890.1	2134.4	2588.1	12.9	21.3
Medicine	3358.0	2135.4	1976.1	-36.4	-7.5
Office Equip. & Stationary	735.2	706.1	1085.3	-4.0	53.7
Other Machinery & Parts	7656.1	6409.2	7197.5	-16.3	12.3
Other Stationaries	593.9	794.6	559.1	33.8	-29.6
P.V.C. Compound	808.0	662.9	970.5	-18.0	46.4
Palm Oil	462.3	360.3	312.6	-22.1	-13.2
Parafin Wax	134.9	174.3	270.7	29.2	55.3
Petroleum Products	1693.6	1659.9	1805.0	-2.0	8.7
Pipe & Pipe Fittings	397.1	603.0	126.1	51.9	-79.1
Polythene Granules	5787.6	4701.2	5786.7	-18.8	23.1
Powder Milk	130.5	107.4	300.7	-17.7	180.0
Raw Silk	31.8	0.0	0.0	-100.0	-
Raw Wool	873.3	912.7	657.2	4.5	-28.0
Readymade Garments	3736.3	4256.1	1047.3	13.9	-75.4
Shoes & Sandals	1258.1	1489.2	426.5	18.4	-71.4
Silver	3250.9	3725.6	4370.9	14.6	17.3
Small Cardamom	139.6	147.9	286.9	5.9	94.0
Steel Rod & Sheet	2094.0	299.8	288.7	-85.7	-3.7
Storage Battery	875.1	784.3	1198.2	-10.4	52.8
Synthetic & Natural Rubber	114.6	188.9	8.7	64.8	-95.4
Synthetic Carpet	351.6	383.2	413.8	9.0	8.0
Telecommunication Equip. Parts	8521.9	9493.2	8459.0	11.4	-10.9
Tello	284.7	280.7	447.7	-1.4	59.5
Textile Dyes	325.5	1896.0	88.0	482.5	-95.4
Textiles	1910.5	2609.1	1275.2	36.6	-51.1
Threads	2735.2	1942.9	1854.9	-29.0	-4.5
Toys	194.6	155.9	211.0	-19.9	35.3
Transport Equipments & Parts	4235.9	4215.2	2859.3	-0.5	-32.2
Tyre, Tube & Flaps	351.2	424.7	584.8	20.9	37.7
Umbrella & Parts	158.2	178.8	220.5	13.0	23.3
Video Television & Parts	1701.4	2941.6	2614.7	72.9	-11.1
Watches & Bands	201.9	226.7	252.1	12.3	11.2
Writing & Printing Paper	1426.5	1788.9	1757.8	25.4	-1.7
X-Ray Film	126.5	181.6	152.9	43.6	-15.8
Zinc Ingot	303.8	96.6	234.7	-68.2	143.0
<b>B. Others</b>	<b>26329.4</b>	<b>25253.1</b>	<b>42656.1</b>	<b>-4.1</b>	<b>68.9</b>
<b>Total (A+B)</b>	<b>157220.9</b>	<b>134250.3</b>	<b>162278.1</b>	<b>-14.6</b>	<b>20.9</b>

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

(Rs. in million)

Particulars	Annual			% Change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>A. Current Account</b>	<b>-28135.2</b>	<b>-12936.4</b>	<b>75979.2</b>	<b>-54.0</b>	<b>-687.3</b>
Goods: Exports f.o.b.	63177.5	68701.5	81511.8	8.7	18.6
Oil	0	0	0	-	-
Other	63177.5	68701.5	81511.8	8.7	18.6
Goods: Imports f.o.b.	-366692.5	-388371.4	-454653.1	5.9	17.1
Oil	-51607.2	-75076.2	-92255.6	45.5	22.9
Other	-315085.3	-313295.2	-362397.5	-0.6	15.7
<b>Balance on Goods</b>	<b>-303515</b>	<b>-319669.9</b>	<b>-373141.3</b>	<b>5.3</b>	<b>16.7</b>
<b>Services: Net</b>	<b>-16385.3</b>	<b>-8674.6</b>	<b>14057.0</b>	<b>-47.1</b>	<b>-262.0</b>
Services: Credit	51120.5	53012.5	72351.5	3.7	36.5
Travel	28138.6	24610.7	30703.8	-12.5	24.8
Government n.i.e.	6635.6	5534.6	10071.4	-16.6	82.0
Other	16346.3	22867.2	31576.3	39.9	38.1
Services: Debit	-67505.8	-61687.1	-58294.5	-8.6	-5.5
Transportation	-22964.6	-18604.7	-22292.3	-19.0	19.8
Travel	-32288.2	-27642.9	-25769.7	-14.4	-6.8
O/W Education	-12342.6	-7166.7	-6371.7	-41.9	-11.1
Government Services: Debit	-1874.5	-1154.6	-1566.4	-38.4	35.7
Other	-10378.5	-14284.9	-8666.1	37.6	-39.3
<b>Balance on Goods &amp; Services</b>	<b>-319900.3</b>	<b>-328344.5</b>	<b>-359084.3</b>	<b>2.6</b>	<b>9.4</b>
<b>Income: Net</b>	<b>9117.4</b>	<b>7549.4</b>	<b>12291.4</b>	<b>-17.2</b>	<b>62.8</b>
Income: Credit	14917.9	17504	22521.3	17.3	28.7
Income: Debit	-5800.5	-9954.6	-10229.9	71.6	2.8
<b>Balance on Goods, Services &amp; Income</b>	<b>-310782.9</b>	<b>-320795.1</b>	<b>-346792.9</b>	<b>3.2</b>	<b>8.1</b>
<b>Transfers: Net</b>	<b>282647.7</b>	<b>307858.7</b>	<b>422772.1</b>	<b>8.9</b>	<b>37.3</b>
Current Transfers: Credit	287770.6	311156.7	427805.7	8.1	37.5
Grants	26673.6	25780	36227.1	-3.4	40.5
Workers' Remittances	231725.3	253551.6	359554.4	9.4	41.8
Pensions	25850.7	28993.4	28343.6	12.2	-2.2
Other (Indian Excise Refund)	3521	2831.7	3680.6	-19.6	30.0
Current Transfers: Debit	-5122.9	-3298	-5033.6	-35.6	52.6
<b>B. Capital Account (Capital Transfer)</b>	<b>12578.3</b>	<b>15906.1</b>	<b>18241.7</b>	<b>26.5</b>	<b>14.7</b>
<b>Total (Group A plus B)</b>	<b>-15556.9</b>	<b>2969.7</b>	<b>94220.9</b>	<b>-119.1</b>	<b>3072.7</b>
<b>C. Financial Account (Excluding Group E)</b>	<b>7846.6</b>	<b>3212.54</b>	<b>28912.8</b>	<b>-59.1</b>	<b>800.0</b>
Direct Investment in Nepal	2852	6437.1	9195.4	125.7	42.9
Portfolio Investment	0	0	0	-	-
Other Investment: Assets	-18253.9	-25762.16	-15719.6	41.1	-39.0
Trade Credits	-1009	-6133.4	-5137.4	507.9	-16.2
Other	-17244.9	-19628.76	-10582.2	13.8	-46.1
Other Investment: Liabilities	23248.5	22537.6	35437	-3.1	57.2
Trade Credits	21968.9	18292.5	26442.3	-16.7	44.6
Loans	-3933.5	2612	1036.8	-166.4	-60.3
General Government	-3901.5	2631.6	1047.6	-167.5	-60.2
Drawings	6841.6	13849.2	13445.3	102.4	-2.9
Repayments	-10743.1	-11217.6	-12397.7	4.4	10.5
Other Sectors	-32	-19.6	-10.8	-38.8	-44.9
Currency & Deposits	-1031.3	1231.7	8446.2	-219.4	585.7
Nepal Rastra Bank	44.9	-7.8	37	-117.4	-574.4
Deposit Money Banks	-1076.2	1239.5	8409.2	-215.2	578.4
Other Liabilities	6244.4	401.4	-488.3	-93.6	-221.6
<b>Total (Group A through C)</b>	<b>-7710.3</b>	<b>6182.24</b>	<b>123133.7</b>	<b>-180.2</b>	<b>1891.7</b>
<b>D. Miscellaneous Items, Net</b>	<b>3353.3</b>	<b>-2767.84</b>	<b>13013.5</b>	<b>-182.5</b>	<b>-570.2</b>
<b>Total (Group A through D)</b>	<b>-4357.0</b>	<b>3414.4</b>	<b>136147.2</b>	<b>-178.4</b>	<b>3887.4</b>
<b>E. Reserves &amp; Related Items</b>	<b>4357.0</b>	<b>-3414.4</b>	<b>-136147.2</b>	<b>-178.4</b>	<b>3887.4</b>
Reserve Assets	1058.2	-3011.7	-135662.2	-384.6	4404.5
NEPAL RASTRA BANK	4398.2	-7531.4	-130861.4	-271.2	1637.5
Deposit Money Banks	-3340.0	4519.7	-4800.8	-235.3	-206.2
Use of Fund Credit and Loans	3298.8	-402.7	-485	-112.2	20.4
<b>Changes in Reserve Net (- increase)</b>	<b>3325.7</b>	<b>-2182.7</b>	<b>-127701</b>	<b>-165.6</b>	<b>5750.6</b>

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

	Mid-July			Percent change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>Rs. in million</b>					
<b>Nepal Rastra Bank</b>	<b>205371.33</b>	<b>213095.10</b>	<b>375524.50</b>	<b>3.8</b>	<b>76.2</b>
Convertible	165992.71	165257.55	285681.96	-0.4	72.9
Inconvertible	39378.62	47837.55	89842.54	21.5	87.8
<b>Commercial Bank</b>	<b>63517.40</b>	<b>59058.00</b>	<b>63932.20</b>	<b>-7.0</b>	<b>8.3</b>
Convertible	58203.80	55503.30	57144.00	-4.6	3.0
Inconvertible	5313.60	3554.70	6788.20	-33.1	91.0
<b>Total Reserve</b>	<b>268888.73</b>	<b>272153.10</b>	<b>439456.70</b>	<b>1.2</b>	<b>61.5</b>
Convertible	224196.51	220760.85	342825.96	-1.5	55.3
Inconvertible	44692.22	51392.25	96630.74	15.0	88.0
<b>US dollar in million</b>					
<b>Nepal Rastra Bank</b>	<b>2758.88</b>	<b>3003.45</b>	<b>4238.43</b>	<b>8.9</b>	<b>41.1</b>
Convertible	2229.89	2329.21	3224.40	4.5	38.4
Inconvertible	529.00	674.24	1014.02	27.5	50.4
<b>Commercial Bank</b>	<b>853.27</b>	<b>832.39</b>	<b>721.58</b>	<b>-2.4</b>	<b>-13.3</b>
Convertible	781.89	782.29	644.97	0.1	-17.6
Inconvertible	71.38	50.10	76.62	-29.8	52.9
<b>Total Reserve</b>	<b>3612.15</b>	<b>3835.84</b>	<b>4960.01</b>	<b>6.2</b>	<b>29.3</b>
Convertible	3011.77	3111.50	3869.37	3.3	24.4
Inconvertible	600.38	724.34	1090.64	20.6	50.6

P Provisional

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

(Rs. in Million)

Heads	Amount			Percent Change	
	2009/10	2010/11	2011/12 <sup>P</sup>	2010/11	2011/12
<b>Sanctioned Expenditure</b>	<b>247322.0</b>	<b>276252.3</b>	<b>327326.8</b>	<b>11.7</b>	<b>18.5</b>
Recurrent			239817.0	-	-
Capital			48481.5	-	-
<i>a.Domestic Resources &amp; Loans</i>			43305.8	-	-
<i>b.Foreign Grants</i>			5175.7	-	-
Financial*			39028.3	-	-
<i>a.Domestic Resources &amp; Loans</i>			38463.1	-	-
<i>b.Foreign Grants</i>			565.2	-	-
<b>Unspent Government Balance</b>	<b>6684.6</b>	<b>5195.2</b>	<b>12322.6</b>	<b>-22.3</b>	<b>137.2</b>
Recurrent			3563.3	-	-
Capital			3041.5	-	-
Principal Repayment			5717.8	-	-
<b>Actual Expenditure</b>	<b>240637.4</b>	<b>271057.1</b>	<b>315004.2</b>	<b>12.6</b>	<b>16.2</b>
Recurrent			236253.7	-	-
Capital			45440.0	-	-
Financial			33310.5	-	-
<b>Expenditure from Freeze Accounts</b>	<b>10179.3</b>	<b>6557.9</b>	<b>4822.1</b>	<b>-35.6</b>	<b>-26.5</b>
Freeze-1 Recurrent			1452.5	-	-
Freeze-2 Capital			3369.6	-	-
Freeze-3 Financial			0.0	-	-
<b>Total Expenditure</b>	<b>250816.7</b>	<b>277615.0</b>	<b>319826.3</b>	<b>10.7</b>	<b>15.2</b>
<b>Resources</b>	<b>210084.9</b>	<b>227108.7</b>	<b>302240.0</b>	<b>8.1</b>	<b>33.1</b>
Revenue			244370.2	-	-
Foreign Grants			46572.7	-	-
Financial (principal refund)			4744.7	-	-
Non-Budgetary Receipts, Net			5306.7	-	-
Others #			100.1	-	-
V. A. T.			69.4	-	-
Custom			253.9	-	-
Local Authorities' Account (LAA)			822.3	-	-
<b>Deficits(-) Surplus(+)</b>	<b>-40731.8</b>	<b>-50506.3</b>	<b>-17586.3</b>	<b>24.0</b>	<b>-65.2</b>
<b>Sources of Financing</b>	<b>40731.8</b>	<b>50506.3</b>	<b>17586.3</b>	<b>24.0</b>	<b>-65.2</b>
Internal Loans	<b>36527.8</b>	<b>45572.1</b>	<b>16394.8</b>	<b>24.8</b>	<b>-64.0</b>
Domestic Borrowings	<b>29914.0</b>	<b>33680.0</b>	<b>36410.0</b>	<b>12.6</b>	<b>8.1</b>
<i>a.Treasury Bills</i>	<i>19929.9</i>	<i>14996.6</i>	<i>17283.4</i>	<i>-24.8</i>	<i>15.2</i>
<i>b.Development Bonds</i>	<i>9040.9</i>	<i>8000.0</i>	<i>14000.0</i>	<i>-11.5</i>	<i>75.0</i>
<i>c.National Savings Certificates</i>	<i>0.0</i>	<i>10680.0</i>	<i>5000.0</i>	-	<i>-53.2</i>
<i>d. Citizen Saving Certificate*</i>	<i>943.3</i>	<i>3.4</i>	<i>126.6</i>	<i>-99.6</i>	<i>3622.5</i>
Overdrafts <sup>++</sup>	<b>7875.7</b>	<b>12889.3</b>	<b>-23137.8</b>	<b>63.7</b>	<b>-279.5</b>
Others@	<b>-1261.9</b>	<b>-997.2</b>	<b>3122.6</b>	<b>-21.0</b>	<b>-413.1</b>
Foreign Loans**	<b>4204.0</b>	<b>4934.2</b>	<b>1191.5</b>	<b>17.4</b>	<b>-75.9</b>

+ Based on data reported by 8 offices of the NRB, 64 (out of 65 branches) of Rastriya Banijya Bank Ltd., 42 (out of 43 branches) of Nepal Bank Ltd., 5 branches of Everest Bank Ltd. and 1 branch each of Nepal Bangladesh Bank Ltd. and Global Bank Ltd. conducting government transactions.

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

++ Minus (-) indicates surplus

@ Interest from Government treasury transactions and others

\* Includes internal loan, external borrowing and investment

\*\* Represents loan balance after transferring Rs. 4557.65 million to Principle Refund Amount

P Provisional

Note: Government budgetary operations have been reported as per the Government Finance Statistics, 2001 from the fiscal year 2011/12; the report may not be consistent with the previous reporting



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

(Rs. in Million)

S.N.	Name of Bonds/Ownership	Amount			Amount Change		Percent change	
		2009/10	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
<b>1</b>	<b>Treasury Bills</b>	<b>102043.7</b>	<b>120340.7</b>	<b>131624.1</b>	<b>18297.0</b>	<b>11283.4</b>	<b>17.9</b>	<b>9.4</b>
	a. Banking Sector	98586.9	114640.0	127122.1	16053.1	12482.1	16.3	10.9
	<i>i. Nepal Rastra Bank</i>	30477.4	28178.9	25072.9	-2298.5	-3106.0	-7.5	-11.0
	<i>ii. Commercial Banks</i>	68109.5	86461.1	102049.2	18351.6	15588.1	26.9	18.0
	b. Non-Banking Sector	3456.8	5700.7	4502.0	2243.9	-1198.7	64.9	-21.0
	<i>i. Development Banks</i>	1259.9	1761.0	2795.0	501.1	1034.0	39.8	58.7
	<i>ii. Finance Companies</i>	242.9	922.4	1664.5	679.5	742.1	279.7	80.5
	<i>iii. Others</i>	1954.0	3017.3	42.5	1063.3	-2974.8	54.4	-98.6
<b>2</b>	<b>Development Bonds</b>	<b>35519.4</b>	<b>43519.4</b>	<b>57519.4</b>	<b>8000.0</b>	<b>14000.0</b>	<b>22.5</b>	<b>32.2</b>
	a. Banking Sector	15037.7	19670.3	27162.6	4632.6	7492.3	30.8	38.1
	<i>i. Nepal Rastra Bank</i>	309.1	348.2	382.0	39.1	33.9	12.7	9.7
	<i>ii. Commercial Banks</i>	14728.7	19322.2	26780.6	4593.5	7458.4	31.2	38.6
	b. Non-Banking Sector	20481.7	23849.1	30356.8	3367.4	6507.8	16.4	27.3
	<i>i. Development Banks</i>	812.6	814.1	1712.2	1.5	898.1	0.2	110.3
	<i>ii. Finance Companies</i>	993.9	1462.8	1872.5	468.9	409.7	47.2	28.0
	<i>iii. Others</i>	18675.2	21572.2	26772.2	2897.0	5200.0	15.5	24.1
<b>3</b>	<b>National Saving Certificates</b>	<b>0.0</b>	<b>10680.0</b>	<b>15680.0</b>	<b>10680.0</b>	<b>5000.0</b>	<b>-</b>	<b>46.8</b>
	a. Banking Sector	0.0	7.6	15.0	7.6	7.4	-	97.9
	<i>i. Nepal Rastra Bank</i>	0.0	7.6	15.0	7.6	7.4	-	97.9
	<i>ii. Commercial Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	b. Non-Banking Sector	0.0	10672.4	15665.0	10672.4	4992.6	-	-
	<i>i. Development Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>ii. Finance Companies</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>iii. Others</i>	0.0	10672.4	15665.0	10672.4	4992.6	-	46.8
<b>4</b>	<b>Citizen Saving Bonds</b>	<b>5126.9</b>	<b>4630.3</b>	<b>4139.1</b>	<b>-496.6</b>	<b>-491.2</b>	<b>-9.7</b>	<b>-10.6</b>
	a. Banking Sector	2635.0	3136.7	2753.3	501.7	-383.4	19.0	-12.2
	<i>i. Nepal Rastra Bank (Secondary Market)</i>	2635.0	3136.7	2753.3	501.7	-383.4	19.0	-12.2
	<i>ii. Commercial Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	b. Non-Banking Sector	2491.9	1493.6	1385.8	-998.3	-107.8	-40.1	-7.2
	<i>i. Development Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>ii. Finance Companies</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>iii. Others</i>	2491.9	1493.6	1385.8	-998.3	-107.8	-40.1	-7.2
	<i>(Foreign Employment Bond 2072)</i>	4.0	7.4	16.0	3.4	8.7	84.5	117.3
<b>5</b>	<b>Special Bonds</b>	<b>169.7</b>	<b>158.0</b>	<b>157.6</b>	<b>-11.7</b>	<b>-0.4</b>	<b>-6.9</b>	<b>-0.3</b>
	a. Nepal Rastra Bank	0.0	0.0	0.0	0.0	0.0	-	-
	b. Commercial Bank (10 yrs bond of RBB)	157.6	157.6	157.6	0.0	0.0	0.0	0.0
	c. Others	12.1	0.4	0.0	-11.7	-0.4	-96.4	-100.0
<b>6</b>	<b>Short Term Loans &amp; Advances</b>	<b>16711.5</b>	<b>20765.0</b>	<b>-2372.8</b>	<b>4053.5</b>	<b>-23137.8</b>	<b>24.3</b>	<b>-111.4</b>
	Nepal Rastra Bank	16711.5	20765.0	-2372.8	4053.5	-23137.8	24.3	-111.4
	<b>Total Domestic Debt</b>	<b>159571.2</b>	<b>200093.4</b>	<b>206747.4</b>	<b>40522.2</b>	<b>6654.0</b>	<b>25.4</b>	<b>3.3</b>
	a. Banking Sector	133128.7	158377.2	154837.8	25248.5	-3539.4	19.0	-2.2
	<i>i. Nepal Rastra Bank</i>	50133.0	52436.3	25850.4	2303.4	-26585.9	4.6	-50.7
	<i>ii. Commercial Banks</i>	82995.8	105940.9	128987.4	22945.1	23046.5	27.6	21.8
	b. Non-Banking Sector	26442.5	41716.2	51909.6	15273.7	10193.4	57.8	24.4
	<i>i. Development Banks</i>	2072.5	2575.0	4507.2	502.6	1932.1	24.2	75.0
	<i>ii. Finance Companies</i>	1236.8	2385.2	3537.0	1148.4	1151.8	92.9	48.3
	<i>iii. Others</i>	23133.2	36756.0	43865.5	13622.8	7109.5	58.9	19.3

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

(Rs. in million)

	2009/10 <sup>P</sup>	2010/11 <sup>P</sup>	2011/12 <sup>E</sup>	Amount Change		Percentage Change	
				2010/11	2011/12	2010/11	2011/12
<b>1. Foreign Assets, Net</b>	<b>213205.5</b>	<b>216039.1</b>	<b>374620.2</b>	<b>2182.7<sup>1</sup></b>	<b>127701.0<sup>2</sup></b>	<b>1.0</b>	<b>59.1</b>
1.1 Foreign Assets	275204.1	278883.8	446824.8	3679.7	167941.1	1.3	60.2
1.2 Foreign Currency Deposits	61998.6	62844.7	72204.7	846.1	9360.0	1.4	14.9
(a) Deposits	51281.3	52336.4	60465.6	1055.1	8129.2	2.1	15.5
(b) Other	10717.2	10508.2	11739.1	-209.0	1230.8	-2.0	11.7
<b>2. Net Domestic Assets</b>	<b>607781.3</b>	<b>706004.2</b>	<b>756349.4</b>	<b>98873.8<sup>1</sup></b>	<b>81225.3<sup>2</sup></b>	<b>16.3</b>	<b>11.5</b>
<b>2.1 Domestic Credit</b>	<b>796598.2</b>	<b>912576.2</b>	<b>985915.2</b>	<b>115978.0</b>	<b>73339.0</b>	<b>14.6</b>	<b>8.0</b>
(a) Net Claims on Government*	136522.9	163439.4	154249.9	26916.4	-9189.5	19.7	-5.6
Claims on Government	136522.9	163439.4	165254.8	26916.4	1815.5	19.7	1.1
Government Deposits	0.0	0.0	11005.0	0.0	11005.0		
(b) Claims on Non-Financial Govt Enterprises	5876.1	6347.6	10070.6	471.5	3723.0	8.0	58.7
(c) Claims on Financial Enterprises	15648.8	15466.9	11769.0	-181.9	-3697.9	-1.2	-23.9
Government	2596.9	5426.9	1989.5	2830.0	-3437.4	109.0	-63.3
Non-Government.	13051.9	10039.9	9779.4	-3012.0	-260.5	-23.1	-2.6
(D) Claims on Private Sector	638550.4	727322.4	809825.8	88772.1	82503.4	13.9	11.3
<b>2.2 Net Non-Monetary Liabilities</b>	<b>188816.9</b>	<b>206572.0</b>	<b>229565.8</b>	<b>17104.2<sup>1</sup></b>	<b>-7886.3<sup>2</sup></b>	<b>9.1</b>	<b>-3.8</b>
<b>3. Broad Money Supply (M2)</b>	<b>820986.8</b>	<b>922043.3</b>	<b>1130969.6</b>	<b>101056.5</b>	<b>208926.3</b>	<b>12.3</b>	<b>22.7</b>
<b>3.1 Money Supply (M1+)</b>	<b>589926.1</b>	<b>623049.1</b>	<b>789936.6</b>	<b>33123.1</b>	<b>166887.5</b>	<b>5.6</b>	<b>26.8</b>
(a) Money Supply (M1)	212097.1	223074.6	264373.0	10977.5	41298.4	5.2	18.5
Currency	139281.3	141931.5	170491.7	2650.2	28560.2	1.9	20.1
Demand Deposits	72815.8	81143.1	93881.3	8327.3	12738.2	11.4	15.7
(b) Saving & Call Deposits	377829.0	399974.5	525563.6	22145.5	125589.0	5.9	31.4
<b>3.2 Time Deposits</b>	<b>231060.7</b>	<b>298994.2</b>	<b>341033.0</b>	<b>67933.5</b>	<b>42038.8</b>	<b>29.4</b>	<b>14.1</b>
<b>4. Broad Money Liquidity (M3)</b>	<b>872268.1</b>	<b>974379.7</b>	<b>1191435.2</b>	<b>102111.6</b>	<b>217055.5</b>	<b>11.7</b>	<b>22.3</b>
<b>Memorandum Items</b>							
Reserve Money	218547.1	234188.8	319323.2	15641.6	85134.4	7.2	36.4
Money Multiplier (M1)	0.970	0.953	0.828	0.0	-0.1	-1.8	-13.1
Money Multiplier (M1+)	2.699	2.660	2.474	0.0	-0.2	-1.4	-7.0
Money Multiplier (M2)	3.757	3.937	3.542	0.2	-0.4	4.8	-10.0

P Provisional

E Estimates

1 Adjusting exchange valuation gain of Rs. 650.8 million

2 Adjusting exchange valuation gain of Rs. 30880.0 million

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

(Rs. in million)

	2009/10 <sup>P</sup>	2010/11 <sup>P</sup>	2011/12 <sup>E</sup>	Amount Change		Percent Change	
				2010/11	2011/12	2010/11	2011/12
<b>1. Total Deposits</b>	<b>620608.5</b>	<b>680230.1</b>	<b>861690.0</b>	<b>59621.5</b>	<b>181459.9</b>	<b>9.6</b>	<b>26.7</b>
1.1 Demand Deposits	79150.0	78203.6	91135.2	-946.4	12931.6	-1.2	16.5
(a) Domestic Deposits	67590.4	67933.2	81009.3	342.8	13076.1	0.5	19.2
(b) Foreign Deposits	11559.6	10270.4	10125.9	-1289.2	-144.5	-11.2	-1.4
1.2 Saving Deposits	237492.6	230693.1	304712.3	-6799.5	74019.2	-2.9	32.1
(a) Domestic Deposits	232263.5	225019.4	298883.2	-7244.0	73863.8	-3.1	32.8
(b) Foreign Deposits	5229.1	5673.7	5829.0	444.5	155.4	8.5	2.7
1.3 Fixed Deposits	200662.0	252137.3	297625.7	51475.3	45488.4	25.7	18.0
(a) Domestic Deposits	169540.7	222159.5	263640.8	52618.8	41481.3	31.0	18.7
(b) Foreign Deposits	31121.2	29977.8	33984.9	-1143.5	4007.1	-3.7	13.4
1.4 Call Deposits	98262.2	114058.7	161636.9	15796.5	47578.3	16.1	41.7
(a) Domestic Deposits	94719.8	107906.4	151193.6	13186.5	43287.2	13.9	40.1
(b) Foreign Deposits	3542.3	6152.3	10443.3	2610.0	4291.0	73.7	69.7
1.5 Margin Deposits	5041.8	5137.4	6579.8	95.6	1442.4	1.9	28.1
<b>2. Borrowings from NRB</b>	<b>3965.3</b>	<b>5246.5</b>	<b>473.3</b>	<b>1281.2</b>	<b>-4773.2</b>	<b>32.3</b>	<b>-91.0</b>
<b>3. Foreign Liabilities</b>	<b>1933.3</b>	<b>1868.1</b>	<b>2175.8</b>	<b>-65.2</b>	<b>307.8</b>	<b>-3.4</b>	<b>16.5</b>
<b>4. Other Liabilities</b>	<b>136719.2</b>	<b>166145.9</b>	<b>188111.6</b>	<b>29426.7</b>	<b>21965.7</b>	<b>21.5</b>	<b>13.2</b>
4.1 Paid-up Capital	46890.5	58294.9	65983.3	11404.3	7688.5	24.3	13.2
4.2 General Reserves	14842.0	22370.4	35635.4	7528.4	13265.0	50.7	59.3
4.3 Other Liabilities	74986.7	85480.6	86492.8	10493.9	1012.2	14.0	1.2
<b>Assets=Liabilities</b>	<b>763226.3</b>	<b>853490.5</b>	<b>1052450.7</b>	<b>90264.2</b>	<b>198960.2</b>	<b>11.8</b>	<b>23.3</b>
<b>5. Liquid Funds</b>	<b>130863.2</b>	<b>131518.7</b>	<b>186182.7</b>	<b>655.4</b>	<b>54664.1</b>	<b>0.5</b>	<b>41.6</b>
5.1 Cash in Hand	16863.7	19786.4	25398.0	2922.8	5611.6	17.3	28.4
5.2 Balance with NRB	51113.7	54277.5	100137.8	3163.7	45860.4	6.2	84.5
5.3 Foreign Currency in Hand	437.3	500.3	628.9	63.0	128.6	14.4	25.7
5.4 Balance Held Abroad	62168.9	56794.8	59653.8	-5374.1	2859.0	-8.6	5.0
5.5 Cash in Transit	279.6	159.7	364.1	-119.9	204.5	-42.9	128.1
<b>6. Loans and Advances</b>	<b>595563.1</b>	<b>673111.0</b>	<b>787747.7</b>	<b>77547.8</b>	<b>114636.7</b>	<b>13.0</b>	<b>17.0</b>
6.1 Claims on Government	82995.8	105940.9	128987.4	22945.1	23046.5	27.6	21.8
6.2 Claims on Non-financial Government Enterprises	5701.5	6223.0	9762.8	521.5	3539.8	9.1	56.9
6.3 Claims on Financial Enterprises	17546.5	14960.8	12146.4	-2585.7	-2814.5	-14.7	-18.8
Government	1564.0	2112.3	1162.0	548.3	-950.3	35.1	-45.0
Non-government	15982.5	12848.5	10984.4	-3134.0	-1864.2	-19.6	-14.5
6.4 Claims on Private Sector	488578.1	544251.7	633360.8	55673.6	89109.1	11.4	16.4
(a) Principal	464306.3	520862.0	613434.3	56555.7	92572.3	12.2	17.8
(b) Interest Accrued	24271.8	23389.7	19926.5	-882.1	-3463.2	-3.6	-14.8
6.5 Foreign Bills Purchased & Discounted	741.3	1734.6	3490.4	993.3	1755.8	134.0	101.2
<b>7. Other Assets</b>	<b>36800.0</b>	<b>48860.9</b>	<b>78520.4</b>	<b>12060.9</b>	<b>29659.5</b>	<b>32.8</b>	<b>60.7</b>

P Provisional

E Estimated

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

(Rs. in million)

	2009/10 <sup>P</sup>	2010/11 <sup>P</sup>	2011/12 <sup>E</sup>	Amount Change		Percent Change	
				2010/11	2011/12	2010/11	2011/12
<b>1. Total Deposits</b>	<b>72915.1</b>	<b>91113.5</b>	<b>122128.0</b>	<b>18198.4</b>	<b>31014.5</b>	<b>25.0</b>	<b>34.0</b>
1.1 Demand Deposits	1866.6	2049.5	3250.9	182.8	1201.5	9.8	58.6
(a) Domestic Deposits	1855.6	2036.8	3237.3	181.3	1200.5	9.8	58.9
(b) Foreign Deposits	11.1	12.7	13.6	1.6	1.0	14.3	7.8
1.2 Saving Deposits	35503.7	42940.1	60767.3	7436.4	17827.1	20.9	41.5
(a) Domestic Deposits	35327.4	42841.3	60722.3	7514.0	17881.0	21.3	41.7
(b) Foreign Deposits	176.3	98.8	45.0	-77.6	-53.8	-44.0	-54.5
1.3 Fixed Deposits	23124.1	30338.7	37178.4	7214.5	6839.7	31.2	22.5
(a) Domestic Deposits	23000.5	29964.4	36951.6	6963.8	6987.2	30.3	23.3
(b) Foreign Deposits	123.6	374.3	226.8	250.7	-147.5	202.8	-39.4
1.4 Call Deposits	12289.5	15615.6	20753.4	3326.1	5137.8	27.1	32.9
(a) Domestic Deposits	12185.7	15320.4	20735.2	3134.7	5414.8	25.7	35.3
(b) Foreign Deposits	103.8	295.2	18.2	191.4	-277.0	184.3	-93.8
1.5 Margin Deposits	131.1	169.6	177.9	38.5	8.3	29.4	4.9
<b>2. Borrowings from NRB</b>	<b>750.7</b>	<b>2433.7</b>	<b>0.0</b>	<b>1683.0</b>	<b>-2433.7</b>	<b>224.2</b>	<b>-100.0</b>
<b>3. Foreign Liabilities</b>	<b>110.2</b>	<b>359.8</b>	<b>332.1</b>	<b>249.6</b>	<b>-27.7</b>	<b>226.5</b>	<b>-7.7</b>
<b>4. Other Liabilities</b>	<b>28433.0</b>	<b>35710.4</b>	<b>37900.2</b>	<b>7277.4</b>	<b>2189.7</b>	<b>25.6</b>	<b>6.1</b>
4.1 Paid-up Capital	14740.0	21006.8	21399.7	6266.8	393.0	42.5	1.9
4.2 General Reserves	2397.5	5063.8	6107.6	2666.4	1043.8	111.2	20.6
4.3 Other Liabilities	11295.6	9639.9	10392.8	-1655.7	752.9	-14.7	7.8
<b>Assets=Liabilities</b>	<b>102208.9</b>	<b>129617.4</b>	<b>160360.2</b>	<b>27408.5</b>	<b>30742.8</b>	<b>26.8</b>	<b>23.7</b>
<b>5. Liquid Funds</b>	<b>3401.4</b>	<b>4602.4</b>	<b>7013.7</b>	<b>1201.0</b>	<b>2411.2</b>	<b>35.3</b>	<b>52.4</b>
5.1 Cash in Hand	1866.3	2427.0	3606.6	560.7	1179.6	30.0	48.6
5.2 Balance with NRB	1094.5	1784.1	3154.3	689.6	1370.3	63.0	76.8
5.3 Foreign Currency in Hand	38.4	38.0	37.1	-0.4	-0.9	-1.1	-2.3
5.4 Balance Held Abroad	397.6	339.1	213.8	-58.5	-125.4	-14.7	-37.0
5.5 Cash in Transit	4.8	14.3	1.9	9.6	-12.4	200.7	-86.8
<b>6. Loans and Advances</b>	<b>93572.6</b>	<b>115445.4</b>	<b>142695.9</b>	<b>21872.8</b>	<b>27250.5</b>	<b>23.4</b>	<b>23.6</b>
6.1 Claims on Government	2072.5	2575.0	4507.2	502.5	1932.2	24.2	75.0
6.2 Claims on Non-financial Government Enterprises	56.6	102.3	281.7	45.7	179.4	80.8	175.3
6.3 Claims on Financial Enterprises	22176.8	20074.4	34576.3	-2102.4	14501.9	-9.5	72.2
Government	98.6	334.5	490.3	236.0	155.7	239.4	46.5
Non-government	22078.3	19739.9	34086.0	-2338.3	14346.1	-10.6	72.7
6.4 Claims on Private Sector	69266.7	92693.6	103330.7	23426.9	10637.0	33.8	11.5
(a) Principal	66438.5	89467.5	100540.8	23029.1	11073.2	34.7	12.4
(b) Interest Accrued	2828.2	3226.1	2789.9	397.9	-436.2	14.1	-13.5
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0	0.0		
<b>7. Other Assets</b>	<b>5234.9</b>	<b>9569.6</b>	<b>10650.7</b>	<b>4334.7</b>	<b>1081.1</b>	<b>82.8</b>	<b>11.3</b>

P Provisional

E Estimated

**Table 22**  
**Condensed Assets and Liabilities of Finance Companies**  
**(Mid-July)**

(Rs. in million)

	2009/10 <sup>P</sup>	2010/11 <sup>P</sup>	2011/12 <sup>E</sup>	Amount Change		Percent Change	
				2010/11	2011/12	2010/11	2011/12
<b>1. Total Deposits</b>	<b>75444.3</b>	<b>81554.3</b>	<b>75398.9</b>	<b>6110.0</b>	<b>-6155.4</b>	<b>8.1</b>	<b>-7.5</b>
1.1 Demand Deposits	2009.9	3364.2	4485.2	1354.3	1121.0	67.4	33.3
(a) Domestic Deposits	2009.9	3364.2	4485.2	1354.3	1121.0	67.4	33.3
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0		
1.2 Saving Deposits	30842.6	30253.4	34158.9	-589.2	3905.5	-1.9	12.9
(a) Domestic Deposits	30816.2	30253.0	34158.9	-563.2	3905.9	-1.8	12.9
(b) Foreign Deposits	26.4	0.4	0.0	-26.0	-0.4	-98.5	-100.0
1.3 Fixed Deposits	39925.1	45886.0	36066.1	5960.9	-9819.8	14.9	-21.4
(a) Domestic Deposits	39885.6	45884.7	36066.1	5999.1	-9818.5	15.0	-21.4
(b) Foreign Deposits	39.5	1.3	0.0	-38.2	-1.3	-96.7	-100.0
1.4 Call Deposits	2631.1	2006.3	645.8	-624.9	-1360.5	-23.7	-67.8
(a) Domestic Deposits	2530.3	2006.3	645.8	-524.1	-1360.5	-20.7	-67.8
(b) Foreign Deposits	100.8	0.0	0.0	-100.8	0.0	-100.0	
1.5 Margin Deposits	35.6	44.5	42.9	8.8	-1.6	24.8	-3.6
<b>2. Borrowings from NRB</b>	<b>67.3</b>	<b>647.5</b>	<b>0.0</b>	<b>580.2</b>	<b>-647.5</b>	<b>862.1</b>	<b>-100.0</b>
<b>3. Foreign Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>4. Other Liabilities</b>	<b>34486.6</b>	<b>36376.5</b>	<b>34288.6</b>	<b>1889.8</b>	<b>-2087.9</b>	<b>5.5</b>	<b>-5.7</b>
4.1 Paid-up Capital	18178.3	19404.1	17434.0	1225.8	-1970.1	6.7	-10.2
4.2 General Reserves	4480.9	7773.5	5044.4	3292.6	-2729.2	73.5	-35.1
4.3 Other Liabilities	11827.4	9198.8	11810.2	-2628.6	2611.4	-22.2	28.4
<b>Assets=Liabilities</b>	<b>109998.2</b>	<b>118578.2</b>	<b>109687.5</b>	<b>8580.0</b>	<b>-8890.8</b>	<b>7.8</b>	<b>-7.5</b>
<b>5. Liquid Funds</b>	<b>4628.1</b>	<b>4870.4</b>	<b>7457.4</b>	<b>242.3</b>	<b>2587.0</b>	<b>5.2</b>	<b>53.1</b>
5.1 Cash in Hand	966.9	1218.2	1349.4	251.2	131.2	26.0	10.8
5.2 Balance with NRB	3474.5	3550.4	6064.8	75.9	2514.4	2.2	70.8
5.3 Foreign Currency in Hand	0.8	1.7	22.1	0.9	20.4	108.0	1225.2
5.4 Balance Held Abroad	32.4	99.3	18.4	66.9	-80.9	206.2	-81.5
5.5 Cash in Transit	153.4	0.9	2.8	-152.5	1.9	-99.4	205.5
<b>6. Loans and Advances</b>	<b>98593.3</b>	<b>106267.7</b>	<b>95026.2</b>	<b>7674.3</b>	<b>-11241.4</b>	<b>7.8</b>	<b>-10.6</b>
6.1 Claims on Government	1321.7	2487.1	3537.0	1165.4	1049.9	88.2	42.2
6.2 Claims on Non-financial Government Enterprises	106.5	22.2	26.0	-84.3	3.8	-79.1	17.2
6.3 Claims on Financial Enterprises	19970.3	17803.6	22847.1	-2166.7	5043.6	-10.8	28.3
Government	230.4	407.8	322.5	177.4	-85.3	77.0	-20.9
Non-government	19739.9	17395.7	22524.6	-2344.2	5128.9	-11.9	29.5
6.4 Claims on Private Sector	77194.9	85954.8	68616.1	8760.0	-17338.8	11.3	-20.2
(a) Principal	76158.2	84069.5	65287.5	7911.3	-18782.1	10.4	-22.3
(b) Interest Accrued	1036.6	1885.3	3328.6	848.7	1443.3	81.9	76.6
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0	0.0		
<b>7. Other Assets</b>	<b>6776.8</b>	<b>7440.1</b>	<b>7203.8</b>	<b>663.3</b>	<b>-236.2</b>	<b>9.8</b>	<b>-3.2</b>

P Provisional

E Estimated

**Table 23**  
**Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to**  
**Banks and Financial Institutions**

(Rs. in million)

S.N.	Institutions	2010/11	2010/11
1.	<b>Commercial Banks</b>	2332.5	428.4
2.	Agriculture Development Bank	0.0	0.0
3.	Nepal Industrial Development Corporation	0.0	0.0
4.	Rural Development Banks	0.0	0.0
5.	Other Development Banks	2198.0	0.0
	<b>Total</b>	<b>4530.5</b>	<b>428.4</b>

