

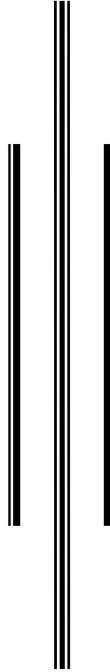
Report of Fiscal Year 2009/10



Nepal Rastra Bank



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Nepal Rastra Bank

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Acronyms Used

ABBS	Any Branch Banking System
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
ASEAN	Association of South East Asian Nations
BAFIA	Bank and Financial Institutions Act
BIS	Bank for International Settlement
BOD	Board of Directors
BOP	Balance of Payments
CAD	Cash Against Document
CDS	Central Depository System
CGISP	Community Ground-Water Irrigation Sector Project
CICL	Credit Information Center Limited
CIT	Citizen Investment Trust
CRR	Cash Reserve Ratio
DFID	Department for International Development
DRT	Debt Recovery Tribunal
EoI	Expression of interest
EPF	Employees' Provident Fund
EPS	Employment Permit System
FATF	Financial Action Task Force
FEER	Foreign Exchange Encashment Receipt
FIU	Financial Information Unit
FoB	Free on Board
F/Y	Fiscal Year
GDP	Gross Domestic Product
GoN	Government of Nepal
HR	Human Resource
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IT	Information Technology
LIBOR	London Inter Bank Offer Rate
L/C	Letter of Credit
LMFF	Liquidity Monitoring and Forecasting Framework
M ₁	Narrow Money Supply
M ₂	Broad Money Supply
MCPW	Micro Credit Program for Women
MNCs	Multinationals Companies
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
OPEC	Organization of Petroleum Exporting Countries
PAN	Permanent Account Number
PAPWT	Poverty Alleviation Project in Western Terai
PCRW	Production Credit for Rural Women
RBB	Rastriya Banijya Bank
RMDC	Rural Microfinance Development Centre
RSRF	Rural Self-Reliance Fund
SAFTA	South Asian Free Trade Area
SDR	Special Drawing Rights
SEACEN	South East Asian Central Banks
SFCL	Small Farmers Cooperatives Limited
SKBBL	Sana Kisan Bikash Bank Limited
SLF	Standing Liquidity Facility
SLR	Statutory Liquidity Ratio
SSSS	Scripless Securities Settlement System
TEPC	Trade and Export Promotion Center
TLDP	Third Livestock Development Project
UK	The United Kingdom
UNDP	United Nations Development Programme
US	The United States
VAT	Value Added Tax

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PART

1

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PART - 1

OVERALL ECONOMIC AND FINANCIAL SITUATION

World Production, Trade and Inflation

World Production

- 1.1 The world real GDP growth which stood at 3.0 percent in 2008 remained negative by 0.6 percent in 2009. The IMF projects this growth to be 4.6 percent in 2010 and 4.3 percent in 2011 (Table 1). The Fund has emphasized that policy efforts in advanced economies should focus on credible fiscal consolidation, notably measures that enhance medium-term growth prospect such as reforms to tax systems. It expects that policies undertaken by emerging economies should also help rebalance global demand, including through structural reforms and greater exchange rate flexibility among others.
- 1.2 The world economy expanded at an annualized rate of 5.0 percent during the first quarter of 2010. This was achieved mostly due to robust growth in Asia. More broadly, there were encouraging signs of growth in private demand. Global indicators of real economic activities were strong through April and stabilized at a high level in May. Industrial production and trade posted double-digit growth, consumer confidence continued to improve, and employment growth resumed in advanced economies¹.
- 1.3 Recent turbulence in financial markets—reflecting sovereign debt problems in European countries, a drop in the confidence for fiscal sustainability, policy responses, and future growth prospects—has cast a cloud over the outlook.
- 1.4 Output in advanced economies is expected to expand by 2.6 percent in 2010. For 2011, growth in advanced economies is expected to be 2.4 percent. Specially, Asian economies have played a crucial role to bring out the world economy from the financial crisis. Despite the production curtailment decision of Organization of Petroleum Exporting Countries (OPEC), increased production level, credible fiscal and monetary policy, improved balance-sheet of banking and financial institutional units helped the world economy to come out from the financial crisis.
- 1.5 The developing Asian economies grew by 6.9 percent in 2009 and are expected to grow by 9.2 percent in 2010. Similarly, the emerging and developing economies are projected to grow by 6.8 percent in 2010 whereas the growth remained at 2.5 percent in 2009. The neighboring countries India and China, posted growth rates of 5.7 percent and 9.1 percent in 2009 respectively and are estimated to grow by 9.4 percent and 10.5 percent in 2010 respectively.

World Trade

- 1.6 World trade volume of goods and services declined by 11.3 percent in 2009 in contrast to an increase of 2.8 percent in 2008. This volume is expected to grow by 9.0 percent in 2010. The imports of advanced economies, emerging and developing countries declined by 12.9 percent and 8.3 percent in 2009 respectively. Similarly, the exports of advanced, emerging and developing countries decreased by 12.6 percent and 8.5 percent respectively during the same period. The imports of advanced economies, emerging and developing countries are expected to increase by 7.2 percent and 12.5 percent respectively in 2010 whereas the exports for the same period for those economies are expected to increase by 8.2 percent and 10.5 percent respectively.

¹ World Economic Outlook, July 2010, International Monetary Fund, Washington D.C.

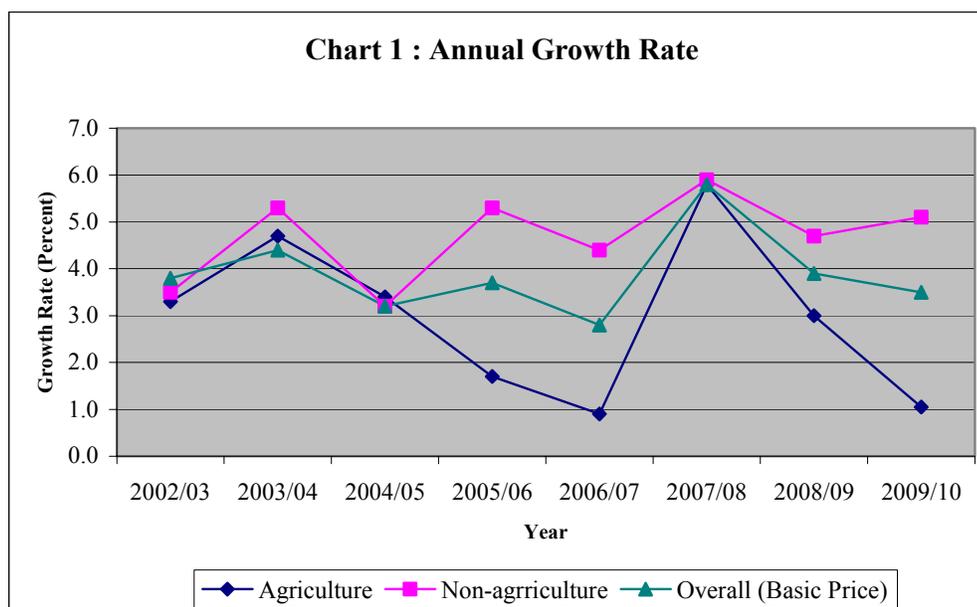
World Inflation

- 1.7 Inflation is projected at 1.4 percent for advanced economies and 6.3 percent for emerging and developing economies in 2010 compared to 0.1 percent and 5.2 percent in 2009 respectively. The risks of deflation remain pertinent in some advanced economies in light of the relatively weak outlook for growth and the persistence of considerable economic slackness.
- 1.8 Prices of many commodities are falling due to the weakened global demand. With the IMF's projection that inflation pressures are expected to remain subdued in advanced economies and possible deflation in some advanced economies with low economic growth rates, the inflation in emerging and developing economies is expected to edge up to 6.3 percent in 2010.

Macroeconomic and Financial Situation of Nepal

Gross Domestic Product

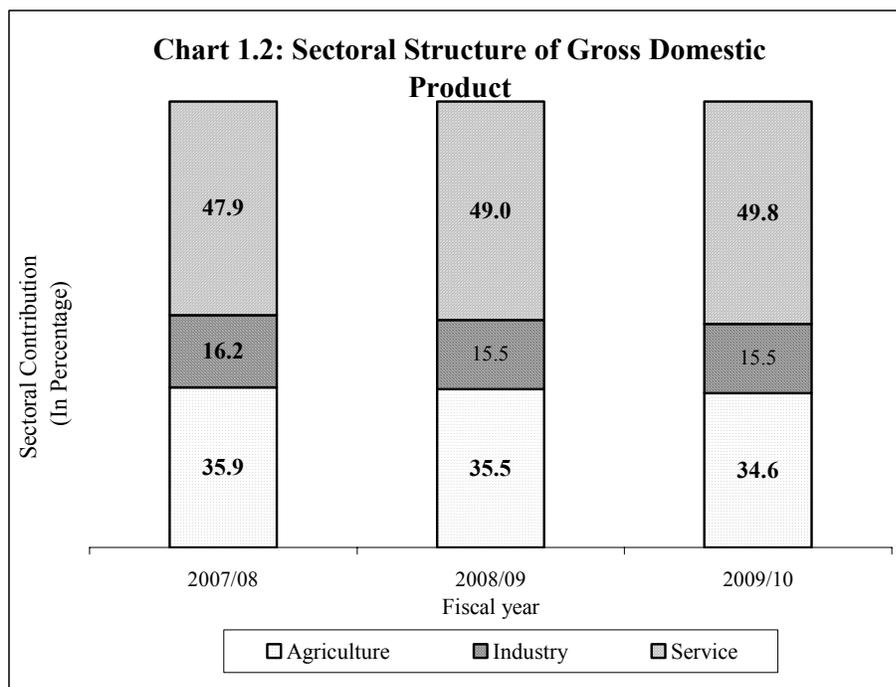
- 1.9 Growth rate of Gross Domestic Product (GDP) remained normal in fiscal year 2009/10. Growth rate of agriculture and non-agriculture sector remained substantially less and normal respectively in review year compared to the previous year. In the review year, growth rate of GDP is expected to grow by 3.5 percent in basic price and 4.6 percent in producer price. In the previous year, these growth rates were 3.9 percent and 4.9 percent respectively.
- 1.10 In the review year, growth rate of agriculture sector remained less than half compared to the previous year. Overall, growth rate of agriculture sector was limited to 1.1 percent due to the substantial decline of the production of paddy in particular. In the previous year, growth rate of agriculture sector stood at 3.0 percent due to the 5.2 percent growth rate of paddy production.



- 1.11 In the review year, growth rate of non-agriculture sector was estimated at 5.1 percent compared to the growth of 4.7 percent in the previous year. The production of industry sector grew by 3.9 percent in review year against the decline of 0.2 percent in the previous year. Similarly, in the review year, the production of service sector grew by only 5.5 percent against the 6.3 percent growth rate of the previous year.
- 1.12 Despite the normal growth rate of the hotel and restaurant, real state and financial intermediation sector in the service sector, the growth rate of service sector has decelerated in the review year due to the decline of the other sectors growth rate compared to the previous year.

Sectoral structure of Gross domestic Product

1.13 The contribution of agriculture, industry and services sector in GDP in real terms is 34.6 percent, 15.5 percent and 49.8 percent respectively in FY 2009/10. Such contribution stood at 35.5 percent, 15.5 percent and 49.0 percent respectively in FY 2008/09. In the overall production, the contribution of agriculture sector has somewhat gone down; however, the contribution of service sector has increased due to the expansion of this sector. The contribution of industrial sector in GDP has remained equal in the review year to that of the previous year.



1.14 According to the new sectoral classification, the contribution of primary, secondary and tertiary sector in real gross domestic product stood at 35.1 percent, 15.1 percent and 49.8 percent in FY 2009/10. Such contribution was 35.9 percent, 15.1 percent and 49.0 percent respectively in FY 2008/09.

Table 1.1
Primary, Secondary and Tertiary Sector's Contribution and Growth Rate
 (At 2000/01 Prices)

Sector	Portion in GDP			Growth Rate of Portion	
	2007/08	2008/09	2009/10	2008/09	2009/10
Primary (Agricultural) Sector	36.3	35.9	35.1	-1.1	-2.2
Secondary (Industrial) Sector	15.7	15.1	15.1	-3.8	0.0
Tertiary (Services) Sector	48.0	49.0	49.8	2.1	1.6

Source: Central Bureau of Statistics

Agriculture sector

- 1.15 In the review year, the growth rate of agriculture sector is expected to grow by only 1.1 percent compared to the 3.0 percent growth rate of previous year. Food grains and other crops production index has fallen by 5.9 percent in the review year; this index declined by 0.7 percent in the previous year also. Although the growth rate of both wheat and barley production increased by 27.0 percent, the overall agriculture sector growth rate was trimmed down due to the decrease of paddy production by 11.1 percent in the review year.
- 1.16 In review year, production index of vegetables, horticulture and nursery group increased by 7.3 percent, the same rate as that of the previous year. Similarly, under this group, vegetables sub group also increased by 7.3 percent in the review year, equal to that of previous year.
- 1.17 In the review year, production index of fruit, beverage and species grew by 22.0 percent compared to the 20.4 percent growth rate of previous year. Under this group, production of spices and coffee grew by 15.7 percent and 12.0 percent respectively which along with the increment of orange, banana and apple production led to the increment of this group.
- 1.18 Production index of animal and dairy group, having one-fourth weight in overall agro-product, rose by 2.7 percent in the review year compared to 3.4 percent last year. Under this group, production of milk, covering a major share, increased by 4.1 percent, which is equal to that of last year. Production of buffalo meat remained same in the review year though the production of goat and sheep meat went up by 3.3 percent.
- 1.19 Production index of other animal product group rose by 1.4 percent in the review year. It had declined by 1.8 percent in the previous year. Under this group, production of bone and skin increased by 6.1 percent, which is equal to that of last year. In the review year, production of chicken meat and eggs sub-group declined slightly, though the production of pig meat increased by 2.0 percent.
- 1.20 In the review year, forest group production index declined by 0.3 percent, which is equal to previous year. Under this group, production of firewood sub-group, having a major weight, fell by 0.04 percent. Production of wood sub-group and medicine goods increased by 0.6 percent and 0.1 percent respectively.
- 1.21 In accordance with various rainfall measurement centers under Department of Hydrology and Metrology, rainfall was 53.0 percent in June, 84.0 percent in July, 123.0 percent in August and 54.0 percent in September of the review year. In the review year, there was only three-fourth rainfall, though there was more than average rainfall in August. There was adverse impact in the production of crops like paddy, maize, etc. due to imbalance in rainfall. In the review year, irrigation facility reached 10,93,172 hectare of land.

Industrial Sector

- 1.22 Production of industrial sector, which contracted by 0.2 percent in previous year, grew by 3.9 percent in the review year. Industrial production improved due to the slight improvement in the relationship between laborers and management and reeuction in the number of bandhs and strikes and load shedding.
- 1.23 Under the industrial sector, construction sub-sector grew by 6.6 percent in the review year compared to 0.9 percent growth in previous year because of increase in the development of housing and pressure on personal house construction in Kathmandu valley and various areas of nation.
- 1.24 In the review year, production of productive industrial sector improved by 2.6 percent. It had declined by 1.0 percent in previous year. Mine and exploration sector, which recorded a growth of 0.7 percent in previous year, grew by 4.2 percent in the review year.
- 1.25 In 2009/10, industrial production index increased by 3.5 percent. An analysis of the major industrial goods group reveals that production of dairy product, crops and animal food, other food items, beverages, tobacco goods, skin and leather goods, paper and paper goods, chemical

goods, non-metal mined product, fabricated metal goods, plastic goods and electrical instruments group increased. But, production of vegetable oil and ghee, readymade garments, saw-wood and furniture goods group went down.

- 1.26 Production of electricity, gas and water sub-group rose by 0.5 percent only due to the lack of maintenance of existing electricity projects and deficiency in water. It had fallen by 0.9 percent in previous year.
- 1.27 In the review year, foreign investment commitment increased because of gradual improvement in peace and security condition. Department of Industry has given approval for the establishment of 171 foreign joint venture projects having commitment of Rs.9.10 billion. The Department had given approval for the establishment of 230 foreign joint venture projects having commitment of Rs. 6.25 billion in the previous year. Among 171 foreign joint venture projects registered in the review year, there are 72 services-related, 50 tourism-related, 37 productions-oriented, 5 energy-related, 4 mine-related, 2 agriculture-related and 1 construction-related projects. Among the approved foreign investment, foreign investment increased the maximum by 121 percent, in production-oriented projects, whereas it declined by 96.7 percent in agriculture-oriented projects compared to previous year. In the review year, 34 countries took license to invest in Nepal. Among them, India secured first position followed by Mauritius, Canada, United Arab Emirates, South Korea etc. It has been expected that 7,848 persons will get employment from the registered projects in the review year.

Service Sector

- 1.28 Service sector which expanded by 6.3 percent in the previous year is estimated to have expanded by 5.5 percent in the review year. Though the production of hotel and restaurant, financial intermediary and real estate increased, overall service sector production growth rate remained lower in the review year compared to previous year because of decline in the growth of other sectors' production. Production of wholesale and retail trade sub-sector is estimated to have increased by 5.6 percent compared to 5.9 percent growth of previous year. Production of hotel and restaurant sector is estimated to have grown by 8.5 percent compared to 3.0 growth of previous year because of increment in tourist arrival.
- 1.29 In FY 2009/10, number of tourists increased by 12.8 percent to 4,11,584 whereas 3,64,830 tourists visited Nepal in FY 2008/09 by air. Among the tourists arrival by air, share of Indian and third country was 22.1 percent and 77.9 percent respectively in the review year. In the previous year, the share was 24.1 percent and 75.9 percent respectively (Table 1.2).

Table 1.2
No. of Foreign Tourists Arrival by Air in Nepal

	Arrival Number			Percentage Change		Share (Percent)	
	2007/08	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
India	89,919	87,818	91,117	-2.3	3.8	24.1	22.1
Third Country	2,78,337	2,77,011	3,20,468	-0.5	15.7	75.9	77.9
Total	3,68,256	3,64,829	4,11,585	-0.9	12.8	100	100

Source: Ministry of Tourism and Civil Aviation.

- 1.30 An analysis of sector-wise tourist arrivals reveals that tourist arrival from third country increased by 15.7 percent to 3,20,468 in the review year. In previous year, it declined by 0.5 percent. Likewise, number of Indian tourists arrival, in the review year, soared by 3.8 percent to 91,117. In previous year, it went down by 2.3 percent.
- 1.31 Under service sector, production of transportation storage and communication sub-sector is estimated to grow by 6.5 percent compared to 7.6 percent in the previous year whereas financial intermediary which increased by 1.5 percent in the previous year is estimated to grow by 1.6 percent in the review year. Growth rate of real estate, house rent and professional activities stood at 4.9 percent compared to 1.8 percent in the previous year arriving from the increase in

the number and activities of housing company. Growth rate of services of public administration and defense, education, health and social work, other communal, social and personal service went down to 4.2 percent, 6.5 percent, 5.6 percent, and 6.1 percent respectively compared to previous year. In previous year, growth rate of such sectors was 7.3 percent, 11.3 percent, 11.2 percent and 13.0 percent respectively.

Consumption, Investment and Saving

- 1.32 Share of gross consumption in GDP in current price, which was 90.3 percent in previous year, remained 90.6 percent in review year. At current price, government and private sector consumption are estimated to grow by 28.2 percent and 18.7 percent respectively compared to the growth of 32.0 percent and 20.1 percent respectively in previous year. In the review year, share of investment in GDP reached 38.2 percent whereas it was 31.9 percent in previous year. Likewise, gross domestic saving soared by 9.4 percent in the review year compared to 9.7 percent growth of previous year. Gross capital formation remained at 21.3 percent in the review year, which is equal to the growth rate of previous year (Table 4).
- 1.33 Gross domestic demand at current price is estimated to grow by 25.8 percent in the review year compared to 23.2 percent growth of previous year. Gross investment increased by 42.9 percent only, which increased by 27.8 percent in previous year. Likewise, gross consumption increased by 19.8 percent in the review year compared to its growth of 21.7 percent in previous year. In the review year, growth rate of import is higher than that of export. Export, which increased by 14.2 percent in previous year, is estimated to decline by 9.7 percent in the review year. Likewise, import is estimated to grow by 33.2 percent in the review year, compared to its growth by 28.2 percent last year.

Gross National Disposable Income

- 1.34 In the review year, gross national disposable income is estimated to rise by 18.1 percent compared to its growth of 24.5 percent in previous year. Gross national disposable income declined in the review year compared to previous year due to the nominal growth in net transfer income. Growth rate of GDP at current price, which was 21.5 percent in previous year, is estimated to remain at 19.3 percent in the review year. Likewise, ratio of gross national disposable income to GDP is estimated to remain 125.1 percent in the review year. In previous year, this figure was 126.4 percent.

Table 1.3
Gross National Disposable Income (At Current Price)

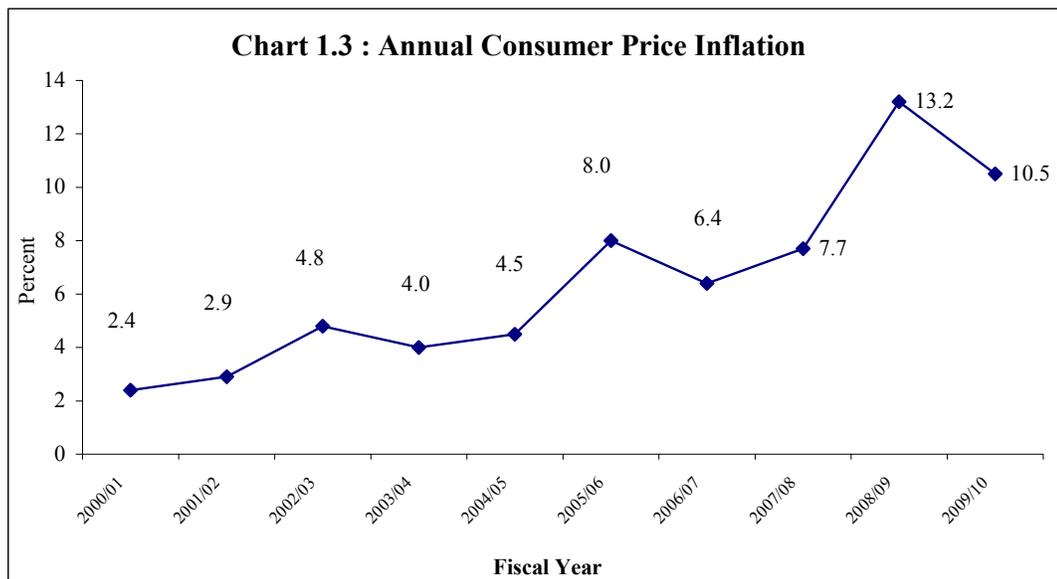
Description	2007/08	2008/09	2009/10	2008/09	2009/10
	Rs. in Million			Percentage Change	
Gross Consumption	735470	895018	1071929	21.7	19.8
Gross Investment	247277	316097	451804	27.8	42.9
Domestic Demand	982747	1211115	1523733	23.2	25.8
Net Export	-167084	-219799	-341053	31.5	55.2
Gross Domestic Product	815663	991316	1182680	21.5	19.3
Net Factor Income	7947	11750	12438	47.9	5.9
Net Transfer	182817	249487	283983	36.5	13.8
Gross National Disposable Income	1006427	1252552	1479101	24.5	18.1

Inflation and Wage Rate

Consumer Price Inflation

- 1.35 The annual average consumer price inflation moderated to 10.5 percent in 2009/10 compared to an increase of 13.2 percent in 2008/09. In spite of the increase of 15.4 percent in the index of food and beverage group, the inflation rate in the review year moderated due to the marginal increment of 4.7 percent in non-food and services index. The price indices of food and

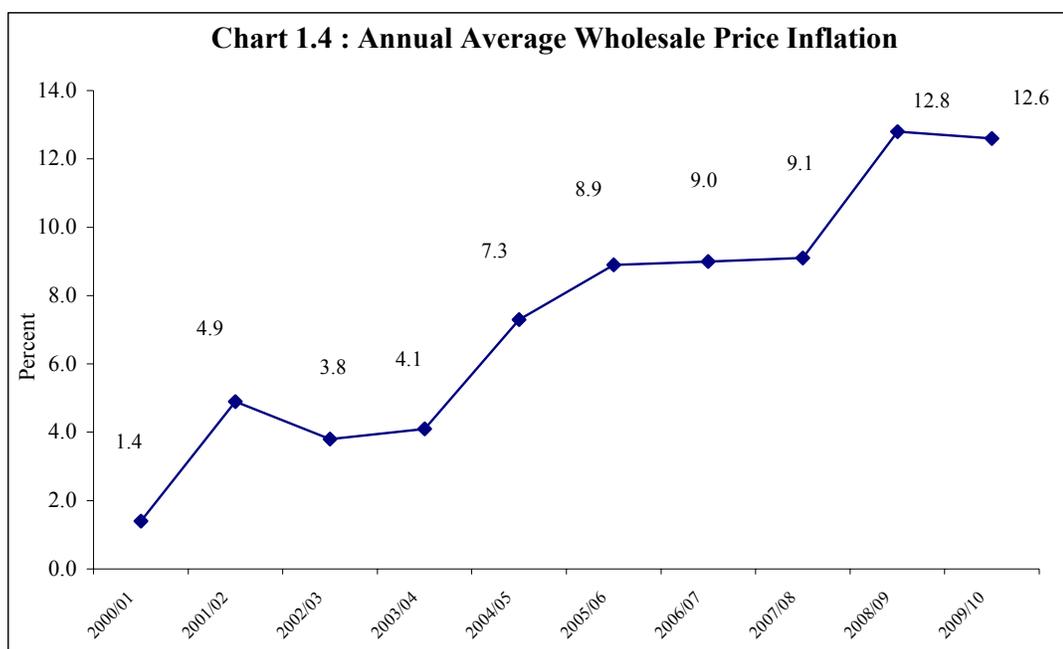
beverages and non-food and services had increased by 16.7 percent and 9.5 percent respectively in 2008/09.



- 1.36 In the review year, of the items under food and beverages group, yearly average price indices of sugar and sugar related products again increased by a whopping rate of 45.6 percent. It had increased by 45.9 percent last year also. Similarly, the indices of spices, pulses, meat, fish and eggs increased by 27.3 percent, 26.1 percent and 20.6 percent respectively compared to the increase of 12.3 percent, 25.0 percent and 23.4 percent in the previous year. The indices of vegetables and fruits increased by 19.9 percent as compared to the increase of 12.7 percent in the last year. Similarly, the price indices of restaurant meals, beverage and milk and milk products increased by 16.8 percent, 14.6 percent and 11.9 percent respectively as compared to the increase of 18.5 percent, 12.7 percent and 15.0 percent last year. However, the indices of ghee and oil decreased to 4.6 percent as against the increase of 16.3 percent of the last year.
- 1.37 Within the group of non-food and services, the annual average indices of sewing services, tobacco and related products and education, reading and recreation rose by 13.0 percent and 12.1 percent and 10.7 percent in the review year compared to a rise of 10.6 percent, 15.4 percent and 8.9 percent respectively in the previous year. Similarly, the annual price indices of clothes, footwear, fuel light and water rose by 7.3 percent, 6.8 percent and 2.0 percent as compared to the rise of 7.7 percent, 7.4 percent and 10.6 percent last year. However the annual index of transportation and communication decreased by 4.8 percent this year as against 15.8 percent increase last year.
- 1.38 Region-wise, annual average price level in the Kathmandu Valley, Terai and Hills rose by 9.7 percent, 10.7 percent and 11.2 percent respectively in 2009/10. The respective rates were 14.3 percent, 12.8 percent and 12.7 percent in the previous year.
- 1.39 The annual average core inflation rose by 11.7 percent in the review year compared to an increase of 12.6 percent of the previous year.

Wholesale Price Inflation

- 1.40 The annual average wholesale price index increased by 12.6 percent in 2009/10 compared to a rise of 12.8 percent in the previous year. In the review year, price indices of agricultural commodities and domestic manufactured commodities increased by 22.8 percent and 8.6 percent respectively as compared to a rise of 14.0 percent and 10.9 percent respectively in previous year. The annual average wholesale price of imported commodity group decreased by 1.2 percent as against the increase of 12.1 in the last year.



- 1.41 Within the agricultural commodities group, the annual average wholesale price indices of cash crops, spices and livestock production increased by 38.0 percent, 37.6 percent and 31.0 percent respectively as compared to an increase of 4.1 percent, 11.4 percent and 26.3 percent last year. Similarly, the wholesale price indices of pulses, food grains and fruits and vegetables increased to 22.9 percent, 17.2 percent and 9.4 percent in the review year, where as the price had increased by 21.8 percent, 8.5 percent and 13.6 percent respectively last year.
- 1.42 Within the domestic manufactured commodities group, the annual average price indices of beverages and tobacco, food related products and construction materials rose by 13.4 percent, 12.5 percent and 4.0 percent respectively in the review period as compared to increase of 11.7 percent, 11.4 percent and 11.1 percent in the previous year.
- 1.43 Within the imported commodities group, the annual average price indices of drugs and medicine goods as well as textile-related products increased by 7.5 percent and 3.0 percent respectively in the review period as compared to an increase of 5.9 percent and 15.6 percent last year. Similarly, prices indices of transport vehicles and machinery goods, chemical fertilizers and chemical goods and electric and electronic goods also declined from the increase of 19.8 percent, 7.9 percent and 5.1 percent of the previous year. The price index of petroleum products declined to 4.8 percent against the increase of 10.4 percent last year.

National Salary and Wage Rate Index

- 1.44 The annual average salary and wage rate index rose by 17.2 percent in 2009/10. It had increased by 15.3 percent in the previous year. In the review year, annual average of both salary and wage rate indices rose by 20.2 percent and 16.3 percent respectively compared to the respective increases of 10.5 percent and 16.9 percent in the last year. In the review period, the annual salary index of civil servants, staff of public enterprises, army and police and teachers increased by 23.6 percent, 18.6 percent, 22.7 percent and 29.7 percent respectively in comparison to the increase by 18.7 percent, 14.2 percent, 20.6 percent and 9.5 percent last year. Similarly, the salary of the staff of banks and financial institutions and private institutions increased by 9.7 percent and 1.3 percent. Last year, such indices had increased by 9.1 percent and 1.4 percent respectively.
- 1.45 In the wage rate group, the annual average wage rate of agricultural, industrial and construction laborers rose by 20.1 percent, 10.9 percent and 13.0 percent. Last year, such indices had increased by 16.9 percent, 8.3 percent and 15.3 percent respectively.

External Sector

Overall Trade Situation

- 1.46 In 2009/10, the external sector remained in pressure. The trade deficit witnessed a rapid growth due mainly to a negative growth of exports accompanied by escalated import growth. The services (net) also witnessed a substantial negative growth due mainly to the negative growth of service income accompanied by increase in service debit. Due to slow growth of remittances both the current account and the balance of payments witnessed a deficit in 2009/10. Consequently, there was a decline in the foreign exchange reserves.

Exports and Imports

- 1.47 In FY 2009/10, total exports declined by 9.7 percent (Rs. 6.57 billion) to Rs. 61.12 billion. In the previous year, total exports had increased by 14.2 percent. Total imports, on the other hand, rose by 33.2 percent (Rs. 94.33 billion) to Rs. 378.80 billion in comparison to a growth of 28.2 percent in the previous year. As a result, in the review year, total trade deficit expanded by 46.5 percent to Rs. 317.67 billion. In the previous year, total trade deficit had risen by 33.3 percent to Rs. 216.77 billion. Similarly, total trade increased by 24.9 percent to Rs. 439.92 billion in comparison to its growth of 25.2 percent in the previous year (Table 11). While total exports to GDP ratio declined to 5.2 percent in the review year from 6.8 percent in the previous year, total imports to GDP ratio increased to 32.0 percent from 28.7 percent correspondingly. As a result, trade deficit to GDP ratio went up to 26.9 percent in the review year from 21.9 percent in the previous year.
- 1.48 Exports to India declined by 2.2 percent (Rs. 890 million) to Rs. 40.11 billion in contrast to an increase of 6.4 percent in the previous year. The share of India in total exports increased to 65.6 percent in the review year from 60.6 percent in the preceeding year. In the review year, while exports of readymade garments, zinc sheet, G.I. pipe, plastic utensils, biscuits, fruits, chemicals and mustard and linseed to India declined considerably (Table 12).
- 1.49 In contrast to an augmentation by 28.9 percent in the previous year, exports to overseas declined by 21.3 percent (Rs. 5.68 billion) to 21.01 billion in the review year. The exports of pulses followed by woolen carpet, readymade garments, pashmina, herbs and jewellery declined to other countries (Tables 11 and 14).
- 1.50 In the review year, imports from India rose by 34.2 percent (Rs. 55.52 billion) to Rs. 217.96 billion in comparison to a growth of 14.1 percent in the preceding year. While imports of petroleum products, vehicles & spare parts, M.S. billet, chemical fertilizer, M.S. wire & rod and medicines from India increased, the growth of imports of live animals, molasses sugar, baby food, and pipe decreased. Under the provision of imports from India by payment of convertible currency, goods worth Rs. 44.70 billion (20.5 percent of total imports from India) were imported. Such import was 33.13 billion (20.4 percent of total imports from India) in the previous year. Trade deficit with India that had gone up by 17.0 percent in the previous year rose by 46.5 percent in the review year (Tables 11 and 13).
- 1.51 In the review year, imports from countries other than India increased by 31.8 percent (Rs. 38.80 billion) and amounted to Rs. 160.84 billion compared to a rise of 53.4 percent in the previous year. Among others, the major imports from other countries that experienced an upward trend comprised of gold, telecommunication equipment & parts, polythene granules, silver, steel rod, while the imports of camera, coconut oil, dry cell, M.S. billet and readymade garments declined considerably. The trade deficit with other countries, which had expanded by 62.0 percent in the previous year, increased by 46.7 percent in the review year (Tables 11 and 15).
- 1.52 The share of India in total exports went up to 65.6 percent in the review year from 60.6 percent in the previous year. Likewise, the share of India in total imports went up to 57.5 percent from 57.1 percent in the preceding year. The share of India in total trade balance remained the same (56.0 percent) in both the preceding and review year. (Table 11).

Balance of Payments

- 1.53 After adjusting border trade, total exports, under f.o.b valuation, declined by 9.2 percent to Rs. 63.49 billion. In the previous year, such exports had risen by 12.8 percent. Because of the increase in the import of petroleum products by 24.7 percent to Rs. 51.56 billion and the increase in import of other merchandize goods by 34.2 percent, total imports soared by 32.8 percent to Rs. 370.76 billion in the review year. In the previous year, due to the rise in the import of petroleum products by 1.3 percent and the rise in the import of other merchandize goods by 34.3 percent, total imports had increased by 28.1 percent. Consequently, trade deficit soared by 46.8 percent to Rs. 307.27 billion in the review year compared to the rise of 34.2 percent a year earlier (Table 16).
- 1.54 The travel income increased marginally by 0.6 percent to Rs. 28.14 billion. As a result, total receipts from services decreased by 3.2 percent to Rs. 51.12 billion in the review year in contrast to an increase of 25.1 percent in the previous year. In the review year, the transportation and travel expenses increased by 5.6 percent and 2.8 percent respectively. As a result, total services payments increased by 7.4 percent to Rs. 67.96 billion in comparison to an increase of 18.7 percent in the previous year. Thus, net services income was negative by Rs. 16.84 billion in the review year. In the previous year, such income was negative by Rs. 10.48 billion.
- 1.55 On the income front, income receipts declined by 9.6 percent to Rs. 14.92 billion. Similarly, because of the increase in the bonus and profit repatriated by foreign investors, the income payments increased by 21.9 percent to Rs. 5.8 billion. Consequently, in comparison to the previous year, net income declined by 22.4 percent to Rs. 9.12 billion.
- 1.56 In the review year, grants declined by 0.5 percent to Rs. 26.67 billion as compared to its growth of 27.6 percent in the previous year. In comparison to the previous year's growth of 47.0 percent, workers' remittances increased by 10.5 percent in the review year to Rs. 231.73 billion. In this period, pension receipts increased by 45.6 percent to Rs. 25.85 billion. In this way, net transfer receipts rose by 13.3 percent to Rs. 282.65 billion. As a result, the current account posted a deficit of Rs. 32.35 billion in the review year. Such deficit was 2.7 percent of GDP. In the preceding year, the current account had registered a surplus of Rs. 41.44 billion (Table 15).
- 1.57 Under the capital account, transfers stood at Rs.12.58 billion in the review year compared to Rs. 6.23 billion in the preceding year.
- 1.58 Under the financial account, other investment assets rose by Rs. 18.25 billion. In the previous year, such assets had risen by Rs. 17.67 billion. Under other investment liabilities, trade credit increased by Rs. 21.97 billion in the review year. In 2009/10, the inflow of government loan was Rs. 6.84 billion while repayment amounted to Rs. 10.74 billion. In the review year, currency and deposit liabilities decreased by Rs. 6.33 billion. As a result, the overall balance of payments remained in deficit by Rs. 2.62 billion in the review year. In the previous year, the balance of payments had recorded a surplus of Rs. 44.76 billion (Table 16).

Gross Foreign Exchange Reserves

- 1.59 The gross foreign exchange reserves declined by 7.0 percent to Rs. 266.57 billion as at mid-July 2010 compared to the level as at mid-July 2009, out of which the share of Nepal Rastra Bank was 77.0 percent. Such reserves had risen by 34.8 percent to Rs. 286.54 billion a year ago, out of which the share of Nepal Rastra Bank was 78.2 percent. Of the total reserves, the share of the Nepal Rastra Bank went down by 8.4 percent to Rs. 205.37 billion in the review year (Table-17). The gross foreign exchange reserves in terms of US\$ went down by 2.5 percent to US\$ 3.58 billion as at mid-July 2010 compared to its growth of 18.3 percent in the same period of the preceding year. The current level of reserves is adequate for financing merchandise imports of 8.6 months and merchandise and service imports of 7.3 months (Table 17).

Table 1.4
Reserve Adequacy Indicators

	2007/08	2008/09	2009/10P
Trade indicators (in months)			
Import capacity (Goods only)	11.5	12.3	8.6
Import capacity (Goods and services)	9.3	10.0	7.3
Debt indicator (in percent)			
Gross foreign exchange reserve/Total foreign debt outstanding	70.5	76.2	85.1
Monetary indicators (in percent)			
Gross foreign exchange reserve/Broad money supply	42.9	45.5	37.0
Gross foreign exchange reserve/Reserve money	147.1	146.5	122.0
Gross foreign exchange reserve/GDP	26.1	28.9	22.5

P : Provisional

Source: Nepal Rastra Bank, Financial Comptroller General Office

- 1.60 The ratios of gross foreign exchange reserve to broad money supply and reserve money remained at 37.0 percent and 122.0 percent respectively as at mid-July, 2010. Such ratios were 45.5 percent and 146.5 percent respectively in the previous year.

Foreign Loan

- 1.61 The foreign loan outstanding declined by 7.5 percent to Rs. 256.24 billion as at mid-July, 2010 compared to Rs. 277.4 billion a year ago. In mid-July, 2010, the ratio of gross foreign exchange reserve to total foreign debt remained at 104.0 percent compared to 103.4 percent as at mid-July, 2009.

Exchange Rate Movement

- 1.62 Compared to mid-July 2009, while the Nepalese currency vis-à-vis US dollar, Pound Sterling and Euro appreciated by 4.8 percent, 11.5 percent and 15.1 percent respectively, it depreciated by 0.7 percent vis-à-vis Japanese Yen as at mid-July, 2010. However, the exchange rate of Nepalese currency with Indian currency remained stable in 2009/10.

Table 1.5
Exchange Rate Movement

Foreign currency	Buying rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2008	2009	2010	2009	2010
1 US Dollar	68.50	78.05	74.44	-12.2	4.8
1 Pound Sterling	135.89	126.78	113.71	7.2	11.5
1 Euro	108.72	109.07	94.79	-0.3	15.1
10 Japanese Yen	6.42	8.39	8.45	-23.5	-0.7

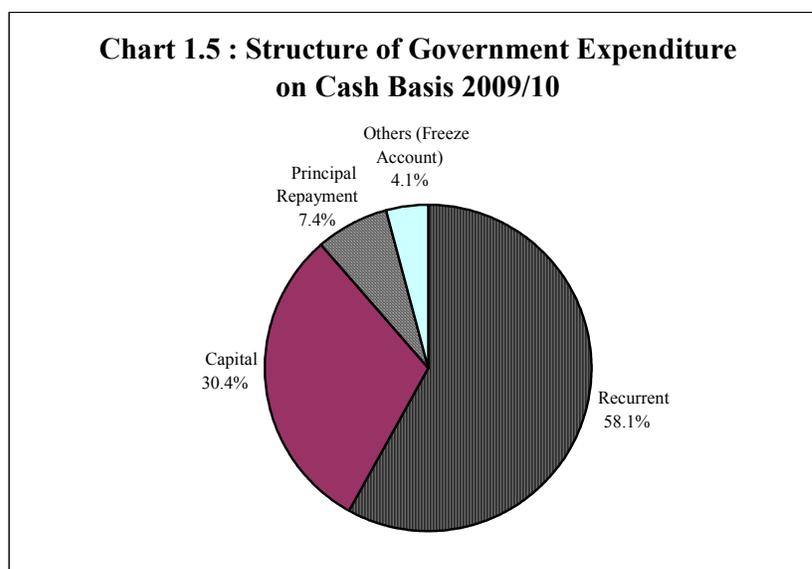
Fiscal Situation

- 1.63 Fiscal situation of the Government of Nepal (GoN) remained expansionary in 2009/10. An upward revision in the salary and allowances of the civil servants and teachers, increasing expenditure on special security plan, growing amount of subsidies to public schools attributed to such a rise in government expenditure in current year. Consequently, the government budget deficit stood at 3.3 percent of GDP. Such ratio was 3.5 percent in the previous year. However, capital expenditure did not seem satisfactory until the last period of the fiscal year. The

increasing trend of capital expenditure normally at the end of the fiscal year continued this year as well.

Government Expenditure

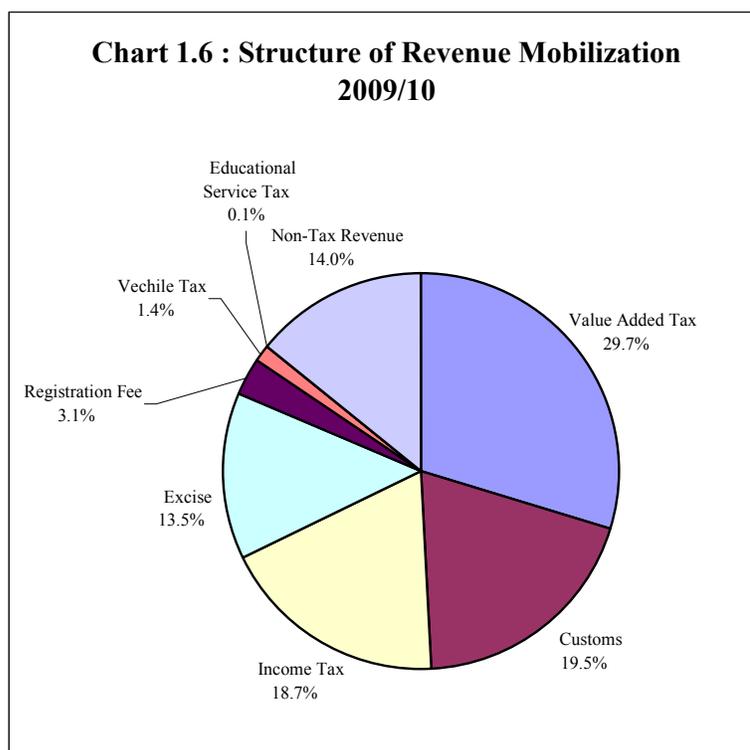
- 1.64 Total government expenditure on cash basis increased by 20.2 percent to Rs. 248.37 billion in 2009/10 compared to a rise of 37.8 percent in 2008/09. A higher level of growth in both recurrent as well as capital expenditure contributed to such an acceleration in total expenditures.
- 1.65 On the cash basis, the recurrent expenditure of the GoN rose by 20.7 percent to Rs. 144.38 billion in 2009/10 compared to a rise of 35.4 percent in 2008/09. An upward revision in the salary and allowances of the civil servants and teachers, increasing expenditure on special security plan, growing amount of subsidies to public schools attributed to such a rise in the government expenditure in the review year.
- 1.66 Capital expenditure increased by 20.2 percent to Rs. 75.38 billion in 2009/10 compared to a rise of 45.0 percent in the previous year. Despite the expansion in capital expenditure due to prevalence of repeated tendency of year-end increase in capital expenditure as in previous years, payments of tender amount, smoothness in public procurement processes, this expenditure is lower than the annual estimate.
- 1.67 Of the total government expenditure in the review period, the ratios of recurrent expenditure, capital expenditure, principal repayment and freeze expenditure stood at 58.1 percent, 30.4 percent, 7.4 percent and 4.1 percent respectively. Such ratios were 57.8 percent, 30.3 percent, 9.1 percent and 2.8 percent respectively in the previous year.



Government Revenue

- 1.68 Total revenue of the GoN increased by 25.4 percent to Rs. 179.95 billion in 2009/10 compared to a growth of 33.3 percent in the previous year. Consequently, revenue / GDP ratio increased to 15.2 percent in the review year from 14.5 percent in the previous year. Increase in imports, positive impact of "Tax Compliance Year", increase in PAN number holders, mobilization of tax volunteers, control in revenue leakages and reforms on tax administration contributed to such an increase in revenue mobilization.
- 1.69 Amongst the components of revenue, collection of the Value Added Tax (VAT) increased significantly by 35.0 percent to Rs 53.46 billion in the review year. Such revenue had increased by 27.1 percent in the previous year. The growth in VAT revenue was on account of increase in import and consumption in consequence of rise in remittance income as well as reform in VAT administration.

- 1.70 The revenue collection from customs increased by 31.6 percent to Rs. 35.03 billion in 2009/10 compared to an increase of 34.4 percent in the previous year. Reforms in customs administration, increase in imports of high customs tax yielding vehicles and spare parts contributed to such a high growth of customs revenue.
- 1.71 The income tax revenue increased by 22.4 percent to Rs. 33.65 billion in FY 2009/10. Income tax had increased by 43.9 percent to Rs. 27.48 billion in the previous year. A positive impact of "Tax Compliance Year" and increase in PAN number holders contributed to such a high growth of income tax revenue in the review year.
- 1.72 In the review year excise revenue increased by 49.6 percent to Rs. 24.31 billion compared to an increase of 44.9 percent in the previous year. Reforms in excise administration and increase in the imports of high excise tax yielding vehicles contributed to such an increase in excise revenue.



- 1.73 Of the total revenue mobilization, the contribution of VAT, custom, income tax and excise revenue remained at 29.7 percent, 19.5 percent, 18.7 percent and 13.5 percent respectively in 2009/10. Such contributions were 27.6 percent, 18.6 percent, 19.2 percent and 11.3 percent respectively in the previous year.
- 1.74 The non-tax revenue decreased by 4.3 percent to Rs 25.28 billion in 2009/10 compared to an increase of 23.3 percent to Rs. 26.43 billion in the previous year. Such a decrease in non-tax revenue was attributed to the decline in the amount of dividend as well as the repayment of principal and interest from public enterprises.

Tax Policy Provisions

Strategy for Increasing Revenue Base

- Formulation of revenue policy with the objective of industrializing the agro based national economy through adopting a scientific tax system, transforming tax administration into electronic system to make it effective and attracting domestic and foreign investment through the creation of an investment friendly environment as well as trade facilitation
- Operation of "Tax Compliance Year 2067" using the slogan "Our tax contribution for our own development and for the creation of modern and prosperous Nepal"
- Compulsion to get PAN for all income earners and advance taxpayers
- Provision of levying capital gain tax on house and land transactions
- Bringing commodity future market transactions into tax net
- Provision of effective implementation of education service tax
- Arrangement of internship in Inland Revenue Offices for tax graduates
- Provision of compulsory collection of VAT on the construction of commercial purposes buildings exceeding the value of Rs. 5.0 million
- Increase in the export duty on stones, crushed stones and sand
- Provision of imposing one percent tax on first slab of taxable income from remuneration of income earners
- Bringing those people who have not come into tax net through the provision of exempting charge, interest and penalty.

- 1.75 Tax rates has been decreased as per the agreement of SAFTA.
- 1.76 Commitment has been made for the introduction of Selective Module in Custom Clearance Procedure.
- 1.77 Arrangement to collect excise from customs point has been made by abolishing the system of two-tiers excise on imports of vehicle and the rate has been marginally increased. Excise rate for domestically produced motorcycle has been fixed at 15 percent.
- 1.78 Custom duty and value added tax imposed on scooter for disabled would be refunded.
- 1.79 Capital gain tax has been reduced from 15 to 10 percent.
- 1.80 Education tax and health tax has been given continuity. Health institutions liable to collect and pay health service tax are given choice to collect and pay VAT instead by voluntarily registering with the VAT.
- 1.81 The prevailing highest rate of custom duty of 40 percent has been reduced to 30 percent.
- 1.82 The local development tax and scrap tax has been annulled. The agriculture reform fee has been reduced from 8 percent to 5 percent.
- 1.83 The custom duty on sugar has been reduced from 25 percent to 15 percent.
- 1.84 80 percent custom duty on milk tanker has been exempted.
- 1.85 Custom duty on sajiwan grain and seed to produce bio fuel has been wholly exempted.

Tax Rates

- 1.86 Tax exemption limit for natural individual and couple has been increased to Rs. 160 thousand and Rs. 200 thousand respectively in FY 2009/10. Such exemption limit was Rs. 115 thousand and Rs. 140 thousand respectively in the previous year. Social security programmes have been gradually expanded and in order to expand it further a provision to levy one percent tax on the first slab of the income of salaried people has been made until the arrangements of levying social security tax are made.
- 1.87 In the excise front, excise rates of 5, 10, 15, 25, 30, 45 and 50 percent are prevalent in 2009/10. Such rates were 5,10, 15, 20, 25,30,35 and 45 percent in 2008/09. In 2009/10, customs rates on

imports remained at 5, 10, 15, 20, 25, 30, and 80 percent, compared to 5, 10, 15, 20, 25, 30, 40 and 80 percent in 2008/09. In 2009/10, customs rates on exports remained at 70 and 200 percent; these rates were 2, 70 and 200 percent in the previous year (Table 1.6).

Table 1.6
Tax Rates

	Description	2008/09	2009/10
1.	Excise (Percent)	5,10,15,20,25,30,35,45	5, 10, 15, 25, 30, 45, 50
2.	Import Duties (Percent)	5,10,15,20,25,30,40,80	5,10,15,20,25,30,80
3.	Export Duty(Percent)	2,70,200	70,200
4.	VAT (Percent)	13	13
5.	<u>Income Tax</u>		
	(a) Limit of Exemption		
	(i) Individual	Rs. 115,000	Rs. 160,000
	(ii) Couple or Family	Rs. 140,000	Rs. 200,000
	(b) Tax Rates (Percent)		
	Tax on the first slab of the taxable income of salaried people	-	1 percent
	(i) Tax on first Rs. 100,000	15 percent	15 percent
	(ii) On residual amount	25 percent	25 percent
	<u>Corporate Tax</u>		
	(a) Flat Rate at Corporate Net Income		
	(i) Bank and Financial Institutions	30 percent	30 percent
	(ii) Others	25 percent	25 percent
	(b) Partnership Firm	25 percent	25 percent
	House and land Rent Tax	10 percent	10 percent
	Meeting Allowance	15 percent	15 percent
	Commission	15 percent	15 percent
	Lottery, prize	25 percent	25 percent
	Interest Tax	5 percent	5 percent
	Provident Fund and Pension	5 percent	5 percent
	Government Debt	5 percent	5 percent
	Bonus Tax	5 percent	5 percent

Foreign Cash Grants

1.88 In 2009/10, foreign grants reported a growth of 1.9 percent to Rs. 24.85 billion compared to a growth of 39.2 percent to Rs. 24.40 billion in the previous year.

Budget Deficit/Surplus

1.89 The GoN's budget deficit on a cash basis increased by 13.8 percent to Rs 39.08 billion in 2009/10 compared to a deficit of Rs.34.36 billion in the previous year. The ratio of budget deficit to GDP remained at 3.3 percent in the review period. Such ratio was 3.5 percent in 2008/09.

Sources of Financing Deficit

1.90 In 2009/10, government mobilized internal debt of Rs. 29.91 billion as a source of deficit financing, which is 2.5 percent of current GDP.

1.91 In 2009/10, because of repayment of internal debt amounting to Rs. 7.93 billion and overdraft of Rs. 6.16 billion (after the adjustment GoN's balance in 2008/09 with NRB which amounted to Rs. 8.83 billion) GoN's net domestic borrowing stood at Rs. 28.15 billion in the review year. The ratio of net domestic borrowing to GDP stood at 2.4 percent. Consequently, the GoN's total outstanding domestic debt (including GoN's balance with NRB) amounted to Rs. 157.86 billion.

1.92 In 2009/10, the mobilization of external debt increased by 14.5 percent to Rs. 4.27 billion compared to Rs 3.73 billion in the previous year.