**Table 24**  
**Sources and Uses of Fund of Micro Finance Institutions**

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2009/10	2010/11	2011/12 <sup>+</sup>	2010/11	2011/12
<b>Sources</b>					
Capital Funds	2067.2	2279.6	2810.9	10.3	23.3
Deposits	2411.5	2543.7	5127.9	47.0	44.7
Borrowings	9901.3	13038.4	16575.0	31.7	27.1
Others	3034.5	1544.6	4723.8	-49.1	205.8
P/L Account	267.1	456.6	577.9	70.9	26.6
<b>Sources=Uses</b>	<b>17681.6</b>	<b>20862.9</b>	<b>29815.5</b>	<b>18.0</b>	<b>42.9</b>
<b>Uses</b>					
Liquid Funds	2137.2	3193.4	5648.5	49.4	76.9
Investment	2114.2	1817.1	2190.6	-14.1	20.6
Loans & Advances	10454.6	14684.5	17700.0	40.5	20.5
Others	2804.2	1049.2	4158.9	-62.6	296.4
P/L Account	171.4	118.7	117.5	-30.7	-1.0

+ Unaudited

**Table 25**  
**Sources and Uses of Fund of NRB Licensed Co-operatives**

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2009/10	2010/11	2011/12 <sup>+</sup>	2010/11	2011/12
<b>Sources</b>					
Capital Funds	630.8	646.9	793.9	2.6	22.7
Deposits	4693.7	5466.7	8523.8	16.5	55.9
Borrowings	227.3	312.1	460.8	37.3	47.6
Others	1276.2	1445.3	1178.8	13.3	-18.4
P/L Account	147.2	205.0	401.5	39.3	95.9
<b>Sources=Uses</b>	<b>6975.2</b>	<b>8076.0</b>	<b>11358.8</b>	<b>15.8</b>	<b>40.6</b>
<b>Uses</b>					
Liquid Funds	951.8	1680.4	3212.5	76.5	91.2
Investment	260.4	109.2	774.5	-58.1	609.2
Loans & Advances	4340.8	5092.3	6390.8	17.3	25.5
Others	1350.6	876.6	913.0	-35.1	4.2
P/L Account	71.6	317.5	68.0	343.4	-78.6

+ Unaudited

**Table 26**  
**Sources and Uses of Fund of Insurance Companies**

(Rs. in million)

Particulars	Mid-July			2010/11		2011/12	
	2009/10	2010/11	2011/12 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paidup Capital	3450.0	4093.4	4090.0	643.34	18.6	-3.4	-0.1
Reserve Funds	37310.0	50870.0	58320.0	13560.0	36.3	7450.0	14.6
Other Liabilities	6700.0	6250.0	8480.0	-450.0	-6.7	2230.0	35.7
<b>Total Sources</b>	<b>47460</b>	<b>61213.4</b>	<b>70890.0</b>	<b>13753.4</b>	<b>29.0</b>	<b>9676.6</b>	<b>15.8</b>
<b>Uses</b>							
Bank & Cash Balances	1620.0	1650	1940.0	30.0	1.9	290.0	17.6
Investment	40200.0	52693.4	60410.0	12493.4	31.1	7716.6	14.6
Fixed Assets	2410.0	3170.0	3750.0	760.0	31.5	580.0	18.3
Other Assets	3230.0	3700.0	4790.0	470.0	14.6	1090.0	29.5
<b>Total Uses</b>	<b>47460.0</b>	<b>61213.4</b>	<b>70890.0</b>	<b>13753.4</b>	<b>29.0</b>	<b>9676.6</b>	<b>15.8</b>

+ Unaudited

Source: Insurance Board Nepal

**Table 27**  
**Sources and Uses of Fund of Employees Provident Fund**

(Rs. in million)

Particulars	Mid-July			2010/11		2011/12	
	2009/10	2010/11	2011/12 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Provident Fund	86705.0	102328.2	124590.7	15623.2	18.0	22262.5	21.8
Reserve Fund	3175.0	3151.1	1774.5	-23.9	-0.8	-1376.6	-43.7
Other Liabilities	510.3	1105.2	1110.6	594.9	116.6	5.4	0.5
<b>Total Sources</b>	<b>90390.3</b>	<b>106584.5</b>	<b>127475.8</b>	<b>16194.2</b>	<b>17.9</b>	<b>20891.3</b>	<b>19.6</b>
<b>Uses</b>							
Bank & Cash Balance	2073.0	2375.40	2433.1	302.4	14.6	57.7	2.4
Investment	39302.0	40915.6	41580.2	1613.6	4.1	664.6	1.6
<i>Fixed Deposits</i>	30910.0	25980.0	23988.8	-4930.0	-15.9	-1991.3	-7.7
<i>GoN Borrowings</i>	7027.6	13471.3	14950.5	6443.7	91.7	1479.2	11.0
<i>Housing Plan</i>	1.1	1.0	0.7	-0.1	-9.1	-0.3	-30.0
<i>Share Investment</i>	1000.3	1118.5	2214.5	118.2	11.8	1096.0	98.0
<i>Other Investment</i>	363.0	344.8	425.7	-18.2	-5.0	80.9	23.5
Loans and Advances	47412.6	61377.3	78433.4	13964.7	29.0	17056.1	27.8
<i>Project Loan</i>	3625.4	6334.8	11391.1	2709.4	74.7	107576.3	1698.2
<i>Depositor Loan</i>	43787.2	55042.5	67042.3	11255.3	25.7	11999.8	21.8
Fixed Assets	497.9	580.1	871.1	82.2	16.5	291.6	50.3
Other Assets	1104.8	1335.6	4157.3	230.8	20.90	2821.7	211.3
<b>Total Uses</b>	<b>90390.3</b>	<b>106584.0</b>	<b>127475.8</b>	<b>16194.0</b>	<b>17.9</b>	<b>20891.5</b>	<b>19.6</b>

+ Unaudited

Source: Employees Provident Fund

**Table 28**  
**Sources and Uses of Fund of Citizen Investment Trust**

(Rs. in million)

Particulars	Mid-July			2010/11		2011/12	
	2009/10	2010/11	2011/12 <sup>+</sup>	Amount Change	Percent Change	Amount Change	Percent Change
<b>Sources</b>							
Paid-up Capital	100.0	125.0	160.0	25.0	25.0	35.0	28.0
Deposit	562.4	805.8	1169.0	243.4	43.3	363.2	45.1
Borrowings	20141.6	23554.0	31388.6	3412.4	16.9	7834.6	33.3
Other Liabilities	1843.8	2420.6	5350.9	576.8	31.3	2930.3	121.1
<b>Sources=Uses</b>	<b>22647.8</b>	<b>26905.4</b>	<b>38068.5</b>	<b>4257.6</b>	<b>18.8</b>	<b>11163.1</b>	<b>41.5</b>
<b>Uses</b>							
Liquid Assets	800.0	700.0	2800.0	-100.0	-12.5	2100.0	300.00
Investments	16904.9	18986.6	18347.8	2081.7	12.3	-638.8	-3.4
Loans & Advances	3541.0	4363.8	9657.1	822.8	23.2	5293.3	121.3
Other Assets	1401.9	2855.0	7263.6	1453.1	103.7	4408.6	154.4
<b>Total Uses</b>	<b>22647.8</b>	<b>26905.4</b>	<b>38068.5</b>	<b>4257.6</b>	<b>18.8</b>	<b>11163.1</b>	<b>41.5</b>

+ Unaudited

Source: Citizen Investment Trust



**Table 29**  
**Structure of Nepalese Financial System**

(Rs. in million)

Particulars	2009/10			2010/11			2011/12		
	Total Assets/ Liabilities <sup>+</sup>	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities <sup>+</sup>	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities <sup>+</sup>	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)
<b>Financial institutions</b>	1296715.8	89.0	108.6	1452668.9	88.0	106.1	1819355.2	88.4	116.8
Nepal Rastra Bank	296625.6	20.3	24.8	322043.9	19.5	23.5	455682.5	22.1	29.2
Commercial Banks	763226.3	52.3	63.9	853490.5	51.6	62.3	1052450.7	51.1	67.5
Finance Companies	109998.2	7.5	9.2	118578.2	7.2	8.7	109687.5	5.3	7.0
Development Banks	102208.9	7.0	8.6	129617.4	7.8	9.5	160360.2	7.8	10.3
Cooperatives	6975.2	0.5	0.6	8076.0	0.5	0.6	11358.8	0.6	0.7
Microcredit Financial Institutions	17681.6	1.2	1.5	20862.9	1.3	1.5	29815.5	1.4	1.9
Microcredit Non-Governmental Organizations	2382.6	0.2	0.2	4667.4	0.3	0.3	4360.0	0.2	0.3
<b>Contractual Savings institutions</b>	160498.1	11.0	13.4	194703.3	12.0	14.2	236434.3	11.5	15.2
Employees Provident Fund	90390.3	6.2	7.6	106584.5	6.4	7.8	127475.8	6.2	8.2
Citizen Investment Trust	22647.8	1.6	1.9	26905.4	1.6	2.0	38068.5	1.8	2.4
Insurance Companies	47460.0	3.2	4.0	61213.4	3.7	4.5	70890	3.4	4.5
<i>Postal Saving Bank</i>	1085.9	0.1	0.1	1152.4	0.1	0.1	1152.4	0.1	0.1
<b>Total</b>	1460682.4	100.0	122.4	1653192.0	100.0	120.7	2061301.9	100.0	132.3
Nominal GDP (Rs Million)	1193679.0			1369430.0			1558170.0		
Market Capitalization of Stock Exchange (Rs million)	376871.3			323484.3			368262.0		
Ratio of Stock Market Capitalization to GDP (%)	31.6			23.6			23.6		

+ Unaudited

**Table 30**  
**Stock Market Indicators**

S. No	Particulars	Fiscal Year			Percentage Change	
		2009/10	2010/11	2011/12	2010/11	2011/12
1	Number of Listed Companies	176	209	216	18.8	3.3
2	Paid-up Capital of the Listed Companies (Rs. in million)	79786	100238	110610.0	25.6	10.3
3	Total Market Capitalization (Rs. in million)	376871	323484	368262.0	-14.2	13.8
4	Annual Turnover (Rs. in million)	11787	6665.0	10279.0	-43.5	54.2
5	Market Days	225	231	232	2.7	0.4
6	Number of Companies Traded	198	222	230	12.1	3.6
7	Number of Transactions	213733	302364	293489	41.5	-2.9
8	Number of Listed Shares (in '000)	826046	1033674	1140081	25.1	10.3
9	Number of Shares Traded (in '000)	26231.4	26240.4	41885.4	0.0	59.6
10	Ratio of Paid-up Capital to GDP (%)	6.7	7.3	7.1		
11	Ratio of Turnover to Paid-up Capital (%)	14.8	6.6	9.3		
12	Ratio of Turnover to Market Capitalization (%)	3.1	2.1	2.8		
13	Ratio of Market Capitalization to GDP (%)	31.6	23.6	23.6		
14	NEPSE Index (closing)	477.7	362.9	389.7	-24.0	7.4
15	NEPSE Sensitive Index (closing)	116.1	89.4	98.8	-23.0	10.4
16	NEPSE Float Index (closing)	44.3	30.7	30.6	-30.8	-0.4

Source: Nepal Stock Exchange Ltd.

## Appendix 1.1

**List of Licensed Banks and Financial Institutions**  
(Mid-July 2012)

**1. Class A: Commercial Banks**

(Rs. in Million)

S. N.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Bank Ltd.	1937/11/15	Dharmapath, Kathmandu	380.38
2	Rastriya Banijya Bank Ltd.	1966/01/23	Singhadurbarplaza, Kathmandu	1172.30
3	Nabil Bank Ltd.	1984/07/12	Kantipath, Kathmandu	2029.77
4	Nepal Investment Bank Ltd.	1986/03/09	Durbarmarg, Kathmandu	3012.92
5	Standard Chartered Bank Nepal Ltd.	1987/02/28	Nayabaneswor, Kathmandu	1610.17
6	Himalayan Bank Ltd.	1993/01/18	Thamel, Kathmandu	2400.00
7	Nepal SBI Bank Ltd.	1993/07/07	Hattisar, Kathmandu	2093.99
8	Nepal Bangladesh Bank Ltd.	1994/06/06	Nayananeshwor, Kathmandu	2099.40
9	Everest Bank Ltd.	1994/10/18	Lazimpat, Kathmandu	1391.57
10	Bank of Kathmandu Ltd.	1995/03/12	Kamaladi, Kathmandu	1604.19
11	Nepal Credit & Commerce Bank Ltd.	1996/10/14	Siddharthanagar, Rupandehi	1400.00
12	Lumbini Bank Ltd.	1998/07/17	Narayangadh, Chitawan	1430.00
13	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar, Morang	1311.55
14	Machhapuchhre Bank Ltd. <sup>1</sup>	2000/10/03	Prithwichowk, Pokhara, Kaski	2478.79
15	Kumari Bank Ltd.	2001/04/03	Durbarmarg, Kathmandu	1603.80
16	Laxmi Bank Ltd.	2002/04/03	Adarsanagar, Birgunj, Parsa	1694.08
17	Siddhartha Bank Ltd.	2002/12/24	Kamaladi, Kathmandu	1619.24
18	Agriculture Development Bank Ltd.	1968/01/21	Ramshahpath, Kathmandu	9474.30
19	Global IME Bank Ltd. <sup>2</sup>	2007/01/02	Birgunj, Parsa	2184.50
20	Citizens Bank International Ltd.	2007/04/20	Kamaladi, Kathmandu	2101.84
21	Prime Commercial Bank Ltd	2007/09/24	Newroad, Kathmandu	2245.75
22	Bank of Asia Nepal Ltd.	2007/10/12	Tripureshwor, Kathmandu	2000.00
23	Sunrise Bank Ltd.	2007/10/12	Gairidhara, Kathmandu	2015.00
24	Grand Bank Nepal Ltd.	2008/05/25	Kamaladi, Kathmandu	2000.00
25	NMB Bank Ltd.	2008/06/02	Babarmahal, Kathmandu	2000.00
26	Kist Bank Ltd.	2009/05/07	Anamnagar, Kathmandu	2000.00
27	Janata Bank Nepal Ltd.	2010/04/05	Naya Baneshwor, Kathmandu	2000.00
28	Mega Bank Nepal Ltd.	2010/07/23	Kantipath, Kathmandu	1631.00
29	Commerz & Trust Bank Nepal Ltd.	2010/09/20	Kamaladi, Kathmandu	1400.00
30	Civil Bank Ltd.	2010/11/26	Kamaladi, Kathmandu	1200.00
31	Century Commercial Bank Ltd.	2011/03/10	Putalisadak, Kathmandu	1080.00
32	Sanima Bank Ltd.	2012/02/15	Nagpokhari, Kathmandu	2016.00

1. Standard Finance Ltd. merged with Machhapuchhre Bank Ltd.

2. Formed after merger of IME Financial Institution Ltd and Lord Bujddha Finance Ltd. with Global Bank Ltd.

**2. Class B: Development Banks**

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	NIDC Development Bank Ltd.	1959/06/15	Durbar Marg, Kathmandu	415.82
2	Siddhartha Development Bank Ltd.	1998/08/20	Tinkune, Kathmandu	645.00
3	Malika Development Bank Ltd.	1998/12/19	Dhangadhi, Kailali	204.83
4	Manakamana Development Bank Ltd.	2001/06/19	Durbar Marg, Kathmandu	1000.00
5	Narayani Development Bank Ltd.	2001/10/17	Ratna Nagar, Chitawan	65.62
6	United Development Bank Ltd.	2002/03/16	Jeetpur, Bara	80.40
7	Pashimanchal Development Bank Ltd.	2003/03/02	Mitrapark, Rupandehi	336.52
8	Sahayogi Bikas Bank Ltd.	2003/10/21	Janakpurdham, Dhanusha	90.00
9	Axis Development Bank Ltd. <sup>3</sup>	2004/01/01	Banepa, Kavre	718.18
10	Karnali Bikash Bank Ltd.	2004/02/14	Nepalgunj, Banke	80.00
11	Triveni Development Bank Ltd.	2004/07/26	Narayangadh, Chitawan	211.27
12	Bhrikuti Bikas Bank Ltd.	2004/08/19	Butawal, Rupandehi	321.09
13	Suprim Development Bank Ltd. <sup>4</sup>	2004/01/23	Banepa, Kavre	772.00
14	Shubhechcha Bikas Bank Ltd.	2004/09/14	Narayangadh, Chitawan	107.85
15	Bageshowri Development Bank Ltd.	2004/10/19	Nepalgunj, Banke	93.70
16	Gaurishankar Development Bank Ltd.	2004/11/29	Kawasoti, Nawalparasi	211.92

17	Gorkha Development Bank (Nepal) Ltd.	2004/12/01	Putalisadak, Kathmandu	660.82
18	Gandaki Development Bank Ltd.	2005/01/19	Pokhara, Kaski	220.00
19	Infrastructure Development Bank Ltd. <sup>5</sup>	2005/04/29	Khichapokhari, Kathmandu	827.53
20	Business Universal Development Bank Ltd. <sup>6</sup>	2005/05/10	Anamnagar, Kathmandu	842.06
21	Biratlaxmi Bikas Bank Ltd.	2005/05/11	Biratnagar, Morang	155.65
22	Excel Development Bank Ltd.	2005/07/21	Birtamod, Jhapa	80.00
23	Western Development Bank Ltd.	2005/09/15	Ghorahi, Dang	60.00
24	H & B Development Bank Ltd.	2005/11/07	Kamaladi, Kathmandu	897.93
25	Arniko Development Bank Ltd.	2006/07/06	Dhulekhel, Kavre	200.00
26	NDEP Development Bank Ltd.	2006/07/17	Kamaladi, Kathmandu	582.45
27	Clean Energy Development Bank Ltd.	2006/09/06	Sitapaila, Kathmandu	1088.00
28	Miteri Development Bank Ltd.	2006/10/13	Dharan, Sunsari	90.29
29	Tinau Bikas Bank Ltd.	2006/10/13	Butwal, Rupandehi	100.00
30	Rising Development Bank Ltd.	2006/12/18	Gaidakot, Nawalparasi	140.00
31	Muktinath Bikas Bank Ltd.	2006/12/18	Pokhara, Kaski	200.00
32	Sewa Bikas Bank Ltd.	2007/02/25	Butawal, Rupandehi	115.00
33	Kankai Bikas Bank Ltd.	2007/05/04	Damak, Jhapa	40.00
34	Public Development Bank Ltd.	2007/06/07	Birjunj, Parsa	150.00
35	Ace Development Bank Ltd.	2007/08/15	Narayanchaur, Kathmandu	797.74
36	Mahakali Bikas Bank Ltd.	2007/08/18	Mahendranagar, Kanchanpur	40.00
37	Sangrila Development Bank Ltd.	2007/08/26	Newroad Pokhara, Kaski	320.00
38	Bhargab Bikas Bank Ltd.	2007/08/30	Nepalgunj, Banke	94.49
39	Resunga Bikas Bank Ltd.	2007/09/26	Tamghas, Gulmi	70.38
40	Kamana Bikas Bank Ltd.	2007/09/29	Lekhath, Kaski	200.00
41	Diyalo Bikas Bank Ltd.	2007/10/01	Banepa, Kavre	100.00
42	Country Development Bank Ltd.	2007/10/04	Banepa, Kavre	320.00
43	Vibor Bikas Bank Ltd.	2007/10/04	Tripureswor, Kathmandu	681.83
44	Alpine Development Bank Ltd.	2007/10/05	Hetauda, Makawanpur	100.00
45	Rara Bikas Bank Ltd.	2007/09/30	Birendranagar, Surkhet	200.10
46	Nilgiri Bikas Bank Ltd.	2007/10/12	Beni, Myagdi	50.00
47	Kasthamandap Development Bank Ltd. <sup>7</sup>	2007/10/25	New Road, Kathmandu	651.93
48	Corporate Development Bank Ltd.	2007/10/25	Birjung, Parsa	200.00
49	Professional Bikas Bank Ltd.	2007/10/17	Banepa, Kavre	100.00
50	City Development Bank Ltd.	2007/10/19	Pokhara, Kaski	220.00
51	Biswo Bikas Bank Ltd.	2007/11/21	Pokhara, Kaski	240.00
52	Pathibhara Bikas Bank Ltd.	2007/11/21	Urlabari, Morang	100.00
53	Garima Bikas Bank Ltd.	2007/11/23	Pokhara, Kaski	200.00
54	Kabeli Bikas Bank Ltd.	2007/11/15	Hulaktole, Dhankuta	20.00
55	Purnima Bikas Bank Ltd.	2008/05/20	Siddharthanagar, Rupandehi	100.00
56	Jyoti Development Bank Ltd.	2008/08/25	Kamalpokhari, Kathmandu	740.00
57	Shine Development Bank Ltd.	2009/02/22	Butwal, Rupandehi	200.00
58	Bagmati Development Bank Ltd.	2009/03/23	Hariwon, Sarlahi	50.00
59	Hamro Bikas Bank Ltd.	2009/04/19	Battar, Nuwakot	21.00
60	Kakre Bihar Bikas Bank Ltd.	2009/05/15	Birendranagar, Surkhet	18.00
61	Pacific Development Bank Ltd.	2009/07/26	Beshishahar, Lamjung	39.00
62	Civic Development Bank Ltd.	2009/08/13	Dhadingbesi, Dhading	28.00
63	International Development Bank Ltd.	2009/09/04	Taku, Kathmandu	448.00
64	Gulmi Bikas Bank Ltd.	2009/09/24	Tamghas, Gulmi	25.00
65	Kanchan Development Bank Ltd.	2009/09/19	Mahendranagar, Kanchanpur	70.00
66	Bright Development Bank Ltd.	2009/10/08	Panauti, Kavre	98.00
67	Matribhumi Bikas Bank Ltd.	2009/10/09	Sindhulimadi, Sindhuli	28.60
68	Innovative Development Bank Ltd.	2009/11/13	Siddharthanagar, Rupandehi	66.25
69	Jhimruk Bikas Bank Ltd.	2009/12/14	Bagdula, Pyuthan	12.00
70	Metro Development Bank Ltd.	2009/12/16	Pokhara, Kaski	70.00
71	Raptibheri Bikas Bank Ltd.	2010/01/15	Nepalgunj, Banke	75.01
72	Gaumukhi Bikas Bank Ltd.	2010/01/25	Bijuwar, Pyuthan	14.00
73	Nepal Consumer Development Bank Ltd.	2010/02/05	Pokhara, Kaski	200.00
74	Khandbari Development Bank Ltd.	2010/03/05	Khandbari, Sankhuwasava	35.00
75	Tourism Development Bank Ltd.	2010/03/18	Thamel, Kathmandu	400.00
76	Mission Development Bank Ltd.	2010/06/15	Butwal, Rupandehi	70.00
77	Surya Development Bank Ltd.	2010/07/18	Charikot, Dolkha	15.00
78	Mount Makalu Development Bank Ltd.	2010/07/21	Basantapur, Terathum	14.00
79	Sindhu Bikas Bank Ltd.	2010/09/09	Barhabise, Sindhupalchowk	51.00
80	Social Development Bank Ltd.	2010/10/12	Naxal, Kathmandu	382.65

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81	Sahara Development Bank Ltd.	2010/10/27	Mahangawa, Sarlahi	14.00
82	Nepal Community Development B. Ltd.	2010/11/03	Butwal, Rupendehi	70.00
83	Cosmos Development Bank Ltd.	2010/11/17	Gorkhabazar, Gorkha	17.50
84	Manasalu Bikash Bank Ltd.	2010/12/14	Buspark, Gorkha	70.00
85	Sambriddhi Development Bank Ltd.	2010/12/31	Gajuri, Dhading	70.00
86	Ekata Bikash Bank Ltd.	2011/10/24	Rupandehi, Butwal	60.00
87	Kalinchowk Development Bank Ltd.	2012/02/15	Charikot, Dolkha	51.00
88	Kailsh Bikash Bank Ltd. <sup>8</sup>	2012/02/24	Putalisadak, Kathmandu	704.29

3. Uddyam Development Bank Ltd. merged with Pashupati Bikash Bank Ltd. and changed the name.

4. Suryadarshan Finance Co. Ltd. merged with Annapurna Development Bank Ltd. and changed the name.

5. Swostik Merchant Finance Company Ltd. merged with Infrastructure Development Bank Ltd.

6. Universal Finance Co. Ltd. merged with Business Development Bank Ltd. and changed the name.

7. Shikhar Finance Co. Ltd. merged with Kastamandap Development Bank Ltd.

8. Upgraded from 'C' class Financial Institution, Annapurna Finance Co. Ltd.

### 3. Class C: Finance Companies

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Aawas Finance Ltd.	1992/03/08	Bijulibazar, Kathmandu	176.10
2	Nepal Finance Ltd.	1993/01/06	Kamaladi, Kathmandu	135.86
3	NIDC Capital Markets Ltd.	1993/03/11	Kamalpokhari, Kathmandu	233.56
4	Narayani National Finance Ltd.	2009/11/01	Kalikaasthan, Kathmandu	647.48
5	Nepal Share Markets & Finance Ltd.	1993/10/19	Ramshahapath, Kathmandu	2034.29
6	Peoples Finance Ltd.	1993/04/15	Mahabauddha, Kathmandu	289.01
7	Mercantile Finance Co. Ltd.	1994/11/10	Birgunj, Parsa	18.00
8	Kathmandu Finance Ltd.	1994/11/10	Dillibazar, Kathmandu	154.66
9	Himalaya Finance Ltd.	1993/11/11	Sundhara, Kathmandu	140.00
10	Union Finance Ltd.	1995/12/12	Kamaladi, Kathmandu	176.58
11	Gorkha Finance Ltd.	1995/03/12	Hattisar, Kathmandu	160.39
12	Paschimanchal Finance Co. Ltd.	1995/04/09	Butawal, Rupandehi	178.52
13	Nepal Housing & Merchant Finance Ltd.	1995/04/11	Dillibazar, Kathmandu	220.30
14	Samjhana Finance Co. Ltd. (in the process of liquidation)	1995/05/03	Banepa, Kavre	-
15	Goodwill Finance Ltd.	1995/05/16	Dillibazaar, Kathmandu	300.00
16	Siddhartha Finance Ltd.	1995/05/25	Siddharthanagar, Rupandehi	130.87
17	Shree Investment & Finance Co. Ltd.	1995/06/01	Dillibazar, Kathmandu	160.00
18	Lumbini Finance & Leasing Co. Ltd.	1995/06/26	Thamel, Kathmandu	268.13
19	Yeti Finance Ltd.	1995/07/23	Hetauda, Makawanpur	180.32
20	International Leasing & Finance Co. Ltd.	1995/10/31	Naya Baneshwor, Kathmandu	2008.80
21	Mahalaxmi Finance Ltd.	1995/11/26	Putalisadak, Kathmandu	420.00
22	Lalitpur Finance Co. Ltd.	1995/12/12	Lagankhel, Lalitpur	187.95
23	Bhajuratna Finance & Saving Co. Ltd.	1996/01/09	Kantipath, Kathmandu	78.62
24	United Finance Co. Ltd.	1996/01/25	Durbarmarg, Kathmandu	350.80
25	General Finance Ltd.	1996/02/02	Chabahil, Kathmandu	96.97
26	Progressive Finance Co. Ltd.	1996/01/02	Newroad, Kathmandu	120.00
27	Alpic Everest Finance Ltd.	1996/07/16	Kathmandu Mall, Kathmandu	115.42
28	Nava Durga Finance Co. Ltd.	1997/02/09	Itachhe, Bhaktapur	126.63
29	Janaki Finance Co. Ltd.	1997/03/07	Janakpurdham, Dhanusha	97.50
30	Pokhara Finance Ltd.	1997/03/16	Pokhara, Kaski	312.00
31	Central Finance Ltd.	1997/04/14	Kupondole, Lalitpur	168.36
32	Premier Finance Co. Ltd.	1997/05/08	Kumaripati, Lalitpur	126.85
33	Arun Finance Ltd.	1997/08/17	Dharan, Sunsari	150.00
34	Multipurpose Finance Co. Ltd.	1998/03/25	Rajbiraj, Saptari	25.00
35	Butwal Finance Ltd.	1998/06/21	Butawal, Rupandehi	208.99
36	Shrijana Finance Ltd.	1999/12/14	Biratnagar, Morang	28.00
37	Om Finance Ltd.	2000/09/17	Pokhara, Kaski	246.75
38	CMB Finance Ltd.	2000/11/20	Kamalashhi, Kathmandu	150.00
39	World Merchant Banking & Finance Ltd.	2001/08/10	Hetauda, Makawanpur	181.98
40	Capital Merchant Banking & Finance Co. Ltd.	2002/02/01	Battispatali, Kathmandu	935.07
41	Crystal Finance Ltd.	2002/02/13	Thapathali, Kathmandu	70.00
42	Royal Merchant Banking & Finance Ltd.	2002/02/14	Durbarmarg, Kathmandu	329.00
43	Guheshwori Merchant Banking & Finance Ltd.	2002/06/13	Pulchowk, Lalitpur	155.68
44	Patan Finance Co. Ltd.	2002/06/23	Pulchowk, Lalitpur	110.00

45	Fewa Finance Ltd.	2003/04/30	Pokhara, Kaski	300.30
46	Everest Finance Ltd.	2003/07/02	Siddharthanagar, Rupandehi	74.85
47	Prudential Finance Company Ltd	2003/06/06	Dillibazar, Kathmandu	322.39
48	ICFC Finance Ltd.	2003/06/15	Bhatbhateni, Kathmandu	356.19
49	Sagarmatha Merchant Banking and Finance Ltd.	2005/08/29	Maanvawan, Lalitpur	165.00
50	Civil Merchant Bittiya Sanstha Ltd.	2005/09/18	Kuleshwor, Kathmandu	149.50
51	Prabhu Finance Co. Ltd.	2006/02/16	Lainchur, Kathmandu	469.20
52	Imperial Finance Ltd.	2006/03/08	Thapathali, Kathmandu	149.73
53	Kuber Merchant Finance Ltd.	2006/03/24	Kamalpokhari, Kathmandu	150.00
54	Nepal Express Finance Ltd.	2006/05/04	Sundhara, Kathmandu	143.00
55	Valley Finance Ltd.	2006/05/11	Maharajgunj, Kathmandu	128.00
56	Seti Bittiya Sanstha Ltd.	2006/06/07	Tikapur, Kailali	40.00
57	Hama Merchant & Finance Ltd.	2006/06/16	Tripureshwor, Kathmandu	200.00
58	Reliable Finance Ltd.	2006/09/06	Sundhara, Kathmandu	221.39
59	Api Finance Ltd.	2007/04/25	Pokhara, Kaski	126.00
60	Nameste Bittiya Sanstha Ltd.	2007/07/07	Ghorai, Dang	14.20
61	Kaski Finance Ltd.	2007/07/30	Pokhara, Kaski	240.74
62	Zenith Finance Ltd.	2007/10/08	Newroad, Kathmandu	205.31
63	Unique Financial Institution Ltd.	2007/10/12	Putalisadak, Kathmandu	200.00
64	Manjushree Financial Institution Ltd.	2007/10/15	New Baneshor, Kathmandu	200.00
65	Subhalaxmi Finance Ltd.	2007/11/11	Naxal, Kathmandu	200.00
66	Jebil's Finance Ltd.	2009/10/28	New Road, Kathmandu	102.00
67	Reliance Finance Ltd.	2009/12/03	Pradarsani Marg, Kathmandu	140.00
68	Lotus Investment Finance Ltd.	2010/04/11	Newroad, Kathmandu	120.00
69	Baibhab Finance Ltd.	2011/01/24	Naya Baneshwor, Kathmandu	147.00
70	Bhaktapur Finance Ltd.	2011/02/08	Chyamsing, Bhaktapur	125.00

#### 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 Ltd.	1993/03/28	Biratnagar, Morang	60.00
2	Sudur Pashchimanchal Grameen Bikas Bank Ltd.	1993/03/28	Dhangadhi, Kailali	58.50
3	Pashchimanchal Grameen Bikas Bank Ltd.	1995/04/01	Butawal, Rupandehi	66.00
4	Madhya Pashchimanchal Grameen Bikas Bank Ltd.	1995/04/01	Nepalgunj, Banke	73.57
5	Madhyamanchal Grameen Bikas Bank Ltd.	1996/07/08	Janakpur, Dhanusha	100.00
6	Nirdhan Utthan Bank Ltd.	1999/04/13	Siddharthanagar, Rupandehi	192.46
7	Rural Microfinance Development Centre Ltd.	1996/12/06	Putalisadak, Kathmandu	320.00
8	Deprosc Microfinance Development Bank Ltd.	2001/07/03	Ratnanagar, Chitwan	106.14
9	Chhimek Microfinance Development Banks Ltd.	2001/12/10	Hetauda, Makawanpur	126.02
10	Shawalamban Laghu Bitta Bikas Banks Ltd.	2002/02/22	Janakpur, Dhanusha	124.78
11	Sana Kisan Bikas Bank Ltd.	2002/03/11	Subidhanagar, Kathmandu	140.00
12	Nerude Laghu Bitta Bikas Bank Ltd.	2007/06/07	Biratnagar, Morang	56.00
13	Naya Nepal Laghu Bitta Bikas Bank Ltd.	2009/03/20	Dhulekhel, Kavrepalanchok	14.00
14	Summit Microfinance Development Bank Ltd	2009/05/20	Anarmani, Jhapa	17.50
15	Sworojagar Laghu Bitta Bikas Bank Ltd	2009/12/01	Banepa, Kavre	10.99
16	Frist Microfinance Development Bank Ltd	2009/12/28	Gyaneshwor, Kathmandu	100.00
17	Nagbeli Microfinance Development Bank Ltd	2010/02/04	Anarmani, Jhapa	10.01
18	Kalika Microcredit Development Bank Ltd.	2010/07/21	Waling, Syanja	12.00
19	Mirmire Microfinance Development Bank Ltd.	2010/09/23	Banepa, Kavre	14.00
20	Janautthan Samudayik Microfinance Development Bank Ltd.	2010/11/09	Butwal, Rupandehi	11.00
21	Mithila Laghu Bitta Bikas Bank Ltd.	2009/04/29	Dhalkebar, Dhanusha	16.50
22	Womi Microfinance Bittiya Sanstha Ltd.	2012/03/08	Khanikhola, Dhading	10.20
23	Laxmi Microfinance Bittiya Sanstha Ltd.	2012/06/04	Nayabaneshwor, Kathmandu	70.00
24	ILFCO Microfinance Bittiya Sanstha Ltd.	2012/07/05	Chuchepati, Kathmandu	70.00

## 5. NRB Licensed Savings and Credit Co-operatives (undertaking limited banking transactions)

(Rs. in Thousand)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Shree Nabajivan Co-operative Ltd.	1993/12/15	Dhangadi, Kailali	61800.00
2	Sagun Co-operative Society Ltd.	1994/10/09	Kathmandu	12100.00
3	Nepal Co-operative Society Ltd.	1994/12/30	Kathmandu	31900.00
4	The Sahara Loan, Savings Co-operative Society Ltd.	1995/04/15	Sarlahi	56200.00
5	Bindabasini Saving & Credit Co-operative Society Ltd.	1995/06/21	Khopasi, Kavre	54500.00
6	Mahila Co-operative Society Ltd.	1995/09/27	Kathmandu	18600.00
7	Nepal Bahooddeshya Co-operative Society Ltd.	1995/12/25	Jhapa	70700.00
8	Sahakari Bittiya Sanstha Ltd.	1996/06/16	Nepalgunj, Banke	17100.00
9	Shree Manakamana Sahakari Sanstha Ltd.	1997/02/18	Banepa, Kavre	12200.00
10	Very Co-operative Sanstha Ltd.	1997/12/25	Nepalgunj, Banke	9900.00
11	Viccu Saving & Loan Co-operative Sanstha Ltd.	1997/02/18	Gaidakot, Nawalparasi	30200.00
12	Kisan Bahoo-uddesya Co-operative Sanstha Ltd.	1997/08/11	Lamki, Kailali	19200.00
13	Himalaya Co-operative Ltd.	1998/12/29	Old Baneshwar, Kathmandu	40300.00
14	Star Bahoo-Uddesya Saving & Credit Co-operative Ltd.	1998/02/13	Biratnagar, Morang	10900.00
15	Upakar Savings & Credit Co-operative Society Ltd.	1998/04/14	Walling, Sanja	34800.00
16	Rastriya Sahakari Bank Ltd.	2010/08/17	Baneshwor, Kathmandu	210300.00

## 6. NRB Licensed Non-Government Organizations (NGOs)

(Rs. in Thousand)

S. N.	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	756.00
3	Chartare yuba Club	2000/06/05	Baglung	110.00
4	Mahuli Samudyik Bikas Kendra	2000/06/12	Saptari	7145.00
5	Unique Nepal	2000/06/29	Bardiya	-
6	Samudayik Mahila Bikas Kendra	2000/07/14	Saptari	980.00
7	Grameen Jagaran Manch	2000/09/11	Baglung	156.00
8	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	2000/10/01	Parbat	-
9	Dhaulagiri Community Research Development Centre	2000/10/21	Baglung	-
10	Society of Local Volunteers Efforts Nepal (Solve)	2001/07/10	Dhankuta	833.00
11	Women Enterprises Association of Nepal	2001/09/24	Kathmandu	1146.00
12	Center for Women's Right and Development	2002/04/30	Kathmandu	-
13	MANUSHI	2002/05/03	Kathmandu	6029.00
14	Life Development Society	2002/06/18	Morang	-
15	Mahila Adarsha Sewa Kendra	2002/07/02	Kthmandu	620.00
16	Patan Buisness and Professional Women	2002/07/02	Lalitpur	-
17	Women Development Center	2002/07/02	Chitwan	-
18	Womens Self -Reliant Society	2002/07/14	Chitwan	-
19	Women Development Centre of Nepal	2002/07/12	Lalitpur	3236.00
20	Bhagawan Youth Club	2002/07/23	Kathmandu	35.00
21	Creative Women Environment Development Association	2002/07/24	Kathmandu	730.00
22	Srijana Community Development Center	2002/07/25	Siraha	-
23	Shreejana Development Center	2002/08/22	Kaski	2090.00
24	Cottage & Small Industries Organization	2002/09/02	Kathmandu	-
25	Adarsha Yuba Club	2002/09/06	Bhaktapur	-
26	Society Welfare Action Nepal (SWAN)	2002/10/25	Dang	-
27	Social Upgrade in Progress of Education Region	2002/10/29	Dang	-
28	Nepal Women Community Service Center	2002/10/30	Dang	-
29	Forum for Rural Women Ardency Development	2002/12/30	Sunsari	-
30	Gramin Mahila Bikash Sanstha	2003/04/23	Dang	-
31	Gramin Mahila Utthan Kendra	2003/06/18	Dang	-
32	Gramin Sewa Nepal	2003/09/18	Kailali	253.00
33	Mahila Upakar Manch	2003/10/29	Banke	2131.00

34	Sawabalamban Bikash Kendra	2004/11/01	Kathmandu	57390.00
35	Bikash Aayojana Sewa Kendra	2004/11/01	Kathmandu	72500.00
36	Gramin Swayam Sewak Samaj	2005/11/20	Hariwon, Sarlahi	1955.00

## 7. Other Institutions

S. N.	Names	Office	Contact Office	Date of Approval
1	Shree Mashraq Bank P.S.C.	Dubai, UAE	Thapathali, Kathmandu	2010/10/12
2	Hydropower Investment & Development Co. Ltd.	Babarmahal, Kathmandu	Babarmahal, Kathmandu	2012/7/10



**Annex 1.2**

**Microfinance Programmes Operated under the Assistance of Donor Agencies**

Nepal Rastra Bank in coordination with Nepal Government and other international donor agencies has been running deprived sector focused rural microfinance programs through different participating financial institutions such as banks, financial institutions, cooperatives and NGOs. The following is an overview of the programs where loan disbursement has been complete but loan recovery and repayment tasks are due as at mid-July 2012:

S.N.	Programmes	Objectives	Contract Date	District Covered by the Program	Participating Financial and Other Institutions	Investment Period	Total Investment Amount	Up to mid-July 2012			Donor Agency	Benefitted	Last Date of Principal Payment
								Outstanding Amount	Repayment of Principal to the GON	Outstanding Principal Payable to GON			
1.	Community Ground Water Irrigation Sector Project (CGISP)	To raise income of small and marginal farmers through the increase in agricultural products	17 Nov. 1998	Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Routahat, Bara, Parsa and Chitwan	NBL, SFDB, Purbanchal and Madhyamanchal Grameen Bikas Bank, Sahara Nepal, Arunodaya, Krishak Upkar Sahakari Sanstha, and Chhimek Development Bank	2000-2007	217.0 million	164.4 million		217.0 million	ADB	7020 Sallow tubwell, 27322 marginal farmer family, 32194 bigaha land	Dec. 2037
2.	Poverty Allevation Project in Western Terai (PAPWT)	To uplift economic and social conditions of deprived women of the western terai	12 Dec. 1997	Nawalparasi, Dang, Rupendeshi, Bardiya, Kapilwastu, Banke, Kailali and Kanchanpur	Pashchimanchal, Madhyapashchimanchal and Sudur Pashchimanchal Grameen Bikas Bank, Nirdhan Utthan Bank, and Swabalamban Bikas Kendra	1988-2004	131.4 million	23.8 million	47.5 million	80.3 million	IFAD	22 thousand deprived families	July 2033

S.N.	Programmes	Objectives	Contract Date	District Covered by the Program	Participating Financial and Other Institutions	Investment Period	Total Investment Amount	Up to mid-July 2012			Donor Agency	Benefitted	Last Date of Principal Payment
								Outstanding Amount	Repayment of Principal to the GON	Outstanding Principal Payable to GON			
3.	Third Live Stock Development Project (TLDP)	To provide required services and loan to farmers and entrepreneurs who are doing or willing to do livestock business so as to encourage them to adopt modern technology	23 Dec. 1996	Syanja, Rupandehi, Palpa, Kaski, Tanahu, Lamjung, Nawalparasi, Parbat, Agharkhanchi, Gulmi, Baglung, Kailali, Kanchanpur, Banke, Bardiya, Surkhet, Doti and Chitwan	RBB,SDB,MDB, Pashchimanchal, Madhya Pashchimanchal and Sudur Pashchimanchal Grameen Bikas Bank, Nirdhan Utthan Bank, Biku SACCOS Udayadev, Everest, Machhapuchchhere, Sewar Dugdhd Utpadak, Navachetana, Grameen Jagaran SACCOSs, Dev Aadarsh Yuwa Club, and Grameen Jagaran Manch	1997-2004	169.5 million	2.186 million	42.4 million	127.1 million	ADB	9773 families	July 2034
4.	Micro Credit Project for Women (MCPW)	Collateral-less lending program as a complementary to PCRW project for women engaged in agriculture and micro enterprises	16 Sept. 1993	Pyuthan, Salyan, Dang, Banke, Kaski, Baglung, Parbat, Chitwan, Kathmandu, Lalitpur, Bhaktapur, Siraha, Saptari, Dhankuta and Tanahu	NBL and RBB	1993-2002	195.2 million	–	109.8 million	85.4 million	ADB	41634 members of 6512 women groups	Nov. 2018
5.	Production Credit for Rural Women (PCRW)	To improve social and economic condition of economically backward women in rural areas through their reach to institutional loan for income and employment generation activities	2 Oct. 1988	67 districts except Jumla, Dolpa, Mugu, Kalikot, Jajarkot, Rasuwa, Nuwakot and Manang	NBL, RBB and ADB	1988-1997	234.5 million	48.8 million	161.9 million	72.6 million	IFAD		May 2019

## *PART - 2*

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## PART - 2

# ACTIVITIES OF NEPAL RASTRA BANK

## Monetary Policy of 2011/12

- 2.1 In accordance with Nepal Rastra Bank Act, 2002, NRB has been formulating and implementing monetary policy every year so as to support national objective of achieving high and sustainable economic growth by ensuring stable prices along with external and financial sector stability through sound management of liquidity. The monetary policy of 2011/12 was announced for implementation on 21 July 2011 with its stance of balancing its objectives of controlling inflation and maintaining favorable balance of payments on the one hand and also minimizing effects of the short fall of monetary liquidity over economic growth and financial stability on the other. The policy has been focused on expanding the programs associated with financial stability, outreach of financial system, productive use of credit and deposit security.

### Objectives and Targets

- 2.2 The primary objectives of monetary policy of 2011/12, among others, were to control inflation, maintain favorable BOP situation, and facilitate economic growth through financial stability. During the review year, agricultural production was expected to be satisfactory, and government capital expenditure effective. In addition, the production of both industrial and service sector was projected to increase because of an improvement in labour relations and better electricity supply. At the backdrop of the above mentioned domestic economic scenario, the annual average inflation rate was targeted to remain at 7 percent for 2011/12. Similarly, the policy had set up objective to improve BOP situation aimed at maintaining foreign exchange reserves sufficient to cover imports of goods and service for at least six months; for it a BOP surplus of approximately 5 billion was projected.
- 2.3 The annual average inflation rate stood at 8.3 percent in 2011/12. The inflation, despite its higher figure than the target, was lower than 9.6 percent rise of the last year. The moderate rate of inflation was due to restrained monetary expansion and subsequent positive impact in the previous year, and the decline in food inflation to a single digit as against the double digit inflation in the last four years. The reason for moderate inflation has been attributed mainly to favorable weather conditions leading to better crops, improved distribution mechanism, gradual drop in food price rates in India and subsequent reduction in the prices of food and beverage.
- 2.4 Due to significant improvement in external sector transaction, highly favourable BOP surplus of Rs. 127.70 billion was attained in the review year. It was feasible mainly because of the improvement in world economic outlook and depreciation in Nepalese rupees that caused not only increase in exports and remittance inflow but also surplus in net service income.

**Table 2.1**  
**Inflation Rate and Balance of Payments Surplus**

	Actual of 2010/11	2011/12	
		Target	Actual
Inflation (in percentage)	9.6	7.0	8.3
Balance of Payment Surplus (Rs. billion)	2.2	5.0	127.7

### The Interim Target of Monetary Policy

- 2.5 In the context of limiting inflation at 7.0 percent and maintaining BOP at Rs. 5 billion so as to accommodate economic growth at 5.0 percent, the broad money supply that is the intermediate target of monetary policy grew by 22.7 percent as against the estimate of 12.5 percent in

2011/12. During the review period, the expansion in money supply was due to the increase in Net Foreign Assets (NFA) as a result of high BOP surplus.

- 2.6 Domestic credit increased by 8.0 percent in 2011/12 as against initial annual estimate of 13.7 percent. The slower growth is attributed to continuation of high lending rate despite comfortable liquidity situation, lower growth of private sector credit on account of BFIs' hesitation to extend credit in new areas leaving the traditional ones, and compliance pressure on sectoral credit ceiling by BFIs. During the review period, private sector credit increased by 14.0 percent as against initial annual estimate of 12.2 percent. Similarly, claims on government decreased due to low level of government spending compared to resource mobilization and increase in cash balance of government. In the context of government total expenditure and estimates over domestic loan, claims on monetary sector increased by 1.1 percent against annual estimate of 12.1 percent.

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

	Actual of 2010/11	2011/12	
		Target	Actual
Broad Money Supply (in percentage)	12.3	12.5	22.7
Narrow Money Supply (in percentage)	5.2	13.4	18.5
Domestic Credit (in percentage)	14.6	13.7	8.0

- 2.7 Based on the positive impact of targeted economic growth, balance of payments surplus and interest rate structure, the deposit mobilization of commercial banks was estimated to increase by 13 percent (Rs. 87 billion) to Rs. 756 billion; but it soared up by 26.7 percent (Rs. 181 billion) to 862 billion in 2011/12.

### Operating Target of Monetary Policy

- 2.8 Since 2011/12, excess liquidity of development banks of "B" category and finance companies of "C" groups (excluding their required reserve) was also added to the liquidity of commercial banks to account as an operating target of monetary policy. Liquidity Monitoring and Forecasting Framework (LMFF) prepared on the basis of weekly balance sheet of NRB was given continuity to forecast excess liquidity of BFIs. In addition, daily deposits, lending, cash reserve, and inter-bank rate of commercial banks were collected to monitor liquidity condition.
- 2.9 The system of using open market operations as main instruments of monetary policy was continued. The main bases of using open market operations were monetary condition and the quantum of liquidity reflected by liquidity monitoring and forecasting framework. Using the instruments such as repo and outright sale, liquidity was injected and mopped up for monetary management. The system of using development banks and finance companies along with commercial banks as counterparties for monetary management was continued. Repo facility was allowed on development bonds as collateral in addition to treasury bills.

### Instruments of Monetary Policy

- 2.10 In a context when inflation remained higher than expected and balance of payment situation had not improved, easing monetary policy would create risk to both. However, considering that the economic growth should not be contained by the contractionary monetary policy and resources should be channelized to productive sector by reducing the cost of financial intermediation, the existing cash reserve ratio of 5.5 percent was decreased to 5 percent.
- 2.11 The existing provision of Statutory Liquidity Ratio (SLR) has been given continuity with an objective of both increasing the share of liquid assets of BFIs and controlling decline in assets quality due to self-adjustment in the volume of such assets when there is an increase in deposits.
- 2.12 With inflation, balance of payments and financial stability in consideration, the existing interest rate structure and the bank rate (taken as an indicator of monetary policy stance) was kept at 7.0 percent. And, general refinance rate was also maintained at par with bank rate.

- 2.13 To broaden existing provision of last resort lender facility given by NRB to BFIs up to 6 months in certain circumstances, new provision of lending against collateral of other assets has been added. Similarly, continuity has been given to the provision of adding penal rate of 3.0 percentage point on either weighted average interest rate over 91 days treasury bills or prevailing bank rate (whichever is higher) while calculating the interest rate for the standing liquidity facility.
- 2.14 Special refinance rate applicable to credit for export industry, sick industry, small and cottage industry and foreign employment for specified section of people was maintained at 1.5 percent. Under this facility, commercial banks and financial institutions cannot charge more than 4.5 percent interest to the clients.

**Table 2.3**  
**Existing Bank Rate and Refinance Rate for 2011/12**

Headings	2011/12
Bank Rate	7.0
General Refinance Rate	7.0
Special Refinance Rate (export industry, sick industries, SMEs & foreign employment)	1.5
Refinance Rate for Export Credit in Foreign Currency	LIBOR + 0.25

### Open Market Operation

- 2.15 NRB has been using open market operations as a primarily tool for monetary management. Open market operations such as outright sale, outright purchase, repo and reverse repo auctions were continued for 2011/12.
- 2.16 Liquidity monitoring has been in operation on the basis of weekly balance sheet of NRB. The liquidity position indicated by LMFF has been used as the basis of open market operations. In addition to weekly balance sheet of NRB, the system of monitoring liquidity on the basis of deposit, credit and cash balance of commercial banks, development banks and finance companies is continued.
- 2.17 In review period, net liquidity of Rs. 7.66 billion was mopped up through open market operation. Last year, net liquidity of Rs. 71.0 was injected from such operation. In the review year, the total liquidity amounting to Rs. 8.40 billion was mopped up from outright sale while Rs. 743 million 700 thousand was injected from repo auctions. The liquidity had to be mopped up because of comfortable liquidity position that resulted from external sector transactions: export, remittance income, net service income and capital transfer income.

**Table 2.4**  
**Status of Open Market Operation**

	2010/11	2011/12
<b>Total Liquidity Absorption (A)</b>	<b>21.00</b>	<b>8.40</b>
Outright Sale Auction	2.00	8.40
Reverse Repo Auction	19.00	0.00
<b>Total Liquidity Injunction (B)</b>	<b>92.39</b>	<b>0.75</b>
Outright Purchase Auction	0.00	0.00
Repo Auction	92.39	0.75
<b>Net Liquidity absorption (A-B)</b>	<b>-71.39</b>	<b>7.65</b>

(Rs. in Billion)

- 2.18 The issue of development bonds through bidding process was initiated from 2004/05; and in 2010/11, the bonds worth Rs. 8.0 billion were issued. In 2011/12, the GoN mobilized domestic loan of Rs. 14.0 billion through the issue of the bonds. Of total bonds issued during the review year, bonds of Rs. 3.5 billion was of 2-year maturity and Rs. 10.5 billion of 3-year maturity. The coupon rates for the bonds were 8.0 percent for 2-year maturity and 8.5 percent for 3-year maturity.

**Table 2.5**  
**Issue of Development Bonds through Bidding**

Date	Maturity (Years)	Issue Amount (Rs. in billion)	Coupon Rate (in percent)	Weighted Average Bid Price
2010/01/24	3	1.50	9.0	101.93
2010/05/16	5	2.55	9.0	102.93
2010/07/01	5	4.99	9.0	100.73
2010/12/31	5	3.00	9.5	101.68
2011/06/02	3	5.00	9.5	101.13
2012/01/12	2	3.50	8.0	107.48
2012/04/04	3	6.50	8.5	112.11
2012/06/06	3	4.00	8.5	113.59

### Refinance Facility

- 2.19 NRB has eased refinance facility to provide loan for agriculture, hydropower and other productive sectors at concessional interest rate. Accordingly, general refinance facility amounting to Rs. 868.6 million was provided to BFIs against the collateral of good loan in 2011/12. This facility was used by two commercial banks and a finance company. NRB refinanced Rs. 1 billion 277 million 100 thousand to hydropower projects in 2011/12. The total outstanding amount reached Rs. 428 million 400 thousand at mid-July 2012.

### Micro Finance

#### Microfinance Promotion Related Programmes and Activities

- 2.20 Rural Self-Reliance Fund managed by NRB has disbursed loan amounting to Rs. 741 million 552 thousand as at mid July 2012 through 680 institutions (53 financial NGOs and 627 local cooperatives). Of the total disbursed amount, Rs. 421 million 418 thousand has been recovered and Rs. 320 million 134 thousand stood as outstanding loan. During the same period, out of Rs. 159.2 million lent as long term loan, Rs. 62 million 174 thousand has been recovered and Rs. 97 million 26 thousand stood as outstanding.

**Table 2.6**  
**Loan Disbursement Situation of RSRF**  
(as at mid-July 2012)

Particulars	NGOs	Cooperatives	Total
Loan Disbursement			
a) No. of Institutions	53	627	680
b) Loan Amount (Rs. in thousand)	22,476	719,076	741,552
c) No. of Benefitted Families	4,004	28,291	32,295
Loan Recovery			
a) No. of Institutions	37	236	276
b) Principal Amount (Rs. in thousand)	19,890	401,528	421,418
c) Interest Amount (Rs. in thousand)	2,658	52,670	55,328
Outstanding Amount			
a) No. of Institutions	16	391	407
b) Principal Amount (Rs. in thousand)	2,586	317,548	320,134
Due Amount			
a) Institutions	15	78	93
b) Principal Amount (Rs. in thousand)	2,108	27,067	29,175

- 2.21 Out of the total amount lent through various projects such as Production Credit for Rural Women (20 years), Microcredit Project for Women (16 years), Third Livestock Development Project (30 years), Poverty Alleviation Project in Western Terai (18 years) and Community Ground Water Irrigation Sector Project, Rs. 222.5 million has remained as outstanding loan.
- 2.22 The draft of Microfinance Authority Act, which is envisioned to establish microfinance authority as a Second Tier Institution for regulatory as well as supervisory function and to institutionalize National Microfinance Development Fund (NMDF) as a substitute of Rural Self-Reliance Fund (RSRF) managed by NRB, has been given final form after sending the draft to the Ministry of Finance and followed by discussions with the Ministry of Law and Justice.
- 2.23 To enhance effectiveness in inspection and supervision of microfinance institutions, Microfinance Department has been restructured as Microfinance Promotion and Supervision Department and given additional responsibility of supervision. During 2011/12, onsite inspections of 20 microfinance development banks, 8 cooperatives licensed to carry out limited banking and 13 NGOs permitted to perform financial intermediation was done. Similarly, special inspection of 1 cooperative and 1 NGO was carried out.
- 2.24 As a part of structural reform of five rural development banks, the process of privatization was initiated from Paschimanchal Grameen Bikas Bank Ltd.; NRB now holds 10 percent share after divesting 51 percent shares to private sector from its 61 percent ownership. Accordingly, the entire share ownership in Purbanchal Grameen Bikas Bank Ltd., Madhyamanchal Grameen Bikas Bank Ltd. and Madhya Paschimanchal Grameen Bikas Bank Ltd. has been divested to private sector. The share ownership in Sudur Paschimanchal Grameen Bikas Bank Ltd. will be divested to private sector in coming years. Works are in the process to establish national level rural development bank by merging the five rural development banks.

### *Foreign Exchange Management*

- 2.25 The following policy provisions have been made for systematic, effective and simple management of foreign exchange in the monetary policy of 2011/12:
- (1) The Number of goods/items that can be imported from India by paying convertible foreign currency has been increased to 160 from 157. The policy of adding more goods/items in the list will be given continuity based on necessity, demand and relevance.
  - (2) A provision of availing loan in convertible foreign currency for the projects related to production and transmission of hydropower has been made. Such facility will also be provided to the firm/company/industry willing to sell excess electricity.
  - (3) With due approval from NRB, licensed companies as per existing laws for electricity production and transmission line construction will be allowed to issue bonds in convertible foreign currency through companies having license for “A” category merchant banking transactions, and national level “B” class banks and subsidiary financial institutions.
  - (4) Exchange facility of USD 2,500 per visit not exceeding USD 5,000 per fiscal year will be provided to Nepali citizens visiting abroad (except India) upon presentation of valid visa and confirmed air ticket.
  - (5) Provision of opening and operating foreign currency account for persons, firms and organizations having formal foreign exchange earnings has been made.
  - (6) A policy provision is made whereby firms, companies, organizations and Nepalese citizens including licensed BFIs can open accounts in foreign countries.
  - (7) Regarding Advance Payment Certificate (APC) to Nepali exporters of goods and services, provision of issuing APC through BFIs based on foreign exchange received with explicit purpose mentioned in the proceed detail has been made.



- (8) Banks and Financial Institutions can exchange up to USD 1,000 or equivalent convertible foreign currency at a time from Nepali citizens upon presentation of proper identity of the holder/seller.
  - (9) The settlement of payment made through cards (ATM and POS) by licensed banks and financial institutions from concerned authorities of Kingdom of Bhutan and Nepal can be done in INR also.
  - (10) Goods imported from India under global tender need not produce Nepal Invoice/AR-4/AR-4A/Bill of Export for payment in convertible foreign exchange. But a certificate to prove that the import was done under global tender should be produced for the purpose.
  - (11) The provision of allowing import of 15 kg gold per day according to “Gold Import and Sale/Distribution Manual, 2011” was amended to permit import of 20 kg per day till mid-July 2012.
  - (12) A provision is made whereby hotels holding license for foreign exchange (only for payment of service) are not allowed to fix buying rate for foreign exchange (cash) lesser than 2 percentage as fixed by NRB (buying rate) on the particular day.
  - (13) Arrangements to implement provisions of “Cash Incentives Manual on Exports, 2011”; issued by GoN has been made to improve BOP position through increase in exports and reduction in trade deficit.
  - (14) AR4/AR-4A form or Nepal Invoice along with other documents, which were compulsorily while importing goods from India by paying convertible foreign currency, has been replaced by ARE1 form.
  - (15) To prioritize safety, liquidity and return of NRB in foreign exchange investment through more effective risk management, necessary amendments have been made in investment guidelines to add provision of investing in Treasury Bills in Indian currency issued by the Government of India.
- 2.26 Among the institutions licensed for foreign exchange transaction, 300 institutions were targeted for onsite and off-site inspection for 2011/12. Exceeding the target, 312 institutions were inspected by mid-July 2012.
- 2.27 Necessary amendments have been made in NRB, Money Changer Bylaw, 2010, Foreign Exchange Transaction License and Inspection Bylaw, 2010 and Remittance Bylaw, 2010 regarding license renewal provision.
- 2.28 Six remittance companies were added whereas seven were de-licensed in the review year bringing the total to 51 at mid-July 2012 from the previous number of 52 in 2010/2011.
- 2.29 A new moneychanger was added; and 13 were delisted due to faults observed during inspection or voluntary non-renewal of the changers as per NRB Moneychanger By-law 2011 (with amendments). As a result, the number of moneychanger reduced to 165 in 2011/12 from the previous year’s total of 237.
- 2.30 By the end of 2011/12, the number of firms/companies licensed for foreign exchange transaction reached 3336; the number includes 100 hotels, 1281 trekkings, 1504 travel agencies, 52 GSA/PSA of foreign airlines, 298 cargo carriers, 34 domestic and international airlines, and 67 others.

### *Financial Sector Reform Program*

- 2.31 Financial Sector Reform Program (started from 30 April 2003 with the loan and aid of GoN, WB and DFID) terminated on 31 December 2011. Since then, NRB overtook the management of Nepal Bank Ltd. (NBL) in accordance with Nepal Rastra Bank Act, 2002-article 86(c) sub-article 1(o) with the main objective of restructuring NBL. The takeover plan has been extended upto mid-April 2013. NRB has deputed its staff to run the bank till a new provision is set up.

- 2.32 The capital plan and implementation schedule submitted to reduce negative capital fund of NBL has been approved. To implement the plan, the GoN has already injected Rs.1 billion 292 million 445 thousand as a part of additional capital share.
- 2.33 For the task of restructuring Rastriya Banijya Bank Ltd. (RBBL), a new Chief Executive Officer has been appointed and responsibilities have been handed over. The capital plan and implementation schedule for the improvement of negative capital fund of the bank has been approved and the GoN has already injected Rs.4 billion 325 million 310 thousand as a part of additional share.
- 2.34 After the implementation of restructuring process, the ratio of non-performing loan of NBL and RBBL improved and stood at 5.4 percent and 7.9 percent respectively; negative net worth decreased to Rs. 1.69 and Rs. 4.74 billion respectively; and the number of staffs lessened to 2342 and 2555 respectively by mid-July 2012. In addition, the branches of both banks were computerized and they have been operating ABBS. Deposits of both banks have increased significantly, non-performing loans are continuously decreasing, and the financial conditions of the both banks seem satisfactory as they are operating in profit position.
- 2.35 Despite a slowdown in real estate and stock market, non-performing loan of BFIs decreased due to improvised policies on credit expansion and its recovery. Due to financial sector reform program, non-performing loan of commercial banks declined from 3.2 percent of last year to 2.6 percent in mid-July 2012. The non-performing loan of government owned commercial banks and private sector commercial banks were 6.4 and 1.7 percent respectively in the review period.

**Table 2.7**  
**Non-Performing Loan of Commercial Banks**  
(Proportion to total loan)

<b>Commercial Banks</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12*</b>
Nepal Bank Limited	5.4	2.3	5.3	5.2
Rastriya Banijya Bank	15.7	9.8	10.9	7.3
Nabil Bank Ltd.	0.8	1.5	1.8	2.3
Nepal Investment Bank Ltd.	0.6	0.6	0.6	2.0
Standard Chartered Bank Nepal Ltd.	0.7	0.6	0.6	0.7
Himalayan Bank Ltd.	2.2	3.5	3.9	2.1
Nepal Bangladesh Bank Ltd.	19.3	4.4	19.2	4.3
Nepal SBI Bank Ltd.	2.0	1.5	1.1	0.5
Everest Bank Ltd.	0.5	0.2	0.3	0.8
Bank of Kathmandu Ltd.	1.3	1.5	1.8	2.3
Nepal Credit & Commerce Bank Ltd.	2.7	2.7	3.9	2.8
Lumbini Bank Ltd.	9.1	4.5	1.0	0.5
Nepal Industrial & Commercial Bank Ltd.	0.9	0.7	0.6	0.7
Machhapuchhre Bank Ltd.	2.8	2.1	4.5	2.7
Kumari Bank Ltd.	0.4	0.4	1.1	2.2
Laxmi Bank Ltd	0.1	0.1	0.9	0.6
Siddhartha Bank Ltd.	0.4	0.5	0.6	2.3
Agriculture Development Bank Ltd.	9.0	8.2	8.6	6.4
Global IME Bank Ltd.	0.1	0.6	2.5	1.6
Citizens Bank International Ltd.	0.0	0.3	1.1	2.0
Prime Commercial Bank Ltd	0.0	0.0	0.5	0.5
Bank of Asia Nepal Ltd.	0.0	0.3	0.6	3.2

Sunrise Bank Ltd.	0.2	1.0	3.4	3.0
NMB Bank Ltd.	0.5	0.7	0.3	2.5
Grand Bank Nepal Ltd.	1.6	1.4	1.6	1.3
Kist Bank Ltd.		0.2	1.0	3.9
Janata Bank Nepal Ltd.	-	-	0.0	0.0
Mega Bank Nepal Ltd.	-	-	0.0	0.1
Commerz & Trust Bank Nepal Ltd.	-	-	0.0	0.0
Civil Bank Ltd.	-	-	0.0	0.0
Century Commercial Bank Ltd.	-	-	0.0	0.0
Sanima Bank Ltd.				0.5
Government Bank	<b>10.6</b>	<b>7.3</b>	<b>8.6</b>	<b>6.4</b>
Private Sector Bank	<b>1.6</b>	<b>1.2</b>	<b>1.9</b>	<b>1.7</b>
<b>Total</b>	<b>3.6</b>	<b>2.5</b>	<b>3.2</b>	<b>2.6</b>

\* Un-audited balance sheet of commercial banks

- 2.36 A provision of interest free loan up to Rs. 5 million to open a branch in the GoN specified 22 district headquarters and Rs. 10 million for outside district headquarter has been made for a certain period to enhance financial inclusion through expansion of financial institutions in areas where there is lack of financial access. Similarly, arrangement has been made to provide interest free loan up to Rs. 1.5 million for class “D” financial institutions initiating transaction in the GoN specified 9 districts. Under this provision, Rs. 66.5 million was provided to BFIs: Rs. 40 million to five commercial banks for their seven newly opened branches, Rs. 2.5 million to two development banks for their three branches and Rs. 1.5 million to one microfinance development bank. In 2010/11, Rs. 1.5 million had been spent on six commercial banks and five development banks.
- 2.37 A policy provision has been made whereby risk takers in credit underwrite such as promoters, chief executive officers or managerial level officials of licensed institutions are barred from borrowing any personal loan except education loan, hire purchase loan, home loan or home appliance loan from any licensed institutions; the provision is made to minimize systematic risk arising from the conflict of interest of banker as a debtor and a creditor. This policy is expected to contribute significantly in financial corporate governance in long term.
- 2.38 Legal action against willful defaulters of more than Rs. 10 million loan will be made more effective to improve the quality of loan and advances of BFIs. To bring within legal framework the borrowers not investing borrowed fund in specified sectors, registering dummy firm to borrow against it and not repaying the loan willfully, essential procedure has been prepared in coordination of the GoN. It is expected that this will help strengthen financial sector stability and reduce non-performing loan of BFIs in the days ahead.
- 2.39 As per the policy of NRB to promote merger and acquisition among BFIs, three financial institutions merged into two commercial banks in 2011/12. Likewise, seven development banks and five finance companies merged to form six development banks. In addition, a letter of intent has been given to one development bank and five finance companies to form one development bank and two finance companies. The process of merger and acquisition is expected to accelerate as some other banks and financial institutions (BFIs) are also in the process.
- 2.40 To insure deposits of small and medium size depositors, and increase public faith on the BFIs, a provision was made to maintain deposit guarantee up to Rs. 0.2 from 2010/11. Accordingly, deposit amounting to Rs. 194 billion of 6.9 million depositors in 193 BFIs has been insured till mid-July 2012. From this measure, around 35 percent of the total deposit has been insured. Also, a provision has been made to exempt 75 percent of loan loss provision to maintain at 25 percent if the loan issued by licensed BFIs is guaranteed by Deposit and Credit Guarantee Corporation or insured from other parties.

- 2.41 To ensure stability in financial sector, directive on self stress testing; and for strengthening capacity for forward looking analysis to manage liquidity of banks, institution-wise Liquidity Monitoring Framework have been issued and implemented. With the objective of strengthening effectiveness in Risk Based Supervision, the existing supervision mechanism is being reanalyzed and modified; and with the objective of strengthening effectiveness of Early Warning System and preparing Contingency Plan, Bank Resolution Framework is being prepared including step-by-step programs on crisis management.
- 2.42 A provision has been made whereby BFIs ought to increase deprived sector lending by 0.5 percent every year up to 3 years. Accordingly, commercial banks, development banks and finance companies need to lend 3.5 percent, 3.0 percent and 2.5 percent of their respective loan portfolio to deprived sector. Similarly, commercial banks are required to invest minimum 20 percent from their total loan and investment on various productive sectors like agriculture, energy, tourism, cottage & small industries, and minimum 10 percent in agriculture and energy sector.
- 2.43 Of Rs. 868.6 million provided to BFIs under general refinance facility against good collateral loan to increase credit to productive sector, the outstanding amount as at mid-July 2012 stood at Rs. 331.9 million. In the review period, two commercial banks and one finance company utilized this facility. Productive sector credit has been gaining momentum from the fund available under this facility. NRB provided Rs. 1.28 billion refinance to hydropower projects in 2011/12 of which Rs. 406 million 100 thousand has remained as outstanding loan.
- 2.44 A provision is made whereby refinance used by BFIs for hydropower projects of up to 25 MW till production time can be accounted in the source for the purpose of credit-deposit ratio. Likewise, if BFIs accessed long-term (five years or more) credit in foreign currency such long-term loan can be accounted in the source for the purpose of credit-deposit ratio.
- 2.45 Considering the fact that foreign currency balance with BFIs has not been used in national priority projects like hydropower and other infrastructure development but in foreign instruments at low interest rate, a provision has been made to allow BFIs to provide credit in foreign currency to hydropower related projects and make investment in different instruments issued in foreign currency after an approval of NRB.
- 2.46 As a result of policies implemented to increase loan in productive sectors in the last few years, the loan extended for these sectors has increased. In 2011/12, the loan to agriculture sector increased about 58 percent to constitute 3.6 percent of the total loan flow against 2.6 percent increase of the last year. Likewise, the loan in productive industry increased by 21 percent to make 20 percent share of total loan as against 18.4 percent of the last year.
- 2.47 Considering the probability of erosion in investors' confidence and adverse effect on economic stability from fluctuating share prices, liberal pricing & policies were adopted by NRB over loan renewal and margin call. Accordingly, the provision of loan against share was implemented so as to extend such loan based on average share price of last 180 days or latest market price (whichever was lower) by minimizing the risk through the determination of appropriate margin by BFIs. Positive signs have been visible in the capital market after the implementation of the provision.
- 2.48 Some positive signs have been visible in real estate business because of policies adopted by NRB for sustained improvement of this sector. NRB had raised the ceiling for individual residential home loan up to Rs. 10 million from existing Rs. 8 million. Similarly, the time limit to bring down real estate loan to 25 percent by BFIs has been extended till mid-July 2013; and real estate borrowers have been allowed for renewal of such loan up to mid-July 2013 upon the payment of all interest dues.
- 2.49 To evaluate, implement, supervise and coordinate necessary policies to stabilize financial sector, Financial Stability Unit and Financial Stability Oversight Committee were formed. Financial Stability Unit is made responsible for preparing Financial Soundness Indicators-FSI: Core Set and Encouraged Set every month based on international best practices. Financial Stability

Oversight Committee (led by senior Deputy Governor of NRB comprising executive directors of various departments of NRB, registrar of cooperative department, chief executive of Insurance Committee, chief executive of Security Board, administrator of Employee Provident Fund, chief executive officer of Citizen Investment Trust and related experts team members) was formed as a coordinating body for financial stability; it is made accountable for reporting about financial stability situation to the high level Financial Sector Co-ordination Committee headed by honorable minister of Finance in addition to providing policy related advice and recommendations required for decision-making process.

## ***Banks and Financial Institutions Regulation***

### **Banks and Financial Institutions Establishment/Licensing**

- 2.50 In the review period, among the applications received under former licensing policy, Ekata Bikash Bank Ltd. of “B” class (in three districts), Kalinchowk Development Bank Ltd. (in three districts) and Salapa Bikash Bank Ltd. (in one district) were granted permission to start banking service. Likewise, Bomi Microfinance Financial Institutions Ltd., Laxmi Microfinance Financial Institutions Ltd., and ILFCO Microfinance Financial Institution Ltd. were also granted license to operate as “D” class microfinance financial institutions (MFFIs).
- 2.51 Among the applications received under former licensing policy, letter of intent has been provided to three development banks: Saptakoshi Development Bank Ltd. (in three districts), Shree Sajha Bikash Bank Ltd. (in three districts) and Green Development Bank Ltd. (in three districts) in the review period. In case of applications for microfinance, seven microfinance institutions got the letter of intent to initiate their service; and three MFFIs have tendered their applications.

### **Permission to Hydropower Investment Company for Loan Financing**

- 2.52 According to the provision made in Nepal Rastra Bank Act, 2002 (clause 76), NRB granted permission to Hydropower Investment and Development Co. to provide loan abiding by its memorandum of association.

### **Upgradation of Bank and Financial Institutions**

- 2.53 Sanima Development Bank was upgraded to the class "A" bank and Annapurna Finance Ltd., the class "C" bank to class "B" and class "B" Kailash Bikash Bank to the national level class "B" bank after they fulfilled the necessary requirements.

### **Branchless Banking Service**

- 2.54 Seven commercial banks were granted permission to operate branchless banking service in rural areas with POT machine in the review period after analyzing technical and practical aspects of the banks.

### **Financial Service Extension**

- 2.55 By the end of 2011/12, the number of commercial banks reached 32 as one development bank was upgraded into commercial bank. The number of development banks reached 88 as two new development banks started their operation and one finance company was upgraded to development bank despite an upgrading of one development bank into commercial bank. In comparison to the last year, the number of finance companies decreased from 79 to 70. The decline was due to upgrading of one finance company into development bank, license abrogation of one finance company and merger of seven finance companies into other BFIs. In case of MFFIs, the number increased to 24 from 21 as three more MFFI were added in review period. The number of saving and credit cooperatives licensed by NRB to perform limited banking activities remained at 16; and the number of NGOs working as financial intermediation decreased to 36 as the license of two NGOs was repealed.

- 2.56 As at mid-June 2012, the number of branches of commercial banks was 1369; and the branches of development banks, finance companies and microfinance development banks reached 686, 331 and 550 respectively. In the previous fiscal year, the number of branches of commercial banks had been 1098; and the branches of development banks, finance companies and microfinance development banks had stood at 495, 281 and 425 respectively in the same period. On the basis of the number of branches as of mid-June 2012, 9000 people in average seem to have been served by each branch.

### **License Repeal**

- 2.57 As per the application from Investa Finance, the license provided to the company for operating financial transaction as “D” class finance company was repealed.
- 2.58 The license provided to two financial intermediation “Janajagarn Manch, Laharepuwa, Rasuwa” and “Nari Abhyudaya Kendra, Narayangadh, Chitwan” was repealed as they were found non operational for a long period and failed to renew their license. Also, of the total institutions operating as NGOs, the licenses of 20 were renewed.

### **Merge and Acquisition of Banks and Financial Institutions**

- 2.59 After the implementation of Merger and Acquisition of BFIs, Merger By-laws, 2011 (for simplifying the process of merger so as to increase competitiveness among BFIs, to increase efficiency and stability of the whole financial process and to gain confidence of the public), merger phenomena has been significantly prominent. In the review period, Kasthamandap Development Bank & Sikhar Finance Ltd.; Business Development Bank Ltd. & Universal Finance Ltd.; Infrastructure Development Bank Ltd. & Swastik Merchant Finance Ltd; Annapurna Bikash Bank Ltd. & Suryadarshan Finance Ltd.; Pashupati Development Bank Ltd. & Udhyam Bikash Bank Ltd.; Macchapuchhre Bank Ltd. & Standard Finance Ltd; and Global Bank Ltd., IME Financial Institution Ltd. & Lord Buddha Finance Ltd. merged with each other. Likewise, letter of intent has been provided to one development bank and six finance companies for merger into three financing institutions; and other five pairs of financial institutions are in due process.

### **Extension and Contraction of Working Area**

- 2.60 NRB licensed Garima Bikash Bank Ltd., Pokhara, Kaski was given approval to extend its working area from 1-3 district to 4-10 district level; and Rara Bikash Bank Ltd., Birendranagar, Surkhet was granted permission to extend from one district level to 1-3 district level. But, the working sector of “D” class Namaste Financial Institution Ltd., Dang, Ghorahi and Multipurpose Finance Company Ltd. Rajbiraj, Sapatari was contracted from respective three districts and national level to one district.

### **Complaint Management**

- 2.61 According to the decision of cabinet on 15 December 2006, Grievance Management Committee (headed by senior Deputy Governor of NRB comprising representatives of Finance Ministry and chairperson of Bankers Association as the members, and the representative of Federation of Nepalese Chambers of Commerce and Industry as observer) was formed to hear complaints lodged by bank or borrower regarding their transaction. After the formation of the committee till mid-July 2012, 607 complaints have been lodged of which 598 have been solved and remaining 9 are under the process.
- 2.62 A hotline number +977-1441147 (of Bank and Financial Institutions Regulation Department) to receive any complaints regarding banking service has been managed. Complaints received through hotline are resolved by the working committee after necessary investigation is carried out.

### **Action against Blacklisted Borrower**

- 2.63 As per the recommendation for actions against blacklisted borrowers (upto forfeiting the passport), the GoN has exempted action against 55 out of 355 such borrowers by mid-July 2012.

A committee formed by the decision of cabinet to invigilate willful defaulters' case has facilitated to recover loan amount of Rs. 835.9 million through moral suasion.

### **Establishment of Desk for Sick Industries**

2.64 Representatives from NRB have been involved in both working committee and sub-committee formed in coordination with the honorable vice chairman of Nepal Planning Commission to study sick industries. In addition, NRB has set up a desk for sick industry to effectuate necessary action pertaining to policy and implementation regarding refinancing facility for these industries.

### **Implementation of Work Plan for Economic Development and Prosperity**

2.65 Of the programs related to NRB mentioned in "Economic Development and Prosperity and Governance Work Plan, 2011", all the specified tasks were duly completed after necessary amendments in policy.

### **Publication of List of Experts and the Institutions involved in Auditing/Auditor**

2.66 According to Bank and Financial Institutions Act, 2006 (clause 13), which is concerned with maintaining experts list, seven additional experts having required qualification and fulfilling desired criteria have been added; the total number of the listed experts has reached 117 in 2011/12.

2.67 The total of 1349 persons/ firms have been listed as licensed auditors based on the provision of Bank and Financial Institutions Act, 2006 (clause 60, sub clause 2) and an agreement between NRB and Nepal Chartered Accountants (NCA), the regulating body of auditors.

## ***Banks and Financial Institutions Supervision***

### **Bank Supervision**

2.68 In 2011/12 too, continuity has been given to annual corporate level onsite inspection performed to direct banks to correct their deficiencies/shortcomings and assess them on the basis of available statement.

2.69 Corporate level onsite inspection of 32 commercial banks was accomplished in 2011/12. During the process, an onsite inspection of 232 branch offices of commercial banks was carried out, and various projects funded by NRB were also visited.

**Table 2.8  
Commercial Banks Inspected in 2011/12**

S.N.	Name	No. of Branches
1	Nepal Bank Ltd.	10
2	Rastriya Banijya Bank Ltd.	15
3	Nabil Bank Ltd.	5
4	Nepal Investment Bank Ltd.	8
5	Standard Chartered Bank Nepal Ltd.	4
6	Himalayan Bank Ltd.	8
7	Nepal Bangladesh Bank Ltd.	9
8	Nepal SBI Bank Ltd.	11
9	Everest Bank Ltd.	12
10	Bank of Kathmandu Ltd.	6
11	Nepal Credit & Commerce Bank Ltd.	8
12	Lumbini Bank Ltd.	4
13	Nepal Industrial and Commercial Bank Ltd.	8
14	Machhapuchhre Bank Ltd.	7
15	Kumari Bank Ltd.	11
16	Laxmi Bank Ltd.	6
17	Siddhartha Bank Ltd.	8

18	Agriculture Development Bank Ltd.	19
19	Global Bank Ltd.	6
20	Citizens Bank International Ltd.	7
21	Prime Commercial Bank Ltd.	5
22	Bank of Asia Nepal Ltd.	8
23	Sunrise Bank Ltd.	5
24	NMB Bank Ltd.	7
25	Grand Bank Ltd.	4
26	Kist Bank Ltd.	5
27	Janata Bank Ltd.	3
28	Mega Bank Nepal Ltd.	5
29	Commerz and Trust Bank Nepal Ltd.	8
30	Civil Bank Ltd.	2
31	Century Commercial Bank Ltd.	5
32	Sanima Bank Ltd.	3
<b>Total</b>		<b>232</b>

- 2.70 In addition to corporate level onsite inspection, 32 special inspections of 18 banks were also carried out in the review year.
- 2.71 Along with regular offsite supervision of balance sheet and other financial statements, necessary inspection of commercial banks was carried out on regular basis to ensure enactment of policy and directives issued by NRB.
- 2.72 The provision of granting clearance to commercial banks for publishing their financial statements before annual general meeting (AGM) was given continuity. On the basis of the financial statement of 2010/11, annual clearance approval was granted to 29 commercial banks. While granting the permission, directions were given to the banks not only to correct non-compliance found during onsite inspection/offsite supervision or pointed out by external auditors but also to make necessary provision to avoid repeating such non-compliances.
- 2.73 Regular monitoring has been done to ensure whether the directives given to address comments pointed out in corporate level onsite inspection report, special inspection report, targeted onsite and offsite monitoring report has been undertaken. Quarterly enforcement reports of all the commercial banks were prepared for all the four quarters (mid-October, mid-January, mid-April and mid-July) of 2011/12.
- 2.74 NRB has adopted the policy of assimilating and implementing international banking supervisory practices in Nepal. In this regard, newly developed Capital Adequacy Framework 2007 (updated 2008) has been fully implementation since 2008/09. As per the framework, ICAAP Guidelines was issued to all banks to manage additional capital based on self-assessment of risk level and adequate risk management.
- 2.75 In the review period, CAELS (capital, assets, earnings, liquidity and sensitivity to market risk) rating was prepared on the basis of information from offsite- supervision; and continuity has been given to early warning signals and timely warning to the banks as per warning indicators.
- 2.76 To identify liquidity risk (taken importantly in banking sector) in time and to take appropriate policy decisions, one monitoring desk has been established under offsite unit; the desk regularly monitors liquidity status in a new format.
- 2.77 The task of monitoring weekly based Cash Reserve Ratio (CRR) of banks and imposing monetary penalty to the banks that failed to maintain the ratio was given continuity. In 2011/12, Rs.95103.08 was collected as a penalty from non-compliance of CRR.
- 2.78 To ensure that the loan to deprived sector reaches intended section, continuity was given to monitoring such lending; and in case of noncompliance, penalty was levied to the banks in this fiscal year as well.