Status of the Public Enterprises

- 1.93 Out of 36 state owned (fully owned /partially owned) enterprises, 18 enterprises had earned profit and 18 enterprises had incurred losses in 2008/09.
- 1.94 Public Enterprises earned net profit of Rs. 10.55 billion in 2008/09. They had earned net profit of Rs. 4.94 billion in the previous year. Net profit of Rs. 10.18 billion earned by Nepal Telecom, Rs. 3.31 billion by Nepal Oil Corporation, Rs. 2.06 billion earned by Rastriya Banijya Bank Limited (RBBL) and Rs. 1.05 billion by Agricultural Development Bank Limited (ADBN) respectively, contributed to such an increase in overall net profit of public enterprises in 2008/09. The situation of public enterprises seems better due to increase in the profit in FY 2008/09 in comparison to FY 2007/08.
- 1.95 Total shareholders' fund of all state owned (fully owned /partially owned) enterprises remained at Rs. 61.10 billion in 2008/09 compared to Rs. 48.11 billion in the previous year. In 2008/09, share investment of the GoN was Rs.86.13 billion. However, 30 percent of the capital had been eroded. The GoN earned a dividend of Rs. 3.47 billion, which is 4.03 percent of total share investment in 2008/09. Similarly, total outstanding loan investment to the enterprises remained at Rs. 74.60 billion in 2008/09. Of this, internal loan was of Rs. 12.29 billion and external loan was of Rs. 62.31 billion.
- 1.96 Even among the profit earning public enterprises, the financial condition, capacity utilization and employee productivity of most of them did not remain satisfactory. Some enterprises are in losses and some enterprises even have negative net worth. A very low rate of return, lack of regular and updated audit, over-staffing, lack of unfunded liability for the provisions to meet growing dependency of employee-related facilities, enterprises operating in losses on government and growing trend of enterprises operating in profit seeking undue benefits and facilities, lack of appropriate and modern technology, lack of autonomy to determine the price of their product as per the change in market price, lack of clear policy and mechanism for the monitoring and inspection of the enterprises are the main challenges of public enterprises in Nepal.

Privatization and Dissolution of Public Enterprises

- 1.97 With the objectives of minimizing the administrative and budgetary burden of the GoN, strengthening productivity by increasing business skill of the industries and business enterprises and increasing private sector participation in economic development, the GoN had started privatization process since 1994. Up to mid-July, 2010, 30 public enterprises were privatized through liquidation, assets and business sales, share and equity sales, management contract and equity sales and lease. However, privatization is not free of problems. Problems in getting receivables easily by the GoN through privatization, problems in settlement of enterprise's obligation and GoN's compulsion to pay for such obligation, problems in sale of assets, embezzlement of land given on rent in the process of privatization are the major challenges of privatization.

Monetary Situation

Money Supply

- 1.98 In FY 2009/10, the broad and narrow money supply expanded by 14.5 percent and 11.2 percent respectively. In the previous year, broad money and narrow money had expanded by 27.1 percent and 27.3 percent respectively. The lower growth rate of monetary aggregates in the review year compared to those in the previous year is on account of lower growth of net domestic assets and reduction in net foreign assets.
- 1.99 The currency in circulation, a component of narrow money supply, increased by 13.0 percent in the review year as compared to 25.5 percent in the previous year. In the review year, current deposit increased by 7.9 percent compared to the 30.5 percent growth in the previous year. Time

deposit went up by 16.1 percent in the review year compared to 27.0 percent in the previous year.

- 1.100 In FY 2009/10, the net foreign asset (adjusting exchange valuation gain/loss) declined by Rs. 2.62 billion. It had increased by Rs. 44.76 billion in previous year. The net foreign asset diminished on account of soaring trade deficit in the review year compared to the previous year.
- 1.101 In FY 2009/10, gross domestic credit expanded by 16.2 percent as compared to 27.1 percent in previous year. The lower growth of domestic credit is owing to the lower growth rate of private sector credit compared to previous year.
- 1.102 In the review year, net claims on government scaled up by 25.3 percent (Rs. 26.55 billion). In previous year, the claims had increased by 20.4 percent (Rs. 17.79 billion). The claims on government increased due to lower growth of resource mobilization relative to expenditure. By the end of the review year, the government overdraft from Nepal Rastra Bank stood at Rs. 15 billion.
- 1.103 In the review year, net claims on private sector increased by 14.2 percent (Rs. 62.30 billion). In previous year, the claims had increased by 29.0 percent (Rs. 98.52 billion). The slower private sector credit growth in the review year is attributed to the contraction in banking sector liquidity.
- 1.104 In the review year, commercial banks' claims on non-government financial institutions went down by 8.6 percent as against a sharp increase by 98.0 percent in the previous year.
- 1.105 In the review year, claims on non-financial government enterprises increased by 6.9 percent. In previous year, the claim on that sector had gone down by 9.8 percent. An increase in bank credit to Gorkhapatra Sansthan, Nepal Electricity Authority and Janakpur Cigarette Factory led to such an increase in the claims to non-financial government enterprises in the review year.
- 1.106 In the review year, reserve money expanded by 11.7 percent as compared to 35.3 percent in the previous year. Reduction in net foreign assets of the monetary authority is attributed to such lower growth in reserve money in the review year.

Status of the Sources and Uses of Fund of Commercial Banks

Resource Mobilization of Commercial Banks

- 1.107 In the review year, the asset/liabilities of commercial banks increased by 9.2 percent (Rs. 65.09 billion). In previous year, the asset/liabilities had increased by 28.6 percent (Rs.156.95 billion). The compressed growth of reserve money on account of plummeting trade deficit and balance of payment deficit resulted into a slower growth of deposit mobilization of commercial banks which, in turn, led to lower growth of assets/liabilities of commercial banks.
- 1.108 The deposit mobilization of the commercial banks increased by 12.6 percent (Rs. 69.06 billion) to Rs. 618.86 billion in FY 2009/10. In the previous year, the deposit mobilization had increased by 30.4 percent (Rs. 128.28 billion).
- 1.109 Even though the saving deposit of commercial banks dropped by 8.6 percent, the current deposit and time deposit grown by 13.1 percent and 37.8 percent respectively in review year. The increase in interest rate on time deposit due to liquidity contraction in the review year has led to higher growth in time deposit.
- 1.110 In addition to the deposit mobilization, commercial banks increased resource mobilization through an increase in the paid up capital by Rs. 6.15 billion and general reserves by Rs. 2.01 billion. In the previous year, the paid up capital and general reserves had increased by Rs. 8.99 billion and Rs. 9.83 billion respectively. Besides capital mobilization, the commercial banks used repo and general refinance amounting to Rs. 4.78 billion in the review year.

Uses of Funds of Commercial Banks

- 1.111 The loans and advances of commercial banks increased by 14.0 percent (Rs. 72.93 billion) to Rs. 593.56 billion at mid-July 2010. In previous year, loans and advances had increased by 23.9

percent. Claim on private sector assumed highest share among the components of loans and advances. Such claims stood at 46.2 percent of gross domestic product at mid-July 2010.

- 1.112 In FY 2009/10, commercial banks' credit to private sector increased by 16.1 percent (Rs. 65.61 billion). In the previous year, the credit had soared up by 32.3 percent (Rs. 99.40 billion). Out of the total private sector credit, the credit to production sector increased by 7.8 percent (Rs. 6.84 billion) compared to a growth of 17.3 percent in previous year. The credit to sugar, cement, iron and steel production accounted for higher growth among the components of productive sector. Similarly, the credit on agriculture sector has gone up by Rs. 910 million in the review year. The credit on wholesale and retail trade; finance, insurance and fixed assets; and service sector increased respectively by 28.7 percent (Rs. 19.78 billion), 39.1 percent (Rs. 15.21 billion) and 26.7 percent (Rs. 6.25 billion) in the review year. In the corresponding period of previous year, the credits on those sectors had expanded by 23.5 percent, 56.1 percent and 10.4 percent respectively. Similarly, the real estate credit expanded by Rs. 13.20 billion in the review year as compared to the rise by Rs. 14.03 billion in previous year.
- 1.113 Out of total assets of the commercial banks, the share of investment on the Nepal Government securities stood at 10.8 percent. In previous year, the share of investment was 10.2 percent. In the review year, the commercial banks' investment on the Nepal Government securities increased by Rs. 11.05 billion to Rs. 83.00 billion at mid-July 2010. Similarly, in review year, the claims on non-financial government enterprises augmented by 6.9 percent due to expansion of credit to Gorkhapatra Sansthan, Nepal Electricity Authority and Janakpur Cigarattee Factory Limited. Such claims had declined by 9.8 percent in previous year.
- 1.114 At mid-July 2010, the liquid assets of commercial banks stood at Rs. 211.71 billion. It accounted for 34.2 percent of the total deposit in the review year as compared to 35.4 percent of deposit in the previous year. The contraction on banking sector liquidity marginally reduced the liquidity-deposit ratio. Out of the components of liquid assets, liquid fund increased by 4.9 percent in the review year. Though the balance held abroad by commercial banks remained nearly unchanged, the liquid fund increased as a result of the increment on banks' balance with Nepal Rastra Bank. In the review year, the balance held abroad of commercial banks increased only by Rs. 60 million to Rs. 60.02 billion whereas balance with Nepal Rastra Bank increased by Rs. 5.27 billion.

Use of Refinance Facility by Banks and Financial Institutions

- 1.115 The total outstanding amount of refinance facility provided by Nepal Rastra Bank to commercial banks and finance companies stood at Rs. 3.36 billion by mid-July 2010. In the previous year, the outstanding amount was Rs. 97.7 million. In the review year, the outstanding amount of refinance to commercial banks amounted to Rs. 2.76 billion. In the previous year, there was no outstanding refinance of commercial banks. The outstanding amount of refinance facility provided by Nepal Rastra Bank to government owned financial institutions stood as Rs. 13.3 million compared to Rs. 90.7 million in the previous year whereas such outstanding amount to private sector financial institutions stood at Rs. 590 million in the review year. Out of the outstanding amount, Rs. 3.3 million was to Nepal Industrial Development Corporation Limited, Rs. 10 million to Rural Development Bank Limited, Rs. 5.8 million to Paschimanchal Development Bank Limited, Rs. 32.1 million to Clean Energy Development Bank Limited, Rs. 140 million to Sanima Development Bank Limited, Rs. 344.8 million to Annapurna Finance Company Limited and Rs. 67.3 million to Development and Credit Bank Limited.

Non-performing Loan of Commercial Banks

- 1.116 The ratio of non-performing loan of the commercial banks has been improving after the implementation of financial sector reform program. The non-performing loan declined to 3.1 percent of the total loan as of unaudited balance sheet of mid-April 2010 from 3.6 percent as of mid-July 2009. The ratio was 6.3 percent at mid-July 2008 and 10.3 at mid-July 2007.
- 1.117 The ratio of non-performing loan of government owned three commercial banks has gradually been improving after adopting the financial sector reform program. The non-performing loan of

Nepal Bank Limited has plummeted to 4.9 percent as of unaudited balance sheet of mid-April 2010 compared to 49.6 percent as of mid-July 2005. In the previous year, it was 12.4 percent. The non-performing loan of Rastriya Banijya Bank Limited has also declined to 12.1 percent at mid-April 2010 compared to 15.7 at mid-July 2009 and 53.0 percent at mid-July 2005. The non-performing loan of these banks under restructuring has been improving with strengthening of the loan recovery process and writing off the bad loan amounting to Rs. 27.07 billion. Though the non-performing loan on total loan has been declining, the recovery of the write off loan is still challenging to these banks. Similarly, the non-performing loan of Agriculture Development Bank Limited has been reduced to 9.7 percent at mid-April 2010 compared to 11.7 percent at mid-July 2008. At mid-April 2010, the ratio of non-performing loan to total loan of government owned commercial banks and private sector commercial banks stood as 9.4 percent and 1.4 percent respectively. Besides the government owned commercial banks, Nepal Bangladesh Bank Ltd. and Lumbini Bank Ltd. have the high non-performing loan ratio among the private sector commercial banks.

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

Commercial Banks	2006/07	2007/08	2008/09	2009/10*
Nepal Bank Ltd.	13.5	12.4	5.4	4.9
Rastriya Banizya Bank Ltd.	27.6	21.7	15.7	12.1
Nabil Bank Ltd.	1.1	0.7	0.8	1.6
Nepal Investment Bank Ltd.	2.4	1.1	0.6	0.5
Standard chartered Bank Nepal Ltd.	1.8	0.9	0.7	0.5
Himalayan Bank Ltd.	3.6	2.4	2.2	2.9
Nepal Bangladesh Bank Ltd.	39.8	31.7	19.3	15.0
Nepal SBI Bank Ltd.	4.6	3.8	2.0	1.5
Everest Bank Ltd.	0.8	0.7	0.5	0.4
Bank of Kathmandu Ltd.	2.5	1.7	1.3	1.4
Nepal Credit and Commerce Bank Ltd.	31.4	16.4	2.7	2.6
Lumbini Bank Ltd.	20.4	14.9	9.1	4.7
Nepal Industrial and Commercial Bank Ltd.	1.1	0.7	0.9	1.1
Machhapuchhre Bank Ltd.	1.2	1	2.8	2.0
Kumari Bank Ltd.	0.7	1.3	0.4	0.6
Laxmi Bank Ltd.	0.4	0.1	0.1	0.1
Siddhartha Bank Ltd.	0.3	0.7	0.4	0.6
Agriculture Development Bank Ltd.	18	11.7	9.0	9.7
Global Bank Ltd.		0.2	0.1	0.2
Citizen Bank International Ltd.			0.0	0.0
Prime Bank Ltd.			0.0	0.3
Bank of Asia Nepal Ltd.			0.0	0.2
Sunrise Bank Ltd.			0.2	1.4
NMB Bank Ltd.		-	0.5	0.3
DCBL Bank Ltd.		-	1.6	1.3
Kist Bank Ltd.				0.3
Government Owned Banks (Average)			10.6	9.4
23 Private Sector Banks (Average)			1.6	1.4
Total	10.3	6.3	3.6	3.1

* As of unaudited balance sheet of mid-April 2010

Use of Standing Liquidity Facility and Status of Interbank Transaction

1.118 In FY 2009/10, the banks and financial institutions used the standing liquidity facility amounting to Rs. 95.94 billion. In the previous year, the commercial banks had used the facility of Rs. 107.78 billion. In the review year, commercial banks' interbank transaction stood at Rs. 268.85 billion as compared to Rs. 293.42 billion in the previous year.

Short-term Interest Rate

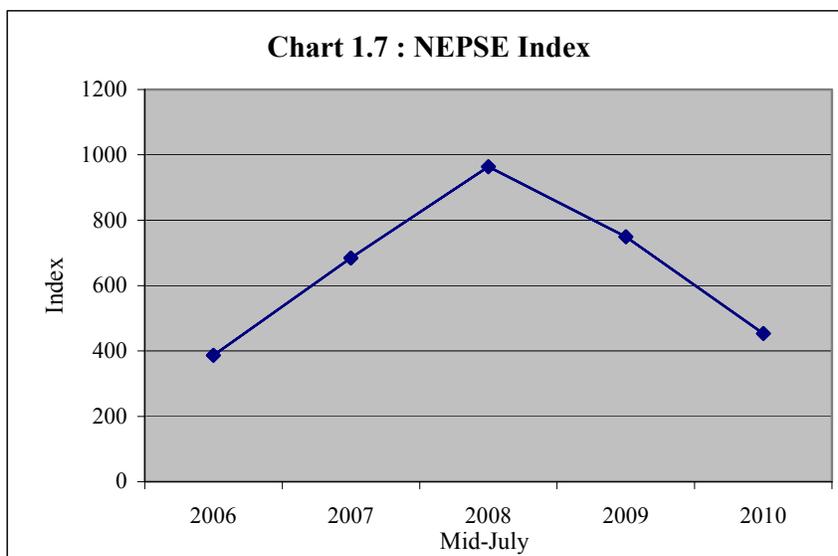
- 1.119 In FY 2009/10, the weighted average discount rate of 91-days treasury bills remained at 6.50 percent compared to 5.83 percent of previous year. Similarly, the weighted average interbank rate remained at 7.74 percent in the review year compared to 5.07 percent in the previous year. Besides the market interest rates, the interest rates on deposits has also increased in the review year. The maximum interest rate on fixed deposit of two or more than two years has increased to 13.0 percent at mid-July 2010 from 9.5 percent at mid-July 2009. In the review year, the liquidity contraction in commercial banks as well as overall financial sector supportive to the increase in the interest rate.

Foreign Exchange Market

- 1.120 In FY 2009/10, Nepal Rastra Bank injected the net liquidity of Rs. 118.66 billion purchasing the US dollar 1.60 billion from commercial banks. In the previous year, Rs. 142.50 billion was injected by purchasing US dollar 1.84 billion from commercial banks. Liquidity injection through foreign exchange purchase has declined in review year compared to previous year due to lower growth in inflow of private remittance and expansion in trade deficit. Similarly, Indian Rupees 102.09 billion was purchased by selling US dollar 2.19 billion in the review year compared to the purchase of IRs. 73.40 billion by selling US dollar 1.52 billion in the previous year. The increase in IRs. purchase is attributed to the expansion in trade deficit with India.

Security Market

- 1.121 The transaction in security market could not improve as expected because of the economic and non-economic reasons in FY 2009/10. Most of the indicators have weakened compared to the previous year. Consequently, the transaction amount plummeted by 45.34 percent to Rs. 11.85 billion in FY 2009/10 compared to Rs. 21.68 billion of the previous year.
- 1.122 On year on year point basis, NEPSE index dropped by 36.23 percent to 477.73 point at mid-July 2010 from 749.10 point at mid-July 2009. The NEPSE Sensitive Index (computed by taking mid-July 2006 as base) has stood at 116.14 at mid-July 2010 compared to 198.77 at mid-July 2009. The NEPSE Float Index (computed by taking 24 August 2008 as base) has declined by 37.8 percent to 44.3 at mid-July 2010 from 71.22 of mid-July 2009.
- 1.123 In FY 2009/10, Nepal Stock Exchange Limited has commenced different programmes in the favor of investors and development of capital market. The agreement with CDSL of India to establish Central Depository System (CDS) in Nepal can be taken as the important step in this regard. Similarly, the arrangement has been made to expand the broker service outside Kathmandu valley. The transaction service initiated by member share brokers in Pokhara from 25 January 2010 in coordination with Nepal Security Broker Association has extended to Biratnagar, Birgunj, Narayangadh and Butwal in the review year.



- 1.124 By mid-July 2010, the number of listed companies in Nepal Stock Exchange reached 176 compared to 159 at mid-July 2009. Of the listed companies, 144 are finance companies (including insurance companies), 18 production and processing industries, 4 hotels, 4 commercial institutions, 4 hydropower companies and 2 others. The paid up capital of listed companies increased by 30.5 percent to Rs. 79.79 billion at mid-July 2010 from mid-July 2009. The increase in paid up capital is due to listing of additional shares in Nepal Stock Exchange Limited. In FY 2009/10, general share amounting Rs. 5.49 billion of 20 companies, bonus share amounting Rs. 4.06 billion of 55 companies, right share amounting Rs. 10.37 billion of 48 companies have been listed. With the increased amount of paid up capital in the review year, the right share, general share and bonus share formed 52.0 percent, 28.0 percent 20.0 percent respectively. In the previous year, the percentage of general share, right share and bonus share were 63.0, 31.0 and 6.0 respectively. Similarly, the government bonds of Rs. 9.8 billion and institutional bonds of Rs. 227.7 million have been listed in Nepal Stock Exchange Limited during the review year.
- 1.125 The market capitalization, on year on year point basis, has decreased by 26.53 percent to Rs. 376 billion at mid-July 2010. The market capitalization accounted for 31.87 percent of GDP. The ratio was 51.74 percent at mid-July 2009. In the value of market capitalization, the shares of banks and financial institutions accounted for 72.5 percent, production and processing sectors 2.0 percent, hotels 1.4 percent, business institutions 0.4 percent, hydropower 5.3 percent and others 18.3 percent, reflecting that the banks and financial institutions have the major holdings of earlier.
- 1.126 Nepal Security Board, established in 7 June 1993 as the regulatory body of stock market, has given the approval to issue general share of Rs. 3.14 billion to 37 companies and right share of Rs. 10.96 billion to 35 companies.
- 1.127 The secondary market transaction of Nepal Government development bond issued through bidding process was started from 15 December 2006 in Nepal Stock Exchange Limited. Though the bonds amounting to Rs. 24.95 billion has been listed by mid-July 2010, there was no transaction of government bonds in security market during the review period.
- 1.128 By mid-July 2010, securities amounting to Rs. 5.48 billion including bonds amounting to Rs. 5.38 billion (with face value of Rs. 100 per unit) issued by commercial banks and Nepal Electricity Authority and mutual fund units of Rs. 100 million (with face value of Rs. 10 per unit) issued via the management of NIDC Capital Markets Limited and on trust receipt of NIDC Limited have been listed in Nepal Stock Exchange Ltd. (Table 1.8).

Table 1.8
Listed Securities and Mutual Fund Units

Institutions	Listing Date	Amount (in Million)	Interest Rate (%)
Nepal Investment Bank Limited - Bond 2067	16 Apr 2004	300	7.5
Everest Bank Ltd - Bond 2068	23 Aug 2005	300	6.0
Bank Of Kathmandu Ltd - Bond 2069	21 Mar 2006	200	6.0
Nepal Investment Bank Ltd - Bond 2070	27 Nov 2006	250	6.0
NIC Bank Ltd - Bond 2070	22 Feb 2007	200	6.0
Nepal SBI Bank Ltd - Bond 2070	20 Feb 2007	200	6.0
Nepal Investment Bank - Bond 2071	3 Sep 2007	225	6.5
NCM Mutual Fund - 2069	10 Sep 2003	100	5.0
Nepal Electricity Authority - Bond 2069	5 June 2008	1500	8.0
Himalayan Bank Ltd - Bond 2072	6 Aug 2008	500	8.0
Kumari Bank Ltd - Bond 2070	6 Aug 2008	400	8.0
Nepal Investment Bank Limited - Bond 2072	6 Aug 2008	250	8.0
Nabil Bank - Bond 2075	19 Nov 2008	300	8.5
Laxmi Bank Ltd - Debenture 2072	11 Jan 2009	350	8.5
Siddhartha Bank Ltd - Bond 2072	8 Oct 2009	400	8.5
Total		5475	

Financial Institutions

Number of Financial Institutions

1.129 At the end of the review period, the number of class 'A' commercial banks licensed by the NRB reached 27. Similarly, there were 79 class 'B' (development banks), 79 class 'C' (finance companies) and 18 class 'D' financial institutions undertaking microcredit transactions (including rural development banks) in operation by the end of the review period. The number of cooperatives and non-government organizations (NGOs) licensed by the NRB to carry out limited banking activities reached 15 and 45 respectively. At end of FY 2009/10 (mid-July 2010), the number of financial institutions stood at 291 comprising of banks and financial institutions, insurance companies, Employees Provident Fund, Citizen Investment Trust and Postal Savings Bank (Table 1.9).

Table 1.9
Number of Bank and Financial Institutions

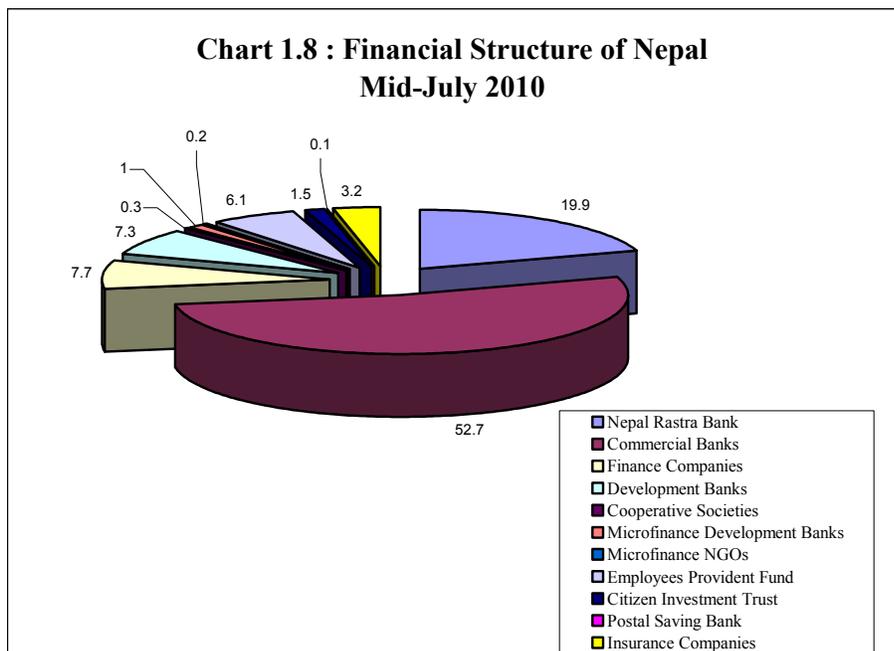
Banks and Financial Institutions	2009 (Mid-July)	2010 (Mid-July)
Commercial Banks	26	27
Development Banks	63	79
Finance Companies	77	79
Micro-Finance Institutions	15	18
The NRB licensed Cooperatives (with limited banking)	16	15
The NRB licensed NGOs (with limited banking)	45	45
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Saving Bank	1	1
Total	270	291

Source: NRB, GoN.

Financial Structure

1.130 The ratio of total assets/liabilities of the banking system and contractual saving institutions to GDP remained at 126.2 percent in mid-July 2010. Including the market capitalization of the shares, the ratio stood at 158.1 percent.

1.131 In the composition of total assets/liabilities of financial institutions as of mid-July 2010, commercial banks had the highest share (52.7 percent) followed by Nepal Rastra Bank with 19.9 percent, finance companies with 7.7 percent, development banks with 7.3 percent, Employee Provident fund with 6.1 percent and insurance companies with 3.2 percent.



Development Banks

1.132 With the objective of rendering financial services to agricultural, industrial and business sectors in Nepal, the process of establishing development banks even in the private sector began after the enactment of the Development Bank Act 1996. There were two development banks namely Agricultural Development Bank (which has been converted into a commercial bank) and Nepal Industrial Development Corporation (NIDC) prior to the enactment of this Act. At present, development banks are operating under Bank and Financial Institutions Act (BAFIA)-2006 as "B" class financial institutions licensed by the NRB. During the review period, total financial resources of these banks increased by 57.3 percent in comparison to last year to Rs. 108.72 billion. Total deposit mobilization, the major source of fund for these banks, increased by 58.3 percent in comparison to last year to Rs. 77.44 billion. Similarly, capital fund and borrowing increased by 40.3 percent and 7.2 percent in comparison to last year to Rs 15.21 billion and Rs 4.24 billion respectively. On the uses side of the fund, the major component, such as loan and advance, increased by 52.5 percent compared to last year and stood at Rs.65.68 billion. (Table 23).

Finance Companies

1.133 Finance companies are operating under Bank and Financial Institutions Act, 2006 as "C" class financial institutions. Total financial resources of finance companies increased by 32.1 percent to Rs. 115.46 billion in mid-July 2010. In the previous year, it had increased by 34.4 percent. Total deposit, the major source of fund, increased by 39.4 percent to Rs. 79.53 billion in the review period. It increased by 33.3 percent last year. Likewise, the capital fund amounted to Rs. 20.36 billion. The borrowing of these companies remained at Rs. 3.27 billion in the review period (Table 24).

1.134 On the uses side, loan and advances increased by 32.8 percent to Rs. 79.81 billion in mid-July 2010. During the review period, the investment of these companies increased by 35.5 percent to

Rs 4.42 billion. The liquid asset of finance companies remained at Rs. 21.66 billion in mid-July 2010. Such liquid asset was Rs.16.40 billion last year.

Financial Institutions conducting Micro-finance Activities

- 1.135 There are 18 micro-finance institutions operating as "D" class financial institutions under Bank and Financial Institutions Act, 2006 consisting of 5 Grameen Bikas Banks (Rural Development Banks), 11 private sector replicates of Grameen Banking and 2 wholesale lending microfinance institutions.
- 1.136 Grameen Bikas Banks are operating in each of the five development regions of the country with an objective of providing financial support for a variety of income-generating activities for deprived-rural sector women of the country by dividing them into groups. Out of 5 Rural Development Banks, that were established in the capital investment of GoN, Nepal Rastra Bank and commercial banks, Nepal Rastra Bank has divested its share of Purwanchal, Madhyamanchal and Paschimanchal Grameen Bikas Bank among development bank group members, employees and other interested investors. By the end of FY 2009/10, NRB had 10 percent share ownership in Paschimanchal Grameen Bikas Bank and 68.46 percent in Sudur-Paschimanchal Grameen Bikas Bank.
- 1.137 Similarly, 11 other grameen bank replicates Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited, Swabalamban Bikas Bank Limited, Deprosc Bikas Bank Limited, Nerude Bittiya Sanstha Limited, Naya Nepal Laghu Bitta Bikas Bank Limited, Mithila Laghu Bitta Bikas Bank Limited, Summit Micro Finance Development Bank Limited, First Microfinance Development Bank, Self Employment Microfinance Development Bank and Nagbeli Microfinance Development Bank are conducting their micro-financing activities.
- 1.138 Two micro-finance institutions namely Rural Micro-finance Development Center (RMDC), established on 20 October 1998 (B.S. 2055 Kartik 13) and Sana Kisan Bikas Bank Limited (SKBBL) established on 6 July 2001 (B.S. 2058 Ashadh 22) have been involved in wholesale microfinancing activities. RMDC is providing wholesale lending to development banks, cooperatives, non-governmental organization etc. and the SKBBL lends to Small Farmers Cooperatives Limited (SFCL). RMDC, established under the joint share ownership of the NRB, commercial banks, micro finance development banks and Deposit and Credit Guarantee Corporation had paid up capital of Rs. 0.32 billion by mid-July 2010. Similarly, total borrowings and loans of RMDC stood at Rs. 2.21 billion and Rs. 1.92 billion respectively in the review period.
- 1.139 Total assets/liabilities ratio of "D" class micro finance institutions as of mid-July 2010 recorded a growth of 14.5 percent to Rs.17.68 billion as compared to mid-July 2009. Total deposit mobilization as of mid July 2010 of these institutions stood at Rs. 2.41 billion and total borrowing at Rs. 9.90 billion. Similarly, total loan and investment were Rs. 10.45 billion and Rs. 2.11 billion respectively (table 25).

Rural Self Reliance Fund

- 1.140 Established by the GoN on 1 March 1991 and operated by the NRB, the Rural Self Reliance Fund (RSRF) has been providing wholesale lending to assist the micro finance activities of the cooperatives and NGOs. As of mid-July 2010, the Fund has disbursed Rs. 0.40 billion and collected principal amount of Rs. 0.20 billion. (Table 1.10)

Table 1.10
Financial Activities of the Rural Self Reliance Fund

Description	Mid-July 2009	Mid-July 2010
Loan Disbursement:		
Number of Districts	51	54
Number of Institutions	404	496
Number of benefited families	17990	22950
Loan Disbursed (Rs.in million)	269.9	402.9
Loan Repaid (Rs.in million)	141.9	203.3
Outstanding Loan (Rs.in million)	1280	1996
Overdue loan (as percentage of the loan to be repaid)	7.5	6.3
Loan Recovery (in percentage)	92.5	93.7

Source:

NRB Licensed Financial Cooperatives

1.141 Cooperatives are established under Cooperatives Act 1992. NRB has licensed a small number of these cooperatives to undertake limited banking transactions. These cooperatives are operating under the directives issued by this bank. In mid-July 2010, there were 16 cooperatives. The total assets/liabilities of these institutions amounted to Rs. 6.97 billion at the end of the review period. Similarly, total deposit, total loans and advances mobilized by these cooperatives were Rs. 4.69 billion and Rs. 4.34 billion respectively. The total investment on government securities, fixed deposits and others stood at Rs. 0.26 billion in the last of the review year (Table 27).

NRB licensed Non-Government Organizations

1.142 There are altogether 45 NGOs licensed by this bank to undertake limited banking transactions. These are registered under Institutions Registration Act 1977 and undertake limited banking transactions in accordance with the provision of the Financial Intermediary Act, 1999.

Insurance Companies

1.143 In mid-July 2010, there were altogether 25 insurance companies established under Insurance Act 1992. Among these, 8 offer life insurance services, 16 perform non-life insurance services, and one company rendered both life as well as non-life insurance services. According to the ownership structure, 3 insurance companies are operating under foreign investment and 3 insurance companies are in joint ventures with foreign insurance companies. Likewise, 18 insurance companies are in private sector whereas one company is under the government ownership. Based on the financial statistics received from the Insurance Board, total assets/liabilities of these companies increased by 28.2 percent from last year to Rs. 47.46 billion in mid-July 2010 (Table 27). Total premium collection of these companies is estimated at Rs. 15.40 billion by mid-July 2010. Such collection was Rs. 10.90 billion last year.

Employees Provident Fund

1.144 Employees Provident Fund (EPF) was established on 16 September 1962 under the Employees Provident Fund Act, 1962. EPF manages the provident fund of government employees, army, police, teachers, government corporations and of some private companies. Total assets/liabilities of the EPF, which is under Ministry of Finance (GoN), increased by 16.0 percent to Rs. 91.80 billion in mid-July 2010 from Rs. 79.11 billion last year. The fund collected by EPF increased by 18.9 percent and stood at Rs. 86.37 billion in mid-July 2010 compared to Rs. 72.65 billion last year (Table 29).

Citizen Investment Trust

1.145 Citizen Investment Trust (CIT) was established on 18 March 1991 under CIT Act 1991. This Trust mobilizes the private and institutional savings, extends loans and advances, and also works as an issue manager of securities. The Trust is under the GoN, Ministry of Finance (MoF). Total assets/liabilities of the CIT decreased by 10.8 percent to Rs. 22.65 billion in mid-July 2010 from Rs. 25.38 billion last year. Fund collection, the major component in the liabilities side, increased by 42.2 percent to Rs. 20.14 billion in mid-July 2010. It was Rs. 14.17 billion last year. On the assets side, loan/advances of CIT reached Rs. 3.54 billion in the review period from Rs. 2.69 billion last year. (Table 30).

Postal Savings Bank

1.146 The Postal Savings Bank established under GoN's Postal Service Department, came into operation in 1976. Out of 117 licensed offices in mid-July 2010, only 68 postal savings offices mobilized deposits. Total deposit collected by these offices was Rs. 1.08 billion in mid-July 2010. Similarly, the number of total accounts stood at 46,918. As of mid-July 2010, the total investment made by its 57 offices engaged in investment related activities was Rs. 0.35 billion.

Deposit and Credit Guarantee Corporation

1.147 Deposit and Credit Guarantee Corporation was established on 20 September 1974 to encourage commercial banks to extend loan to priority sector so as to serve remote areas and poor families. The Corporation guarantees a number of loans including livestock, vegetable farming, foreign employment, micro and deprived sector and credit to the small and medium scale industries. Total loan guaranteed by the Corporation was Rs. 0.23 billion as at mid-July 2010.

Credit Information Centre Limited

1.148 Credit Information Centre Limited (CICL) was established in 1989 under the initiation of NRB. It collects the credit information from the banks and financial institutions and disseminates them on demand and maintains and updates the black listing of loan defaulters. The NRB holds 10 percent share in the equity capital of the CICL. Similarly, commercial banks, development banks and finance companies own 60 percent, 15 percent and 15 percent respectively. According to the Centre, there were 174 defaulters added and 112 borrowers were removed from the blacklist during the review period. The total number of blacklisted defaulters as at mid-July 2010 was 3416.

Table 1
World Economic Growth Rate
(Annual Percentage Change)

	2008	2009	Projection	
			2010	2011
World Production	3.0	-0.6	4.6	4.3
Advanced Economies	0.5	-3.2	2.6	2.4
United States	0.4	-2.4	3.3	2.9
Euro Area	0.6	-4.1	1.0	1.3
Japan	-1.2	-5.2	2.4	1.8
Other Developed Economies #	1.8	-0.9	6.7	4.7
Emerging and Developing Economies	6.1	2.5	6.8	6.4
Developing Asia	7.7	6.9	9.2	8.5
ASEAN-5*	4.7	1.7	6.4	5.5
China	9.6	9.1	10.5	9.6
India	6.4	5.7	9.4	8.4

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

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

Source: World Economic Outlook, July 2010, International Monetary Fund, Washington D.C.

Table 2
World Trade
(Annual Percentage Change)

	2008	2009	Projection	
			2010	2011
World Trade Volume (Goods and Services)	2.8	-11.3	9.0	6.3
Import				
Developed Economies	0.5	-12.9	7.2	4.6
Emerging and Developing Economies	8.6	-8.3	12.5	9.3
Export				
Developed Economies	1.8	-12.6	8.2	5.0
Emerging and Developing Economies	4.5	-8.5	10.5	9.0

Source: World Economic Outlook, July 2010, International Monetary Fund, Washington D.C.

Table 3
World Inflation
(Annual Percentage Change)

	2008	2009	Projection	
			2010	2011
Petroleum Product *	36.4	-36.3	21.8	3.0
Non Fuel Goods	7.5	-18.7	15.5	-1.4
Consumer Price				
Advanced Economies	3.4	0.1	1.4	1.3
Emerging and Developing Economies	9.3	5.2	6.3	5.0

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

Source: World Economic Outlook, July 2010, International Monetary Fund, Washington D.C.

Table 4
Macroeconomic Indicators

S.N.	Description	2007/08	2008/09	2009/10
Percentage Change				
1	In producers' prices			
	a. GDP at 2000/01 prices	6.1	4.9	4.6
	b. GDP at current prices	12.1	21.5	19.3
2	In basic prices			
	a. GDP at 2000/01 prices	5.8	3.9	3.5
	b. GDP at current prices	11.7	20.5	18.1
3	Gross national income at current prices	12.0	21.8	19.1
4	Total Consumption	12.1	21.7	19.8
5	Total Investment	18.4	27.8	42.9
6	Gross National Savings	30.3	32.0	13.9
7	Gross Fixed Capital Formation	16.4	18.3	19.2
8	Gross Domestic Savings	12.2	20.1	15.0
9	Gross National Disposable Income	16.5	24.5	18.1
10	Money Supply (M1)	21.6	27.3	11.0
11	Broad Money Supply (M2)	25.2	27.1	14.3
12	Domestic Credit	21.3	27.1	16.8
13	Fixed Deposits	27.0	27.0	15.7
14	Total Exports	-0.2	14.2	-9.7
15	Total Imports	14.0	28.2	33.2
16	Gross Foreign Exchange Reserves	28.8	34.8	-7.0
17	Government Revenue	22.7	33.3	25.4
18	Government Expenditure*	19.7	37.8	20.2
19	Government Budget Deficit*	19.8	52.9	13.8
20	Internal Borrowings	14.6	-10.1	12.4
21	National Consumer Price Index	7.7	13.2	10.5
22	Wholesale Price Index	9.1	12.8	12.6
As a percentage of GDP				
1	Total Consumption	90.2	90.3	90.6
2	Total Investment	30.3	31.9	38.2
3	Gross National Savings	33.2	36.1	34.4
4	Gross Fixed Capital Formation	21.9	21.3	21.3
5	Gross Domestic Savings	9.8	9.7	9.4
6	Gross National Disposable Income	123.4	126.4	125.1
7	Money Supply (M1)	18.9	19.8	18.4
8	Broad Money Supply (M2)	60.7	63.5	60.8
9	Domestic Credit	53.6	56.1	54.9
10	Fixed Deposits	41.8	43.7	42.4
11	Total Exports	7.3	6.8	5.2
12	Total Imports	27.2	28.7	32.0
13	Foreign Exchange Reserves	26.1	28.9	22.5
14	Government Revenue	13.2	14.5	15.2
15	Government Expenditure*	18.4	20.9	21.0
16	Government Budget Surplus/Deficit*	2.8	3.5	3.3
17	Internal Borrowings	2.5	1.9	2.5
18	Trade Balance	-19.9	-21.9	-26.9
19	Current Account Balance	2.9	4.2	-2.7
20	Total Outstanding External Debt	30.6	27.9	21.7

* On cash basis.

Source: Central Bureau of Statistics.

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

	(in percentage)		
Sector	2007/08	2008/09	2009/10*
Agriculture	5.8	3.0	1.1
Agriculture and Forestry	5.8	3.0	1.0
Fishery	7.3	5.7	5.3
Non-Agriculture	5.9	4.7	5.1
Industry	1.7	-0.2	3.9
Mining and Quarrying	5.5	0.7	4.2
Manufacturing	-0.9	-1.0	2.6
Electricity Gas and Water	1.1	-0.9	0.5
Construction	5.1	0.9	6.6
Service	7.3	6.3	5.5
Wholesale and Retail Trade	4.2	5.9	5.6
Hotels and Restaurant	6.9	3.0	8.5
Transport, Storage and Communications	9.4	7.6	6.5
Financial Intermediation	9.2	1.5	1.6
Real Estate, Renting and Business Activities	10.4	1.8	4.9
Public Administration and Defence	0.6	7.3	4.2
Education	6.4	11.3	6.5
Health and Social Work	8.5	11.2	5.6
Other Community, Social and Personal Service	9.4	13.0	6.1
GDP at basic prices	5.8	3.9	3.5
GDP at producers price	6.1	4.9	4.6

* Preliminary estimate.

Source: Central Bureau of Statistics.

Table 6
Agriculture Production Index

Agricultural Commodities	Weight	2007/08	2008/09	2009/10*	2008/09	2009/10
		Index			Percent change	
Cereals and Other Crops	49.41	116.01	115.22	108.45	-0.7	-5.9
Paddy	20.75	101.96	107.29	95.43	5.2	-11.1
Maize	6.88	126.58	130.09	130.09	2.8	0.0
Wheat	7.14	135.77	116.06	147.40	-14.5	27.0
Millet	1.37	102.92	103.48	105.89	0.5	2.3
Barley/naked barley	0.22	92.11	76.17	96.74	-17.3	27.0
Potato	4.67	156.41	158.58	96.74	1.4	-39.0
Sugarcane	1.24	112.37	106.45	96.74	-5.3	-9.1
Jute	0.17	103.64	95.74	106.78	-7.6	67.9
Tobacco	0.06	65.79	62.85	67.79	-4.5	7.9
Soyabeans	0.19	117.97	120.78	116.75	2.4	-3.3
Pulses	4.42	110.29	104.41	98.85	-5.3	-5.3
Others	2.36	93.59	90.96	88.40	-2.8	-2.8
Vegetables, Horticultural and Nursery Products	9.71	153.58	164.76	176.77	7.3	7.3
Total vegetables	9.70	153.61	164.80	176.82	7.3	7.3
Others	0.01	123.91	121.60	119.33	-1.9	-1.9
Fruit, Nuts Beverage and Spice Crops	7.04	144.77	174.37	212.77	20.4	22.0
Orange	0.97	157.63	167.16	177.28	6.1	6.1
Mango	1.56	110.79	117.49	113.94	6.0	-3.0
Banana	0.40	117.45	124.56	132.09	6.1	6.0
Apple	0.42	117.19	124.28	131.80	6.1	6.1
Spice Crops	1.79	200.56	232.08	268.55	15.7	15.7
Tea	0.05	243.45	267.25	259.04	9.8	-3.1
Coffee	0.004	561.80	629.21	704.72	12.0	12.0
Others	1.85	121.22	188.86	294.25	55.8	55.8
Farming of Domestic Animals	23.25	121.23	125.34	128.67	3.4	2.7
Buffaloes' Meat	4.42	121.11	125.84	125.84	3.9	0.0
Mutton	3.24	121.34	125.33	129.44	3.3	3.3
Milk	12.36	123.18	128.17	133.36	4.1	4.1
Others	3.23	113.83	113.83	113.83	0.0	0.0
Other Animals Farming; Production of Animals Products	2.43	123.63	121.38	123.05	-1.8	1.4
Pigs' Meat	0.50	107.97	110.11	112.29	2.0	2.0
Poultry Meat	0.67	125.06	124.72	124.38	-0.3	-0.3
Eggs	0.81	124.43	124.17	123.91	-0.2	-0.2
Hides and skins	0.35	151.57	160.85	170.70	6.1	6.1
Others	0.10	90.59	88.84	87.12	-1.9	-1.9
Forestry, Logging and Related Services Activities	8.07	102.94	102.68	102.41	-0.3	-0.3
Timber	1.09	102.00	102.57	103.14	0.6	0.6
Firewood	4.94	97.89	97.85	97.82	0.0	0.0
Medicinal/herbal products	0.02	112.53	112.61	112.68	0.1	0.1
Others	2.03	115.64	114.36	113.10	-1.1	-1.1
Overall Index	100.00	122.01	125.67	126.98	3.0	1.0

* Preliminary Estimate.

Source: Central Bureau of Statistics.

Table 7
Annual Manufacturing Production Index
(2008/09=100)

Description	Weight	2008/09	2009/10*	2009/10
		Index		change
Vegetable,Oils & Fats	9.62	100.00	98.76	-1.24
Vegetable ghee	5.72	100.00	95.34	-4.66
Mustard oil	1.32	100.00	104.11	4.11
Soyabean oil	2.57	100.00	103.61	3.61
Dairy products	1.91	100.00	107.69	7.69
Processed Milk	1.91	100.00	107.69	7.69
Grain mill products, prepared animal feeds	9.35	100.00	102.33	2.33
Rice	7.79	100.00	101.81	1.81
Wheat flour	1.39	100.00	104.47	4.47
Animal feed	0.16	100.00	109.17	9.17
Other food products	6.45	100.00	102.84	2.84
Biscuit	0.94	100.00	102.92	2.92
Bread	1.07	100.00	108.78	8.78
Sugar	1.82	100.00	98.92	-1.08
Chocolate	0.73	100.00	103.49	3.49
Noodles	1.17	100.00	104.12	4.12
Processed tea	0.72	100.00	101.10	1.10
Beverages	6.71	100.00	104.88	4.88
Liquor rectified	2.21	100.00	109.80	9.80
Beer	2.38	100.00	103.19	3.19
Soft drink	2.13	100.00	101.68	1.68
Tobacco products	6.66	100.00	103.03	3.03
Cigarette	6.66	100.00	103.03	3.03
Textiles	6.31	100.00	105.96	5.96
Yarn	1.50	100.00	102.90	2.90
Cotton clothes	4.81	100.00	106.91	6.91
Other Textiles	4.17	100.00	102.36	2.36
Woolen carpet	2.91	100.00	100.26	0.26
Jute goods	1.26	100.00	107.21	7.21
Wearing apparel	1.17	100.00	97.80	-2.20
Garment	1.17	100.00	97.80	-2.20
Tanning and dressing of leather	0.53	100.00	104.42	4.42
Processed leather	0.53	100.00	104.42	4.42
Saw milling and planing of wood	0.67	100.00	98.62	-1.38
Wood sawn	0.67	100.00	98.62	-1.38
Wooden products	0.60	100.00	102.71	2.71
Plywood	0.60	100.00	102.71	2.71
Paper & paper products	2.57	100.00	101.40	1.40
Paper excluding newsprint	0.57	100.00	102.11	2.11
Cartoon Box	2.00	100.00	101.20	1.20
Sanctioned Petroleum Products	1.04	100.00	101.73	1.73
Lube Oil	1.04	100.00	101.73	1.73
Main Chemical Products	1.19	100.00	110.26	10.26
Rozin	1.19	100.00	110.26	10.26
Other chemical products	5.35	100.00	103.34	3.34
Paint	0.75	100.00	103.05	3.05
Medicine	1.63	100.00	103.44	3.44
Soap	2.97	100.00	103.36	3.36
Plastic product	5.74	100.00	104.53	4.53
Plastic product	5.74	100.00	104.53	4.53
Non-metallic mineral products	7.92	100.00	104.20	4.20
Bricks	1.62	100.00	101.39	1.39
Cement	5.28	100.00	105.26	5.26
Roda	0.76	100.00	104.25	4.25
Hyum Pipe	0.26	100.00	100.05	0.05
Fabricated metal product	11.71	100.00	107.20	7.20
Iron rod & billets	5.54	100.00	106.41	6.41
G.I. Pipe	6.17	100.00	107.90	7.90
Casting of metal	0.86	100.00	106.08	6.08
Domestic metal product	0.31	100.00	101.55	1.55
Aluminium	0.55	100.00	108.64	8.64
Other fabricated metal product	7.17	100.00	102.93	2.93
Structural metal product	7.17	100.00	102.93	2.93
Electrical Goods	1.74	100.00	103.53	3.53
Electrical wire & cable	1.74	100.00	103.53	3.53
Furniture Production	0.56	100.00	97.19	-2.81
Furniture	0.56	100.00	97.19	-2.81
Overall Index	100.00	100.00	103.54	3.54

* Preliminary estimate.

Source: Central Bureau of Statistics.