- 2.79 The task of monitoring statutory liquidity ratio of banks on a monthly basis and penalizing the banks which failed to maintain the required ratio was given continuity.
- 2.80 Continuity has been given to monitor concentrated risk on sectoral and product-wise credit issued by the banks.
- 2.81 Risk Management Guideline has been approved and implemented for overall risk management of the banks. Risk-based Supervision Framework is being prepared under the technical assistance of IMF for implementing risk-based supervision and thereby optimally utilize supervisory resources; Onsite Inspection Manual is being revised incorporating risk-based supervision; and Macro-prudential Supervision Framework is also under the process.
- 2.82 Stress Testing Framework, according to the concept of forward looking approach, has been prepared; and based on this framework, provision has been made for banks to submit quarterly report of stress testing to the offsite unit of NRB. Likewise, Problem Bank Resolution Framework has been prepared with the technical assistance of World Bank.
- 2.83 Annual supervision report of 2010/11, including the activities of Bank Supervision Department, overall supervision analysis of the financial position of commercial banks and other pertinent issues, has been prepared.

### **Development Bank Supervision**

- 2.84 For enhancing effectiveness of inspection and supervision system, the then Financial Institution Supervision Department was separated in November 2011 into two different departments: Development Bank Supervision Department & Finance Company Supervision Department.
- 2.85 A separate BASEL II Monitoring Desk (formed in 2010/11 to incorporate national level development banks into BASEL II Capital Adequacy Framework) was given continuity for monitoring work in 2011/12.
- 2.86 In a context when the income and expenditure of development banks has been contributed by interest income and interest expenditure; the non-funded business has occupied small share in the total transaction; the inspection and supervision has been focused on asset quality check; and challenge has cropped up for maintaining corporate governance in development banks, NRB has given focus also on governance system inspection and supervision.
- 2.87 Problem Resolution and Post Merger Monitoring Desk has been set up to continue monitoring work related to corporate governance, financial position and other miscellaneous aspects of problematic development banks, and to supervise post merger performance and other aspects of development banks.
- 2.88 In order to strengthen financial health of development banks, a policy has been made to approve cash dividend and bonus share proposal of development banks only after the monitoring on the basis of prudential norms.
- 2.89 Despite the plan for field inspection of all development banks as mentioned in Annual Work Plan, 2011/12, full inspection of 73 development banks and target inspection of 7 development banks could be conducted. And, 28 special inspection, four follow-up inspection and three physical infrastructure inspection were carried out.
- 2.90 Based on the audited financial reports for 2010/11, approval has been granted to 85 development banks to publish their financial statements for their annual general meeting.
- 2.91 The United Development Bank, Jitpur, Bara was restricted for financial transactions, and a case has been filed in Appellate Court, Patan for the dissolution of the bank as per Prompt Corrective Action Bylaws, 2008 (no. 3 nga, and section e and f), NRB Act, 2002 (clause 86 g), and Bank and Financial Institutions Act, 2006 (clause 74, sub-clause 1, h).
- 2.92 As Vibor Development Bank Ltd. was found violating terms and conditions such as restriction to disburse loan, restriction to purchase fixed assets and curtailment in staff and operating expenses laid down as part of refinance and lender of last resort facility, written admonition was

- given to its directors and executive chief according to Banks and Financial Institutions Act, 2006 (clause 74, sub-clause 4, section A). Similarly, the bank was given instruction not to approve resignation of executive chief and directors till the final decision on finder's fees case as the Bank's 100 percent subsidiary company Vibor Properties was found to have paid Rs. 50 millions as finder's fee without tax deduction at source during the purchase of M/s Ravi Bhawan Boutique Hotel & Mansion Pvt. Ltd.
- 2.93 Based on the annual financial reports for 2010/11, as the capital fund ratio of Kabeli Development Bank was found to have come down to only 0.06 percent after maintaining cent percent provision on nine different misused loans and other loans, the bank has been barred from distributing dividend to its shareholders.
- 2.94 According to BAFIA 2006, (clause 74, sub-clause 1, section D), a written order has been issued to Infrastructure Development Bank Ltd. to stop repeated violation of prevailing laws, the bank's own rules and policies, and the directives of NRB.
- 2.95 A direction has been issued to the Board of Directors of Rising Development Bank Ltd. to get investigation done on irregularities through Audit Committee, and recover the loss impaired to the bank from the then and present Chief Executive Officer on proportionate basis.
- 2.96 After declaring Gorkha Development Bank as problematic on 25 March 2011 according to Nepal Rastra Bank Act (clause 86, B), the bank has been given directives to submit updated capital plan.
- 2.97 Based on the supervision report of NRB till mid-March 2012, seven development banks were fined Rs. 4,173,342.79 for not maintaining compulsory reserve ratio; two development banks were fined Rs. 21,962 for under disbursement in deprived sector; and one development bank was fined Rs. 774,555.83 for not maintaining statutory liquidity ratio.
- 2.98 In 2011/12, the board of directors of three development banks, presidents of three development banks, seven directors of three development banks, managing director of one development bank, executive chiefs of two development banks, chief executive officers of three development banks, and the then chief executive officer of one development bank were penalized. Similarly, general manager of one development bank was reprimanded; and managing director of one development bank was given suspension order.
- 2.99 Development Bank Supervision Annual Report, 2010/11 comprising all the activities during inspection and supervision of development banks during the fiscal year has been prepared and uploaded in NRB website for public use.

### **Finance Company Supervision**

- 2.100 Monitoring and Resolution Task Force has been formed under Finance Company Supervision Department for regular follow-up and micro-study of problematic finance companies.
- 2.101 Despite the annual work plan of 2011/12 to complete full-fledged on-site inspection of all the "C" class financial institutions, only 60 finance companies were completely inspected. During the period, special inspection of 17 finance companies, follow-up inspection of four finance companies and diagnostic review of two finance companies were carried out.
- 2.102 In the review period, 70 finance companies were granted permission to publish annual financial statements for annual general meeting purpose.
- 2.103 The Annual report of 2010/11 of Finance Company Supervision Department has been prepared. The report includes overall functions carried out by the department during the review period such as supervision status, analysis of financial position of finance companies and other relevant issues.
- 2.104 As per the Prompt Corrective Action By Law, 2008 (3), prompt corrective action was taken against Capital Merchant Banking and Finance Ltd. and Peoples Finance Ltd. since 9 August

2011 and 10 August 2011 as their capital fund was found to have lowered by 6.86 percent and 6.49 percent respectively than NRB prescribed limits.

- 2.105 As per the Prompt Corrective Action By Law, 2008 (3 B), corrective actions were taken against Himalaya Finance Ltd. and Arun Finance Ltd. from since 10 May 2012 and 13 May 2012 as their capital fund was found to have been less than NRB prescribed limits by 2.16 percent and 2.21 percent respectively. Necessary instructions have been given as per the NRB directives to these institutions to improve their financial situations.
- 2.106 According to Nepal Rastra Bank Act, 2002 (86, B) and Prompt Corrective Action By Law, 2008 (3, C), Nepal Share Markets and Finance Company was declared problematic and necessary instructions were given on 13 January 2012 as the capital fund of the company was found to have been negative according to Due Diligence Audit; and the financial condition was found to be deteriorating day by day.
- 2.107 As Progressive Finance Ltd. and Crystal Finance Ltd. were found to have failed to manage minimum capital fund prescribed by NRB directives, they were barred from disbursing loan, and distributing cash dividend and bonus share to their shareholders.
- 2.108 Restriction on mobilization of deposits and disbursement of loan by Bhajuratna Finance and Saving Company Ltd. has been removed since 20 March 2012 as a approval has already been given principally to the company to merge with Vibor Development Bank for forming national level development bank.
- 2.109 Action taken against Arun Finance Ltd. according to Prompt Corrective Action By Law, 2008 (3, B) on 13 May 2012 has been removed since 6 June 2012.
- 2.110 Restrictions on mobilization of deposits, disbursement of loan and distribution of dividend by Srijana Finance Ltd. and Namaste Finance Ltd. as they had failed to increase paid up capital in proportionate way has been removed under an agreement that the companies would fulfil all the prescribed terms and conditions of NRB.
- 2.111 As per Nepal Rastra Bank Unified Directives, 2012 (1, 9 C), restriction was imposed on Arun Finance Ltd. and Kuber Merchant Finance Ltd. for distributing cash dividend and issuing bonus share to their shareholders as they failed to manage prescribed capital funds in 2010/11.
- 2.112 Institutional responses from 13 Finance Companies have been demanded as they were found to be non-complying with the provision of managing proportionate paid-up capital till 2013 according to policy and procedure related to Bank and Financial Institution Establishment and Licensing for Financial Transaction, 2006 (1.4)
- 2.113 Inspections were carried out to examine whether deprived sector lending was disbursed to the targeted group appropriately; and clarification from 25 finance companies, which had not provided the lending according to directives of 2011/12, has been demanded from them on why penalty should not be levied against them.
- 2.114 Clarification has been demanded from the Directors, Executives and General Manager of Janaki Finance Ltd., as per Bank and Financial Institutions Act, 2006 (1, A) and Unified Directives Issued to BFIs, 2011 (8, 7), for their involvement in illegal purchase of building and letting it on rent. Similarly, Kuber Merchant Finance Ltd. was given warning according to Bank and Financial Institutions Act, 2006 (74, 4, A) as they were found to have been involved in loan transaction from the organization.
- 2.115 Quarterly full-fledged off-site supervision report has been prepared for the last three quarter of 2011 and the first quarter of 2012 based on the supervisions of “C” class financial institutions.
- 2.116 Eight finance companies (for not managing prescribed CRR) and 10 Finance Companies (for not managing prescribed SLR) were penalized in the review year. And, daily follow up task of liquidity of finance companies has been planned for a timely identification of risk related to liquidity, which is as important element in financial sector, and prescription of policy to mitigate such risk.

## Currency Management

2.117 In 2011/12, a total of 186.35 million pieces printed notes were deposited in the bank vault; and already ordered 40 million notes of Rs. 1000 denomination were yet to be received. To issue the notes and coins, expenses of Rs. 649.90 million and Rs. 254.40 million respectively was spent. The denomination and quantity of notes printed and deposited in the bank vault were as follows:

**Table 2.9**  
**Statement of Note Printing in 2011/12**

S.N.	Denominations (Rs.)	Received Quantity (pcs. in million)
1.	5	50.00
2.	10	70.00
3.	500	6.35
4.	1000	60.00
<b>Total</b>		<b>186.35</b>

2.118 In 2011/12, a total of 365.24 million coins, comprising 227.5 million of rupee one and 137.74 million of rupees 2 denomination were minted and deposited in the bank vault.

**Table 2.10**  
**Statement of Coin Minting in 2011/12**

S.N.	Denomination (Rs.)	Received Quantity (pcs. in million)
1	1	227.50
2	2	137.74
<b>Total</b>		<b>365.24</b>

2.119 During 2011/12, notes of various denominations equivalent to Rs. 52 billion 696 million 500 thousand were issued for circulation.

2.120 As at mid-July 2011, the notes in circulation increased by 20.06 percent to Rs. 201.25 billion; last year such amount had reached Rs. 167.62 billion. For the issuance of notes, 97.9 percent of security was covered by foreign currency deposits and the rest by government securities.

2.121 For a smooth and effective supply of Nepalese currency, NRB has set up 75 currency chests across the nation; the number comprises one NRB office in Kathmandu Valley and seven offices outside valley, 43 branches of RBBL, and 24 branches/sub-branches of NBL: notes are supplied and non-issuable notes are withdrawn through these chests. In case of higher than insured limit deposit, NRB immediately manages fund transfer back; and in case of currency shortage, the bank supplies currency instantly on its own expenses. To overcome problems that arise in currency chest transactions and to operate the chests more effectively, regular inspection and monitoring of the currency chests are carried out.

2.122 Giving continuity to “Clean Note Policy” that was effectuated for the circulation of good quality banknotes and withdrawal of unfit and/or soiled notes from circulation, Currency Management Department conducted five seminars in the review year (four outside Kathmandu valley and one in the Valley) to educate the public on this issue. Since the initiation of the policy in 2010/11, NRB has issued various circulars regarding the policy. Currently, the policy of only one staple and label in one packet of notes is being implemented. A serial named “Sandesh” is being telecasted through Nepal Television to make the stakeholders aware of the way to use and circulate notes securely, and safeguard it.

2.123 In the process of destroying soiled and non-issuable notes by withdrawing from commercial banks, Currency Management Department, and NRB offices outside the valley destroyed a total of Rs. 56 billion 695 million 400 thousand soiled and non-issuable notes of various denominations in 2011/12. Till mid July 2012, the amount of destroyed notes has reached Rs. 222 billion 487 million and 600 thousand.

## Miscellaneous

### Human Resource Management

2.124 Among 1383 permanent employs as of mid-July 2012, there were 801 officers, 451 assistants and 131 office assistants. The proportion of officers to assistants (including office assistants) as on the date was 1:0.73 (Table 33). Similarly, a total of 157 staffs were working on contract basis.

2.125 During the review period, the number of employees leaving the bank was 57: 46 left due to the provision of compulsory retirement, seven resigned, one was dismissed from the service and 3 died. Likewise, 76 new recruits joined bank service. Thus, 19 employees were added in 2011/12.

**Table 2.11  
Details of Employees Joining and Leaving the Bank in 2011/12**

Level	Retirement	Resignation	Dismissal	Death	New Recruits
<b>Officer Level</b>	<b>27</b>	<b>2</b>	-	-	<b>28</b>
Officer Special	1	-	-	-	-
Officer First	4	-	-	-	-
Officer Second	12	-	-	-	-
Officer Third	10	2			28
<b>Assistant Level</b>	<b>14</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>48</b>
Assistant First	5	2			-
Assistant Second	4	3	1	1	48
Assistant Third	5	-	-	-	-
Assistant Fourth	-	-	-	1	-
<b>Office Subordinate</b>	<b>5</b>	-	-	<b>1</b>	-
Office Subordinate First	4	-	-	1	-
Office Subordinate Second	1	-	-	-	-
<b>Total</b>	<b>46</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>76</b>

2.126 The detail of recruitment and promotion in 2011/12 was as given below:

**Table 2.12 (a)  
Details of Recruitment in 2011/12**

S.N.	Level	Service Type	External Competition	Performance Appraisal	Internal Competition
1	Officer Special	Administration	-	4	-
2	Officer First	Administration	-	6	3
3	Officer Second	Administration	-	15	7
4	Officer Second	Technical	-	7	-
5	Officer Third	Administration	28	54	17
6	Officer Third	Technical	-	5	-
7	Assistant First	Technical/ Special	-	2*	-
8	Assistant Second	Administration	48	-	-
9	Assistant Third	Technical/ Special	-	6*	-
<b>Total</b>			<b>76</b>	<b>99</b>	<b>27</b>

\* Promoted under special provisions under technical service

- 2.127 In 2011/12, a total of 28 employees including five from law and six from chartered accountancy were recruited as per the policy to appoint officer (third level) and assistant (second level) through external competition. Similarly, 45 subordinates (subordinate second) were recruited in offices outside Katmandu Valley.
- 2.128 “Nepal Rastra Bank, Employee Service Bylaws, 2011” has been implemented as part of policy related to the facilities being offered to NRB employees. Similarly, revisions have been made in newspaper facilities; coolie charges for note-box carriers; funeral ritual assistance provided to the family of retired employees at his/her death; increase in the wage rates of workers under contract and labor; leave facility to office bearers of unions without allowances; and amendment in fund deputation, work performance of economic activities and travel time. Similarly, revision was done in stress management leave facility and telephone/ mobile facilities provided to governor and deputy governors. Likewise, revisions on salary, allowances and medical facilities to employees of all level including governor and deputy governors; provision of Dashain allowances to personal drivers of board directors and officer special; and increase in medical facilities provided to retired staffs were made.
- 2.129 In 2011/12, 489 employees attended training; and the following is the list of employees who were granted permission for studies inside Nepal and abroad:

**Table 2.12 (b)**  
**Details of Employees on Leave/Deputation Recruitment in 2011/12**

Level	Country/Purpose	Subject	No.
Deputy Director	Nepal (Study Leave)	M.Phil.	2
Assistant Director	Japan, Poland, India (Study Leave - 2) (Study Deputation - 1)	Ph.D. - 2, Masters Degree- 1	3
Head Assistant	Nepal (Study Leave)	Masters Degree	1

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

- 2.130 To make implementation process of budgeting and programs strong by making the budget realistic, economic, result-oriented and effective, the Board of Directors of NRB issued 23 points directives to all the departments/ offices /divisions of the bank before the approval of annual budget and programs for 2012/13.
- 2.131 Budget Review Committee, which is headed by a Board Member as a coordinator, after reviewing quarterly budget and programs of 2011/12 (till third quarter), got endorsement from the Board of Directors.
- 2.132 The evaluation report of Annual Work Plan for 2010/11 was prepared and endorsed by the Board of Directors. During the fiscal year, out of 207-weightage works, a total of 166.41-weightage works was accomplished; it constituted 80.39 percent of the total work.
- 2.133 The evaluation report for the first, second and third quarter of Annual Work Plan for 2011/12 was approved by the Organizational Reinforcement Committee. During the review period, out of 231.03-weightage works, a total of 197.93-weightage works was done; it constituted 85.67 percent of the total work.
- 2.134 The Board of Directors approved the Annual Work Plan for 2012/13. For the approved plan, a total of 298 programs were set up for all the department/branches/offices and 421 weightage has been allocated.
- 2.135 A Second Five-year Strategic Plan (2012-2016) has been implemented during the review period. The plan, to attain the Vision and Mission of the bank, has identified major tasks and categorized under seven strategic pillars. To ensure effective implementation of the strategies, performance indicator(s), time framework for the completion of the task and the 'responsible department' to coordinate tasks have been defined.

2.136 The directives approved by Board of Directors, on the recommendation of the Risk Management Committee, have have been circulated to all departments/ offices /divisions for its implementation. Similarly, the task of maintaining quarterly Risk Register through the appointment of Risk Officer in all departments/ offices /divisions and compiling the register obtained from the offices has been underway.

### Information and Technology

2.137 As per the request of concerned departments to develop and improvise softwares such as software for Banking System, Accounting, Payroll, and Staff Facility, and the software used by Balance of Payments Division for foreign trade statistics using HS code have been improved and modified.

2.138 To make the server room in Information Technology (IT) Department more effective, the following changes such as raised flooring, fire alarm, access control, CCTV and AC have been installed and network and electrical wiring have been done. Similarly, to provide power backup in the server room, a generator and two 20 KVA UPS have been installed.

2.139 IT infrastructure of various newly established BFIs have been inspected.

2.140 To enhance IT capacity of NRB, the bank has been replacing old technology based software by modern software in its own resources. The following tasks have been finalized to acquire modern software:

- a. Necessary action by the key personnel from consulting firm and GL team members deputed by the bank to procure and implement Accounting (General Ledger) Software.
- b. Online Data Collection and Dissemination System Software to simplify collection/ dissemination of data for various BFIs; Human Resource Management Information System (Including E-Attendance System) for Human Resource Management Department; and the software required for Financial Information Unit (FIU-Nepal) have been evaluated for procurement.
- c. Library Software for the library of Research Department, and Inventory Management System Software for the store section of General Services Department have been procured and implemented.

### Financial Information Unit

2.141 The draft of Fifth Year Strategic Plan related to Preventing and Combating Money Laundering and Terrorism Financing (2068 – 73) prepared by FI Unit under the technical assistance of IMF has been implemented by the GoN from 26 September 2012. The task has played a vital role to avert the declaration of Nepal in negative list by FATF/ICRG, and to prevent and combat offences associated with money laundering and terrorism financing.

2.142 FI Unit has drafted AML/CFT Supervision Manual for the purpose of on-site and off-site inspection and supervision of BFIs to prevent and combat money laundering and terrorism financing in accordance with the laws and regulations of Nepal; the provisions of international standards like Basel Core Principle, Financial Action Task Force Recommendation; the resolution of Security Council; and Conventions of United Nations. The manual has been implemented through different supervisory departments of the bank since 2011/12. In addition, Foreign Exchange Management Department has already issued directives for money changer and remittance companies, and BFIs to deploy customer due diligence method and to prevent money laundering.

2.143 FI Unit, in collaboration with IMF, has developed tools for supervising BFIs so as to examine whether they have fulfilled their responsibilities in accordance with the directives issued by NRB and existing Laws of Nepal, and supporting risk based supervision; and these tools are in the final stage of operation.

- 2.144 In 2011/12, the parliament of Nepal accepted important conventions like UN International Convention for the Suppression of the Financing of Terrorism, 1999; UN Convention against Transnational Organized Crime, 2000; and UN Convention against Corruption, 2003. And, Mutual Legal Assistance and Extradition Ordinances have already been issued. As a result, an appropriate environment has been created for the exchange of mutual assistance to prevent transnational offence like money laundering, terrorism financing and other criminal offences.
- 2.145 FI Unit accomplished on-site inspection and supervision of 20 cooperatives, six insurance companies, four casinos and 10 securities agencies in 2011/12 to ensure the implementation of Money Laundering Prevention Act and the directives.
- 2.146 An adequate effort has been made for the membership of Egmont Group, an international organization of 127 financial information units of the world, with regular participation in its meeting.
- 2.147 Nepal has already submitted to APG, within specified deadline, the mandatory report mentioning strategic work plan, as pointed out by APG Mutual Evaluation for the improvement of identified weaknesses.
- 2.148 FI Unit has already recommended 269 cases, out of 299 suspicious cases, to Money Laundering Investigation Department for further investigation after the completion of necessary investigation over the proceeding received from different reporting entities related to threshold and suspicious transaction.
- 2.149 Nepal has recently signed the Memorandum of Understanding (MoU) with India, China and South Korea for the exchange of financial information; and MoU has been signed with eight foreign FI units for the same.

### **Legal Draft/Amendment, Opinion Advocacy and Record Management**

- 2.150 In a context of ten years' completion of Nepal Rastra Bank Act, 2002, a revised draft of the act (incorporating problems faced during its implementation, essential changes to overcome the problems and other pertinent issues) has been forwarded to the Regulation Committee. The draft of Bank and Financial Institutions Act, 2009, with necessary amendments and changes was already submitted to the GoN.
- 2.151 The bank is taking defense in 62 cases: it comprises pending appeals registered against the action taken over BFIs and its officials; undecided cases registered in the courts against NRB till the last year; and some new cases registered in the court. Among the cases, 30 cases were decided in the review year –28 decisions were in favor and 2 were against. Four of the cases were withdrawn by the petitioners themselves. The advocacy of the undecided cases, the draft and advocacy of the new cases are being carried out on regular basis.
- 2.152 Secure record management of the legal documents related to different types of loans and facilities provided to the existing and retired employees of the bank is underway.

### **Internal Audit**

- 2.153 The compliance audit of Financial Management Department, Banking Office and Currency Management Department, Mint Division, and seven offices of the bank outside Kathmandu Valley has been completed.
- 2.154 Risk Based/Performance Based audit of Foreign Exchange Management Department (imports payment settlement); Financial Management Department (payment system of retirement of employees); Bank Supervision Department (compliance of inspection bylaws); Currency Management Department (printing of currencies and minting of coins); and Banking Office (compliance of procedures and procedures of letter of credit transaction) has been completed.
- 2.155 The annual report of Audit Committee (2010/11) has been presented to the Board of Directors.



## General Service

- 2.156 The Board of Directors has given its consent in principal to the report submitted by a High Level Committee formed under the chairmanship of the deputy governor to study and advise on the construction of central office building and the management of other physical infrastructure of the bank. The consent has paved the way for the construction of modern central building and the management of all other infrastructures within and outside the valley.
- 2.157 An evaluation work for the installation of CCTV within the premises of Thapathali office and all other offices outside the valley has reached its final stage. In addition, installation of electronic gate and e-attendance system at the central office of the bank has been completed.
- 2.158 Work order has already been issued after an agreement with the contractor for the construction of vehicle building at the central office. Likewise, with an approval of the tender, work order has been issued for the construction of new structures after dismantling the wall at the north elevation of Nepalgunj office and other structures. Similarly, an agreement with the contractor has reached its final stage for the construction of structures including compound wall, security post and security quarter at the south elevation of the central office.

## Public Debt Management

- 2.159 In 2011/12, NRB had set out the plan of raising the domestic debt of Rs. 37.41 billion as targeted in the budget speech of the GoN through the four Bi-monthly Issue Calendar. Accordingly, Rs. 3.50 billion was raised in November 2011 (9.36 percent), Rs. 3.50 billion (9.36 percent) in January 2012, Rs. 3 billion (8.01 percent) in March 2012, Rs. 8 billion (21.38 percent) in April 2012, Rs. 4.13 billion (11.03 percent) in May 2012, Rs. 10.78 billion (28.82 percent) in June 2012 and Rs. 3.51 billion (9.38 percent) in July 2012: the total debt issued amounted to Rs. 36.42 billion (97.35 percent) during the review fiscal year.
- 2.160 The total domestic debt raised in 2011/12 was 8.13 percent higher than that of the preceding year. In 2010/11, the total domestic debt had been 12.59 percent higher than that of 2009/10.
- 2.161 In terms of the structure of instruments of debt raised, the share of short-term instrument, *i.e.*, Treasury Bills was higher than other instruments in 2011/12 also. Of the issued debt instruments, the share of Treasury Bills increased by 15.25 percent to occupy 47.46 percent of the total share. The share of Development Bond (a long-term instrument and issued through auction to corporate savers) stood at 38.44 percent; and the share of Citizen Savings certificates auction (a mid-term instrument issued for general public) occupied 0.35 percent. Domestic debt of Rs. 8.66 million was raised through Foreign Employment Bond.

**Table 2.13**  
**Annual Domestic Debt Issue**

(Rs. in '00 thousand)

S.N.	Types of Bond	2009/10		2010/11		2011/12		Percent Change	
		Amount	Share	Amount	Share	Amount	Share	2010/11	2011/12
1.	Development Bond	90409.00	30.22	80000.00	23.75	140000.00	38.44	-11.51	75.00
2.	Treasury Bills	199298.50	66.63	149966.00	44.53	172834.25	47.46	-24.75	15.25
3.	Citizen Saving Bond	9392.50	3.14	-	-	1265.66	0.35	-	0.35
4.	National Saving Bond	-	-	106800.00	31.71	50000	13.73	-	-53.18
5.	Foreign Employment Bond	40.00	0.01	33.80	0.01	86.60	0.02	-15.50	156.21
<b>Total</b>		<b>299140.00</b>	<b>100.00</b>	<b>336799.80</b>	<b>100.00</b>	<b>364186.51</b>	<b>100.00</b>	<b>12.59</b>	<b>8.13</b>

- 2.162 The total domestic debt liabilities of the GoN, compared the rise of 25.53 percent last year, increased by 16.61 percent to Rs. 209 billion 120 million 204 thousand in 2011/12. The debt accounted 13.43 percent of the total GDP (current price) in the review year. Of the total liability, 62.94 percent was on Treasury Bills, 27.51 percent on Development Bond, 7.5 percent on National Savings Bond, 1.97 percent on Citizen Savings Bond, 0.01 percent on Foreign Employment Bond and 0.08 percent on Special Bond.

**Table 2.14**  
**Total Domestic Debt Liabilities of the GoN**

(Rs. in '00 thousand)

S. N.	Types of Bond	2009/10		2010/11		2011/12		percent Change	
		Amount	% Share	Amount	% Share	Amount	% Share	2010/11	2011/12
1	Development Bond	355194.00	24.86	435194.00	24.27	575194.00	27.51	22.52	32.17
2	National Saving Bond	-	-	106800.00	5.96	156800.00	7.50	-	46.82
3	Treasury Bills	1020437.26	71.43	1203406.83	67.11	1316241.07	62.94	17.93	9.38
4	Special Bond	1697.00	0.12	1580.33	0.09	1576.00	0.08	-6.875	-0.27
5	Citizen Saving	51228.94	3.58	46228.94	2.58	41230.57	1.97	-9.76	-10.81
6	Foreign Employment Bond	40.00	0.01	73.80	0.00	160.40	0.01	84.50	117.34
	<b>Total</b>	<b>1428597.20</b>	<b>100</b>	<b>1793283.90</b>	<b>100</b>	<b>2091202.04</b>	<b>100.00</b>	<b>25.53</b>	<b>16.61</b>

### Ownership Structure of Domestic Debt

2.163 Of the total outstanding domestic debt of Rs. 209 billion 120 million 204 thousand in 2011/12, commercial banks had the largest share, *i.e.*, 61.68 percent. NRB had 13.50 percent; Employee Provident Fund 3.75 percent; insurance companies 5.38 percent; development banks 2.15 percent; finance companies 1.73 percent; Retirement Funds 1.26 percent; general public 1.12 percent; and others 7.72 percent.

**Table 2.15**  
**Institutionwise Ownership Pattern of Domestic Debt**

(Rs. in '00 thousand)

Owner	Dev. Bond	Share %	Foreign Employ. Bond	Share percent	Treasury Bill	Share %	Citizen Saving Bond	Share %	Special Bond	Share %	National Saving Bond	Share %	Total	Share %
Nepal Rastra Bank	3820.00	0.66	-	-	250729.32	19.05	27533.19	66.78	-	-	149.60	0.10	282232.11	13.50
Commercial Bank	267805.75	46.56			1020492.00	77.53			1576.00	100			1289873.75	61.68
Development Bank	17121.75	2.98			27949.75	2.12							45071.50	2.15
Finance Company	18724.50	3.26	0.10	0.06	16645.00	1.26	750.00	1.82			54.60	0.03	36174.20	1.73
Employee Provident Fund	78198.00	13.6											78198.00	3.75
Citizen Investment Trust	11809.00	2.05											11809.00	0.56
Nepal Telecom	24037.75	4.18											24037.75	1.15
Retirement Fund	26215.75	4.56											26215.75	1.26
Insurance Companies	112560.00	19.57											112560.00	5.38
Public	965.75	0.17	160.30	99.94			12947.38	31.4			9433.25	6.02	23506.68	1.12
Others	13935.75	2.42			425.00	0.04					147162.55	93.85	161523.30	7.72
<b>Total</b>	<b>575193.75</b>	<b>100</b>	<b>160.40</b>	<b>100</b>	<b>1316241.07</b>	<b>100</b>	<b>41230.57</b>	<b>100</b>	<b>1576.00</b>	<b>100.00</b>	<b>156800.00</b>	<b>100.00</b>	<b>2091202.04</b>	<b>100</b>

2.164 In terms of instrumentwise ownership structure of the Treasury Bills (Rs.131 billion 624 million 107 thousand, commercial banks had the share of 102 billion 49 million 200 thousand (77.53 percent) and NRB had the share of Rs. 25 billion 72 million 932 thousand (19.05 percent).

2.165 Of the total liabilities on Development Bonds of Rs. 57 billion 519 million 375 thousand, commercial banks had the largest ownership of Rs. 26 billion 780 million 575 thousand (46.56 percent). The share of insurance companies and Employee Provident Fund in development bonds was 19.57 percent and 13.6 percent respectively.

2.166 Of the total liabilities on Citizen Savings Bond of Rs. 4 billion 123 million 57 thousand, general public held Rs. 1 billion 294 million 738 thousand (31.40 percent) and NRB held Rs. 2 billion 753 million 319 thousand (66.78 percent). Likewise, of the liabilities on Foreign Employment Bond, general public held Rs. 16 million 30 thousand and finance companies Rs.10 thousands.

### Debt Instruments in Nepal Rastra Bank's holding

2.167 As per the provision of the GoN to raise domestic debt in every fiscal year through budget, NRB has been issuing Treasury Bills (short-term) Development Bonds (long-term) and Citizen Saving Bonds (mid-term). Among them, Treasury Bills are issued with dual objective of raising domestic debt and managing liquidity. If an adequate amount of bids are not submitted during primary issuance and renewal of Treasury Bills, NRB purchases the bills worth the remaining amount from secondary market. The debt instruments in NRB's holdings including bonds sold by market makers from their special account, Treasury Bills issued against payment of special bonds and Treasury Bills issued against overdraft are as follows:

**Table 2.16**  
**Detail of Government Debt Instruments held by Nepal Rastra Bank**

S. N.	Types of Debt Instruments	2009/10		2010/11		2011/12		Percent Change	
		Amount	Share	Amount	Share	Amount	Share	2010/11	2011/12
1.	Development Bond	3090.50	0.93	3481.50	1.10	3820.00	1.35	12.65	9.72
2.	National Saving Certificates	-	-	75.60	0.02	149.60	0.05	-	97.88
3.	Treasury Bills	304774.26	91.19	281789.33	88.97	250729.32	88.84	-7.54	-11.02
4.	Citizen Saving Certificates	26349.74	7.88	31366.73	9.90	27533.19	9.76	19.04	-12.22
<b>Total</b>		<b>334214.50</b>	<b>100</b>	<b>316713.16</b>	<b>100</b>	<b>282232.11</b>	<b>100</b>	<b>-5.24</b>	<b>-10.89</b>

2.168 Compared to the last year, the government debt in NRB's holding decreased by 10.89 percent to Rs. 28 billion 223 million 211 thousand in 2011/12. Last year, it had decreased by 5.24 percent. The ownership structure of NRB (in terms of instrument wise analysis) showed decrease in the holding of Citizen Savings Bond and Treasury Bills by 12.22 percent and 11.02 percent respectively; however, it showed increase in holding of Development Bond and National Saving Bond by 9.72 percent and 97.88 percent respectively.

### Payment of Principal and Interest of Government Debt

2.169 The payment of principal and interest liability of government debt issued by the GoN after their maturity has been done regularly. As against 9.6 percent increase in 2010/11, the principle and interest amount paid in 2011/12 increased by 15.42 percent to Rs. 18.85 billion.

**Table 2.17**  
**Statement of Payment of Principal and Interest**

S. N.	Types of Bonds	2009/10	2010/11	2011/12
1	Development Bond	51944.60	28758.53	36333.03
2	National Savings Bond	2487.18	87.70	10580.00
3	Treasury Bills	88017.85	125107.34	131471.71
4	Citizen Savings Bond	5650.35	9070.79	9946.05
5	Special Bond	859.24	256.15	115.73
6	Foreign Employment Bond	-	3.90	7.45
<b>Total</b>		<b>148959.22</b>	<b>163280.51</b>	<b>188453.97</b>
<b>Change in Percent</b>		<b>1.50</b>	<b>9.6</b>	<b>15.42</b>

### Domestic Debt Management Fees and Commission

2.170 Management fees received by NRB through the management of domestic debt during the issue of various bonds on behalf of the GoN increased by 30.59 percent to Rs. 94 million 164 thousand in 2011/12 compared to Rs. 72 million 107 thousand last year.

**Table 2.18**  
**Fees and Commission of Domestic Debt Management**

(Rs. in '00 thousand)

S.N.	Fees and Commission	Rate (of the total amount)	2009/10	2010/11	2011/12
1	Management Fees of NRB	0.05	598.56	721.07	941.64
2	Selling Agent's Commission for Primary Issues	0.25	20.79	14.98	4.65
3	Commission against Interest Payment to Financial Institutions and Market Makers	0.25	16.88	25.25	36.69
4	Selling Agent's Commission for Primary Issue of Foreign Employment Bond	0.5	0.20	0.17	-
<b>Total</b>			<b>636.43</b>	<b>761.47</b>	<b>982.98</b>
<b>Change Percent</b>			<b>4.20</b>	<b>19.6</b>	<b>29.09</b>

### Master Repurchase Agreement

2.171 The Master Repurchase Agreement, as per the Monetary Policy of 2008/09, between NRB and individual commercial banks for the purpose of carrying out repo and reverse repo auctions aimed at moping up or injecting liquidity on the recommendation of Liquidity Forecast and Monitoring Committee, was opened to development banks and finance companies also. As per the provision, the agreement was done with one finance company in 2011/12; and in 2010/11 with five commercial banks, two development banks and four finance companies.

### Market Maker License, Inspection and Publicity

2.172 In 2011/12, 71 BFIs and other organized institutions were granted license to handle primary issue and secondary market transaction of mid-term and long-term savings bonds for general public. Geographically, 58 licensed market makers were located in Kathmandu valley and 13 were from outside the valley. As per the annual action plan of 2011/12, inspection of 12 market makers located in Kathmandu valley was completed. The taskforce formed to synchronize the accounts of Banking Office and Public Debt Management Department submitted its study report. A leaflet to increase debt instrument awareness and increase the access of government securities to rural areas was published and disseminated through all the outside-valley offices of NRB. The list of BFIs, which were licensed as market makers for 2011/12, is attached in annex 2.3.

### Training, Workshop, Seminar, Tour and Interaction

2.173 An international conference on "Economics and Finance" was organized by NRB from 20 – 22 April 2012 in Kathmandu. 120 persons representing 16 countries participated in the conference; and 62 papers were presented. The conclusions derived from the papers are expected to be helpful in policy revision related to economic development, poverty alleviation, macroeconomic stability, and financial sector development and stability. The conference papers and proceedings including photographs are uploaded in the website of the bank.

2.174 Two internal discussions and two workshops were organized on Upgraded Nepal Macroeconomic Model (NMEM)/ Dynamic Stochastic General Equilibrium (DSGE) model.

2.175 During 2011/12, Banker's Training Center of NRB organized 35 training programs incorporating 789 participants in total.

2.176 To address concerns regarding the way to make foreign exchange transaction systematic and effective, interaction programs were organized for the representatives of BFIs in Pokhara, Dhangadhi, Biratnagar and Birgunj.

2.177 Financial Intelligence Unit in the lead of mission for drafting legal matters, IMF organized a seminar on risk assessment which is mentioned in a five-year national policy related to anti-money laundering and terrorist financing.

- 2.178 In an effort of Financial Intelligence Unit of NRB to assist in drafting plans to curb anti-money laundering and terrorist financing, participants from departments of NRB, GoN, Ministry of Law, Ministry of Finance, the Commission on Investigation of Abuse of Authority, Anti-Money Laundering Investigation Department, Nepal Police, Insurance Board, Stock Exchange Board, Customs office, Cooperative Department and Office of the Company Registrar were trained by the resource persons from APG, World Bank, IMF, AUSTRAC and Bank Negara Malaysia during 14-16 December 2011 in Kathmandu.
- 2.179 To make the functioning of the bank more effective and productive, Corporate Planning Department during 15-16 June organized “Annual Planning and Budgeting Workshop” for all department heads and office heads. In the program, detail discussions were held on proposed programs and budget for the next year.
- 2.180 Risk management related plan, formed after pointwise discussion with the Chiefs of related Department, Office and Division in a workshop organized on 14 June 2012 has been incorporated in the program for fiscal year 2012/2013.
- 2.181 In order to make the task of obtaining correct data from BFIs effectively, five workshops were organized for NRB reporting staffs related to BFIs.
- 2.182 The SEACEN Centre and Bank of Japan jointly organized “5<sup>th</sup> SEACEN-CeMCo/BoJ Intermediate Course on Macroeconomic and Monetary Policy Management” in Kathmandu. Similarly, SEACEN Centre and Toronto Centre organized an international workshop in Kathmandu on “Risk-based Supervision”.
- 2.183 An interaction programme on “Risk Management in Commercial Banks” with authorities related to risk management was held. Likewise, another interaction programme on “Roles and Responsibility of Audit Committee: Supervisory Expectations” with its focus on need, importance and challenges of auditing in the operation of banks for the Chairperson/Member of Auditing Committee was organized.
- 2.184 In the context of preparing and enacting IT Guidelines, IT policy and IT Code of Conduct for the staffs, orientation programme was conducted at different offices.
- 2.185 Birgunj Office organized a one day interaction programme “Meet the Bankers” with 'A' class banks for the branch offices of commercial banks in Birgunj on 2 December 2011. In total, 24 branches participated in the program.

## **Studies**

- 2.186 A special study entitled “Relationship between Capital Expenditure and Imports in Nepal” was completed in 2011/12.
- 2.187 Of the studies completed last year, the summary reports of “Parallel Markets of Foreign Currencies” and the “Status of Dhukuti Karobar,” were presented to the Board of Directors; and the study recommendations were forwarded to concerned authorities for implementation. Likewise, the study on “Real Estate Financing in Nepal: A Case Study of Kathmandu Valley” has been published in the web-site of the bank.
- 2.188 NRB Biratnagar Office completed three studies: “The Impact of Agricultural Research Centre in Morang, Sunsari and Dhankuta Districts”; “The Status and Impact of Saving and Credit Cooperatives in Jhapa, Morang & Sunsari Districts on Rural Economy” and “Onsite Study of Jute Mill in Sunsari and Morang Districts”. Similarly, Birgunj Office carried out studies on “Poultry Farming in Chitwan District: Present Status and Economic Interrelationship” and “Milk Cooperatives in Makawanpur District: Present Status and Future Prospects”; and Siddharthanagar Office completed study on “The Credit Disbursement of Rural Self Reliance Fund and its Socio-economic Impact on User Communities.”

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

2.189 In 2010/2011, a total of 43 meetings of Board of Directors were held; last year 46 such meetings were held.

### **Activities of NRB Offices Outside Kathmandu Valley**

2.190 In 2011/12, fund transfer amounting to Rs. 81 billion 898 million 800 thousand to 56 currency chests under 7 NRB offices outside the Kathmandu Valley was done in 583 times; and Rs. 7 billion 434 million 700 thousand was received from these currency chests as deposits in 72 times. Similarly, INR worth Rs. 60 million was transferred from outside Kathmandu Valley offices to the bank branches operating Indian note chests in 8 times, and INR worth Rs. 546.9 million was deposited in 16 times. In the review period, INR equal to Rs. 422.7 million was purchased, and INR equivalent to Rs. 1 billion 19 million 600 thousand was sold from these offices. Similarly, foreign currency worth Rs. 2 billion 960 million 400 thousand was purchased, and Rs. 2 billion 364 million 800 thousand was sold to customers. (Table 38)

**Table 31**  
**Notes in Circulation**

(Rs. in million)

Denomination	Mid July					
	2010		2011		2012	
	Amount	Percent	Amount	Percent	Amount	Percent
1	31	0	31	0	162	0.1
2	65	0	63	0	191	0.1
5	233	0.1	239	0.1	1,316	0.7
10	529	0.3	559	0.3	1,883	0.9
20	531	0.3	486	0.3	2,294	1.1
25	388	0.3	386	0.3	61	0
50	3,237	2	3,319	2	3,761	1.9
100	9,404	5.9	10,001	6	8,911	4.4
250	109	0.1	109	0.1	88	0.1
500	40,863	25.3	46,260	27.6	61,467	30.5
1000	105,910	65.7	106,168	63.3	121,116	60.2
<b>Total</b>	<b>161,300</b>	<b>100</b>	<b>167,620</b>	<b>100</b>	<b>201,250</b>	<b>100</b>

**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+6)/100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	703	-	79,756	80,459	4,172	84,631	95.1
2007	-	-	87,138	87,138	4,172	91,310	95.4
2008	-	-	108,778	108,778	4,172	112,950	96.3
2009	-	-	137,038	137,038	4,172	141,210	97.0
2010	-	-	157,128	157,128	4,172	161,300	97.4
2011	-	-	163,448	163,448	4,172	167,620	97.5
2012	-	-	197,078	197,078	4,172	201,250	97.9

**Table 33  
Established Posts and Employees by Class**

	Mid-July 2010		Mid-July 2011	
	Posts	In-service	Posts	In-service
Officer-Special	16	12	16	15
Officer-First	45	40	48	44
Officer-Second	162	140	175	153
Officer-Third	669	533	727	589
Assistant- First	250	241	200	159
Assistant-Second	182	92	171	129
Assistant-Third	164	146	151	145
Assistant-Fourth	160	159	18	18
Assistant- Fifth	36	1	-	-
Non Graded Office Subordinate (I – IV) Total	-	-	180	131
<b>Total</b>	<b>1,684</b>	<b>1,364</b>	<b>1,686</b>	<b>1,383</b>

**Table 34  
Employees Working on Contract Basis as of Mid-July 2012**

S.N.	Details	No.	Remarks
1	Health Officials	10	Yearly Contract
2	Security	82	Yearly Contract
3	Repair and Maintenance Supervisor	1	Yearly Contract
4	Dresser	2	Yearly Contract
5	Plumber	1	Yearly Contract
6	Electrician	1	Yearly Contract
7	Others	60	Yearly Contract
	<b>Total</b>	<b>157</b>	



**Table 35**  
**Trainings Conducted Internally**

S.No.	Subject	Officer/ Non Officer	Training Days	No. of Participants		
				NRB Local Office	NRB Outside Office	Total
1	Workshop on Regulatory Framework for Domestic Credit Rating Agencies (DCRAS) in Nepal	Officer	1	10		10
2	Targeted Credit Program in SAARC Region SAARCFINANCE Seminar	Officer	3	3		3
3	Risk Based Approach to Auditing	Officer	2	4		4
4	Management Change for Sustainable Development in the SAARC Region	Officer	2	1		1
5	Trainers Training	Officer	15	1		1
6	Guidelines on Study Research 2010	Officer	1		14	14
7	International Financial Reporting Standards (IFRS)	Officer	2	6		6
8	Course on Writing Skills	Officer	1	1		1
9	Course on Personal Management	Officer	3	1		1
10	Bilateral Trade Issues and Problems between India and Nepal	Officer	1	1		1
11	Negotiation Skills	Officer	3	1		1
12	Workshop on “Banking Sector in Transition Economy: Profit Vs Risk”	Officer	1	2		2
13	Revenue Forecasting Training	Officer	10	1		1
14	Industrial Relation in Public Services	Officer	2	1		1
15	5th SEACEN-CeMCo/BOJ Intermediate Course on “Macroeconomic and Monetary Policy Management”	Officer	11	10		10
16	USD Clearing Training	Officer	2	5		5
17	International Financial Reporting Standards (IFRS)	Officer	2	4		4
18	Strengthening The AML/CFT Regulation of the Securities Market	Officer	3	2		2
19	Legal Education to Justice Service and Transformation to Justice Centres Prospects and Challenges	Officer	1	1		1
20	“Planning Workshop” / “Tax Compliance Cost Survey, Risk Based Audit / Marginal Effective Tax Rate Benchmarking”	Officer	1	1		1
21	Workshop on Public Debt Management	Officer	1	1		1
22	Fifth Meeting of Inter Governmental Expert Group on Financial Issues	Officer	2	1		1
23	Situation of Financial Service for Agriculture Development in Nepal: Prospects and Challenges	Officer	2	7	3	10
24	Conference on “Contemporary Issues on Banking from the Perspective of Regulators, Auditors & Bankers”	Officer	1	1		1
25	International Conference on Operations Research for Sustainable Development, Nepal Academy of Tourism and Hotel Management	Officer	2	2		2
26	HR Meet 2012: “Shifting Paradigm of HR”	Officer	1	2		2
27	Two Days Training on Human Resource Management System (HRMS) Audit as per ISO 19011 International Standards	Officer	2	1		1
28	31 <sup>st</sup> National Management Assembly and AGM	Officer	1	1		1
29	Workshop on “Occupational Safety and Health”	Officer	1	2		2
30	Current Information Security Threats	Officer	1	7		7
31	Formal English Writing Skills Training	Officer	3	2		2
32	Invitation for Residential ToT on Financial Literacy	Officer	5	2		2
33	Identification and Management of Selfish Conflict	Officer	2	1		1
34	SEACEN-Toronto Centre Course on “Risk Based Supervision”	Officer	6	9		9
35	CEP Executive Workshop on “Strengthening Capacity of Developing Member Countries to Manage Credit Enhancement Products (CEP)”	Officer	1	2		2
36	12 <sup>th</sup> All Nepal National Lawyers National Conference	Officer	3	3		3
	<b>Total</b>			<b>100</b>	<b>17</b>	<b>117</b>

**Table 36  
Trainings Conducted by Bankers' Training Centre**

S.N.	Subject	Level	Date	No. of Participants
1.	Pre-service Training	Officers	24-29 July 2011	18
2.	Primary & Secondary Market Operation and Management	Officers	3-4 Aug. 2011	23
3.	Management Development Programme	Officers	7-12 Aug. 2011	22
4.	System Audit & IT	Officers/Non-Officers	15-17 Aug. 2011	25
5.	Risk Management in NRB	Officers / Non-Officers	24-26 Aug. 2011	25
6.	Training on NRB Reporting	Officers	28-30 Aug. 2011	20
7.	General Banking Procedure & Banking Fraud	Officers	4-9 Sept. 2011	20
8.	Legal Aspects of Loan Recovery	Officers	14-16 Sept. 2011	22
9.	Foreign Exchange Management (commercial banks)	Officers	18-20 Sept. 2011	25
10.	Foreign Exchange Management (development banks)	Officers	25-26 Sept. 2011	19
11.	AML/CFT Conceptual Framework & Supervision	Officers	20-21 Oct. 2011	25
12.	System Audit & IT	Officers	3-4 Nov. 2011	25
13.	Pre-service Training	Non-Officers	6-11 Nov. 2011	23
14.	Information Security Management System	Officers	13-15 Nov. 2011	20
15.	Pre-service Training	Non-Officers	27 Nov.-2 Dec. 2011	19
16.	Procurement Management	Officers	11-12 Dec. 2011	25
17.	Cash Management	Officers	14-15 Dec. 2011	20
18.	Banking Risk	Officers	27-29 Dec. 2011	20
19.	Note Kosh Inspection, Fund Transfer & A/C Settlement	Officers	1-2 Jan. 2012	25
20.	Quality Enhancement of Support Staffs	Non-Officers	4-5 Jan. 2012	25
21.	NRB Reporting	Officers	4-6 Jan. 2012	24
22.	Macroeconomic Forecasting Techniques	Officers	8-13 Jan 2012	20
23.	Banking Fraud & Forgery	Officers	22-23 Jan. 2012	23
24.	Training on BASEL – II	Officers	25-27 Jan. 2012	18
25.	Risk-based Supervision-Concept, Methodology & its Coverage in Bank & Financial Institutions	Officers	31 Jan.-3 Feb. 2012	25
26.	Training on NRB Reporting	Officers	25-27 Jan. 2012	24
27.	Monetary and Fiscal Management	Officers	5-10 Feb. 2012	22
28.	Central Banking	Officers/ non officers	26 Feb.- 8 Mar. 2012	24
29.	Government A/c Transaction Management	Officers/ Non officers	15-16 Mar. 2012	25
30.	Budgeting & Planning in NRB	Officers	11-13 Mar. 2012	25
31.	Regulatory & Supervisory Framework Of Microfinance Institutions	Officers	18-20 Mar. 2012	25
32.	Central Banking	Officers	25-31 Mar. 2012	25
33.	Problem Bank & Financial Institution & Resolution	Officers	8-10 Apr. 2012	20
34.	Legal aspects of Loan Recovery	Officers	4-6 Apr. 2012	18
35.	Customer Services Orientation Programme for Assistant Level	Non-Officers	29-30 Apr. 2012	25
	<b>Total</b>			<b>789</b>

**Table 37**  
**Training, Seminar Meeting and Workshop in Foreign Countries**

S.N.	Programme	No. of Participants	Host Institution	Place
1	First SEACEN Research Workshop on “Framework for Macro-Prudential for Emerging Economies in a Globalised Environment”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
2	6 <sup>th</sup> NRN Regional Conference	1	NRN Association	Moscow
3	SEACEN Course on “Assessing Liquidity Risk of a Bank”	3	The SEACEN Centre	Ho Chi Minh City, Vietnam
4	9 <sup>th</sup> SEG Meeting & Seminar on Capital Flows: “Implications of Capital Flows and Excess Liquidity in the SEG Economies”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
5	Course on Compilation of Financial Soundness Indicators	1	IMF / STI	Singapore
6	53 <sup>rd</sup> SEACEN-Fed Bank Course on Banking Supervision: “Advanced Credit Risk Measurement and Management”	4	The SEACEN Centre	Kuala Lumpur, Malaysia
7	Course on Monetary and Fiscal Policy	1	Study Center Gerzensee	Gerzensee, Switzerland
8	Invitation Visit to the Board Members of National Banking Training Institute (NBTI) Kathmandu from the Indian Institute of Finance Banking and Insurance (IFBI)	1	NBTI	New Delhi, India
9	IMF/STI Course on Economic Policies for Financial Stability	1	IMF / STI	Singapore
10	SEACEN Research Workshop on Living with Capital Flows and Excess Liquidity: Assessing Effectiveness of Monetary Policy in SEACEN Economies	2	The SEACEN Centre	Kuala Lumpur, Malaysia
11	SEACEN High Level Seminar on Living with Capital Flows and Excess Liquidity: “Assessing Effectiveness of Monetary Policy in SEACEN Economies”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
12	Project Team Member (PTM) for SEACEN Research Project on “Strengthening Financial Stability Indicators in the Midst of Rapid Financial Innovation: Updates and Assessments”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
13	Reserve Management Workshop	1	FSI / BIS	Basel, Switzerland
14	AML/CFT Technical Assistance Workshop	3	Korean Financial Intelligence Unit	Seoul, Korea
15	External Debt Statistics (EDS)	1	IMF	Washington D.C.
16	Programme on Micro-Finance and Women's Development	4	CICTAB	Pune, India
17	Course on Advanced Topics in Monetary Economics II	1	Study Centre Gerzensee	Gerzensee, Switzerland
18	10 <sup>th</sup> Central Banking Study Program	1	The Bank of Korea	Seoul, Korea
19	IMF-ITP Course on “International Trade-in-Services Statistics”	2	Joint India-IMF Training Program	Pune, India
20	IMF-STI Course on “Central Banking and Financial Sector Legal Frameworks”	2	IMF-STI	Singapore
21	ADB Training Course on Regional Economic and Financial Monitoring	1	ADB	Bogor, Indonesia
22	High-Level Regional Policy Dialogue on Asia-Pacific economies after the Global Financial Crisis: Lessons Learnt, Challenges for Building Resilience, and Issues for Global Reform	1	ESCAP	Manila, Philippines
23	Training Program on Management, Finance and Auditing for Banking Professionals	30	AIT Extension	Bangkok, Thailand
24	SEACEN-IMF Course on Macroeconomic Management and Financial Sector Issues	2	The SEACEN Centre	Kuala Lumpur, Malaysia
25	Reserve Management Workshop	1	FSI-BIS	Basel, Switzerland
26	22 <sup>nd</sup> SEACEN-FSI Regional Seminar on Macroprudential Policies-Financial System Risk Assessment and Systemically Important Financial Institutions	3	The SEACEN Centre	Kuala Lumpur, Malaysia
27	SAARCFINANCE Staff Exchange Programme	12	Central Bank of Sri-Lanka	Sri-Lanka
28	22 <sup>nd</sup> SEACEN-FSI Regional Seminar on Macroprudential Policies-Financial System Risk Assessment and Systemically Important Financial Institutions	1	The SEACEN Centre	Kuala Lumpur, Malaysia
29	IMF/World Bank Annual Meeting 2011	2	IMF-World Bank	Washington D.C., America
30	Face to Face Meeting with Asia Pacific Regional Review Group (RRG) to Discuss the Progress of Nepal in Addressing the Deficiencies Identified in the Public Statement Regarding AML/CFT Compliance and the Implementation of Action Plan by Nepal	2	Asia Pacific Regional Review Group	Kuala Lumpur, Malaysia
31	Nomination for Parallels APAC summit 2011	3	Parallels Software PTE. Ltd.	Singapore
32	Strategic Implementation Planning Framework Regional Workshop	4	Asia Pacific Group on Money Laundering	Sydney, Australia
33	SEACEN-CEMLA Conference on “The Implementation of Monetary Policy: Lessons from the Crisis and Challenges for Coming Years”	1	The SEACEN Centre	Kuala Lumpur, Malaysia

*Activities of Nepal Rastra Bank*

S.N.	Programme	No. of Participants	Host Institution	Place
34	2 <sup>nd</sup> Meeting of Deputy Governors & 2 <sup>nd</sup> SEACEN High Level Seminar for Deputy Governors on “Moving Beyond Buzz Words: Challenges in Executing Financial Stability Agenda”	1	The SEACEN Centre	Cebu, Philippines
35	5 <sup>th</sup> SEACE-Deutsche Bundesbank Advanced Course on “Banking Supervision and Financial Stability: Credit Risk”	4	The SEACEN Centre	Singapore
36	Annual Central Banking Seminar 2011/12	1	Federal Reserve Bank of New York	New York, USA
37	Course on “4th Central Bank Online Communications Group Conference”	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
38	Seminar on Banking Supervision Under Basel II Advanced	1	Deutsche Bundesbank	Frankfurt, Germany
39	10 <sup>th</sup> SEACEN-CPSS Advanced Course on “Payment and Settlement Systems for Emerging Economies”	4	The SEACEN Centre	Bali, Indonesia
40	Regional Seminar on “Internal Capital Adequacy Assessment Process”	4	ADB	Kuala Lumpur, Malaysia
41	Islamic Banking-Key Legal & Prudential Issues for Financial Stability	1	IMF-STI	Singapore
42	Witness the Waste Destruction of NRs.20 New Banknotes	2	The Perum Peruri, Government Security Printing and Minting Corporation, Indonesia	Jakarta, Indonesia
43	Witness the Waste Destruction of NRs.50 New Banknotes	2	The Perum Peruri, Government Security Printing and Minting Corporation, Indonesia	Jakarta, Indonesia
44	Public Management and Policy Analysis Program	1	International University of Japan	Japan
45	Erasmus Mundus Partner Scholarship	1	University of Warsaw, Poland	Poland
46	10 <sup>th</sup> Meeting of SEACEN Directors of Payment and Settlement Systems and SEACEN Conference of DOPSS of Asia-Pacific Central Banks	1	The SEACEN Centre	Bali, Indonesia
47	Trainers Training Programme on Agricultural Financing and Rural Development	4	CICTAB	Dhaka, Bangladesh
48	As a Member of Government Delegation for FATF Plenary and Working Group Meetings at OECD Headquarters	1	Financial Action Task Force (FATF)	Paris, France
49	Course on “Linkages of Macroeconomic Accounts Statistics”	1	IMF-STI	Singapore
50	33 <sup>rd</sup> Meeting of SEACEN Directors of Research and Training (DORT): “Central Bank Policy Challenges and Capacity Building”	2	The SEACEN Centre	Cebu, Philippines
51	24 <sup>th</sup> Annual Meeting of Credit Supplementation Institution Confederation	1	Deposit & Credit Guarantee Corporation Pvt. Ltd.	Goa, India
52	Programme on “Development of Managerial Skills for Agricultural Cooperatives and Rural Financing Institutions”	5	CICTAB	Haryana, India
53	Course on “Supporting Access to Financial Services for SMEs and Microenterprises”	5	Bank Negara Malaysia	Kuala Lumpur, Malaysia
54	IMF-ITP Course on “Financial Market Analysis”	2	Joint India-IMF Training Program	Pune, India
55	Course on “Risk Management of Central Bank Reserves”	2	De Nederlandsche Bank	Amsterdam, Netherland
56	Witness the Waste Destruction of NRs.5 New Banknotes	2	De La Rue, Sri-Lanka	Colombo, Sri-Lanka
57	SEACEN Deutsche Bundesbank Course on “Bank Stress Testing”	4	The SEACEN Centre	Taipei, Taiwan
58	Regional Seminar on “Risk Management for Securities Regulators”	5	ADB	Colombo, Sri-Lanka
59	Seminar on “Selected Issues in the Evolving Financial Regulatory Framework”	1	IMF-STI	Singapore
60	ADB-PRC Knowledge Sharing Platform 211: Agriculture and Rural Development	1	ADB	Beijing, China
61	FSI-EMEAP Regional Seminar on “Liquidity Risk”	2	FSI-BSI	Cebu, Philippines
62	5 <sup>th</sup> SEACEN Advanced Leadership Course on “Central Banking Leadership: Leading Transformation in Times of Uncertainty”	2	The SEACEN Centre	Kuala Lumpur, Malaysia
63	Witness the Waste Destruction of NRs.5 New Banknotes	2	De La Rue, Kenya	Kenya
64	Financial Markets Training for Central Banks	2	The Royal Bank of Scotland plc	Singapore

S.N.	Programme	No. of Participants	Host Institution	Place
65	Programme on “Management of Rural Financing Institutions and Cooperatives for Rural Development”	4	CICTAB	Hyderabad, India
66	Subregional Workshop on Control of Physical Cross Border Movement of Cash and Bearer Negotiable Instrument	1	CTED, UN (through Ministry of Finance)	Kuala Lumpur, Malaysia
67	International Conference of Central Bankers on “Financial Sector Regulation for Growth, Equity & Stability in the Post Crisis World	1	RIB	Mumbai, India
68	Invited by APG as Assessor for the Mutual Evaluation of NIUE Countries	1	APG Money Laundering	New Zealand
69	Regional Seminar on “Consolidated Supervision”	3	APG on Money Laundering	Bali, Indonesia
70	IDEAs-CBS International Workshop on “New Directions in Financial Regulation”	4	Central Bank of Sri Lanka	Colombo, Sri-Lanka
71	SEACEN-IMF Course on “External Sector Issues”	2	The SEACEN Centre	Colombo, Sri-Lanka
72	10th Meeting of the SAARC Payments Council	2	Central Bank of Sri Lanka	Colombo, Sri-Lanka
73	Programme on “Cyber Security in Banks”	1	National Institute of Bank Management	Pune, India
74	Seminar on “Payment and Securities Settlement System”	1	Deutsche Bundesbank	Frankfurt, Germany
75	4th Gold as a Reserve Asset Educational Seminar	1	Central Banking Publication	Manila, Philippines
76	Programme on “Cyber Security in Banks”	1	National Institute of Bank Management	Pune, India
77	FSA Annual International Seminar on “Regulatory Reform in the UK and Globally”	1	Financial Services Authority	London, UK
78	IMF STI-Bank Negara Seminar on “Mortgage Markets, Securitization and Structured Finance	1	IMF-STI	Kuala Lumpur, Malaysia
79	Programme on “ Accounting Processes and Systems Programme”	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
80	8th Forum on “Asian Insolvency Reform”	3	Bank Negara Malaysia	Kuala Lumpur, Malaysia
81	Thompson Reuters Software Basic Operation Training	4	Thomson Reuters India Pvt. Ltd., Mumbai	Mumbai, India
82	Joint FATF/APG Typologies Workshop; APG/EGMONT Workshop and APG/ESAAMLG Workshop	1	FIU Korea and FATF/APG	Busan, Korea
83	Seminar on “Market Supervision”	1	ADB	Nadi, Fiji
84	FSI Seminar on “ International Accounting Standards for Banks”	1	FSI / BIS	Basel, Switzerland
85	Regional Forum on “Governance and Oversight of Investment Management” / Study Visit to “Bank of Korea”	2	The World Bank	Seoul, Korea
86	Seminar on Safeguards Assessments of Central Banks	1	IMF-STI	Singapore
87	SEANZA-FSI Regional Seminar on “Risk Management and Risk-Focused Supervision”	1	SEANZA-FSI	Colombo, Sri-Lanka
88	Joint FATF/APG Typologies Workshop	1	FIU Korea and FATF/APG	Busan, Korea
89	Expert Group Meeting on Macroeconomic Outlook and Challenges in the ESCAP Region/Presentation on “ESCAP Committee on Macroeconomic Policy, Poverty Reduction and Inclusive Development	1	UN ESCAP	Bangkok, Thailand
90	National Economic Development Strategy for Mid-level Officials (Nepal)	1	KOICA/Govt. of Korea	Seoul, Korea
91	Thompson Reuters Software Basic Operation Training / Consultation with RBI Authorities on Treasury Bills on Management	3	Thomson Reuters India Pvt. Ltd., Mumbai	Mumbai, India
92	World Research Summit for Tourism and Hospitality on “Economic Impact of Tourism in Nepal”	1	ELSEVIER LTD. TYF Hong Kong Polytechnic University, School of Hotel and Tourism Management	Hong Kong, China
93	11th SEACEN-Toronto Centre Leadership Seminar for Bank Supervisors	2	The SEACEN Centre	Seoul, Korea
94	Regional Seminar on “Asset and Liability Management”	2	ADB	Hong Kong, China
95	14th MAS Banking Supervisors Training Programme	2	Monetary Authority of Singapore	Singapore
96	2nd SEACEN Research Workshop on “Framework for Macro-Prudential Policies for Emerging Economies in a Globalised Environment” Extended-Stay Research Program (ESRP)	1	The SEACEN Centre	Kuala Lumpur, Malaysia

*Activities of Nepal Rastra Bank*

S.N.	Programme	No. of Participants	Host Institution	Place
97	South Asia Regional Workshop on “Macrofinance Credit Reporting”	2	Nepal Economic, Agriculture & Trade Activity	New Delhi, India
98	M. Phil, Management	1	TU	Kathmandu
99	Regional Workshop on “Beyond Inflation Targets: Policy Options and Instruments for Managing Equitable Growth and Human Development”	1	UN, New York	Dhaka, Bangladesh
100	Programme on “Application of Information Technology for Development of Agricultural Cooperatives and Rural Financing Institutions”	4	CICTAB	Pune, India
101	SAARCFINANCE Seminar on “Financial Inclusion: The Role of Central Banks in SAARC Region”	2	Bangladesh Bank	Dhaka, Bangladesh
102	IMF-ITP Course on “Macroeconomic Management and Financial Sector Issues (MMF)”	1	Joint India-IMF Training Program in Pune	Pune, India
103	Program on “Financial Programming and Policies (FPP)”	1	IMF-STI	Singapore
104	Invitation to United Overseas Bank for Extensive Training in Banknotes Operations and Dealing	3	United Overseas Bank, Singapore	Singapore
105	SAARCFINANCE Staff Exchange Program to State Bank of Pakistan	12	State Bank of Pakistan	Karachi, Pakistan
106	10 <sup>th</sup> SEACEN Executive Committee (EXCO) Meeting and Seminar	2	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
107	Invitation to Attend Asia-Pacific RRG Co-Chair's Face-to-Face Meeting with Nepalese Authorities on AML/CFT Issues”	2	Financial Action Task Forec / APG	Sidney, Australia
108	CAFRAL-Toronto Centre Joint Programme on Crisis Preparedness	1	Centre for Advance Financial Research and Learning / RBI	Hyderabad, India
109	54 <sup>th</sup> SEACEN-Federal Reserve System Course on “Consolidated Supervision”	4	The SEACEN Centre	Bangkok, Thailand
110	MTech in It (Master of Technology in Information Technology) Master's Degree	1	Kathmandu University	Dhulikhel
111	M. Phil, Management	1	Tribhuvan University	Kathmandu
112	Training Course on Enhancing Managerial Skills for Banking Professionals	2	ELD Training, UK	Bangkok, Thailand
113	Project Team Member (PTM) for 2 <sup>nd</sup> SEACEN Research Project on “Strengthening Financial Stability Indicators in the Midst of Rapid Financial Innovation: Updates and Assessments”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
114	International Central Banking Course 2012: “ Workshop on Foreign Reserve Management”	1	Deutsche Bundesbank	Frankfurt, Germany
115	FSI Seminar on “Liquidity Risk”	1	Financial Stability Institute, Bank for International Settlements	Basel, Switzerland
116	Egmont Working Group (WG) and Egmont Committee (EC) Meetings	2	Egmont Group Secretariat	Manila, Phipillines
117	National Economic Development Strategy for Nepal	1	KOICA	South Korea
118	Invitation to the Reserve Bank of India's “Second International Research Conference”	1	RBI	Mumbai, India
119	Seminar on “Information Technology Strategy and Management”	1	International Banking and Finance Institute, Banque de France	Paris, France
120	Regional Seminar on “Investigation and Enforcement”	2	ADB	Mumbai, India
121	47 <sup>th</sup> SEACEN Governors' Conference, High Level Seminar and 31 <sup>st</sup> Meeting of the SEACEN Board of Governors	2	Bank of Korea	Seoul, Korea
122	Government Delegation For FATF Plenary Meeting	1	Financial Action Task Force	Paris, France
123	Trainers Training Programme	4	CICTAB	Colombo, Sri-Lanka
124	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 - Focused on Trainers Training”	4	CICTAB	Lucknow, India
125	Financial Programming and Policies (FPP)	1	IMF	Washington D.C., USA
126	Fed Bank-RBI Seminar on “Bank Analysis and Examination School”	1	RBI	Mumbai, India

S.N.	Programme	No. of Participants	Host Institution	Place
127	Emergency Meeting with Reserve Bank of India about Changing the Locality of 41 <sup>st</sup> Annual Meeting of ACU to be Held in Iran	1	RBI	New Delhi, India
128	APEC FRIT Regional Seminar on “Financial Analysis, Forensic Accounting and Auditing”	1	ADB	Auckland, New Zealand
129	Seminar on “Banking Supervision under the Framework of Basel II and Basel III - Basic”	1	Deutsche Bundeshbank	Frankfurt, Germany
130	Workshop on AML/CFT: Establishing a Sound and Effective AML/CFT Risk-Based Supervisory Framework	4	IMF-STI	Singapore
131	15 <sup>th</sup> SAARCFINANCE Coordinators' Meeting	1	Maldives Monetary Authority (MMA)	Male, Maldives
132	23 <sup>rd</sup> SEACEN-FSI Regional Seminar on “Basel II/III: Pillar 2 - Supervisory Review Process”	4	The SEACEN Centre	Manila, Philippines
133	Trade Policy Review of Nepal	1	WTO	Geneva, Switzerland
134	IMF-ITP Course on “Financial Soundness Indicators (FSI)”	2	Joint India-IMF Training Program in Pune	Pune, India
135	Impact of Remittances on Income, Saving and Education in Nepal	1	Kashi Hindu University	Banaras, India
136	5 <sup>th</sup> SEACEN-CCBS/BOE Advanced Course on “Macroeconomic and Monetary Policy Management”	4	The SEACEN Centre	Siem Reap, Cambodia
137	5 <sup>th</sup> SEACEN-CCBS/BOE Advanced Course on “Macroeconomic and Monetary Policy Management”	1	The SEACEN Centre	Siem Reap, Cambodia
138	BIS Advanced Reserve Management Workshop	1	Bank for International Settlements	Jeju Island, South Korea
139	Fourth Sub-Group Meeting on Combating the Financing of Terrorism	2	Anti-Money Laundering Office, Thailand	Bangkok, Thailand
140	Opening Workshop on “Regional Government Finance Statistics Technical Assistance Project”	2	IMF	Bangkok, Thailand
141	Invitation of Observation Visit to CIMB Bank	1	CIMB Bank, Singapore	Singapore
142	FSI-EMEAP 8th High Level Meeting on “Current Initiatives to Promote Financial Stability and Enhance Supervision” and Study on “Real-estate Low Cost Housing”	2	FSI-BIS	Bangkok, Thailand
143	Mobile Phone Banking Study Tour to Pakistan	2	Nepal Economic, Agriculture & Trade (funded by USAID)	Pakistan
144	International Program on “Central Banking”	2	RBI Staff College	Chennai, India
145	Local Staff Training of IMF	1	IMF-STI	Singapore
146	Seminar on “Central Bank Accounting and Budget”	1	International Banking and Finance Institute (IBFI)	Paris, France
147	Reshaping the Future of Finance- The First Child and Youth Finance International Summit and Award Ceremony	1	Child & Youth Finance International	Amsterdam, Netherlands
148	SEACEN Course on “Assessing Liquidity Risk of a Bank”	3	The SEACEN Centre	Kuala Lumpur, Malaysia
149	33 <sup>rd</sup> Intermediate Central Banking Course	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
150	RBI International Seminar on “Operationalising Tools for Macro-Financial Surveillance: Country Experiences”	3	RBI	Mumbai, India
151	Financial Market Analysis (FMA)	1	IMF-STI	Singapore
152	IMF-ITP Course on “Balance of Payments Statistics (BPS)”	2	Joint India-IMF Training Program in Pune	Pune, India
153	Course on “International Central Banking Courses 2012 on Internal Auditing”	1	Deutsche Bundeshbank	Frankfurt, Germany
154	Regional Seminar on “Liquidity Risk Management”	4	ADB and The China Banking Regulatory Commission	Shanghai, China
155	Standing Technical Committee Meeting of ACU	1	RBI	Mumbai, India
156	11 <sup>th</sup> Meeting of the SAARC Payments Council (SPC)	1	State Bank of Pakistan	Islamabad, Pakistan
157	6 <sup>th</sup> SEACEN Intermediate Leadership Course: Leadership in Times of Uncertainty	4	The SEACEN Centre	Bali, Indonesia
158	Consultation with RBI Authorities to Arrange for Remittance of IC Notes to Nepal	2	RBI	Calcutta, India

*Activities of Nepal Rastra Bank*

S.N.	Programme	No. of Participants	Host Institution	Place
159	Study Visit to Bank of Korea on “Policy Exchange Program of Human Resource Management”	6	The Bank of Korea	Seoul, Korea
160	Programme on “Public Sector Debt Statistics Workshop (PDS)”	1	IMF-STI	Singapore
161	Professional Development Course on “Central Banking Issues”	35	AIT	Bangkok, Thailand
162	Workshop on “Review of FATF Standards”	1	APG on Money Laundering	Kuala Lumpur, Malaysia
163	Course on “Macroeconomic Diagnostics”	1	IMF	Washington D.C., USA
164	Course on Regional Economic and Financial Monitoring	1	ADB (through Ministry of Finance)	Seoul, Korea
165	Annual Meeting of the Steering Committee of AML/CFT Topical Trust Fund (TFF)	2	IMF	Doha, Qatar
166	Specialized Training Course on “Financial Institution Supervision”	1	Federal Reserve Bank of New York	New York
167	Balance of Payment Statistics (BPS)	1	IMF	Washington D.C., USA
168	Financial Programming and Policies (FPP)	1	IMF-STI	Singapore
169	FSI-SEANZA Regional Seminar on “Basel III and Liquidity Risk”	4	FSI-SEANZA	Manila, Philippines
170	Face to Face Meeting of Asia Pacific Regional Review Group (RRG) of Financial Action Task Force (FATF) with Nepalese Authorities”	2	APG/RGG/FATF	New Delhi, India
171	International Seminar on “Financial Stability”	2	De Nederlandsche Bank N. V.	Amsterdam, Netherland
172	7 <sup>th</sup> SEACEN-CeMCoA/BOJ Intermediate Course on “Payment and Settlement Systems for Emerging Economies”	4	The SEACEN Centre	Brunei
173	Capacity Building Programme in Organisational Resource Management on “Making The Most of Our Talent”	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
174	Macroeconomic Management for Senior Officials (MMSO)	1	IMF-STI	Singapore
175	Regional Seminar on “Risk-Focused Supervision: Financial Supervisory Service Scholarship”	1	ADB	Seoul, Korea
176	BIS Banking Seminar 2012 on Asset Management	1	Bank for International Settlements	Lucerne and Basel Switzerland
177	CEF Central Banking Workshop on “Budgeting, Planning and Controlling for Central Banks”; Observation Tour to Bangkok, Thailand	2	Center of Excellence in Finance	Slovenia, Bangkok, Thailand
178	Vietnam Study Tour: Learning of PPD Best Practices	2	International Finance Corporation	Vietnam
179	First SEACEN Research Workshop on “Basel III Implementation: Challenges and Opportunities”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
180	APRACA Regional Forum, 61st Executive Committee Meeting and 18 <sup>th</sup> General Assembly	2	APRACA	Siem Reap, Cambodia
181	2012 Global Central Bank and Sovereign Wealth Fund Conference	1	Bank of America / Merrill Lynch	San Francisco, USA
182	3 <sup>rd</sup> ECB Conference on Accounting, Financial Reporting and Corporate Governance for Central Banks	1	European Central Bank	Frankfurt, Germany
183	Workshop on Revised Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Standard	1	Joint India-IMF (ITP)	Pune, India
184	Course on “Measuring Reserve Assets”	2	IMF-STI	Singapore
185	First SEACEN Research Workshop on “Role of Payment and Settlement System in Monetary Policy and Financial Stability”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
186	Witness the Waste Destruction process of NRs.500 New Banknote.	2	The Perum Peruri, Government Security Printing and Minting Corporation	Jakarta, Indonesia
187	Seminar on “Current Developments in the Management and Supervision of Operational Risk”	1	Financial Stability Institute/Bank for International Settlements	Basel, Switzerland
188	Witness the Waste Destruction Process of NRs. 10 New Banknote	2	Security Printing and Minting Corporation of India, Nasik	Mumbai, Nasik, India
189	Observation Visit to RBI Mumbai and Central Bank of Sri-Lanka on Interest Rate Corridor Mechanism	3	RBI/Central Bank of Sri-Lanka	Mumbai, India, Sri-Lanka
190	SEACEN Course on “Crisis Preparedness in Interconnected Markets”	1	The SEACEN Centre	Kuala Lumpur, Malaysia
191	Course on “Financial Stability”	1	Deutsche Bundesbank	Frankfurt, Germany



S.N.	Programme	No. of Participants	Host Institution	Place
192	Programme on “Monetary and Exchange Rate Policy”	1	IMF-STI	Singapore
193	Course on “Developing an Effective Financial System that Best Serves the Economic Program”	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
194	SAARCFINANCE Seminar on “Monetary Policy Framework in The SAARC Region”	2	State Bank of Pakistan	Islamabad, Pakistan
195	BOK-IMF 2012 Conference on “Monetary and Macroprudential Policies in the Aftermath of the Crisis”	1	Bank of Korea	Seoul, Korea
196	Toronto Centre International Program for Banking Supervisors: “Financial Stability through Early Intervention and Crisis Preparedness”	1	Toronto Leadership Centre	Toronto, Canada
197	APEC FRTI Seminar on Forensic Accounting	4	ADB	Bali, Indonesia
198	Financial Macroeconomic Simulation Modeling Using E-Views	1	The Bank of Korea	Seoul, Korea
199	DNB International Seminar 2012 on “Accounting, Planning and Control, Risk and Process Management in a Central Bank”	2	De Nederlandsche Bank N.V.	Amsterdam, Netherlands
200	The Annual General Meeting of BIS	1	BIS	Basel, Switzerland
201	6 <sup>th</sup> SEACEN Advanced Leadership Course on “Central Banking Leadership: Leading Transformation in Times of Uncertainty”	2	The SEACEN Centre	Kuala Lumpur, Malaysia
202	SEACEN-Toronto Centre - CGAP Course on Supervision of Deposit Taking Microfinance Institutions	4	The SEACEN Centre	Kuala Lumpur, Malaysia
203	Seminar on Fight Against Money Laundering and Terrorist Financing	1	US Embassy in Bangladesh and Bangladesh Bank	Dhaka, Bangladesh
204	15 <sup>th</sup> MAS Banking Supervisors Training Programme	2	MAS	Singapore
205	FSI-EMEAP Regional Seminar on Basel III Application	1	FSI-BIS	Bali, Indonesia
206	Regional Seminar on “Financial Reporting and Disclosure”	4	ADB	Manila, Philippines
297	Course on “Central Bank Governance”	1	Deutsche Bundesbank	Frankfurt, Germany
208	11 <sup>th</sup> Central Banking Study Program: Monetary Policy and Statistics	1	Bank of Korea	Seoul, Korea
209	Korea Financial Investment Association Seminar on Korean Capital Market	1	Korea Financial Investment Association (through NEPSE)	Seoul, Korea
210	Seminar on “Designing and Implementing Counter Cyclical Tools”	1	FSI-BIS	Basel, Switzerland
211	SEACEN Conference and 11th Meeting of Directors of Payment and Settlement Systems of Asia-Pacific Central Banks	1	The SEACEN Centre	Kuala Lumpur, Malaysia
212	Program on “Facilitating Different Payment Other Than L/c for Trade Between Nepal and Tibet China”	1	GoN, Ministry of Commerce and Supply	Lhasa, Tibet
213	12 <sup>th</sup> Fundamental Central Banking Course	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
214	20 <sup>th</sup> Egmont Group Plenary Meeting	2	Egmont Group	Saint Petersburg, Russia
215	Regional Seminar on “Bank Analysis and Supervision School”	3	ADB	Manila, Philippines
216	Programme on “Business Conduct and Consumer Protection”	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
217	International Banking Seminar on “Trade Finance and Treasury Products”	2	Mashreq Bank - Nepal Office	Bangkok, Thailand
218	APG's 15 <sup>th</sup> Annual Meeting and Technical Assistance Forum	4	APG on Money Laundering	Brisbane, Australia
219	Programme on “Management of Rural Financing Institutions and Cooperatives for Rural Development”	3	Hyderabad, India	CICTAB
220	Programme on “Managing Payment and Settlement Systems”	4	Bank Negara Malaysia	Kuala Lumpur, Malaysia
221	2012 Boulder Microfinance Training Program	2	Boulder Institute of Microfinance	Turin, Italy
	<b>Total</b>	<b>495</b>		

**Table 38**  
**List of Fund Transfer and Transaction of Foreign Currency by out of Kathmandu Valley Offices in 2011/12**

S.No	Office	Fund Out and In									Transaction of Foreign Currency					
		Rs. in Million					INR (Rs. in Million)				Other Foreign Currency			IRs		
		Fund Transfer			Fund In*		Fund Transfer		Fund In*		Rs. in Million			Rs. in Million		
		No of Currency Chest +	Times	Amount Rs	Times	Amount Rs	Times	Amount Rs	Times	Amount Rs	Purchase	Sale #	Balance @	Purchase	Sale #	Balance @
1	Biratnagar	10	103	18882.7	10	239.7	7	56.0	0	0.0	240.0	0.0	50.0	0.0	220.0	210.0
2	Janakpur	5	79	13770.0	9	77.6					94.9	839.4	10.9	240.8	235.3	98.9
3	Birgunj	4	62	7000.0	2	507.0			2	160.0	176.0	0.0	1.0	0.0	284.0	122.0
4	Pokhara	8	92	11710.0	15	4776.3	0	0.0	2	8.8	1516.5	1525.4	14.5	38.1	36.0	32.3
5	Siddharthanagar	5	67	10621.7	14	281.3	0	0.0	1	0.8	892.0	00.0	13.3	0.0	73.7	78.0
6	Nepalgunj	18	132	14834.4	12	1543.9	1	4.0	2	240.0	6.5		12.9	6.5	75.0	97.7
7	Dhangadhi	6	48	5080.0	10	8.9			9	137.3	34.5	0.0	03.5	137.3	95.6	67.7
	<b>Total</b>	<b>56</b>	<b>583</b>	<b>81898.8</b>	<b>72</b>	<b>7434.7</b>	<b>8</b>	<b>60.0</b>	<b>16</b>	<b>546.9</b>	<b>2960.4</b>	<b>2364.8</b>	<b>106.1</b>	<b>422.7</b>	<b>1019.6</b>	<b>706.6</b>