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

Groups/Sub-groups	Weight %	2007/08	2008/09	2009/10	Percentage Change	
					2008/09	2009/10
Overall Index	100.00	200.2	226.7	250.5	13.2	10.5
Food and Beverages	53.20	196.9	229.7	265.0	16.7	15.4
Grains and Cereal Products	18.00	200.7	229.5	253.6	14.3	10.5
Rice	(14.16)	197.2	231.1	256.4	17.2	10.9
Pulses	2.73	200.8	250.9	316.3	25.0	26.1
Vegetables and Fruits	7.89	181.7	204.8	245.6	12.7	19.9
Spices	1.85	189.2	212.4	270.4	12.3	27.3
Meat, Fish and Eggs	5.21	200.7	247.6	298.7	23.4	20.6
Milk and Milk Products	4.05	182.8	210.3	235.3	15.0	11.9
Oil and Ghee	3.07	190.1	221.1	210.9	16.3	-4.6
Sugar and Related Products	1.21	136.7	199.5	290.4	45.9	45.6
Beverages	2.28	192.5	216.9	248.5	12.7	14.6
Restaurant Meals 3.2.1 Fruits	6.91	225.7	267.4	312.2	18.5	16.8
Non-food and Services	46.80	204.0	223.4	233.9	9.5	4.7
Cloths and Clothing	8.92	152.2	163.9	175.8	7.7	7.3
Cloths	(2.28)	136.0	146.5	157.2	7.7	7.3
Clothing	(5.75)	151.8	162.3	172.0	6.9	6.0
Sewing Service	0.89	202.5	223.9	253.0	10.6	13.0
Footwear	2.20	151.9	163.2	174.3	7.4	6.8
Housing Goods and Services	14.87	230.4	253.8	263.2	10.2	3.7
House Furnishing and Household Goods	3.50	155.8	173.8	186.4	11.6	7.2
House Rent	4.19	172.7	182.2	192.9	5.5	5.9
Cleaning	1.26	172.1	201.5	206.2	17.1	2.3
Fuel, Light & Water	(5.92)	326.9	361.4	368.7	10.6	2.0
Transport and Communication	4.03	260.6	301.9	288.3	15.8	-4.5
Medical and Personal Care	8.03	190.0	199.9	206.0	5.2	3.1
Education, Reading Materials & Recreation	7.09	222.0	241.7	267.6	8.9	10.7
Tobacco & Related Products	1.66	185.9	214.6	240.6	15.4	12.1
Petroleum Product	2.71	499.5	555.7	548.8	11.3	-1.2
Non-petroleum Product	97.29	192.1	217.8	242.4	13.4	11.3
Urban Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	190.9	218.2	239.3	14.3	9.7
Food and Beverages	51.53	185.9	222.7	255.8	19.8	14.9
Non-food and Services	48.47	196.1	213.5	221.7	8.9	3.8
Domestic Goods	81.26	184.7	214.1	237.3	15.9	10.8
Imported Goods	18.74	217.4	236.2	248.0	8.6	5.0
Tradable Goods	68.86	189.4	218.6	239.2	15.4	9.4
Non-Tradable Goods	31.14	194.1	217.4	239.4	12.0	10.1
Government Control Goods	17.03	237.6	269.4	280.0	13.4	3.9
Non-government Control Goods	82.97	181.2	207.7	230.9	14.6	11.2
Petroleum Product	3.04	468.8	525.6	520.3	12.1	-1.0
Non-petroleum Product	96.96	182.1	208.6	230.4	14.6	10.5
Urban Consumer Price Index - Terai						
Overall Index	100.00	205.2	231.5	256.3	12.8	10.7
Food and Beverages	54.98	201.9	232.8	268.7	15.3	15.4
Non-food and Services	45.02	209.3	230.0	241.2	9.9	4.9
Petroleum Product	2.54	502.5	558.2	550.2	11.1	-1.4
Non-petroleum Product	97.46	197.5	223.0	248.7	12.9	11.5
Urban Consumer Price Index - Hills						
Overall Index	100.00	202.2	227.8	253.4	12.7	11.2
Food and Beverages	53.04	201.7	233.0	270.2	15.5	16.0
Non-food and Services	46.96	202.9	221.9	234.5	9.4	5.7
Petroleum Product	2.33	542.0	598.3	592.1	10.4	-1.0
Non-petroleum Product	97.67	194.1	218.9	245.3	12.8	12.1

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

Groups/Sub-groups	Weight %	2007/08	2008/09	2009/10	Percentage Change	
					2008/09	2009/10
Overall Index	100.00	159.7	180.1	202.8	12.8	12.6
Agricultural Commodities	49.59	159.1	181.3	222.7	14.0	22.8
Food Grains	16.58	148.9	161.5	189.3	8.5	17.2
Cash Crops	6.09	191.8	199.6	275.4	4.1	38.0
Pulses	3.77	186.1	226.6	278.6	21.8	22.9
Fruits and Vegetables	11.18	146.7	166.7	182.4	13.6	9.4
Spices	1.95	129.2	143.9	198.0	11.4	37.6
Livestock Production	10.02	165.9	209.6	274.5	26.3	31.0
Domestic Manufactured Commodities	20.37	148.7	164.9	179.0	10.9	8.6
Food Related Products	6.12	138.0	153.8	173.1	11.4	12.5
Beverages and Tobacco	5.68	143.3	160.0	181.5	11.7	13.4
Construction Materials	4.50	196.1	217.9	226.6	11.1	4.0
Other	4.07	120.2	129.9	131.8	8.1	1.5
Imported Goods	30.04	168.0	188.4	186.2	12.1	-1.2
Petroleum Products and Coal	5.40	298.9	330.0	314.2	10.4	-4.8
Chemical Fertilizers and Chemical Goods	2.46	194.6	209.9	189.1	7.9	-9.9
Transport Vehicles and Machinery Goods	6.97	138.1	165.4	163.0	19.8	-1.5
Electric and Electronic Goods	1.87	95.2	100.1	97.0	5.1	-3.1
Medicine	2.73	116.2	123.0	132.2	5.9	7.5
Textile Related Products	3.10	108.1	125.0	128.8	15.6	3.0
Others	7.51	154.6	173.0	180.1	11.9	4.1

Table 10
National Salary and Wage Rate Index
(2004/05 = 100)

	Group & Sub-group	Weight	2006/07	2007/08	2008/09	2009/10	Percentage Change	
							2008/09	2009/10
	Overall Index	100.00	114.1	125.2	144.4	169.2	15.3	17.2
1.	Salary Index	26.97	106.6	118.2	130.6	157.0	10.5	20.2
	Officer Level	9.80	105.8	116.6	129.2	150.2	6.8	16.3
	Assistant Level	17.17	107.1	116.6	131.4	160.9	12.7	22.5
1.1	Government Service	2.82	110.0	135.8	161.2	199.3	18.7	23.6
	Officer Level	0.31	110.0	137.3	148.1	171.5	7.9	15.8
	Assistant Level	2.51	110.0	135.6	162.7	202.7	20.0	24.6
1.2	Public Institutions	1.14	111.0	121.2	138.4	164.1	14.2	18.6
	Officer Level	0.19	113.8	132.1	140.2	161.0	6.1	14.8
	Assistant Level	0.95	110.5	119.0	138.1	164.7	16.1	19.3
1.3	Bank & Financial Institutions	0.55	113.1	170.5	186.0	204.1	9.1	9.7
	Officer Level	0.10	117.3	167.7	173.8	182.3	3.6	4.9
	Assistant Level	0.45	112.1	171.2	188.8	209.0	10.3	10.7
1.4	Army & Police Service	4.01	111.4	121.8	146.9	180.2	20.6	22.7
	Officer Level	0.17	109.9	127.5	137.5	152.2	7.8	10.7
	Assistant Level	3.84	111.5	121.5	147.3	181.5	21.2	23.2
1.5	Education	10.55	107.0	122.8	134.5	174.5	9.5	29.7
	Officer Level	6.80	106.5	125.7	136.4	164.5	8.5	20.6
	Assistant Level	3.75	108.0	117.6	131.2	192.8	11.6	47.0
1.6	Private organizations	7.90	101.3	99.8	101.2	102.5	1.4	1.3
	Officer Level	2.24	101.5	100.5	101.0	101.4	0.5	0.4
	Assistant Level	5.66	101.3	99.5	101.2	102.9	1.7	1.7
2.	Wage Rate Index	73.03	116.8	127.8	149.4	173.8	16.9	16.3
2.1	Agricultural Labor	39.49	117.6	126.7	155.9	187.3	23.0	20.1
	Male	20.49	116.3	125.1	155.6	190.3	24.4	22.3
	Female	19.00	119.0	128.6	156.3	184.0	21.5	17.7
2.2	Industrial Labor	25.25	118.1	131.8	142.8	158.3	8.3	10.9
	High Skilled	6.31	112.4	122.4	131.4	144.8	7.4	10.2
	Skilled	6.31	116.6	129.3	140.1	155.1	8.4	10.7
	Semi-skilled	6.31	119.9	133.5	145.6	161.5	9.1	10.9
	Unskilled	6.32	123.7	142.2	154.2	171.7	8.4	11.3
2.3	Construction Labor	8.29	109.1	120.2	138.6	156.6	15.3	13.0
	Massion	2.76	109.6	119.3	134.4	151.3	12.7	12.6
	Skilled	1.38	109.3	118.2	132.2	149.9	11.8	13.4
	Unskilled	1.38	109.8	120.4	136.6	152.8	13.5	11.9
	Carpenter	2.76	107.0	114.9	130.1	144.6	13.2	11.1
	Skilled	1.38	107.8	114.7	126.7	141.4	10.5	11.6
	Unskilled	1.38	106.2	115.1	133.4	147.7	15.9	10.7
	Worker	2.77	110.7	126.5	151.3	173.8	19.6	14.9
	Male	1.38	110.3	124.2	149.7	171.6	20.5	14.6
	Female	1.39	111.2	128.8	152.9	176.0	18.7	15.1

Table 11
Direction of Foreign Trade*

(Rs. in million)

	2007/08	2008/09	2009/10P	Percent Change	
				2008/09	2009/10
TOTAL EXPORTS	59267	67698	61127	14.2	-9.7
To India	38556	41006	40115	6.4	-2.2
To Other Countries	20711	26692	21012	28.9	-21.3
TOTAL IMPORTS	221938	284470	378796	28.2	33.2
From India	142377	162438	217960	14.1	34.2
From Other Countries	7956.1	12203.2	160835	53.4	31.8
TOTAL TRADE BALANCE	-162671	-216772	-317669	33.3	46.5
With India	-103821	-121432	-177846	17.0	46.5
With Other Countries	-58850	-95340	-139823	62.0	46.7
TOTAL FOREIGN TRADE	281204	352167	439922	25.2	24.9
With India	180932	203444	258075	12.4	26.9
With Other Countries	100272	148724	181847	48.3	22.3

1. Export/Import Ratio	26.7	23.8	16.1
India	27.1	25.2	18.4
Other Countries	26.0	21.9	13.1
2. Portion on Total Export			
India	65.1	60.6	65.6
Other Countries	34.9	39.4	34.4
3. Portion on Total Import			
India	64.2	57.1	57.5
Other Countries	35.8	42.9	42.5
4. Portion on Trade Balance			
India	63.8	56.0	56.0
Other Countries	36.2	44.0	44.0
5. Portion on Total Trade			
India	64.3	57.8	58.7
Other Countries	35.7	42.2	41.3
6. Portion of Export & Import on Total Trade			
Export	21.1	19.2	13.9
Import	78.9	80.8	86.1

* Based on customs data.

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Table 12
Exports of Major Commodities to India*

(Rs. in million)

		Fiscal Year			Percent Change	
		2007/08	2008/09	2009/10 ^P	2008/09	2009/10
	A. Major Commodities	32759	30455	28611	-7.0	-6.1
1	Aluminium Section	894	483	347	-46.0	-28.2
2	Batica Hair Oil	1	23	34	-	48.9
3	Biscuits	1	151	0	-	-100.0
4	Brans	265	152	91	-42.5	-40.5
5	Brooms	57	36	60	-37.0	66.8
6	Cardamom	1035	1216	1316	17.5	8.2
7	Catechue	544	1217	1682	123.9	38.2
8	Cattlefeed	177	351	141	98.1	-59.9
9	Chemicals	276	290	18	5.2	-93.9
10	Cinnamon	24	21	21	-12.3	-1.4
11	Copper Wire Rod	617	572	644	-7.4	12.6
12	Dried Ginger	54	68	91	25.9	34.0
13	Fruits	0	70	2	-	-97.4
14	G.I. pipe	243	1098	568	352.6	-48.3
15	Ghee (Vegetable)	2132	9	5	-99.6	-49.5
16	Ghee(Clarified)	102	106	108	4.7	1.0
17	Ginger	543	335	354	-38.3	5.6
18	Handicraft Goods	22	53	16	144.9	-70.8
19	Herbs	149	207	235	39.0	13.5
20	Juice	1836	1952	1750	6.3	-10.4
21	Jute Goods	2583	1283	2897	-50.3	125.9
	(a) Hessian	529	207	364	-60.8	75.7
	(b) Sackings	1220	459	2017	-62.4	339.5
	(c) Twines	834	617	516	-26.0	-16.3
22	Live Animals	52	24	37	-53.3	50.8
23	M.S. Pipe	980	571	695	-41.7	21.7
24	Marble Slab	148	175	34	18.8	-80.4
25	Medicine (Ayurvedic)	132	163	133	23.7	-18.5
26	Mustard & Linseed	35	77	11	119.9	-85.2
27	Noodles	533	803	576	50.7	-28.2
28	Oil Cakes	405	533	498	31.5	-6.6
29	Paper	120	93	43	-22.5	-54.0
30	Particle Board	158	146	91	-7.5	-37.8
31	Pashmina	44	66	61	49.8	-7.9
32	Plastic Utensils	303	513	182	69.7	-64.6
33	Polyster Yarn	2618	2500	3397	-4.5	35.9
34	Pulses	315	382	28	21.2	-92.8
35	Raw Jute	31	146	65	370.4	-55.9
36	Readymade garment	478	1715	334	258.7	-80.5
37	Ricebran Oil	197	143	112	-27.1	-21.9
38	Rosin	356	347	359	-2.5	3.5
39	Shoes and Sandles	349	750	568	115.2	-24.3
40	Skin	346	168	289	-51.6	72.4
41	Soap	424	591	404	39.3	-31.6
42	Stone and Sand	395	416	402	5.1	-3.4
43	Tarpentine	81	123	100	51.3	-19.2
44	Textiles **	2115	3194	3361	51.0	5.2
45	Thread	4135	2525	2772	-38.9	9.7
46	Tooth Paste	476	813	673	71.0	-17.2
47	Turmeric	1	1	2	-64.3	260.0
48	Vegetable	18	67	17	281.7	-75.0
49	Wire	1547	895	1200	-42.1	34.1
50	Zinc Oxide	0	0	0	-	-
51	Zinc sheet	4417	2822	1795	-36.1	-36.4
	B. Others	5797	10551	11504	82.0	9.0
	Total(A+B)	38556	41006	40115	6.4	-2.2

* Based on customs data.

** includes PP fabric.

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Table 13
Imports of Major Commodities from India*

(Rs. in million)

		Fiscal Year			Percent Change	
		2007/08	2008/09	2009/10 ^P	2008/09	2009/10
A.	Major Commodities	111833	127580	170304	14.1	33.5
1	Agri. Equip.& Parts	1484	2491	3354	67.9	34.7
2	Aluminium Ingot, Billet & Rod	655	654	1087	-0.1	66.2
3	Baby Food & Milk Products	445	860	709	93.2	-17.6
4	Bitumen	252	213	466	-15.6	118.7
5	Books and Magazines	440	562	734	27.9	30.5
6	Cement	2337	4227	4092	80.9	-3.2
7	Chemical Fertilizer	316	130	2951	-58.8	-
8	Chemicals	2720	2785	3115	2.4	11.9
9	Coal	910	1532	2115	68.4	38.0
10	Coldrolled Sheet Incoil	4006	6073	6803	51.6	12.0
11	Cooking Stoves	52	69	108	32.4	56.0
12	Cosmetics	569	873	1448	53.4	66.0
13	Cuminseeds and Peppers	230	314	301	36.4	-4.2
14	Dry Cell Battery	111	135	276	21.5	105.1
15	Electrical Equipment	3587	3943	6081	9.9	54.3
16	Enamel & Other Paints	350	535	763	53.0	42.7
17	Fruits	675	349	434	-48.2	24.1
18	Glass Sheet and G.Wares	1076	978	1192	-9.1	22.0
19	Hotrolled Sheet Incoil	3576	2852	4111	-20.3	44.2
20	Incense Sticks	322	121	116	-62.4	-4.0
21	Insecticides	510	301	552	-41.1	83.7
22	Live Animals	409	344	79	-15.8	-76.9
23	M.S. Billet	8145	7107	13721	-12.8	93.1
24	M.S. Wire Rod	2595	3701	6108	42.6	65.0
25	Medicine	5434	6558	7963	20.7	21.4
26	Molasses Sugar	74	68	20	-8.6	-70.3
27	Other Machinery & Parts	4682	7297	8402	55.8	15.1
28	Other Stationary Goods	262	254	414	-3.1	62.7
29	Paper	729	1139	1389	56.2	21.9
30	Petroleum Products	40816	41407	51558	1.4	24.5
31	Pipe and Pipe Fittings	1034	696	629	-32.7	-9.6
32	Plastic Utensils	157	140	129	-10.6	-8.1
33	Radio, TV, Deck & Parts	469	643	860	36.9	33.9
34	Raw Cotton	59	57	56	-2.2	-3.1
35	Readymade Garments	870	1178	1238	35.5	5.0
36	Rice	836	1134	1256	35.8	10.7
37	Salt	187	323	473	72.4	46.5
38	Sanitaryware	196	248	414	26.6	67.2
39	Shoes & Sandles	82	131	146	60.6	10.8
40	Steel Sheet	0	15	0	-	-100.0
41	Sugar	12	662	672	-	1.5
42	Tea	19	26	25	38.1	-5.0
43	Textiles	1664	2462	2404	48.0	-2.3
44	Thread	3056	2597	3023	-15.0	16.4
45	Tobacco	732	1062	1806	45.0	70.2
46	Tyre, Tubes & Flapes	455	622	877	36.9	40.8
47	Vegetables	1472	1291	1612	-12.3	24.8
48	Vehicles & Spare Parts	11875	16159	23774	36.1	47.1
49	Wire Products	892	264	453	-70.4	71.9
B.	Others	30543	34857	47656	14.1	36.7
	Total (A+B)	142377	162438	217960	14.1	34.2

* Based on customs data

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Table 14
Exports of Major Commodities to Other Countries*

(Rs. in million)

		Fiscal Year			Percent Change	
		2007/08	2008/09	2009/10 ^P	2008/09	2009/10
A.	Major Commodities	13144	20956	15594	59.4	-25.6
1	Handicraft (Metal and Wooden)	194	1078	1045	455.6	-3.1
2	Herbs	98	412	237	320.8	-42.5
3	Nepalese Paper & Paper Products	347	361	553	4.1	53.2
4	Nigerseed	1	1	0	-16.7	-100.0
5	Pashmina	643	1527	1268	137.3	-17.0
6	Pulses	1458	6247	3952	328.4	-36.7
7	Readymade Garments	4756	4905	3887	3.1	-20.7
8	Readymade Leather Goods	23	58	60	154.1	2.4
9	Silverware and Jewelleries	269	262	127	-2.6	-51.8
10	Tanned Skin	249	305	307	22.8	0.5
11	Tea	57	64	91	12.1	42.7
12	Woolen Carpet	5048	5736	4068	13.6	-29.1
B.	Others	7567	5736	5418	-24.2	-5.5
	Total (A+B)	20711	26692	21012	28.9	-21.3

* Based on customs data.

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Table 15
Imports of Major Commodities from Other Countries*

(Rs. in million)

		Fiscal Year			Percent Change	
		2007/08	2008/09	2009/10 ^P	2008/09	2009/10
	A. Major Commodities	61473	96745	125161	57.4	29.4
1	Aircraft Spareparts	1050	2020	2218	92.4	9.8
2	Bags	78	124	122	58.7	-2.1
3	Betelnut	1857	2923	3324	57.4	13.7
4	Button	14	4	4	-69.9	-2.4
5	Camera	97	1359	159	-	-88.3
6	Chemical Fertilizer	20	80	704	307.1	781.6
7	Cigarette Paper	34	32	39	-5.9	21.6
8	Clove	112	23	31	-80.0	39.1
9	Coconut Oil	9	100	17	-	-82.6
10	Computer and Parts	2270	3770	5291	66.1	40.4
11	Copper Wire Rod, Scrapes & Sheets	1941	1814	1776	-6.6	-2.1
12	Cosmetic Goods	457	2633	758	476.5	-71.2
13	Crude Coconut Oil	69	62	243	-10.1	294.0
14	Crude Palm Oil	5747	2949	2026	-48.7	-31.3
15	Crude Soyabean Oil	1600	3659	4338	128.7	18.6
16	Cuminseed	0	0	0	-	-
17	Door Locks	10	92	49	856.3	-46.3
18	Drycell Battery	433	151	30	-65.3	-80.1
19	Edible Oil	407	941	629	131.2	-33.2
20	Electrical Goods	3945	8242	6492	108.9	-21.2
21	Fastener	53	81	57	53.7	-29.1
22	Flash Light	14	22	42	56.5	94.4
23	G.I. Wire	6	61	118	920.0	92.8
24	Glasswares	213	166	261	-22.0	57.2
25	Gold	3751	16575	41636	341.9	151.2
26	Insecticides	37	123	59	233.4	-51.7
27	M.S. Billet	904	2946	609	225.8	-79.3
28	M.S. Wire Rod	170	280	312	65.3	11.2
29	Medical Equip. & Tools	1375	1828	1890	32.9	3.4
30	Medicine	1263	3117	3348	146.8	7.4
31	Office Equip. & Stationary	106	286	733	169.7	156.0
32	Other Machinery & Parts	3902	5972	7488	53.1	25.4
33	Other Stationaries	337	617	536	83.0	-13.2
34	P.V.C. Compound	868	1274	808	46.7	-36.6
35	Palm Oil	280	417	462	49.1	10.9
36	Parafin Wax	126	149	132	18.4	-11.1
37	Petroleum Products	523	956	1694	82.7	77.2
38	Pipe & Pipe Fittings	280	168	380	-40.1	126.5
39	Polythene Granules	3719	3617	5788	-2.8	60.0
40	Powder Milk	37	143	130	285.4	-9.2
41	Raw Silk	6	41	32	645.5	-22.4
42	Raw Wool	1395	356	791	-74.5	122.3
43	Readymade Garments	1778	4005	1105	125.2	-72.4
44	Shoes and Sandals	691	453	431	-34.5	-4.9
45	Silver	447	1175	3251	163.1	176.6
46	Small Cardamom	255	180	140	-29.4	-22.5
47	Steel Rod & Sheet	2	218	2094	-	858.8
48	Storage Battery	87	281	875	224.1	211.4
49	Synthetic & Natural Rubber	234	187	115	-20.2	-38.6
50	Synthetic Carpet	118	143	352	21.2	146.2
51	Telecommunication Equip. Parts	4979	4064	8433	-18.4	107.5
52	Tello	376	166	285	-55.9	71.8
53	Textile Dyes	1376	776	326	-43.6	-58.0
54	Textiles	1967	2927	1341	48.9	-54.2
55	Threads	1396	2173	2481	55.7	14.2
56	Toys	75	475	158	534.3	-66.7
57	Transport Equipment & Parts	4392	5502	4151	25.3	-24.6
58	Tyre, Tube & Flaps	52	261	348	405.8	33.2
59	Umbrella and Parts	127	146	145	14.9	-0.5
60	Video Television & Parts	1819	1819	1568	0.0	-13.8
61	Watches & Bands	121	232	156	91.3	-32.8
62	Writing & Printing Paper	1040	1020	1422	-1.9	39.4
63	X-Ray Film	172	90	127	-47.7	40.6
64	Zinc Ingot	458	284	304	-38.1	7.0
	B. Others	18088	25287	35674	39.8	41.1
	Total (A+B)	79561	122032	160835	53.4	31.8

* Based on customs data.

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Table 16
Summary of Balance of Payments

(Rs. in million)

Particulars	Annual			% Change	
	2007/08	2008/09	2009/10 ^P	2008/09	2009/10
A. Current Account	23679.6	41437.3	-32347.8	75.0	-178.1
Goods: Exports f.o.b.	61971.1	69906.8	63488.1	12.8	-9.2
Oil	0.0	0.0	0.0	-	-
Other	61971.1	69906.8	63488.1	12.8	-9.2
Goods: Imports f.o.b.	-217962.8	-279227.8	-370757.3	28.1	32.8
Oil	-40815.7	-41356.7	-51558.0	1.3	24.7
Other	-177147.1	-237871.1	-319199.3	34.3	34.2
Balance on Goods	-155991.7	-209321.0	-307269.2	34.2	46.8
Services: Net	-11092.0	-10478.0	-16843.7	-5.5	60.8
Services: credit	42236.1	52830.1	51120.5	25.1	-3.2
Travel	18653.1	27959.8	28138.6	49.9	0.6
Government n.i.e.	13301.8	12734.4	6635.6	-4.3	-47.9
Other	10281.2	12135.9	16346.3	18.0	34.7
Services: debit	-53328.1	-63308.1	-67964.2	18.7	7.4
Transportation	-22675.9	-22116.2	-23350.0	-2.5	5.6
Travel	-20862.0	-31396.3	-32288.2	50.5	2.8
O/W Education	-7373.0	-12126.0	-12342.6	64.5	1.8
Government services:debit	-635.7	-980.4	-1874.5	54.2	91.2
Other	-9154.5	-8815.2	-10451.5	-3.7	18.6
Balance on Goods and Services	-167083.7	-219799.0	-324112.9	31.6	47.5
Income: Net	7946.8	11749.5	9117.4	47.9	-22.4
Income: credit	13447.7	16506.6	14917.9	22.7	-9.6
Income: debit	-5500.9	-4757.1	-5800.5	-13.5	21.9
Balance on Goods, Services and Income	-159136.9	-208049.5	-314995.5	30.7	51.4
Transfers: Net	182816.5	249486.8	282647.7	36.5	13.3
Current transfers: credit	185462.9	257461.3	287770.6	38.8	11.8
Grants	20993.2	26796.2	26673.6	27.6	-0.5
Workers' remittances	142682.7	209698.5	231725.3	47.0	10.5
Pensions	18789.9	17755.4	25850.7	-5.5	45.6
Other (Indian Excise Refund)	2997.1	3211.2	3521.0	7.1	9.6
Current transfers: debit	-2646.4	-7974.5	-5122.9	201.3	-35.8
B. Capital Account (Capital Transfer)	7912.5	6231.0	12578.3	-21.3	101.9
Total, Groups A plus B	31592.1	47668.3	-19769.5	50.9	-141.5
C. Financial Account (Excluding Group E)	11032.6	21201.7	-3695.3	92.2	-117.4
Direct investment in Nepal	293.9	1829.2	2852.0	522.4	55.9
Portfolio Investment	0.0	0.0	0.0	-	-
Other investment: assets	-11396.1	-17675.1	-18253.9	55.1	3.3
Trade credits	853.2	-3024.2	-1009.0	-454.5	-66.6
Other	-12249.3	-14650.9	-17244.9	19.6	17.7
Other investment: liabilities	22134.8	37047.6	11706.6	67.4	-68.4
Trade credits	12483.6	19554.6	21968.9	56.6	12.3
Loans	3391.5	-2899.0	-3933.5	-185.5	35.7
General Government	3455.9	-2832.4	-3901.5	-182.0	37.7
Drawings	11325.5	7287.9	6841.6	-35.7	-6.1
Repayments	-7869.6	-10120.3	-10743.1	28.6	6.2
Other sectors	-64.4	-66.6	-32.0	3.4	-52.0
Currency and deposits	6259.7	20392.0	-6328.8	225.8	-131.0
Nepal Rastra Bank	-5.6	-3.4	44.9	-	-1420.6
Deposit money banks	6265.3	20395.4	-6373.7	225.5	-131.3
Other liabilities	0.0	0.0	0.0	-	-
Total, Group A through C	42624.7	68870.0	-23464.8	61.6	-134.1
D. Miscellaneous Items, Net	-6690.3	-3719.6	14516.9	-44.4	-490.3
Total, Group A through D	35934.4	65150.4	-8947.9	81.3	-113.7
E. Reserves and Related Items	-35934.4	-65150.4	8947.9	81.3	-113.7
Reserve assets	-37002.0	-65069.7	5649.1	75.9	-108.7
Nepal Rastra Bank	-29636.8	-45751.3	4398.2	54.4	-109.6
Deposit money banks	-7365.2	-19318.4	1250.9	162.3	-106.5
Use of Fund Credit and Loans	1067.6	-80.7	3298.8	-107.6	-
Changes in reserve net (- increase)	-29674.7	-44758.4	2619.1	50.8	-105.9

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Table 17
Gross Foreign Exchange Reserves

	Mid-July			Percent change	
	2008	2009	2010P	2009	2010
Rs. in million					
Nepal Rastra Bank	169684	224190	205371	32.1	-8.4
Convertible	142849	201756	165993	41.2	-17.7
Inconvertible	26835	22434	39379	-16.4	75.5
Commercial Bank	42940	62345	61198	45.2	-1.8
Convertible	38827	58750	55884	51.3	-4.9
Inconvertible	4113	3595	5314	-12.6	47.8
Total Reserve	212624	286535	266569	34.8	-7.0
Convertible	181676	260506	221877	43.4	-14.8
Inconvertible	30948	26029	44692	-15.9	71.7
US dollar in million					
Nepal Rastra Bank	2477	2872	2759	16.0	-4.0
Convertible	2085	2585	2230	24.0	-13.7
Inconvertible	392	287	529	-26.6	84.0
Commercial Bank	627	799	822	27.4	2.9
Convertible	567	753	751	32.8	-0.3
Inconvertible	60	46	71	-23.3	55.0
Total Reserve	3104	3671	3581	18.3	-2.5
Convertible	2652	3338	2981	25.8	-10.7
Inconvertible	452	333	600	-26.2	80.0

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Table 18
Government Budgetary Operation+
(On Cash Basis)
During the Fiscal Year

(Rs. in Million)

Heads	Amount			Percent Change	
	2007/08	2008/09	2009/10 ^P	2008/09	2009/10
Sanctioned Expenditure`	155758	218369	256259	40.2	17.4
Recurrent	89622	126294	147249	40.9	16.6
Capital	47372	67304	80398	42.1	19.5
<i>a.Domestic Resources & Loans</i>	<i>39844</i>	<i>56302</i>	<i>64539</i>	<i>41.3</i>	<i>14.6</i>
<i>b.Foreign Grants</i>	<i>7528</i>	<i>11002</i>	<i>15859</i>	<i>46.2</i>	<i>44.1</i>
Principal Repayment	16387	19180	18432	17.0	-3.9
Others (Freeze Account)	2378	5590	10179	135.1	82.1
Unspent Government Balance	5799	11676	7884	101.3	-32.5
Recurrent	1286	6725	2871	422.9	-57.3
Capital	4122	4574	5014	11.0	9.6
Principal Repayment	391	377	0	-3.6	-100.0
Actual Expenditure	149959	206692	248374	37.8	20.2
Recurrent	88336	119569	144378	35.4	20.7
Capital	43250	62730	75384	45.0	20.2
Principal Repayment	15996	18803	18432	17.6	-2.0
Others (Freeze Account)	2378	5590	10179	135.1	82.1
Resources excluding Local Authorities' Account	127483	172336	209291	35.2	21.4
Revenue	107623	143475	179946	33.3	25.4
Foreign Grants	17531	24401	24854	39.2	1.9
Non-Budgetary Receipts,net	1559	446	5496	-71.4	1132.7
Others #	-21	-58	81	174.4	-239.6
V. A. T.	46	287	-304	520.3	-205.7
Local Authorities' Account (LAA)	746	3786	-782	407.5	-120.7
Deficits(-) Surplus(+)	-22476	-34356	-39084	52.9	13.8
Sources of Financing	22476	34356	39084	52.9	13.8
Internal Loans	18604	30630	34816	64.6	13.7
Domestic Borrowings	20496	18417	29914	-10.1	62.4
<i>a.Treasury Bills</i>	<i>12500</i>	<i>9000</i>	<i>19930</i>	<i>-28.0</i>	<i>121.4</i>
<i>b.Development Bonds</i>	<i>6070</i>	<i>7750</i>	<i>9041</i>	<i>27.7</i>	<i>16.7</i>
<i>c.National Savings Certificates</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>-</i>
<i>d. Citizen Saving Certificates</i>	<i>1926</i>	<i>1667</i>	<i>943</i>	<i>-13.5</i>	<i>-43.4</i>
Overdrafts ⁺⁺	-824	12782	6164	-1651.4	-51.8
Others@	-1069	-570	-1262	-46.7	121.5
Foreign Loans	3872	3726	4267	-3.8	14.5

+ As per NRB records.

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

++ Minus (-) indicates surplus.

@ Interest from government treasury transactions and others.

P : Provisional.

Table 19
Outstanding Domestic Debt of the Government of Nepal

(Rs. in Million)

S. No.	Name of Bonds/Ownership	Amount			Amount Change		Percent change	
		2007/08	2008/09	2009/10 ^P	2008/09	2009/10	2008/09	2009/10
1	Treasury Bills	85033	86515	102044	1482	15529	1.7	17.9
	a. Banking Sector	82545	83603	98587	1058	14984	1.3	17.9
	<i>i. Nepal Rastra Bank</i>	17579	22549	30477	4970	7929	28.3	35.2
	<i>ii. Commercial Banks</i>	64966	61055	68110	-3911	7055	-6.0	11.6
	b. Non-Banking Sector	2488	2912	3457	424	545	17.0	18.7
2	Development Bonds	21735	29479	35519	7743	6041	35.6	20.5
	a. Banking Sector	7313	11039	15038	3726	3999	50.9	36.2
	<i>i. Nepal Rastra Bank</i>	296	302	309	6	7	1.9	2.3
	<i>ii. Commercial Banks</i>	7017	10737	14729	3720	3992	53.0	37.2
	b. Non-Banking Sector	14422	18440	20482	4017	2042	27.9	11.1
3	National Saving Certificates	1117	217	0	-900	-217	-80.6	-100.0
	a. Banking Sector	447	77	0	-370	-77	-82.8	-100.0
	<i>i. Nepal Rastra Bank</i>	447	77	0	-370	-77	-82.8	-100.0
	<i>ii. Commercial Banks</i>	0	0	0	0	0	-	-
	b. Non-Banking Sector	670	140	0	-530	-140	-79.1	-100.0
4	Citizen Saving Bonds	3014	4434	5127	1419	693	47.1	15.6
	a. Banking Sector	563	1155	2635	592	1480	105.3	128.1
	<i>i. Nepal Rastra Bank</i>	563	1155	2635	592	1480	105.3	128.1
	b. Non-Banking Sector	2452	3279	2492	827	-787	33.7	-24.0
	<i>(Of which Remittance)</i>	-	0	4	-	4	-	-
5	Special Bonds	339	230	170	-110	-60	-32.3	-26.1
	a. Banking Sector	158	158	158	0	0	0.0	0.0
	<i>i. Commercial Banks</i>	158	158	158	0	0	0.0	0.0
	b. Non-Banking Sector	182	72	12	-110	-60	-60.4	-83.2
	<i>(Of which duty drawback)</i>	182	72	12	-110	-60	-60.4	-83.3
6	Short Term Loan & Advances	-3946	8836	15000	12782	6164	-323.9	69.8
	Nepal Rastra Bank	-3946	8836	15000	12782	6164	-323.9	69.8
7	Grand Total	107293	129710	157860	22417	28150	20.9	21.7
	a. Banking Sector	87080	104868	131417	17788	26549	20.4	25.3
	<i>i NRB</i>	14939	32919	48421	17980	15503	120.4	47.1
	<i>ii. Commercial Banks</i>	72141	71949	82996	-191	11047	-0.3	15.4
	b. Non-Banking Sector	20213	24842	26442	4629	1601	22.9	6.4

P Provisional.

Table 20
Monetary Survey
(Mid- July)

(Rs. in million)

	2008	2009	2010 (e)	Amount Change		Percentage Change	
				2008/09	2009/10	2008/09	2009/10
1. Foreign Assets, net	171455.5	224562	214047.6	44758.1¹	-2619.1²	26.1	-1.2
1.1 Foreign Assets	213254.1	287090.5	272884.5	73836.4	-14206.1	34.6	-4.9
1.2 Foreign Currency Deposits	34229.1	54866	48229.8	20636.9	-6636.1	60.3	-12.1
1.3 Other Foreign Liabilities	7569.6	7662.5	10607	93	2944.5	1.2	38.4
2. Net Domestic Assets	323921.6	405084.4	507153.2	89511.21	94173.42	27.6	23.2
2.1 Domestic Credit	437269.8	555675.5	645482.2	118405.8	89806.7	27.1	16.2
(a) Net Claims on Govt*	87079.6	104867.7	131417.3	17788.1	26549.5	20.4	25.3
<i>Claims on Govt</i>	91026	104867.7	131417.3	13841.7	26549.5	15.2	25.3
<i>Govt Deposits</i>	3946.4	0	0	-3946.4	0	-100.0	-
(b) Claims on Non-Financial Govt Enterprises	5646.5	5092.4	5443.1	-554.1	350.8	-9.8	6.9
(c) Claims on Financial Enterprises	4709.5	7361.1	7971.3	2651.5	610.2	56.3	8.3
<i>Government</i>	1670.5	1376.1	2515.4	-294.4	1139.3	-17.6	82.8
<i>Non-Govt.</i>	3039.1	5985	5455.8	2945.9	-529.1	96.9	-8.8
(D) Claims on Private Sector	339834.2	438354.4	500650.6	98520.2	62296.2	29.0	14.2
2.2 Net Non-Monetary Liabilities	113348.2	150591.1	138329.1	28894.6¹	-4366.7²	25.5	-2.9
3. Broad Money Supply (M2)	495377.1	629646.4	721200.8	134269.3	91554.3	27.1	14.5
3.1 Money Supply (M1)	154344	196459.3	218429.4	42115.4	21970.1	27.3	11.2
Currency	100175.2	125758.5	142114.5	25583.3	16356.1	25.5	13.0
Demand Deposits	54168.7	70700.8	76314.8	16532.1	5614	30.5	7.9
3.2 Time Deposits	341033.2	433187	502771.3	92153.8	69584.3	27.0	16.1
4. Broad Money Liquidity (M3)	529606.2	684512.4	769430.6	154906.2	84918.2	29.2	12.4
5. Reserve Money	144591.6	195574.8	218547.1	50983.2	22972.3	35.3	11.7
6. Narrow Money Multiplier	10.67	10.05	9.99	0	0		
7. Broad Money Multiplier	34.26	32.19	33	0	0		

E Estimates.

1 Adjusting exchange valuation gain of Rs. 4348.4 million.

2 Adjusting exchange valuation loss of Rs. 7895.4 million.

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

(Rs. in million)

	2008	2009	2010 (e)	Amount Change		Percent Change	
				2008/09	2009/10	2008/09	2009/10
1. Total Deposits	421523.7	549802.3	618860.8	128278.5	69058.5	30.4	12.6
1.1 Demand Deposits	54124.4	69489.5	78614.8	15365.2	9125.3	28.4	13.1
(a) Domestic Deposits	46261.5	61749.3	67859.6	15487.8	6110.4	33.5	9.9
(b) Foreign Deposits	7862.9	7740.3	10755.2	-122.6	3014.9	-1.6	39.0
1.2 Saving Deposits	211406.4	259872.4	237492.6	48466	-22379.8	22.9	-8.6
(a) Domestic Deposits	203771	250300.9	232263.5	46530	-18037.5	22.8	-7.2
(b) Foreign Deposits	7635.5	9571.5	5229.1	1936	-4342.4	25.4	-45.4
1.3 Fixed Deposits	152364.3	215979.9	297614.3	63615.6	81634.4	41.8	37.8
(a) Domestic Deposits	133633.6	178425.7	265368.8	44792.1	86943.1	33.5	48.7
(b) Foreign Deposits	18730.7	37554.2	32245.5	18823.5	-5308.7	100.5	-14.1
1.4 Margin Deposits	3628.6	4460.4	5139	831.7	678.6	22.9	15.2
2. Borrowings from NRB	660.7	0	4783.3	-660.7	4783.3	-100.0	-
3. Foreign Liabilities	1912	1670.8	1933.3	-241.2	262.5	-12.6	15.7
4. Other Liabilities	124993.9	154563.1	145548	29569.3	-9015.2	23.7	-5.8
4.1 Paid-up Capital	31750.3	40738.3	46890.5	8988	6152.2	28.3	15.1
4.2 General Reserves	3529.9	13359.5	15373	9829.5	2013.6	278.5	15.1
4.3 Other Liabilities	89713.7	100465.4	83284.4	10751.7	-17181	12.0	-17.1
Assets=Liabilities	549090.2	706036.2	771125.3	156945.9	65089.1	28.6	9.2
5. Liquid Funds	79010.5	122658.6	128713.5	43648.1	6054.9	55.2	4.9
5.1 Cash in Hand	12651.9	15016.1	16863.7	2364.2	1847.6	18.7	12.3
5.2 Balance with NRB	23857.3	45848.7	51113.7	21991.4	5265	92.2	11.5
5.3 Foreign Currency in Hand	358.8	823.3	437.3	464.5	-385.9	129.4	-46.9
5.4 Balance Held Abroad	41100.6	59960.4	60019.2	18859.8	58.7	45.9	0.1
5.5 Cash in Transit	1042	1010.2	279.6	-31.8	-730.5	-3.1	-72.3
6. Loans and Advances	420242.6	520634.6	593559.9	100392	72925.3	23.9	14.0
6.1 Claims on Government	72100.2	71949.1	82995.8	-151.1	11046.7	-0.2	15.4
6.2 Claims on Non-financial Government Enterprises	5635.5	5080.9	5431.7	-554.5	350.8	-9.8	6.9
6.3 Claims on Financial Enterprises	4245.4	7130.6	7251.3	2885.2	120.7	68.0	1.7
Government	1238.4	1177.7	1811.5	-60.7	633.8	-4.9	53.8
Non-government	3007.1	5953	5439.8	2945.9	-513.1	98.0	-8.6
6.4 Claims on Private Sector	336781	434912.7	497139.8	98131.7	62227.2	29.1	14.3
(a) Principal	307272.1	406673.2	472284	99401.1	65610.8	32.3	16.1
(b) Interest Accrued	29508.9	28239.5	24855.9	-1269.4	-3383.6	-4.3	-12.0
6.5 Foreign Bills Purchased & Discounted	1480.5	1561.2	741.3	80.7	-819.9	5.5	-52.5
7. Other Assets	49837.1	62743	48851.9	12905.9	-13891.1	25.9	-22.1

e = Estimated.

Table 22
Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to Banks and Financial Institutions

(Rs. in million)

S.N.	Institutions	2008/09	2009/10
1.	Commercial Banks	0.0	2758.0
2.	Agriculture Development Bank	0.1	0.0
3.	Nepal Industrial Development Corporation	80.6	3.3
4.	Rural Development Banks	10.0	10.0
5.	Other Development Banks	7.0	590.0
	Total	97.7	3361.0

Table 23
Stock Market Indicators

S. N.	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
1.	No. of listed companies	135	135	142	159	176
2.	Paid-up capital of the listed companies (Rs. in million)	19958	21746	29465	61140	79786
3.	Total Market capitalization (Rs. in million)	96763	186301	366248	512939	376871
4.	Annual turnover (Rs. in million)	3452	8360	22873	21681	11851
5.	Market days	228	232	235	234	225
6.	No. of companies traded	110	135	146	170	198
7.	No. of transactions	97374	120510	150800	209091	213733
8.	No. of listed shares (in '000)	226540	243504	321131	637868	826046
9.	No. of shares traded (in '000)	12221.90	18144	28696.00	30547.00	26231.35
10.	Ratio of paid-up capital to GDP (%)	3.40	3.0	3.61	6.17	6.75
11.	Ratio of turnover to paid-up capital (%)	17.30	38.40	77.63	35.46	14.85
12.	Ratio of turnover to market capitalization (%)	3.56	4.49	6.25	4.23	3.15
13.	Ratio of market capitalization to GDP (%)	15.00	25.9	44.90	51.74	31.87
14.	NEPSE Index (closing)	386.80	683.95	963.36	749.10	477.73
15.	NEPSE Sensitive Index (Closing)		175.08	253.72	198.77	116.14
16.	NEPSE Float Index (Closing)				70.85	44.30

Source: Nepal Stock Exchange Ltd.

Table 24
Sources and Uses of Fund of Development Banks

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2008	2009+	2010+*	2008/09	2009/10
Sources					
Capital Funds	6524.2	10844.2	15211.6	66.2	40.3
Deposits	25751.4	48936.4	77448.8	90.0	58.3
Borrowings	2618.8	3956.7	4241.1	51.1	7.2
Others	5655.7	4993.8	9560.4	-11.7	91.4
P/L Account	-535.4	403.8	2261.9	-175.4	460.2
Sources=Uses	40014.7	69134.9	108723.8	72.8	57.3
Uses					
Liquid Funds	9928.8	15942.9	26278.2	60.6	64.8
Investment	3384.78	5044.4	6958.7	49.0	37.9
Loans and Advances	23699.8	43077.8	65680.6	81.8	52.5
Others	2184.17	4101.9	9604.1	87.8	134.1
P/L Account	817.2	967.9	202.2	18.4	-79.1

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

+ Unaudited.

Source: Bank and Financial Institution Regulation Department.

Table 25
Sources and Uses of Fund of Finance Companies

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2008	2009	2010*	2008/09	2009/10
Sources					
Capital Funds	8417.4	10540.9	20369.4	25.2	93.2
Deposits	42819.4	57073.4	79535.9	33.3	39.4
Borrowings	3940.6	5193.7	3273.1	31.8	-37.0
Others	9857.4	11671.3	9307.4	18.4	-20.3
P/L Account	0.0	2950.5	2976.6		
Sources=Uses	65035.0	87430.0	115462.0	34.4	32.1
Uses					
Liquid Funds	12985.5	16406.5	21664.5	26.3	32.0
Investment	4490.3	3265.4	4423.6	-27.3	35.5
Loans and Advances	43370.6	60078.1	79810.2	38.5	32.8
Others	4188.4	7018.9	9350.6	67.6	33.2
P/L Account	0.0	661.1	213.5		

* Unaudited.

Source: Bank and Financial Institution Regulation Department.

Table 26
Sources and Uses of Fund of Micro Finance Institutions

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2008	2009	2010*	2008/09	2009/10
Sources					
Capital Funds	1626.5	1939.8	2067.2	19.3	6.6
Deposits	1540.0	2000.6	2411.5	29.9	20.5
Borrowings	8400.6	8973.0	9901.3	6.8	10.3
Others	1012.9	2332.3	3034.5	130.3	30.1
P/L Account	0.0	193.1	267.1		38.3
Sources=Uses	12580.0	15438.8	17681.6	22.7	14.5
Uses					
Liquid Funds	1163.1	2854.9	2137.2	145.5	-25.1
Investment	3504.0	2068.3	2114.2	-41.0	2.2
Loans and Advances	7078.2	8222.7	10454.6	16.2	27.1
Others	680.7	2013.5	2804.2	195.8	39.3
P/L Account	156.7	279.4	171.4	78.3	-38.7

* Unaudited.

Source: Bank and Financial Institution Regulation Department.

Table 27
Sources and Uses of Fund of NRB Licensed Co-operatives

(Rs. in million)

Particulars	Mid-July			Percentage Change	
	2008	2009	2010*	2008/09	2009/10
Sources					
Capital Funds	395.7	476.3	630.8	20.4	32.4
Deposits	2913.7	3904.1	4693.7	34.0	20.2
Borrowings	206.1	278.3	227.3	35.0	-18.3
Others	669.1	1083.8	1276.2	62.0	17.8
P/L Account	57.3	92.2	147.2	60.9	59.7
Sources=Uses	4241.9	5834.7	6975.2	37.5	19.5
Uses					
Liquid Funds	685.5	908.7	951.8	32.6	4.7
Investment	223.0	242.9	260.4	8.9	7.2
Loans and Advances	2621.4	3637.4	4340.8	38.8	19.3
Others	712.0	1045.7	1350.6	46.9	29.2
P/L Account			71.6		

* Unaudited.

Table 28
Sources and Uses of Fund of Insurance Companies

(Rs. in million)

Particulars	Mid-July			2008/09		2009/10	
	2008	2009	2010*	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paidup Capital	2917.7	2917.7	3450.0	0.0	0.0	532.3	18.2
Reserve Funds	24041.2	28809.1	37310.0	4767.9	19.8	8500.9	29.5
Other Liabilities	4630.5	5287.5	6700.0	657.0	14.2	1412.5	26.7
Total Sources	31589.4	37014.3	47460.0	5425.0	17.2	10446.0	28.2
Uses							
Bank and Cash Balances	1457.4	1737.4	1620.0	280.0	19.2	-117.4	-6.8
Investment	25864.1	31029.8	40200.0	5165.7	20.0	9170.2	29.6
Fixed Assets	819.2	1088.5	2410.0	269.3	32.9	1321.5	121.4
Other Assets	3448.7	3158.6	3230.0	-290.1	-8.4	71.4	2.3
Total Uses	31589.4	37014.3	47460.0	5425.0	17.2	10446.0	28.2

* Unaudited.

Source: Insurance Board Nepal.

Table 29
Sources and Uses of Fund of Employees Provident Fund

(Rs. in million)

Particulars	Mid-July			2008/09		2009/10	
	2008	2009	2010*	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Provident Fund	62793.9	72649.8	86374.7	9855.9	15.7	13724.9	18.9
Reserve Fund	3715.4	4524.6	3485.6	809.2	21.8	-1039.0	-23.0
Other Liabilities	1824.8	1945.2	1942.0	120.4	6.6	-3.2	-0.2
Total Sources	68334.1	79119.6	91802.3	10785.5	15.8	12682.7	16.0
Uses							
Bank & Cash Balance	1863.4	3124.5	3455.6	1261.1	67.7	331.1	10.6
Investment	30360.0	33349.3	38440.8	2989.3	9.8	5091.5	15.3
<i>Fixed Deposits</i>	24144.0	25450.0	30380.0	1306.0	5.4	4930.0	19.4
<i>GON Borrowings</i>	4965.4	6621.3	6689.1	1655.9	33.3	67.8	1.0
<i>Housing Plan</i>	3.1	1.9	1.0	-1.2	-38.7	-0.9	-47.4
<i>Share Investment</i>	869.5	905.7	1000.3	36.2	4.2	94.6	10.4
<i>Other Investment</i>	378.0	370.4	370.4	-7.6	-2.0	0.0	0.0
Loans and Advances	33132.4	39404.8	46903.8	6272.4	18.9	7499.0	19.0
<i>Project Loan</i>	3345.6	3500.5	3590.3	154.9	4.6	89.8	2.6
<i>Depositor Loan</i>	29786.8	35904.3	43313.5	6117.5	20.5	7409.2	20.6
Fixed Assets	442.3	453.6	511.7	11.3	2.6	58.1	12.8
Other Assets	2536.0	2787.4	2490.4	251.4	9.9	-297.0	-10.7
Total Uses	68334.1	79119.6	91802.3	10785.5	15.8	12682.7	16.0

* Unaudited.

Source: Employees' Provident Fund.

Table 30
Sources and Uses of Fund of Citizen Investment Trust

(Rs. in million)

Particulars	Mid-July			2008/09		2009/10	
	2008	2009	2010*	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	60.0	80.0	100.0	20.0	33.3	20.0	25.0
Deposit	130.4	288.8	562.4	158.4	121.5	273.6	94.7
Borrowings	12885.6	14166.8	20141.6	1281.2	9.9	5974.8	42.2
Other Liabilities	2612.4	10843.8	1843.8	8231.4	315.1	-9000.0	-83.0
Sources=Uses	15688.4	25379.4	22647.8	9691.0	61.8	-2731.6	-10.8
Uses							
Liquid Assets	729.6	9776.9	800.0	9047.3	1240.0	-8976.9	-91.8
Investments	11831.7	12194.9	16904.9	363.2	3.1	4710.0	38.6
Loans and Advances	1912.7	2686.1	3541.0	773.4	40.4	854.9	31.8
Other Assets	1214.4	721.5	1401.9	-492.9	-40.6	680.4	94.3
Total Uses	15688.4	25379.4	22647.8	9691.0	61.8	-2731.6	-10.8

* Unaudited.

Source: Citizen Investment Trust.

Table 31
Structure of Nepalese Financial System

(Rs. in million)

Particulars	2008/09			2009/10		
	Total assets/ Liabilities (Unaudited)	Percentage share in total	Ratio of total assets to nominal GDP (%)	Total assets/ Liabilities (Unaudited)	Percentage share in total	Ratio of total assets to nominal GDP (%)
Financial institutions	1270308.2	89.8	128.1	1327361.3	88.9	112.2
Nepal Rastra Bank	282328.4	19.9	28.5	296625.6	19.9	25.1
Commercial banks	812165.9	57.4	81.9	787300.9	52.7	66.6
Finance companies	87430.0	6.2	8.8	115462.0	7.7	9.8
Development Banks	69134.9	4.9	7.0	108723.8	7.3	9.2
Cooperatives	4965.1	0.4	0.5	4965.1	0.3	0.4
Micro credit financial institutions*	14283.9	1.0	1.4	14283.9	1.0	1.2
Micro credit non-governmental Organizations	2382.6	0.2	0.2	2382.6	0.2	0.2
Contractual Savings institutions	141513.4	10.0	14.3	162210.1	10.9	13.7
Employees Provident Fund	79119.6	5.6	8.0	91802.3	6.1	7.8
Citizen Investment Trust	25379.5	1.8	2.6	22647.8	1.5	1.9
Insurance companies	37014.3	2.6	3.7	47760.0	3.2	4.0
Postal Saving Bank	1025.0	0.1	0.1	1086.0	0.1	0.1
Total	1415229.0	100.0	142.8	1493040.0	100.0	126.2
Nominal GDP (Rs Million)	991316.1			1182680.1		
Market capitalization of Stock Exchange (Rs million)	512939.0			376871.4		
Ratio of stock Market capitalization to GDP (%)	51.7			31.9		

* Based on data of July 2010.