+ No. of Currency Chest under the office

\* Deposit by Note Chest Offices

# Note Sale to the Party by Offices

@ Balance at the end of mid-July 2012 into the other Offices

**Appendix 2.1**

**Major Directives Issued to Banks and Financial Institutions**

Circular No.	Subject
1	<ul style="list-style-type: none"> <li>• Recognition of outstanding interest received within mid-August 2011 as interest received by mid-July 2011 on deferred cash basis.</li> <li>• Recognition of outstanding principal received within mid-August 2011 as principal received by mid-July 2011.</li> </ul>
2.	<p>The following issues mentioned in Monetary Policy of 2011/12 have been addressed:</p> <ul style="list-style-type: none"> <li>• CRR to be maintained by BFIs was reduced to 5 percent from 5.5 percent since 17 July 2011.</li> <li>• Interest free loan up to Rs. 1.5 million per branch for ‘D’ class institutions opening branches and operating financial transaction in specified 9 remote districts where financial access is very poor: Manang, Humla, Dolpa Kalikot, Mugu, Jajarkot, Bajhang, Bajura and Darchula.</li> <li>• Increase as mentioned below in deprived sector lending for each category of banks: A class: from 3.0 to 3.5 percent B class: from 2.5 to 3.0 percent C class: from 2.0 to 2.5 percent</li> <li>• Inclusion of the following loans as deprived sector lending: Cold storage opened by small farmers under community ownership: up to 150 thousand per family. Community hospital established in rural areas: up to 10 million</li> <li>• Provision of insurance deposit up to Rs. 200 thousand also for banks of “A” category; formerly only B, C and D institutions had to deposit the amount.</li> <li>• Requirement to publish self declared details of loan taken by promoter and his/her family members from any institutions in the annual report of the bank.</li> <li>• Maintaining biannual target that can help NRB supervise yearly plan of the bank to meet productive sector credit at 20 percent of industry average.</li> </ul>
3.	<ul style="list-style-type: none"> <li>• Provision to allow foreign investors in Nepal to open fixed deposit account in BFIs from the dividend earned through their investment.</li> <li>• Considering the declaration that the amount deposited was not earned through illegal sources like terrorism, drugs, human trafficking and organized crime for those depositors who do not want to disclose the source of income.</li> <li>• No penalty would be charged for not fulfilling the requirement of deprived sector lending for those institutions using Liquidity Management Refinance and Lender of Last Resort Facility.</li> </ul>
4.	<ul style="list-style-type: none"> <li>• Provision to allow BFIs to reschedule/restructure loans granted to National Priority Area such as Hydropower, Cable Car, and infrastructure development projects under the following conditions: <ul style="list-style-type: none"> <li>a. Regular interest payment</li> <li>b. Project generating cash flow with satisfactory performance</li> </ul> Such loans will require only one provision and would be regarded as pass category loan. </li> <li>• The maximum penal interest charged for not fulfilling the requirement of CRR will be just the double of Bank Rate for those institutions using Liquidity Management Refinance and Lender of Last Resort Facility.</li> <li>• Prohibiting B and C class institutions in addition to A class institution to open interest bearing accounts in one another. But, the provision does not prohibit to open following amount on interest bearing accounts <ul style="list-style-type: none"> <li>▪ Amount received from Employee Provident Fund,</li> <li>▪ Amount collected from the first public issue, republic issue and right share issue,</li> <li>▪ Foreign Currency Account.</li> </ul> </li> <li>• The non-government institutions receiving the license as work as financial intermediation from mid-July 2011 are required to send their monthly progress report as per Annex 1 to Bank and Financial Regulation Department and Micro-Finance Promotion &amp; Supervision Department within 15 days of the next month.</li> </ul>
5.	<ul style="list-style-type: none"> <li>• One-year extension time period to bring excess promoter shareholding in the prescribed limit. (upto mid-July 2012)</li> <li>• Provision regarding overdue and irregular interbank lending in 2010/11, 100 percent provision for possible loss of such investment to be maintained by mid-July 2012 by provisioning at least 25 percent in mid - January 2012, 50 percent in mid April 2012.</li> <li>• To count the risk-weighted assets Rediscounted Bills and unpaid remaining shares investment should assign 100 weights.</li> </ul>
6.	<ul style="list-style-type: none"> <li>• Guidelines on CEOs salary of B, C and D class institution</li> </ul>

7.	<ul style="list-style-type: none"> <li>• Implementation of Prime Ministers Immediate Relief Program. <ul style="list-style-type: none"> <li>➤ According to the above mentioned program, in order to make simple, clear and facilitative in the services provided to general public, service charges are managed by bank by issuing “The service and service charges provided Bank and Financial Institutions directive, 2010” on 24 December 2010 will be implemented more effectively. (Guidelines on Fees and Commission of BFIs)</li> <li>➤ Providing loans to small entrepreneurs and deprived sector at concessional interest rate</li> <li>➤ Increasing deposit insurance amount from Rs. 0.2 million to Rs. 0.5 million simultaneously.</li> <li>➤ Reducing the interest rate on loans provided to marginalized group under deprived sector lending.</li> <li>➤ Inclusion of loan granted for the purpose of operating rickshaw against collateral of Rickshaw itself in the Terai Region in deprived sector lending.</li> </ul> </li> </ul>
8.	<ul style="list-style-type: none"> <li>• Prohibiting the professional directors of the BFIs and his/her family members to hold the promoter share of the institutions.</li> <li>• Prohibiting BFIs to directly or indirectly involve in fake/fictitious balance certificate issuance.</li> <li>• Mandatory requirement for banks and financial institution for security arrangement including CCTV at ATM stations.</li> </ul>
9.	<ul style="list-style-type: none"> <li>• Due to long public holidays, the week starting from 2 -15 October 2011 will be considered as one week for the calculation of CRR.</li> </ul>
10.	<ul style="list-style-type: none"> <li>• Removing action against willful defaulters (Star Textiles Group)</li> </ul>
11.	<ul style="list-style-type: none"> <li>• The members of BOD should be regularly present in the committee meeting. Without valid reason and prior notice if they remain absent for 3 times continuously, the position should be taken as vacant.</li> <li>• Net clearing position time of electronic cheque clearing is rescheduled to 3:00 and 3:10 pm from 2:00 to 2:10 pm.</li> <li>• Nepal Electronic Cheque Clearing (ECC) Rule Book, Nepal Electronic Cheque Clearing (ECC) Operating Rule/Cheque Standard &amp; Specification was amended.</li> </ul>
13.	<ul style="list-style-type: none"> <li>• The amount of interest received during the mid February 2011 could take as the amount received in mid July 2011 as deferred cash basis.</li> </ul>
14.	<ul style="list-style-type: none"> <li>• The policy of refinance for liquidity management is repealed.</li> </ul>
15.	<ul style="list-style-type: none"> <li>• “C” class financial institution is exempted to add its additional paid up capital to open its branches outside the Kathmandu Valley where two or less than two units of bank and financial institutions in any village development committee or in the specified 30 district.</li> <li>• The number of specified 32 districts where there is less presence of bank and financial institutions was changed to 30 districts.</li> <li>• Refinance facility for their lending on hydropower project.</li> <li>• The refinance loan in 25-megawatt hydropower could be counted as resources for the purpose of credit deposit ratio.</li> </ul>
16.	<p>Following lendings are counted as deprived sector credit:</p> <ul style="list-style-type: none"> <li>• The loan amount up to Rs. 10 million to the cooperatives operating in rural area for the post harvest services</li> <li>• The micro credit information should be exchanged with free of cost between the branches of micro finance institutions operating in related area to lend more than Rs. 30,000.00 loan to any individual/group members</li> </ul>
17.	<ul style="list-style-type: none"> <li>• Institutions like EPF, CIT and Rastriya Beema Sansthan where the ownership of government is more than 50 percent can invest up to 15 percent as a promoter share in more than one BFI.</li> <li>• The declaration should be published in annual report on details of loan taken by promoter and his family member from any banks and financial institutions.</li> <li>• From 2011/12/29 the foreign currency cheque is also cleared through electronic cheque clearing by Nepal Clearing House therefore, from that time foreign currency cheque clearing transaction is cleared through the same clearinghouse.</li> <li>• The policies in the context of internal committee/sub-committee are amended and the following main provisions are maintained. Also, the terms of references of the sub-committee are specified. <ul style="list-style-type: none"> <li>➤ <i>Auditing</i></li> <li>➤ <i>Risk Management</i></li> <li>➤ <i>Employee Management and Service facility.</i></li> </ul> </li> <li>▪ <i>In the committee so formed, minimum 3 to maximum 5 members can be invited.</i></li> <li>▪ <i>For fulfilling the vacant position below CEO, the committee headed by deputy CEO should be formed and authority should be given.</i></li> </ul>
18.	<ul style="list-style-type: none"> <li>• BFIs can settle their unrecovered inter-bank transaction through the purchase of credit from the concerned BFIs with NRB pre-approval.</li> <li>• “D” class microfinance institutions are required to take pre-approval from NRB to open or transfer or shut down any of its branches.</li> </ul>
19	<ul style="list-style-type: none"> <li>• Extension of date from mid-July 2012 to mid-July 2013 for the licensed BFIs, which have lent more than 25 percent of the total loan on housing and real estate sector, to decrease such portion within the specified limit.</li> <li>• Increase in the limit of personal housing loan from Rs. 8 million to Rs. 10 million.</li> </ul>

20.	<ul style="list-style-type: none"> <li>Licensed “B” and “C” class BFIs can open interest bearing local deposit account in other licensed “A”, “B”, “C”, class bank and financial institution only till mid-July 2012.</li> <li>The directive related to the salary, allowance and other facilities of CEO of BFIs, is amended. If the annual salary of chief executive is less than the salary of the staff working one level under him then the salary of chief executive can be fixed by adding maximum 5 percentages to the staff working under one level.</li> </ul>
21.	<ul style="list-style-type: none"> <li>Stress testing Guidelines is issued for “A” class bank to carry its stress testing from mid-February 2012.</li> </ul>
22.	<ul style="list-style-type: none"> <li>“A” class banks are required to lend minimum 10 percent of their total loan in agriculture and energy sector. If the loan is less than 10 percentages, they are required to increase their investment in this sector by 2 percentages each year to meet the percent.</li> <li>Refinance facility to banks and financial institution at 6.5 percent for agriculture sector lending.</li> </ul>
24.	<ul style="list-style-type: none"> <li>The licensed BFIs are required to implement clear work plan of knowing their customers. toomers required to implement the policy of knowing</li> </ul>
25.	<ul style="list-style-type: none"> <li>If BFIs take loan in foreign currency for five years or more, such loan amount can be counted as resource for the purpose of maintaining credit deposit ratio.</li> <li>Without adding any burden to the foreign currency, foreign investors can take loan and grants with pre approval of NRB in local currency from the foreign institution or its institutions or programs established in Nepal.</li> <li>“C” class institution can buy or sell foreign currency to other commercial banks or NRB under the prevailing law through its branches opened in 30 districts.</li> <li>The unsettled inter-bank lending or deposits maintained in other bank and financial institutions can be settled through credit purchase with NRB approval.</li> <li>The licensed bank and financial institutions are required to open a separate desk in their credit department to keep the record of sick industries, inspect and help them.</li> <li>The licensed bank and financial institutions are prohibited to take any type of fess and charges for operating deposit account from their customers.</li> </ul>
26.	<ul style="list-style-type: none"> <li>From 9 April 2012 onwards local currencies cheques are cleared through the electronic medium from Nepal Clearing house.</li> <li>The concerned BFIs are prohibited to take any charges and fees for clearing their cheques through electronic medium.</li> </ul>
27.	<ul style="list-style-type: none"> <li>While developing the amortization, schedule of loan should match the period of harvesting and the payment of installment as much as possible.</li> <li>Loans that are provided to backward people like chepang, landless people, slaves, haliya, kamlary wadi community up to Rs. 0.1 million are considered as the deprived sector credit.</li> <li>FINGOs can invest up to 25 percent in D class micro finance institution under the condition of cancellation of their operating license.</li> <li>The BFIs are required to inform the respective accountholder whose cheque is received for payment after closing their account. Even if the payment is not made in such cheque then the cheque issuing person/firm/company should be referred for the blacklist.</li> <li>According to NRB Act, 2002 (section 86, b), the bank and financial institutions that are declared as problematic are exempted from the penalty against not providing the loan to deprived sector.</li> <li>After receiving all the payments against the loan of bank and financial institutions, they are required to send the release to the related office in written form.</li> </ul>
28.	<ul style="list-style-type: none"> <li>The investment on the shares of “D” class financial institutions made by licensed “A”, “B”, “C” class BFIs is considered as indirect lending to the deprived sector credit.</li> </ul>
29.	<ul style="list-style-type: none"> <li>For “D” class micro finance, the loan to be paid in installment in less than a year is considered term loan.</li> <li>Except for saving and credit cooperatives, the loan upto Rs. 9 million provided by specific purpose cooperatives to each group members but not exceeding Rs. 10 million for the group to start group agriculture/ livestock is considered as deprived sector credit. In case of misuse, the loan will be classified as bad loan and risk weight of 150 percent will be maintained.</li> <li>No extra fees will be levied if the loan is paid in advance due to changes in interest rate agreed upon at the time of loan.</li> </ul>
30.	<ul style="list-style-type: none"> <li>Based on the provision of margin lending made by Nepal Securities Board and Nepal Securities Exchange Markets Ltd., loan for a year keeping necessary margin can be given even in the unavailability of original certificate if guarantee is provided by the brokers and the receipt of transaction is produced. To minimize the risk that would arise from such loans, the licensed institutions should take appropriate measures.</li> </ul>
31.	<ul style="list-style-type: none"> <li>Provision for licensed BFIs to operate e-banking service abiding by the policy of e banking</li> </ul>
32.	<ul style="list-style-type: none"> <li>The Unified Directive, 2012 effective from 16 July 2012: the Directive was formulated on the basis of Unified Directive 2011 and all amendments and circulars issued to all licensed BFIs till mid July 2012</li> </ul>

**Appendix 2.2**

**Financial Institutions Inspected at Macro Level in FY 2011/12**

**(A) Onsite Inspection**

**Development Banks**

Malika Bikas Bank Ltd.	Country Development Bank Ltd.
Siddhartha Development Bank Ltd.	Kasthamandap Development Bank Ltd.
United Bikas Bank Ltd.	Alpine Development Bank Ltd.
Manakamana Development Bank Ltd.	Nilgiri Bikas Bank Ltd.
Pashchimanchal Development Bank Ltd.	City Development Bank Ltd.
Sahayogi Bikas Bank Ltd.	Biswo Bikas Bank Ltd.
Karnali Bikas Bank Ltd.	Pathivara Bikas Bank Ltd.
Tribeni Bikas Bank Ltd.	Kabeli Bikas Bank Ltd.
Bhrikuti Bikas Bank Ltd.	Professional Bikas Bank Ltd.
Subhechha Bikas Bank Ltd.	Purnima Bikas Bank Ltd.
Bageshwori Development Bank Ltd.	Jyoti Bikas Bank Ltd.
Gaurishankar Development Bank Ltd.	Shine Development Bank Ltd.
Gorkha Bikas Bank Ltd.	Bagmati Development Bank Ltd.
Gandaki Development Bank Ltd.	Hamro Bikas Bank Ltd.
Birat Laxmi Bikas Bank Ltd.	Kankrebihar Bikas Bank Ltd.
Excel Bikas Bank Ltd.	Pacific Development Bank Ltd.
Western Development Bank Ltd.	Civic Development Bank Ltd.
H & B Development Bank Ltd.	International Development Bank Ltd.
Arniko Bikas Bank Ltd.	Kanchan Development Bank Ltd.
NDEP Development Bank Ltd.	Gulmi Bikas Bank Ltd.
Clean Energy Development Bank Ltd.	Matribhumi Bikas Bank Ltd.
Miteri Development Bank Ltd.	Bright Development Bank Ltd.
Tinau Bikas Bank Ltd.	Innovative Development Bank Ltd.
Rising Development Bank Ltd.	Jhimruk Bikas Bank Ltd.
Muktinath Bikas Bank Ltd.	Metro Development Bank Ltd.
Sewa Bikas Bank Ltd.	Rapti Bheri Bikas Bank Ltd.
Kankai Bikas Bank Ltd.	Gaumukhi Bikas Bank Ltd.
Public Development Bank Ltd.	Nepal Consumer Development Bank Ltd.
Mahakali Bikas Bank Ltd.	Khandbari Bikas Bank Ltd.
Ace Development Bank Ltd.	Tourism Development Bank Ltd.
Sangrila Development Bank	Mission Development Bank
Bhargav Bikas Bank Ltd.	Mount Makalu Development Bank Ltd.
Vibor Bikas Bank Ltd.	Surya Development Bank Ltd.
Reshunga Bikas Bank Ltd.	Sindhu Bikas Bank Ltd.
Rara Bikas Bank Ltd.	Kailash Bikas Bank Ltd.
Diyalo Bikas Bank Ltd.	

**Finance Companies**

Progressive Finance Co. Ltd.	Emperial Finance Ltd.
Arun Finance Ltd.	Lumbini Finance & Leasing Ltd.
Patan Finance Ltd.	Sagarmatha Merchant Banking & Finance Ltd.
Goodwill Finance Ltd.	Jebils Finance Ltd.
Janaki Finance Ltd.	Jenith Finance Ltd.
Central Finance Ltd.	Manjushree Finance Ltd.
Gorkha Finance Ltd.	Lalitpur Finance Ltd.
Nepal Express Finance Ltd.	Kathmandu Finance Ltd.
Shubha Laxmi Finance Ltd.	Prudential Finance Ltd.
Fewa Finance Ltd.	Om Finance Ltd.
Kuber Merchant Finance Ltd.	Nepal Finance Ltd.
Universal Finance Ltd.	Reliance Finance Ltd.
Prabhu Finance Ltd.	General Finance Ltd.
IME Financial Institute Ltd.	Kaski Finance Ltd.
Api Finance Ltd.	World Merchant Banking & Finance Ltd.
Annapurna Finance Ltd.	Valley Finance Ltd.
Seti Finance Ltd.	Reliable Finance Ltd.
Standard Finance Ltd.	Unique Finance Ltd.

International Leasing & Finance Ltd.	ICFC Finance Ltd.
Narayani National Finance Ltd.	Union Finance Ltd.
Himalaya Finance Ltd.	Nepal Housing & Merchant Finance Ltd.
Mahalaxmi Finance Ltd.	NIDC Capital Markets Ltd.
United Finance Ltd.	Siddhartha Finance Ltd.
Guheshwori Merchant & Finance Ltd.	Multipurpose Finance Ltd.
Yeti Finance Ltd.	Everest Finance Ltd.
Namaste Bittiya Sanstha Ltd.	Royal Merchant Banking & Finance Ltd.
Pashchimanchal Finance Ltd.	Nepal Awas Finance Ltd.
Civil Merchant Bittiya Sanstha Ltd.	Sri Investment & Finance Ltd.
Srijana Finance Ltd.	Lotus Investment Finance Ltd.
Nawadurga Finance Ltd.	Pokhara Finance Ltd.

**(B) Targeted Inspection**

**Development Banks**

Sahara Bikas Bank Ltd.	Sambridhi Bikas Bank Ltd.
Nepal Community Development Bank Ltd.	Ekata Bikas Bank Ltd.
Cosmos Development Bank Ltd.	Kalinchok Bikas Bank Ltd.
Manaslu Bikas Bank Ltd.	

**Finance Companies**

Bhaivab Finance Ltd.	Bhaktapur Finance Ltd.
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**(C) Special Inspection**

**Development Banks**

NIDC Development Bank Ltd.	Shubhechchha Bikas Bank Ltd.
Malika Bikas Bank Ltd.	Gaurishankar Development Bank Ltd.
Siddhartha Development Bank Ltd.	Gorkha Development Bank Ltd.
Manakamana Development Bank Ltd.	Business Universal Development Bank Ltd.
Narayani Development Bank Ltd.	Infrastructure Development Bank Ltd.
Pashchimanchal Development Bank Ltd.	Rising Development Bank Ltd.
Sahayogi Bikas Bank Ltd.	Vibor Bikas Bank Ltd.
Axis Development Bank Ltd. (Pashupati)	Kamana Bikas Bank Ltd.
Bhrikuti Bikas Bank Ltd.	Shine Development Bank Ltd.
Supreme Development Bank Ltd. (Annapurna)	

**Finance Companies**

Capital Merchant Banking & Finance Ltd.	Primier Finance Ltd.
ICFC Finance Ltd.	Bhaivab Finance Ltd.
Standard Finance Ltd.	United Finance Ltd.
Lalitpur Finance Ltd.	Himalaya Finance Ltd.
Investa Finance Ltd.	Kuber Merchant Finance Ltd.
Mercantile Finance Ltd.	Nepal Share Markets & Finance Ltd.
Universal Finance Ltd.	General Finance Ltd.
Cristal Finance Ltd.	Peoples Finance Ltd.
Prudential Finance Ltd.	

**(D) Follow-up Inspection**

**Development Banks**

Siddhartha Development Bank Ltd.	Pashchimanchal Development Bank Ltd.
Narayani Development Bank Ltd.	Tourism Development Bank Ltd.

**Finance Companies**

Capital Merchant Banking & Finance Ltd.	Capital Merchant Banking & Finance Ltd.
Kuber Merchant Finance Ltd.	Fewa Finance Ltd.
Arun Finance Ltd.	Arun Finance Ltd. (inspection from Biratnagar office)

**(E) Physical Infrastructure Inspection**

**Development Banks**

Kalinchok Development Bank Ltd.	Kailash Bikas Bank Ltd.
Business Universal Development Bank Ltd.	

**(F) Diagnostic Review**

**Finance Companies**

Hama Merchant & Finance Ltd.	Pokhara Finance Ltd.
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**Appendix 2.3**  
**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. (Bittiya Sanstha)
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 & Commercial 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	International Leasing & Finance Co. Ltd.
15	Kist Bank Ltd.	51	Suryadarshan Finance Co. 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 Co. Ltd.	61	Biratlaxmi Bikas Bank Ltd.
26	Lumbini Finance & Leasing Co. Ltd.	62	Sahayogi Bikas Bank Ltd.
27	Bhajuratna Finance & 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 2.4**

**Board of Directors**

(Mid-July 2012)

<b>Board of Directors</b>		
1	Dr. Yuba Raj Khatiwada, Governor	Chairman
2	Mr. Krishna Hari Baskota, Secretary, Ministry of Finance	Member
3	Mr. Gopal Prasad Kaphle, Deputy Governor	Member
4	Mr. Maha Prasad Adhikari, Deputy Governor	Member
5	Mr. Shambhu Sharan Prasad Kayastha	Member
6	Prof. Dr. Shreeram Paudel	Member
7	Dr. Ramhari Aryal	Member

**Appendix 2.5**

**Principal Officers**

(Mid-July 2012)

<b>Special Class</b>		
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, Development Bank Supervision Department
4	Mr. Ramjee Regmi	Executive Director, Finance Company Supervision Department
5	Mr. Bhaskar M. Gyanwali	Executive Director, Bank and Financial Institution Regulation Department
6	Mr. Manmohan K. Shrestha	Executive Director, Corporate Planning Department
7	Mr. Lok B. Khadka	Executive Director, Bank Supervision Department
8	Mr. Pradeep R. Panday	Executive Director, Microfinance Promotion and Supervision Department
9	Mr. Hari P. Kafle	Executive Director, Banking Office
10	Mr. Siddhi K. Joshi	Executive Director, Financial Management Department
11	Mr. Trilochan Pangeni	Executive Director, Internal Audit Department
12	Dr. Min Bahadur Shrestha	Executive Director, Research Department
13	Mr. Shambhu Thapa	Executive Director, Human Resources Management Department
14	Mr. Mahesh Bhattarai	Executive Director, Public Debt Management Department
15	Mrs. Rameshwari Panta	Executive Director, Bankers' Training Center
16	Mr. Shiva R. Shrestha	Act. Executive Director, Information Technology Department
<b>First Class Officers</b>		
1	Mr. Naresh Dhakal	Director, General Services Department
2	Mr. Narayan P. Paudel	Director, Research Department

3	Mr. Nara B. Thapa	Chief Manager, NRB, Biratnagar office
4	Dr. Binod Atreya	Director, Corporate Planning Department
5	Mr. Janak B. Adhikari	Chief Manager, NRB, Nepalgunj office
6	Mr. Purna B. Khatri	Director, Banks and Financial Institutions Regulation Department
7	Mr. Bhisma R. Dhungana	Director, Foreign Exchange Management Department
8	Mr. Chintamani Siwakoti	Director, Microfinance Promotion and Supervision Department
9	Mr. Laxmi P. Niraula	Director, Development Bank Supervision Department
10	Mr. Shankar P. Acharya	Director, Research Department
11	Mr. Dharma R. Sapkota	Director, Legal Division
12	Mr. Rajan B. Shah	Director, Banking Office
13	Mr. Jagdishwor P. Adhikary	Director, Bankers' Training Center
14	Mr. Parbat K. Karki	Chief Manager, NRB, Janakpur office
15	Mr. Shiva N. Pandey	Director, Bank Supervision Department
16	Mr. Khyam N. Dhakal	Director, Microfinance Promotion and Supervision Department
17	Mr. Bhuvan Kandel	Chief Manager, NRB, Siddharthanagar office
18	Dr. Nephil M. Maskay	Director, Research Department
19	Mr. Deepak B. Thapa	Director, Mint Division
20	Mr. Upendra K. Paudel	Chief Manager, NRB, Birgunj office
21	Dr. Bhubanesh Pant	Director, Research Department
22	Dr. Bama Dev Sigdel	Director, Human Resource Management Department
23	Mr. Basu Dev Adhikari	Director, Banks and Financial Institutions Regulation Department
24	Mr. Pradhuma K. Bhattarai	Director, Financial Management Department
25	Dr. Gopal Prasad Bhatta	Director, Public Debt Management Department
26	Mrs. Neelam Dhungana (Timsina)	Director, Bank Supervision Department
27	Mr. Jhalak Sharma Acharya	Director, Human Resource Management Department
28	Mr. Bholanath Baral	Chief Manager, NRB, Pokhara office
29	Mr. Arjun Bahadur Adhikari	Director, Bank Supervision Department
30	Mr. Sher Jung Rana	Director, Finance Company Supervision Department
31	Mr. Dev Kumar Dhakal	Director, Financial Management Department
32	Mr. Basanta Bahadur Shakya	Director, Currency Management Department
33	Mr. Mukunda Kumar Chhetri	Director, Development Bank Supervision Department
34	Mr. Kiran Bista	Director, Banks and Financial Institutions Regulation Department
35	Mr. Balaram Parajuli	Director, Finance Company Supervision Department
36	Mr. Ramesh Dahal (ka)	Director, Office of the Governor
37	Mr. Harisharan K.C.	Director, Financial Management Department
38	Mr. Pitambar Bhandari	Director, Research Department
39	Mr. Rajendra Pandit	Director, Foreign Exchange Management Department
40	Mr. Sunil Udas	Director, Development Bank Supervision Department
<b>On Leave/ Deputation</b>		
1	Director, Mr. Maheshwor Lal Shrestha	Nepal Bank Ltd. (Deputation)
2	Director, Mr. Ramesh K. Pokharel	IMF (Deputation)
3	Director, Mr. Yejindra P. Luitel	Jalbidhyut Lagani Tatha Bikash Company (Deputation)
4	Act. Director, Mr. Shyam P. Khanal	Akhtiyar Durupayog Anusandhan Ayog (Deputation)

*PART - 3*

**ANNUAL FINANCIAL STATEMENTS OF THE NRB**

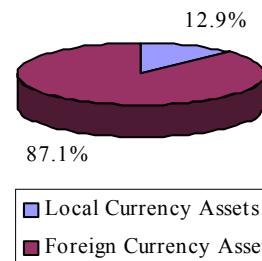
- **Assets and Liabilities** 105
- **Income Statement** 106

## ANNUAL FINANCIAL STATEMENTS OF THE NRB

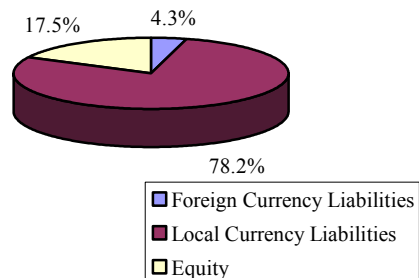
### Assets and Liabilities

- 3.1 As per the balance sheet of mid-July 2012, the assets and liabilities of the NRB amounted to Rs. 453 billion 847 million 106 thousand registering a growth of 41.5 percent from mid-July 2011. In the previous year, the assets and liabilities of the NRB had increased by 7.4 percent to Rs. 320 billion 811 million 794 thousand.
- 3.2 Of the total assets at mid-July 2012, the shares of foreign currency (including gold reserves) and local currency assets occupied 87.1 percent and 12.9 percent respectively. Last year, the shares of these assets had been 70.8 percent and 29.2 percent respectively.
- 3.3 In the total liability and equity as of mid-July 2012, the shares of local currency liability, equity and foreign currency liabilities stood at 78.2 percent, 17.5 percent and 4.3 percent respectively. Last year, the shares of such liabilities had occupied 80.6 percent, 14.2 percent and 5.3 percent respectively.
- 3.4 Against the increment of 4.7 percent in foreign currency assets last year, the assets at mid-July 2012 increased by 74.0 percent to Rs. 395 billion 109 million 581 thousand. In the assets, the share of cash and bank balances remained at 5.5 percent, whereas the shares of investments, other receivables and SDR holdings with IMF remained at 92.3 percent, 0.3 percent and 1.9 percent respectively.
- 3.5 The total local currency assets at mid-July 2012 reduced by 37.3 percent to Rs. 58 billion 737 million 541 thousand as compared to that of last year. Similarly, cash in hand, investments in government securities, refinance and loans, and other investments declined by 44.0 percent, 7.8 percent, 69.3 percent and 3.6 percent respectively in the review year. But, other receivables and miscellaneous assets increased by 17.6 percent and 11.6 percent respectively. In the same duration, the shares of investment in government securities stood at 57.3 percent, other investments at 17.7, refinance and loans at 7.8, other receivables at 7.6, other assets at 5.5, cash in hand at 3.6, and investments in financial and other institutions at 0.6 percent.
- 3.6 Foreign currency liabilities at mid-July 2012 as against of the last year increased by 14.1 percent to Rs 19 billion 264 million 373 thousand. The deposits from banks and other agencies, and the liabilities pertaining to IMF increased by 91.3 percent and 14.5 percent respectively whereas the other liabilities decreased by 99.4 percent in the review year. In foreign currency liabilities, the share of IMF related liabilities, and deposits from banks and other agencies remained at 94.8 percent and 5.2 percent respectively in the review year.
- 3.7 The local currency liabilities increased by 37.4 percent to Rs. 355 billion 28 million 28 thousand as at mid-July 2012 compared to that of the same period last year. Among the liabilities, the currency in circulation increased by 20.1 percent to 201 billion 25 million. Likewise, deposit

**Chart 3.1 : Assets Structure of the NRB**



**Chart 3.2 : Liability Structure of the NRB**

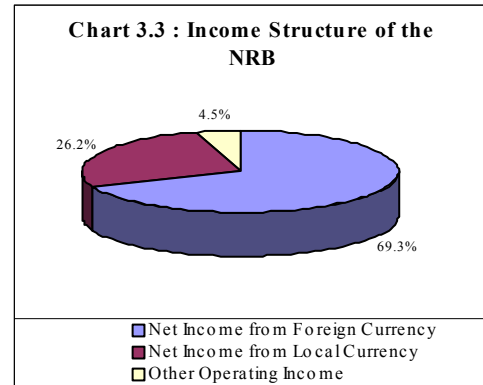


and other liabilities, staff related liabilities, surplus payable to the government of Nepal and other liabilities in the review year increased by 79.6 percent, 49.8 percent, 31.3 percent and 18.6 percent respectively. Nonetheless, IMF related liability remained unchanged.

- 3.8 In comparison to the last year, the total equity increased by 75.0 percent. Of the equity, the reserve funds increased by 80.2 percent to Rs. 76 billion 554 million 705 thousand and the share capital remained at Rs.3 billion in the review year. Accordingly, the share of reserve funds in equity has been 96.2 percent leaving the rest to share capital.

### Income Statement

- 3.9 The total net operating income of NRB in the fiscal year 2011/12, compared to that of the previous year, increased by 7.6 percent to Rs. 12 billion 571 million 452 thousand. Of the net income, the income from local currency financial assets amounted to Rs. 3 billion 289 million 301 thousand (26.2 percent), the income from foreign currency financial assets amounted to Rs. 8 billion 720 million 981 thousand (69.3 percent), and the amount from other operating income added Rs. 561 million 170 thousand (4.5 percent).



- 3.10 Compared to last year, the income from foreign currency financial assets increased by 116.5 percent to Rs. 8 billion 745 million 229 thousand, and the expenses under foreign currency financial liabilities declined by 35.8 percent to Rs. 24 million 248 thousand in the review year. Consequently, the net income from foreign currency surged up by 117.9 percent to Rs. 8 billion 720 million 981 thousand in the review year.
- 3.11 In the total income from foreign currency financial assets, the shares of interest income and commission income stood at 97.2 percent and 2.8 percent respectively. Of the expenses from foreign currency financial liabilities in the review year, the shares of interest expenses, and agency and service charges remained at 74.9 percent and 25.1 percent respectively.
- 3.12 While the income from local currency financial assets in the review year, compared to last year, slackned by 31.2 percent to Rs. 3 billion 806 million 564 thousand, the expenses under local currency financial liabilities increased by 19.4 percent to Rs. 517 million 263 thousand. Consequently, the net income from local currency decreased by 35.5 percent to Rs. 3 billion 289 million 301 thousand in the review year.
- 3.13 In the income from local currency financial assets, the share of interest income was 99.9 percent whereas the commission income stood at 0.1 percent. Of the local currency financial liabilities, the share of interest expenses, and agency and service charge remained at 34.1 percent and 65.9 percent respectively.
- 3.14 General administrative expenses and provisioning, compared to the figure of the last year, increased by 35.5 percent to Rs. 6 billion 742 million 362 thousand in the fiscal year 2011/12. Consequently, the net profit in the review year as against the record of last year (prior to foreign currency revaluation gain/loss, gold and silver revaluation gain/loss, and adjustment of previous year) decreased by 13.1 percent to Rs. 5 billion 829 million 90 thousand.
- 3.15 Of the net profit Rs. 38 billion 309 million 243 thousand in the review year, after the allotment of Rs.30 billion 764 million 829 thousand in exchange equalization fund, Rs. 1 billion 706 million 449 thousand in gold-silver equalization fund, and Rs. 2 million 449 thousand in investment revaluation fund, the profit available for distribution was Rs. 5 billion 647 million 566 thousand. Previously, such profit had amounted to Rs. 4 billion 380 million 30 thousand.

**NEPAL RASTRA BANK**  
**STATEMENT OF FINANCIAL POSITION AS ON 31st ASHADH, 2069 (15th JULY, 2012)**

Particulars	Note	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>ASSETS</b>			
<b>Foreign Currency Financial Assets</b>			
Cash and Bank Balances	3	21,779,942,504	16,337,109,976
IMF Related Assets : Special Drawing Right Holdings		7,368,831,080	6,730,704,535
Investments	3a	364,600,510,228	203,545,377,189
Other Receivables		1,360,298,093	448,199,792
<b>Total Foreign Currency Assets</b>		<b>395,109,581,905</b>	<b>227,061,391,492</b>
<b>Local Currency Financial Assets</b>			
Cash in Hand		2,088,188,303	3,730,978,127
Investments in Government Securities	4	33,656,571,458	36,509,216,412
GON Overdraft		-	20,764,094,278
Investments in Financial and Other Institutions	5	337,892,500	337,892,500
Other Investments	6	10,390,905,000	10,782,610,000
Loans & Receivables and Refinance	7a, b	4,586,972,914	14,951,607,667
Other Receivables	8	4,464,752,096	3,795,691,468
<b>Sub-Total</b>		<b>55,525,282,271</b>	<b>90,872,090,452</b>
<b>Other Assets</b>			
Gold and Silver	9	292,612,967	309,091,119
Other Inventories	10	1,859,346,980	1,636,700,152
Property, Plant & Equipment	11a	540,424,208	519,867,158
Intangible Assets	11b	150,094,134	2,206,358
Assets received in grant	11c	722,599	968,058
Project Assets (Affiliated With NRB)	12	369,041,001	409,480,104
<b>Sub-Total</b>		<b>3,212,241,889</b>	<b>2,878,312,949</b>
<b>Total Local Currency Assets</b>		<b>58,737,524,160</b>	<b>93,750,403,401</b>
<b>Total Assets</b>		<b>453,847,106,065</b>	<b>320,811,794,892</b>

**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.

.....  
(Ramjee Regmi)  
Executive Director

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

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

**Board of Directors :-**

.....  
Shanta Raj Subedi

.....  
(Gopal Prasad Kaphle)  
Dy. Governor

.....  
(C.A. Komal Bahadur Chitrakar)  
Chartered Accountant  
Kathmandu

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

.....  
(Maha Prasad Adhikari)  
Dy. Governor

.....  
Dr. Sri Ram Poudyal

.....  
Dr. Ram Hari Arval

Date : 2069.07.24  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF FINANCIAL POSITION AS ON 31st ASHADH, 2069 (15th JULY, 2012)**

Particulars	Note	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>LIABILITIES</b>			
<b>Foreign Currency Financial Liabilities</b>			
Deposit from Banks and Other Agencies	13	1,000,369,226	523,025,694
IMF Related Liabilities	14	18,261,630,791	15,955,815,523
Other Liabilities	15	2,373,189	406,992,510
<b>Total Foreign Currency Liabilities</b>		<b>19,264,373,206</b>	<b>16,885,833,727</b>
<b>Local Currency Financial Liabilities</b>			
IMF Related Deposit Liabilities	16	5,880,083,908	5,880,083,908
Deposit and Other Balances	16a	132,344,464,304	73,683,216,162
Bills Payable		729,902,615	586,284,224
Staff Liabilities	17	8,532,806,680	5,695,278,571
Other Payables	18	232,526,765	144,199,718
<b>Sub-Total</b>		<b>147,719,784,272</b>	<b>85,989,062,584</b>
<b>Other Liabilities</b>			
Currency in Circulation	19	201,250,000,000	167,620,000,000
Surplus payable to GoN		4,227,000,000	3,220,000,000
Sundry Liabilities	20	1,462,202,396	1,214,711,228
Project Liability (Affiliated With NRB)	21	369,041,001	409,480,104
<b>Sub-Total</b>		<b>207,308,243,397</b>	<b>172,464,191,332</b>
<b>Total Local Currency Liabilities</b>		<b>355,028,027,669</b>	<b>258,453,253,915</b>
<b>EQUITY</b>			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	76,554,705,190	42,472,707,250
<b>Total Equity</b>		<b>79,554,705,190</b>	<b>45,472,707,250</b>
<b>Total Liabilities and Equity</b>		<b>453,847,106,065</b>	<b>320,811,794,892</b>

**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.

.....  
(Ramjee Regmi)  
Executive Director

.....  
(Dr. Yuba Raj Khatriwada)  
Governor

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

**Board of Directors :-**

.....  
Shanta Raj Subedi

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(Gopal Prasad Kaphle)  
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(C.A. Komal Bahadur Chitrakar)  
Chartered Accountant  
Kathmandu

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

.....  
(Maha Prasad Adhikari)  
Dy. Governor

.....  
Dr. Sri Ram Poudyal

.....  
Dr. Ram Hari Aryal

Date : 2069.07.24  
Place : Kathmandu



NEPAL RASTRA BANK

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31st ASHADH, 2069 (15th JULY, 2012)

Particulars	Note	2068-69 NRs.	2067-68 NRs.
<b>Operating Income:</b>			
<b>Income from Foreign Currency Financial Assets</b>			
Interest Income	24	8,500,428,740	3,761,628,272
Commission Income	25	244,800,337	278,047,354
		<b>8,745,229,077</b>	<b>4,039,675,626</b>
<b>Expenses on Foreign Currency Financial Liabilities</b>			
Interest Expenses	26	18,158,791	33,124,217
Agency and Service Charge	27	6,089,191	4,636,947
		<b>24,247,982</b>	<b>37,761,164</b>
<b>Net Income from Foreign Currency</b>		<b>8,720,981,095</b>	<b>4,001,914,462</b>
<b>Income from Local Currency Financial Assets</b>			
Interest Income	24	3,802,294,858	5,525,830,565
Commission Income	25	4,268,845	5,671,983
		<b>3,806,563,703</b>	<b>5,531,502,548</b>
<b>Expenses on Local Currency Financial Liabilities</b>			
Interest Expenses	26	176,437,818	69,787,799
Agency and Service Charge	27	340,824,841	363,431,242
		<b>517,262,659</b>	<b>433,219,041</b>
<b>Net Income from Local Currency Financial assets</b>		<b>3,289,301,044</b>	<b>5,098,283,507</b>
Other Operating Income	28	561,170,169	2,582,975,198
<b>Total Net Operating Income</b>		<b>12,571,452,308</b>	<b>11,683,173,167</b>
General, Administrative Expenses & Provisions	29	6,742,362,163	4,977,550,254
<b>Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment</b>		<b>5,829,090,145</b>	<b>6,705,622,913</b>
Foreign Exchange Gain/(Loss) (Net)		30,764,828,683	1,858,159,100
Gold and Silver Revaluation Gain/(Loss) (Net)			
- Amount Transferred from Gold & Silver Equalisation Reserve	31(XIX)(i)	1,706,448,801	1,184,717,792
- Securities Revaluation			
- other		2,449,259	
Prior Year Adjustment		6,426,511	(18,579,822)
<b>Net Profit/(Loss) for the year</b>		<b>38,309,243,399</b>	<b>9,729,919,983</b>
<b>Net Profit/(Loss) for Appropriation</b>			
Net Profit/(Loss) for the year		38,309,243,399	9,729,919,983
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		(30,764,828,683)	(1,858,159,100)
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XIX)(i)	(1,706,448,801)	(1,184,717,792)
Gold Replacement Fund	31(XIX)(ii)	(187,950,550)	(2,307,013,551)
Securities Revaluation Fund		-	-
Investment Revaluation Fund		(2,449,259)	-
<b>Profit available for distribution</b>		<b>5,647,566,106</b>	<b>4,380,029,540</b>
General Reserve		593,866,400	491,929,540
Monetary Liability Reserve		282,378,400	219,000,000
Development Fund		40,000,000	172,000,000
Dev. Fin. Projects Mob. Fund		15,537,500	43,100,000
Liquidity Stabilization Fund		20,000,000	22,000,000
Mechanization Fund		400,000,000	100,000,000
Banking Development Fund		68,783,806	112,000,000
Surplus to be transferred to GON		4,227,000,000	3,220,000,000
<b>Total</b>		<b>5,647,566,106</b>	<b>4,380,029,540</b>

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

As per our report of the even date.

(Ramjee Regmi)  
Executive Director

(Dr. Yuba Raj Khatriwada)  
Governor

(.....)  
Auditor General

**Board of Directors :-**

Shanta Raj Subedi

(Gopal Prasad Kaphle)  
Dy. Governor

(C.A. Komal Bahadur Chitrakar)  
Chartered Accountant  
Kathmandu

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

(Maha Prasad Adhikari)  
Dy. Governor

Dr. Sri Ram Poudyal

Dr. Ram Hari Aryal

Date: 2069.07.24  
Place : Kathmandu

**NEPAL RASTRA BANK**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31st ASHADH, 2069 (15th JULY, 2012)**

Particulars	2068-69 (NRs.)	2067-68 (NRs.)
<b>Cash flow from operating activities:</b>		
Profit for the Year	38,309,243,399	9,729,919,983
<b>Adjustments</b>		
Gold and Silver revaluation gain/(loss) (Net)	(1,706,448,801)	(1,184,717,792)
- Other		
- Revaluation gain or loss on foreign exchange	(30,767,277,942)	(1,858,159,100)
Securities revaluation		
Depreciation	57,979,367	56,644,483
Prior period adjustment	(6,426,511)	18,579,822
Note printing expenses	649,863,713	611,333,378
Dividend Income	(639,395)	(2,735,850)
Profit from sale of assets/ investments		
Sundry balances written off	195,822	-
Interest paid on PRGF Loan & ACU	18,137,209	31,941,819
Provision for :		
Loan and advances	-	-
Diminution in value of investment	-	-
Doubtful of recovery on sundry accrued	10,329,878	-
Provision for doubtful investment	247,900,000	1,030,705,000
Provision others	3,352,949	-
<b>Cash flow from operation before inc / dec in operating assets</b>	<b>6,816,209,688</b>	<b>8,433,511,743</b>
<b>(Increase)/Decrease in operating assets</b>	<b>25,943,482,342</b>	<b>(14,311,860,898)</b>
GON overdraft	20,764,094,278	(4,052,602,667)
Refinance & loans	10,367,932,624	(6,839,442,424)
Other receivable	(1,591,488,808)	(763,205,210)
Gold & silver	(2,724,349,388)	(1,031,209,589)
Inventories	(872,706,364)	(1,625,401,008)
<b>Increase/(Decrease) in operating liabilities</b>	<b>63,439,458,803</b>	<b>9,590,857,880</b>
SDR Allocation	1,391,819,604	15,935,306
Deposit liabilities	59,138,591,673	10,955,852,258
Bills payable	143,618,391	(335,310,529)
Deferred staff liabilities	2,837,528,109	1,200,614,247
Other liabilities	(319,590,142)	345,410,746
Sundry liabilities	247,491,168	(2,591,644,148)
<b>Operating cash flow before prior period adjustment</b>	<b>96,199,150,833</b>	<b>3,712,508,725</b>
Prior period adjustment	6,426,511	(18,579,822)
<b>Cash flow from operating activities</b>	<b>96,205,577,344</b>	<b>3,693,928,903</b>
<b>Cash flow from investing activities:</b>		
Net Decrease in Government Securities and Bank Deposits	2,996,449,953	(18,452,149,353)
Sale/purchase of Investment in Financial Institutions	-	(12,857,000)
Purchase of Investments-other	19,591,464	(1,467,694,008)
Fixed assets including WIP	(229,777,141)	(52,666,402)
Dividend income	639,395	2,735,850
<b>Total (B)</b>	<b>2,786,903,671</b>	<b>(19,982,630,913)</b>
<b>Cash flow from financing activities:</b>		
Bank note issued	33,630,000,000	6,320,000,000
Increase/decrease in PRGF Loan & ACU	913,995,664	(305,477,208)
Interest paid on PRGF Loan & ACU	(18,137,209)	(31,941,819)
Surplus transferred to GON	(3,220,000,000)	(3,110,000,000)
<b>Total (C)</b>	<b>31,305,858,455</b>	<b>2,872,580,973</b>
<b>Net cash flow for the year (A+B+C)</b>	<b>130,298,339,469</b>	<b>(13,416,121,037)</b>
Revaluation gain or loss on foreign exchange	30,767,277,942	1,858,159,100
Cash and cash equivalent at the beginning of the year	212,898,333,708	224,456,295,645
<b>Cash and cash equivalent at the end of the year (Note - 30)</b>	<b>373,963,951,120</b>	<b>212,898,333,708</b>

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

As per our report of the even date

.....  
(Ramjee Regmi)  
Executive Director

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

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

**Board of Directors :-**

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Shanta Raj Subedi

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Dy. Governor

.....  
Dr. Sri Ram Poudyal

.....  
Dr. Ram Hari Aryal

Date : 2069.07.24  
Place : Kathmandu

**NEPAL RASTRA BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31st ASHADH, 2069 (15th JULY, 2012)**

NRs.

Particulars	Balance as at 32.03.2068	Amount transferred from/(to) profit	Inter fund transfer	Balance as at 31.03.2069
Capital	3,000,000,000	-		3,000,000,000
General Reserve	14,307,172,070	593,866,400	1,591,165,306	16,492,203,776
Monetary Liability Reserve	1,798,600,000	282,378,400		2,080,978,400
Exchange Equilisation Fund	11,761,771,035	30,764,828,683		42,526,599,718
Gold & Silver Equilisation Reserve	5,368,797,475	1,706,448,801	(232,727,266)	6,842,519,010
Grants assets reserve	968,058	-	(245,459)	722,599
Grameen Swabalamban Kosh	253,400,000	-		253,400,000
Investment Revaluation Fund	-	2,449,259	-	2,449,259
Other Reserve Funds	8,981,998,612	732,271,856	(1,358,438,040)	8,355,832,427
Secutiry Revaluation Fund	-	-		-
<b>Total</b>	<b>45,472,707,250</b>	<b>34,082,243,399</b>	<b>(245,459)</b>	<b>79,554,705,190</b>

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 32nd ASHADH, 2068 (16th JULY, 2011)**

NRs.

Particulars	Balance as at 32.03.2067	Amount transferred from/(to) profit	Inter fund transfer	Balance as at 32.03.2068
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
Security Revaluation Fund	-	-		-
<b>Total</b>	<b>38,961,663,330</b>	<b>6,509,919,983</b>	<b>1,123,937</b>	<b>45,472,707,250</b>

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

As per our report of the even date.

.....  
(Ramjee Regmi)  
Executive Director

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

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Auditor General

**Board of Directors :-**

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Dr. Sri Ram Poudyal

.....  
Dr Ram Hari Arval

Date : 2069.07.24  
Place : Kathmandu

## Significant accounting policies to be read as part of the Financial Statements

### 1 General information

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

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

The main activities of the Bank include:

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

These financial statements apply to the financial year ended 31st Ashadh, 2069 (15<sup>th</sup> July, 2012).

### 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 **29 Kartik 2069 (November 15, 2012)**.

### 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 28:	Investment in Associates
IAS 32:	Financial Instruments Presentation
IAS 36:	Impairment of Assets
IAS 37:	Provisions, Contingent Liabilities and Contingent Assets
IAS 39:	Financial Instruments Recognition and Measurement
IFRS 5:	Non-current Assets held for sale and discontinued operation
IFRS 7:	Financial Instruments Disclosure

#### 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 2058. This represents the liability of the Bank towards the holder of the currency note at its face value. The assets stated in Note 19 of these financial statements back these liabilities.

The Bank also issues coins of different denomination for circulation but such coins are not included in currency circulation liability of the bank. Since coins issued by NRB have not been treated as liability the bank has not kept records of coins issued so far. Therefore, total coins in circulation up to the Current fiscal year have not been 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 has 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 Statement of Comprehensive Income. 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.

Loans and receivables include Loans to employees. 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 Statement of Comprehensive Income from F.Y. 2064/065. Entire purchase of Items with non-durable nature as well as durable items costing per unit cost of NRs. Twenty five thousand or less are expensed through Statement of Comprehensive income at the time of purchase.

#### **3.9 Property, Plant & Equipment**

Property, Plant and Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation. Such cost includes the cost of replacing part of such Property, Plant and Equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated using the straight-line method over the following estimated useful lives.

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

During current fiscal year depreciation has been charged on Property, Plant and Equipment based on estimated useful live as per Account Manual 2065. Accordingly, useful live of machinery and equipment as well as other fixed assets has been revised to '5 years' from earlier 'Over 6 years'.

### **3.9.1 Intangible assets**

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

Software, useful lives of which have not been clearly defined, are classified as "Software with indefinite useful life". Since, useful life of software is usually short due to technological obsolescence, "Software with indefinite useful life" have been amortized on straight-line basis over estimated useful life of ten years and five years respectively for business application software and other software. Amendment in Account Manual 2065 has been made with respect to intangible assets having value of rupees twenty five thousand or less to be charged directly to expenses in Statement of Comprehensive Income.

### **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. Depreciation on such assets has been recorded on the expenses side and reversal of grant assets reserve has been recorded on the income side in Statement of Comprehensive Income.

### **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 as per Nepal Rastra Bank Staff By-Law 2068 : Rule 78 Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in the Statement of Comprehensive Income as incurred.

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

Employees having service period for five years or more but less than twenty years are eligible for gratuity, which is based on last pay-scale of staff's existing designation and completed years of service as per Nepal Rastra Bank Staff By-Law 2068 : Rule 116. Similarly, employees having service period of twenty years or more are eligible for pension, which is based on last pay-scale of staff's existing designation and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068 : Rule 117.

#### **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, as per Nepal Rastra Bank Staff By-Law 2068 : Rule 78 Sub-rule 1(b) and 1(c). 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, as per Nepal Rastra Bank Staff By-Law 2068 : Rule 78 Sub-rule 1(d). This year incremental liability has been provided for.

#### **3.11.5 Staff Security Fund**

All the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068 : Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty months salary.

#### **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 as per as per Nepal Rastra Bank Staff By-Law 2068 : Rule 86, 87 and 91.

### **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 Statement of Comprehensive Income 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 statement of financial position**

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Cash in Hand	2,056,807,747	1,965,227,223
Balance with Banks in Demand Deposits	19,556,818,001	14,371,882,753
Asian Clearing Union	166,316,756	-
<b>Total</b>	<b>21,779,942,504</b>	<b>16,337,109,976</b>

**NOTE - 3 a: INVESTMENTS**

**i. Treasury Bills**

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
US Government Treasury Bills <sup>****</sup>	22,147,858,095	28,376,502,732.60
German Bubbils <sup>****</sup>	-	3,989,811,593.48
GOI Treasury Bills <sup>###</sup>	87,668,050,160	46,328,091,962.40
<b>Sub -Total</b>	<b>109,815,908,255</b>	<b>78,694,406,288.48</b>

**ii. Other**

US Government Treasury Notes/Bond <sup>###</sup>	885,878,443	708,940,235
Investment in Mid Term Instrument <sup>###</sup>	10,129,211,498	10,325,741,169
Investment in Fixbis <sup>###</sup>	3,420,298,346	7,738,532,219
Investment in Repurchase Agreement (Repo) <sup>**</sup>	43,891,046,088	9,339,154,059
Balance with Banks in Time Deposits <sup>###</sup>	185,599,736,544	90,327,448,504
Gold <sup>###</sup>	10,858,431,055	6,411,154,715
<b>Sub -Total</b>	<b>254,784,601,973</b>	<b>124,850,970,900</b>
<b>Total</b>	<b>364,600,510,228</b>	<b>203,545,377,189</b>

**Above investments are classified as follows:**

Loans and receivables	-	-
Held-for-trading <sup>**</sup>	43,891,046,088	9,339,154,059
Held-to-maturity <sup>###</sup>	298,561,606,045	161,839,908,804
Available-for-sale <sup>****</sup>	22,147,858,095	32,366,314,326
<b>Total</b>	<b>364,600,510,228</b>	<b>203,545,377,189</b>

Amortized cost of Time deposits, GOI Treasury Bills and Investment in Fixbis 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. Foreign Government Treasury Bills has been regrouped based on Sovereign Country. Repurchase agreements (Repo) has been reclassified as 'held for trading' from current fiscal year from earlier 'held to maturity'. Similarly Investment in Gold has been regrouped from foreign currency Other Asset at face of balance sheet to annex 3a as 'held for trading'.

Interest on time deposit (where ever applicable) were earned at various rates ranging from 0.01% to 4.97% per annum (P.Y. 0.05% to 2.02% per annum). Time deposits with banks are for the period less than six months.

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Government Treasury Bills * <sup>###</sup>	24,846,244,265	28,174,457,369
Saving Certificates <sup>****</sup>	3,121,604,000	3,463,708,000
Government Bond *	4,871,051,043	4,871,051,043
Development Bond 2071 Gha <sup>###</sup>	817,672,151	-
Other Bonds and securities *	-	-
<b>Total</b>	<b>33,656,571,458</b>	<b>36,509,216,412</b>

**Above investments are classified as follows:**

Loans and receivables *	4,871,051,043	4,871,051,043
Held-for-trading <sup>**</sup>	-	-
Held-to-maturity <sup>###</sup>	25,663,916,416	28,174,457,369
Available-for-sale <sup>****</sup>	3,121,604,000	3,463,708,000
<b>Total</b>	<b>33,656,571,458</b>	<b>36,509,216,412</b>

GON Treasury Bills underwritten under primary issue has been categorized 'held for trading' where as GON Treasury Bills against GON overdraft and Outright purchase are categorised as 'held to maturity'. 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 reclassified as 'loans and receivables' from current fiscal year from earlier 'held to maturity'. These bonds are non- interest bearing. During current fiscal year investment has been made in Development Bond 2071 Gha which has been earmarked against 'development fund investment' of the bank.

**NEPAL RASTRA BANK**

**Notes forming part of the statement of financial position**

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

	<b>% of holding</b>	<b>As on 31-3-2069 NRs.</b>	<b>As on 32-3-2068 NRs.</b>
<b>(a) Investment in shares of Subsidiaries</b>			
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
<b>Sub-Total</b>		<b>46,050,000</b>	<b>46,050,000</b>
<b>(b) Investment in shares of Associates</b>			
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
<b>Sub-Total</b>		<b>35,080,500</b>	<b>35,080,500</b>
<b>(c) Other Investments</b>			
<b>Shares:</b>			
Nepal Clearing House	10.00	12,857,000	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
<b>Sub-Total</b>		<b>317,812,000</b>	<b>317,812,000</b>
<b>Total</b>		<b>398,942,500</b>	<b>398,942,500</b>
Less: Provision for diminution in the value		61,050,000	61,050,000
<b>Total</b>		<b>337,892,500</b>	<b>337,892,500</b>

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

1. According to NRB Act 2058, NRB is not eligible to hold investment in share in excess of 10 percent of their share capital.
2. The Bank has already offloaded the investments in Rastriya Beema Sansthan (Non-Life Insurance), 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 2058.
3. The investment in Grameen Bikas Banks (GBB) were initially made for the development of rural banking and now the bank has off loaded the holding in these institutions except in Sudur Pashchimanchal GBB .
4. Investment in Rastriya Beema Sansthan (Life-Insurance): NRB has received 41,667 Bonus Shares of Rs. 100 each in this investment which makes total shareholding of NRB 51,667 shares.
5. Investment in Citizen's Investment Trust: NRB has received 133400 bonus shares of Rs 100 each for Financial Years 2062/63, 2063/64 and 2064/65 with which NRB has total 133500 shares in its possession with market value of NRs. 7,55,61,000 (NRs.566 quoted price on F/Y 2068/69 last trading date of year end).
6. Investment in Deposit and Credit Guarantee Corporation (DCGC ): NRB has received 6,12,638 bonus shares of Rs 100 each which makes total shareholding of 10,83,898 shares.
7. Nepal Development Bank is in process of liquidation.
8. Investment in Credit Information Centre Limited (CICL ): NRB has received 14,400 bonus shares of Rs 100 each during current fiscal year.

## NEPAL RASTRA BANK

### Notes forming part of the statement of financial position

#### NOTE - 6: OTHER INVESTMENTS

##### Investment of funds

Fixed deposits with commercial banks and Financial

Less: Provision for doubtful Investment

**Total**

As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
11,669,510,000	11,813,315,000
1,278,605,000	1,030,705,000
<b>10,390,905,000.00</b>	<b>10,782,610,000.00</b>

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

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

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

#### NOTE - 7a: LOANS AND RECEIVABLES

Loans to Employees

**Sub-Total**

As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
4,126,992,914	4,054,947,667
<b>4,126,992,914</b>	<b>4,054,947,667</b>

#### NOTE - 7b: REFINANCE

Refinance to Commercial Banks

Securities purchased under resale agreement

Refinance to Financial Institutions

Less: Provision for doubtful Loans

**Sub-Total**

**Total**

As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
458,480,000	2,096,500,000
-	6,231,180,000
11,500,000	2,582,277,869
<b>469,980,000</b>	<b>10,909,957,869</b>
10,000,000	13,297,869
<b>459,980,000</b>	<b>10,896,660,000</b>
<b>4,586,972,914</b>	<b>14,951,607,667</b>

Interest on refinance and loans were earned at various rates ranging from 6.5% to 10% per annum (P.Y. 1.50% to 10% per annum).

**NEPAL RASTRA BANK**

**Notes forming part of the statement of financial position**

**NOTE - 8: OTHER RECEIVABLE**

		As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Interest Accrued	2,914,490,905		
Less: Provision for doubtful amounts	-		
Less: Interest suspense	182,366,083	2,732,124,821	2,453,202,180
Deposits		1,664,504	1,755,604
Advances Recoverable	<b>1,201,871,064</b>		
Less: Provision for doubtful amounts	10,329,878	1,191,541,185	878,413,427
Project income recoverable		<b>68,925,975</b>	53,388,537
Bills Purchased		470,495,611	408,931,720
<b>Total</b>		<b>4,464,752,096</b>	<b>3,795,691,468</b>

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

		As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Gold held in Stock		244,182,691	248,143,154
Silver held in Stock		48,430,276	60,947,965
<b>Total Gold and silver stock</b>		<b>292,612,967</b>	<b>309,091,119</b>

**NOTE - 10: OTHER INVENTORIES**

		As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Security Note Stock		1,014,932,587	1,179,680,636
Coin Stock		820,688,275	431,583,571
Numismatic and Medallion coins	29,774,421		
Less: Provision for non-moving coins	22,465,794	7,308,627	22,261,940
Other Metal Stock	<b>24,665,244</b>		
Less: Provision for non-moving stock	8,716,000	15,949,244	2,795,026
Dispensory stock	468,248		
Less: Provision for non-moving items	-	468,248	378,979
<b>Total Inventories</b>		<b>1,859,346,980</b>	<b>1,636,700,152</b>

**NEPAL RASTRA BANK**

Notes forming part of the statement of financial position

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

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 32Ashadh 2068	Transfer from other Office	Addition during the year	Reclassification / Adjustment / Transfer	As at 31Ashadh 2069	Upto 32 Ashadh 2068	Transfer from other Office	Current Year Depreciation	Reclassification / Adjustment / Transfer	Upto 31 Ashadh 2069	As at 31 Ashadh 2069	As at 32 Ashadh 2068
Land		31,349,239	-	-	-	31,349,239	-	-	-	-	-	31,349,239	31,349,239
Building	3	561,449,546	132,890	6,244,404	(500,837)	567,326,003	184,439,206	3,987	-	-	200,836,655	366,489,348	377,011,235
Furniture and Fixture	10	53,431,824	-	1,133,858	-	54,565,682	44,375,774	-	668,117	(28,316,368)	16,727,523	3,783,245	9,056,049
Vehicles	20	174,095,275	4,538,024	34,144,000	(4,453,500)	208,323,799	127,100,417	4,538,022	14,997,197	(4,453,498)	142,182,138	66,141,661	46,994,858
Machinery, Office & Computer Equipments	20	288,160,628	36,044,965	38,962,549	(9,041,181)	354,126,962	236,742,632	31,175,306	23,683,504	(9,846,079)	281,755,362	72,371,600	51,417,996
Miscellaneous	20	4,730,266	-	32,001	(49,456)	4,712,811	4,180,972	-	320,611	(49,455)	4,452,129	260,683	549,294
<b>Total</b>		<b>1,113,216,778</b>	<b>40,715,879</b>	<b>80,516,812</b>	<b>(14,044,973)</b>	<b>1,220,404,496</b>	<b>596,839,000</b>	<b>39,879,845</b>	<b>39,669,429</b>	<b>(42,665,400)</b>	<b>645,953,807</b>	<b>540,395,775</b>	<b>516,378,671</b>
Capital Work-in-Progress		3,488,487	-	28,433	(3,488,487)	28,433	-	-	-	-	-	28,433	3,488,487
<b>Grand Total</b>		<b>1,116,705,265</b>	<b>40,715,879</b>	<b>80,545,245</b>	<b>(17,533,461)</b>	<b>1,220,432,929</b>	<b>596,839,000</b>	<b>39,879,845</b>	<b>39,669,429</b>	<b>(42,665,400)</b>	<b>645,953,807</b>	<b>540,424,208</b>	<b>519,867,158</b>
Previous Year		1,089,155,183	879,742	56,898,836	(30,228,494)	1,116,705,265	566,746,224	-	55,208,201	(25,115,421)	596,839,000	519,867,158	

Note: Capital work in progress includes Rs.3,352,949 as provision for buiding in construction.

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

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at 32Ashadh 2068	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31Ashadh 2069	Upto 32 Ashadh 2068	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 31 Ashadh 2069	As at 31 Ashadh 2069	As at 32 Ashadh 2068
Software with Defined useful life		3,627,717	-	2,813,035	-	6,440,752	2,623,974	-	1,103,934	-	3,727,908	2,712,844	1,003,743
Software with indefinite useful life		-	-	-	-	-	-	-	-	-	-	-	-
- Business application softwares	10	-	-	-	-	-	-	-	-	-	-	-	-
- Other softwares	20	3,288,653	-	370,495	8,588	3,650,560	2,086,037	-	504,148	5,153	2,585,033	1,065,528	1,202,616
<b>Total</b>		<b>6,916,370</b>	<b>-</b>	<b>3,183,530</b>	<b>8,588</b>	<b>10,091,312</b>	<b>4,710,011</b>	<b>-</b>	<b>1,608,082</b>	<b>5,153</b>	<b>6,312,940</b>	<b>3,778,372</b>	<b>2,206,358</b>
Capital Work-in-Progress		-	-	146,315,762	-	146,315,762	-	-	-	-	-	146,315,762	-
<b>Grand Total</b>		<b>6,916,370</b>	<b>-</b>	<b>149,499,293</b>	<b>8,588</b>	<b>156,407,074</b>	<b>4,710,011</b>	<b>-</b>	<b>1,608,082</b>	<b>5,153</b>	<b>6,312,940</b>	<b>150,094,134</b>	<b>2,206,358</b>
Previous Year		6,916,370	-	149,499,293	8,588	156,407,074	4,710,011	-	1,608,082	5,153	6,312,940	150,094,134	2,206,358

Note 11c Assets received in grant

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at 32Ashadh 2068	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 31Ashadh 2069	Upto 32 Ashadh 2068	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 31 Ashadh 2069	As at 31 Ashadh 2069	As at 32 Ashadh 2068
Office Equipment	20	706331	-	-	-	706,331	668359	-	12656	-	681015.0	25,316	37,972
Computer Equipments	20	9875941	-	0	-	9,875,941	8945855	-	232803	-	9178658.2	697,283	930086
<b>Grand Total</b>		<b>10582272</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10582272</b>	<b>9614214</b>	<b>0</b>	<b>245459</b>	<b>0</b>	<b>9859673</b>	<b>722,599</b>	<b>968058</b>
Previous Year		10003147	0	579125	0	10,582,272	9346499	0	267715	0	9614214	968058	

**NEPAL RASTRA BANK**

**Notes forming part of the statement of financial position**

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

**(Amount in NRs.)**

<b>Assets</b>	<b>MCPW</b>	<b>TLDP</b>	<b>PCRW</b>	<b>PAPWT</b>	<b>TOTAL</b>
Current account	40,162,543.67	7,328,503.46	6,051,795.54	57,630,719.23	111,173,562
	923,699.00	2,144,433.00	5,558,732.00	6,056,738.00	14,683,602
Imprest Account	-	-	-	-	-
	-	-	-	-	-
Investment in fixed deposit and GON bonds	55,438,663.51	145,369,098.36	36,892,116.50	15,000,000.00	252,699,878
	100,817,949.00	151,251,293.00	36,761,373.00	65,742,200.00	354,572,815
Loans to Banks, FIs, and NGOs	-	2,186,525.00	44,785,152.50	20,450,604.00	67,422,282
	-	2,186,525.00	52,927,908.00	28,299,352.00	83,413,785
Fixed assets	-	-	-	-	-
	-	-	-	-	-
Interest receivables	1,045,648.33	3,617,327.86	526,013.70	685,157.02	5,874,147
	1,935,042.00	4,131,093.00	1,103,196.00	1,966,298.00	9,135,629
Principal (Instalment) receivables	-	-	-	-	-
	-	-	-	-	-
Expenses not written off	797,107.65	-	-	-	797,108
	1,062,810.00	-	-	-	1,062,810
Less : Project (Profit)/Loss to be transferred to NRB upto C/Y	(17,743,724.39)	(31,831,514.17)	(12,726,669.08)	(6,624,067.51)	(68,925,975)
Less : Project (Profit)/Loss to be transferred to NRB upto P/Y	(12,758,436.17)	(22,024,844.50)	(9,461,660.57)	(9,143,595.33)	(53,388,537)
<b>Current Year Total</b>	<b>79,700,238.77</b>	<b>126,669,940.51</b>	<b>75,528,409.16</b>	<b>87,142,412.74</b>	<b>369,041,001</b>
<b>Previous Year Total</b>	<b>91,981,063.83</b>	<b>137,688,499.50</b>	<b>86,889,548.43</b>	<b>92,920,992.67</b>	<b>409,480,104</b>

*Figures in shaded area represents the corresponding figures of the previous year.*

\*These figures have been taken from unaudited financial statements of the projects for the FY 2068/69. These projects are run by NRB under separate subsidiary loan agreements signed by the NRB with GON.

Figures in shaded area represents 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 statement of financial position

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Deposit from Banks and Financial Institutions	922,928,956	482,583,336
Foreign Diplomatic Missions and other agencies	77,440,270	40,442,358
<b>Total</b>	<b>1,000,369,226</b>	<b>523,025,694</b>

#### NOTE - 14: IMF RELATED LIABILITIES

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Special Drawing Right Allocation</b>	9,108,185,167	7,716,365,563
<b>Interest Bearing Loan :</b>		
Loan under Extended Credit Facility (ECF) #	5,338,952,664	5,007,848,760
Loan under Rapid Credit Facility (RCF)	3,814,492,960	3,231,601,200
<b>Total</b>	<b>18,261,630,791</b>	<b>15,955,815,523</b>

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

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

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

# Formerly Poverty Reduction and Growth Facility (PRGF)

#### THE POSITION OF THE IMF ASSETS AND LIABILITIES

##### FINANCIAL POSITION IN THE FUND AS ON JULY 15, 2012

Particulars	Local Currency (NRs.)	SDR Equivalents
<b>SPECIAL DRAWING RIGHT:</b>		
Net cumulative allocation	9,108,185,167	68,099,599
Holdings	7,368,831,080	55,094,888
<b>OUTSTANDING PURCHASES &amp; LOANS:</b>		
RCF Loans	3,814,492,960	28,520,000
ECF Arrangements	5,338,952,664	39,918,000
<b>OTHER INFORMATION</b>	<b>Per cent of Quota</b>	
Quota	100.00	71,300,000
Currency Holding	99.98	71,283,862
Reserve Tranche Position	0.03	21,774

1. Converted into NRs 133.748 at the rate of SDR per currency unit .

##### FINANCIAL POSITION IN THE FUND AS ON JULY 16, 2011

Particulars	Local Currency (NRs.)	SDR Equivalents
<b>SPECIAL DRAWING RIGHT:</b>		
Net cumulative allocation	7,716,365,563	68,099,599
Holdings	6,730,704,535	59,400,799
<b>OUTSTANDING PURCHASES &amp; LOANS:</b>		
RCF Loans	3,231,604,200	28,520,000
ECF Arrangements	5,007,848,760	44,196,000
<b>OTHER INFORMATION</b>	<b>Per cent of Quota</b>	
Quota	100.00	71,300,000
Currency Holding	99.98	71,283,862
Reserve Tranche Position	0.03	21,774

1. Converted into NRs 113.31 at the rate of SDR per currency unit .

Financial position in the IMF as on April 30, 2012 and comparative position as on April 30, 2011 has not been presented from current fiscal year. However, such information is available in IMF website ([www.imf.org](http://www.imf.org)).

## NEPAL RASTRA BANK

### Notes forming part of the statement of financial position

**NOTE - 15: OTHER LIABILITIES**

	As on 31-3-2069	As on 32-3-2068
	NRs.	NRs.
Accrued Interest	2,373,189	9,010,181
Asian Clearing Union	-	397,982,329
<b>Total</b>	<b>2,373,189</b>	<b>406,992,510</b>

**NOTE -16: IMF Related Deposit Liabilities**

	As on 31-3-2069	As on 32-3-2068
	NRs.	NRs.
IMF Account No 1	5,879,421,428	5,879,421,428
IMF Account No 2	662,480	662,480
<b>Total</b>	<b>5,880,083,908</b>	<b>5,880,083,908</b>

**NOTE -16 a: DEPOSIT AND OTHER BALANCES**

	As on 31-3-2069	As on 32-3-2068
	NRs.	NRs.
Balances of GON	10,989,296,158	-
Deposits from Banks and Financial Institutions	99,218,954,797	56,752,564,852
Balances of Other Institutions	18,335,668,285	14,548,254,834
Earnest Money	15,497,758	1,261,375
Money Changer	9,529,000	8,717,100
Margin against LCs	3,775,518,306	2,372,418,001
<b>Total</b>	<b>132,344,464,304</b>	<b>73,683,216,162</b>

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

**NOTE - 17: STAFF LIABILITIES**

	As on 31-3-2069	As on 32-3-2068
	NRs.	NRs.
Medical Fund (Includes Medical earning fund, interest, etc)	408,603,533	531,179,903
Welfare Provident Fund	56,925,542	271,433,264
Gratuity and Pension Fund	6,333,263,487	3,560,217,718
Staff Security Fund	1,084,937,844	752,691,243
Liability for Staff Leave Encashment	607,072,254	517,541,102
Liability for Retired staff insurance premium	24,362,620	45,709,684
Other payable to staff	17,641,400	16,505,657
<b>Total</b>	<b>8,532,806,680</b>	<b>5,695,278,571</b>

**NOTE - 18: OTHER PAYABLES**

	As on 31-3-2069	As on 32-3-2068
	NRs.	NRs.
Insurance Premium collected from Staff	1,590,360,703	1,403,890,483
Less: Advance Insurance Premium paid on behalf of Staff	(1,357,833,938)	(1,259,690,765)
<b>Total</b>	<b>232,526,765</b>	<b>144,199,718</b>



**NEPAL RASTRA BANK**

**Notes forming part of the statement of financial position**

**NOTE -19: CURRENCY IN CIRCULATION**

Currency in Circulation

	<b>As on 31-3-2069 NRs.</b>	<b>As on 32-3-2068 NRs.</b>
	201,250,000,000	167,620,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs 2,088,238,302 (P.Y. NRs. 3,730,978,127 ).

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

	<b>As on 31-3-2069 NRs.</b>	<b>As on 32-3-2068 NRs.</b>
	181,470,568,000	147,840,568,000
	15,607,732,000	15,607,732,000
	4,171,700,000	4,171,700,000
	<b>201,250,000,000</b>	<b>167,620,000,000</b>

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

**Denomination  
Notes**

1  
2  
5  
10  
20  
25  
50  
100  
250  
500  
1000

	<b>As on 31-3-2069 Face Value (NRs.)</b>	<b>As on 32-3-2068 Face Value (NRs.)</b>
	162,329,011	31,000,000
	190,308,574	62,900,000
	1,316,166,325	238,900,000
	1,883,219,030	558,500,000
	2,294,215,860	486,500,000
	61,003,275	385,500,000
	3,761,416,000	3,319,000,000
	8,910,495,300	10,000,700,000
	88,034,375	109,000,000
	61,466,678,250	46,260,000,000
	121,116,134,000	106,168,000,000
	<b>201,250,000,000</b>	<b>167,620,000,000</b>

**NEPAL RASTRA BANK**

**Notes forming part of the statement of financial position**

<b>NOTE - 20: SUNDRY LIABILITIES</b>	<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
	<b>NRs.</b>	<b>NRs.</b>
Sundry creditors	744,270,328	664,423,414
Unclaimed	3,253,468	2,200,235
Bills Collection	10,453,109	11,043,569
Less: Bills Lodged	<u>10,453,109</u>	<u>11,043,569</u>
Pension Payable to NRB Ex-Staff	162,526,670	140,886,791
General Account	445,019,987	348,713,649
Payorder Balance	120,317,130	58,632,805
MBL Non Operative Account	(768,115)	(85,666)
Note Kosh account	<u>(12,417,072)</u>	<u>(60,000)</u>
<b>Total</b>	<b><u>1,462,202,396</u></b>	<b><u>1,214,711,228</u></b>

Note : NRB general account represents NRB inter-office transactions and the year end balances are under reconciliation.

Note Kosh account represents NRB interoffice transactions pending for settlement as on 31-3-2069.

**NOTE - 21: PROJECTS LIABILITIES: \*** (Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	TOTAL
Loans from IFAD/ADB	79,303,720	124,300,000	70,377,883	80,300,000	354,281,603
	91,504,292	132,775,000	82,107,530	91,250,000	397,636,822
ADB grants	-	-	-	-	-
Exchange fluctuation account	-	-	-	-	-
Split interest reserve	-	-	4,233,489	-	4,233,489
	-	-	4,233,489	-	4,233,489
Sundry Payables	396,519	476	469,186	-	866,181
	476,771	2,726,974	19,250	1,388,000	4,610,995
Interest Suspense	-	182,939	-	257,782	440,722
	-	-	-	-	-
Provisions	-	2,186,525	447,852	6,584,630	9,219,007
	-	2,186,525	529,279	282,994	2,998,798
<b>Current Year Total</b>	<b>79,700,239</b>	<b>126,669,941</b>	<b>75,528,409</b>	<b>87,142,413</b>	<b>369,041,001</b>
<b>Previous Year Total</b>	<b>91,981,063</b>	<b>137,688,499</b>	<b>86,889,548</b>	<b>92,920,994</b>	<b>409,480,104</b>

Figures in shaded area represents the corresponding figures of the previous year.

\*These figures have been taken from unaudited financial statements of the projects for the F/Y 2068/69. These projects are run by NRB under separate subsidiary loan agreements signed by the NRB with GON.

Figures in shaded area represents 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

## NEPAL RASTRA BANK

### Notes forming part of the statement of financial position

#### NOTE - 22: RESERVES

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Capital Reserve:</b>		
Gold and Silver Equalization Reserve	6,842,519,010	5,368,797,475
Grants assets reserve	722,599	968,058
<b>Statutory Reserve:</b>		
General Reserve	16,492,203,776	14,307,172,070
Monetary Liabilites Reserve	2,080,978,400	1,798,600,000
Exchange Equalization Fund	42,526,599,718	11,761,771,035
<b>Other Reserves and Funds:</b>		
Development Fund	5,047,503,358	5,007,503,358
Banking Development Fund	707,871,125	639,087,319
Development Finance Project Mob. Fund	188,065,663	172,528,164
Liquidity Stabilization fund	62,000,000	42,000,000
Mechanisation Fund	591,316,414	191,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	1,149,768,420	2,320,255,910
Investment Revaluation Reserve	2,449,258	-
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
<b>Total Reserves and Funds</b>	<b>76,554,705,189</b>	<b>42,472,707,250</b>

- 1 Reserves/ Funds other than capital reserve ( gold and silver equilization 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 appreciatiion or depreciaton on revaluation of gold and silver is taken to/from this reserve through income statement.
- 3 **Exchange Equilization Fund**  
Represents net exchange gains on various foreign currency assets and liabilities. An amount equivalent to net exchange gain/loss is appropriated from/to income statement and adjusted in the opening balance of such reserve.
- 4 **General reserve**  
Under Section 41 (kha) of the NRB Act, 2058, the NRB has to transfer to the general reserve fund not less than 10 percent of the net profit plus penalty income every year.
- 5 **Monetary Liabilites Reserve**  
Under Section 41 (ka) of the NRB Act, 2058, the Bank is required to maintain a monetary liability reserve to meet its financial liability. Accordingly, five percent of the net profit is transferred to this reserve.
- 6 **Development Fund**  
Specific fund created in order to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions.
- 7 **Banking Development Fund:**  
This fund was created to meet the expenses relating to feasibility survey to open new banks in the priority area, to provide interest free loans to such banks, to compensate the losses incurred by those banks for specified period and expenses relating to banking promotion, work-shops and seminars.
- 8 **Development Finance Project Mobilization Fund**  
This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund.
- 9 **Mechanization Fund**  
This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system.

- 10 **Scholarship Fund**  
This fund was created to meet the amount required for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank.
- 11 **Mint Development Fund**  
This fund was created to meet the heavy capital expenditure required for construction of factory building and installation of machinery for minting activities.
- 12 **Employees welfare fund**  
This fund was created in FY 2015/16 for the welfare of the employees who have suffered financial and other losses due to unprecedented events and any other reasons.
- 13 **Gold Replacement Fund**  
This fund has been created for replacing the gold / silver sold during the year.
- 14 **Rural Self Reliance Fund (GS Kosh)**  
This fund was created as per the NRB Monetary Policy to meet the fund required for long term refinancing in tea, cardamom plantation and production as well as construction of cold storage etc.
- 15 **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 statement of financial position**

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

<b>Particulars</b>	<b>As on 32.3.2068 NRs. 1</b>	<b>Addition 2</b>	<b>Adjustments 3</b>	<b>Payment/ Writeback 4</b>	<b>As on 31.3.2069 NRs. 5=1+2+3-4</b>
Leave encashment	517,541,102	180,823,211		(91,292,059)	607,072,254
Gratuity and Pension Fund	3,560,217,718	3,173,750,651		(400,704,881)	6,333,263,488
Staff Security Fund	752,691,243	125,354,156	300,055,000	(93,162,556)	1,084,937,843
Staff Medical Earning Fund	498,977,454	275,953,467		(385,447,090)	389,483,832
Diminution in value of investment in Financial and other institutions	61,050,000	-	-	-	61,050,000
Provision for advance recoverable		10,329,878	-	-	10,329,878
Provision for doubtful loans	13,297,869	-	-	(3,297,869)	10,000,000
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	247,900,000	-	-	1,278,605,000
Provision for building in construction	-	3,352,949	-	-	3,352,949
<b>Total</b>	<b>6,465,662,179</b>	<b>4,017,464,312</b>	<b>300,055,000</b>	<b>(973,904,455)</b>	<b>9,809,277,036</b>

## NEPAL RASTRA BANK

### Notes forming part of the statement of financial position

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Letters of Credit	1,233,905,787	1,121,110,806
Guarantees Issued	2,48,49,373.11	-
Claims not acknowledged as debt	-	155,370
Unclaimed account transfer to P/L account	100,066,715	99,979,211
Land where Janakpur office is situated	-	14,371,094
Capital commitment towards ERI Bancaire	31,088,411	-
Claims by KUKL not acknowledged as debt	545,995	-
<b>Total</b>	<b>1,365,606,909</b>	<b>1,235,616,481</b>

- 1 Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, hence it is not shown as contingent liabilities of the bank.
- 2 Claims not acknowledged as debt consist of legal and other claims pending against the Bank as at 32nd Ashadh, 2067. 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 Capital commitment outstanding towards ERI Bancaire, Luxumberg for GL Software is US\$ 350,885 (NRs.31,088,411) out of contract value US\$ 2,187,830.