Appendix 1.1

List of Licensed Banks and Non-bank Financial Institutions

(Mid-July 2010)

1. Class A : Commercial Banks

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1.	Nepal Bank Limited	1937/11/15	Kathmandu	380.4
2.	Rastriya Banijya Bank Limited	1966/01/23	Kathmandu	1172.3
3.	Agricultural Development Bank Ltd.	1968/01/02	Kathmandu	9437.5
4.	NABIL Bank Limited	1984/07/16	Kathmandu	1449.1
5.	Nepal Investment Bank Limited	1986/02/27	Kathmandu	2409.1
6.	Standard Chartered Bank Nepal Limited.	1987/01/30	Kathmandu	1398.5
7.	Himalayan Bank Limited	1993/01/18	Kathmandu	1600.0
8.	Nepal SBI Bank Limited	1993/07/07	Kathmandu	1653.6
9.	Nepal Bangladesh Bank Limited	05/06/1994	Kathmandu	1860.3
10.	Everest Bank Limited	1994/10/18	Kathmandu	1030.5
11.	Bank of Kathmandu Limited	1995/03/12	Kathmandu	1182.2
12.	Nepal Credit and Commerce Bank Limited	1996/10/14	Siddharthanagar	1399.7
13.	Lumbini Bank Limited	1998/07/17	Narayangadh, Chitwan	1294.5
14.	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar, Morang	1311.5
15.	Machhapuchhre Bank Limited	2000/10/03	Pokhara, Kaski	1479.1
16.	Kumari Bank Limited	2001/04/03	Kathmandu	1306.0
17.	Laxmi Bank Limited	2002/04/03	Birgunj, Parsa	1613.5
18.	Siddhartha Bank Limited	2002/12/24	Kathmandu	1310.4
19.	Global Bank Ltd.	2007/01/02	Birgunj, Parsa	1473.4
20.	Citizens Bank International Ltd.	2007/06/21	Kathmandu	1207.0
21.	Prime Commercial Bank Ltd	2007/09/24	Kathmandu	1263.7
22.	Sunrise Bank Ltd.	2007/10/12	Kathmandu	1250.0
23.	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu	1500.0
24.	Development Credit Bank Ltd.	2001/01/23	Kamaladi, Kathmandu	1746.3
25.	NMB Bank Ltd.	1996/11/26	Babarmahal, Ktm.	1501.5
26.	KIST Bank Ltd.	2003/02/21	Kamalpokhari, Ktm.	2000.0
27.	Janata Bank Nepal Ltd.	2003/01/20	New Baneshwor, Ktm.	1400.0

2. Class B : Development Banks

(Rs. in Million)

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Industrial Development Corporation	1959/06/15	Durbar Marg, Ktm.	415.8
2	Nepal Development Bank Ltd.	1999/01/31	Kamaladi, Kathmandu	320.0
3	Uddyam Development Bank Ltd.	1999/02/22	Tandi, Chitawan	50.0
4	Malika Development Bank Ltd.	1998/12/27	Dhangadhi, Kailali	204.8
5	Siddhartha Development Bank Ltd.	1998/08/20	Butawal-11, Rupandehi	645.0
6	United Development Bank Ltd.	2002/03/16	Jeetpur, Bara	80.2
7	Manakamana Development Bank Ltd.	2001/06/19	Durbarmarga, Ktm.	1000.0
8	Narayani Development Bank Ltd.	2001/10/17	Ratna Nagar, Chitwan	43.7
9	Pashimanchal Development Bank Ltd.	2003/03/02	Butawal-8, Rupandehi	324.1
10	Sahayogi Bikas Bank Ltd.	2003/10/21	Janakpurdham	45.0
11	Pashupati Development Bank Ltd.	2004/01/01	Banepa, Kavre	200.0
12	Karnali Bikash Bank Ltd.	2004/02/14	Nepalgunj, Banke	40.8
13	Triveni Development Bank Limited	2004/07/26	Bharatpur, Chitwan	115.0
14	Annapurna Development Bank Limited	2004/08/23	Banepa, Kavre	672.0
15	Bhrikuti Bikas Bank Limited	2004/08/19	Butawal, Rupandehi	232.6
16	Shubhechcha Bikas Bank Limited	2004/09/14	Narayangadh, Chitawan	48.0

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
17	Bageshowri Bikas Bank Limited	2004/10/19	Nepalgunj, Banke	49.5
18	Sanima Bikas Bank Limited	2004/11/26	Nagpokhari, Kathmandu	806.4
19	Gaurishankar Bikas Bittiya Sanstha Ltd.	2004/11/29	Kawasoti, Nawalparasi	200.0
20	Gorkha Bikas Bank Limited	2004/12/01	Putalisadak, Kathmandu	660.8
21	Gandaki Bikas Bank Ltd.	2005/01/19	Pokhara, Kaski	100.0
22	Infrastructure Development Bank Ltd.	2005/04/29	Banepa, Kavre	320.0
23	Business Development Bank Ltd.	2005/05/10	Pokhara, Kaski	210.0
24	Biratlaxmi Bikas Bank Limited	2005/05/11	Biratnagar, Morang	60.5
25	Excel Development Bank Ltd.	2005/07/21	Anarmani, Jhapa	80.0
26	Western Development Bank Ltd.	2005/09/15	Tribhuvannagar, Dang	50.0
27	Himchuli Bikas Bank Limited	2005/11/07	Pokhara, Kaski	438.5
28	Amiko Development Bank Ltd.	2006/07/06	Dhulekhel, Kavre	102.0
29	Nepal Development and Employment Promotion Bank Ltd.	2006/07/17	Kamaladi, Kathmandu	512.0
30	Clean Energy Development Bank Ltd.	2006/09/06	Sitapaila, Kathmandu	320.0
31	Mitery Development Bank Ltd.	2006/10/13	Mahendrapath, Dharan	48.4
32	Tinau Bikas Bank Ltd.	2006/10/13	Sangampath, Butwol	62.6
33	Rising Development Bank Ltd.	2006/12/18	Navalparasi, Gairidkot	54.2
34	Muktinath Bikas Bank Ltd.	2006/12/18	Pokhara, Kaski	65.0
35	Sewa Bikas Bank Ltd.	2007/2/25	Butawal, Rupandehi	100.0
36	Kankai Bikas Bank Ltd.	2007/05/04	Damak, Jhapa	28.0
37	Public Development Bank Ltd.	2007/06/07	Birjunj, Parsa	150.0
38	Mahakali Bikas Bank Ltd.	2007/08/18	Mahendranagar	20.0
39	Ace Development Bank Ltd.	2007/08/15	Narayanchaur, Ktm.	750.5
40	Sangrila Bikas Bank Ltd.	2007/08/26	Pokhara, Kaski	132.5
41	Bhargab Bikas Bank Ltd.	2007/08/30	Nepalgunj, Banke	30.0
42	Vibor Bikas Bank Ltd.	2007/10/04	Tripureshwor, Ktm.	680.0
43	Resunga Bikas Bank Ltd.	2007/09/26	Tamghas, Gulmi	30.6
44	Rara Bikas Bank Ltd.	2007/09/30	Birendranagar, Surkhet	23.3
45	Diyalo Bikas Bank Ltd.	2007/10/01	Banepa, Kavre	100.0
46	Country Development Bank Ltd.	2007/10/04	Banepa, Kavre	224.0
47	Kasthamandap Development Bank Ltd.	2007/10/25	New Road, Kathmandu	320.0
48	Alpine Development Bank Ltd.	2007/10/05	Hetauda, Makawanpur	100.0
49	Nilgiri Bikas Bank Ltd.	2007/10/25	Beni, Maygdi	50.0
50	Corporate Development Bank Ltd.	2007/10/25	Birjung, Parsa	140.0
51	Kamana Bikas Bank Ltd.	2007/09/29	Lekhnath, Kaski	65.0
52	City Development Bank Ltd.	2007/10/19	Pokhara, Kaski	200.0
53	Garima Bikas Bank Ltd.	2007/11/23	Sangja	106.0
54	Biswo Bikas Bank Ltd.	2007/11/21	Pokhara, Kaski	146.4
55	Pathibhara Bikas Bank	2007/11/21	Urlabari, Morang	50.0
56	Professional Bikas Bank Ltd.	2007/10/17	Banepa, Kavre	70.0
57	Kabeli Bikas Bank Ltd.	2007/11/15	Dhankuta	12.0
58	Purnima Bikas Bank Ltd.	2008/05/20	Sidhardhanagar	70.0
59	Jyoti Development Bank Ltd.	2008/08/25	Kamalpokhari, Ktm.	448.0
60	Shine Development Bank Ltd.	2009/02/22	Butawal, Rupandehi	60.0
61	Bagmati Development Bank Ltd.	2009/03/23	Hariwon, Sarlahi	14.0
62	Hamro Bikas Bank Ltd.	2009/04/19	Nuwokot	21.0
63	Kakre Bihar Bikas Bank Ltd.	2009/05/15	Surkhet	12.0
64	Pacific Development Bank Ltd.		Besisahar, Lamjung	19.5
65	Sivik Development Bank Ltd.		Dhading Beshi, Dhading	14.0
66	International Development Bank Ltd.		Teku, Ktm.	448.0
67	Kanchan Development Bank Ltd.		Mahendranagar, Kanchanpur	70.0
68	Gulmi Development Bank Ltd.		Tamghas, Gulmi	14.0
69	Bright Development Bank Ltd.		Panauti, Kabhre	98.0
70	Matribhumi Bikas Bank Ltd.		Sindhulimadhi, Sindhuli	15.4

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
71.	Innovative Development Bank Ltd.		Siddharthanagar, Rupandehi	66.4
72.	Jhimruk Bikas Bank Ltd.		Bagdula, Pyuthan	12.0
73.	Metro Development Bank Ltd.		Pokhara, Kaski	70.0
74.	Rapti–Bheri Bikas Bank Ltd.		Nepalgunk, Banke	60.0
75.	Gaumukhi Bikas Bank Ltd.		Bijuwar, Pyuthan	14.0
76.	Nepal Consumer Development Bank Ltd.		Pokhara, Kaski	140.0
77.	Khandbari Development Bank Ltd.		Khandbari, Sankhuwasabha	17.5
78.	Tourism Development Bank Ltd.		Thamel, Ktm.	400.0
79.	Mission Development Bank Ltd.		Butwal, Rupandehi	70.0

3. Class C : Finance Companies

(Rs. in Million)

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Nepal Housing Development Finance Co.Ltd.	1992/03/08	Naya Baneshwor, Ktm.	167.6
2	Nepal Finance Co.Ltd.	1993/01/06	Kamaladi, Kathmandu	87.7
3	NIDC Capital Markets Ltd.	1993/03/11	Kamaladi, Kathmandu	171.0
4	Annapurna Finance Co.Ltd.	1993/09/30	Chipledhunga, Pokhara	704.3
5	Nepal Share Markets and Finance Ltd.	1993/10/19	Ramshahapath, Ktm.	2034.3
6	People's Finance Ltd.	1993/04/15	Tripureshwor, Ktm.	289.0
7	Mercentile Finance Co. Ltd.	1994/11/10	Birgunj, Parsa	18.0
8	Kathmandu Finance Ltd.	1994/11/10	Putalisadak, Kathmandu	91.1
9	Himalaya Finance Co.Ltd.	1993/11/11	Sundhara, Kathmandu	48.0
10	Union Finance Ltd.	12/12/1995	Ganeshwor, Kathmandu	159.9
11	Gorkha Finance Ltd.	1995/03/12	Hattisar, Kathmandu	60.0
12	Paschhimanchal Finance Co.Ltd.	1995/04/09	Butawal, Rupandehi	148.8
13	Nepal Housing & Merchant Finance Co.Ltd.	1995/04/11	Dillibazar, Kathmandu	220.1
14	Universal Finance Co.Ltd.	1995/04/27	Kantipath, Kathmandu	144.5
15	Samjhana Finance Co. Ltd.	1995/05/03	Banepa, Kavre	72.7
16	Goodwill Finance Ltd.	1995/05/16	Dillibazar, Kathmandu	294.7
17	Siddhartha Finance Co. Ltd.	1995/05/25	Siddharthanagar	104.5
18	Shree Investment & Finance Co. Ltd.	1995/06/01	Dillibazar, Kathmandu	120.9
19	Lumbini Finance & Leasing Co. Ltd.	1995/06/26	Thamel, Kathmandu	206.2
20	Inbesta Finance Ltd.	1995/07/17	Birgunj, Parsa	24.0
21	Yeti Finance Co. Ltd.	1995/07/23	Hetauda, Makawanpur	143.7
22	Standard Finance Ltd.	1995/07/23	Pautalisadak, Ktm.	1001.9
23	International Leasing & Finance Co. Ltd.	1995/10/31	Naya Baneshwor, Ktm.	2008.8
24	Mahalaxmi Finance Co. Ltd.	1995/11/26	Birgunj, Parsa	420.0
25	Lalitpur Finance Co. Ltd.	1995/12/12	Lalitpur	170.9
26	Bhajuratna Finance & Saving Co. Ltd.	1996/01/09	Kantipath, Kathmandu	38.5
27	United Finance Ltd.	1996/01/25	Kamaladi, Kathmandu	348.8
28	General Finance Ltd.	1996/02/02	Chabahil, Kathmandu	59.5
29	Nepal Shreelanka Merchant Bank Ltd.	1996/02/04	Kamaladi, Kathmandu	300.0
30	Merchant Finance Co. Ltd.	1996/01/02	Kathmandu	30.0
31	Alpic Everest Finance Ltd.	1996/07/16	Baghbazar, Kathmandu	93.7
32	Nava Durga Finance Co.Ltd.	1997/02/09	Itachhe, Bhaktapur	115.0
33	Janaki Finance Ltd.	1997/03/07	Janakpurdham	65.0
34	Pokhara Finance Ltd.	1997/03/16	Pokhara, Kaski	312.0
35	Central Finance Co. Ltd.	1997/04/14	Kupondole, Lalitpur	146.2
36	Premier Finance Co. Ltd.	1997/05/08	Manbhan, Lalitpur	104.8
37	Arun Finance & Saving Co. Ltd.	1997/08/17	Dharan, Sunsari	75.0
38	Multipurpose Finance Co. Ltd	1998/03/25	RajbiRaj, Saptari	15.0

S. No	Names	Operation Date (A.D.)	Head Office	Paid up Capital
39	Butwal Finance Co. Ltd.	1998/06/21	Butawal, Rupendehi	82.7
40	Shrijana Finance Ltd.	1999/12/14	RajbiRaj, Saptari	28.0
41	Om Finance Ltd.	2000/09/17	Pokhara, Kaski	105.0
42	Cosmic Merchant Banking & Finance Ltd.	2000/11/20	Lal Durbar Marg, Ktm.	144.9
43	World Merchant Banking & Finance Ltd.	2001/08/10	Hetauda, Makawanpur	182.0
44	Capital Merchant Banking & Finance Ltd.	2002/02/01	Battisputali, Kathmandu	374.0
45	Crystal Finance Ltd.	2002/02/13	Bag Durbar, Kathmandu	70.0
46	Royal Merchant Banking & Finance Ltd.	2002/02/14	Durbarmarg, Ktm.	169.0
47	Guheshworil Merchant Banking & Finance Ltd.	2002/06/13	Jawalakel, Lalitpur	120.8
48	Patan Finance Ltd.	06/23/2002	Man Bhawan, Lalitpur	100.0
49	Fewa Finance Ltd.	2003/04/30	Pokhara, Kaski	273.0
50	Everest Finance Co. Ltd.	2003/07/02	Bhairahawa, Rupendehi	40.0
51	Birgunj Finance Ltd.	09/28/2003	Birgunj, Parsa	420.0
52	Prudential Bittiya Sanstha Ltd	2003/06/06	Dillibazar, Kathmandu	293.1
53	ICFC Bittiya Shanstha Ltd.	2003/06/15	Bhatbhateni, Kathmandu	329.4
54	IME Financial Institution Ltd.	2005/08/01	Panipokhari, Kathmandu	299.9
55	Sagarmatha Merchant Banking and Finance Co. Ltd	2005/08/29	Maanvawan, Lalitpur	125.0
56	Shikhar Bittiya Sanstha Ltd.	2005/09/15	Thapathali, Kathmandu	50.0
57	Civil Merchant Bittiya sanstha Ltd.	2005/09/18	Kuleshwor, Kathmandu	100.0
58	Prabhu Finance Co. Ltd.	2006/02/16	Lainchur, Kathmandu	240.0
59	Imperial Finance Ltd.	2006/03/08	Thapathali, Kathmandu	89.9
60	Kuber Merchant Bittiya sanstha Ltd.	2006/03/24	Putalisadak, Kathmandu	150.0
61	Nepal Express Finance Ltd.	2006/05/04	Sundhara, Kathmandu	104.0
62	Valley Finance Ltd.	2006/05/11	Maharajganj, Ktm.	89.6
63	Seti Bittiya sanstha Ltd.	2006/06/07	Tikapur, Kailali	20.4
64	Hama Merchant & Finance Ltd.	2006/06/16	Tripureshwor, Ktm.	63.0
65	Reliable Finance Ltd.	2006/09/06	Sundhara, Kathmandu	99.0
66	Lord Buddha Financial Institutions Ltd.	2006/11/19	Newroad, Kathmandu	112.5
67	Api Finance Ltd.	2007/04/25	Lekhanath Chock, Kaski	60.0
68	Namaste Bittiya Sanstha Limited.	2007/07/07	Ghorai, Dang	14.2
69	Kaski Finance Limited	2007/07/30	Pokhara, Kaski	150.0
70	Suryadarshan Finance Co. Ltd.	2007/07/30	New Baneshor, Kathmandu	100.0
71	Zenith Finance Ltd.	2007/10/08	Newroad, Kathmandu	71.4
72	Unique Financial Institution Ltd.	2007/10/12	Putalisadak, Kathmandu	100.0
73	Manjushree Financial Institution Ltd.	2007/10/15	New Baneshor, Ktm.	70.0
74	Swastik Merchant Finance Company Ltd.	2007/10/16	Kichapokhari, Ktm.	70.0
75	Subhalaxmi Finance Ltd.	2007/11/11	Naxal, Kathmandu	20.0
76	Jebil's Finance Ltd.	2009/10/28	New Road, Ktm.	102.0
77	Narayani Natioual Finance Ltd.	2009/11/1	Kalikasthan, Ktm.	435.2
78	Reliance Finance Ltd.	2009/12/3	Pradarshanimarga, Ktm.	140.0
79	Lotus Investment Finance Ltd.	2010/4/11	New Road, Ktm.	120.0

4. Class D : Micro-finance Development Banks

(Rs. in Million)

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1.	Purbanchal Grameen Bikas Bank	1993/03/28	Biratnagar, Morang	60.0
2.	Sudur Pashimanchal Grameen Bikas Bank	1993/03/28	Dhangadhi, Kailali	58.5
3.	Pashimanchal Grameen Bikas Bank	1995/04/01	Butawal-8, Rupendehi	66.0
4.	Madhya Pashimanchal Grameen Bikas Bank	1995/04/01	Nepalgunj, Banke	60.5
5.	Madhymanchal Grameen Bikas Bank	1996/07/08	Janakpur, Dhanusha	60.0
6.	Nirdhan Utthan Bank Ltd.	1999/04/13	Bhairahawa	110.0
7.	Rural Microfinance Development Centre	1996/12/06	Putalisadak, Ktm.	320.0

S. No.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
8.	Deprosc Development Bank Ltd.	2001/07/03	Ratnanagar, Chitwan	42.5
9.	Chhimek Development Banks Ltd.	2001/12/10	Hetauda, Makawanpur	63.0
10.	Shawalamban Laghu Bitta Bikas Banks Ltd	2002/02/22	Janakpur, Dhanusha	69.8
11.	Sana Kisan Vikas Bank Ltd.	2002/03/11	Bijulibazar, Ktm.	123.1
12.	Nerude Laghu Bitta Bikas Bank Ltd.	2007/06/07	Biratnagar, Morang	20.0
13.	Naya Nepal Laghu Bitta Bikas Bank Ltd.	2009/03/20	Dhulekhel	14.0
14.	Mithila Laghu Bitta Bikas Banks Ltd	2009/04/29	Dhanusha	16.5
15.	Shamit Microfinance Development Bank Ltd	2009/05/20	Jhapa	14.0
16.	Sworojgar Laghu Bitta Bikas Bank Ltd.	2009/12/1	Banepa, Kabhre	11.0
17.	First Microfinance Development Bank Ltd.	2009/12/28	Gyaneshwar, Ktm.	70.0
18.	Nagbeli Laghu Bitta Bikas Bank Ltd.	2010/2/4	Anarmani, Jhapa	10.0

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

(Rs. in Million)

S. N.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
1	Shree Nabajivan Co-operative Ltd.	1993/12/15	Dhangadi, Kailali	53.8
2	Sagun Co-operative Society Ltd.	1994/10/09	Kathamandu	11.8
3	Nepal Co-operative Society Ltd.	1994/12/30	Kathamandu	42.3
4	The Sahara Loan,Savings & Investment Co-op. Soc. Ltd.	1995/04/15	Sarlahi	46.4
5	Bindabasini Saving and Credit Co-operative Society Ltd.	1995/06/21	Khopasi, Kavre	41.1
6	Mahila Co-operative Society Ltd.	1995/09/27	Kathmandu	17.3
7	Nepal Bahooddeshya Saving & Loan Co-op.Society Ltd.	1995/12/25	Jhapa	37.3
8	Sahakari Bittiya Sanstha Ltd.	1996/06/16	Nepalgunj, Banke	13.4
9	Shree Manakamanal Sahakari Sanstha Ltd.	1997/02/18	Banepa, Kavre	12.0
10	Very Co-operative Sanstha Ltd.	1997/12/25	Kathmandu	8.7
11	Viccu Saving & Loan Co-operative Sanstha	1997/02/18	Banepa, Kavre	16.5
12	Kisan Bahoo-uddesyiya Co-op. Sanstha Ltd.	1997/08/11	Lamki, Kailali	10.2
13	Himalaya Co-operative Ltd.	1998/12/29	Old Baneshowar, Ktm	49.3
14	Star Bahoo-Uddesyiya Saving & Credit Co-op Ltd.	1998/02/13	Biratnagar, Morang	7.3
15	Upakar Savings & Credit Co-operative So. Ltd.	1998/04/14	Walling, Sanja	29.5

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
3	Chartare Yuba Club	2000/06/05	Baglung	110
4	Mahuli Samudyik Bijkas Kendra	2000/06/12	Saptari	7145
5	United Youth Community (UNYC NEPAL)	2000/06/29	Bardiya	-
6	Samudayik Mahila Bikas Kendra	2000/07/14	Saptari	980
7	Grameen Samudayako Lagi yojana Pratavuti, Nepal	2000/08/23	Dhankuta	-
8	Grameen Jagaran Manch (Programm Co-ordination Office)	2000/09/11	Baglung	156
9	Sarbodaya Grameen Bikas Sangh	2000/09/26	Saptari	-
10	Jan Jagaran Manch	2000/10/26	Rasuwa	111
11	Rastriya Shaichik Tatha Samajik Bikas Sanstha	2000/10/01	Parbat	-
12	Dhaulagiri Community Research Dev. Centre	2000/10/21	Baglung	-

S. N.	Names	Operation Date (A.D.)	Head Office	Paid up Capital
13	Nepal Enviroment & Pollution Eradication UNESCO Nepal	2001/07/05	Gangabu	127
14	Society of Local Volunteers Efforts Nepal (Solve)	2001/07/10	Dhankuta	833
15	Women Enterprises Association of Nepal	2001/09/24	Kathmandu	1146
16	Center for Women's Right and Development	2002/04/30	Kathmandu	-
17	MANUSHI	2002/05/03	Kathmandu	6029
18	Life Development Society	2002/06/18	Morang	-
19	Women Development and Child Care Foundation	2002/07/02	Saptari	-
20	Mahila Adarsha Sewa Kendra	2002/07/02	Kthmandu	620
21	Patan Business and Professional Women	2002/07/02	Lalitpur	-
22	Women Development Centre	2002/07/02	Chitwan	-
23	Womens Self -Relient Society	2002/07/14	Chitwan	-
24	Women Development Centre of Nepal	2002/07/12	Lalitpur	3236
25	Bhagawan Youth Club, Alapot, Ktm.	2002/07/23	Kathmandu	35
26	Creative Women Environment Development Association.	2002/07/24	Kathmandu	730
27	Srijana Community Development Center,Siraha	2002/07/25	Siraha	-
28	Shreejana Development Center,Kaski	2002/08/22	Kaski	2090
29	Cottage & Small Industries Organization,Kathmandu	2002/09/02	Kathmandu	-
30	Rural Area Dev. & Research Programme,Parbat	2002/09/03	Parbat	-
31	Adarsha Yuba Club,Bhaktapur	2002/09/06	Bhaktapur	-
32	Society Welfare Action Nepal (SWAN),Dang	2002/10/25	Dang	-
33	Social Upgrade in Progress of Education Region (SUPER)	2002/10/29	Dang	-
34	Nepal Women Community Service Center,Dang	2002/10/30	Dang	-
35	Forum for Rural Women Ardency Development (FORWARD)	2002/12/30	Sunsari	-
36	Gramin Mahila Bikash Sanstha	2003/04/23	Dang	-
37	Ama Samaj Shangh,Chitawan	2003/04/29	Chitwan	15
38	Gramin Mahila Utthan Kendra,Dang	2003/06/18	Dang	-
39	Khurkot Youba Club ,Parbat	2003/09/14	Parbat	-
40	Gramin Sewa Nepal	2003/09/18	Kailali	253
41	Nari Avudya Kendra	2003/10/24	Chitwan	-
42	Mahila Upakar Manch	2003/10/29	Banke	2131
43	Sawabalamban Bikash Kendra	2004/11/01	Kathmandu	57390
44	Bikash Aayojana Sewa Kendra	2004/11/01	Kathmandu	72500
45	Gramin Swayam Sewak Samaj	2005/11/20	Hariwon, Sarlahi	1955

Appendix 1.2

Micro Finance Programme Implemented with Donor Support

With the aim of supporting rural poor communities, Nepal Rastra Bank is conducting various programmes in coordination with the GoN and international donor agencies through several banks and financial institutions, cooperatives and NGOs. In this context, NRB has invested in different micro-credit activities. Following are the details of loan outstanding of the investment as of mid July 2010 under Micro Finance Programme.

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	As per mid-July, 2010 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback	
							Total investment (Rs. In million)	Total outstanding	Principal paid back to Gov. of Nepal				Principal due to Gov. of Nepal
1	Community Ground Water Irrigation Sector Project (CGISP)	To raise the income of marginal farmers through the agriculture production	17 Nov. 1998	Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa and Chitawan	Nepal Bank Ltd., Small Farmer Development Bank, Eastern and Central Rural Development Bank, Sahara Nepal, Arunodaya Saving and Credit Cooperative Institution, Krishak Upakar Sahakari Sanstha and Chhimek Vikas Bank	2000-2007	217.0	196.0	Payback not started	217.0	Asian Development Bank (ADB)	7020 Shallow tubewell, 27322 Marginal farmer families, 32194 Bigha land	Dec. 2037
2	Poverty Alleviation Project in Western Terai (PAPWT)	To uplift the socio-economic status of deprived women of Western Terai districts.	12 Dec. 1997	Nawalparasi, Dang, Rupandehi, Bardiya, Kapilvastu, Banke, Kailali and Kanchanpur.	Western, Mid-Western and Far-Western Rural Development Bank, Nirdhan Utthan Bank and Swabalamban Vikas Kendra.	1988 - 2004	131.4	47.3	36.5	84.9	International Fund for Agriculture Development (IFAD)	22000 Deprived families	Jul. 2033

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	As per mid-July, 2009 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback	
							Total investment (Rs. In million)	Total outstanding	Principal paid back to Gov. of Nepal				
3	Third Livestock Development Project (TLDP)	To facilitate the farmers and entrepreneurs who are involved or wants to involve in Livestock business by providing new technology, services and credit facility as well.	23 Dec.1996	Shyanja,Rupandeh, Palpa,Kaski,Tanah u, Lamjung, Nawalparasi, Kapilvastu, Parbat, Arghakhachi, Gulmi, Baglung, Kailali, Kanchanpur, Banke, Bardiya, Surkhet, Doti and Chitwan.	Rastriya Banijya Bank, Siddhartha Development Bank, Malika V. Bank, Western,Mid-Western and Far-Western Rural Dev. Bank, Nirdhan Utthan Bank, Biku B. and Rhin, Udayadev B. Sahakari Sanstha, Everest, Machhapuchre, Sewar Dhugdha Utpadak, Nawachetana Bachat Tatha Rhin, Gramin Jagaran B. tatha Rhin S.S., Dev Adarsha Yuba Club and Grameen Jagaran Manch.	1997 - 2004	169.5	2.2	33.9	135.6	Asian Development Bank (ADB)	9773 families	Jul.2034

Overall Economic and Financial Situation

Serial Number	Programme	Objectives	Agreement date	District of implementation	Participating FI and other authorities	Investment period	Total investment (Rs. In million)	As per mid-July, 2009 (Rs. In million)			Donor agency	Beneficiaries	Last date of principal payback
								Total outstanding	Principal paid back to Gov. of Nepal	Principal due to Gov. of Nepal			
4	Micro Credit Project for Women (MCPW)	To help as a complimentary programme of PCRW by providing the credit facility for women against the group guarantee (without any fixed collateral) to manage their agriculture and micro credit business	16 Sept. 1993	Puthan, Salyan, Dang, Banke, Kaski, Baglung, Parbat, Chitwan, Kathmandu, Lalitpur, Bhaktapur, siraha, Saptari, Dhanakuta and Tananhu.	Nepal Bank Ltd., and Rastriya Banihya Bank.	1993 – 2002	195.2	-	91.5	103.7	Asian Development Bank (ADB)	6512 women's group out of 41634 women members	Nov.2018
5	Production Credit for Rural Women (PCRW)	To uplift the socio-economic status of deprived women of rural areas through the income generating activities by providing the institutional credit facility.	2 Oct. 1988	67 district except Jumla, Dolpa, Mugu, Kalikot, Jajarkot, Rasuwa, Nuwakot and Manang	Nepal Bank Ltd., Rastriya Banihya Bank and Agriculture Dev. Bank Ltd.	1988 - 1997	234.5	60.3	140.7	93.8	International Fund for Agriculture Development (IFAD)	-	May 2019

PART - 2

ACTIVITIES OF NEPAL RASTRA BANK



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PART - 2

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy of 2009/10

- 2.1 In accordance with Nepal Rastra Bank Act, 2002, the bank has been formulating and executing Monetary Policy every year for supporting the national objective of achieving high and sustainable economic growth by maintaining price and external stability and financial sector stability through sound management of liquidity. In addition, the Monetary Policy introduced additional programs to enhance access to financial services in rural areas.
- 2.2 The Monetary Policy of 2009/10 aimed at supporting the achievement of targeted economic growth of 5.5 percent and contain inflation to 7.0 percent. The direction and programs of Monetary Policy was designed on the basis of existing high pressure on price, liquidity overhang, elevated trade deficit, soaring credit to unproductive sector, low interest rate and loan mobilization by government.

Objectives

- 2.3 The main objectives of Monetary Policy for 2009/10 were to manage necessary liquidity to facilitate the achievement of targeted economic growth, contain inflation at 7 percent and attain balance of payments surplus of Rs. 18 billion so as to maintain the foreign exchange reserve to cover the good and services import for at least 6 months.
- 2.4 Contrary to the target of attaining balance of payment surplus of Rs. 18 billion in FY 2009/10, the BoP turned deficit by Rs. 5.16 billion on account of escalated import of gold, silver and vehicles as well as lower growth of remittance relative to previous year. To improve BoP deficit, a strategy was adopted to control credit through maintaining interest rates at some higher level. To accomplish this, open market operation was conducted in a balanced way and the procedure of determining the interest rate on Standing Liquidity Facility was revised. On one hand, the import of gold and silver was tightened; on the other hand to the continuity to these policy measures through mid-term review of Monetary Policy the foreign exchange facility for passport and payment through draft and TT were curtailed. Consequently, the balance of payment deficit which stood at Rs. 23.53 billion in eighth month of 2009/10 improved gradually in the latter months and stood at Rs. 5.16 billion at mid-July 2010.
- 2.5 The annual average inflation rate stood at 10.5 percent in 2009/10 as against the monetary policy target of 7 percent. Though the liquidity contraction in banking sector supported in curbing the demand side pressure on inflation, the inflation rate remained high on account of soaring food prices. Fragile distribution system, increase in the price of some consumer items including sugar in international market and weak growth of agriculture production attributed to the inflation pressure on food items. In addition, the changes in purchasing power due to unanticipated increase in price of real estate also added to the price pressure.

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

	Actual of 2008/09	2009/10	
		Target	Actual
Inflation (In percent)	13.2	7.0	10.5
Balance of Payment Surplus (Rs. billion)	44.8	18.0	-5.2

The Strategic and Interm Target of Monetary Policy

- 2.6 The direction and programs of Monetary Policy was set on the basis of analysis of economic and financial outlook for FY 2009/10. Taking the peg with Indian currency as nominal anchor of Monetary Policy as usual, the broad money target was set at 17 percent and narrow money target was set at 14 percent on the basis of projected growth rate of 5.5 percent and inflation rate of 7 percent. In the previous year, the monetary aggregates had expanded by 27.1 percent and 27.3 percent respectively. Though the supply side was dominant on putting pressure on prices, a tight monetary policy stance was adopted to refrain from demand side pressure in prices. The broad money increased by 14.3 percent and narrow money increased by 11.0 percent in 2009/10. The growth rates of money supply remained below targeted level on account of contraction in liquidity led by BoP deficit.

Table 2.2
Money Supply and Domestic Credit

	Actual of 2008/09	2009/10	
		Target	Actual
Broad Money Supply	27.1	17.0	14.3
Narrow Money Supply	27.3	14.0	11.0
Domestic Credit	29.0	19.3	16.8

- 2.7 In FY 2009/10, the domestic credit expanded by 16.2 percent as compared to projected growth of 19.3 percent. The lower growth of domestic credit is attributed to the weaker growth of private sector credit. The contraction in liquidity due to BoP deficit in the review year has implication for slower credit growth.
- 2.8 In FY 2009/10, the net bank credit to Nepal Government was projected to grow by 14.0 percent (Rs. 13.22 billion). In the review year, net claims of monetary sector on Nepal Government increased by 25.3 percent (Rs. 26.55 billion) owing to mounting expenditure despite considerable growth of revenue and foreign assistance mobilization. In the review year, the government used Rs. 6.16 billion as overdraft from the NRB.

Operating Target of Monetary Policy

- 2.9 From the FY 2004/05, the excess liquidity of commercial banks under the liquidity rule of monetary transmission mechanism, has been taken as the operating target of Monetary Policy to achieve intermediate targets projected by monetary policy. The excess liquidity of commercial banks as the operating target was continued in FY 2009/10.
- 2.10 The Liquidity Monitoring and Forecasting Framework (LMFF) prepared on the basis of weekly balance sheet of Nepal Rastra Bank has been used as earlier to measure, monitor and project the excess liquidity of commercial banks. Open market operations has been carried out on the basic indications of the framework and status of monetary policy targets. The collection of daily financial statements of commercial banks regarding deposit, credit and cash balance etc and measurement of liquidity status on the basis of the statements has been continued to facilitate the liquidity projection through LMFF.

Instruments of Monetary Policy

Bank Rate and Refinance Rate

- 2.11 On the basis of analysis of existing economic and financial situation and outlook, the existing bank rate and cash reserve ratio of 6.5 percent and 5.5 percent respectively have been kept unaltered in the monetary policy of 2009/10. The bank rate which had been used to indicate the monetary policy stance and determining interest rate for penalizing the banks in case of shortfall of cash reserve ratio was introduced as the factor for determining interest rate on standing liquidity facility (SLF) from FY 2009/10. This provision strengthened the effectiveness of bank rate for liquidity management and implementation of Monetary Policy. In addition, provision to

use bank rate window as the lender of the last resort to overcome the systemic risk has been continued.

- 2.12 The existing refinance rates were kept unaltered in the Monetary Policy of FY 2009/10. The existing export credit refinance rate of 2.0 percent has also been continued considering the hard times faced by Nepali exporters. Similarly, the provision of refinance facility in foreign currency at the rate of 0.25 plus the LIBOR rate has been continued.

Table 2.3
Changes in Existing Bank Rate and Refinance Rate

	2008/09	2009/10
Bank Rate	6.5	6.5
Refinance rate for export credit in local currency	2.0	2.0
Refinance rate for agriculture credit	3.5	3.5
Refinance rate for export credit in foreign currency	LIBOR+0.25	LIBOR+0.25
Refinance rate for credit to sick industries	1.5	1.5
Refinance rate for credit to small and cottage industries	2.5	2.5

Open Market Operations

- 2.13 The Nepal Rastra Bank has been primarily using open market operations for monetary management. Among the different instruments of open market operation, the practice of conducting outright sale and outright purchase auction on the basis of price bidding, and repo and reverse repo auction on interest rate bidding were continued in FY 2009/10. The existing provision of carrying out open market operations on every Wednesday and any office day if needed in the initiation of this bank on the basis of liquidity situation has been continued. The maximum maturity period for repo and reverse repo auctions under open market operations has been extended to 45 days from 28 days in order to avoid the systemic risk that may arise from liquidity contraction. Monetary management through open market operations have been crucial for stabilizing the market.
- 2.14 Liquidity monitoring has been continued on the basis of weekly balance sheet of Nepal Rastra Bank. The liquidity position indicated by Liquidity Monitoring and Forecasting Framework has been used as the basis of open market operations. In addition to weekly balance sheet of Nepal Rastra Bank, the deposit, credit and cash balance of commercial banks are also used while conducting open market operations.
- 2.15 In FY 2009/10, net liquidity of Rs. 126.62 billion was injected through open market operation. The net liquidity of Rs. 9.72 was mopped up from the operation in the previous year. In the review year, the total liquidity amounting to Rs. 8.44 billion was mopped up consisting of Rs. 7.44 billion through outright sale auction and Rs. 1.0 billion through reverse repo auction. Similarly, total liquidity of Rs. 135.05 billion consisting of Rs. 3.38 billion from outright purchase auction and Rs. 131.68 billion from repo auctions was injected in the review year. The liquidity injection through open market operations has escalated owing to the liquidity contraction resulting from balance of payment deficit and cash balance of Nepal Government.

Table 2.4
Status of Secondary Market Operation

(Rs. in Billion)

	2008/09	2009/10
Total liquidity mopped up (A)	20.72	8.44
Outright sale auction	7.46	7.44
Reverse repo auction	13.26	1.00
Total liquidity injection (B)	11.00	135.06
Outright purchase auction	0.0	3.38
Repo auction	11.00	131.68
Net liquidity mopped up (A-B)	9.72	-126.62

Issue of Development Bonds

- 2.16 The primary issue of development bonds through bidding process was from FY 2004/05. The 5-years bonds of Rs. 3 billion were issued for the first time in 2004/05. The 10-year bonds of Rs. 750 million and 12-year bonds of Rs. 5.5 billion (from three issues) were issued in 2005/06 and 2006/07 respectively. Similarly, in FY 2007/08, development bonds worth Rs. 6.07 billion were issued five times. In FY 2008/09, Nepal Government had mobilized the domestic loan of Rs. 7.75 billion through the issue of development bonds. Similarly, development bonds worth Rs. 9.04 billion were issued in FY 2009/10. Out of the development bonds issued in FY 2009/10 with 9 percent coupon rate, Rs. 1.5 billion was of 3-year maturity and Rs. 7.54 billion was of 5-year maturity. All of these development bonds were sold in premium.

Table 2.5
Issue of Development Bond Through Bidding

	Maturity (Years)	Issue Amount (Rs. in Billion)	Coupon Rate (In percent)	Weighted Average Bid Price
11 Feb 2010	3	1.50	9.0	101.93
10 June 2009	5	2.55	9.0	102.93
1 July 2009	5	4.99	9.0	100.73

Uses of Refinance Facility

- 2.17 The refinance rate set by this bank for different sectors was continued in FY 2009/10. Under the refinance window, sick industry refinance facility of Rs. 57.5 billion was used by a hotel in FY 2009/10. One hotel had used Rs. 7.0 million under such facility in the previous year. A sum of Rs. 3.32 billion was used by 164 hotels and 42 industries upto the end of FY 2009/10 under the sick industry refinance facility initiated from FY 2001/02 for the recovery of sick industries. The refinance rate for sick industries is set at 1.5 percent and banks and financial institutions cannot charge more than 4.5 percent to their clients.
- 2.18 Considering the contraction in liquidity and insufficient flow of credit to productive sector, a new refinance window was introduced in mid-term review of Monetary Policy of FY 2009/10 to increase banks' credit to productive sectors. This provision is expected to help improve production, price stability and external and financial stability through flow of credit to productive sectors. By mid-July 2010, 9 banks used Rs. 2.85 billion of the total approved amount of Rs. 3.53 billion for 12 banks. Similarly, 3 development banks and one finance company used Rs. 584.2 million under this facility.

Standing Liquidity Facility

- 2.19 Commencing from FY 2004/05, Nepal Rastra Bank has been providing standing liquidity facility (SLF) against government treasury bills and development bonds as safety valve with the objective of making the internal payment system credible, convenient, simple and risk-free. The facility was provided only to the banks as counterparty of monetary policy. This facility was extended to development banks and finance companies (who accomplish the required yardstick) treating them as counterparties of Monetary Policy from FY 2008/09. On the other hand, the existing procedure of determining interest rate on SLF was revised so that the SLF rate will be penal rate of 3 percent plus the latest weighted average 91-days treasury bills rate or repo rate of within one month or bank rate whichever is highest.

Micro Finance

Micro Finance Promotion and Supervision Programmes and Activities

- 2.20 The total capital of the Rural Self Reliance Fund, which has been operating under the auspices of the Nepal Rastra Bank, reached Rs. 443.4 million with contribution of Rs. 190 million by the government and Rs. 253.4 million by the NRB. The Fund has been providing loan to the institutions affiliated with it in installment basis to the extent of 20 times of their primary capital (share capital, general reserve fund, and profit amount) or up to Rs. 2.0 million for the first loan, 15 times of their primary capital or up to Rs. 2.5 million for the second loan and 15 times of their primary capital or up to Rs. 3.0 million for the third loan. For the purpose of economic upliftment of the deprived class of the economy, there was the provision of providing micro-credit (per person) at most Rs. 50 thousand for the first, Rs. 55 thousand for the second, Rs. 60 thousand for the third time and up to Rs. 60 thousand for refinancing, through the cooperatives and NGOs. Under the micro-enterprises credit schemes, there was a provision of providing loan up to 0.15 million for the establishment of group micro-enterprises, to the well recognized members of any group micro-enterprises, who have utilized the second installment of the loan to a satisfactory level. On a similar ground, a provision of providing wholesale loan, through the Agriculture Development Bank and any of the Micro-finance Development Banks, to the business like tea, cardamom, and the establishment of cold storage, which needs long-term capital investment, has been made since FY 2002/03.
- 2.21 Up to mid-July 2010, the Fund has provided loan up to Rs. 402.87 million to 443 cooperatives and 53 NGOs and of the disbursed loan Rs. 203.28 million has been recovered and the rest Rs. 199.59 million is in the form of investment. Including Rs. 119.38 million of the long-term investment, the total investment amounted to Rs. 310.97 million during the same period. Under the long-term loan, out of the total of Rs. 40 million that had been provided at the rate of Rs. 10 million to each of the Eastern, Mid and Mid-Western Rural Development Banks and Small Farmer Development Bank up to mid-July 2010 all of the loan has already been recovered. Likewise, of the total loan (Rs. 15.0 million) provided to the Western Rural Development Bank, Rs. 6.25 million has been recovered and the rest Rs. 8.75 million is in the form of investment. Of the total loan (Rs. 119.2 million) provided to the Agriculture Development Bank under the long term credit programme, Rs. 110.63 million is in the form of investment.
- 2.22 A number of projects payable in certain period had been run by the Micro-Finance Promotion and Supervision Department of this bank as per the subsidiary loan agreement between the Government of Nepal and the Nepal Rastra Bank. The investment activities like, Productive Credit for Rural Women (20 years), Micro-credit for Women (16 years), Third Livestock Development Project (30 years), Poverty Alleviation Project for Western Terai (18 years) and Community Ground Water Irrigation Sector Project have already been completed. Out of the total invested amount on these projects, approximately Rs. 295.9 million is in investment which will be recovered and paid to the Government of Nepal as per the recovery schedule.
- 2.23 In the context of high demand of the micro-credit in the rural areas, lack of organizational uniformity and their establishment under different Acts, the National Micro-finance Policy, 2007 has already been brought into effect with the perspective of extending the facility of organized credit and to increase the outreach of the rural poor on micro-credit. For the sustainable development of the country and thereby helping to reduce the rural and urban poverty level by developing the entrepreneurship of the poor class people, creating the self-employment income generating activities through micro-finance and also to develop and extend the micro-finance (for meeting the need of the poor people), to promote, regulate, monitor and supervise the institutions working on the field of micro-credit, has become important. Presently there are 20 "D" class micro-finance development banks, 15 cooperatives with limited banking activities and 45 NGOs carrying out the activities of financial intermediation. In order to regulate and supervise all such micro-finance including other types of micro-finance

organizations, a draft of Micro-Finance Authority Act, 2010 that envisages establishing a "Second Tier" institution, has already been submitted to the Government of Nepal.

- 2.24 A policy of establishing the Rural Self Reliance Fund as a separate micro-finance development fund has been taken. Banks and financial institutions will be encouraged to establish a separate desk to increase the credit to micro, small and medium scale industries and also to monitor the access and effectiveness of the micro-credit programmes. In order to make the supervisory activities more effective, a separate department has been established under the auspices of the bank.
- 2.25 In order to improve the economic situation of the rural poor through the cooperatives, NGOs and micro-finance, a booklet has been published and distributed to all the stakeholders to notify all the VDCs, in coordination with the Ministry of Local Development, Government of Nepal. For meeting the objective of extending the access of the Fund up to the rural cooperatives and NGOs, additional publicities have been carried out by conducting a number of seminars and programmes.

Table 2.6
Situation of Loan Disbursement of the Rural Self Reliance Fund (RSRF)
as of mid-July 2010

Description	NGOs	Co-operatives	Total
<u>Loans disbursement</u>			
a. No. of institutions	53	443	496
b. Loan amount (Rs. in thousand)	21836	381035	402871
c. No. of benefited families	4004	18946	22950
<u>Loan recovery</u>			
a. No. of institutions	35	120	155
b. Principal amount (Rs. in thousand)	18930	184349	203279
c. Interest amount (Rs. in thousand)	2518	24662	27180
<u>Investment amount</u>			
a. No. of institutions	18	323	341
b. Loan amount (Rs. in thousand)	2906	196686	199592
<u>Overdue loan</u>			
a. No. of institution	17	68	85
b. Principal amount (Rs. in thousand)	2187	11400	13587

- 2.26 According to the preliminary statistics published by the Rural Development Banks established in the five development regions of the country, there was a total credit flow of Rs. 23.28 billion to 1,71,833 rural women members by mid-July 2010, for uplifting their economic condition. Out of the credit flow, Rs. 20.70 billion had been recovered, whereas Rs. 2.58 billion loan is left to be recovered.
- 2.27 For the financial consolidation and overall empowerment of the five Rural Development Banks, the Structural Reform Programme was carried out in the initiation of the Nepal Rastra Bank between 2001 B.S. to 2006 B.S. Under the Structural Reform Programme, with the objective of privatization of the Rural Development Banks, the privatization programme was initiated from the Western Regional Rural Development Bank by selling 51 percent of the share, out of 61 percent of the share owned by the Nepal Rastra Bank, to the private sector. Now only 10 percent of the share of the Western Region Rural Development Bank is owned the Nepal Rastra Bank. Likewise, the divestiture of the entire share, owned by the Nepal Rastra bank, of the Eastern Regional Rural Development Bank Limited, Mid Regional Rural Development Bank Limited and Mid-Western Regional Rural Development Bank Limited, to the private sector has already been completed. The policy of divesting the share of the Far-Western Regional Rural Development Bank Limited is being taken in the years to come.

- 2.28 In order to extend the outreach of the micro finance services to the poor and deprived community, the project "Enhancing Access to Financial Services," with the technical and grant assistance of UNDP and UNCDF, has been conducted under the Micro-finance Department. The project has provided financial assistance, as the strategic partner institutions, to the selected eight micro-finance institutions in the first phase and as the new promoter-partner to the selected eight institutions, in the second phase.
- 2.29 An international programme named "IFAD-APRACA FinPower GreenFinance Forum" was conducted in Kathmandu between March 2 to March 5, 2010 jointly organized by Nepal Rastra Bank and the APRACA. The exchange of experiences and information of the respective countries, through working paper and discussion, were made among the participating members of APRACA, on the issues related to minimization of poverty through the promotion and development of alternative energy.

Foreign Exchange Management

- 2.30 With respect to foreign exchange management, Nepal Rastra Bank has adopted a policy of gradually relaxing the convertible foreign currency transactions and capital account in consistent with its strategic plan and in the spirit of economic liberalization with the aim of limiting its role in policy-making. The bank initiated the following provisions and reforms in the areas of foreign exchange management in 2009/10:
- (1) The number of goods that can be imported from India against the payment of convertible currency has been increased to 137. As per the provision, the newspaper publishing houses are also included in the list of productive industrial firm/sector and the restriction of "not more than 5 mega watt," has also been relaxed. Such items will be added /removed in/from the existing list after studying the rationality and necessity of such import.
 - (2) With regard to the import of third countries goods, the payment of the convertible currency is allowed to be made through drawing LC, according to the prevailing provision, against the subsidiaries of the multinational companies (MNCs) situated in India, on the basis of shipment from India or from the third countries.
 - (3) Except for the purpose of receiving loan from abroad, a provision is made to issue bank guarantee, through class 'A' banks, in advance, for the payment to any authority located in foreign country, for conducting different business including exporting Nepalese goods and providing Nepalese services at the request of the concerned business person, in convertible currency (including Indian currency).
 - (4) Keeping the other procedures unchanged, a provision to import, through draft/T.T. including in FOB (Free on Board), is made.
 - (5) The current obligatory provision of producing the foreign exchange encashment receipt (FEER) for re-exchanging the excess Nepalese currency that was exchanged during their stay in Nepal by the foreign nationals (excluding Nepalese and Indians), has been liberalized further by providing the re-exchange facility up to the worth of 100 USD without producing the FEER.
 - (6) The limit of foreign exchange facility granted to persons or organizations for various purposes from A Class and national level B Class banks and financial institutions has been increased from 4,000 to 6000 USD.
 - (7) On the backdrop of getting worldwide recognition of purchasing/sale through Internet, a provision of accepting the foreign currency through the internationally accepted debit/credit cards through internet has been allowed.
 - (8) Under the Documentary Collection, the existing provision of importing only on Documents against Payment (D/P) has been extended to include the Documents against Acceptance (D/A).

- (9) The existing facility of allowing import of goods worth 50,000 USD or its equivalent from the third countries, excluding India, has been revised downward to 25,000 USD, viewing the possibility of misuse of the existing facility. Furthermore, a single beneficiary or applicant is not allowed to send more than 25,000 USD in one working week.
- (10) The provision of providing exchange facility of convertible currency against the passport is rendered only for two times a year for individuals traveling abroad. Nepalese people going abroad for foreign employment is provided up to 500 USD or other foreign currencies equivalent to 500 USD. If the exchange facility becomes inadequate, additional exchange facilities will be provided based on the plausibility if applied with adequate causes with permanent account number (PAN) attached.
- (11) The existing provision of allowing the import of 4-6 inch raw wool which is needed for the manufacturing of woolen carpet, from third countries except Tibet Autonomous Region of China, and other sizes of raw wool that could be imported from Tibet, has been changed and the provision of allowing import of raw wool of the size 2-3 inch length and 14-29 micron thickness (which is needed for the manufacturing of sweater), under the prescribed scheme, in recommendation of Trade and Export Promotion Centre (TEPC), has been made to import through Tatopani customs point against L/C at two percent deposit.
- (12) Viewing the increasing trend of the Nepalese people going to South Korea under the employment permit system (EPS) scheme and the increasing flow of Korean tourists in Nepal, the facility of easy exchanging of the South Korean Won is provided by including it in the list of the foreign currency that has been purchased and sold by the Nepal Rastra Bank.
- (13) Restriction has been imposed in the import of all other types of inverters excluding the solar inverters/ home UPS as per the decision of the Ministry of Commerce and Supplies, the Government of Nepal.
- (14) An approval is granted to the NABIL Bank Limited and the Siddhartha Bank Limited to issue the worldwide-accepted CUP Card from Nepal, which has been issued from the M/S China Union Pay Co. Ltd., for accepting through their own ATM Network and POS Terminal.
- (15) The provision of announcing a single custom point from which goods will be imported is to be declared at the time while issuing L/C for import.
- (16) The number of companies/firms (working on remittance), which was 48 in the last year, has reached 52 by the end of FY 2009/10.
- (17) While additional 24 moneychangers are granted licenses to operate money-changing activities, six closed their operation. The total number of moneychangers reached 400, of which 190 are working in the Kathmandu valley.
- (18) Excluding bank and financial institutions and moneychanger firm/companies, the number of all the other agencies like hotel, domestic and international airlines, travels, trekking, cargo and courier increased by 226 to 3021 by FY 2008/09.
- (19) While the moneychanger bye-law is prepared and is in the process of implementation, the preparation of the draft of money transfer and monitoring related bye-laws is almost completed in order to manage the money transfer and moneychanger transactions, to make the licensing and supervisory process updated and to regulate, monitor and supervise the activities of the different institutions which have been granted license to transact in foreign exchange.
- (20) In order to supervise and monitor the transactions done in the foreign exchange by the banks and financial institutions licensed from this bank, the monitoring and supervision activities have been started since the last year with the establishment of the Supervision and Monitoring Division within the Foreign Exchange Management Department. In this

respect, continual and special monitoring of 144 institutions was carried out and actions including cancellation of license, giving general directions, imposing penalties, making cautious and asking clarifications were carried out.

- (21) The commercial banks are required to inform through SWIFT message for the payment of the transaction carried out under Asian Clearing Union (ACU). As Maldives Monetary Authority has also received the membership of the ACU, all the transactions with Maldives are required to be carried out as per the existing provisions through the ACU after 1st January 2010.
- (22) Regarding the transactions of foreign currencies and repatriation by different institutions, a needful improvement has been carried out by incorporating a new provision in which the repatriation is made available through the commercial banks.
- (23) As per the decision of the Ministry of Commerce and Supplies, the Government of Nepal, to impose a ban on the export of pulses (red lentil, red gram, black gram, soybean, chickpeas, grass pea), a ban on the acceptance of the L/C and cash against documents (CAD) for the same purpose was imposed. However, as per the decision of Ministry of Commerce and Supplies, the Government of Nepal, the existing provision of the export ban on the pulses other than red gram has been lifted.
- (24) In order to manage the foreign currency held by the licensed national level "A" and "B" class banks and financial institutions and to manage the risk coming from the exchange rate fluctuations, the provision on the transaction of the derivative instruments like Forward, Option, Swap and Futures is made more easy.
- (25) A provision has been made of making direct availability of the American Dollars up to 5,000 to 10,000 to the personnel going abroad, on behalf of the firm and companies affiliated to Nepal Overseas Export Import Association, on the basis of the payment of the income tax by such firms/companies in the previous year and on the recommendation of the Association.
- (26) With the objective of making the transaction of Indian currency systematic and regulated, the existing provision on the commercial transaction with India and the purchase/sale of the Indian currency is made further transparent, clear and easy.
- (27) Viewing the adverse effect on the foreign exchange reserve due to excess import of the gold and silver, a new provision of allowing import up to 10 Kg per day in case of gold and 100 Kg per day in case of silver is brought into effect.
- (28) While there was total absorption of foreign currency equivalent to Rs. 1.8975 billion through the purchase and sale equal to Rs. 1.9190 billion (through 100 times of purchase) and Rs. 21.50 million (through 3 times of sale) respectively during 2008/09, the net absorption of the foreign currency reached Rs. 1.6007 billion in 2009/10 by purchasing the foreign currency equal to Rs. 1.6067 billion (through 135 times of purchase) and selling equal to Rs. 6.0 million.
- (29) Due to the fluctuations in the exchange rate, while the net profit stood at Rs. 11.0226 billion in 2008/09, the net loss stood at Rs. 10.2378 billion in 2009/10.
- (30) While the Indian currency equivalent to IRs 73.4006 billion was purchased by selling USD equal to 1.52 billion in 2008/09, such purchase stood at IRs. 102.0932 billion by selling USD equal to 2.19 billion in 2009/10.

Financial Sector Reform Program

- 2.31 The financial sector reform program has remained as one of the major components of economic reform program of the GoN. The financial sector reform program has been guided through a financial sector reform strategy paper issued by the GoN on October 23, 2000. The NRB has been handling the reform program as an implementing agency.

- 2.32 In this regard, the tenure of Financial Sector Technical Assistance Project under financial sector reform is extended to December 31, 2011. The reform program aims to develop financial system as healthy, competitive, efficient and professional so that it can substantially contribute to nation's economic development. The ongoing reform program is supported financially by the loan and grants assistance from World Bank, Department for International Development (DFID), UK, and the GoN. The reform program has the following three major components:
- (a) Reengineering of Nepal Rastra Bank
 - (b) Restructuring of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd.
 - (c) Capacity enhancement of the overall financial sector

Reengineering of Nepal Rastra Bank

- 2.33 Reengineering program of the NRB has been continued to develop it as a capable central bank so that it can work efficiently in the context of increasing complexity together with the development of the financial sector. Human resource development, strengthening and streamlining regulatory and supervisory capacity, restructuring organizational structure on functional basis, computerization, upgrading auditing and accounting system to international standard and simplifying its functions have been continued under this program.
- 2.34 In the process of human resources development of the NRB, 63 of its staff have attended foreign trainings and seminars from the project's cost under the financial sector reform program in FY 2009/10. Additional NRB staff will be attending such trainings and seminars in the coming years.

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

- 2.35 The management of NBL has been running by a three-member committee comprising the NRB officials with a First Class Officer as a chief executive officer. The efforts initiated in the past to recruit new chief executive officer of NBL through an open competition have not been fruitful.
- 2.36 With regard to RBB, the restructuring process has been continued through the existing chief executive officer and the tenure of the existing management committee has been extended to 31 March 2011.
- 2.37 In the context of ongoing restructuring process of RBB and NBL, the process of the recruiting Bank Restructuring Advisor will be pushed forward accordingly on line with the policy of GON.

Capacity Enhancement of Overall Financial Sector

- 2.38 Mechanization of Credit Information Centre Ltd. (CICL) has already been initiated. Under this, the evaluation of bid documents presented by CICL has been finalized and the process of issuance of the second stage bid is ongoing.
- 2.39 An observation/study trip to Sri Lanka was organized for the staff of Debt Recovery Tribunal (DRT) to enhance their capacity and skill development. Likewise, under mechanization process, necessary appliances including computers have been purchased and supplied to DRT.
- 2.40 With the view to enhance the capability of economic journalism, 7 journalists have been provided related trainings.

Banks and Financial Institutions Regulation

Commercial Banks

Restructuring of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd.

- 2.41 Under the financial sector reform program, Nepal Bank Ltd. has been taken under the control of NRB in accordance with Nepal Rastra Bank Act, 2002 article 86(C) sub-article 1(O) with the prime objective of restructuring. The management control has been extended for upto mid-March 2011. In the context of termination of contract with consulting firm, ICC Consulting of Bank of Scotland (Ireland) Ltd. in 21 July 2007, a three member management committee consisting of

the staff of this bank has been formed to continue the management activities from 30 April 2010 till next arrangement is made.

- 2.42 Similarly, the contract with consultants of management team of Rastriya Banijya Bank was extended time to time from the beginning as at 16 January 2003 till 15 January 2010. After that, all the members of the management team except the chief executive officer resigned and Mr. Janardan Acharya was appointed as chief executive officer in 22 June 2010 till the next appointment.
- 2.43 Though the recovery of the due loan of these two banks under restructuring is not satisfactory, the evaluation of the overall progress of these banks reveals positive direction as the banks made profits from 2003/04, reduced negative capital fund, prepared and implemented different international standards, policies, laws to stabilize the bank, and applied internationally accepted approaches and techniques in the banks. The following are the progress observed after restructuring.

(A) Profit Situation

- 2.44 Nepal Bank Ltd. which was incurring heavy net loss since 1999 reduced it to Rs. 250 million in FY 2002/03. The bank has made net profit of Rs. 710 million, Rs. 1.73 billion, Rs. 1.21 billion, Rs. 230 million, Rs. 530 million, Rs. 660 million and Rs. 330 million in FYs 2003/04, 2004/05, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. Similarly, in spite of the net loss of Rastriya Banijya Bank in 2001/02 and 2002/03 amounting Rs. 7.07 billion and 4.84 billion respectively, it earned profits of Rs. 1.04 billion, Rs. 1.32 billion, Rs. 1.62 billion, Rs. 1.68 billion, Rs. 1.77 billion, Rs. 1.98 billion and Rs. 2.01 billion in respective FYs 2003/04, 2004/05, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

(B) Improvement in Capital Fund

- 2.45 The negative capital fund of both banks has been gradually improving. The negative capital fund of Nepal Bank Limited amounting Rs. 9.8 billion in mid-July 2003 was reduced to Rs. 8.9 billion, Rs. 7.16 billion, Rs. 6.30 billion, Rs. 6.25 billion, 5.72 billion, Rs. 4.88 billion and Rs. 4.49 billion respectively in mid-July 2004, 2005, 2006, 2007, 2008, 2009 and 2010. Similarly, the negative capital fund of Rs. 22.39 billion of Rastriya Banijya Bank in mid-July 2003 has been gradually reduced to Rs. 21.0 billion, Rs. 20 billion, Rs. 18.59 billion, Rs. 17.21 billion, Rs. 15.5 billion, Rs. 11.96 billion and Rs. 9.95 billion in mid-July 2004, 2005, 2006, 2007, 2008, 2009 and 2010 respectively.

(C) Reduction in Non-performing loan

- 2.46 Though the amount of non-performing loan has not lowered as anticipated, there has been indication of gradual improvement. The non-performing loan of Nepal Bank Limited which stood at 60.47 percent in mid-July 2003 decreased to 53.74 percent, 49.64 percent, 18.18 percent, 13.49 percent, 8.05 percent and 4.94 in mid-July 2004, 2005, 2006, 2007, 2008 and 2009 respectively. It marginally increased to 4.98 percent in mid-July 2010. Similarly, non-performing loan of Rastra Banajya Bank Limited which was 60.15 percent in mid-July 2003 has continuously declined to 57.64 percent, 50.70 percent, 37.0 percent, 28.63 percent, 21.63 percent and 15.64 percent in mid-July 2004, 2005, 2006, 2007, 2008 and 2009 respectively. The level of non-performing loan stood at 9.81 percent in mid-July 2010.

(D) Completion of Audit

- 2.47 The task of auditing was pending in both banks since last few years. But, Nepal Bank Ltd. completed its audit of 2008/09 and audit documents are being updated. The financial documents are being published regularly on a quarterly basis. Similarly, Rastriya Banijya Bank Limited has also completed the audit of upto 2008/09 after the arrival of new management. The audit related documents are being updated and published regularly on a quarterly basis. The internal audit has also been continued as mandated to the new management.

(E) Human Resource Development and Management

- 2.48 Both banks have prepared and executed the Management Plan, Human Resource Development Plan and Skill Enhancement Plan in order to develop and upgrade the human resource skill in a planned way. Staff need assessment has been completed. Similarly, both the banks have presented the Capital Plan and Successor Plan in Nepal Rastra Bank. Nepal Bank Ltd. has reduced the number of staff to 2885 in mid-July 2008 and 2450 in mid-July 2010 from 6030 in mid-July 2001 by using voluntary retirement scheme (4 times) in order to bring the number of staff to a reasonable level. Similarly, Rastriya Banijya Bank has also adopted the VRS (six times) to bring the staff to an appropriate level. The number of staff in mid-July 2010 came down to 2651 from 5583 in mid-July 2002, 3417 in mid-July 2005, 3301 in mid-July 2006, 3127 in mid-July 2007, 3002 in mid-July 2008 and 2697 in mid-July 2009.

(F) Improvement in Operating System and Internal Management

- 2.49 Management team of Nepal Bank has prepared and implemented different plans, policies and guidelines in order to make the banking system robust and competent. Specially, these include credit policy directives to facilitate credit management, ALM Guidelines to manage the asset and liability, and formation Asset Liability Committee (ALCO). Similarly, others include New Audit Directives, Internal Audit Directives, Audit Heads Classification Directives, HR Plan, Skill Enhancement Plan, Portfolio Status and Plan, Budget Plan and Strategic Plan. The bank has also prepared and put into effect the Credit Writeoff Manual.
- 2.50 Rastriya Banijya Bank Limited has prepared and executed different plans, policies and guidelines including performance based rewarding system. Specially, credit policy and directives including Anti-Money Laundering Policy, Investment and Treasury Operation Manual, Revision of Internal Audit Manual, Trade Finance Manual have been prepared and brought into effect for managing credit properly. In addition, Credit Writeoff Manual has been prepared and implemented.

(G) Computer Technology Expansion

- 2.51 In order to make the banking transaction fast and convenient through the use of computer, an information technology plan has been prepared by Nepal Bank Limited. Following the plan, banking transactions of 44 branches of the bank including central office are operated through central networking and that of 36 branches through Pumori Plus. In addition, the bank has operated Any Branch Banking System (ABBS) in 44 branches. By mid-July 2010, 87 percent of total deposit and 90 percent of total credit has been computerized. Rastriya Banijya Bank has also prepared information technology plan and been functioning with Pumori Plus in 70 branches and RBBSYS in other 56 branches with the aim of prompt and managed banking transaction through computer system. Modern banking facilities including Any Branch Banking System (ABBS), SMS Banking, E-Banking are extended to all the Pumori Plus Software installed 70 branches. Besides, cent percent credit and deposit has been computerized as targeted for mid-July 2010.

Other Activities

- 2.52 Out of the six banks applied for establishing 'A' class bank, one bank withdrew the application, two banks named Janata Bank Limited and Mega Bank Limited obtained the license in FY 2009/10 and remaining three received letter of intent for establishment. Thus the number of licenced 'A' class banks stood at 27 by the end of the current fiscal year from 26 in previous year. Letter of intent has been given to Everest Bank limited to operate branch in New Delhi of India. Himalaya Bank Limited has been given consent to deliver the technical assistance/mediator for international cards like VISA/MASTERCARD issued by Bank of Bhutan.
- 2.53 With the decision dated Oct. 16, 2009, the 7.83 percent promoter share (out of 66.16 percent) of Lumbini Bank Limited has been transferred into public share. Accordingly, the share composition of the bank was changed to 58.33 percent promoter share and 41.67 percent public share.

Development Banks

2.54 The number of 'B' class development banks reached 79 by the end of FY 2009/10 with an addition of 16 such banks in the current fiscal year. Out of the 16 new development banks established in 2009/10, two banks (International Development Bank and Tourism Development Bank) were national level, one bank was with geographical coverage of 10 districts, 5 banks were geographical coverage of 3 districts and 8 banks were geographical coverage of one district. Similarly, letter of intent was offered to additional 7 development banks in the review period.

Finance Companies

2.55 The number of licensed 'C' class finance companies has reached 79. In the current fiscal year, additional 3 finance companies got license to carry out financial transaction and 2 more finance companies got letter of intent.

Micro Finance

2.56 The number of cooperatives licenced for limited banking transactions was 16. However, the license of Rajashree Saving and Investment Cooperative Society was revoked in the current fiscal year for not obeying the directions issued by NRB. Accordingly, the number of cooperatives licensed for limited banking transaction has come down to 15. At the same period, National Cooperative Bank has been given letter of intent for limited banking transaction. Similarly, the number of non-government organizations licensed for financial intermediation is 45 as in the last year.

Grievances Management Committee

2.57 Till June 2010, 520 complaints were registered in the Grievances Management Committee headed by the senior Deputy Governor of this bank. Similarly, of the total 30 grievances registered in 2009/10, hearing of 28 complaints was completed and necessary correspondence with the related bank and financial institutions is ongoing in case of the remaining two grievances.

Refinance Facility to Bank and Financial Institutions

2.58 The refinance facility of Rs. 4.12 billion for 12 banks and financial institutions including 8 'A' class, 3 'B' class and 1 'C' class bank and financial institutions was approved in 2009/10. Of the total approved amount, banks and financial institutions used Rs. 3.34 billion in 2009/10.

2.59 As per the provision of providing refinance facility to sick industries at concessional rate, a sum of Rs. 5.8 million was provided to Paschimanchal Development Bank Limited for its credit to Hotel Shreenagar Pvt. Ltd.

Principal Circulars Issued to Bank and Financial Institutions

2.60 During the review year, 39 principal circulars have been issued to banks and financial institutions on different subjects.

Publication of the List of Managerial/Professional Expert

2.61 As per the provision of Bank and Financial Institution Act, 2006, section 13, the list of 95 professionals or managerial experts having specified qualification and criteria has been prepared and published.

Publication of List of Auditors/ Audit Firms

2.62 For the preparation of list of approved auditors as per the Bank and Financial Institutions Act, 2006, section 60, subsection 2, the list of 427 auditors/firms received from Nepal Chartered Accountants Association, the regulator of auditors/accounts based on the mutual consent paper with the NRB, the regulator of banks and financial institutions, has been published.

Amendment in Unified Directives

- 2.63 The Unified Directives, 2009 issued to NRB licensed bank and financial institutions has been revised by including the guidelines/directives/circulars issued up to mid-July 2010. The revised unified directive is in the process of being printed.

Establishment of Subsidiary Companies

- 2.64 Licensed banks and financial institutions are allowed to open subsidiary companies to carry out microfinance and merchant banking transactions. Under the policy provision, 8 applications for opening subsidiary company for carrying out micro finance transactions and 7 applications for opening merchant banking transactions were received in the current fiscal year. Of these, 5 applicants for opening subsidiary companies for operating merchant banking transaction got permission from the NRB.

Merger & Acquisition, Upgradation and Geographical Extention

- 2.65 In FY 2009/10, National Finance Ltd. and Narayani Finance Ltd. got permission for merger with each other, and after the merger of the two companies they are carrying out financial transactions in the name of Narayani National Finance Ltd.
- 2.66 NRB licensed 4 'C' class finance companies applied for upgradation to class 'A' bank and 2 class 'C' finance companies applied for upgradation to class 'B' development banks. Similarly, one class 'B' development bank applied for upgradation to class 'A' commercial bank in the review year. All these applications for upgradation are under review in this bank.
- 2.67 Two of the class 'C' development banks that applied for extension of geographical coverage from 3 to 10 districts were approved. Similarly, the applications by two other lincenced class 'B' development banks for upgradation to national level development banks is under review. Likewise, a class 'D' microfinance development bank with geographical coverage of 15 districts is permitted to upgrade to national level.

Actions Including Forfeiture of Passport

- 2.68 The actions including the forfeiture of passport by Nepal Government against 37 among 355 loan defaulters has been released up to mid-July 2010. As per the decision made by Nepal Government (Council of Ministers) dated on 11/02/2009, a Monitoring Committee was formed under the chairmanship of Honorable Hari Rokka, Member of Parliament, for monitoring the effectiveness of actions against such defaulters and make such action more effective. Loan amounting to Rs. 595.4 million has been recovered from them after the formulation of the committee.

Ongoing Studies

- 2.69 The study on the following subject is ongoing in the review year:
- (a) Preparing new uniform formats regarding employee administration by-laws, financial administration by-laws, *prabandha patra* and rules currently available in NRB website for implementation by banks and financial institutions.
 - (b) Amendment and inclusion of additional provisions in existing policy on establishment of banks and financial institutions, 2006.
 - (c) Issuance of uinversal banking policy.
 - (d) Salary and other benefits of chief executive officers of bank and financial institutions.
 - (e) Issuance of e-banking policy
 - (f) As per the annual work plan of FY 2009/10, "A Study on Characteristics of Financial Institutions with the Focus of MFIs in Far-West Development Region of Nepal" has been completed by Research Department. Though not included in annual work plan, a study on

"Transactions of Saving and Credit Cooperatives in Nepal" has been completed as directed for immediate study by the high-level management.

- (g) Development of macro economic model is ongoing in Research Department with the technical assistance of Asian Development Bank, under TA7165-NEP: Strengthening Capacity for Macroeconomic Analysis project.

Banks and Financial Institutions Supervision

Bank Supervision

- 2.70 The yearly corporate level on-site inspection practice of commercial banks also continued in the review year. The shortcomings found in course of on-site supervision of the banks have been suggested for improvements and the task of evaluating banks on the basis of available information also continued.
- 2.71 In 2009/10, corporate level onsite inspection was accomplished in 26 commercial banks. In this process, on-site inspection of 170 branch offices and several projects of the banks were accomplished.

Table 2.7
Branches of Commercial Banks Inspected in FY 2009/10

S.N.	Name of Commercial Banks	No. of branches inspected
1	Nepal Bank Limited	7
2	Rastriya Banijya Bank Limited	16
3	Agriculture Development Bank Limited	17
4	Nabil Bank Limited	10
5	Nepal Investment Bank Limited	7
6	Standard Chartered Bank, Nepal Limited	2
7	Himalayan Bank Limited	9
8	Nepal SBI Bank Limited	5
9	Nepal Bangladesh Bank Limited	9
10	Everest Bank Limited	5
11	Bank of Kathmandu Limited	7
12	Nepal Credit and Commerce Bank Limited	6
13	Lumbini Bank Limited	4
14	Nepal Industrial and Commercial Bank Limited	7
15	Machapuchhre Bank Limited	8
16	Kumari Bank Limited	6
17	Laxmi Bank limited	4
18	Siddhartha Bank Limited	2
19	Global Bank Limited	3
20	Citizen Bank International Limited	5
21	Bank of Asia Limited	6
22	Sunrise Bank Limited	4
23	Prime Bank Limited	5
24	DCBL Bank Limited	2
25	NMB Bank Limited	5
26	Kist Bank Limited	9
	Total	170

- 2.72 In addition to corporate level on-site inspection, 39 special onsite inspections of all 26 banks were also carried out in the review year.
- 2.73 The off-site supervision based on balance sheet and other financial documents was also carried out on regular basis and necessary directives were issued to resolve the shortcomings regarding compliance with policy and directives issued by the NRB. After preparing the off-site

- supervision report, clearance has been given to publish the annual financial statements for 2008/09 to 26 commercial banks.
- 2.74 Different directives were issued regarding the remarks pointed out in corporate level inspection report, special inspection report, and target inspection report. To observe whether the directives are abided by or not, regular monitoring is also done. The supervision report was prepared on quarterly basis for all the commercial banks in FY 2009/10.
 - 2.75 NRB has adopted a policy of following current international supervisory practices of banking sector in the context of Nepal. In this process, the newly developed Capital Accord (Capital Adequacy Framework, 2007) which was brought into full-fledged implementation since FY 2008/09 has been made further effective.
 - 2.76 Preparing the CAELS Rating on the basis of information from off-site supervision, preparing early warning signals and the timely warning to the banks and financial institutions as per warning indicators are also continued.
 - 2.77 The daily liquidity of banking sector is continuously monitored from liquidity monitoring desk in off-site division for timely identification of liquidity risk and to assist in appropriate policy decision.
 - 2.78 The monitoring of deprived sector lending is continued and the monetary penalty in case of non-compliance is also continued.
 - 2.79 The monitoring of concentrated risk on sectoral and product-wise credit of the banks as per the added format initiated since FY 2008/09 has been continued.
 - 2.80 For managing overall risks of the banking sector, a Risk Management Guideline has been approved and brought into implementation. Similarly, a draft has been prepared for gradual implementation of risk-based supervision practices so as to maximize the supervisory resources. For this, a template of Memorandum of Understanding has been prepared among the foreign supervisory partners to share the information.
 - 2.81 Bank Supervision Report based on the financial statements of FY 2008/09 has been published.
 - 2.82 A four-day international seminar on 'Liquidity Risk for Commercial Banks' was conducted with the assistance of SEACEN (South East Asian Central Banks) Centre and Financial Stability Institute.
 - 2.83 The legal actions taken in different contexts and time against the following commercial banks has been released in the review year.

Nepal Bangladesh Bank Limited

As the overall financial, managerial and corporate governance position of Nepal Bangladesh Bank Limited were weak and, at the same time, most of the directors of the bank had resigned, the bank was facing a critical stage and as per the sub-section 1 (o) of section 86 of the NRB Act, 2002, the bank was declared problematic and the management was taken over by the NRB since 12 November 2006. Subsequently, as there were significant improvements in the loan recovery along with other financial indicators and the bank met its mandatory requirement of minimum capital adequacy in October 2009, the NRB, on 14 January 2010, handed over its management back to the newly elected management committee formed by the bank's AGM which was conducted on 13 January 2010. Likewise, the action taken by the NRB as a problematic bank has been released since the new management took its office.

Lumbini Bank Limited

Lumbini Bank Limited was under the NRB action since 28 February 2006 following the provision mentioned in section 100 of the NRB Act, 2002. As per the financial statements submitted to the NRB in mid-January 2010, the primary and total capital adequacy ratio of the bank stood at 21.58 percent and 22.46 percent respectively, the NPL ratio came down to 6.37 percent and other financial indicators also improved gradually. Considering these improvements, the NRB released its action against this bank since 26 March 2010.

Siddhartha Bank Limited

The first trigger action under the Prompt Corrective Action which was taken against Siddhartha Bank Limited based on its financial statements of mid-March 2010 was released on 30 June, 2010 following the improvements in financial statements of the banks as of mid-April 2010.

2.84 In 2009/10, the following banks were panelized for different reasons:

(a) Banks not maintaining the CRR requirements

Rastriya Banijya Bank Limited (7 times), Nepal Bank Limited (3 times), Nabil Bank Limited, Prime Commercial Bank Limited (2 times), Kist Bank Limited, Agriculture Development Bank Limited (2 times).

(b) Bank not maintaining Statutory Liquidity Ratio (SLR)

Prime Commercial Bank Limited (2 times)

(c) Bank not maintaining deprived sector credit requirement (until third quarter)

Prime Commercial Bank Limited

2.85 The following directions have been issued to the banks while granting approval to publish their financial statements for the FY 2008/09.

Nepal Bank Limited

(a) Necessary efforts to be taken and effectively implemented to maintain the capital adequacy ratio as per the NRB Directives.

(b) To update the records of related customers as per the NRB Directives on single obligor limits.

(c) To update the financial statements after reconciling inter-branch and agency transactions effectively.

(d) To correct other remarks pointed out by auditor and take necessary steps for preventing repetition in the days ahead.

Rastriya Banijya Bank Limited

To correct the remarks pointed out by auditor effectively, implement the NRB directives issued with regard to on-site inspection report and take necessary steps for preventing repetition of remarks pointed out by auditors and the NRB directives.

Nabil Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Nepal Investment Bank Limited

(a) To postpone dividend as per the NRB circular no. pa.san.bai.bi.ni.bi./niti/paripatra /45/065/66 issued on 19 May 2009.

(b) To timely correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Standard Chartered Bank Nepal Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Himalayan Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Nepal Bangladesh Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Nepal SBI Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Everest Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Bank of Kathmandu Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Nepal Credit and Commerce Bank Ltd.

- (a) Take prompt steps to divest the share ownership of the NRB-licensed banks and financial institutions as per the provision mentioned by the NRB Directives no. 8/066.
- (b) The settlement of promoter related loans through non-banking assets of Rs. 330.3 million without black listing the respective borrowers has violated the provisions mentioned in section 57(10) of the BAFIA Act, 2006; section 12/066, no. 10 of NRB Directives and section 3.12 of Procedural Manual 2002. In this regard, the bank is instructed to act following the prevailing rules and regulations and provide information to the NRB.

In addition, due to above mentioned reason the bank's actual NPL has come up to 7.02 percent instead of 2.74 percent as reported in the financial statements of the bank released in mid-July 2009. In this regard, the bank has been instructed to pay attention as its audited financial statement released in mid-July 2009 has failed to reflect the actual situation of the bank.

- (c) Instead of principal repayments, it was found otherwise. In this regard, the bank has been instructed to follow the provision mentioned in the NRB Directives no. 4/066.
- (d) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Lumbini Bank Limited

- (a) The assets purchased before FY 2001/02 for Durbar Marg branch have not yet been capitalized. In this regard, the bank has been instructed to settle these transactions by following the recommendations made by the latest committee.
- (b) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Nepal Industrial and Commercial Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Machhapuchhre Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Kumari Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Laxmi Bank Limited

- (a) Promptly sell the share of Nepal Bank Limited as per the provision made in the NRB Directives no. 8/066.
- (b) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Siddhartha Bank Limited

- (a) To inform the NRB after maintaining investment adjustment fund equivalent to 2 percent out of 'available for sale' under 'Investment Portfolio' as per the NRB's New Capital Adequacy Framework.
- (b) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Agriculture Development Bank Limited

- (a) Due to accumulated loss until previous year, the bank has been instructed not to distribute the dividend in accordance with the section 45 (1) of BAFIA Act, 2006.
- (b) To clarify the details of the loans under the following headings: deprived sector credit (appendix 13), classification of other assets based on time period (appendix 16 (a)), loans to employees and firms related to them (appendix 4.29).
- (c) Attention has been given for non-compliance of the NRB Directives regarding the disbursement procedures of loans and advances, loan classification and provisioning, loan rescheduling or restructuring, black listing and other regulatory norms. In this regard, the bank has been instructed to take necessary steps to follow the NRB Directives and regulations completely.
- (d) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Global Bank Limited

- (a) The bank has maintained the loss provisioning of only Rs. 28.85 million in FY 2008/09 out of L/C transaction which was paid by debiting the amount of Rs. 116.75 million from the agency bank in Hongkong. Accordingly, the financial statement of the bank for the FY 2008/09 has shown the excess amount of net profit and total assets of Rs. 87.9 million. Attention has been paid to the financial statement of the bank for not reflecting the actual financial situation.
- (b) To postpone the distribution of bonus to the employees as the bank's financial statement has failed to reflect the actual situation of the bank.
- (c) To maintain cent percent loss provisioning by mid-January 2010 if the Court's decision, which is under consideration, regarding the L/C transaction comes against the bank.
- (d) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Citizens Bank International Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Prime Commercial Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Bank of Asia Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Sunrise Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

NMB Bank Limited

- (a) To maintain stipulated capital in accordance with the conditions set forth by the NRB while granting approval for upgrading as an 'A' class commercial bank.
- (b) Not to perform stipulated functions unless paid up capital requirements are fulfilled.
- (c) To inform the NRB after maintaining investment adjustment fund equivalent to 2 percent out of 'available for sale' under 'Investment Portfolio' as per the NRB's New Capital Adequacy Framework.
- (d) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

DCBL Bank Limited

To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Kist Bank Limited

- (a) To make transaction-based risk management system (measurement, monitoring and minimizing) more effective.
- (b) To correct the remarks pointed out by auditor and take necessary steps for preventing repetition of such remarks.

Financial Institutions Supervision

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

- (a) The number of financial institutions within the supervisory domain of the department reached 236 by mid-July 2010 comprising of 79 development banks, 79 finance companies, 18 microfinance development banks, 15 co-operatives and 45 non-government organizations.
- (b) By the mid-July 2010, the overall onsite inspection were completed for 86 financial institutions including 36 development banks, 41 finance companies, 5 microfinance development banks, 3 co-operatives, 1 non-government organizations.
- (c) In 2009/10, the targeted inspection of 13 financial institutions including 11 development banks and 2 microfinance development banks was performed.

- (d) In the review year, 14 development banks, 3 finance companies and 5 microfinance development banks were inspected for their physical infrastructure.
- (e) In FY 2009/10, special inspection was conducted on 27 financial institutions comprising of 16 development banks, 10 finance companies and 1 microfinance development bank.
- (f) By the end of mid-July 2010, the follow up inspection was completed for 3 development banks and 6 finance companies.
- (g) 18 development banks and 31 finance companies were fined for failing to comply with the minimum deprived sector lending requirement. Similarly, 9 development banks, 10 finance companies, 2 microfinance development banks and 2 co-operatives were penalized for failing to maintain the cash reserve ratio (CRR).
- (h) 45 development banks and same number of finance companies were fined for failing to comply with the statutory liquidity ratio (SLR).

Directives compliance and actions taken

- 2.87 Nepal Development Bank was declared problematic on 11 October 2007. The bank was imposed restrictions from sanctioning additional loan, taking and renewing deposits, providing guarantee and purchasing additional fixed assets according to Article 86 (c) of the Nepal Rastra Bank Act, 2002. However, as the board of directors and the management were not found to be serious and proactive in implementing the directives, the NRB, in order to prevent the bank from further deterioration and to protect the interest of the depositors, issued the letter on 3 June 2009 asking the bank to justify the reason for not initiating the liquidating process by filing a case at the Appellate Court in Patan according to the decision of 2 June 2009 by the Board of Directors' meeting of NRB. As the reply from the bank was not found to be satisfactory, NRB filed the case to liquidate the bank to the Appellate Court in Patan according to the decision of Board of Directors meeting held on 22 June 2009. Accordingly, the liquidator has been appointed and the liquidation process has been initiated as per the decision of the Appellate Court on 17 December 2009. Moreover, the Managing Director and some of the board members were penalized and fined for not implementing the directives issued by the NRB.
- 2.88 Based on the special inspection carried on 11-12 January 2009 and by the decision of 1 February 2009, the license for foreign exchange transaction of Rara Development Bank was suspended till further notice according to the Article 3 (a) and Sub-article 1 (d) of Foreign Exchange (Regulating) Act 1962 as the bank was found carrying out Indian currency transaction of denomination 500 and 1000, violating the directive issued by the NRB on 25 March 2007. The managing director and Board of Directors were also fined for non-compliance of the directives issued by the NRB. However, the license to carry out foreign currency transaction was released as per the letter dated 15 September 2009 and as during the course of the special inspection, the implementation of the various directives with regard to above mentioned remarks were found to be satisfactory.
- 2.89 The United Development Bank (Jitpur, Bara) was declared problematic on 18 December 2006 according to the Article 86 (a) of the NRB Act 2002. Various corrective directives were issued and the restriction was imposed on the bank to accept deposits, grant loan and provide financial guarantee. The actions taken were then converted according to the Article 3 (e) Prompt Corrective Action By law 2007 since 17 October 2008. However, the above restrictions were lifted from the bank since 3 August 2009 provided it implements the corrective directives issued by the NRB, as the financial analysis of the bank at mid-July 2009 showed the core capital and capital fund as 11.66 percent and 11.74 percent respectively, slight reduction in accumulated loss due to recovery of bad loans, the request by the bank to allow additional time to recover the low quality loans and the commitment by the new management to improve the management.
- 2.90 A written warning has been issued according to the Article 74 (1) of Bank and Financial Institution Act, 2006, with the condition of not repeating it, to 5 development banks, 7 finance companies and 3 microfinance development banks, as these financial institutions did not

perform the audit within the 5 months after the completion of the fiscal year as per the Article 59 (2) of Bank and Financial Institution Act, 2006.

- 2.91 According to the Article 1.4 of the Licensing Policies for Financial Institutions 2006, 2 development banks and 13 finance companies were prohibited to distribute the dividend and accept deposits as per 1.4 (a) and (b) of the Licensing Policies as these institutions did not increase the paid up capital proportionately in the FY 2009/10 according to the prescribed paid up capital by the NRB at the end of 2070 B.S.
- 2.92 A clarification was sought by the NRB on 18 November 2009 within 15 days from the Mercantile Finance Limited, Adarshanagar, Birgunj for not sending the weekly and monthly financial information. The General Manager and the Mercantile Finance Limited, Adarshanagar, Birgunj have been fined Rs 25,000 and Rs 10,000 respectively as the company could not furnish the satisfactory response timely pertaining to the clarification sought by the NRB.
- 2.93 The chairman and the executive officer of the Muktinath Development Bank were fined each Rs 25,000 regarding the non-compliance of corporate governance.
- 2.94 According to the onsite inspection of the Samjhana Finance Ltd, it was found that the capital fund was excessively negative, the accumulated loss was large and increasing, non performing loan was high, majority of loans were risky, internal control mechanism and corporate governance was weak and the the earlier directives issued by the NRB were not compliedwith. Hence, the company was imposed restrictions on accepting and renewing additional deposits, granting additional loans and providing guarantee, making further investments, opening new branches, acquiring additional fixed assets through purchase or leasing, increasing the allowances, recruiting new staffs and promoting the existing staffs and raising facilities of the Board of Directors and also of staffs' salary and other benefits which impose financial burden on the institution according to Article 3 (e) of Prompt Corrective Action Bylaw 2008 and Article 86 (b) of NRB Act, 2002.

Currency Management

Printing of Currency Notes and Coin Mint

- 2.95 With the responsibility of maintaining smooth supply of currency notes across the nation, the Currency Management Department of this Bank manages printing of currency notes. In FY 2009/10, the following quantities of notes with denomination of Rs. 5, 100, 500, and 1000 were printed and received.

**Table 2.8
Printing status of Notes**

S.N.	Denominations	Printed Notes
1	5	9,25,00,000
2	100	12,40,50,000
3	500	4,00,00,000
4	1000	6,65,00,000
Total		32,30,50,000

**Table 2.9
Coins**

S.N.	Denomination rate in Rs.	Quantity (in million)	Status
1	1	520	Being minted
2	2	200	Being minted

Note Issue

- 2.96 On the stock front, a total equivalent to Rs. 35.16 billion notes with different denominations have been issued in FY 2009/10.

Notes in Circulation and Their Security Provision

- 2.97 As at mid-July 2009, notes of different denominations equivalent to a sum of Rs. 141.21 billion were in circulation. Additional notes equivalent to Rs. 20.09 billion were issued during the review year. Consequently, total notes in circulation reached Rs. 161.30 billion as at mid-July 2010. Of the total issued notes, foreign currencies and securities constituted 97.4 percent of the assets kept as security against the issue of notes and the remaining portion was occupied by securities of the GoN.

Note Chest

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

Note Destroyed

- 2.99 There has been a provision of destroying spoiled and non-issuable notes held by public and commercial banks to bring fresh and clean notes in circulation. In this regard, Currency Management Department and NRB offices outside the valley together had destroyed a total of Rs. 126.10 billion notes till mid-July 2009 which includes a total of Rs. 125.51 billion spoiled notes with different denominations and 0.59 billion of non-issuable notes. In addition, spoiled notes equivalent to a sum of Rs. 4.91 billion and non-issuable notes equivalent to a sum of Rs. 0.58 billion were also destroyed during the period from mid-July 2009 to mid-July 2010. As a result, a total of Rs. 131.02 billion spoiled and non-issuable notes have been destroyed by the end of FY 2009/10.

Fund Transfer

- 2.100 With an objective of making fund easily available to commercial banks, which in turn directly affects to the economic activities of the country, a provision of note chest has been made in the RBB, NBL and district-based NRB offices. NRB has been transferring fund from and to the note chest in its own cost depending in the surplus and shortage of fund in the respective note chest.

Miscellaneous

Human Resource Management

- 2.101 As the consequence of the policy of hiring manpower with modern skill, knowledge and competency and having capacity to face current and future challenges efficiently in the bank, the process of recruiting the manpower by open competition has been started for the post of third class officer and assistant second in this year also as per the policy to make bank service inclusive for different level and section of the society. The process of hiring the competent manpower by open competition in the bank service for the post of officer third class (administration service); [10 open and eight inclusive group (female-three, indigenous-two, madhesi-two and suppressed-one)] totaling 18, officer third class (commercial law); [one open and one female from inclusive group] totaling two; and including officer third class (chartered

accountant); [two open and one female from inclusive group totaling three], with grand total 23 officer third class and for assistant (assistant second) 24 open and 21 inclusive group totaling 45 for the Biratnagar, Janakpur, Birgunj, Pokhara, Siddharthanagar, Nepalgunj and Dhangadhi offices has already begun. In near future, above mentioned manpower having modern skill, knowledge and competency would have entered in bank service and it has been expected that inherent talent, skill, knowledge and capability of them will be useful for the progress and development of the bank.

Table 2.10
Recruitment in and Termination of NRB-Service
(Mid-July 2009 – Mid-July 2010)

Level	Compulsory Retirement	Resignation	Dismissal	Death	Entrance
Officer Level	39	5	-	0	22
Officer-Executive	1	-	-	-	-
Officer-First	1	-	-	-	-
Officer-Second	8	-	-	-	-
Officer-Third	29	5	-	-	22
Assistant Level	17	1	-	3	25
Assistant-First	8	-	-	-	-
Assistant-Second	3	1	-	1	25
Assistant-Third	3	-	-	1	-
Assistant-Fourth	3	-	-	1	-
Assistant-Fifth	-	-	-	-	-
Total	56	6	-	3	47

Table 2.11
The Number of Existing Employees (Mid-July 2010)

S.No.	Level	Current Manpower as of 2010 mid-July
1	Officer-Executive	15
2	Officer-First	38
3	Officer-Second	141
4	Officer-Third	474
Total in Officer Level		668
5	Assistant-First	350
6	Assistant-Second	102
7	Assistant-Third	112
8	Assistant-Fourth	213
9	Assistant-Fifth	1
Total in Assistant Level		778
Total		1446

2.102 As at mid-July 2010, total number of employees stood at 1446 comprising 668-officer level and 778 assistant levels. The ratio between officer and assistant level employees stood at 1:1.16. Similarly, employees working in the security group on contract basis in the bank are as follows.

Table 2.12
Structure of Security Group (Contract)

S.No.	Level	Post	Current Manpower
1	Officer-Second	Security Officer	1
2	Officer-Third	Assistant Security Officer	1
3	Assistant-Second	Assistant Security	2
4	Assistant-Third	Security Assistant	1
5	Assistant-Fourth	Managing Security	2
6	Assistant-Fifth	Security	13
7	Assistant-Fifth	Deputy Security	2
8	Assistant-Fifth	Sipahi	43
9	Assistant-Fifth	Pipa	4
Total			69

In addition to the above list, there are two temporary managing security employees on security group (temporary employees working on telegram operators previously).

2.103 To enhance the morale of employee, to increase the productivity and reduce the bank expenses, NRB has adopted the following policy-wise provisions during the current period.

- (1) The medical facility for retired employees has been revised as per the decision of meeting of BoD (Board of Directors) on 2009.07.30.
- (2) Meeting of BoD held on 2009.08.03 revised existing pay scale, central bank allowances and percentage calculation for medical facility.
- (3) Necessary provision has been arranged for the works related to garden, plumbing, electricity and sanitary through outsourcing of the offices located outside the valley.
- (4) As per the decision of meeting of BoD on 2009.12.24, the present provision of land/house repair, union facility and special facility for managing security who were temporarily recruited as telegram operator have been reviewed.
- (5) The policy-wise provision has been made for managing the office-observation tour of chief officer of outside the valley.
- (6) Wages of the daily/monthly wages/workers has been increased as per the decision of the BoD held on 2010.02.23.
- (7) The present provision of taking and returning of family members of a staff while transferring from one office to another has been modified by making necessary policy-wise provision.
- (8) The meeting allowances and other facilities of board members have been revised as per the decision of meeting of BoD on 2010.03.11.
- (9) As per the decision of meeting of BoD on 2010.03.11, there has been an increase in monthly wages of contract basis staffs who getting monthly wages; there has also been an increase in worship material expenditure including donation for priest. The provision of payment of half-yearly closing allowance to former chief health supervisor who is working as contract basis and to the priest has been made as well.
- (10) As per the provision of adjusting the service from cash service to administration service, one deputy director (cash), nine assistant directors (cash) and 56 head cash assistants have been adjusted as deputy director, assistant director and head assistant of administration service respectively.
- (11) To disseminate the communication, announcement and publication of the economic and monetary policy including other notice and information of the bank in a transparent way to the general public by different media through one window system, Executive Director

of Governor's Office Mr.Gopal Prasad Kafle has been appointed as the spokesman of the bank.

- (12) Since the daily casual works of the bank need to be done on wages basis also, the wages of the labourer, mason, carpenter, electrician, plumber etc have been reviewed.
- (13) As per the decision of meeting of BoD on 2010/05/17, additional provision on 'attendance and leave' has been made as per the 12th amendment of NRB Employee's By-rule 2005.

Promotion

- 2.104** The process of promotion of employees has been continued in the FY 2009/10. The description of fulfillment of vacant posts by Human Resource Management Department during FY 2009/10 is presented below.

Table 2.13
Description of the Recruited Post in 2009/10

S.No.	Post	Service	File Promotion	Internal Competition	Open Competition	Total
1	Officer-Executive	Administration	4	-	-	4
2	Officer-First	Administration	4	2	-	6
3	Officer-Second	Administration	20	8	-	28
4	Officer-Second	Technical	-	-	-	-
5	Officer-Third	Administration	63	23	22	108
6	Officer-Third	Technical	3	-	-	3
7	Assistant-First	Administration	-	-	-	-
8	Assistant-First	Technical	10	-	-	10
9	Assistant-Second	Administration	3	-	25	28
10	Assistant-Second	Technical	10	-	-	10
11	Assistant-Third	Administration	6	17	-	23
12	Assistant-Third	Technical	11	-	-	11
13	Assistant-Fourth	Technical	4	-	-	4
Total			138	50	47	235

Similarly, as per the provision of NRB Employee's By-rule 2005, the pay scale of 47 assistant level staff has been upgraded to the nearest upper level's pay scale from August 2009.

Corporate Reforms

- 2.105** The 1125th BoD meeting held on 2010/07/15, approved program and budget for the year 2010/11 and issued 23-point directives to make the budget system realistic, systematic, economic and effective.
- 2.106** A work plan and budget discussion seminar was conducted on 2010/06/09, to enhance the competency and effectiveness of the bank operations. Chief of all departments and offices participated in the seminar and progress till 3rd quarter of 2009/10 has been reviewed. Besides this, after comprehensive discussion and analysis of the work plan submitted by departments and offices for the year 2010/11, suggestions have been collected for the proposed work plan and on the basis of the suggestion and conclusion the work plan has been finalized. After approval from the BoD, it is in implementation process.
- 2.107** Report of budget review of FY 2008/09 and first three quarters of 2009/10, submitted by 'Budget Review Committee' under the coordinationship of Board of Director Dr. Bishwambher Pyakurel, has been endorsed by BoD.
- 2.108** On-site and off-site monitoring has been given continuity to make effective execution of yearly budget and work plan. In this connection, on-site monitoring of Biratnagar, Siddharthanagar, Nepalgunj and Dhangadhi offices have been completed in the review year.

2.109 The 1096th BoD meeting held on 2009/11/26 had issued various instructions to submit the progress report, after initiating the related work by mid-January to BoD through Corporate Planning Department for the purpose of making budgetary system well-managed, economic and effective. After reviewing the progress report received as per the above instructions from all departments and offices, the BoD meeting held on 2010/06/24 has issued necessary instructions to the departments and offices.

Planning Management Side

2.110 To make the activities of the bank effective, excellent and result oriented work plan should be formulated, implemented and evaluated in a systematic manner. So it was necessary to modify the work plan and evaluation manual. So, BoD meeting on 2010/05/25 has issued NRB Work Plan Determination and Evaluation Manual, 2010.

2.111 The progress status and review report of approved work plan of all the departments/divisions/offices of the bank to complete during FY 2008/09 has been prepared. Similarly, the progress review report of approved work plan for 1st, 2nd and 3rd quarter of FY 2009/10 has been prepared as well. The summary of the completion of work on the basis of the progress review report of FY 2008/09 and up to 3rd quarter of FY 2009/10 of the entire departments/offices/divisions is as following.

S. N.	Time period of performance of work	No of goal oriented function	Status of performance			
			Performed		Not performed	
			No of action	%	No of action	%
1.	FY 2008/2009	116.00	113.55	68.40	52.45	31.60
2.	FY 2009/2010 Upto 3 rd Quarter*	217.61	135.28	62.17	82.33	37.83

* Based on total no of weighted targetted action.

2.112 The BoD meeting held on 2010.07.15 has approved and implemented the work plan for the current FY 2010/11. As per approved work plan, total 166 programs for the entire departments/offices have been finalized for completion during the fiscal year. Total 221 weights has been set for approved 166 programs as per the provision of NRB Work Plan Determination and Evaluation directives, 2010.

Risk Management Implementation

2.113 All the departments/offices/divisions have been informed about directives issued at various times by Risk Management Committee. Risk Management Directives 2010 has been kept at website of the bank. Provision has been made for documentation of risk description by fixing a risk management officer in each department/office/division. The description of risk register has been centralized from all departments/offices/ divisions on monthly basis. The Internal Audit Department is requested to inform periodically the risk-based comments found while performing internal audit. Financial Management Department has been requested to inform risk based comments found in the course of external auditing to Corporate Planning Department as well.

2.114 Instructions for the improvement have been given after point wise discussion in Risk Management Committee including with the concerned department chief as required by classifying received risk description in various groups; district based office group, monetary and foreign exchange management group, banking operation group, regulation and supervision group and support service group in the review year.

2.115 As per the provision of Risk Management Directives 2010, directions have been given to concerned departments/ offices after the decision of Risk Management Committee so as to mitigate the risks. Some more risk-related directions were given to the departments/offices during the review period.

2.116 Although risk management is important and sensitive matter, the chief and deputy chief officers of different departments/offices/divisions were not taking it sincerely; they were just

providing the sole responsibility only to risk management officer to perform related works; so in the Risk Management Directives 2010, clear provisions have been made for chief officers of such departments/offices/divisions in terms of responsibility and information they should bare.

- 2.117** Also to include the Risk Management Committee Guidelines, 2009 (including amendment) under the legal framework, BoD has approved "Nepal Rastra Bank Risk Management Directives, 2010 " and implemented it as well.

Information and Technology

Software Development and Improvement

- 2.118** In FY 2009/10, following works have been completed to develop new software necessary for computerization function of various departments and to improve existing software.
- (a) As per consultation with banking office and offices outside valley and request made by concerned offices, additional modification has been made in banking system software.
 - (b) Accounting, payroll, staff facility etc software has been improved in coordination with Financial Management Department.
 - (c) Pension status has been included in NRB's home website; in preceding years this facility was only for bank staff to see Personal Financial Accounts (Payroll, Ledger Balance, Miscellaneous Payments etc).
 - (d) Necessary software to exchange coin has been developed for offices located outside the valley.
 - (e) Software, after through study, has been made ready for HS Code used in foreign trade statistics of Balance of Payments Division. It has been in trial process.

Expansion of Network/Internet/E-mail Service

- 2.119** Following works have been done to expand network/internet/e-mail service:
- (a) Latest antivirus software has been purchased and installed in the computers connected to network for the enhancement of information security and antivirus server has been prepared and is in operation as well.
 - (b) Servers of all district offices have been made Window Based in the process of making Novel Server Based banking software to Window Server Based.
 - (c) With the coordination of banking office, Nepal Government and commercial banks could get the balance and statement of their accounts through NRB website.

Activities Related to Obtain New Software

- 2.120** Information technology reengineering project, as a part of financial sector reform program, was lunched to improve the IT capacity building under the financial assistance of World Bank. Since this project did not produce the expected result, NRB, on its own initiation, is running the IT capacity building process. Under this initiation, the bank is replacing the legacy software by industry standard software. In this regard, the following progress has been made so far:
- (a) The evaluation process of tender document related to procurement of software for Human Resource Management Information System (including e-Attendance System) after preparing technical specification has been completed; but, further process is not going on.
 - (b) To acquire GL system software, technical specification has been prepared; accordingly, initiation has been taken to purchase such software as it has been sent to EOI process.
 - (c) Software related to Inventory Management System is on the trial basis as to computerize the store and distribution section of General Service Department.

Information Technology Policy

- 2.121 Draft of internal Information Technology Policy and related Guidelines has been prepared and sent to all departments for study and feedback.

Computer Repair and Maintenance

- 2.122 500 computers and related equipments have been repaired during the review period. Similarly, as per the demand made from different departments and offices, onsite support for maintenance of computers and related equipments has been made nearly 2000 times, and 175 network points are also installed in central office. Further, technical specification of newly purchased computer and related equipments has been prepared and specification of received equipments has also been checked up.

Inspection of Physical Infrastructure

- 2.123 At the request of Bank and Financial Institution Regulation Department, physical infrastructures related to information technology were inspected for the banks and financial institutions that are going to be established.

Legal Activities

- 2.124 Following works related to law, rules and enforcement has been concluded during review period.

Activities under the Money Laundering Prevention Act, 2008

- (a) For the effective enforcement of Money Laundering Prevention Act, 2008, a draft of Money Laundering Prevention Rules was prepared and forwarded to the Government of Nepal with recommendation of Coordination Committee. This draft came into force from October 12, 2009 with the approval of Government of Nepal.
- (b) Different directives including the format of notice were issued to the banks and financial institutions, government agencies, money changer, money remitters, casino, cooperatives, securities companies and insurance companies as per the provision of Section 10 sub section (3) of the Act for the preparation and submission of the reports by reporting institutions to Financial Information Unit (FIU).
- (c) To ensure mutual cooperation with foreign counter parts regarding exchange of financial information in international standard, Memorandum of Understandings were concluded with FIU of Thailand, Malaysia and Mongolia on 12th and 13th July, 2010.
- (d) The FIU chief and other representatives participated at the 12th annual meeting of the Asia Pacific Group on Money Laundering held in Singapore dated 13-16 July 2010. The delegation has presented Nepalese progress on AML/CFT and tried to get support for the strengthening of the physical and human resource capacity of FIU Nepal.
- (e) Nepal was defended in the face to face meeting held in Kuala Lumpur on 9th December 2009 before International Cooperation Review Group in the issue raised by FATF through its letter to Finance Minister asking why Nepal shall not be included in the list of non-cooperative country regarding AML/CFT.
- (f) FIU, as secretariat of the Coordination Committee, has successfully concluded different meetings of this Committee. This Committee has made different recommendations to Government of Nepal for the effective enforcement of Money Laundering Prevention Act, 2008. Some of the recommendations of the Committee are: designation of the government office responsible to report FIU, inserting different types of offences in the list of predicate offence of money laundering, providing necessary assistance to IMF Mission and APG Mutual Evaluations Team. Draft of amendment bill of Money Laundering Prevention Act and Mutual Cooperation Act has been submitted to the Government of Nepal. In addition to this, Coordination Committee has recommended

Government of Nepal to be a party of different international conventions related to terrorism, organized crime and corruption.

- (g) Three meetings of Technical Committee have been concluded and these meetings became highly helpful to prepare the draft of the directives related to securities and insurance companies.
- (h) A team was constituted with representation from different stakeholders for the study of risks associated to money laundering and terrorist financing in Nepal. This team is conducting its study.
- (i) FIU has forwarded 177 different suspicious transactions to Revenue Investigation Department for further investigation and prosecution. Other necessary cooperation has also been extended as per the demand of department in this regard.
- (j) A web site of the FIU is functioning with the cooperation of IT Department. In addition to other information, this site contains the FIU E-NEWS LETTER.

Activities Related to Cases in the Court

- (a) The number of cases against the bank is increasing day by day. The number of running cases were 42 at the mid-July 2009 and 19 new cases were registered during the review period. Among those cases, the court settled 26. Out of 26, 20 decisions are in favor of NRB. This includes the historical legal case of insolvency of Nepal Development Bank that was decided in favor of NRB. Two are fully against and two are partially against the NRB. Two cases were withdrawn by the parties' themselves. An appeal has been registered by the bank in the Supreme Court against the decision of the court.
- (b) The defense of the bank is possible by utilizing the expert human resource for this. Now, bank has competent manpower to defend itself. This has saved the huge expenses of the bank for the defense in the court.

Other Functions

- (a) A checklist about the steps necessary at the time of procurement under the provision of procurement management by rules is prepared and forwarded to respective departments. Division is providing its representative in different committees of other departments.
- (b) The Division is also providing legal advice on different statutory documents of banks and financial institutions at the time of establishment and amendment and also providing advice on other different departmental issues.

Internal Audit-related Works

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

- (a) Compliance Audit of Financial Management Department, Banking Office, Currency Management Department (including Mint division) and 7 offices outside the valley were also completed.
- (b) Accordingly, foreign investment and effectiveness of monitoring of license issued institutions through Foreign Exchange Management Department, remittance of Banking Office, refinancing and process of LC issuance based on the foreign bank guarantee, use of vehicles of General Service Department, off-site supervision of Financial Institution Supervision Department, provision of note printing and minting of coins by Currency Management Department and rural self-reliance fund of Micro Finance Promotion and Supervision Department have been audited.
- (c) Yearly report of the FY 2009/10 of Audit Committee has been submitted to BoD.

General Service Execution

2.126 Different stationary materials, furniture, machineries etc have been purchased as per the allocated budget of review year under the heading of miscellaneous furniture of asset account and miscellaneous furniture of profit and loss account (NA.NO.KHA.HI.).

2.127 The following construction and repair works have been completed during the review year:

- (a) To construct the hall by truss of zinc sheet above the roof of Corporate Planning Department building, the notice for bid was published on 2010/06/15 and among 4 bids, the lowest pricing bid was selected for contract to make such construction. Furthermore, the working order has been issued to initiate the work to the bidder.
- (b) 8 batteries have been purchased for CCTV and the order has been made to purchase 32 batteries for the server of Information Technology Department as per the decision. Similarly, capacity of hard disk has been enhanced to increase the back up capacity of CCTV at Central Office.
- (c) The place and furniture have been managed to expand the working area of Financial Institution Supervision Department and aluminum partition has been made to restructure the Monetary Division of Research Department.
- (d) Automated Teller Machine (ATM) of Machhapuchhre Bank Limited situated at north side of the gate of the bank has been shifted to southern side. It has been operated by 2 ATM lounge.
- (e) The construction work of NRB Golden Jubilee Park (under construction, adjacent to the eastern compound wall) has been continued with the support of local "Baluwatar Navajagaran Youth Club".
- (f) Vehicles have been purchased after bidding notice of 2010/07/04 as per need of the bank.
- (g) Water bore located at northern side of the bank has been repaired.
- (h) Voice logger has been set in Foreign Exchange Management Department to record the voice of conversation by telephone.

2.128 Useless furniture and miscellaneous materials and 14 vehicles has been sold by auction during the review year.

Public Debt Management

2.129 Public Debt Management Department of this bank has been issuing short-term and long-term bonds as an instrument to manage internal debt of Nepal Government including monetary management (liquidity management) for effective implementation of Monetary Policy lunched by this bank. In this regard, brief descriptions of the internal debt management and monetary management conducted in FY 2009/10 are as follows:

Internal Debt Management

A. This bank had published four bi-monthly issue calendars to mobilize the internal debt of Rs. 30.91 billion in FY 2009/10 as per the Budget Speech of Nepal Government. Accordingly, there was the target to mobilize the internal debt in November/December of Rs.8.26 billion (26.72 Percent), in January/ February of Rs.5.7 billion (18.44 Percent), in March/April of Rs.5.4 billion (17.47 percent) and in the last bi-month May/June of Rs.4.55 billion (14.72 percent) in FY 2009/10 and from foreign employment saving certificate of Rs. 7.0 billion (22.65 percent). Due to the situation of treasury position of Nepal Government and scarcity of liquidity in financial sector, the issue calendar has been changed accordingly with total of Rs. 29.91 billion internal debt i.e. in 2009 December of Rs. 0.26 billion (0.84 percent), in January/February of Rs.2.1 billion (7.79 percent), in May/June 2010 of Rs.10.31 billion (33.35 percent) and in June/July of Rs.17.24 billion; similarly in July 2010 foreign

employment saving certificate of Rs.4 million (0.01 percent) has been mobilized in the review period.

- B. Although, there was the target of Rs. 7.0 billion internal debt mobilization through foreign employment saving certificate, the treasury bill of Rs.6.0 billion was mobilized as internal debt out of such 7.0 billion due to long time taken in preparing policy provision.
- C. The internal debt mobilization has been higher by 62.43 percent in the FY2009/10 compared to the total internal debt of Rs.18.42 billion in previous year
- D. Although, there was the target of Rs. 1.0 billion internal debt mobilization by foreign employment saving certificate in the first time, the amount could not meet the target and total target of Rs. 30.91 billion internal debt mobilization remained lower by Rs. 996.0 million in FY 2009/10.