**NOTE - 23c: Contingent Assets**

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Land where Janakpur office is situated.		14,371,094
<b>Total</b>	<b>-</b>	<b>14,371,094</b>

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

**NEPAL RASTRA BANK**

**Notes forming part of the Income Statement**

**NOTE - 24: INTEREST INCOME**

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Foreign Currency Financial Assets</b>		
Treasury bills & Deposits	8,484,984,205	3,755,868,665
SDR Holding & Asian Clearing Union	15,444,535	5,759,607
<b>Interest income from Foreign Currency Financial Assets</b>	<b>8,500,428,740</b>	<b>3,761,628,272</b>
<b>Local Currency Financial Assets</b>		
Government Securities	98,003,065	76,666,566
Investment in financial and other institutions	3,479,167,403	4,705,328,286
Overdraft to Government	94,696,476	509,430,494
Loans and Refinance	130,427,914	234,405,219
<b>Interest income from Local Currency Financial Assets</b>	<b>3,802,294,858</b>	<b>5,525,830,565</b>
<b>Total interest income from financial assets</b>	<b>12,302,723,598</b>	<b>9,287,458,837</b>

**NOTE - 25: COMMISSION INCOME**

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Foreign Currency Financial Assets</b>		
On Currency exchange	244,800,337	278,047,354
<b>Local Currency Financial Assets</b>		
Government transaction & Other services	4,268,845	5,671,983
<b>Total Commission income from financial assets</b>	<b>249,069,182</b>	<b>283,719,337</b>

**NOTE - 26: INTEREST EXPENSES**

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Foreign Currency Financial Liabilities</b>		
SDR Allocation & PRGF Loan	18,137,209	31,941,819
Others	21,582	1,182,398
<b>Sub Total</b>	<b>18,158,791</b>	<b>33,124,217</b>
<b>Local Currency Financial Liabilities</b>		
Government Securities	176,437,818	69,787,799
<b>Sub Total</b>	<b>176,437,818</b>	<b>69,787,799</b>
<b>Total Interest Expense on Financial Liabilities</b>	<b>194,596,609</b>	<b>102,912,016</b>

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
<b>Foreign Currency Liabilities</b>		
Service Charge	-	-
Commission	6,089,191	4,636,947
<b>Sub Total</b>	<b>6,089,191</b>	<b>4,636,947</b>
<b>Local Currency Liabilities</b>		
Agency Expenses	340,824,841	363,431,242
<b>Sub Total</b>	<b>340,824,841</b>	<b>363,431,242</b>
<b>Total Agency and Service Charge</b>	<b>346,914,032</b>	<b>368,068,189</b>

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

	As on 31-3-2069 NRs.	As on 32-3-2068 NRs.
Nepal Bank Ltd.	116,100,000	214,350,000
Rastriya Banijya Bank	197,100,000	132,150,000
Nepal Bangladesh Bank	2,700,000	2,700,000
Everest Bank Ltd	1,200,000	1,200,000
<b>Total</b>	<b>317,100,000</b>	<b>350,400,000</b>

**NEPAL RASTRA BANK**

**Notes forming part of the Income Instatement**

<b>NOTE - 28: OTHER OPERATING INCOME</b>	<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
	<b>NRs.</b>	<b>NRs.</b>
Income from Mint (Sale of coin)	145,036,677	142,493,012
Gain from sale of precious metals and coins	187,950,532	2,277,950,530
Fine/Penalty charge	29,109,763	11,999,391
Profit from sale of investments	0	-
Dividend Income	639,395	2,735,850
Provision on Investment witten back (Net)	0	-
Provision on Loans & Advances witten back (Net)	0	-
Interest suspense written back (Net)	0	-
Project income <b>28a</b>	34,470,838	42,882,170
Provision no longer required written back	0	-
Grants assets reserve	245,459	267,715
Grants received for expenses	0	260,804
Miscellaneous	163,717,506	104,385,726
<b>Total</b>	<b>561,170,169</b>	<b>2,582,975,198</b>

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

**(Amount in NRs.)**

<b>Income</b>	<b>MCPW</b>	<b>TLDP</b>	<b>PCRW</b>	<b>PAPWT</b>	<b>TOTAL</b>
Interest income	7,825,862	14,930,420	5,218,519	6,337,609	34,312,410
	9,863,680	17,376,445	7,091,120	8,550,925	42,882,170
Other income	19,250	19,250	100,678	19,250	158,428
	-	-	-	-	-
<b>Current Year Total</b>	<b>7,845,112</b>	<b>14,949,670</b>	<b>5,319,197</b>	<b>6,356,859</b>	<b>34,470,838</b>
<b>Previous Year Total</b>	<b>9,863,680</b>	<b>17,376,445</b>	<b>7,091,120</b>	<b>8,550,925</b>	<b>42,882,170</b>

*Figures in shaded area represents the corresponding figures of the previous year.*

\*These figures have been taken from unaudited financial statements of the projects for the FY 2068/69.



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

<b>NOTE - 29: GENERAL, ADMINISTRATIVE EXPENSES &amp; PROVISIONS</b>		<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
		<b>NRs.</b>	<b>NRs.</b>
Staff Costs	<b>29a</b>	4,939,823,824	2,544,849,564
Depreciation and amortization		58,224,826	56,912,198
Directors Fees and Expenses		2,955,222	2,929,686
Note Printing charges	<b>29b</b>	649,863,713	611,333,378
Mint Expenses		256,043,131	250,861,961
Security charges		18,503,842	18,503,842
Remittance charges		59,404,083	65,839,251
Travelling expenses		132,009,655	81,177,840
Insurance charges		66,376,685	69,484,901
Repair & Maintenance		23,099,503	16,424,905
Provisions on loans & advances, Investments, etc.	<b>29c</b>	265,076,010	1,039,216,592
Project expenses	<b>29e</b>	18,933,399	12,607,482
Miscellaneous	<b>29d</b>	253,304,270	207,408,654
<b>Total</b>		<b>6,743,618,163</b>	<b>4,977,550,254</b>

**29a Staff Costs**

	<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
	<b>NRs.</b>	<b>NRs.</b>
Salary	504,378,885	345,588,785
Allowances	325,637,822	306,388,629
Provident Fund Contribution	43,568,752	34,388,530
Staff Welfare (Including Medical fund contribution)	348,586,158	131,552,466
Staff Welfare Provident Fund	260,000,000	230,000,000
Pension & Gratuity Fund	2,764,372,517	1,164,372,517
Staff Security Fund	425,354,156	125,354,156
Staff leave compensations	180,823,211	132,613,849
Others	87,102,323	74,590,631
<b>Total</b>	<b>4,939,823,824</b>	<b>2,544,849,564</b>

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

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

	<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
	<b>NRs.</b>	<b>NRs.</b>
Provision for retired Staff Insurance Premium	3,493,183	6,565,268
Provision for Doubtful investment and Others	261,582,827	1,032,651,324
<b>Total</b>	<b>265,076,010</b>	<b>1,039,216,592</b>

**29d Miscellaneous Expenses**

	<b>As on 31-3-2069</b>	<b>As on 32-3-2068</b>
	<b>NRs.</b>	<b>NRs.</b>
Banking Promotion	26,560,244	12,298,552
Audit Fees and Expenses	1,142,826	874,425
Sundry balances written off	195,822	-
Others	225,405,378	194,235,677
<b>Total</b>	<b>253,304,270</b>	<b>207,408,654</b>

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

(Amount in NRs.)

Expenses	MCPW	TLDP	PCRW	PAPWT	TOTAL
Interest IFAD	-	-	2,052,688	2,573,250	4,625,938
	-	-	1,192,514	2,792,250	3,984,764
Interest ADB	2,592,622	5,141,500	-	-	7,734,122
	2,958,639	5,367,500	-	-	8,326,139
Audit Fee	-	-	-	-	-
	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
Loan loss provision and other provisions	265,703	-	-	6,301,637	6,567,339
	-	10,877	-	-	10,877
Profit transferred to NRB Central Office	4,985,288	9,806,670	3,265,009	(2,519,528)	15,537,439
	6,634,338	11,993,069	5,893,606	5,753,675	30,274,687
<b>Current Year Total</b>	<b>7,579,410</b>	<b>14,949,671</b>	<b>5,319,197</b>	<b>6,356,859</b>	<b>34,470,838</b>
<b>Previous Year Total</b>	<b>9,863,679</b>	<b>17,376,446</b>	<b>7,091,120</b>	<b>8,550,925</b>	<b>42,882,170</b>

Figures in shaded area represents the corresponding figures of the previous year.

\*These figures have been taken from unaudited financial statements of the projects for the FY 2068/69.

## NOTE - 30: CASH AND CASH EQUIVALENT

	As on 31-3-2069	As on 32-3-2068
Foreign currency cash and bank balance	21,779,942,504	16,337,109,976
Foreign currency time deposits	185,599,736,544	90,327,448,504
Local currency in hand	2,088,188,303	3,730,978,127
SDR holdings	7,368,831,080	6,730,704,535
Investment in Treasury Bills/Notes	109,815,908,255	78,694,406,288
Investment in Fixbis	3,420,298,346	7,738,532,219
Investment in repurchase agreement (Repo)	43,891,046,088	9,339,154,059
<b>Total</b>	<b>373,963,951,120</b>	<b>212,898,333,708</b>

## NOTE - 31: EXPLANATORY NOTES

### I. Fiscal Year

The financial statements relate to the fiscal year i.e. 1st Shrawan 2068 to 31st Ashadh 2069 corresponding to Gregorian calendar 17th July 2011 to 15th July 2012. The previous year was 1st Shrawan 2067 to 32nd Ashadh 2068 (17th July 2010 to 16th July 2011). 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.

### III. 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.

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

During the current year bank has made investment on 20,000 fine troy ounces of gold. The quantity and market value of gold and silver including those held as inventory are as follows:

Particulars	Period	Weight (Kg, gm, mg)	Market Price (NRs.) Per Grams	Total market Value (NRs.)
Gold	As on 31.3.2069	2389.161.378	4396.828	10,858,431,055.24
	As on 32.3.2068	1767.091.843	3628.082	6,411,154,714.07
Gold held in Stock	As on 31.3.2069	2338.888.025	4396.828	10,283,688,158.30
	As on 32.3.2068	2378.404.070	3628.082	8,629,044,995.09
Silver held in Stock	As on 31.3.2069	125990.408.691	86.150	10,854,073,708.73
	As on 32.3.2068	126279.094.219	86.613	10,937,435,806.91
<b>Current Year Total</b>				<b>31,996,192,922.27</b>
<b>Previous Year Total</b>				<b>25,977,635,516.08</b>

Market value for gold and silver has been based on closing rate prevailing on last working day of the bank's fiscal year in London Market and Nepal Gold & Silver Dealer's Association respectively.

\* Figures in shaded area represent the corresponding figures of the previous year.

### V. Year end exchange rates

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

S.No.	Currency	NRs.	
		31st Ashadh 2069	32nd Ashadh 2068
1	US Dollar	88.60	70.95
2	Sterling Pound	136.62	114.54
3	Euro	107.98	100.34
4	Swiss Frank	89.91	86.93
5	Australian Dollar	89.96	75.71
6	CAD	86.97	73.85
7	JPY	1.118	0.895
8	Singapore	69.74	58.26
9	SDR	133.78	113.310

### VI. NRB general account

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

## **VII. 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 F.Y. 2068/69 is NRs. 11,40,737.62 (P.Y. NRs. 2,51,342.69) .

Amount outstanding for more than three years in unclaimed account is transferred to miscellaneous income in Statement of Comprehensive Income. Amount transferred from unclaimed account to miscellaneous income during F.Y. 2068/69 in Statement of Comprehensive Income is NRs. 87,504.37 (P.Y. NRs. 1,35,895.67).

## **VIII. 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 financial statements for these subsidiaries.

## **IX. Related Parties**

### **i. Government:**

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

Transactions entered into with GON include:

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

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

### **ii. Financial and other institutions:**

The Bank does not exercise significant influence or control over its subsidiaries, associates and other entities except for any regulatory purposes where substantial investments have been made. These subsidiaries, associates and other entities are incorporated under relevant act of Government of Nepal and are carrying out the business activities in domestic market only. These investments have been made under the specific directives or policies of the Government and other relevant statutes. Investments made in

these entities along with percentage of holdings have been disclosed in Note 5. There are no any transactions of bank with its subsidiaries, associates and other entities. 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 NRs.	Provision As on 31-3-2069 NRs.
<b>a.</b>	<b>Investment in share of Subsidiaries</b>		
	Sudur Pashchimanchal GBB	40,050,000.00	40,050,000.00
	Agriculture Project Service Centre	5,000,000.00	5,000,000.00
<b>b.</b>	<b>Other Investments:</b>		
	Nepal Bikash Bank	16,000,000.00	16,000,000.00
	<b>Total</b>	<b>61,050,000.00</b>	<b>61,050,000.00</b>

During current fiscal year Rs. 14,00,088.41 has been paid to Rastriya Bima Sansthan-Life insurance as Staff Insurance premium.

### iii. Board Of Directors:

During current fiscal year Rs. 29,55,222 has been paid to directors as fees and allowances.

### iv. 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.	Ramjee Regmi	Executive Director
8.	Bhaskar Mani Gyawali	Executive Director
9.	Manmohan Kumar Shrestha	Executive Director
10.	Lok Bahadur Khadka	Executive Director
11.	Pradeep Raj Pandey	Executive Director
12.	Hari Prasad Kaphle	Executive Director
13.	Siddhi Krishna Joshi	Executive Director
14.	Trilochan Pangen	Executive Director
15.	Dr. Min Bahadur Shrestha	Executive Director
16.	Shambhu Thapa	Executive Director
17.	Mahesh Bhattarai	Executive Director
18.	Rameshwori Pant	Executive Director
19.	Shiba Raj Shrestha	Act. Executive Director

Salary and related expenses to key management personnel are NRs. 3,16,42,722.09 ( P.Y. NRs 2,41,30,502). As on 31-3-2069 an amount of NRs 6,78,47,640.81 (P.Y. NRs. 6,43,28,217.55) 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 clientele.

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

## X. Property, Plant and Equipment

Property, Plant and Equipment were reclassified for value NRs. 2,07,12,490 to machinery and equipment during current fiscal year from NRs. 1,90,66,163 furniture & fixture and NRs. 16,46,327 office equipment.

Capital work in progress includes NRs.33,52,949 as provision for building in construction.

#### **XI. Intangible assets**

GL Software has been shown as 'Capital assets under construction' under this head.

Window server STD media categorized under "Software with indefinite useful life" with original cost NRs. 8,588 and book value NRs. 3,435.20 has been written off to miscellaneous furniture in Statement of Comprehensive Income during current F/Y 2068/69 with respect to amendment in account manual 2065. As per the amendment, intangible assets having value of rupees twenty five thousand or less should be charged directly to expenses in Statement of Comprehensive Income.

#### **XII. Assets received in grant**

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 2060/61, 2061/62, 2062/63, 2063/64, 2066/67 and 2067/68. Financial Sector Restructuring Project (Phase II) has already been closed in 2065/66. However, these assets were not booked in Nepal Rastra Bank's books of account till F.Y.2065/66, even though the assets were in use by NRB.

Assets received in grant include Computer Equipments, Office Equipments and miscellaneous furniture. Assets costing upto NRs.25000/- has been classified as miscellaneous furniture.

Miscellaneous furniture up to NRs. 25000 acquired till F.Y.2067/68 amounting to Rs10,03,315 are not adjusted in the financial statements of F.Y.2066/67. Miscellaneous furniture acquired in F.Y.2067.68 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. However, no such miscellaneous assets have been acquired during current F/Y 2068/69.

Computer Equipments and Office equipments acquired uptill F.Y.2067/68 has been booked in Financial Statement. Assets acquired uptill F.Y.2067/68 have been recorded as "Grant Assets" with corresponding credit to "Grant Assets Reserve" under the head of Capital Reserve. However, no such grant asset has been acquired during current F/Y 2068/69. Depreciation has been recorded on the expenses side and reversal of grant assets reserve has been recorded on the income side for NRs 2,45,459 each in the Statement of Comprehensive Income of the F.Y.2068/69. Grants for training expenses have not been 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:

Fiscal Year	Original cost of assets acquired in the given year				Depreciation recorded		
	Computer Equipments	Office equipments	Miscellaneous furniture	Total (NRs)	Computer Equipments	Office equipments	Total (NRs)
2060/61	-	-	1,69,853	<b>1,69,853</b>	-	-	-
2061/62	81,74,045	4,90,501	4,11,470	<b>90,76,016</b>	16,34,809	98,100	<b>17,32,909</b>
2062/63	-	-	16,157	<b>16,157</b>	16,34,809	98,100	<b>17,32,909</b>
2063/64	5,37,880	1,52,550	35,449	<b>7,25,879</b>	17,42,385	1,28,610	<b>18,70,995</b>
2064/65	-	-	-	-	17,42,385	1,28,610	<b>18,70,995</b>
2065/66	-	-	-	-	17,42,363	1,28,608	<b>18,70,971</b>
2066/67	5,84,891	63,280	1,09,582	<b>7,57,753</b>	2,24,554	43,166	<b>2,67,720</b>
2067/68	5,79,125	-	2,60,804	<b>8,39,929</b>	2,24,550	43,165	<b>2,67,715</b>
2068/69	-	-	-	-	232,803	12,656	<b>2,45,459</b>
<b>Total</b>	<b>98,75,941</b>	<b>7,06,331</b>	<b>10,03,315</b>	<b>1,15,85,586</b>	<b>91,78,659</b>	<b>681,016</b>	<b>98,59,675</b>

#### **XIII. Prior Year Adjustment**

This includes adjustments relating to SEACEN operation cost, Kuth amount incurred in acquisition of Mohi certificate of Janakpur land, other revenue income and expenses not booked in previous years.

#### XIV. 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.

#### XV. Concentration of funding

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

#### XVI. 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 its' fair value are as under.

NRs.

Name of Instruments	Cost of Investment As on 31.3.2069	Fair Value As on 31.3.2069
US Government Treasury Notes/Bonds	885,878,442.57	886,536,473.00
US Government Treasury Bills	22,145,408,836.60	22,147,858,095.00

NRs.

Name of Instruments	Cost of Investment As on 32.3.2068	Fair Value As on 32.3.2068
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

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

Before F.Y. 2061/62, liability under pension and gratuity of employees would be provided for on the basis of best estimation made by management. During the F.Y. 2061/62 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 F.Y. 2061/62 till F.Y. 2065/66.

During F.Y. 2066/67 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 had been determined. Out of which remaining one-third of the deficit liability amount of NRs 3,493,117,552 has been transferred to the Gratuity and Pension Fund during current fiscal year. The status has been replicated in under-mentioned table.

NRs.					
Present value of liability as on 32-3-2067	Liability as per books as on 32-3-2067	Total Deficit	Recognized in F.Y.2066/67	Recognized in F.Y.2067/68	Recognized during Current F.Y. 2068/69
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

In addition to remaining one third, additional provision of Rs. 1,60,00,00,000 has been provided in current F.Y. 2068/69.

#### **XVIII. Disclosure of obligation under staff security fund**

During F.Y. 2066/67 actuarial valuation of liability on account of Staff security fund has been made for the first time. Accordingly, total liability of NRs. 982,667,117 had been determined. Out of which remaining one-third of the deficit liability amount of NRs. 376,062,469 and additional provision of NRs. 30,00,00,000 has been provided as expenses and transferred to the Staff Security Fund during current fiscal year. The status has been replicated in under-mentioned table.

NRs.					
Present value of liability as on 32-3-2067	Liability as per books as on 32-3-2067	Total Deficit	Recognized in F.Y.2066/67	Recognized in F.Y.2067/68	Recognized during Current F.Y. 2068/69
982,667,117	606,604,648	376,062,469	125,354,156.33	125,354,156.33	125,354,156.33

#### **XIX. Gold and Silver**

- i. Gold (other than inventory) till the F.Y. 2060/61 was valued at a price revalued in year 2043. In terms of the board resolution dated 2062/09/18 the said gold has been valued at price prevailing in London Bullion Market at the close of the year. Increase in value thereof amounting to NRs. 1,706,448,800.67 has been taken to "Gold and Silver Equalizations Reserve" through Statement of Comprehensive Income. Excess in Gold and Silver Equalization Reserve NRs. 232,727,265.71 carried forward from earlier years other than gold investment revaluation reserve has been transferred to General Reserve during current F.Y. 2068/69.
- ii. An amount of Rs 18,79,50,550 has been appropriated from the Statement of Comprehensive Income and kept in Gold Replacement Fund" for replacing the Gold/Silver sold during the year (out of reserves).

#### **XX. 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 Government of Nepal and project income and expenses have been incorporated in financial statement without netting it off from F.Y. 2063/64 onwards. Separate disclosures of asset, liability, income and expenses of projects have been made in Note 12, Note 21, Note 28(a) and Note 29(e) of the financial statement respectively. Further details of assets acquired on grant/donation have been disclosed in 'Notes to be read as part of financial statement: point 3.10'. Project assets (Note:12) and project liability (Note:21) has been restated in current fiscal year to the extent of Project income recoverable disclosed in Note 8 as project assets and liability had been overstated in previous fiscal years.

#### **XXI. Government of Nepal Overdraft**

Balances of Government of Nepal Deposit of NRs. 10,989,296,158.6 as on F.Y. 2068/69 and interest accrued on overdraft positions during the F.Y.2068/69 of NRs. 94,696,476.15 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.

#### **XXII. Change in accounting policies**

US Government Treasury bills have been classified as 'Available for sale' from F.Y. 2067/68 which were earlier classified as Held to maturity up to F.Y.2066/67, same has been measured in fair value in financial statement from current fiscal year. As a result investment in US Government Treasury Bills has been



increased by NRs.24,49,259 with effect of same in Investment Revaluation Fund. Repurchase agreement (Repo) has been reclassified as 'held for trading' from earlier 'held to maturity'. Similarly Investment in Gold has been regrouped from *foreign currency Other Asset* at face of balance sheet to Note: 3a investment and classified as 'held for trading'. Government Bond issued by GON to discharge IMF obligation has been reclassified as 'loans and receivables' from earlier 'held to maturity' category.

During current fiscal year depreciation has been charged on Property, Plant and Equipment based on estimated useful live as per Account Manual 2065. Accordingly, useful live of machinery and equipment as well as other fixed assets has been revised to '5 years' from earlier 'Over 6 years'. During current fiscal year an amendment in Account Manual 2065 has been made with respect to charging intangible assets upto value of NRs. 25,000 directly in Statement of Comprehensive Income and capitalizing exceeding NRs. 25,000 only.

#### **XXIII. Measurement of Amortized cost of MTI**

Interest accrued from the last interest pay date to the date of purchase on Medium Term Instruments has been capitalized in the carrying cost of investments and amortized it using effective interest method.

#### **XXIV. Measurement of Saving Certificates**

Investment in Government of Nepal (GoN) Saving Certificates has been classified as Available for sale. In the absence of actively trading market for Government Saving Certificates it has been valued at cost.

#### **XXV. Number of employees**

**2069 ASHADH**  
1388

**2068 ASHADH**  
1372

NEPAL RASTRA BANK

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

Particulars	Weighted Average Interest Rate %	2011-12 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
<b>Interest Sensitive Foreign Currency Financial Assets</b>					
Cash and Bank Balance	0.15	21,779,942,504	21,779,942,504	-	-
Investment in Foreign Currency	2.63	364,600,510,228	343,612,867,676	9,444,818,055	11,542,824,497
IMF Related Assets	0.12	7,368,831,080	7,368,831,080	-	-
<b>Total Interest Sensitive Foreign Currency Financial Assets</b>	<b>A</b>	<b>393,749,283,812</b>	<b>372,761,641,260</b>	<b>9,444,818,055</b>	<b>11,542,824,497</b>
<b>Non Interest Sensitive Foreign Currency Financial Assets</b>					
Other Receivable		1,360,298,093	1,360,298,093	-	-
Other Securities		0	0	-	0
<b>Total Non Interest Sensitive Foreign Currency Financial Assets</b>		<b>1,360,298,093</b>	<b>1,360,298,093</b>	<b>-</b>	<b>0</b>
<b>Total Foreign Currency Financial Assets</b>	<b>B</b>	<b>395,109,581,906</b>	<b>374,121,939,353</b>	<b>9,444,818,055</b>	<b>11,542,824,497</b>
<b>Interest Sensitive Foreign Currency Financial Liabilities</b>					
IMF Related Liabilities	0.12	18,261,630,791		-	18,261,630,791
Asian Clearing Union					
<b>Total Interest Sensitive Foreign Currency Financial Liabilities</b>	<b>C</b>	<b>18,261,630,791</b>	<b>0</b>	<b>-</b>	<b>18,261,630,791</b>
<b>Non Interest Sensitive Foreign Currency Financial Liabilities</b>					
Deposit from banks and other agencies		1,000,369,226	1,000,369,226	-	-
IMF Related Liabilities		-	-	-	-
Other Liabilities		2,373,189	2,373,189	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>1,002,742,416</b>	<b>1,002,742,416</b>	<b>-</b>	<b>-</b>
<b>Total Foreign Currency Financial Liabilities</b>	<b>D</b>	<b>19,264,373,207</b>	<b>1,002,742,416</b>	<b>-</b>	<b>18,261,630,791</b>
<b>Foreign Currency Interest Rate Sensitivity Gap (A-C)</b>		<b>375,487,653,021</b>	<b>372,761,641,260</b>	<b>9,444,818,055</b>	<b>(6,718,806,294)</b>
<b>Total Gap (B-D)</b>		<b>375,845,208,698</b>	<b>373,119,196,937</b>	<b>9,444,818,055</b>	<b>(6,718,806,294)</b>

Comparative Figure as on 16 July 2011 of 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.
<b>Interest Sensitive Foreign Currency Financial Assets</b>					
Cash and Bank Balance	0.74	16,337,109,976	16,337,109,976	-	-
Investment in Foreign Currency	1.49	203,545,377,189	178,758,581,538	3,743,994,565.56	21,042,801,085
IMF Related Assets	0.31	6,730,704,535	6,730,704,535	-	-
<b>Total Interest Sensitive Foreign Currency Financial Assets</b>	<b>A</b>	<b>226,613,191,700</b>	<b>201,826,396,050</b>	<b>3,743,994,566</b>	<b>21,042,801,085</b>
<b>Non Interest Sensitive Foreign Currency Financial Assets</b>					
Other Receivable		448,199,792	448,199,792	-	-
Other Securities		-	-	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Assets</b>		<b>448,199,792</b>	<b>448,199,792</b>	<b>-</b>	<b>-</b>
<b>Total Foreign Currency Financial Assets</b>	<b>B</b>	<b>227,061,391,492</b>	<b>202,274,595,842</b>	<b>3,743,994,566</b>	<b>21,042,801,085</b>
<b>Interest Sensitive Foreign Currency Financial Liabilities</b>					
IMF Related Liabilities	0.31	15,955,815,523	-	-	15,955,815,523
Asian Clearing Union					
<b>Total Interest Sensitive Foreign Currency Financial Liabilities</b>	<b>C</b>	<b>15,955,815,523</b>	<b>-</b>	<b>-</b>	<b>15,955,815,523</b>
<b>Non Interest Sensitive Foreign Currency Financial Liabilities</b>					
Deposit from banks and other agencies		523,025,694	523,025,694	-	-
IMF Related Liabilities		0	-	-	-
Other Liabilities		406,992,510	406,992,510	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>930,018,203</b>	<b>930,018,203</b>	<b>-</b>	<b>-</b>
<b>Total Foreign Currency Financial Liabilities</b>	<b>D</b>	<b>16,885,833,726</b>	<b>930,018,203</b>	<b>0</b>	<b>15,955,815,523</b>
<b>Foreign Currency Interest Rate Sensitivity Gap (A-C)</b>		<b>210,657,376,177</b>	<b>201,826,396,050</b>	<b>3,743,994,566</b>	<b>5,086,985,562</b>
<b>Total Gap (B-D)</b>		<b>210,175,557,765</b>	<b>201,344,577,638</b>	<b>3,743,994,566</b>	<b>5,086,985,562</b>

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

Particulars	Weighted Average Interest Rate %	2011-12 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
<b>Interest Sensitive Local Currency Financial Assets</b>					
Investment in Government Securities	5.58	28,785,520,416	19,350,822,141	6,138,319,333	3,296,378,942
GON Overdraft		0	-	-	-
Other Investments	11.17	10,390,905,000	-	-	10,390,905,000
Refinance & Loans	6.70	459,980,000	459,980,000	-	-
<b>Total Interest Sensitive Local Currency Financial Assets</b>	<b>E</b>	<b>39,636,405,415</b>	<b>19,810,802,141</b>	<b>6,138,319,333</b>	<b>13,687,283,942</b>
<b>Non Interest Sensitive Local Currency Financial Assets</b>					
Cash in Hand		2,088,188,303	2,088,188,303	-	-
Investment in Government Securities		4,871,051,043	-	-	4,871,051,043
Investment in Financial & Other Institutions		337,892,500	-	-	337,892,500
Refinance & Loans (Loans to employees)		4,126,992,914	-	-	4,126,992,914
Other Receivables		4,464,752,096	4,464,752,096	-	-
<b>Total Non Interest Sensitive Local Currency Financial Assets</b>		<b>15,888,876,856</b>	<b>6,552,940,399</b>	<b>-</b>	<b>9,335,936,457</b>
<b>Total Local Currency Financial Assets</b>	<b>F</b>	<b>55,525,282,272</b>	<b>26,363,742,540</b>	<b>6,138,319,333</b>	<b>23,023,220,398</b>
<b>Interest Sensitive Local Currency Financial Liabilities</b>					
<b>Total Interest Sensitive Local Currency Financial Liabilities</b>	<b>G</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Interest Sensitive Local Currency Financial Liabilities</b>					
Deposit and Other Balances		138,224,548,212	138,224,548,212	-	-
Bills Payable		729,902,615	729,902,615	-	-
Staff Liabilities		8,532,806,680	-	-	8,532,806,680
Other Payables		232,526,765	232,526,765	-	-
<b>Total Non Interest Sensitive Local Currency Financial Liabilities</b>		<b>147,719,784,272</b>	<b>139,186,977,592</b>	<b>-</b>	<b>8,532,806,680</b>
<b>Total Local Currency Financial Liabilities</b>	<b>H</b>	<b>147,719,784,272</b>	<b>139,186,977,592</b>	<b>-</b>	<b>8,532,806,680</b>
<b>Local Currency Interest Rate Sensitivity Gap (E-G)</b>		<b>39,636,405,415</b>	<b>19,810,802,141</b>	<b>6,138,319,333</b>	<b>13,687,283,942</b>
<b>Total Gap (F-H)</b>		<b>(92,194,502,000)</b>	<b>(112,823,235,052)</b>	<b>6,138,319,333</b>	<b>14,490,413,718</b>

Comparative Figure as on 16 July 2011 of 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.
<b>Interest Sensitive Local Currency Financial Assets</b>					
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	-	-
<b>Total Interest Sensitive Local Currency Financial Assets</b>	<b>E</b>	<b>74,081,529,647</b>	<b>53,046,101,701</b>	<b>18,469,625,446</b>	<b>2,957,290,000</b>
<b>Non Interest Sensitive Local Currency Financial Assets</b>					
Cash in Hand		3,730,978,127	3,730,978,127	-	-
Investment in Government Securities		4,871,051,043	-	-	4,871,051,043
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	-	-
<b>Total Non Interest Sensitive Local Currency Financial Assets</b>		<b>16,790,560,805</b>	<b>7,526,669,595</b>	<b>-</b>	<b>9,263,891,210</b>
<b>Total Local Currency Financial Assets</b>	<b>F</b>	<b>90,872,090,452</b>	<b>60,572,771,296</b>	<b>18,469,625,446</b>	<b>12,221,181,210</b>
<b>Interest Sensitive Local Currency Financial Liabilities</b>					
<b>Total Interest Sensitive Local Currency Financial Liabilities</b>	<b>G</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Interest Sensitive Local Currency Financial Liabilities</b>					
Deposit and Other Balances		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	-	-
<b>Total Non Interest Sensitive Local Currency Financial Liabilities</b>		<b>85,989,062,584</b>	<b>80,293,784,013</b>	<b>-</b>	<b>5,695,278,571</b>
<b>Total Local Currency Financial Liabilities</b>	<b>H</b>	<b>85,989,062,584</b>	<b>80,293,784,013</b>	<b>-</b>	<b>5,695,278,571</b>
<b>Local Currency Interest Rate Sensitivity Gap (E-G)</b>		<b>74,081,529,647</b>	<b>53,046,101,701</b>	<b>18,469,625,446</b>	<b>2,957,290,000</b>
<b>Total Gap (F-H)</b>		<b>4,883,027,868</b>	<b>(19,721,012,717)</b>	<b>18,469,625,446</b>	<b>6,525,902,639</b>

NEPAL RASTRA BANK

Table 2 : Foreign Exchange Exposure by Credit Rating

Particulars	Credit	2011/12		2010/11	
	Rating	NRs.	% Financial Assets	NRs.	% Financial Assets
<b>Foreign Currency Financial Assets</b>					
	A-	10,036,952,580	2.23%	10,989,806,227	3.46%
	A1(ICRA)	23,870,373,049	5.30%	11,057,968,463	3.48%
	A+	23,591,166,000	5.24%	19,012,140,766	5.98%
	A	55,224,277,668	12.25%	7,687,351,167	2.42%
	AA		0.00%	11,203,059,791	3.52%
	AA+		0.00%	-	0.00%
	AA-	36,211,647,194	8.04%	18,347,664,406	5.77%
	AAA	93,060,383,549	20.65%	-	0.00%
	BB		0.00%	-	0.00%
	BBB		0.00%	-	0.00%
	BBB+		0.00%	0	0.00%
	BBB-	47,522,779,189	10.55%	18,350,612,399	5.77%
	NR *	105,592,002,676	23.43%	130,412,788,272	41.02%
<b>Total Foreign Currency Financial Assets</b>		<b>395,109,581,906</b>	<b>87.68%</b>	<b>227,061,391,492</b>	<b>71.42%</b>
<b>Local Currency Financial Assets</b>	NR *	55,525,282,271	12.32%	90,872,090,452	28.58%
<b>Total Local Currency Financial Assets</b>		<b>55,525,282,271</b>	<b>12.32%</b>	<b>90,872,090,452</b>	<b>28.58%</b>
<b>Total Financial Assets</b>		<b>450,634,864,177</b>	<b>100.00%</b>	<b>317,933,481,943</b>	<b>100.00%</b>

\* NR represents not rated.

\*\*ICRA represents Indian Credit Rating Agency

NEPAL RASTRA BANK

Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 15th July, 2012 were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
<b>Foreign Currency</b>									
<b>Financial Assets</b>									
Cash and Bank Balances	21,779,942,504	-	-	-	19,723,134,757	-	-	-	2,056,807,747
SDR holdings - with IMF	7,368,831,080	-	-	-	-	-	-	7,368,831,080	-
Investments in Foreign Currency	364,600,510,228	-	-	-	-	253,898,723,530	110,701,786,698	-	-
Other receivables	1,360,298,093	-	-	-	-	-	-	-	1,360,298,093
<b>Total Foreign Currency Assets</b>	<b>395,109,581,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,723,134,757</b>	<b>253,898,723,530</b>	<b>110,701,786,698</b>	<b>7,368,831,080</b>	<b>3,417,105,841</b>
<b>Local Currency</b>									
<b>Financial Assets</b>									
Cash in hand	2,088,188,303	-	-	-	-	-	-	-	2,088,188,303
Investments in Government Securities	33,656,571,458	33,656,571,458	-	-	-	-	-	-	-
GON Overdraft	-	-	-	-	-	-	-	-	-
Investments in Financial and Other Ins.	337,892,500	-	-	-	337,892,500	-	-	-	-
Other Investments	10,390,905,000	-	-	-	10,390,905,000	-	-	-	-
Refinance & Loans	4,586,972,914	-	-	4,126,992,914	459,980,000	-	-	-	-
Other Receivables	4,464,752,096	-	470,495,611	-	-	-	-	-	3,994,256,485
<b>Sub-Total</b>	<b>55,525,282,272</b>	<b>33,656,571,458</b>	<b>470,495,611</b>	<b>4,126,992,914</b>	<b>11,188,777,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,082,444,788</b>
<b>Other Assets</b>									
Gold & Silver	292,612,967	-	-	-	-	-	-	-	292,612,967
Other Inventories	1,859,346,980	-	-	-	-	-	-	-	1,859,346,980
Property, Plant & Equipment	540,424,208	-	-	-	-	-	-	-	540,424,208
Intangible Assets	150,094,134	-	-	-	-	-	-	-	150,094,134
Project Asset & Grant Assets	369,763,600	-	-	-	-	-	-	-	369,763,600
<b>Sub-Total</b>	<b>3,212,241,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,212,241,889</b>
<b>Total Local Currency Assets</b>	<b>58,737,524,161</b>	<b>33,656,571,458</b>	<b>470,495,611</b>	<b>4,126,992,914</b>	<b>11,188,777,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,294,686,677</b>
<b>Total Assets</b>	<b>453,847,106,066</b>	<b>33,656,571,458</b>	<b>470,495,611</b>	<b>4,126,992,914</b>	<b>30,911,912,256</b>	<b>253,898,723,530</b>	<b>110,701,786,698</b>	<b>7,368,831,080</b>	<b>12,711,792,518</b>

Comparative figures as at 16th July, 2011 for significant end-of-year concentration of funding were as follows:

	Total NRs.	GON NRs.	Domestic Bills NRs.	Employees NRs.	Banks & F.I. NRs.	Foreign Bank NRs.	Foreign Govt. NRs.	Supernational F.I. NRs.	Others NRs.
<b>Foreign Currency</b>									
<b>Financial Assets</b>									
Cash and Bank Balances	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	203,545,377,189	-	-	-	-	124,142,030,665	79,403,346,523	-	-
Other receivables	448,199,792	-	-	-	-	-	-	-	448,199,792
<b>Total Foreign Currency Assets</b>	<b>227,061,391,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,371,882,753</b>	<b>124,142,030,665</b>	<b>79,403,346,523</b>	<b>6,730,704,535</b>	<b>2,413,427,015</b>
<b>Local Currency</b>									
<b>Financial Assets</b>									
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
<b>Sub-Total</b>	<b>90,872,090,452</b>	<b>57,273,310,690</b>	<b>408,931,720</b>	<b>4,054,947,667</b>	<b>22,017,162,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,117,737,875</b>
<b>Other Assets</b>									
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 Asset	410,448,162	-	-	-	-	-	-	-	410,448,162
<b>Sub-Total</b>	<b>2,878,312,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,878,312,949</b>
<b>Total Local Currency Assets</b>	<b>93,802,355,658</b>	<b>57,273,310,690</b>	<b>408,931,720</b>	<b>4,054,947,667</b>	<b>22,017,162,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,048,003,081</b>
<b>Total Assets</b>	<b>320,863,747,150</b>	<b>57,273,310,690</b>	<b>408,931,720</b>	<b>4,054,947,667</b>	<b>36,389,045,253</b>	<b>124,142,030,666</b>	<b>79,403,346,523</b>	<b>6,730,704,535</b>	<b>12,461,430,096</b>

**NEPAL RASTRA BANK**

**Table 3b : Concentrations of Funding**

The Bank's significant end-of-year concentrations of funding as at 15th July 2012 were as follows:

	<b>Total NRs.</b>	<b>GON NRs.</b>	<b>Public NRs.</b>	<b>Comm.Banks &amp; FI NRs.</b>	<b>Supernational F.I. NRs.</b>	<b>Others NRs.</b>
<b>Foreign currency</b>						
<b>Financial Liabilities</b>						
Deposit from banks and other agencies:	1,000,369,226	-	-	922,928,956	-	77,440,270
IMF Related Liabilities:	18,261,630,791	-	-	-	18,261,630,791	-
Others	2,373,189	-	-	2,373,189	0	-
<b>Total Foreign Currency Financial Liabilities</b>	<b>19,264,373,207</b>	<b>-</b>	<b>-</b>	<b>925,302,146</b>	<b>18,261,630,791</b>	<b>77,440,270</b>
<b>Local Currency Financial Liabilities</b>						
Deposit and other balances:	138,224,548,211	-	-	99,218,954,797	5,880,083,908	33,125,509,507
Bills payables:	729,902,615	-	729,902,615	-	-	-
Staff Liabilities:	8,532,806,680	-	-	-	-	8,532,806,680
Other payables:	232,526,765	-	-	-	-	232,526,765
<b>Total Local Currency Financial Liabilities</b>	<b>147,719,784,271</b>	<b>-</b>	<b>729,902,615</b>	<b>99,218,954,797</b>	<b>5,880,083,908</b>	<b>41,890,842,952</b>
<b>Total Financial Liabilities</b>	<b>166,984,157,478</b>	<b>-</b>	<b>729,902,615</b>	<b>100,144,256,942</b>	<b>24,141,714,699</b>	<b>41,968,283,222</b>
<b>Other Liabilities</b>						
Currency in circulation:	201,250,000,000	-	199,161,811,697	-	-	2,088,188,303
Surplus payable to GON:	4,227,000,000	4,227,000,000	-	-	-	-
Sundry Liabilities:	1,462,202,396	-	-	-	-	1,462,202,396
Project liability:	369,041,001	-	-	-	-	369,041,001
<b>Total Other Liabilities</b>	<b>207,308,243,397</b>	<b>4,227,000,000</b>	<b>199,161,811,697</b>	<b>-</b>	<b>-</b>	<b>3,919,431,700</b>
<b>Total Liabilities</b>	<b>374,292,400,875</b>	<b>4,227,000,000</b>	<b>199,891,714,312</b>	<b>100,144,256,942</b>	<b>24,141,714,699</b>	<b>45,887,714,922</b>

Comparative figures as at 16th July 2011 for significant end-of-year concentration of funding were as follows:

	<b>Total NRs.</b>	<b>GON NRs.</b>	<b>Public NRs.</b>	<b>Comm.Banks &amp; FI NRs.</b>	<b>Supernational F.I. NRs.</b>	<b>Others NRs.</b>
<b>Foreign currency</b>						
<b>Financial Liabilities</b>						
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	-	-
<b>Total Foreign Currency Financial Liabilities</b>	<b>16,885,833,727</b>	<b>-</b>	<b>-</b>	<b>889,575,846</b>	<b>15,955,815,523</b>	<b>40,442,358</b>
<b>Local Currency Financial Liabilities</b>						
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
<b>Total Local Currency Financial Liabilities</b>	<b>85,989,062,584</b>	<b>-</b>	<b>586,284,224</b>	<b>56,752,564,852</b>	<b>5,880,083,908</b>	<b>22,770,129,600</b>
<b>Total Financial Liabilities</b>	<b>102,874,896,311</b>	<b>-</b>	<b>586,284,224</b>	<b>57,642,140,698</b>	<b>21,835,899,431</b>	<b>22,810,571,958</b>
<b>Other Liabilities</b>						
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:	409,480,104	-	-	-	-	409,480,104
<b>Total Other Liabilities</b>	<b>172,464,191,332</b>	<b>3,220,000,000</b>	<b>163,889,021,873</b>	<b>-</b>	<b>-</b>	<b>5,355,169,459</b>
<b>Total Liabilities</b>	<b>275,339,087,643</b>	<b>3,220,000,000</b>	<b>164,478,306,697</b>	<b>57,642,140,698</b>	<b>21,835,899,431</b>	<b>28,219,129,954</b>