(1) Instrument-wise Debt Securities Issuance

Instrument wise comparisons of Nepal Government's internal debt mobilization during the last three fiscal years are as follows:

**Table 2.14
Issue of Internal Debt**

S. N.	Types of Bond	(Rs. in Million)							
		2007/08		2008/09		2009/10		% change	
		Amount	%	Amount	%	Amount	%	2008/09	2009/10
1.	Development Bond	6070.0	29.61	7750.0	42.08	9040.9	30.22	27.68	16.66
2.	Treasury Bill	12500.0	60.99	9000.0	48.87	19929.8	66.63	-28.00	121.44
3.	Citizen Bond	1926.4	9.40	1667.1	9.05	939.2	3.14	-13.46	-43.66
4.	Foreign Employment Bond					4.0	0.01		
Total		20496.4	100.00	18417.1	100.00	29914.0	100.00	-10.14	62.43

Looking at debt securities on the basis of instrument structure, as in the past, the share of short-term instrument i.e. treasury bill was higher during the FY 2009/10. The share of treasury bill showed 17.76 percent increment in FY 2009/10 compared to that of FY 2008/09 and remained two-third, 66.63 percent, of the total issuance of debt securities during the review year. Long-term development bond for corporate savers issued by auctions possessed 30.22 percent share. Similarly, issuance of civil saving certificates as a medium-term instrument for general public had 3.14 percent share. Besides this, by the provision of Budget Speech of Nepal government for 2009/10, the internal debt equivalent to Rs. 4.00 million was mobilized by the foreign employment saving certificates as a new instrument. Observing the annual internal debt mobilization, it has increased significantly by 62.43 percent compared to that of previous year, which had decreased by 10.14 percent in the FY 2008/09 in comparison with the FY 2007/08. Similarly reviewing the instrument wise amount collection trend in the review year 2009/10, the treasury bill and development bond has increased significantly by 121.44 percent and 16.66 percent respectively compared to that of the previous year, but the citizen saving bond decreased by 43.66 percent in the same period.

(2) Total outstanding internal debt of Nepal Government

Comparative description of total internal debt liabilities (instrument-wise) of Nepal Government for last three fiscal years is presented in the following table.

Table 2.15
Total Internal Debt Liabilities of Government of Nepal

(Rs. in Million)

S. N.	Types of Bond	2007/08		2008/09		2009/10		% change	
		Amount	%	Amount	%	Amount	%	2008/09	2009/10
1.	Development Bond	21735.4	19.60	29478.5	24.39	35519.4	24.86	35.6	20.49
2.	National Saving Certificate	1116.9	1.0	216.9	0.18			-80.6	0
3.	Treasury Bill	85033.0	76.4	86515.1	71.57	102043.7	71.43	1.7	17.95
4.	Special Bond	339.4	0.3	229.6	0.19	169.7	0.12	-32.3	-26.09
5.	Citizen Saving Certificate	3014.4	2.7	4433.6	3.67	5122.9	3.58	47.1	15.55
6.	Foreign employment Saving Certificate					4.0	0.01		
Total		111239.1	100.00	120873.7	100.00	142859.7	100.00	8.7	18.19

Total internal debt liabilities of Nepal Government rose by 18.19 percent to Rs.142.86 billion during the FY 2009/10 compared to an increment of 8.7 percent in the previous FY 2008/09. Such internal debt has the ratio of 12.08 percent to the total GDP as nominal price (initial estimate) of the FY 2009/10. At the end of the FY 2009/10, the share of treasury bills, development bonds, civil saving certificates, foreign employment saving certificates and special bond are observed as 71.43, 24.86, 3.58, 0.01 and 0.12 percent respectively as internal debt liabilities.

In the context of the major internal debt mobilization and open market operations instrument, the treasury bills, liabilities have increased due to the increment of internal debt mobilization from such treasury bills in the review period. Similarly, development bond liabilities have also increased due to increment in sales of development bond by auctions. In addition to this, national saving certificate liabilities has been decreasing and citizen saving certificate liabilities has been increasing gradually as national saving certificate was replaced by citizen saving certificate and issuance of citizen saving certificates has been continuous. Similarly, the special bond liabilities have been decreasing because of not issuance of such bond, ending of maturity period and paying principal of such bond.

Foreign employment saving certificate has been issued first time as per the Budget Speech 2009/10 of Nepal Government. Due to the long time taken in formulation of working procedure, licensing to sales agent and formulation of other policy framework related to sales, the issuance period became short and hence the certificate was undersubscribed. Accordingly, the liabilities created by the certificate is negligible.

(3) Ownership Structure of Total Internal Debt Outstanding

Structure of personal and institutional ownership of Nepal Government's bond issued in previous year are as follows:

a. Ownership of Bond of Various Institutions

Public Debt Management Department has been issuing treasury bills (short-term), development bond (long-term), civil saving certificate (mid-term) and special bond for contingent liability as per Budget Speech of Nepal Government. Corporate ownership structure of issued bonds till FY 2009/10 is as follows:

Table 2.16
List of corporate ownership of Internal Debt
July 2010

(Rs. in Million)

Owner	Dev. Bond	Ratio %	Foreign Employ. Bond	Ratio %	Treasury Bill	Ratio %	Citizen Bond	Ratio %	Special Bond	Ratio %	Total	%
Nepal Rastra Bank	309.0	0.88			30477.4	29.86	2635.0	51.44			33421.4	23.39
Commercial Bank	14728.7	41.47			68109.5	66.75			157.6	92.87	82995.8	58.09
Development Bank	812.6	2.29			1259.9	1.23					2072.5	1.46
Finance company	993.9	2.80			242.9	0.24	84.9	1.66			1321.7	0.92
Employee Provident Fund	6539.1	18.41									6539.1	4.58
Cit. Invest. Trust	1057.9	2.97									1057.9	0.74
Nepal Telecom	1883.3	5.30									1883.3	1.32
Retirement Fond	2549.6	7.17									2549.6	1.79
Insurance Companies	6118.5	17.23									6118.5	4.28
Public	98.0	0.27	400.0	100.0			2403.0	46.90			2505.0	1.75
Others	428.8	1.21			1954.0	1.92			12.1	7.13	2394.9	1.68
Total	35519.4	100.00	400.0	100.0	102043.7	100	5122.9	100.0	169.7	100.0	142859.7	100.00

Among the corporate ownership structure of total outstanding internal debt of Rs.142.86 billion, commercial banks has remained the major shareholder till the end of FY 2009/10. Out of total loan liabilities, commercial banks have 58.09 percent ownership followed by Nepal Rastra Bank in second position. The bank has 23.39 percent ownership of total internal debt liabilities of Nepal Government. Besides this Employee Provident Fund has 4.58 percent and Insurance Company has 4.28 percent ownership. Similarly, general public has 1.75 percent, different retirement funds have jointly 1.79 percent, finance companies 0.92 and development banks have 1.46 percent ownership.

On the basis of instrument-wise ownership structure, out of total treasury bill of Rs.102.44 billion, commercial banks have Rs.68.11 billion (66.75 percent) and Nepal Rastra Bank has Rs.30.48 billion (29.86 percent) ownership. Commercial banks group have also the highest ownership position of total liabilities Rs.35.52 billion in the case of development bond. Commercial banks have Rs. 14.73 billion (41.47 percent) ownership on development bond. After that, Employee Provident Fund and Insurance Company have 18.41 and 17.23 percent ownership respectively.

Out of total citizen saving certificate liabilities of Rs.5.12 billion, general public have Rs.2.4 billion (46.90 percent) and Nepal Rastra Bank has Rs.2.63 billion (51.44 percent) ownership. Similarly, general public have ownership of Rs. 4 million by the sale of foreign employment saving certificate.

b. Debt Securities Ownership of Nepal Rastra Bank

This bank has continuously been issuing treasury bills (short term), development bond (long term) and citizen saving certificate (mid-term) to mobilize internal debt as per the annual Budget Speech of Nepal Government. Out of such securities, treasury bill is issued for the purpose of liquidity management and internal debt collection, too. This bank purchases the residual treasury bills automatically through the secondary market in case of renewal and primary issue of treasury bill is under subscribed in the auction. This bank has the following government bonds ownership including purchased bond from market makers, treasury bills issued for the payment of special bond, and overdraft etc.

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

(Rs. in Million)

S. N.	Types of Bond/Bill	2007/08		2008/09		2009/10		% change	
		Amount	%	Amount	%	Amount	%	2008/09	2009/10
1.	Development Bond	296.5	1.43	302.2	1.26	309.0	0.93	1.95	2.25
2.	National Saving Certificate	447.2	2.38	76.9	0.32			-82.80	0
3.	Treasury Bill	17579.0	93.21	22548.6	93.62	30477.4	91.19	28.27	35.16
4.	Citizen Saving Certificate	562.7	2.98	1155.1	4.80	2635.0	7.88	105.28	128.11
Total		18885.4	100.00	24082.8	100.00	33421.4	100.00	27.52	38.78

The ownership of Nepal Rastra Bank on bonds is in increasing trend continuously year by year. Ownership of this bank has remained at Rs.33.42 billion, which increased by 38.78 percent (Rs. 9.34 billion) in FY 2009/10 compared to that of the previous year. It had increased by 27.52 percent in the previous year. Instrument-wise, in terms of the increment of Nepal Rastra Bank's ownership, the citizen saving certificate has increased significantly by 128.11 percent, treasury bills by 35.16 percent and development bond by 2.25 percent.

The ownership of bonds of this bank has increased continuously due to provision of purchasing the bonds at request of market makers in the process of secondary market transaction, directly from their special accounts, which they purchased from general public, and also the provision of purchasing other instruments for the transactions in secondary market. Beside this, the ownership of this bank on national saving certificates, which were issued massively in the previous years, has gradually been decreasing due to the substitution of such bonds by citizen saving certificates, and also the pay back period of these certificates have gradually been matured.

(4) Situation of Principal and Interest Payment of Bonds

Nepal Government has continuously been paying principal and interest liabilities of the matured bonds each year. The Government has made payment of matured treasury bills of Rs. 4.40 billion, development bond of Rs.3 billion, national saving certificate of Rs. 0.22 billion, citizen saving certificate of Rs. 0.25 billion and special bond of Rs. 0.06 billion in FY 2009/10. A total of Rs. 6.97 billion has been paid for the interest and discount of all bonds in the FY 2009/10. Comparative description of principal and interest payments of the bonds in FY 2009/10 by Nepal Government are as follows.

Table 2.18
Principal and Interest payment

(Rs. in Million)

S. N.	Types of Bond	2007/08	2008/09	2009/10
		Principal/Interest	Principal/Interest	Principal/Interest
1	Development Bond	2660.0	1794.1	5194.5
2	National Bond	701.1	972.6	248.7
3	Treasury Bill	4551.1	11287.9	8801.8
4	Citizen Bond	403.8	473.5	565.0
5	Special Bond	2614.3	148.2	85.9
Total		10930.3	14676.4	14895.9
Percentage Change			34.27	1.50

The principal and interest payment of internal debt made by the Government showed increasing trend in each fiscal year. In FY 2009/10, the payment of principal and interest has

increased marginally by 1.5 percent compared to the increment of 34.27 percent in FY 2008/09. Total payment of debt liabilities has been affected due to less payment of treasury bill by about 22 percent in FY 2009/10 compared to the previous year.

The principal and interest payment liabilities of development bond has increased significantly by 189.53 percent due to the maturity of the bond. The payment of liabilities related to national saving certificates and special bonds has decreased in FY 2009/10, because the new series of such types of bonds were not issued and interest outstanding of previous bonds has been decreasing gradually. Beside this, the payment of principal and interest of citizen saving certificates have increased due to continuous issuance of such instruments.

(5) Fees and Commission of Internal Debt Management

This bank has been receiving management fees on half yearly basis (September/October and March/April of each year) for internal debt management on behalf of Nepal Government. Due to the continuous increment in liabilities of internal debt, management fees to this bank from Nepal Government have also been increasing. Management fees received by this bank during last three years for internal debt management is as follows:

**Table 2.19
Fees and Commission of Internal Debt Management**

(Rs. in Million)

S.N.	Fee/Commission	Rate	2007/08	2008/09	2009/10
1	Management fee of NRB	0.05% of total amount	51.6	55.7	59.8
2	Sales commission of primary Issue	0.25% of total amount	-	-	-
3	Commission payed by NRB to financial intermediaries	0.25% of total amount	-	-	-
Total			51.6	55.7	59.8
Change %				7.95	7.36

Reimbursement amount of sales commission of primary issuance of bonds and commission to financial intermediaries for interest payment has not been received from GoN due to unclear provision in regard to commission as stated in contract paper set on 2001.09.26 between Nepal Government and this bank. The bank has therefore presented a proposal of new agreement draft to the Government for clarity purposes.

Monetary Management

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

In the FY 2009/10, treasury bills of Rs. 19.93 billion has been issued as mentioned in the Budget Speech of Nepal Government.

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

Table 2.20
Interest rate of Treasury Bills (Short Term)

S.N.	Treasury Bills	Weighted Discount Rate						
		2007/08	2008/09		2009/10			
		Annual Average	Minimum	Maximum	Annual Average	Minimum	Maximum	Annual Average
1	28 days	4.1594	3.1300	9.3912	6.2653	1.5109	9.7177	6.7780
2	91 days	4.1821	2.8400	7.3219	5.6067	1.1200	9.6820	6.5023
3	182 days	4.6013	4.3797	6.4751	5.4493	2.6771	9.5041	7.2566
4	364 days	5.2221	3.5611	6.8886	6.0493	3.2757	9.2077	7.6016

Weighted average discount rate of 28-days treasury bill remained minimum at 1.5109 percent and maximum at 9.7177 percent in FY2009/10. Yearly average discount rate remained at 6.7780 percent. Similarly, the weighted average discount rate of 91-days Treasury bill remained minimum at 1.1200 percent, maximum at 9.6820 percent and yearly average discount rate remained at 6.5023 percent. The weighted average discount rate of 182-days treasury bill remained minimum at 2.6771 percent, maximum at 9.5041 percent and yearly average discount rate remained at 7.2566 percent. Similarly, the weighted average discount rate of 364-days treasury bill remained minimum at 3.2757 percent; maximum at 9.2077 percent and yearly average discount rate remained at 7.6016 percent.

In FY 2009/10, the average interest rate of all types of treasury bills has increased compared to that of previous FY 2008/09. Of the total treasury bills, the yearly average discount rate of 28-days and 91-days treasury bills have increased by 0.5127 percentage point and 0.8956 percentage point respectively. Similarly, the weighted yearly average discount rate of 182-days and 364-days treasury bills have increased by 1.8073 percentage point and 1.5523 percentage point respectively compared to that of previous year.

(2) Secondary Market Transaction Situation of Treasury Bills

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

Table 2.21
Secondary Market Transaction of Treasury Bills

S.N.	Open Market Instrument	(Rs. in million)	
		2008/09	2009/10
1	Repo Auction	11000.0	134676.8
2	Outright Purchase Auction		3381.7
3	Reverse Repo Auction	13260.0	1000.0
4	Outright Sale Auction	7460.0	7440.0

In FY 2009/10, on the basis of the secondary market transaction of treasury bills, liquidity has been injected by repo auction and outright purchase auction of Rs.134.68 billion and Rs.3.38 billion respectively. Excess liquidity Rs.8.44 billion has been mopped up through reverse repo and outright sale auction of Rs.1.0 billion and Rs.7.44 billion respectively. Accordingly, through such instruments net liquidity of Rs.129.62 billion has been injected. To address the long nature of liquidity crunch in banking sector, injection of liquidity has been continued. Hence, large amount of liquidity has been injected in FY 2009/10 compared to the last fiscal year.

(3) Policy-wise Provision

(1) Standing Liquidity Facility (SLF)

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

(2) Master Repurchase Agreement

Previously, the master repurchase agreement had been made between the Nepal Rastra Bank and commercial banks to make transaction through repo, reverse repo, outright purchase, outright sale, as per the recommendation of LMFF, in order to inject or mop-up the liquidity in the system; however, the Monetary Policy of FY 2008/09 has made the provision of providing such facility also to the development banks and finance companies. Accordingly, in FY2009/10, such agreement has been made with 2 commercial banks, 10 development banks and 4 finance companies whereas in FY2008/09, the agreement was made with 3 commercial banks and 1 development bank only.

(4) Others Activities

- (a) In FY 2009/10, for the primary issuance and secondary market transactions of medium and long term saving certificates for general public, the license has been provided to 89 banks and financial institutions including Citizen Investment Trust. In this process 27 institutions have taken new license; however, 62 have renewed the previous ones. On the basis of geographical situation of market makers, 64 license holders are inside the Kathmandu valley and 25 are outside the valley. Similarly, as per annual working plan of FY 2009/10, the inspection had been made for total 12 market makers; 8 inside the valley and 4 outside the valley, which is 100 percent progress of such plan. List of licensed market makers is shown in Table 2.22.
- (b) After implementation of "Primary and Secondary Market Management of Bonds By-law 2004" as the legal framework for sale of development bonds from primary market by auctions, the development bonds have been started to be sold by auctions. In FY2009/10, the development bond of Nepal Government amounting to Rs. 9.04 billion had primarily been issued by auctions. In previous fiscal year, the development bond of Rs.7.75 billion had issued by auctions.
- (c) After the approval of amended draft of " Public Debt By-law, 2002" by Nepal Government, the initial amendment draft of Public Debt Management Guidelines, 2004 as per working plan has been prepared in coordination with concerned departments and units.
- (d) The issue calendar of treasury bills and other bonds (for internal debt management) has been prepared and published bi-monthly as approved by Nepal Government and public debt has been collected by making amendment in issue calendar as per necessity.
- (e) Since FY 2009/10, in the context of the reconciliation of internal debt transactions between Public Debt Management Department and Banking Office by establishing online accounting system, operation modality has been prepared with necessary discussions between concerned departments (Information Technology Department and Banking Office) and further process is going on through the Banking Office.
- (f) Initial information and data collection have been completed on the process of study to implement record keeping of bonds by Central Depository System (CDS) and Scripless Securities Settlement System (SSSS), for the settlement of bond transactions. This process will be continued for the next fiscal year.

Table 2.22
List of Market Makers

S.N.	Name	S.N.	Name
1	Nepal Bank Limited	46	Prabhu Finance Ltd
2	Agriculture Development Bank Ltd	47	Lumbini Finance & Leasing company Ltd
3	Nabil Bank Ltd	48	Bhajuratna Finance & saving Company Ltd
4	Nepal Industrial and commercila Bank Ltd	49	CMB Finance Ltd
5	Laxmi Bank Ltd	50	Royal Merchant Banking & Finance Ltd
6	Sunrise Bank Ltd	51	United Finance Ltd
7	KIST Bank Ltd	52	Nepal Industrial Development Corporation Ltd (Bittiya sanstha)
8	Lumbini Bank Ltd	53	Union Finance Ltd(Bittiya Sanstha)
9	Nepal Bangladesh Bank Ltd	54	Nepal Finance Ltd(NEFINSKO)
10	Machhapuchhere Bank Ltd.	55	Goodwill Finance Ltd(Bittiya Sanstha)
11	NMB Bank Ltd	56	Shree Investment & Finance Ltd
12	DCBL Bank Ltd	57	Prudential Finance Ltd
13	Janata Bank Nepal Ltd	58	Narayani National Finance Ltd
14	Sanima Development Bank Ltd	59	Nepal Share Markets & Finance Ltd
15	Ace Development Bank Ltd	60	Unique Financial Institution Ltd
16	NDEP Development Bank Ltd	61	Manjushree Financial Institution Ltd
17	Kasthamandap Development Bank Ltd	62	Internationaol Leasing & Finance Co.Ltd
18	Vibor Bikas Bank Ltd.	63	Suryadarshan Finance Co.Ltd
19	International Development Bank Ltd	64	Lord Buddha Finance Ltd
20	Siddhartha Development Bank Ltd	65	Jebbils Finance Ltd
21	Clean Energy Development Bank Ltd	66	Merchant Finance Ltd(Bittiya Sanstha)
22	Annapurna Development Bank Limited	67	Alpic Everest Finance Ltd
23	Araniko Development Bank Ltd	68	Nepal Express Finance Ltd
24	Hamro Bikas Bank Ltd	69	Crystal Finance Ltd(Bittiya Sanstha)
25	Biratlaxi Bikas Bank Ltd	70	Himalayan Finance Ltd (Bittiya Sanstha)
26	Bagmati Bikas Bank Ltd	71	Civil Merchant Bittiya Sanstha
27	Sahayogi Bikas Bank Ltd	72	Shikhar Bittiya Sanstha Ltd
28	Triveni Bikas Bank Ltd	73	Imperial Finance Ltd
29	Alpine Development Bank Ltd	74	Central Finance Ltd (Bittiya Sanstha)
30	City Development Bank Ltd	75	Guheshwori Merchant Banking & Finance Ltd
31	Muktinath Bikas Bank Ltd	76	Patan Finance Ltd
32	Garima Bikas Bank Ltd	77	Primier Finance Co.Ltd
33	Paschhimanchal Development Bank Ltd	78	Sagarmatha Merchant Banking & Finance Ltd
34	Tinau Bikas Bank Ltd	79	Lalitpur Finance Ltd
35	Resunga Bikas Bank Ltd	80	Navadurga Finance Co. Ltd (Bittiya Sanstha)
36	Bageshwori Development Bank Ltd	81	Annapurna Finance Co. Ltd
37	Malika Bikas Bank Ltd	82	Om Finance Ltd (Bittiya Sanstha)
38	Valley Finance Ltd	83	Fewa Finance Ltd
39	General Finance Ltd	84	World Merchant Banking & Finance Ltd
40	Capital Merchant Banking & Finance Ltd.	85	Mahalaxmi Finance Ltd (Bittiya Sanstha)
41	ICFC Bittiya Sanstha Ltd.	86	Mercantile Finance Co.Ltd(Bittiya Sanstha)
42	Shubhalaxmi Finance Ltd	87	Siddhartha Finance Ltd
43	Standard Finance Ltd	88	Butawal Finance Ltd
44	NIDC Capital Markets Ltd	89	Citizen Investment Trust Ltd
45	Gorkha Finance Ltd		

Training Program

- 2.130** Out of 36 training and seminar programs targeted by Bankers Training Center in review period, 7 high-level special training and workshop, 16 officer level, 3 officer/non-officer level and 10 non-officer level training programs have been completed successfully in which, 158, 296, 65, and 236 totaling 755 employees have taken training respectively.
- 2.131** Out of 755 trainees participated in training programs, 158 (21 percentage) high-level special training and workshop, 296 (39 percentage) officer level, 65 (9 percentage) officer/non-officer level, 236 (31 percentage) non-officer level employees have been provided training.

Table 2.23
Trainings Programmes conducted in FY 2009/10

S.N.	Programs	No. of Training	No. Of Participants	Percent
1.	Workshops & Special Trainings	7	158	21
2.	Officer Level Trainings	16	296	39
3.	Officer/Non officer Level Trainings	3	65	9
4.	Non officer Level Trainings	10	236	31
	Total	36	755	100

- 2.132** Out of 36 training and seminar programs conducted in review period, 221 employees have been trained in 9 programs out side the valley as given below:

Table 2.24
Trainings Programmes Conducted out of Valley

S.No.	Programmes	Venue	No. of Participants
1.	BOP statistics	Pokhara	25
2.	Central Banking	Pokhara	25
3.	Central Banking	Biratnagar	25
4.	BOP Statistics	Biratnagar	25
5.	Cash Operation	Siddharthanagar	25
6.	Technical Skills & Behavioral Knowledge Enhancement (Assistant III)	Siddharthanagar	25
7.	Quality Enhancement (Support Staffs)	Pokhara	25
8.	Workshop On "Economic Data Analysis & News Reporting"	Pokhara	25
9.	BOP Statistics	Birgunj	23
	Total		221

- 2.133** Against the target of training 786 employees, 755 (96 percentage) attended in different 36 training programs in review period.
- 2.134** Out of 755 trainees, 624 (83 percentage) employees from NRB and 131 (17 percentage) employees from different institutions had participated.
- 2.135** Out of 335 sessions, 277 sessions (83 percent) had been conducted by NRB officials and remaining 58 sessions (17 percentage) by external resource persons.
- 2.136** Out of 755 trainees, 632 (84 percentage) were male and 123 (16 percentage) female. For such trainings, out of 355 resource persons, 313 were male and 22 female.

Training, Seminar, Interaction and Tours

- 2.137** To enhance competency, capability and efficiency of the employees in the changing economic and financial environment, opportunities for domestic and foreign training, seminar and study visit were provided. In the review period, 867 employees got the above opportunities. 283 employees attended foreign training and study visit. Similarly, 584 employees attended domestic training and programs conducted by NRB and other institutions as well.
- 2.138** Study facility has been provided to 1 employee for Ph.D. in "Foreign Exchange Management in Nepal-Process, Assessment and Issues" from India, 1 staff for "Master's of International Development Program" from Japan, and 2 employees for M.Phil. from home country. Similarly, 1 employee has been provided study leave for "M.Sc. in Network and e-Business Centered Computing" from UK as per the application received from the interested employees under the prevailing provision of higher study from home country and abroad.

- 2.139** As per the work plan of Legal Division of review period, 5 interaction programs have been completed in Kathmandu valley in various dates for in charge of implementation officer of Government Unit and related information providers with regard the purpose of information about Money Laundering Prevention Act, Bylaw and directives issued by Financial Information Unit (FIU).
- 2.140** Three days' interaction program has been completed among the stakeholders by inviting Chief Executive of APG (Asia Pacific Group of Money Laundering) as resource person for preparation of periodic Mutual Evaluation of APG in 2010.
- 2.141** The interaction programs with officer of Government Unit responsible for implementation and related information providers about Money Laundering Prevention Act, Bylaw and directives issued by Financial Information Unit (FIU) have been completed in Biratnagar, Pokhara and Nepalgunj.

Meeting of Board of Directors

- 2.142** In FY 2009/10, a total of 48 meetings of Board of Directors were held. 42 meetings were conducted in the previous year.

Table 32
Notes in Circulation

(Rs. in million)

Denominations	Mid July					
	2008		2009		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
1	32	0.0	32	0.0	31	0.0
2	67	0.1	66	0.0	65	0.0
5	293	0.3	244	0.2	233	0.1
10	614	0.5	577	0.4	529	0.3
20	803	0.7	671	0.5	531	0.3
25	397	0.4	391	0.3	388	0.3
50	2924	2.6	3039	2.2	3237	2.0
100	7743	6.9	9223	6.5	9404	5.9
250	106	0.1	106	0.1	109	0.1
500	32458	28.6	33092	23.4	40863	25.3
1000	67511	59.8	93769	66.4	105910	65.7
Total	112950	100.0	141210	100.0	161300	100.0

Table 33
Security against Note Issued

(Rs. in million)

Mid-July	Gold	Silver	Foreign Currency and Securities	Total	Government Securities	Security against Currency Issue	Share of Foreign Currency, Gold and Silver in Total Security
	(1)	(2)	(3)	(1+2+3)			(4+6)/100
	(1)	(2)	(3)	(4)			(5)
2006	703	-	79756	80459	4172	84631	95.1
2007	-	-	87138	87138	4172	91310	95.4
2008	-	-	108778	108778	4172	112950	96.3
2009	-	-	137038	137038	4172	141210	97.0
2010	-	-	157128	157128	4172	161300	97.4

Table 34
Established Posts and Employees by Class

	Mid-July 2009		Mid-July 2010	
	Established Posts	Filled up Posts	Established Posts	Filled up Posts
Officer-Special	16	12	16	15
Officer-First	42	39	42	38
Officer-Second	152	128	151	141
Officer-Third	617	451	616	474
Assistant- First	415	414	415	350
Assistant-Second	195	78	193	102
Assistant-Third	164	86	163	112
Assistant-Fourth	264	264	259	213
Assistant- Fifth	70	69	5	1
Total	1935	1541	1860	1446

Table 35
Domestic Trainings and Seminars conducted by Other Institutions

S.No.	Subject	Officer/Non Officer	Training Days	No. of Participants		NRB Total Participants
				NRB Local Office	NRB Outside Office	
1	Country Partnership Strategy Formulation Mission Country Team Retreat	Officer	1	1		1
2	Macro Modeling Training on Revised Minimum Standard Model Extended (RSMS-X)	Officer	5	5		5
3	Working Together to Build Stable & Sustainable Financial Sector	Officer	1	2		2
4	Macroeconomic Modeling	Officer	30	3		3
5	GEST Training and Strategy Workshop" and 1 Day "LED Review Meeting	Non-Officer	3		1	1
6	Training of Trainers	Officer	3	1		1
8	Seminar on Basel II - Different Perspectives	Officer	1	2		2
9	IFAD-APRACA FinPower GreenFinance Forum	Officer	4	5		5
10	Participants: 19th SEACEN-FSI Regional Seminar on Liquidity Risk Management in Banks	Office	4	5		5
	Observers: 19th SEACEN-FSI Regional Seminar on Liquidity Risk Management in Banks	Office	4	4		4
11	Eleventh First Look Clinic on Windows 7	Non-Officer	1	3		3
Total				31	1	32

Table 36
Trainings conducted by Bankers' Training Centre

S.No.	Subject	Officer/Non Officer	Training Days	No. of Participants		NRB Total Participants
				NRB Local Office	NRB Outside Office	
1	Monetary and Fiscal Management	Officer	6	7	7	14
2	Computer Skill Upgrade Training	„	3	7	7	14
3	BOP Statistics	Both	2	2	1	3
4	Central Banking	Non-Officer	4	15	10	25
5	Training Facilitation for Resource Persons of NRB	Officer	2	20		20
6	Management Development Programme	„	4	11	3	14
7	Risk Based Internal Auditing	Officer	2	14	6	20
8	BOP Statistics	Officer	4	2		2
9	Accounting System in NRB	„	3	13	7	20
10	Central Banking	Non-Officer	6	11	14	25
11	BOP Statistics	Non-Officer	4	2	1	3
12	News Reporting and Publication	Officer	1	12		12
13	Cash Operation	Non-Officer	2	7	13	20
14	Procurement & Inventory Management	Officer	2	13	7	20
15	Sterss Management	„	2	20		20
16	Cash Operation	Non-Officer	2	11	14	25
17	Technical Skills & Behavioural Knowledge Enhancement (Assistant III)	„	3	9	16	25
18	Foreign Exchange Management	Officer	2	13	7	20
19	Central Banking	Non-Officer	6	9	11	20
20	Quality Enhancement (Support Staffs)	„	3	18	7	25
21	Network Security: Basic Theory and Tools	Officer	3	7	7	14
22	Risk Based Supervision	Officer	3	20		20
23	Examination of Financial Institutions	„	3	17	3	20
24	Pre-Service Training Programme	„	6	21		21
25	Leadership, Negotiation & Bargaining Skills	„	2	19	1	20
26	BOP Statistics	Non-Officer	4		2	2
27	Problem Bank Identification & Resolution	Officer	2	11		11
28	Examinatin of Bank and Financial Institutions	Officer	2	20		20
29	Assistant Level Pre-Service Training Programme	Non-Officer	4		25	25
30	Linux Operating System: Installation and Server Configuration	Officer	2	13	1	14
31	Public Debt Management	Both	2		7	7
32	Supervision of Banks and Financial Institutions	Officer	14	17		17
33	Windows Server 2008: Installation, Configuration and System Security Administration	„	3	14		14
Total				375	177	552

Table 37
Foreign Trainings, Seminars, Meetings and Workshops

S.N	Details	Participants	Organizer	Venue
1	3rd SEACEN Intermediate Leadership Course	2	The SEACEN Centre	Kuala Lumpur, Malaysia
2	Risk Management and Internal Controls Seminar	2	Federal Reserve System	Washington, D.C. USA
3	Exposure Visit of RBI on Risk Based Supervision Framework	2	RBI	Mumbai, India
4	Programme on Restructuring and Strengthening Agricultural / Rural Financing Institutions	3	CICTAB	Pune, India
5	Regional Workshop on Strengthening the response to the global financial crisis in Asia-Pacific: The role of Monetary, Fiscal and External Debt Policies	1	UN ESCAP	Dhaka, Bangladesh
6	5th SEACEN / ABAC / ABA / PECC Public-Private Dialogue for the Asia Pacific Region, 11th SEACEN Conference of Directors of Supervision of Asia Pacific Economies and 22nd Meeting of SEACEN Directors of Supervision	2	The SEACEN Centre	Bangkok, Thailand
7	International Exposure Visit on Poverty Alleviation Program	3	APRACA CENTRAB	Jakarta, Indonesia
8	Destruction Process of the Wastages of Rs.50/= denomination	2	Perum Peruri Indonesia	Jakarta, Indonesia
9	Destruction Process of the Wastages of Rs.20/= denomination	2	Perum Peruri Indonesia	Jakarta, Indonesia
10	SEACEN-BI Seminar on Currency Operations and Management	2	The SEACEN Centre	Bali, Indonesia
11	International Banking Seminar	2	Mashreq Bank	Penang, Malaysia
12	Workshop on Risk-Based Internal Auditing and Risk Management	2	UNI Strategic Pvt. Ltd.	Kuala Lumpur, Malaysia
13	Financial Programming and Policies (FPP)	1	IMF	Washington D.C., America
14	APG Assessor Training Workshop 2009	1	APG	Sidney, Australia
15	Course on Monetary and Exchange Rate Policies (MERP) ST.09.09	1	IMF (STI)	Singapore
16	Information Sharing Program with Officials of FEMD, NRB	6	Standard Chartered Bank	Mumbai, India
17	50th SEACEN-Federal Reserve System Course on Banking Supervision: Market Risk Analysis	2	The SEACEN Centre	Siem Reap, Cambodia
18	Seminar on Designing Effective Legal Frameworks for Problem Banks and Resolving Banking Crises	1	IMF (STI)	Singapore
19	Course on Macroeconomic Implications of Fiscal Issues (ST 09.53)	1	IMF (STI)	Singapore
20	Training Program on Foreign Exchange	6	ICICI Bank Ltd.	Mumbai, India
21	18th SEACEN-FSI Regional Seminar: Lessons Learned from the Financial Crisis and Repercussions for the Asia-Pacific Region	2	The SEACEN Centre	Kuala Lumpur, Malaysia
22	12th SAARCFINANCE Coordinators' Meeting	1	Central Bank of Sri-Lanka	Colombo, Sri Lanka
23	Seminar on Cash Management and Combating Counterfeit Money.	1	Deutsche Bundesbank	Frankfurt, Germany
24	International Seminar on "Regional Economic and Financial Monitoring in South Asia	1	Central Bank of Sri Lanka / ADB	Colombo, Sri Lanka
25	Joint World Bank-Commonwealth Secretariat Asia Training Workshop on Debt Management Performance Assessment (DeMPA) Tool	1	World Bank-Commonwealth Secretariat	Singapore

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S.N	Details	Participants	Organizer	Venue
26	SEACEN-BNM Banking and Financial Law School	1	The SEACEN Centre	Kuala Lumpur, Malaysia
27	South Asia Countering Violent Extremism Conference	1	US Government	Dhaka, Bangladesh
28	International Study Visit: Sustainable Quality Microfinance Program for Entrepreneurial Poor (Philippine Model)	3	APRACA CENTRAB	Manila & Subic, Philippines
29	2009 Board of Governor Meeting	2	IMF / World Bank	Istanbul, Turkey
30	Workshop on Coordinated Direct Investment Survey (CDIS)	1	Joint-IMF (ITP)	Pune, India
31	SEACEN-IFC-BIS Workshop on Inflation Management: Central Bank Perspectives	1	The SEACEN Centre	Tagaytay City, Philippines
32	International Training Programme Central Bank Institutional Capacity Building	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
33	Seminar on Remittances Statistics	1	IMF / (STI)	Singapore
34	Workshop on Financial Stability	1	Deutsche Bundesbank	Frankfurt, Germany
35	Seminar for Senior Bank Supervisors From Emerging Economics	2	WB / FRS / IMF	Washington D.C., America
36	17th BOK Central Banking Seminar on "The Global Financial Crisis: Central Banks' Policy Responses and Challenges"	1	The Bank of Korea	Seoul, Korea
37	2009 APG Typologies Workshop	1	APG	Siem Reap, Cambodia
38	31st Meeting of SEACEN Directors of Research and Training	2	The SEACEN Centre	Kuala Lumpur, Malaysia
39	SAARCFINANCE Governors' Symposium on "Food Security: The Role of Central Banks in SAARC Region"	2	Central Bank of Bangladesh	Dhaka, Bangladesh
40	Symposium and Annual Meeting of SEANZA Forum of Banking Supervisors 2009	2	Bank of Thailand	Phuket, Thailand
41	5th SAARC Payments Council Meeting	1	Royal Monetary Authority of Bhutan	Thimpu, Bhutan
42	Anti-Money-Laudring and Combating the Financing of Terrorism (AML/CFT) Workshop on Policy Development	2	Joint IMF/ITP	Pune, India
43	SEACEN-IMF Course on External Sector Issues	2	The SEACEN Centre	Nha Trang, Vietnam
44	Invitation to Visit General Motors Asia Pacific	1	General Motors	Singapore, Malaysia
45	Study Visit on Compilation of Balance of Payment and Export & Import Unit Value Indices	2	The Bank of Korea	Seoul, Korea
46	2nd Workshop for SEACEN Research Project on Macro-Financial Links and Monetary Policy Management	1	The SEACEN Centre	Kuala Lumpur, Malaysia
47	3rd SEACEN Advanced Leadership Course	2	The SEACEN Centre	Kuala Lumpur, Malaysia
48	Second SEACEN Research Workshop on Macro-Financial Links and Monetary Policy Management	1	The SEACEN Centre	Kuala Lumpur, Malaysia
49	Workshop on Practical Issues in Reserve Management	1	Deutsche Bundesbank	Frankfurt, Germany
50	International Study Visit Program on People Management in the Private and Government Sector	3	APRACA CENTRAB	Manila, Philippines
51	Course on Macroeconomic Management and Fiscal Policy	1	IMF / STI	Singapore
52	SEANZA Advisors Meeting	2	Bank of Papua New Guinea	Port Moresby, Papua New Guinea
53	Anti-Money-Laudring and Combating the Financing of Terrorism (AML/CFT) Workshop for Financial Sector Supervisors	2	Joint IMF/ITP	Pune, India

S.N	Details	Participants	Organizer	Venue
54	SEACEN-CCBS/BOE-BSP Workshop on Dynamic Stochastic General Equilibrium (DSGE) Modeling and Econometric Techniques	1	The SEACEN Centre	Manila, Philippines
55	International Exposure Visit Program on Cooperative Banking	2	APRACA CENTRAB	Manila AND Baguio City, Philippines
56	Second SEACEN Research Workshop on Measurement of Market Liquidity Risk	1	The SEACEN Centre	Kuala Lumpur, Malaysia
57	Destruction Process of the Wastages of Rs.5/- Denomination Bank Note	2	Perum Peruri Indonesia	Jakarta, Indonesia
58	Sign the Banknote Agreement and Overview of the Wholesale Banknote Operation	1	CIMB Bank	Singapore
59	FSI-EMEAP High Level Meeting on Lessons Learned from the Financial Crisis - An International and Asian Perspective	2	FSI / BIS	Tokyo, Japan
60	10th MAS Banking Supervisors Training Programme	2	MAS	Singapore
61	Financial Stability Institute - SEANZA Working Group on Banking Supervision Regional Seminar on Credit Risk in Pillar 1 and Pillar 2	1	SEANZA	Shanghai, China
62	Microfinance Policymakers' Workshop Forum	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
63	Observation of Destruction Process of the Wastages of Rs.500/- Banknotes	2	Oberthur Technologies	Paris, France
64	3rd SEACEN Train-the-Trainer Workshop on (Part B): Case Facilitation	3	The SEACEN Centre	Kuala Lumpur, Malaysia
65	APEC FINANCIAL REGULATORS TRAINING INITIATIVE Regional Seminar on Investigation and Enforcement	6	ADB	Kuala Lumpur, Malaysia
66	Programme on Integrated Management Approach in the Development of Co-operative and Rural Financing Institutions	2	CICTAB	Pune, India
67	Macroeconomic Management and Financial Sector Issues (MMF)	1	Joint-IMF (ITP)	Pune, India
68	Face-to-Face Meeting with ICRG and Study of IT System of FIU, AMLO, Thailand	3	Bank Negara Malaysia and AMLO, Thailand	Kuala Lumpur, Malaysia and Bangkok, Thailand
69	51st SEACEN-FRS Course on Banking Supervision: Advanced Credit Risk Measurement and Management	2	The SEACEN Centre	Bangkok, Thailand
70	Seminar on Financial Safeguards at Central Banks	2	IMF (STI)	Singapore
71	SWIFT Training Courses on MT202 COV and Forex and Money Markets	3	SWIFT	Singapore
72	Overview of CIMB's Regional Wholesale Banknotes Operations	1	CIMB Bank	Singapore
73	Windows 2008 Server Administrator-Advance Series	3	Guidance View Sdn. Bhd.	Kuala Lumpur, Malaysia
74	Courses on Financial Programming and Policies (FPP)	1	IMF	Washington D.C., America
75	Final Proof Observation of Rs.100/- Denomination Banknote	2	Security Printing & Minting Corporation of India Ltd.	Mumbai, India
76	Exposure Visit to Understand SHG-Bank Linkage Program and other Micro-Finance Models in India	1	Enhancing Access to Financial Services Project	Hyderabad, India
77	Destruction Process of the Wastages of Rs.100/- Denomination Bank Note	2	Perum Peruri Indonesia	Jakarta, Indonesia
78	Program on Microfinance: Challenges, Risks and Expectations	3	APRACA CENTRAB	Manila, Philippines

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S.N	Details	Participants	Organizer	Venue
79	Regional Forum: Impact of the Global Economic and Financial Crisis	2	ADB	Manila, Philippines
80	Event on Managing Surplus Liquidity	1	Bank of England	London, England
81	Course on Financial Programming and Policies	1	IMF/STI	Singapore
82	8th SEACEN Executive Committee Meeting and Seminar	1	The SEACEN Centre	Kota Kinabalu, Malaysia
83	Second STI Meeting on Training	1	IMF/STI	Singapore
84	Seminar on Financial Stability	1	Deutsche Bundesbank	Frankfurt, Germany
85	Business Course for Nepalese Journalists	1	Thomson Reuters Foundation Inc.	New York, USA
86	3rd Visit to SEACEN Centre in regard to Research Project on "Macro-Financial Links and Monetary Policy Management	1	The SEACEN Centre	Kuala Lumpur, Malaysia
87	9th SEACEN-Toronto Centre Seminar on Financial System Oversight	2	The SEACEN Centre	Kuala Lumpur, Malaysia
88	Workshop on Implementing Monetary Policy	1	Deutsche Bundesbank	Frankfurt, Germany
89	Conference to Assist Jurisdictions to Meet G20 Objectives	1	Asia Pacific Group (APG)	States of Jersey, United Kingdom
90	Conference on Getting Finance Indicators 2010	1	The World Bank	Manila, Philippines
91	Macroeconomic Management and Financial Sector Issues	1	IMF/STI	Singapore
92	Conference on Regional Seminar on Bank Analysis and Examination School	2	ADB	Manila, Philippines
93	Course on Balance of Payments and International Investment Position Statistics (BPS)	1	Joint-IMF (ITP)	Pune, India
94	13th SAARCFINANCE Coordinators' Meeting	1	Central Bank of Sri-Lanka	Colombo, Sri-Lanka
95	SEACEN-World Bank Treasury Course on Reserves Management in the Post-Crisis Environment	2	The SEACEN Centre	Kuala Lumpur, Malaysia
96	Joint APG/IMF Evaluation Training Workshop	2	Asia Pacific Group (APG)	Singapore
97	Workshop on Sovereign Asset Management: Framework for Strategic Asset Allocation	1	IMF/STI	Singapore
98	2nd MAS Information Technology Supervision Workshop for Financial Regulators	1	MAS	Singapore
99	Course on Balance of Payments and International Investment Position (IIP) Statistics	1	IMF/STI	Singapore
100	International Conference on Microfinance Regulation Titled "Microfinance Regulation: Who Benefits?"	3	Central Bank of Bangladesh	Dhaka, Bangladesh
101	3rd SEACEN-CCBS/BOE Advanced Course on Macroeconomic and Monetary Policy Management	2	The SEACEN Centre	Brunei, Darussalam
102	8th SEACEN/CPSS Advanced Course and 8th Meeting on Payment and Settlement	2	The SEACEN Centre	Seoul, Korea
103	Course on Macroeconomic Forecasting	1	IMF-STI	Singapore
104	8th Meeting of Directors of Payment and Settlement Systems of Asia-Pacific Central Banks	1	The SEACEN Centre	Seoul, Korea
105	57th APRACA Executive Committee Meeting	1	APRACA CENTRAB	Chiangmai, Thailand
106	Asian Clearing Union-Technical Committee Meeting	1	Reserve Bank of India	Mumbai, India
107	Second Local Staff Training	1	IMF-STI	Singapore
108	From Cost to Capital: A Paradigm Shift on People Management	2	APRACA CENTRAB	Manila, Philippines

S.N	Details	Participants	Organizer	Venue
109	Talent Management for Central Banks	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
110	SEACEN-IMF Course on Monetary and Exchange Rate Policy	1	The SEACEN Centre	Kuala Lumpur, Malaysia
111	Course on Macroeconomic Management and Fiscal Policy (MFP)	1	Joint India-IMF (ITP)	Pune, India
112	Mashreq's International Banking Seminar	1	Mashreq Bank	Singapore, Malaysia & Thailand
113	4th SEACEN Intermediate Leadership Course	2	The SEACEN Centre	Kuala Lumpur, Malaysia
114	52nd SEACEN-Federal Reserve System Course on Principles of Asset/Liability Management (PALM)	2	The SEACEN Centre	Siem Reap, Cambodia
115	Understanding Wholesale Banknotes Operation	2	CIMB	Singapore
116	Observation and Study Visit of Microfinance System of Philippines	1	Rural Microfinance Development Centre Ltd. (RMDC)	Philippines
117	Finance for Macroeconomics	1	IMF	Washington. D.C. America
118	Balance of Payments and International Investment Position Statistics (BPS)	1	IMF	Washington. D.C. America
119	3rd SEACEN-Deutsche Bundesbank Intermediate Course on Banking Supervision and Financial Stability: Stress Testing	2	The SEACEN Centre	Kuala Lumpur, Malaysia
120	AML/CFT Course for Financial Intelligence Unit (FIU) Analysts for India and South Asian Countries	3	Joint IMF / ITP	Pune, India
121	Course on Macroeconomic Diagnostics	1	IMF / STI	Singapore
122	Visit Program of HSBC Office in Singapore	2	HSBC	Singapore
123	Workshop on Foreign Reserve Management	1	Deutsche Bundesbank	Frankfurt, Germany
124	Training Course on Regional Economic and Financial Monitoring	1	ADB	Seoul, Korea
125	4th SEACEN Expert Group (SEG) Seminar / Technical Meeting	1	The SEACEN Centre	Kuala Lumpur, Malaysia
126	Knowledge Management for Central Banks	1	Bank Negara Malaysia	Kuala Lumpur, Malaysia
127	11th MAS Banking Supervisors Training Program	1	MAS	Singapore
128	Seminar on Statistics on International Trade in Services	1	IMF (STI)	Singapore
129	Reserve Management Workshop	1	Bank for International Settlements	Bintan, Indonesia
130	SAARCFINANCE Seminar on Global Financial Crisis-Implications & Policy Responses of SAARC Countries	2	State Bank of Pakistan	Islamabad, Pakistan
131	Technical Meeting of ACU	2	Royal Monetary Authority of Bhutan	Thimphu, Bhutan
132	39th Meeting of BOD of ACU	1	Royal Monetary Authority of Bhutan	Thimphu, Bhutan
133	17th APRACA General Assembly Meeting, 58th Executive Committee Meeting and CEO Policy Forum on Risk Management	2	APRACA	Tashkent, Uzbekistan & Moscow, Russia
134	6 th SEACEN/ABA/PECC Public-Private Dialogue for Asia Pacific Region, 12th SEACEN Conference of Directors of Supervision of Asia Pacific Economies and 23rd Meeting of SEACEN Directors of Supervision	2	The SEACEN Centre	Makati, Philippines
135	5th SEACEN-OSFI Course on the Integration of Pillar 2 Supervisory Review Process into a Risk-Based Supervisory Regime	4	The SEACEN Centre	Hanoi, Vietnam

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S.N	Details	Participants	Organizer	Venue
136	AUSTRAC's AML/CFT Leadership Conference	2	AUSTRAC	Kuala Lumpur, Malaysia
137	Course on Post Crisis Policy for Central Bank	1	MAS	Singapore
138	Observation and Establishing RTGS and Outsourcing System in CBSL	3	Central Bank of Sri-Lanka	Sri-Lanka
139	Seminar on Controlling at Central Banks	1	Deutsche Bundesbank	Frankfurt, Germany
140	Training Course on Government Finance Statistics (GFS)	1	IMF / (STI)	Singapore
141	Regional Basic Analytical Skill Workshop	2	Bank Negara Malaysia, (FIU)	Kuala Lumpur, Malaysia
142	Event on Latest Trends and Challenges in Central Bank Governance. Observation of AIT Extension	1	Bank of England and AIT Extension	London, England and Bangkok, Thailand
143	International Study Visit Program on Socio, Economic and Political Approaches to Women Empowerment	3	APRACA CENTRAB	Manila, Philippines
144	First SEACEN Research Workshop on Addressing Risks in Promoting Financial Stability	1	The SEACEN Centre	Kuala Lumpur, Malaysia
145	Training on Governance and Organisational Performance Management	2	Bank Negara Malaysia	Kuala Lumpur, Malaysia
146	General Banking and Management of Central Bank	31	AIT Extension	Bangkok, Thailand
147	Seminar on Central Bank Governance	1	Deutsche Bundesbank	Frankfurt, Germany
148	First SEACEN Research Workshop on New Financial Products and Challenges for Central Banks	1	The SEACEN Centre	Kuala Lumpur, Malaysia
149	APG's 13th Annual Meeting and Technical Assistance Forum	4	APG	Singapore
150	Final Proof Correction of Rs.500 Notes and to approve and Witness before mass Pre Production	1	Perum Peruri Indonesia	Jakarta, Indonesia
151	Training on Boulder Macrofinance	2	ILO	Turin, Italy
	Total	283		

Appendix 2.1
Circular 2009/10

Circular No.	Subject
3	Implementation of Monetary Policy 2066/67 issues (consortium, SOL, SLR, Susidiary, Deprived Sector, Cheque Transaction over 50 Lakhs)
5	Cheque Purchase, Interest Payment on Average Deposit Balance, Portfolio Management, Amendment in NRB Form NO. 9.1
6	Issuance of Unified Directives 2066
7	Disburse Loan Through Account payee cheque, CRR calculation for Dashain
8	Opening of Subsidiary Company for Deprived Sector Lending
12	Margin type lending, limit on underwriting share/Debenture, Prohibiting Non executive directors to work in the capacity of CEO and use institutions letterpad and logo for correspondance
13	Mobile Banking Service
14	Work Permit for foreign nationals
15	Opening of Subsidiary Company for Merchant Banking Transaction
17	Extension of Operation Area by Limited Banking NGOs
18	Technology Transfer and Technical Service Agreement
19	Amendment in Capital Plan and SOL
20	Limit on Real Estate Loan, CD Ratio, Interest Bearing Account, Merchant Banking, IC purchase by D class institution, Amendment in Form no. 9.3ka, 4.a
21	Amendement in Standing Liquidity Facility
23	Amendement in Clause NO. 6.2 of Licensing Policy 2063
24	Prohibition on investment in IPO, Definition of Organized Sector
25	Time Extension to streamline credit transaction by mortgaging immovable property beyond approved geographic area,
26	Amendment in Directive no 1(9) of Unified Directives 2066
27	Foreign currency transaction fof B, C class institution, Amendment in Capital Adequacy Framework Form No. 1, 2, 6, 8 and Schedule No.1.1, 4.30
29	Revision in Margin Type Lending
30	Withholding the requirement to deposit in Youth and Small Entrepreneurs Self Employment Fund
31	Deposit Mobilization by D class institutions
32	Net Liquid Asset , Investment in Derivative Instruments
33	Refinancing Facility Agaist Good Loan
34	Opening of foreign branch by commercial bank
35	Cash Deposit by Proposed Banks and Financial Institutions for Letter of Intent
36	SOL, SLR, Export Refinancing Facility , Opening License for B and D class instution
37	Amendment in Directive no 1, 2 and 20 of Unified Directives 2066
38	Transfer of Promoter's Right Share, clarification on SLR
39	Investment in Bank and Financial Institution by NRN, SLR, Revision in refinancing facilities
41	Amendment in Annex 4(A) , and Directive no. 12(4) of Unified Directives 2066, Promoter Share Purchase/Sale, CRR,
43	Amendment in Directive 2 (9) and 10 (16) of of Unified Directives 2066
44	Export Refinancing Facility
45	Additional Provisions Regarding Merchant Banking Subsidiary Company, BOD members of Subsidiary, Credit to Institutional Promoters of D calss institution
46	Revision in Directive Nos. 3,4,5,6,9,10,15,16, and 20 of Unified Directives 2066
47	Amendment in provisions regarding auction/sell of non banking assets(Directive 2) and provision regarding remuneration to Expert invited in BOD meeting, Time Period for Taking oath of secrecy by BOD Members (Directive 6) of Unified Directives 2066
48	Renewal of Real Estate Loan
49	Time Extension to streamline credit transaction by mortgaging immovable property beyond approved geographic area, Limit of Share Investment in D class institution,opening of saving account, Meeting Allowance to non board members, Right share Renounse Procedures
50	Issuance of Unified Directives 2067

Appendix 2.2

Financial Institutions Inspected at Macro Level on FY 2009/10

(A) Onsite Inspection

Development Banks

S. No	Name	Head Office
1	Nepal Industrial Development Corporation	Durbar Marg, Ktm.
2	Tinau Bikas Bank Ltd.	Sangampath, Butwal
3	Bhargab Bikas Bank Ltd.	Nepalgunj, Banke
4	Rising Development Bank Ltd	Gaidakot, Nawalparasi
5	Triveni Bikas Bank Limited	Bharatpur, Chitwan
6	Gandaki Bikas Bank Ltd.	Pokhara, Kaski
7	Excel Development Bank Ltd.	Anarmani, Jhapa
8	Public Development Bank Ltd.	Birjunj, Parsa
9	Pashupati Development Bank Ltd.	Banepa, Kavre
10	Infrastructure Development Bank Ltd.	Banepa, Kavre
11	Country Development Bank Ltd.	Banepa, Kavre
12	Sanima Bikas Bank Limited	Nagpokhari, Kathmandu
13	Gaurishankar Development Bank Ltd.	Kawasoti, Nawalparasi
14	Rara Bikas Bank Ltd.	Birendranagar, Surkhet
15	Diyalo Bikas Bank Ltd	Banepa, Kavre
16	Alpine Development Bank Ltd.	Hetauda, Makawanpur
17	Professional Development Bank Ltd.	Banepa, Kavre
18	Jyoti Bikas Bank Ltd	Kamaladi, Kathmandu
19	Biswo Bikas Bank Ltd.	Pokhara, Kaski
20	City Development Bank Ltd.	Pokhara, Kaski
21	Shangrila Bikas Bank Ltd.	Pokhara, Kaski
22	Pathibhara Bikas Bank	Urlabari, Morang
23	Business Development Bank Ltd.	Pokhara, Kaski
24	Bhrikuti Bikas Bank Limited	Butawal, Rupandehi
25	Bageshowri Bikas Bank Limited	Nepalgunj, Banke
26	Sewa Bikas Bank Ltd.	Butawal, Rupandehi
27	Kamana Bikas Bank Ltd.	Lekhnath, Kaski
28	Kabeli Bikas Bank Ltd.	Dhankuta
29	Corporate Development Bank Ltd.	Birjung, Parsa
30	Resunga Bikas Bank Ltd.	Tamghas, Gulmi
31	Uddyam Bikas Bank Ltd.	Tandi, Chitawan
32	Mahakali Bikas Bank Ltd.	Mahendranagar
33	Nilgiri Bikas Bank Ltd.	Beni, Maygdi
34	Amiko Development Bank Ltd.	Dhulekhel, Kavre
35	Purnima Bikas Bank Ltd.	Sidhardhanagar
36	Garima Bikas Bank Ltd.	Sangja

Finance Companies

S. No	Names	Head Office
1	Shree Investment & Finance Co. Ltd.	Dillibazar, Kathmandu
2	Alpic Everest Finance Ltd.	Baghbazar, Kathmandu
3	Central Finance Co. Ltd.	Kupondole, Lalitpur
4	Investa Finance Ltd.	Birgunj, Parsa
5	Birgunj Finance Ltd.	Birgunj, Parsa
6	Shrijana Finance Ltd.	Biratnagar, Morang
7	ICFC Bittiya Shanstha Ltd.	Bhatbhateni, Kathmandu
8	Suryadarshan Finance Co. Ltd.	New Baneshor, Kathmandu
9	Guheshworil Merchant Banking & Finance Ltd.	Jawalakel, Lalitpur

10	Subhalaxmi Finance Ltd.	Naxal, Kathmandu
11	Kaski Finance Limited	Pokhara, Kaski
12	Prabhu Finance Co. Ltd.	Lainchur, Kathmandu
13	Bhajuratna Finance & Saving Co. Ltd.	Kantipath, Kathmandu
14.	NIDC Capital Markets Ltd.	Kamaladi, Kathmandu
15	Nepal Housing & Merchant Finance Co.Ltd.	Dillibazar, Kathmandu
16.	Merchant Finance Co. Ltd.	Newroad, Kathmandu
17	Fewa Finance Ltd.	Pokhara, Kaski
18	Mahalaxmi Finance Co. Ltd.	Birgunj, Parsa
19	Yeti Finance Co. Ltd.	Hetauda, Makawanpur
20	Sagarmatha Merchant Banking and Finance Co. Ltd	Maanvawan, Lalitpur
21	Shikhar Bittya Sanstha Ltd.	Thapathali, Kathmandu
22	Patan Finance Ltd.	Man Bhawan, Lalitpur
23	Goodwill Finance Ltd.	Dillibazar, Kathmandu
24	Nepal Housing Development Finance Co.Ltd.	Naya Baneshwor, Ktm.
25	Annapurna Finance Co.Ltd.	Chipladhunga, Pokhara
26	Multipurpose Finance Co. Ltd	RajbiRaj, Saptari
27	Narayani National Finance Ltd	Dillibazaar, Kathmandu
28	Gorkha Finance Ltd.	Hattisar, Kathmandu
29	United Finance Ltd.	Kamaladi, Kathmandu
30	Nava Durga Finance Co.Ltd.	Itachhe, Bhaktapur
31	Universal Finance Co.Ltd.	Kantipath, Kathmandu
32	Nepal Finance Co.Ltd.	Kamaladi, Kathmandu
33	Samjhana Finance Co. Ltd.	Banepa, Kavre
34	Crystal Finance Ltd.	Bag Durbar, Kathmandu
35	Janaki Finance Ltd.	Janakpurdham
36	Civil Merchant Bittiya sanstha Ltd.	Kuleshwor, Kathmandu
37	Butwal Finance Co. Ltd.	Butawal, Rupendehi
38	Arun Finance Ltd.	Dharan, Sunsari
39	Capital Merchant Banking & Finance Ltd.	Battisputali, Kathmandu
40	Om Finance Ltd.	Pokhara, Kaski
41	Paschhimanchal Finance Co.Ltd.	Butawal, Rupendehi

Microfinance Development Banks

S.N.	Name	Head Office
1	Deprosc Development Bank	Ratnanagar, Chitwan
2	Far Western Grameen Development Bank Ltd	Dhangadi
3	Sana Kisan Development Bank	Tinkune, Kathmandu
4	Eastern Grameen Development Bank	Biratnagar
5	Mid Western Grameen Development Bank	Nepalgunj

Cooperative Institutions

S.N.	Name	Head Office
1	Nepal Multipurpose Cooperative	Prithivinagar, Jhapa
2	Rajshree Savings and Investment Cooperative Ltd	Malangawa, Sarlahi
3	The Sahara Loan, Saving and Investment Cooperative Society	Malangawa, Sarlahi

Non-governmental Organization

S.N.	Name	Head Office
1.	Nepal Mahila Utthan Centre	Lalitpur

(B) Targeted Inspection

Development Banks

S.N.	Name	Head Office
1	Bagmati Development Bank Ltd.	Hariban, Sarlahi
2	Shine Development Bank Ltd	Butwal, Rupendehi
3	Kakrebihar Development Bank Ltd	Surkhet
4	Hamro Development Bank Ltd	Battar, Nuwakot
5	Pacific Development Bank Ltd	Besisahar, Lamjung
6	International Development Bank Ltd	Kathmandu
7	Gulmi Bikas Bank Ltd	Tamghas, Gulmi
8	Bright Development Bank Ltd	Panauti, Kathmandu
9	Matribhumi Bikas t Bank	Sindhuli
10	Kanchan Development Bank	Mahendranagar

Microfinance Development Banks

S.N.	Name	Head Office
1	Naya Nepal Laghubitta Bikas Bank Ltd	Dhulikhel, Kavre
2	Mithila Microfinance Development Bank Ltd	Janakpur

(c) Physical Infrastructure Inspection

Development Banks

S. No	Names	Head Office
1	Kanchan Development Bank Ltd	Kanchanpur
2	Gulmi Bikas Bank Ltd	Tamghas, Gulmi
3	Matribhumi Bikas Bank Ltd	Sindhulimadhi
4	Bright Development Bank, Ltd	Panauti, Kavre
5	Innovative Development Bank	Bhairahawa
6	Jhimruk Bikas Bank	Bagdulla, Pyuthan
7	Gaumukhi Bikas Bank Ltd	Bijuwar, Pyuthan
8	Metro Development Bank, Ltd	Kaski, Pokhara
9	Raptibheri Bikas Bank Ltd	Nepalgunj
10	Nepal Consumer Development Bank Ltd	Pokhara, Kaski
11	Tourism Development Bank Ltd	Thamel
12	Mission Development Bank Ltd	Butwal
13	Mount Makalu Development Bank Ltd	Tehrathum
14	Surya Development Bank , Ltd	Charikot, Dolakha

Finance Companies

S. No	Names	Head Office
1	Jebils Finance Ltd	Newroad, Kathmandu
2	Lotus Investment Finance Ltd	Newroad, Kathmandu
3	Reliance Finance Ltd	Kathmandu

Microfinance Development Banks

S. N.	Names	Head Office
1	Sworojgaar Laghubitta Bikas Bank Ltd	Banepa, Kavre
2	Naagbeli Laghubitta Bikas Bank Ltd	Anarmani, Jhapa
3	First Microfinance Development Bank Ltd	Kathmandu
4	Kalika Micro Credit Development Bank, Ltd	Syangja
5	Rastriya Sahakari Bank	Baneswor, Kathmandu

**(D) Special Inspection
Development Banks**

S. N.	Names	Head Office
1	Public Development Bank Ltd. (5 times)	Birjunj , Parsa
2	Manakamana Development Bank Ltd	Kathmandu
3	Infrastructure Development Bank Ltd (4 times)	Kavre
4	Ace Development Bank Ltd. (2 times)	Kathmandu
5	Vibor Bikas Bank Ltd.	Tripureshwor, Kathmandu.
6	Sewa Bikas Bank Ltd	Butwal
7	Jyoti Bikas Bank Ltd	Kamaladi, Kathmandu
8	Clean Energy Development Bank Ltd.	Kathmandu
9	Kasthamandap Development Bank Ltd.	Kathmandu
10	NDEP Bank Ltd	Kamaladi, Kathmandu
11	International Development Bank Ltd	Kathmandu
12	Tourism Development Bank Ltd	Thamel, Kathmandu
13	Sanima Bikas Bank Ltd	Naagpokhari, Kathmandu
14.	Gorkha Bikas Bank Limited Ltd	Putalisadak, Kathmandu
15	Siddhartha Development Bank Ltd	Kathmandu
16.	Pashupati Development Bank Ltd	Banepa, Kavre

Finance Companies

S. N.	Names	Head Office
1	Kuber Merchant Bittiya Sanstha Co. Ltd.	Putalisadak, Kathmandu
2	Pokhara Finance Ltd. (2 times)	Pokhara, Kaski
3	Cosmic Merchant Banking & Finance Ltd.	Lal Durbar Marg, Ktm.
4	Samjhana Finance Ltd.	Banepa, Kavre
5	Himalaya Finance and Saving Co.Ltd.	Sundhara, Kathmandu
6	Nepal Srilanka Merchant Bank and Finance Ltd. (3 times)	Kamaladi, Kathmandu
7	Nepal Share Markets and Finance Ltd.	Ramshahapath, Ktm.
8	Universal Finance Ltd	Kantipath, Kathmandu
9	IME Financial Institution Ltd.	Kathmandu
10	Standard Finance Ltd	Samamarga, Kathmandu

Laghubitta Biksa Bank

S. N.	Names	Head Office
1	Madhyamanchal Grameen Bikas Bank	Janakpur, Dhanusha

(E) Follow-up Inspection

Development Banks

S. No	Names	Head Office
1	United Bikas Bank Ltd.	Jitpur, Bara
2	Infrastructure Development Bank Ltd (special follow up)	Banepa, Kavre
3	Public Development Bank Ltd. (special follow up)	Adarshanagar, Birgunj

Finance Companies

S. No	Names	Head Office
1	Nepal Srilanka Merchant Bank and Finance Ltd. (2 times)	Kamaladi, Kathmandu
2	Nepal Housing and Merchant Finance Ltd	Kathmandu
3	Fewa Finance Company Ltd., Branch office	Bagbazaar
4	General Finance Ltd	Chabahil, Kathmandu
5	Capital Merchant Bank and Finance Ltd	Kathmandu
6	Valley Finance Ltd	Kathmandu

Annex 2.3**Actions taken against Banks and Financial Institutions****Financial Institutions fined for failing to disburse the Deprived Sector Credit****Development Banks**

S. No	Names	Head Office
1	Tinau Bikas Bank Ltd.	Sangampath, Butwal
2	United Bikas Bank Ltd.	Jeetpur, Bara
3	Narayani Development Bank Ltd.	Ratna Nagar, Chitwan
4	Triveni Bikas Bank Limited	Bharatpur, Chitwan
5	Diyalo Bikas Bank Ltd.	Banepa, Kavre
6	Biswo Bikas Bank Ltd.	Pokhara, Kaski
7	Bhargab Bikas Bank Ltd.	Nepalgunj, Banke
8	Country Development Bank Ltd.	Banepa, Kavre
9	Pashupati Bikas Bank Ltd.	Banepa, Kavre
10	Nepal Development and Employment Promotion Bank Ltd	
11	Gandaki Bikas Bank Ltd.	Pokhara, Kaski
12	Uddyam Bikas Bank Ltd.	Tandi, Chitawan
13	City Development Bank Ltd.	Pokhara, Kaski
14.	Bageshowri Development Bank Limited	Nepalgunj, Banke
15	Mahakali Bikas Bank Ltd.	Mahendranagar
16.	Gorkha Development Bank Limited	Kathmandu
17	Shangrila Bikas Bank Ltd.	Newroad, Pokhara
18	Pashimanchal Development Bank Ltd.	Butawal, Rupandehi

Finance Companies

S. No	Names	Head Office
1	Lalitpur Finance Co. Ltd.	Lalitpur
2	General Finance Ltd	Kathmandu
3	Merchant Finance Ltd.	Kathmandu
4	Pokhara Finance Ltd.	Pokhara, Kaski
5	World Merchant Banking & Finance Ltd.	Hetauda
6	Capital Merchant Banking & Finance Ltd.	Battisputali, Kathmandu
7	Crystal Finance Ltd.	Bag Durbar, Kathmandu
8	Patan Finance Ltd.	Man Bhawan, Lalitpur
9	Api Finance Ltd.	Lekhanath Chock, Kaski
10	Union Finance Ltd	kathmandu
11	Gorkha Finance Ltd.	Hattisar, Kathmandu
12	Nepal Housing & Merchant Finance Co.Ltd.	Dillibazar, Kathmandu
13	Yeti Finance Co. Ltd.	Hetauda, Makawanpur
14.	Shikhar Bittyta Sanstha Ltd.	Thapathali, Kathmandu
15	Valley Finance Ltd	Kathmandu
16.	Narayani National Finance	Dillibazaar, Kathmandu
17	Mercantile Finance Ltd	Birgunj, Parsa
18	Annapurna Finance Co.Ltd.	Chiplehunga, Pokhara
19	NIDC Capital Markets Ltd.	Kamaladi, Kathmandu
20	Bhajuratna Finance & Saving Co. Ltd.	Kantipath, Kathmandu
21	People's Finance Ltd.	Tripureshwor, Ktm.
22	IME Financial Institution Ltd.	Panipokhari, Kathmandu
23	Samjhana Finance Ltd.	Banepa, Kavre
24	Manjushree Financial Institution Ltd.	New Baneshor, Ktm.
25	Imperial Finance Ltd.	Thapathali, Kathmandu

26	Universal Finance Ltd.	Kantipath, Kathmandu
27	Nepal Finance Ltd.	Kamaladi, Kathmandu
28	Nepal Share Markets and Finance Ltd.	Ramshahapath, Ktm.
29	Unique Financial Institution Ltd.	Putalisadak, Kathmandu
30	National Finance Co.Ltd.	Pako Newroad, Ktm.
31	Fewa Finance Ltd.	Pokhara, Kaski

Financial Institutions fined for failing to maintain the Cash Reserve Ratio

Development Bank

S.N.	Name	Head Office
1	Narayani Development Bank Ltd	Ratnagar, Chitwan
2	Garima Bikas Bank Ltd	Waling, Syanjha
3	Muktinath Bikas Bank Ltd	Pokhara, Kaski
4	Biratlaxmi Bikas Bank Ltd	Biratnagar, Morang
5	Purnima Bikas Bank Ltd	Siddharthanagar
6	Jyoti Bikas Bank Ltd	Kamaladi, Kathmandu
7	Clean Energy Development Ltd	Kathmandu
8	Bageswori Development Bank Ltd	Nepalgunj
9	Malika Bikas Bank Ltd	Dhangadi, Kailali

Finance Companies

S.N.	Name	Head Office
1	Nepal Srilanka Merchant Banking and Finance Ltd	Kamaladi, Kathmandu
2	Annapurna Finance Company Ltd	Pokhara
3	NIDC Capital Market	Kathmandu
4	Hama Merchant and Finance Ltd	Tripureswor, Kathmandu
5	Kuber Merchant Finance Ltd	Putalisadak, Kathmandu
6	Sikhar Bittiya Sanstha Ltd	Kathmandu
7	National Finance Ltd	Newroad, Kathmandu
8	Narayani National Finance Ltd	Kathmandu
9	Nepal Finance Ltd	Kathmandu
10.	Pokhara Finance Ltd	Pokhara, Kaski

Microfinance Development Banks

S. No	Names	Head Office
1	Summit Microfinance Ltd	Anarmani, Jhapa
2	Nirdhan Utthan Bank Ltd	Siddharthanagar

Cooperative Society

S. No	Names	Head Office
1	Kisan Multipurpose Cooperative Society Ltd.	Lamki, Kailali
2	Nepal Multipurpose Cooperative Ltd	Jhapa

Appendix 2.4

Board of Directors

(Mid-July 2010)

Dr. Yubaraj Khatiwada, Governor	Chairman
Mr. Rameshwor P. Khanal, Secretary, Ministry of Finance	Member
Mr. Bir Bikram Rayamajhi, Deputy Governor	Member
Prof. Dr. Parthibeshwar P. Timilsina	Member
Prof. Dr. Bishwambher Pyakuryal	Member
Mr. Shambhu Sharan P. Kayastha	Member

Appendix 2.5

Principal Officers

(July 2010)

Special Class		
1	Mr. Sushil R. Mathema	Executive Director, Bank and Financial Institutions Regulation Department
2	Mr. Gopal P. Kafle	Executive Director, Office of the Governor
3	Mr. Ravindra P. Pandey	Executive Director, Research Department
4	Mr. Lila P. Sitaula	Executive Director, Public Debt Management Department
5	Mr. Ashwini K. Thakur	Executive Director, Currency Management Department
6	Mr. Vishnu Nepal	Executive Director, Micro-Finance Department
7	Mr. Gokul R. Thapa	Executive Director, Human Resource Management Department
8	Mr. Ramjee Regmi	Executive Director, Corporate Planning Department
9	Mr. Bhaskar M. Gyanwali	Executive Director, Foreign Exchange Management Department
10	Mr. Manmohan K. Shrestha	Executive Director, Financial Management Department
11	Mr. Lok B. Khadka	Executive Director, Financial Institutions Supervision Department
12	Mr. Pradeep R. Panday	Executive Director, Bankers' Training Centre
13	Mr. Hari P. Kafle	Executive Director, General Services Department
14	Mr. Siddhi K. Joshi	Executive Director, Banking Office
15	Mr. Mahaprasad Adhikari	Executive Director, Bank Supervision Department
16	Mr. Trilochan Pangeni	Act. Executive Director, Internal Audit Department
First Class Officers		
1	Mr. Mahesh Bhattarai	Director, Financial Institutions Supervision Department
2	Mr. Shambhu Thapa	Director, Office of the Governor
3	Dr. Min Bahadur Shrestha	Chief Manager, Nepal Rastra Bank, Pokhara
4	Mr. Rameswori Pant	Director, Research Department
5	Mr. Shiva R. Shrestha	Director, Information Technology Department
6	Mr. Naresh Dhakal	Director, Human Resource Management Department
7	Mr. Narayan P. Paudel	Director, Research Department
8	Dr. Binod Atreya	Director, Office of the Governor
9	Mr. Janak B. Adhikari	Director, Micro-Finance Department
10	Mr. Purna B. Khatri	Director, Bank Supervision Department
11	Mr. Bhishma R. Dhungana	Director, General Service Department
12	Mr. Chintamani Siwakoti	Director, Foreign Exchange Management Department
13	Mr. Shiva D. Kafle	Director, Research Department
14	Mr. Laxmi P. Niraula	Director, Bank and Financial Institutions Regulation Department
15	Mr. Shankar P. Acharya	Director, Public Debt Management Department
16	Mr. Keshav R. Acharya	Director, Internal Audit Department
17	Mr. Dharma R. Sapkota	Director, Legal Department
18	Mr. Rajan B. Shah	Director, Currency Management Department
19	Mr. Gyanendra P. Dhungana	Director, Banking Office

20	Mr. Jagdishwor P. Adhikary	Director, Corporate Planning Department
21	Mr. Parbat K. Karki	Director, Public Debt Management Department
22	Mr. Shiva N. Pandey	Director, Financial Institutions Supervision Department
23	Mr. Khyam N. Dhakal	Director, Financial Institutions Supervision Department
24	Mr. Bhuvan Kandel	Director, Internal Audit Department
25	Mr. Ramesh K. Pokharel	Director, Research Department
26	Dr. Nephil M. Maskey	Chief Manager, NRB, Siddharthanagar office
27	Mr. Deepak B. Thapa	Director, Mint Division
28	Mr. Upendra K. Paudel	Director, Human Resource Department
29	Mr. Yejindra P. Luintel	Chief Manager, NRB, Birgunj office
30	Dr. Bhubnesh Panta	Chief Manager, NRB, Biratnagar office
31	Dr. Bamdev Sigdel	Chief Manager, NRB, Nepalgunj office
32	Mr. Basu D. Adhikari	Director, Bank and Financial Institutions Regulation Department
33	Mr. Pradhumna K. Bhattarai	Director, Financial Management Department
34	Dr. Gopal Pd Bhatta	Chief Manager, NRB, Janakpur office
35	Mrs. Neelam Dhungana(Timsina)	Director, Bank Supervision
36	Mr. Bishnu Bd. Pandey	Act. Director, Banking Office
37	Mr. Mittha Parajuli	Act. Director, Banking Office
38	Mr. Arjun B. Adhikari	Act. Director, Bank Supervision Department
39	Mr. Jhalak S. Acharya	Act. Director, Bankers' Training Center
40	Mr. Mukunda K. Chhetri	Act. Director, Financial Institutions Supervision Department
41	Mr. Bholanath Baral	Act. Director, Financial Management Department
On Leave and Deputation		
1	Director, Mr. Nara B. Thapa	IMF (Deputation)
2	Director, Maheshwor Lal Shrestha	Nepal Bank Ltd. (Deputation)

PART - 3

ANNUAL FINANCIAL STATEMENTS OF THE NRB

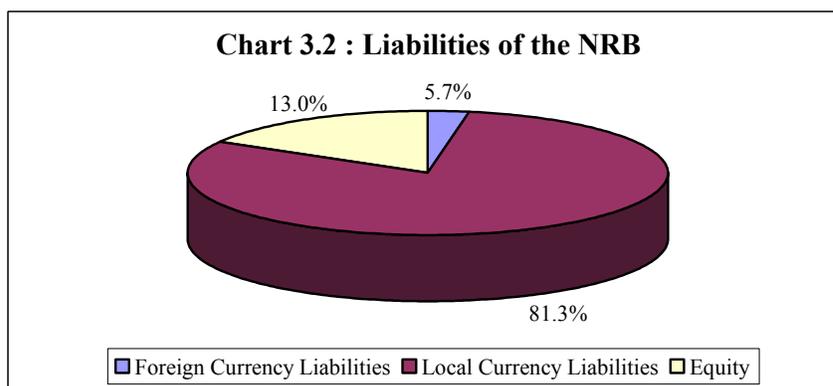
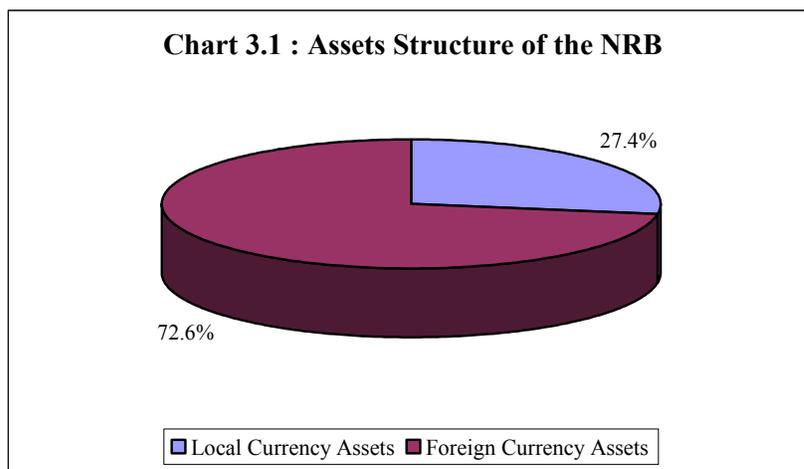


- Assets and Liabilities 127
- Income Statement 129

PART - 3

ANNUAL FINANCIAL STATEMENTS OF THE NRB*Assets and Liabilities*

- 3.1 As per the balance sheet of mid-July 2010, assets and liabilities of the NRB increased by 6.2 percent to Rs. 298.64 billion as compared to mid-July 2009. Out of total assets of mid-July 2010, the share of foreign assets (including gold reserves) and domestic assets remained at 72.6 percent and 27.4 percent respectively. As at mid-July 2009, share of such assets were 81.3 percent and 18.7 percent respectively. Of the total liability and equity of mid-July 2010, the shares of local currency liability, equity and foreign currency liabilities remained at 81.3 percent, 13.0 percent and 5.7 percent respectively. As at mid-July 2009, share of such liabilities were 80.5 percent, 16.7 percent and 2.8 percent respectively.

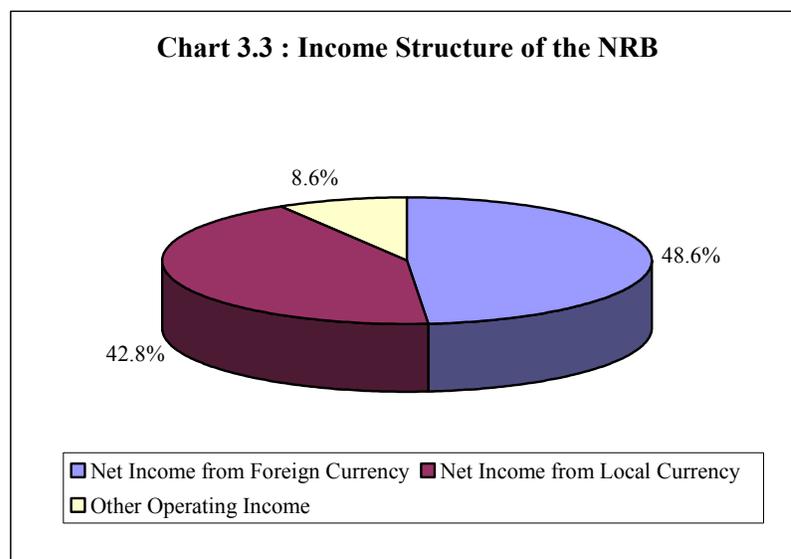


- 3.2 As at mid-July 2010, the share of cash and bank balance in foreign assets remained at 6.9 percent, whereas the shares of foreign currency investments, other receivables and SDR holdings with IMF remained at 87.8 percent, 0.1 percent and 3.2 percent respectively. As compared to mid-July 2009, such cash and bank balance has increased by 3.7 percent and investment has decreased by 9.3 percent. Other receivable amount has decreased by 29.6 percent as of mid-July 2010 as compared to mid-July 2009. Likewise, SDR holding with IMF increased

- by 11 fold as of mid-July 2010 as compared to decrease by 11.9 percent as at mid-July 2009. Under other foreign assets, gold increased by 26.7 percent to 4.21 billion in the review year compared to the previous year. Total foreign assets decreased by 5.2 percent to Rs. 216.92 billion as at mid-July 2010 compared to mid-July 2009.
- 3.3 In the total local currency financial assets, the shares of investment in government securities; other investment; and other receivables stood at 46.5 percent, 11.9 percent and 3.9 percent respectively and refinance and loan stood at 9.9 percent in the review year. Likewise, cash balance and share of investment in financial and other institutions stood at 4.6 percent and 0.4 percent respectively. As compared to mid-july 2009 other receivable amount has been decreased by 4.6 percent but cash balance, government securities, and other investment increased by 105.8 percent, 30.0 percent and 96.3 percent respectively in the review year. On the other hand, at mid-July 2009 as refinance and loans decreased by 20.4 percent and investment in financial and other institutions by 5.5 percent, however, at mid-July 2010 they increased by 248.6 and 1.6 percent respectively.
- 3.4 On the other assets, the shares of gold and silver; other reserves; property, machinery, equipment; project assets and disguised assets remained at 15.6 percent, 32.6 percent, 27.4 percent, 24.4 percent and 0.2 percent respectively. Disguised assets increased from Rs. 2.6 million to Rs. 3.6 million and other reserves by 85.1 percent as at mid-July 2010 compared to mid-July 2009. Similarly, gold and silver decreased by 4.5 percent and property, machinery and equipments by 2.0 percent. Overall, local currency assets increased by 55.6 percent to Rs. 81.71 billion as at mid-July 2010 compared to mid-July 2009.
- 3.5 In foreign currency financial liabilities, the shares of IMF related liabilities and deposits of banks and other institutions stood at 95.6 percent and 4.4 percent respectively. Deposits of banks and other institutions decreased by 18.1 percent while the IMF related liabilities increased by 132.9 percent in mid-July 2010 compared to mid-July 2009. Other liabilities, which had decreased by 72.0 percent in the previous year, has increased by 232.8 percent in the review year. Foreign currency liabilities increased by 115.6 percent to Rs 16.99 billion as at mid-July 2010 compared to mid-July 2009.
- 3.6 Other liabilities occupy highest share (69.5 percent) in local currency financial liabilities. In the total other liabilities, the share of currency in circulation remained at 95.6 percent and that of share of profit paid to Government of Nepal, miscellaneous liabilities and project liabilities stood at 1.8 percent, 2.3 percent, and 0.3 percent respectively. Currency in circulation increased by 14.2 percent to Rs. 161.30 billion in mid-July 2010 compared to mid-July 2009. In mid-July 2009 profit to be paid to Government of Nepal decreased by 31.7 percent whereas it increased by 22.9 percent to Rs. 3.11 billion in the review year. Miscellaneous liabilities increased by 11.2 percent from Rs. 3.42 billion to Rs. 3.81 billion in the review year. Project liabilities decreased by 6.6 percent to Rs. 461 million as at mid-July 2010 compared to mid-July 2009. Local currency other liabilities increased by 14.2 percent to Rs. 168.68 billion.
- 3.7 In local currency financial liabilities, the share of deposit and other liabilities was 92.4 percent while the shares of bills payable, staff liabilities and other payables were 1.2 percent, 6.1 percent and 0.3 percent respectively. Deposit and other liabilities and payable bills decreased by 7.2 percent, 17.8 percent respectively whereas staff liabilities increased by 18.7 percent as in mid-July 2010 compared to mid-July 2009. In mid-July 2009 it had increased respectively by 63.1 percent, 64.9 percent and 18.2 percent. Overall, the local currency financial liabilities increased by 7.2 percent to Rs. 242.68 billion as at mid-July 2010 compared to mid-July 2009.
- 3.8 In equity, the share of reserves stood at 92.3 percent whereas the rest is the share capital. The reserves fund which had increased by 31.4 percent in the previous year, has decreased by 18.1 percent in the review year and thereby total reserve fund stood at Rs. 35.96 billion as at mid-July 2010. Total equity decreased by 17.0 percent whereas total liabilities and equities increased by 6.2 percent as at mid-July 2010 compared to mid-July 2009.

Income Statement

- 3.9 As per the provisional income statement of the period from 17 July 2009 to 16 July 2010, total net operating income of NRB in FY 2009/10 stood at Rs. 7.29 billion.



- 3.10 As in the FY 2008/09, the income from foreign currency financial assets was higher as compared to the income from domestic currency financial assets. In FY 2009/10, the income from domestic currency financial assets is higher than the income from foreign currency financial assets. As usual, interest income has prime contribution in total income of FY 2009/10.
- 3.11 In the total income from foreign currency financial assets, the share of interest and commission income stood at 89.8 percent and 10.2 percent respectively in FY 2009/10. In FY 2008/09, the shares of interest income and commission income were 93.5 percent and 6.5 percent respectively. Interest income declined by 28.1 percent while income from commission increased by 16.9 percent in the review year compared to the previous year.
- 3.12 In the review year's total income from domestic currency financial assets, the share of interest income and commission income stood at 99.9 and 0.1 percent respectively. The corresponding shares were 99.7 percent and 0.3 percent respectively in the previous year. Interest income has increased by 137.5 percent and income from commission increased by 14.0 percent in the review year compared to the previous year.
- 3.13 In the expenses front under the foreign currency financial liabilities, the share of interest expenses and agency and service charge remained at 85.1 percent and 14.9 percent respectively in the review year. The share of interest expenses and agency and service charges stood at 89.0 percent and 11 percent respectively in the previous year. Interest expenses decreased by 20.5 percent whereas agency and service charges increased by 12.3 percent in the review year as compared to previous year.
- 3.14 In the review year's expenses under the domestic currency financial liabilities, the share of interest expenses was 9.6 percent and that of agency and service charge was 90.4 percent. The share of interest expenses was 22.8 percent and that of agency and service charges was 77.2 percent in the previous year. Interest expenses and service charges declined by 64.2 percent and 0.9 percent respectively in the review year.
- 3.15 Income from foreign currency financial assets declined by 25.2 percent to Rs. 3.58 billion and expenses under foreign currency financial liabilities declined by 16.8 percent to Rs.38.7 million

in the review year compared to the previous year. Consequently, net income from foreign currency declined by 25.3 percent to Rs. 3.54 billion in the review year.

- 3.16 Income from domestic currency financial assets increased by 137.2 percent to Rs. 3.75 billion and expenses under domestic currency financial liabilities decreased by 15.3 percent to Rs. 640.24 million in the review year compared to the previous year. Consequently, net income from domestic currency increased by 276.6 percent to Rs. 3.11 billion in the review year compared to the previous year.
- 3.17 The other operating income increased by 14.5 percent to Rs. 626.03 million in the review year. Likewise, total net operating income increased by 19.1 percent to Rs. 7.28 billion. General administrative expenses and provisioning increased by 28.5 percent to Rs. 3.75 billion in the review year compared to the previous year. Consequently, net profit before foreign currency revaluation gain/loss, gold and silver revaluation gain/loss and previous year's adjustment increased by 10.6 percent to Rs. 3.53 billion in the review year.
- 3.18 In the review year, out of net profit Rs. 4.86 billion, Rs.9.19 billion in exchange equalization fund, Rs. 526 million in gold-silver equalization fund, Rs.886.68 million in gold rehabilitation fund, and Rs. 44 million in security revaluation fund were separated and Rs. 3.92 billion of profit was available for distribution. Such profit was Rs. 3.15 billion in previous year.

NEPAL RASTRA BANK
BALANCE SHEET AS ON 32nd ASHADH, 2067 (16th JULY, 2010)

Particulars	Note	As on 32-3-2067 NRs.	As on 31-3-2066 NRs.
ASSETS			
Foreign Currency Financial Assets			
Cash and Bank Balances	3	14,896,995,310	14,370,677,637
SDR Holdings - with IMF		7,042,007,705	555,366,917
Investments	3a	190,486,661,053	210,080,645,913
Other Receivables		295,175,848	419,083,326
Sub-Total		212,720,839,916	225,425,773,792
Other Assets			
Gold		4,206,133,922	3,319,458,932
Sub-Total		4,206,133,922	3,319,458,932
Total Foreign Currency Assets		216,926,973,838	228,745,232,724
Local Currency Financial Assets			
Cash in Hand		3,756,191,628	1,824,859,620
Investments in Government Securities	4	38,022,709,404	29,255,862,582
GON Overdraft		16,711,491,611	8,835,795,125
Investments in Financial and Other Institutions	5	325,035,500	320,035,500
Other Investments	6	9,689,100,000	4,934,769,000
Refinance & Loans	7	8,112,165,241	2,327,394,002
Other Receivables	8	3,185,510,203	3,340,144,403
Sub-Total		79,802,203,587	50,838,860,232
Other Assets			
Gold and Silver	9	298,184,530	312,298,030
Other Inventories	10	622,632,522	336,447,591
Property, Plant & Equipment	11a	522,408,959	532,930,222
Intangible Assets	11b	3,642,638	2,506,945
Assets received in grant	11c	656,648	
Project Assets	12	461,098,098	493,664,078
Sub-Total		1,908,623,395	1,677,846,866
Total Local Currency Assets		81,710,826,982	52,516,707,098
Total Assets		298,637,800,820	281,261,939,822

Contingent Assets

23c

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

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

.....
 (Yuba Raj Khatiwada)
 Governor

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

Board of Directors :-

As per our report of the even date

Rameshore Prasad Khanal

Dr. Parthibeshwar Prasad Timilsina

.....
 (JB RajBhandary)
 Chartered Accountant
 Kathmandu

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

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : 2067.9.25
 Place : Kathmandu

NEPAL RASTRA BANK
BALANCE SHEET AS ON 32nd ASHADH, 2067 (16th JULY, 2010)

Particulars	Note	As on 32-3-2067 NRs.	As on 31-3-2066 NRs.
LIABILITIES			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	13	741,560,336	904,923,484
IMF Related Liabilities	14	16,245,357,425	6,975,677,693
Other Liabilities	15	7,899,401	2,373,545
Total Foreign Currency Liabilities		16,994,817,162	7,882,974,722
Local Currency Financial Liabilities			
Deposit and Other Balances	16	68,388,913,171	73,676,923,159
Bills Payable		921,594,753	1,121,290,448
Staff Liabilities	17	4,495,476,850	3,787,307,462
Other Payables	18	197,882,080	206,191,569
Sub-Total		74,003,866,854	78,791,712,639
Other Liabilities			
Currency in Circulation	19	161,300,000,000	141,210,000,000
Surplus Payable to GON		3,110,000,000	2,530,000,000
Sundry Liabilities	20	3,806,355,376	3,423,198,222
Project Liability	21	461,098,098	493,664,078
Sub-Total		168,677,453,474	147,656,862,300
Total Local Currency Liabilities		242,681,320,328	226,448,574,938
EQUITY			
Share Capital		3,000,000,000	3,000,000,000
Reserves	22	35,961,663,330	43,930,390,162
Total Equity		38,961,663,330	46,930,390,162
Total Liabilities and Equity		298,637,800,820	281,261,939,822

Contingent Liabilities and Commitments 23b

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

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

.....
 (Yuba Raj Khatriwada)
 Governor

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 (.....)
 Auditor General

Board of Directors :-

As per our report of the even date

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Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : 2067.9.25
 Place : Kathmandu

NEPAL RASTRA BANK
INCOME STATEMENT
FOR THE YEAR ENDED 32nd ASHADH, 2067 (16th JULY, 2010)

Particulars	Note	2066-67 NRs.	2065-66 NRs.
Operating Income:			
Income from Foreign Currency Financial Assets			
Interest Income	24	3,219,016,664	4,477,104,007
Commission Income	25	363,649,585	311,117,876
		3,582,666,249	4,788,221,884
Expenses on Foreign Currency Financial Liabilities			
Interest Expenses	26	32,960,431	41,443,694
Agency and Service Charge	27	5,782,910	5,148,289
		38,743,341	46,591,983
Net Income from Foreign Currency		3,543,922,908	4,741,629,901
Income from Local Currency Financial Assets			
Interest Income	24	3,751,664,518	1,579,568,703
Commission Income	25	4,808,469	4,217,594
		3,756,472,987	1,583,786,297
Expenses on Local Currency Financial Liabilities			
Interest Expenses	26	61,713,970	172,458,274
Agency and Service Charge	27	578,524,781	583,759,774
		640,238,751	756,218,048
Net Income from Local Currency Financial assets		3,116,234,236	827,568,250
Other Operating Income	28	626,028,570	546,610,074
Total Net Operating Income		7,286,185,714	6,115,808,224
General, Administrative Expenses & Provisions	29	#VALUE!	2,921,425,027
Profit for the year before Foreign Exchange, Gold and Silver Revaluation Gain/(Loss) and prior year adjustment		#VALUE!	3,194,383,197
Foreign Exchange Gain/(Loss) (Net)		(9,189,754,117)	9,357,932,645
Gold and Silver Revaluation Gain/(Loss) (Net)			
- Amount Transferred from Gold & Silver Equalisation Reserve	31(XVII)(i)	886,674,990	215,361,177
- Securities Revaluation		-	251,810,964
- other			
Prior Year Adjustment		(87,730,424)	14,472,960
Net Profit/(Loss) for the year		#VALUE!	13,033,960,943
Net Profit/(Loss) for Appropriation			
Net Profit/(Loss) for the year		#VALUE!	13,033,960,943
Amount Transferred (to)/from Exchange Equalisation Fund (EEF)		9,189,754,117	(9,357,932,645)
Amount Transferred (to)/from Gold & Silver Equalisation Reserve	31(XVII)(i)	(886,674,990)	(215,361,177)
Amount Transferred to Gold Replacement Fund	31(XVII)(ii)	(44,081,584)	(48,900,460)
Securities Revaluation Fund		520,067,241	(251,810,964)
Profit available for distribution		#VALUE!	3,159,955,697
General Reserve		432,800,000	319,300,000
Monetary Liability Reserve		196,000,000	160,000,000
Development Fund		140,281,304	139,524,248
Dev. Fin. Projects Mob. Fund		23,100,000	8,631,449
Liquidity Stabilization Fund		17,500,000	2,500,000
Surplus to be transferred to GON		3,110,000,000	2,530,000,000
Total		3,919,681,304	3,159,955,697

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

(Manmohan Kumar Shrestha)
Executive Director

(Yuba Raj Khatiwada)
Governor

(.....)
Auditor General

Board of Directors :-

As per our report of the even date

Rameshore Prasad Khanal

Dr. Parthibeshwar Prasad Timilsina

(J.B.Rajbhandary)
Chartered Accountant
Kathmandu

(B.K.Agarwal)
Chartered Accountant
Kathmandu

Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : 2067.9.25
Place : Kathmandu

NEPAL RASTRA BANK
CASH FLOW STATEMENT
FOR THE YEAR ENDED 32nd ASHADH, 2067 (16th JULY, 2010)

Particulars	2066-67 (NRs.)	2065-66 (NRs.)
Cash flow from operating activities:		
Profit for the Year	(4,859,383,480)	13,033,960,943
Adjustments		
Gold and Silver revaluation gain/(loss) (Net)	(886,674,990)	(215,361,177)
- Other	-	-
- Revaluation gain or loss on foreign exchange	9,189,754,117	(9,357,932,645)
Securities revaluation		(251,810,964)
Depreciation	53,266,775	53,487,372
Prior period adjustment	87,730,424	(14,472,960)
Note printing expenses	424,005,536	243,068,023
Dividend Income	(2,799,237)	(3,468,350)
Profit from sale of assets	(125,973,592)	-
Sundry balances written off	10,423,869	-
Interest paid on PRGF Loan & ACU	32,722,933	41,443,694
Provision for :		
Loan and advances	(77,439,510)	-
Diminution in value of investment	(16,000,000)	(151,376,131)
Doubtful of recovery on sundry accrued	(3,297,869)	(19,219,000)
Provision for inventory & spare parts	-	253
Cash flow from operation before inc / dec in operating assets	3,826,334,978	3,358,319,060
(Increase)/Decrease in operating assets	(14,002,685,811)	(8,939,550,906)
GON overdraft	(7,875,696,486)	(8,835,795,125)
Refinance & loans	(5,707,331,730)	747,167,297
Other receivable	276,419,372	(568,622,370)
Gold & silver	14,113,500	19,466,866
Inventories	(710,190,467)	(301,767,575)
Increase/(Decrease) in operating liabilities	2,151,088,199	31,982,116,879
SDR Allocation	6,713,614,123	69,004,267
Deposit liabilities	(5,451,373,138)	28,810,472,911
Bills payable	(199,695,695)	441,307,424
Deferred staff liabilities	708,169,388	570,991,172
Other liabilities	(2,783,632)	(23,580,628)
Sundry liabilities	383,157,154	2,113,921,731
Operating cash flow before prior period adjustment	(8,025,262,636)	26,400,885,034
Prior period adjustment	(87,730,424)	14,472,960
Cash flow from operating activities	(8,112,993,059)	26,415,357,994
Cash flow from investing activities:		
Net Decrease in Government Securities and Bank Deposits	3,360,694,523	(15,239,675,928)
Sale of Investment in Financial Institutions	136,973,592	37,899,999
Purchase of Investments-other	1,519,913,248	(3,734,469,689)
Fixed assets including WIP	(48,884,899)	(42,531,680)
Dividend income	2,799,237	3,468,350
Total (B)	4,971,495,702	(18,975,308,948)
Cash flow from financing activities:		
Bank note issued	20,090,000,000	28,260,000,000
Increase in PRGF Loan & ACU	2,556,065,609	338,035,857
Interest paid on PRGF Loan & ACU	(32,722,933)	(41,443,694)
Surplus transferred to GON	(2,530,000,000)	(3,702,670,477)
Total (C)	20,083,342,676	24,853,921,686
Net cash flow for the year (A+B+C)	16,941,845,319	32,293,970,728
Revaluation gain or loss on foreign exchange	(9,189,754,117)	9,357,932,645
Cash and cash equivalent at the beginning of the year	216,704,204,443	175,052,301,070
Cash and cash equivalent at the end of the year (Note - 30)	224,456,295,645	216,704,204,443

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

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

.....
 (Yuba Raj Khatiwada)
 Governor

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

Board of Directors :-

As per our report of the even date

Rameshore Prasad Khanal

Dr. Parthibeshwar Prasad Timilsina

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Dr. Bishwambher Pyakuryal

Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaple (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : 2067.9.25
 Place : Kathmandu

NEPAL RASTRA BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 32nd ASHADH, 2067 (16th JULY, 2010)

NRs.

Particulars	Balance as at 31.03.2066	Amt.transferred from/(to) profit	Inter fund transfer / adjustments	Balance as at 32.03.2067
Capital	3,000,000,000	-	-	3,000,000,000
General Reserve	12,361,327,005	432,800,000	-	12,794,127,005
Monetary Liability Reserve	1,383,600,000	196,000,000	-	1,579,600,000
Exchange Equilisation Fund	19,093,366,052	(9,189,754,117)	-	9,903,611,935
Gold & Silver Equilisation Reserve	3,297,404,693	886,674,990	-	4,184,079,683
Grants assets reserve	-	-	656,648	656,648
Grameen Swabalamban Kosh	253,400,000	-	-	253,400,000
Other Reserve Funds	7,021,225,171	224,962,888	-	7,246,188,059
Secutiry Revaluation Fund	520,067,241	(520,067,241)	-	-
Total	46,930,390,162	(7,969,383,480)	656,648	38,961,663,330

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

NRs.

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

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

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

.....
(Yuba Raj Khatriwada)
Governor

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

Board of Directors :-

As per our report of the even date

Rameshore Prasad Khanal

Dr. Parthibeshwar Prasad Timilsina

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Shambhu Sharan Prasad Kayastha

Gopal Prasad Kaphle (Dy. Governor)

Maha Prasad Adhikari (Dy. Governor)

Date : 2067.9.25
Place : Kathmandu

Notes to be read as part of the Financial Statements

1. General information

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

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

The main activities of the Bank include:

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

These financial statements apply to the financial year ended 32nd Ashadh, 2067 (16th July, 2010).

The Board of Directors of the Bank has approved these financial statements on 25 Poush 2067 (January 9, 2011).

2. Summary of significant Accounting Policies

2.1 Basis of preparation

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

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

- IAS 1: Presentation of Financial Statements
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.
- IAS 16: Property, Plant and Equipments
- IAS 19: Employee Benefits
- IAS 32: Financial Instruments presentation.
- IAS 36: Impairment of Assets
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- IAS 39: Financial Instrument; Recognition and measurements
- IFRS 5: Non-current Assets held for sale and discontinued operation
- IFRS 7: Financial Instruments Disclosures.

2.2 Accounting Convention

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

2.3 Currency in circulation

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

The Bank also issues coins of different denomination for circulation but such coins are not included in currency circulation liability of the bank. Since coins issued by NRB have not been

treated as liability the bank has not been kept records of coins issue so far. Therefore, total coins circulation up to the current F/Y is not quantified.

2.4 Financial assets / Instruments

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

2.4.1 Classification

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.

2.4.2 Recognition

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

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

2.4.3 Measurement

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

Subsequent to initial recognition, Investment in Gold have been measured at fair value. and gains and losses are recognized in equity through income statement. Investment in instruments that do not have a quoted market price in an active market or fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses. Gains and losses arising from a change in the fair value of trading instruments are recognized in the Income Statement. Investments in subsidiaries, associates and other entities made under the specific directives or policies of the government and other relevant statutes are also valued at cost less impairment loss.

All non-trading financial liabilities, loans and receivables including those originated by the Bank and held-to-maturity assets except BIS mid term instrument (MTI) and US Government

Treasury Notes/Bonds, are measured at cost less impairment losses. BIS mid term instrument (MTI) and US Government Treasury Notes/Bonds are subsequently measured at amortized cost. Amortized cost is calculated on the original effective interest method.

2.4.4 Fair value

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

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

2.4.5 De-recognition

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

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

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

2.5 Transactions on repurchase obligations (Repo) and reverse repo

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

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

2.6 Foreign Currency Transactions

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

2.7 Gold and Silver (other than inventory)

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

2.8 Gold and silver stock and other inventories

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

costing per unit cost of NRs. Twenty five thousand or less are expensed through income statement at the time of purchase from F/y 2064/065. Inventory valuation method of other inventories has been changed from FIFO to weighted average method, which has resulted in decrease in the cost of issue of notes by Rs 1,283,035.81, increment in net income and closing inventory of the notes by the same amount. Valuation method has been changed since management considered weighted average method more accurately reflected inventory flow.

2.9 Property, Plant & Equipment

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

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

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

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

2.9.1 Intangible assets includes software purchased by the bank. Softwares, useful life of which have been defined by terms of contract or conditions for use, have been classified as "software with defined useful life" and are amortized on straightline basis over the useful life of asset.

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

2.10 Assets received in grant

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

Nepal Rastra Bank has received assets in grant from the Financial Sector Technical Assistance Project Phase I and Financial Sector Restructuring Project (Phase II) in Financial years 2060/61, 2061/62, 2062/63, 2063/64 and 2066/67. 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 includes Computer Equipments, Office Equipments and miscellaneous furniture. Assets which costs upto Rs25000/- has been classified as miscellaneous furniture.

Miscellaneous furniture up to Rs 25000/- acquired till F.Y.2065/66 amounting to Rs 6,32,929 are not adjusted in the financial statements of F.Y.2066/67. Miscellaneous furniture acquired in F.Y.2066.67 amounting to Rs1,09,582/- 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 income statement.

Computer Equipments and Office equipments acquired till F.Y.2065/66 has been booked in F.Y.2066/67 Net of Depreciation amount chargeable for the earlier years, in which, assets have been used by NRB, with corresponding credit to the Grants assets reserves. Accordingly, Rs 2,15,174/- (Net of chargeable depreciation) has been shown in the computer equipments, Rs 61,022/- (Net of chargeable depreciation) has been shown in office equipments with corresponding credit amount of Rs 2,76,196/- shown in "grant assets reserve". Assets acquired in F.Y.2066/67 has been recorded as "grant assets" with corresponding credit to "grant assets

reserve "under the head of Capital Reserve. Accordingly, Rs 5,84,891/- has been booked as Computer equipments and Rs 63,280/- has been booked as office equipments with corresponding credit of Rs 6,48,171/- to the capital reserve account. Depreciation of Rs 2,67,720/- for the F.Y.2066/67 has been shown as depreciation on the expenses side and reversal of grant assets reserve under the income side of income statement of F.Y. 2066/67 .

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

	Cost of assets acquired during the year				Chargeable Depreciation		
	Computer Equipments	Office equipments	Miscellaneous furniture	Total Rs	Computer Equipments	Office equipments	Total Rs
2060/61	0	0	169853	169853	0	0	0
2061/62	8174045	490501	411470	9076016	1634809	98100	1732909
2062/63	0	0	16157	16157	1634809	98100	1732909
2063/64	537880	152550	35449	725879	1742385	128610	1870995
2064/65	0	0	0	0	1742385	128610	1870995
2065/66	0	0	0	0	1742363	128608	1870971
2066/67	584891	63280	109582	757753	224554	43166	267720
Total Rs	9296816	706331	742511	10745657	8721305	625194	9346499

Grants received for training workshop and study tours amounting to Rs 1,75,01,045/- during the year has been shown as Travelling expenses in income statement and shown as Grants received for expenses in other operating Income of income statement.

2.11 Employee benefits

Contributory Retirement Fund

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

Gratuity and Pension Scheme

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

Up to 15th July 2005 the bank had calculated Pension and Gratuity liability on reasonable estimates basis and recognized expense based on the same. Effective from that date the bank has actuarially valued its pension and gratuity liability for the first time and deficit amount in the fund has been provided on a straight-line basis over five years commencing from financial year 2004/2005 in accordance with the transitional provisions.

However, actuarial valuation of the Gratuity and pension scheme has been done for the liability as on 16th July 2010 and as per managerial decision deficit in the fund balance has been provided on straight line basis over three years. Accordingly, only one third of deficit amount in fund has been booked as expenses in financial year 2009/10. For details see other notes.

Welfare Provident Fund

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

Staff Medical Fund

Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service. This year incremental liability and previous year deferred amount has been provided for.

Staff Security Fund

Actuarial valuation of the Staff security fund has been done for the liability as on 16th July 2010 and as per managerial decision, deficit in the fund balance has been provided on straight line basis over three years. Accordingly, only onethird of deficit amount in fund has been booked as expenses in financial year 2009/10. For details see other notes.

Leave encashment

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

2.12 Revenue recognition

Incomes and expenses are recognized on accrual basis.

2.13 Taxation

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

2.14 Cash and cash equivalents

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

2.15 Impairment

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

2.16 Segment reporting

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

2.17 Directors' responsibility statement

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 3: CASH AND BANK BALANCES

Cash in Hand
Balance with Banks in Demand Deposits
Asian Clearing Union
Total

As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
2,208,269,181	3,686,407,264
12,535,496,556	10,439,129,570
153,229,573	245,140,803
14,896,995,310	14,370,677,637

NOTE - 3 a: INVESTMENTS

i. Treasury Bills

US Government Treasury Bills
GOI Treasury Bills

Sub -Total

ii. Other

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

Sub -Total

Total

As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
29,766,899,189	46,808,494,962
38,971,668,698	18,048,356,730
68,738,567,887	64,856,851,692
-	4,461,328,041
744,389,634	779,581,360
8,822,597,761	5,845,991,243
4,884,334,510	3,743,356,590
18,840,991,083	15,745,392,000
88,455,780,178	114,648,144,987
121,748,093,166	145,223,794,221
190,486,661,053	210,080,645,913

Investments in all of above instruments have been classified as held to maturity. However amortized cost of Time deposits, US Treasury Bill, Government Of India Treasury Bills, Investment in Fixbis and Repurchase agreements have not been subsequently measured at amortized cost using effective interest rate, which is insignificantly different from costs as maturity period of these instruments is less than six months.

Interest on time deposit (where ever applicable) were earned at various rates ranging from 0.05% to 2.15% per annum (P.Y. 0.05% to 3.91% per annum). Time deposits with banks are for the period less than six months.

NOTE - 4: INVESTMENTS IN GOVERNMENT SECURITIES

Government Treasury Bills
Saving Certificates
Government Bond
Other Bonds and securities
Total

As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
29,926,489,463	22,546,249,079
2,895,474,000	1,909,256,000
5,200,745,941	4,800,357,503
-	-
38,022,709,404	29,255,862,582

Above investments are classified as follows:

Originated Loans	29,926,489,463	22,546,249,079
Held-to-maturity	5,200,745,941	4,800,357,503
Available-for-sale	2,895,474,000	1,909,256,000
Total	38,022,709,404	29,255,862,582

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 5: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

	% of holding	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
(a) Investment in shares of Subsidiaries			
Sudur Pashchimanchal GBB	68.46	40,050,000	40,050,000
Agricultural Project Services Center	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Insurance	55.56	1,000,000	1,000,000
Sub-Total		46,050,000	46,050,000
(b) Investment in shares of Associates			
Deposit & Credit Guarantee Corporation	29.29	20,500,000	20,500,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Economic Development	31.52	2,500,000	2,500,000
Sub-Total		35,080,500	35,080,500
(c) Other Investments			
Shares:			
CSI Development Bank	2.29	-	16,000,000
Rural Microfinance Development Centre	6.58	21,045,000	21,045,000
Pashchimanchal GBB	10.00	6,000,000	6,000,000
Nepal Development Bank	5.00	16,000,000	16,000,000
Credit Information Bureau	10.25	3,500,000	3,500,000
Citizen Investment Trust	20.01	10,000	10,000
Rural Self Reliance Fund (Seed Capital)		253,400,000	253,400,000
National Banking Training Centre	10.00	5,000,000	-
Sub-Total		304,955,000	315,955,000
Total		386,085,500	397,085,500
Less: Provision for diminution in the value		61,050,000	77,050,000
		325,035,500	320,035,500

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), CSI Development Bank, 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. 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 Rs70755000/- (Rs530/- per share as per quoted price on Ashadh 32, 2067) of Citizen Investment Trust.
6. NRB has received 172008 bonus shares of Rs 100 each on Investment in Deposit Insurance and Credit Guarantee Corporation (DICGC) which makes total Shareholding of 377008 shares
7. Nepal Development Bank is in process of liquidation.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 6: OTHER INVESTMENTS

Investment of funds

Fixed deposits with commercial banks

Total

As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
9,689,100,000	4,934,769,000
9,689,100,000	4,934,769,000

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

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

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

NOTE - 7: REFINANCE AND LOANS

Refinance to Commercial Banks

Securities purchased under resale agreement

Refinance to Financial Institutions

Loans to Employees

Less: Provision for doubtful Loans

Total

As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
2,758,251,000	-
2,025,000,000	-
603,247,869	97,737,379
2,738,964,241	2,320,394,002
8,125,463,110	2,418,131,381
13,297,869	90,737,379
8,112,165,241	2,327,394,002

Interest on refinance and loans were earned at various rates ranging from 1.5% to 7.5% per annum (P.Y. 1.50% to 6.5% per annum).

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 8: OTHER RECEIVABLE

		As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Interest Accrued	1,023,002,568		
Less: Provision for doubtful amounts	-	1,023,002,568	546,678,942
Deposits		1,813,026	1,918,260
Advances Recoverable	1,343,065,368		
Less: Provision for doubtful amounts	-	1,343,065,368	1,638,945,451
Other recoverable		23,113,850	19,040,921
Bills Purchased		794,515,391	1,133,560,829
Total		3,185,510,203	3,340,144,403

NOTE - 9: GOLD & SILVER STOCK

		As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Gold held in Stock		251,921,632	268,271,597
Silver held in Stock		46,262,898	44,026,433
Total Gold and silver stock		298,184,530	312,298,030

NOTE - 10: OTHER INVENTORIES

		As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Security Note Stock		480,534,035	69,101,465
Coin Stock		108,806,619	232,337,223
Numismatic and Medallion coins	39,299,105		
Less: Provision for non-moving coins	22,465,793	16,833,312	18,264,001
Other Metal Stock	24,890,629		
Less: Provision for non-moving stock	8,716,000	16,174,629	16,432,141
Dispensory stock	283,927		
Less: Provision for non-moving items	-	283,927	312,761
Total Inventories		622,632,522	336,447,591

NEPAL RASTRA BANK
Notes forming part of the Balance Sheet

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

(NRs.)

Particulars	Rate	Cost					Depreciation					Net Block	
		As at 31 Ashadh 2066	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 32 Ashadh 2067	Upto 31 Ashadh 2066	Transfer from other Office	Current Year Depreciation	Adjustment / Transfer	Upto 32 Ashadh 2067	As at 32 Ashadh 2067	As at 31 Ashadh 2066
Land		31,334,553	-	14,686	-	31,349,239	-	-	-	-	-	31,349,239	31,334,553
Building	3	550,491,283	-	3,687,647	(72,392)	554,106,538	151,680,874	-	16,313,241	(66,883)	167,927,232	386,179,306	398,810,409
Furniture and Fixture	10	52,866,358	-	1,438,925	(2,482,829)	51,822,455	41,420,457	-	3,181,293	(2,474,280)	42,127,470	9,694,984	11,445,900
Office Equipment	20	77,708,641	-	8,080,544	(3,226,542)	82,562,644	66,984,326	-	4,689,762	(3,226,520)	68,447,568	14,115,076	10,724,315
Vehicles	20	184,692,167	8,734,749	25,926,000	(42,243,788)	177,109,128	141,740,508	3,377,400	15,998,675	(32,956,616)	128,159,967	48,949,161	42,951,659
Machinery Equipment	15	63,017,882	-	-	(112,500)	62,905,382	59,761,824	-	865,654	(112,497)	60,514,981	2,390,401	3,256,059
Computer Equipments	20	118,004,823	239,447	11,509,068	(8,549,749)	121,203,589	92,971,496	-	10,075,169	(7,410,128)	95,636,537	25,567,052	25,033,328
Miscellaneous	15	4,730,266	-	-	-	4,730,266	3,671,703	-	260,766	-	3,932,469	797,796	1,058,563
Total		1,082,845,973	8,974,196	50,656,871	(56,687,799)	1,085,789,241	558,231,188	3,377,400	51,384,560	(46,246,924)	566,746,224	519,043,017	524,614,786
Capital Work-in-Progress		8,315,437	-	-	(4,949,496)	3,365,942	-	-	-	-	-	3,365,942	8,315,436
Grand Total		1,091,161,410	8,974,196	50,656,871	(61,637,295)	1,089,155,183	558,231,188	3,377,400	51,384,560	(46,246,924)	566,746,224	522,408,959	532,930,222
Previous Year		1,068,050,415	178,540	84,074,357	(61,141,902)	1,091,161,410	522,579,443	-	52,504,673	(16,852,928)	558,231,188	532,930,222	

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

(NRs.)

Particulars	Rate	Cost					Amortization					Net Block	
		As at 31 Ashadh 2066	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 32 Ashadh 2067	Upto 31 Ashadh 2066	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 32 Ashadh 2067	As at 32 Ashadh 2067	As at 31 Ashadh 2066
Software with Defined useful life		1,055,741		2,571,976		3,627,717	476,484		1,217,078		1,693,562	1,934,154	579,257
Software with indefinite useful life						-	-	-	-	-	-	-	-
- Business application softwares	10					-					-		-
- Other softwares	20	3,288,653				3,288,653	1,360,965		219,204		1,580,169	1,708,484	1,927,688
Grand Total		4,344,394	-	2,571,976	-	6,916,370	1,837,449	-	1,436,283	-	3,273,732	3,642,638	2,506,945
Previous Year		1,776,638		2,567,756		4,344,394	854,750		982,699		1,837,449	2,506,945	-

Note 11c Assets received in grant

Particulars	Rate	Cost					Amortization					Net Block	
		As at 31 Ashadh 2066	Transfer from other Office	Addition during the year	Adjustment / Transfer	As at 32 Ashadh 2067	Upto 31 Ashadh 2066	Transfer from other Office	Current Year Amortization	Adjustment / Transfer	Upto 32 Ashadh 2067	As at 32 Ashadh 2067	As at 31 Ashadh 2066
Office Equipment	20	0		63280	643051	706,331			43166	582028.0	625194	81,137	
Computer Equipments	20	0		584891	8711925	9,296,816			224554	8496751	8721305	575,511	
Grand Total		0	0	648171	9354976	10003147	0	0	267720	9078779	9346499	656648	0
Previous Year		0	0	0	0	0	0	0	0	0	0	0	0

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet.

NOTE - 12: PROJECTS ASSETS: *

(Amount in NRs.)

Assets	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Current account	1000581	52540	4430548	248514	0	5732183
	(2716715)	(780644)	(7383201)	(12648956)	0	(23529516)
Imprest Account	0	0		0		0
	0	0		0		0
Investment in fixed deposit	106790755	142424902	36846815	60433991	0	346496463
	(118711247)	(141697482)	(37000000)	(45776000)	0	(343184729)
Investment in GON bonds	0	0		0		0
	0	0		0		0
Loans to Banks, FIs, and NGOs	0	2255180	62182883	37312192	0	101750255
		(2255180)	(72172575)	(46325032)	0	(120752787)
Fixed assets	0	0	0	0	0	0
	0	0	0	0		0
Interest receivables	1243388	3170560	692640	684096	0	5790684
	(998287)	(1495424)	(852249)	(1256871)	0	(4602831)
Principal (Instalment) receivables	0	0		0	0	0
	0	0	0	0	0	0
Expenses not written off	1328513	0	0	0	0	1328513
	(1594215)	0	0	0	0	(1594215)
Current Year Total	110363237	147903182	104152886	98678793	0	461098098
Previous Year Total	(124020464)	(146228730)	(117408025)	(106006859)	0	(493664078)

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

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

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

NEPAL RASTRA BANK**Notes forming part of the Balance Sheet****NOTE - 13: DEPOSIT FROM BANKS AND OTHER AGENCIES**

	As on 32.3.2067	As on 31.3.2066
	NRs.	NRs.
Deposit from Banks	693,362,979	901,678,981
Foreign Diplomatic Missions and other agencies	48,197,357	3,244,503
Total	741,560,336	904,923,484

NOTE - 14: IMF RELATED LIABILITIES

	As on 32.3.2067	As on 31.3.2066
	NRs.	NRs.
SDR Allocation	7,700,430,257	986,816,134
Loan under Poverty Reduction and Growth Facility (PRGF)	5,319,999,648	5,988,861,559
Loan under Rapid Credit Facility	3,224,927,520	
Total	16,245,357,425	6,975,677,693

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

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

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

THE POSITION OF THE IMFASSETS AND LIABILITIES

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2010

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

1. Converted into SDR at the rate of SDR 0.009287890000 per currency unit .

SUMMARY STATEMENT OF POSITION AS ON APRIL 30, 2009

Particulars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
Total Currency Holdings	8,566,292,863	71,310,875
	Per cent	
	of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-

1. Converted into SDR at the rate of SDR ..008324590000 per currency unit .

SUMMARY STATEMENT OF POSITION AS ON JULY 16, 2010

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

1. Converted into SDR at the rate of SDR 0.009287890000 per currency unit.

SUMMARY STATEMENT OF POSITION AS ON JULY 15, 2009

Particulars	Local Currency	SDR Equivalents
Currency Holding		
Securities (Quota subscription by GON)	2,318,061,941	19,296,915
No. 1 Account	5,149,454,845	42,867,100
No. 2 Account	1,138,956	9,481
Valuation adjustments:		
Securities and No. 1 Account	1,097,469,665	9,135,985
No. 2 Account	167,456	1,394
Total Currency Holdings	8,566,292,863	71,310,875
	Per cent	
	of Quota	
Quota	100.00	71,300,000
Currency Holding	100.02	71,310,875
Reserve Tranche Position	-	-

1. Converted into SDR at the rate of SDR 0.008324590000 per currency unit.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 15: OTHER LIABILITIES

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Accrued Interest	7,899,401	2,373,545
Asian Clearing Union	-	-
Total	7,899,401	2,373,545

NOTE -16: DEPOSIT AND OTHER BALANCES

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Balances of GON	-	-
Deposits from Banks and Financial Institutions	58,396,668,188	62,813,904,955
Balances of Other Institutions	3,138,927,211	3,129,473,058
IMF Account No 1	5,357,242,334	5,149,440,595
IMF Account No 2	294,269	1,153,206
Earnest Money	927,679	1,276,741
Money Changer	8,328,000	8,587,500
Margin against LCs	1,486,525,490	2,573,087,104
Total	68,388,913,171	73,676,923,159

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 32.3.2067 NRs.	As on 31.3.2066 NRs.
Medical Fund	476,418,173	747,292,581
Welfare Provident Fund	243,376,376	199,642,765
Gratuity and Pension Fund	2,485,026,827	1,592,656,666
Staff Security Fund	731,958,805	705,032,468
Liability for Staff Leave Encashment	460,137,302	426,602,250
Liability for Retired staff insurance premium	59,715,565	81,885,385
Other payable to staff	38,843,802	34,195,347
Total	4,495,476,850	3,787,307,462

NOTE - 18: OTHER PAYABLES

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Insurance Premium collected from Staff	1,311,908,622	1,229,562,336
Less: Advance Insurance Premium paid on behalf of Staff	(1,114,026,542)	(1,023,370,767)
Total	197,882,080	206,191,569

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE -19: CURRENCY IN CIRCULATION

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Currency in Circulation	161,300,000,000	141,210,000,000

Currency in circulation represents notes issued by NRB, as a sole currency issuing authority in Nepal, which includes cash in hand NRs 3,75,61,91,628(P.Y. NRs. 1,82,48,59,620).

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 :

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Foreign currency balance held abroad	141,520,568,000	111,430,568,000
Foreign Securities	15,607,732,000	25,607,732,000
Government Securities	4,171,700,000	4,171,700,000
	161,300,000,000	141,210,000,000

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

Denomination Notes	As on 32.3.2067 Face Value (NRs.)	As on 31.3.2066 Face Value (NRs.)
1	31,500,000	166,564,157
2	64,800,000	200,270,208
5	233,500,000	904,291,035
10	528,700,000	1,216,549,940
20	531,200,000	1,487,015,360
25	387,700,000	88,317,875
50	3,236,900,000	2,549,817,500
100	9,403,800,000	9,735,589,300
250	109,000,000	81,818,375
500	40,863,400,000	33,631,384,250
1000	105,909,500,000	91,148,382,000
	161,300,000,000	141,210,000,000

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 20: SUNDRY LIABILITIES

		As on 32.3.2067	As on 31.3.2066
		NRs.	NRs.
Sundry creditors		2,693,751,291	1,305,494,806
Unclaimed		2,078,431	4,530,273
Bills Collection	70,434,795		28,946,268
Less: Bills Lodged	(70,434,795)	-	-
Pension Payable to NRB Ex-Staff		118,877,455	105,148,925
General Account	19b	677,248,199	1,964,437,218
Note Kosh account	19c	314,400,000	43,587,000
Total		3,806,355,376	3,423,198,222

Note :General account includes Payorder balance of Rs 87,36,298.86(P.Y.2,08,22,127.58) and debit balance in MBL Non Operative Account of Rs 61517.32.

NOTE - 21: PROJECTS LIABILITIES: *

(Amount in NRs.)

Liabilities	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Loans from IFAD/ADB	103,704,865	135,600,000	93,837,177	94,900,000	-	428,042,042
	(115,905,437)	(141,250,000)	(105,566,824)	(102,200,000)	-	(464,922,261)
ADB grants	-	-	-	-	-	-
	-	-	-	-	-	-
Exchange fluctuation account	-	-	-	-	-	-
	-	-	-	-	-	-
Split interest reserve	-	-	4,233,489	-	-	4,233,489
	-	-	(4,233,489)	-	-	(4,233,489)
Sundry Payables	534,274	16,226	641,331	15,750	-	1,207,581
	(591,777)	(12,726)	(716,029)	(18,860)	-	(1,339,392)
Provisions	-	2,255,180	1,872,834	373,122	-	4,501,136
	-	(2,255,180)	(1,872,834)	-	-	(4,128,014)
Profit to be transferred to NRB	6,124,098	10,031,776	3,568,055	3,389,921	-	23,113,850
	(7,523,250)	(2,710,823)	(5,018,850)	(3,787,999)	-	(19,040,922)
Current Year Total	110,363,237	147,903,182	104,152,886	98,678,793	-	461,098,098
Previous Year Total	(124,020,464)	(146,228,730)	(117,408,025)	(106,006,859)	-	(493,664,078)

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

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

MCPW = Micro Credit Project for Women

TLDP = Third Livestock Development Project

PCRW = Production Credit for Rural Women

PAPWT = Poverty Alleviation Project for Western Tarai

RMP = Rural Microcredit Project

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

19c Note Kosh account represents NRB interoffice transactions pending for settlement on Ashadh 32, 2067, and have been settled in F.Y.2067/68.

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 22: RESERVES

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Capital Reserve:		
Gold and Silver Equalization Reserve	4,184,079,683	3,297,404,693
Grants assets reserve	656,648	0
Statutory Reserve:		
General Reserve	12,794,127,004	12,361,327,004
Monetary Liabilities Reserve	1,579,600,000	1,383,600,000
Exchange Equalization Fund	9,903,611,935	19,093,366,052
Other Reserves and Funds:		
Development Fund	4,835,503,358	4,695,222,054
Banking Development Fund	527,087,319	527,087,319
Development Finance Project Mob. Fund	129,428,163	106,328,163
Liquidity Stabilization fund	20,000,000	2,500,000
Mechanisation Fund	91,316,414	91,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Employees Welfare Fund	-	-
Gold Replacement Fund	1,033,545,359	989,463,775
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Securities Revaluation Fund	0	520,067,241
Total Reserves and Funds	35,961,663,330	43,930,390,162

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

10 **Scholarship Fund**

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

11 **Mint Development Fund**

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

12 **Employees welfare fund**

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

13 **Gold Replacement Fund**

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

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

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

15 **Securities Revaluation Fund**

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

16 **Grants assets reserve**

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

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23a : Movement of Provisions.

Particulars	As on 31.3.2066 NRs 1	Addition 2	Adjustments 3	Payment/ Writeback 4	As on 32.3.2067 NRs. 5=1+2+3-4
Leave encashment	426,602,250	107,246,843	(73,711,790.66)		460,137,302
Gratuity and Pension Fund	1,592,656,666	1,164,372,517	5,071,748	277,074,105	2,485,026,827
Staff Security Fund	705,032,468	125,354,156	(98,427,819)		731,958,805
Medical Fund	746,343,097	182,829,800		453,430,070	475,742,827
Diminution in value of investment	77,050,000			16,000,000	61,050,000
Provision for doubtful loans	90,737,379			77,439,510	13,297,869
Nuismatic and Medallion Coins	22,465,793	-		-	22,465,793
Provision for non moving metal stock	8,716,000	-		-	8,716,000
Total	3,669,603,653	1,579,803,316	(167,067,862)	823,943,685	4,258,395,422

NEPAL RASTRA BANK

Notes forming part of the Balance Sheet

NOTE - 23b: Contingent Liabilities and Commitments

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Letters of Credit	-	107,051,296
Guarantees Issued	-	3,063,825
Claims not acknowledged as debt	155,370	67,110
Other	114,214,409	14,371,094
Total	114,369,779	124,553,325

- 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. Accordingly Total Letter of Credit of Rs 3,29,93,12,736.75 was outstanding at Asar 32, 2067 for which 100 percent margin has been 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.
- 1
 - 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 Contingent liabilities in respect of Unclaimed Creditors amount of Rs 99,843,315 transferred to Income is included in head others.

NOTE - 23c: Contingent Assets

	As on 32.3.2067 NRs.	As on 31.3.2066 NRs.
Land where Janakpur office is situated.	14,371,094	14,371,094
Total	14,371,094	14,371,094

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

NEPAL RASTRA BANK

Notes forming part of the Income Statement

NOTE - 24: INTEREST INCOME

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Assets		
Treasury bills & Deposits	3,202,275,367	4,465,336,306
SDR Holding & Asian Clearing Union	16,741,297	11,767,701
Interest income from Foreign Currency Financial Assets	3,219,016,664	4,477,104,007
Local Currency Financial Assets		
Government Securities	62,604,355	29,900,956
Investment in financial and other institutions	3,262,281,288	1,492,586,901
Overdraft to Government	406,207,389	43,423,842
Loans and Refinance	20,571,486	13,657,004
Interest income from Local Currency Financial Assets	3,751,664,518	1,579,568,703
Total interest income from financial assets	6,970,681,182	6,056,672,710

NOTE - 25: COMMISSION INCOME

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Assets		
On Currency exchange	363,649,585	311,117,876
Local Currency Financial Assets		
Government transaction & Other services	4,808,469	4,217,594
Total Commission income from financial assets	368,458,054	315,335,470

NOTE - 26: INTEREST EXPENSES

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Liabilities		
SDR Allocation & PRGF Loan	32,722,933	41,443,694
Others	237,498	-
Sub Total	32,960,431	41,443,694
Local Currency Financial Liabilities		
Government Securities	61,713,970	172,458,274
Sub Total	61,713,970	172,458,274
Total Interest Expense on Financial Liabilities	94,674,401	213,901,967

NOTE - 27: AGENCY AND SERVICE CHARGE

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Liabilities		
Service Charge	-	-
Commission	5,782,910	5,148,289
Sub Total	5,782,910	5,148,289
Local Currency Liabilities		
Agency Expenses	578,524,781	583,759,774
Sub Total	578,524,781	583,759,774
Total Agency and Service Charge	584,307,691	588,908,063

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

	2066-67 NRs.	2065-66 NRs.
Nepal Bank Ltd.	211,585,856	211,585,856
Rastriya Banijya Bank	324,580,741	324,580,741
Nepal Bangladesh Bank	4,886,689	4,886,689
Everest Bank Ltd	5,027,468	5,027,468
Total	546,080,754	546,080,754

NEPAL RASTRA BANK

Notes forming part of the Income Instatement

NOTE - 28: OTHER OPERATING INCOME

	2066-67 NRs.	2065-66 NRs.
Income from Mint (Sale of coin)	146,675,075	173,400,227
Gain from sale of precious metals and coins	78,543,770	73,507,873
Fine/Penalty charge	40,807,679	9,296,725
Profit from sale of investments	125,973,592	-
Dividend Income	2,799,237	3,468,350
Provision on Investment written back (Net)	16,000,000	19,219,000
Provision on Loans & Advances written back (Net)	77,439,510	151,376,131
Interest suspense written back (Net)	3,297,869	-
Project income	37,676,571	26,123,234
Provision no longer required written back	-	-
Grants assets reserve	267,720	-
Grants received for expenses	17,610,627	-
Miscellaneous	78,936,920	90,218,534
Total	626,028,570	546,610,074

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

(Amount in NRs.)

Income	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Interest income	9,719,457	15,630,276	5,547,546	6,779,292	-	37,676,571
	(7,591,375)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,234)
Other income	-	-	-	-	-	-
Current Year Total	9,719,457	15,630,276	5,547,546	6,779,292	-	37,676,571
Previous Year Total	(7,591,375)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,234)

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

NEPAL RASTRA BANK
Notes forming part of the Income Statement

NOTE - 29: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS

		2066-67	2065-66
		NRs.	NRs.
Staff Costs	29a	2,676,414,208	1,958,369,876
Depreciation and amortization		53,534,495	53,487,372
Directors Fees and Expenses		2,556,687	1,960,262
Note Printing charges	29b	424,005,536	243,068,023
Mint Expenses		142,466,196	265,663,913
Security charges		18,503,842	18,503,842
Remittance charges		78,359,989	72,066,732
Travelling expenses		86,449,604	70,593,210
Insurance charges		60,297,230	47,247,357
Repair & Maintenance		13,887,078	9,760,475
Provisions on loans & advances, Investments, etc.	29c	5,689,003	3,523,976
Project expenses	29e	#VALUE!	17,491,785
Miscellaneous	29d	178,033,054	159,688,204
Total		#VALUE!	2,921,425,027

29a Staff Costs

	2066-67	2065-66
	NRs.	NRs.
Salary	358,199,074	327,056,289
Allowances	402,163,357	405,100,175
Provident Fund Contribution	35,477,855	32,727,231
Staff Welfare (Including Medical fund contribution)	320,244,958	328,679,552
Staff Welfare Provident Fund	200,000,000	160,000,000
Pension & Gratuity Fund	1,164,372,517	320,803,476
Staff Security Fund	125,354,156	313,374,257
Others	70,602,291	70,628,896
Total	2,676,414,208	1,958,369,876

All leave compensations are included in the allowances.

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

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

	2066-67	2065-66
	NRs.	NRs.
Provision for retired Staff Insurance Premium	5,689,003	3,523,723
Provision for Inventory & Spare Parts	-	253
Total	5,689,003	3,523,976

29d Miscellaneous Expenses

	2066-67	2065-66
	NRs.	NRs.
Banking Promotion	6,291,835	10,598,115
Audit Fees and Expenses	1,119,824	966,980
Sundry balances written off	10,423,869	-
Others	160,197,526	148,123,109
Total	178,033,054	159,688,204

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

(Amount in NRs.)

Expenses	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Interest IFAD	-	-	1,974,491	3,011,250	-	4,985,741
	-	-	(2,209,084)	(3,230,250)	-	(5,439,334)
Interest ADB	3,324,656	5,593,500	-	-	-	8,918,156
	(3,690,673)	(5,819,500)	-	-	-	(9,510,173)
Audit Fee	3,500	3,500	3,500	3,500	-	14,000
	(3,500)	(3,500)	(3,500)	(3,500)	-	(14,000)
Meeting, training and others	1,500	1,500	1,500	1,500	-	6,000
	(1,500)	(1,500)	(1,500)	(2,896)	-	(7,396)
Depreciation	265,702	-	-	-	-	265,702
	(265,702)	(2,255,180)	-	-	-	(2,520,882)
Loan loss provision and other provisions	-	-	-	373,122	-	373,122
	-	-	-	-	-	-
Profit transferred to NRB Central Office	6,124,098	10,031,776	3,568,055	3,389,921	-	23,113,850
	(3,629,999)	(563,647)	(2,212,087)	(2,225,715)	-	(8,631,449)
(Loss transferred to ADB grants)	-	-	-	-	-	-
	-	-	-	-	-	-
Current Year Total	9,719,456	15,630,276	5,547,546	6,779,293	-	37,676,571
Previous Year Total	(7,591,374)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,233)

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

NOTE - 30: CASH AND CASH EQUIVALENT

	2066-67	2065-66
Foreign currency cash and bank balance	16964757310	15330232637
Foreign currency time deposits	88,455,780,178	114,648,144,987
Local currency in hand	3,756,191,628	1,824,859,620
SDR holdings	7,042,007,705	555,366,917
Investment in Treasury Bills/Notes	84,512,233,231	64,856,851,692
Investment in Fixbis	4,884,334,510	3,743,356,590
Investment in repurchase agreement (Repo)	18,840,991,083	15,745,392,000
Total	224,456,295,645	216,704,204,443

NEPAL RASTRA BANK

Notes forming part of the Income Statement

NOTE - 24: INTEREST INCOME

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Assets		
Treasury bills & Deposits	3,202,275,367	4,465,336,306
SDR Holding & Asian Clearing Union	16,741,297	11,767,701
Interest income from Foreign Currency Financial Assets	3,219,016,664	4,477,104,007
Local Currency Financial Assets		
Government Securities	62,604,355	29,900,956
Investment in financial and other institutions	3,262,281,288	1,492,586,901
Overdraft to Government	406,207,389	43,423,842
Loans and Refinance	20,571,486	13,657,004
Interest income from Local Currency Financial Assets	3,751,664,518	1,579,568,703
Total interest income from financial assets	6,970,681,182	6,056,672,710

NOTE - 25: COMMISSION INCOME

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Assets		
On Currency exchange	363,649,585	311,117,876
Local Currency Financial Assets		
Government transaction & Other services	4,808,469	4,217,594
Total Commission income from financial assets	368,458,054	315,335,470

NOTE - 26: INTEREST EXPENSES

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Financial Liabilities		
SDR Allocation & PRGF Loan	32,722,933	41,443,694
Others	237,498	-
Sub Total	32,960,431	41,443,694
Local Currency Financial Liabilities		
Government Securities	61,713,970	172,458,274
Sub Total	61,713,970	172,458,274
Total Interest Expense on Financial Liabilities	94,674,401	213,901,967

NOTE - 27: AGENCY AND SERVICE CHARGE

	2066-67 NRs.	2065-66 NRs.
Foreign Currency Liabilities		
Service Charge	-	-
Commission	5,782,910	5,148,289
Sub Total	5,782,910	5,148,289
Local Currency Liabilities		
Agency Expenses	578,524,781	583,759,774
Sub Total	578,524,781	583,759,774
Total Agency and Service Charge	584,307,691	588,908,063

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

	2066-67 NRs.	2065-66 NRs.
Nepal Bank Ltd.	211,585,856	211,585,856
Rastriya Banijya Bank	324,580,741	324,580,741
Nepal Bangladesh Bank	4,886,689	4,886,689
Everest Bank Ltd	5,027,468	5,027,468
Total	546,080,754	546,080,754

NEPAL RASTRA BANK

Notes forming part of the Income Instatement

NOTE - 28: OTHER OPERATING INCOME

	2066-67 NRs.	2065-66 NRs.
Income from Mint (Sale of coin)	146,675,075	173,400,227
Gain from sale of precious metals and coins	78,543,770	73,507,873
Fine/Penalty charge	40,807,679	9,296,725
Profit from sale of investments	125,973,592	-
Dividend Income	2,799,237	3,468,350
Provision on Investment written back (Net)	16,000,000	19,219,000
Provision on Loans & Advances written back (Net)	77,439,510	151,376,131
Interest suspense written back (Net)	3,297,869	-
Project income	37,676,571	26,123,234
Provision no longer required written back	-	-
Grants assets reserve	267,720	-
Grants received for expenses	17,610,627	-
Miscellaneous	78,936,920	90,218,534
Total	626,028,570	546,610,074

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

(Amount in NRs.)

Income	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
Interest income	9,719,457	15,630,276	5,547,546	6,779,292	-	37,676,571
	(7,591,375)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,234)
Other income	-	-	-	-	-	-
Current Year Total	9,719,457	15,630,276	5,547,546	6,779,292	-	37,676,571
Previous Year Total	(7,591,375)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,234)

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

NEPAL RASTRA BANK
Notes forming part of the Income Statement

NOTE - 29: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS

		2066-67	2065-66
		NRs.	NRs.
Staff Costs	29a	2,676,414,208	1,958,369,876
Depreciation and amortization		53,534,495	53,487,372
Directors Fees and Expenses		2,556,687	1,960,262
Note Printing charges	29b	424,005,536	243,068,023
Mint Expenses		142,466,196	265,663,913
Security charges		18,503,842	18,503,842
Remittance charges		78,359,989	72,066,732
Travelling expenses		86,449,604	70,593,210
Insurance charges		60,297,230	47,247,357
Repair & Maintenance		13,887,078	9,760,475
Provisions on loans & advances, Investments, etc.	29c	5,689,003	3,523,976
Project expenses	29e	#VALUE!	17,491,785
Miscellaneous	29d	178,033,054	159,688,204
Total		#VALUE!	2,921,425,027

29a Staff Costs

	2066-67	2065-66
	NRs.	NRs.
Salary	358,199,074	327,056,289
Allowances	402,163,357	405,100,175
Provident Fund Contribution	35,477,855	32,727,231
Staff Welfare (Including Medical fund contribution)	320,244,958	328,679,552
Staff Welfare Provident Fund	200,000,000	160,000,000
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Staff Security Fund	125,354,156	313,374,257
Others	70,602,291	70,628,896
Total	2,676,414,208	1,958,369,876

All leave compensations are included in the allowances.

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	2066-67	2065-66
	NRs.	NRs.
Provision for retired Staff Insurance Premium	5,689,003	3,523,723
Provision for Inventory & Spare Parts	-	253
Total	5,689,003	3,523,976

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	2066-67	2065-66
	NRs.	NRs.
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(Amount in NRs.)

Expenses	MCPW	TLDP	PCRW	PAPWT	RMP	TOTAL
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	-	-	(2,209,084)	(3,230,250)	-	(5,439,334)
Interest ADB	3,324,656	5,593,500	-	-	-	8,918,156
	(3,690,673)	(5,819,500)	-	-	-	(9,510,173)
Audit Fee	3,500	3,500	3,500	3,500	-	14,000
	(3,500)	(3,500)	(3,500)	(3,500)	-	(14,000)
Meeting, training and others	1,500	1,500	1,500	1,500	-	6,000
	(1,500)	(1,500)	(1,500)	(2,896)	-	(7,396)
Depreciation	265,702	-	-	-	-	265,702
	(265,702)	(2,255,180)	-	-	-	(2,520,882)
Loan loss provision and other provisions	-	-	-	373,122	-	373,122
	-	-	-	-	-	-
Profit transferred to NRB Central Office	6,124,098	10,031,776	3,568,055	3,389,921	-	23,113,850
	(3,629,999)	(563,647)	(2,212,087)	(2,225,715)	-	(8,631,449)
(Loss transferred to ADB grants)	-	-	-	-	-	-
	-	-	-	-	-	-
Current Year Total	9,719,456	15,630,276	5,547,546	6,779,293	-	37,676,571
Previous Year Total	(7,591,374)	(8,643,327)	(4,426,171)	(5,462,361)	-	(26,123,233)

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

NOTE - 30: CASH AND CASH EQUIVALENT

	2066-67	2065-66
Foreign currency cash and bank balance	16964757310	15330232637
Foreign currency time deposits	88,455,780,178	114,648,144,987
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Investment in Treasury Bills/Notes	84,512,233,231	64,856,851,692
Investment in Fixbis	4,884,334,510	3,743,356,590
Investment in repurchase agreement (Repo)	18,840,991,083	15,745,392,000
Total	224,456,295,645	216,704,204,443

NOTE - 31: OTHER NOTES**I. Financial Year**

The financial statements relate to the financial year i.e. 1st Shrawon 2066 to 32nd Ashadh 2067 corresponding to Gregorian calendar 16th July 2009 to 16th July 2010. The previous year was 1st Shrawon 2065 to 31 Ashadh 2066 (16th July 2008 to 15th July 2009). The corresponding information presented in the financial statements for the previous year has been rearranged and reclassified, wherever necessary, in order to facilitate comparison.

II. Currency of Presentation

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

III. Capital

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

IV. Bills payable and Bills Receivable

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

V. Quantity and market value of gold and silver

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

Particulars	Weight (Kg, gm, mg)	Market Price (NRs.) Per Grams.	Total Market Value (NRs.)
Gold	1456.057.075	2888.715	4,206,133,922
	(1,456.057.075)	(2279.759)	(3,319,458,932)
Gold held in Stock	2952.420.75	2888.715	8,528,702,106
	(2959.853.100)	(2279.759)	(6747751743)
Silver held in Stock	134355.273.502	43.677	5,734,394,044
	(135440.765.302)	(32.170)	(4357129420)
Current Year Total			18,469,230,072
Previous Year Total			(14,424,340,095)

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

VI. Year end exchange rates

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

		NRs.	
S.No.	Currency	32nd Ashadh 2067	31st Ashadh 2066
1	US Dollar	74.44	78.05
2	Sterling Pound	113.71	126.78
3	Euro	94.79	109.07
4	Swiss Frank	70.63	71.99
5	Australian Dollar	65.34	61.28
6	SDR	113.07	121.76

VII. NRB general account

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

VIII. Unclaimed account

Unclaimed account represents amount that remained unclaimed and outstanding for more than two years in sundry creditors being transferred to unclaimed account as per policy of Nepal Rastra Bank. Amount transferred from sundry creditors to Unclaimed account during F.Y.2066/67 is Rs 1,804,941.35(P.Y.137,593.71) .

Amount outstanding for more than three years in unclaimed account is transferred to miscellaneous income in Profit and loss account. Amount transferred from unclaimed account to miscellaneous income during F.Y.2066/67 in Profit and Loss account is Rs 4,256,783.59(P.Y.12,313.47).

IX. Consolidation of Subsidiaries

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

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

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

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

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

X. Related Parties

i. Government:

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

Transactions entered into with GON include:

- (a) Acting as the fiscal agent and financial advisor of the government;
- (b) Acting as the agent of government or its agencies and institutions, provide guarantees, participate in loans to government and related institutions;

- (c) Acting as agent of government, the Bank issues securities of government, purchases 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 Rs.	Provision Made up to F/Y 065-66 Rs.	Provision/ (Write Back) F/Y 066-67 Rs.	Provision Up to F/Y 066-67 Rs.
a. Investment in share of Subsidiaries					
1	Sudur Pashchimanchal GBB	40,050,000.00	40,050,000.00	-	40,050,000.00
2.	Agriculture Project Service Centre	5,000,000.00	5,000,000.00	-	5,000,000.00
3.	Rastriya Bima Sansthan-Life insurance	1,000,000.00	-	-	-
b. Investment in share of Associates					
1	Deposit & Credit Guarantee Corporation	20,500,000.00			
2	Nepal Stock Exchange Ltd.	12,080,500.00			
3	National Productivity and Economic Development	2,500,000.00			
c. Other Investments:					
1	CSI Development Bank	-	16,000,000.00	(16,000,000.00)	-
2	Rural Microfinance Development Centre	21,045,000.00	-	-	-
3	Pashchimanchal GBB	6,000,000.00			
4	Nepal Bikash Bank	16,000,000.00	16,000,000.00	-	16,000,000.00
5	Credit Information Bureau	3,500,000.00			
6	Citizen Investment Trust	10,000.00			
7	Rural Self Reliance Fund (Seed Capital)	253,400,000.00			
8.	National Bankers Training Centre	5,000,000.00			
	Total	386,085,500.00	77,050,000.00	(16,000,000.00)	61,050,000.00

iii. Key Management Personnel:

S.No.	Name of the Key Management Personnel	Designation
1.	Yuba Raj Khatiwada	Governor
2.	Bir Bikram Rayamajhi	Deputy Governor
3.	Sushil Ram Mathema	Executive Director
4.	Gopal Prasad Kafle	Executive Director
5.	Ravindra Prasad Pandey	Executive Director
6.	Lila Prakash Sitaula	Executive Director
7.	Ashwini Kumar Thakur	Executive Director
8.	Bishnu Nepal	Executive Director
9.	Gokul Ram Thapa	Executive Director
10.	Ramjee Regmi	Executive Director
11.	Bhaskar Mani Gyawali	Executive Director
12.	Manmohan Kumar Shrestha	Executive Director
13.	Lok Bahadur Khadka	Executive Director
14.	Pradeep Raj Pandey	Executive Director
15.	Hari Prasad Kaphle	Executive Director
16.	Sidhi Krishna Joshi	Executive Director
17.	Maha Prasad Adhikari	Executive Director

Salary and related expenses to key management personnel are NRs. 12,136,320 (previous year – NRs14,024,634). As at 16th July 2010 an amount of NRs. 23,804,847(Previous year – NRs. 14, 283,350) was receivable from key managerial personnel as approved loan and advances made by the Bank at the same standard rate of interest with that of other loan and advances provided to employees.

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

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

XI. Prior Year Adjustment

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

XII. Risk Management

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

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

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

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

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

XIII. Concentration of funding

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

XIV. Fair values

The carrying value of agency bank balances, investments in foreign currency Treasury bills, other held for trading/available for sale investments, Deposits and other balances are considered to approximate their fair value. The cost of investment in US Government Treasury Notes/Bonds and US Treasury Bills along with its' fair value are as under.

NRs.		
Name of Instruments	Cost of Investment As on 32.3.2067	Fair Value As on 32.3.2067
US Government Treasury Notes/Bonds	* 744,389,634.00	7,445,861,000.00
US Government Treasury Bills	29,766,899,188.00	29,771,223,073.54

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

* Cost of US Government Treasury Notes/Bonds represents amortized cost.

XV. Disclosure of obligation under pension and gratuity

Before 2004/05, liability under pension and gratuity of employees would be provided for on the basis of best estimation made by management. During the financial year 2004/05 the liability of Rs 2,269,949,046 was determined for the first time based on actuarial valuation and deficit in the gratuity and pension fund has been provided for on straight-line basis over the period of 5 years commencing from fiscal year 2004/05 till fiscal year 2008/09.

During financial year 2009/10 actuarial valuation of liability on account of pension and gratuity fund has been made for the second time. Accordingly, total liability of Rs 4,813,771,862/- has been determined. one third of Deficit amount in the Gratuity and pension fund has been transferred to the fund and rest will be transferred in fiscal year 2067/68 and 2068/69 on proportionate basis. The status is reflected from under mentioned table.

NRs.				
Present value of liability as on 16th July 2010	Liability as per books as on 16th July 2010	Total Deficit	Recognized in F.Y.2009/10	To be provided upto F.Y. 2011/12
4,813,771,862	1,320,654,310	3,493,117,552	1,164,372,517.33	2,328,745,034.67

XVI. Disclosure of obligation under Staff security fund.

During financial year 2009/10 actuarial valuation of liability on account of Staff security fund has been made for the first time. Accordingly, total liability of Rs 982,667,117/- has been determined. One third of Deficit amount in the Staff security fund has been transferred to the fund and rest will be transferred in fiscal year 2067/68 and 2068/69 on proportionate basis. The status is reflected from under mentioned table.

NRs.				
Present value of liability as on 16th July 2010	Liability as per books as on 16th July 2010	Total Deficit	Recognized in F.Y.2009/10	To be provided upto F.Y. 2011/12
982,667,117	606,604,648	376,062,469	125,354,156.33	250,708,312.67

XVII. Gold and Silver

- i. Gold (other than inventory) till the financial year 2060/61 was valued at a price revalued in year 2043. In terms of the board resolution dated 2062/09/18 the said gold has been valued at price prevailing in London Bullion Market at the close of the year. Increase in value thereof amounting to Rs. Rs 886,674,990.39 has been taken to "Gold and Silver Equalizations Reserve" through Income Statement..

- ii. An amount of Rs 44,081,584 has been appropriated from the Income Statement and kept in "Gold Replacement Fund" for replacing the Gold/Silver sold during the year (out of reserves).

XVIII. Projects' Asset and Liability

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

XIX. Number of employees

<u>2067 Ashadh</u>	<u>2066 Ashadh</u>
1446	1465

XX. Events occurred after Balance Sheet Date

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

NRs.

S.No.	Currency	25th Poush 2067	32nd Ashadh 2067	Increase / (decrease)	Estimated Financial Statements Impact
1	US Dollar	72.30	74.44	-2.14	-2,833,156,919
2	Sterling Pound	111.58	113.71	-2.13	-9,982,943
3	Euro	93.90	94.79	-0.89	-4,413,136
4	Swiss Frank	75.00	70.63	4.37	10,573,504
5	Australian Dollar	71.76	65.34	6.42	33,018,881
5	Canadian Dollar	72.33	71.88	0.45	906,610
6	Japanese Yen	0.866	0.845	0.02	61,245,297
7	SDR	110.345	113.07	-2.72	220,491,206
	Total				-2,521,317,500

This change in exchange rate results in decrease in net foreign currency assets, exchange equalization fund and Net profit/(loss) for the period of the bank. The decrease is estimated to be around Rs 2,521,317,500/- in each head.

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

NRs.

S.No.	Particular	25th Poush 2067	32 nd Ashadh 2067	Increase / (decrease)	Estimated Financial Statements Impact
1	Gold per gram	3181.076	2,888.715	292.361	425,695,539

The change in price results in increase in foreign currency financial assets (Gold), Reserve (Gold and Silver equalization Reserve) and Net profit/(loss) for the period of the bank. The impact is estimated to be around Rs 425,695,539 in each head.

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

NEPAL RASTRA BANK

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

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

Comparative Figure as on 15 July 2009 of Table 1 : Interest Rate Risk and Maturity Profile (Foreign Currency)

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

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

Particulars	Weighted Average Interest Rate %	2009-10 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	6.79	32,821,963,463	15,870,360,460	14,401,607,003	2,549,996,000
GON Overdraft		16,711,491,611	16,711,491,611	-	-
Other Investments	13.05	9,689,100,000	3,185,400,000	4,268,700,000	2,235,000,000
Refinance & Loans	7.59	5,373,201,000	5,373,201,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	64,595,756,074	41,140,453,071	18,670,307,003	4,784,996,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		3,756,191,628	3,756,191,628	-	-
Investment in Government Securities		5,200,745,941	33,438,402	296,256,497	487,105,104
Investment in Financial & Other Institutions		325,035,500	-	-	325,035,500
Refinance & Loans (Loans to employees)		2,738,964,241	-	-	2,738,964,241
Other Receivables		3,185,510,202	3,185,510,202	-	-
Total Non Interest Sensitive Local Currency Financial Assets		15,206,447,514	6,975,140,232	296,256,497	7,935,050,785
Total Local Currency Financial Assets	F	79,802,203,587	48,115,593,303	18,966,563,500	12,720,046,785
Interest Sensitive Local Currency Financial Liabilities					
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		68,388,913,171	68,388,913,171	-	-
Bills Payable		921,594,753	921,594,753	-	-
Staff Liabilities		4,495,476,850	-	-	4,495,476,850
Other Payables		197,882,080	197,882,080	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		74,003,866,854	69,508,390,004	-	4,495,476,850
Total Local Currency Financial Liabilities	H	74,003,866,854	69,508,390,004	-	4,495,476,850
Local Currency Interest Rate Sensitivity Gap (E-G)		64,595,756,074	41,140,453,071	18,670,307,003	4,784,996,000
Total Gap (F-H)		5,798,336,733	(21,392,796,701)	18,966,563,500	8,224,569,935

Comparative Figure as on 15 July 2009 of Table 1: Interest Rate Risk and Maturity Profile (Local Currency)

Particulars	Weighted Average Interest Rate %	2008-09 Total NRs.	Upto 6 Months NRs.	6 to 12 Months NRs.	Above 12 Months NRs.
Interest Sensitive Local Currency Financial Assets					
Investment in Government Securities	5.12	24,455,505,079	14,650,354,746	8,374,906,333	1,430,244,000
GON Overdraft		8,835,795,125	8,835,795,125	-	-
Other Investments	9.15	4,934,769,000	1,331,905,000	3,602,864,000	-
Refinance & Loans	6.09	7,000,000	7,000,000	-	-
Total Interest Sensitive Local Currency Financial Assets	E	38,233,069,204	24,825,054,871	11,977,770,333	1,430,244,000
Non Interest Sensitive Local Currency Financial Assets					
Cash in Hand		1,824,859,620	1,824,859,620	-	-
Investment in Government Securities		4,800,357,504	3,694,769,593	-	1,105,587,911
Investment in Financial & Other Institutions		320,035,500	-	-	320,035,500
Refinance & Loans (Loans to employees)		2,320,394,002	-	-	2,320,394,002
Other Receivables		3,340,144,403	3,340,144,403	-	-
Total Non Interest Sensitive Local Currency Financial Assets		12,605,791,029	8,859,773,616	-	3,746,017,413
Total Local Currency Financial Assets	F	50,838,860,233	33,684,828,486	11,977,770,333	5,176,261,413
Interest Sensitive Local Currency Financial Liabilities					
Total Interest Sensitive Local Currency Financial Liabilities	G	-	-	-	-
Non Interest Sensitive Local Currency Financial Liabilities					
Deposit and Other Balances		73,676,923,159	73,676,923,159	-	-
Bills Payable		1,121,290,448	1,121,290,448	-	-
Staff Liabilities		3,776,318,598	-	-	3,776,318,598
Other Payables		217,180,433	217,180,433	-	-
Total Non Interest Sensitive Local Currency Financial Liabilities		78,791,712,638	75,015,394,040	-	3,776,318,598
Total Local Currency Financial Liabilities	H	78,791,712,638	75,015,394,040	-	3,776,318,598
Local Currency Interest Rate Sensitivity Gap (E-G)		38,233,069,204	24,825,054,871	11,977,770,333	1,430,244,000
Total Gap (F-H)		(27,952,852,405)	(41,330,565,554)	11,977,770,333	1,399,942,815

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Table 2 : Credit Exposure by Credit Rating

Particulars	Credit Rating	2009/10		2008/09	
		NRs.	% Financial Assets	NRs.	% Financial Assets
Foreign Currency Financial Assets	A-	4,829,074,224	1.65%	5,523,616,864	2.00%
	A1(ICRA)	7,676,333,704	2.62%		0.00%
	A+	18,447,896,778	6.31%	34,066,776,645	12.33%
	A	10,102,039,530	3.45%	19,922,847,635	7.21%
	AA	8,048,386,205	2.75%	12,650,063,188	4.58%
	AA+	34,118,930	0.01%	-	0.00%
	AA-	15,824,776,785	5.41%	20,937,538,653	7.58%
	AAA		0.00%	-	0.00%
	BB		0.00%	18,048,356,730	6.53%
	BBB	6,413,974	0.00%	21,249,472	0.01%
	BBB+	127,338,739	0.04%		0.00%
	BBB-	15,180,511,555	5.19%	15,674,789,089	5.67%
	NR *	132,443,949,493	45.28%	98,580,535,518	35.68%
Total Foreign Currency Financial Assets		212,720,839,917	72.72%	225,425,773,793	81.60%
Local Currency Financial Assets	NR *	79,802,203,587	27.28%	50,838,860,232	18.40%
Total Local Currency Financial Assets		79,802,203,587	27.28%	50,838,860,232	18.40%
Total Financial Assets		292,523,043,504	100.00%	276,264,634,025	100.00%

* NR represents not rated.

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Table 3a : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 16th July, 2010 were as follows:

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

Comparative figures as at 15th July, 2009 for significant end-of-year concentration of funding were as follows:

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

NEPAL RASTRA BANK

Table 3b : Concentrations of Funding

The Bank's significant end-of-year concentrations of funding as at 16th July 2010 were as follows:

	Total NRs.	GON NRs.	Public NRs.	Comm.Banks & FI NRs.	Supernational F.I. NRs.	Others NRs.
Foreign currency						
Financial Liabilities						
Deposit from banks and other agencies	741,560,335	-	-	693,362,979	-	48,197,357
IMF Related Liabilities	16,245,357,425	-	-	-	16,245,357,425	-
Others	7,899,401	-	-	7,899,401	0	-
Total Foreign Currency Financial Liabilities	16,994,817,161	-	-	701,262,380	16,245,357,424	48,197,357
Local Currency Financial Liabilities						
Deposit and other balances	68,388,913,171	-	-	58,396,668,188	5,357,536,603	4,634,708,379
Bills payables	921,594,753	-	921,594,753	-	-	-
Staff Liabilities	4,495,476,850	-	-	-	-	4,495,476,850
Other payables	197,882,080	-	-	-	-	197,882,080
Total Local Currency Financial Liabilities	74,003,866,854	-	921,594,753	58,396,668,188	5,357,536,603	9,328,067,309
Total Financial Liabilities	90,998,684,014	-	921,594,753	59,097,930,568	21,602,894,027	9,376,264,666
Other Liabilities						
Currency in circulation	161,300,000,000	-	157,543,808,372	-	-	3,756,191,628
Surplus payable to GON	3,110,000,000	3,110,000,000	-	-	-	-
Sundry Liabilities	3,806,355,376	-	-	-	-	3,806,355,376
Project liability	461,098,098	-	-	-	-	461,098,098
Total Other Liabilities	168,677,453,474	3,110,000,000	157,543,808,372	-	-	8,023,645,102
Total Liabilities	259,676,137,488	3,110,000,000	158,465,403,125	59,097,930,568	21,602,894,027	17,399,909,767

Comparative figures as at 15th July 2009 for significant end-of-year concentration of funding were as follows:

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