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Fiscal Year 2016/17



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Executive Summary

1. It is estimated that the world's economic growth rate will further consolidate because of the continued improvement in the economic activities being witnessed in advanced economies, especially the United States of America (USA), as well as the emerging and developing economies. According to the World Economic Outlook being published by the International Monetary Fund (IMF) in October 2017, world's economic growth rate in 2017 is projected at 3.6 percent compared to the growth rate of 3.2 percent in 2016.
2. The growth rate in advanced economies is projected at 2.2 percent in 2017 compared to the growth rate of 1.7 percent in 2016. The emerging market and developing economies are projected to grow at 4.6 percent in 2017 compared to the 4.3 percent growth rate in 2016. India and China are projected to record growth rate of 6.7 percent and 6.8 percent in 2017 compared to the growth rate of 7.1 percent and 6.7 percent in 2016 respectively.
3. Inflation in advanced economies in 2017 is projected at 1.7 percent compared to the inflation of 0.8 percent in 2016. In emerging and developing economies, inflation is projected at 4.2 percent in 2017 compared to the inflation of 4.3 percent in 2016.
4. In Nepal, fiscal year (FY) 2016/17 remained remarkable from the view of economic growth. Real gross domestic product (GDP) at basic prices and at producers' prices is estimated to grow by 6.9 percent and 7.5 percent respectively. Agricultural output increased by 5.3 percent attributable to factors like the favourable monsoon, commercialisation of agriculture and easy availability of agricultural inputs. Non-agricultural output grew by 7.7 percent attributed to slowdown in activities like closures and strikes along with rise in tourist arrivals.
5. In the review year, agriculture, industry and services sectors comprised 29.4 percent, 14.6 percent and 56.0 percent of the GDP respectively.
6. The average annual consumer inflation in FY2016/17 remained at 4.5 percent while the average wholesale inflation was contained at 2.7 percent. Nepal's inflation remained at controlled level attributed to the base year price effect of previous year, improvement in the arrangement of supply and transportation and low Indian inflation.
7. In FY2016/17, total merchandise exports rose by 4.2 percent to Rs. 73.05 billion and total merchandise imports witnessed an increase of 28.0 percent to Rs. 990.11 billion. Exports to India, China and other countries rose by 5.0 percent, 1.2 percent and 3.3 percent respectively while imports from these countries rose by 32.8 percent, 10.0 percent and 26.8 percent respectively.
8. Though current account remained at a deficit of Rs. 10.13 billion in the review year, the balance of payments (BOP) witnessed a surplus of Rs. 82.15 billion. Gross foreign

exchange reserve reached Rs. 1,079.52 billion as in mid-July 2017. Such level of foreign exchange reserve was sufficient to finance merchandise imports for 13.2 months and merchandise and services imports for 11.4 months.

9. Foreign assets and liabilities of the banking system as in mid-July 2017 remained at a surplus of Rs. 441.38 billion. In the review year, Nepalese rupee appreciated against the US dollar by 3.8 percent.
10. As per the Constitution of Nepal, budget for FY2016/17 was presented in the Legislature-Parliament one and half months prior to the commencement of the fiscal year. The budget incorporated important objectives like implementation of the Constitution, revival of the economy affected by the earthquake and the obstruction of supply system and attainment of high economic growth by raising productivity and production.
11. During FY2016/17, the revenue of the Government of Nepal (GON) increased by 26.4 percent to Rs. 609.16 billion. Likewise, total government expenditure on cash basis increased by 36.5 percent to Rs. 793.91 billion. Budget based on cash flow recorded a deficit amounting to Rs. 166.88 billion.
12. As in mid-July 2017, GON's total outstanding external debt reached Rs. 413.98 billion while total outstanding domestic debt reached Rs. 283.71 billion. While adding these two, GON's total outstanding debt reached Rs. 697.69 billion, which represented 26.8 percent of GDP.
13. Broad money showed an increment of 15.5 percent during the review year while reserve money registered a rise of 20.1 percent. Similarly, monetary sector's claim on private sector rose by 18.0 percent. Deposits at banks and financial institutions (BFIs) rose by 14.0 percent and loans and advances of these institutions marked a growth of 18.2 percent.
14. Liquidity amounting to Rs. 61.0 billion was injected and liquidity amounting to Rs. 124.45 billion was absorbed through the open market operations (OMOs) in FY2016/17. Similarly, the NRB injected net liquidity equivalent to Rs. 435.86 billion through net purchase of US\$ 4.11 billion in the foreign exchange market (commercial banks). Liquidity injected through standing liquidity facility (SLF) amounted to Rs. 62.39 billion.
15. Total assets/liabilities of BFIs increased by 20.6 percent (Rs. 441.81 billion) in FY2016/17. Total assets/liabilities of development banks as in mid-July 2017 shrank by 16.0 percent (Rs. 53.23 billion) to Rs. 278.46 billion while total assets/liabilities of finance companies declined by 19.1 percent (Rs. 18.90 billion) to Rs. 80.06 billion.
16. The assets/liabilities of development banks and finance companies reduced on account of reduction in their number following their mergers and acquisitions. In response to the

substantial rise in the number of the microfinance institutions, the total assets/liabilities of D-class financial institutions increased by 33.8 percent to Rs. 128.01 billion during the review year.

17. The Deposit and Credit Guarantee Fund (DCGF) guaranteed credit amounting to Rs. 6.30 billion and deposits amounting to Rs. 381.88 billion till mid-July 2017. As in mid-July 2017, the Credit Information Centre Limited blacklisted creditors numbering 5,252.
18. The NEPSE index reached 1,582.7 points as in mid-July 2017. In the review year, securities market transactions increased by 24.9 percent to Rs. 204.79 billion compared to previous year's transactions that amounted to Rs. 163.96 billion.
19. The monetary policy for FY2016/17 was announced on July 30, 2016. The practice of quarterly reviewing the monetary policy has been started in FY2016/17 with the objective of making monetary policy formulation and its implementation more systematic and effective. Similarly, the concept of interest rate corridor has been adopted with the objective of gradually modernising the monetary policy transmission mechanism.
20. Continuity has been provided to the provision of extending specified productive sector credit at 20 percent of the total loans and advances of the commercial banks. Out of this, the minimum credit ratio to be maintained for agriculture and industry portfolio has been raised from 12 percent to 15 percent by mid-July 2017. Likewise, continuity has been given to the prevailing provision of requiring development banks and finance companies to extend credit for the specified productive sector at 15 percent and 10 percent respectively.
21. Arrangement has been made for providing general refinance for establishing luxury hotels in prospective tourist destinations which have not yet been comparatively developed, namely, Pathibhara, Maipokhari, Halesi, Langtang, Sworgadwari, Upper Mustang, Gadhimai, Janakpurdham, Rara and Khaptad area.
22. Among various Acts relating to financial sector, Nepal Rastra Bank Act, 2002 and Banking Offence and Punishment Act, 2008 have been amended by Legislative-Parliament. Similarly, the Banks and Financial Institutions Act, 2006 has been annulled and Banks and Financial Institutions Act, 2016 has been adopted. Besides, Deposit and Credit Guarantee Fund Act, 2016 has been adopted.
23. Governor of the Nepal Rastra Bank has been designated as the coordinator of the implementation committee for the effective implementation of Financial Sector Development Strategy as approved by the Government of Nepal, Council of Ministers, on January 6, 2017 and brought into implementation for the five-year period beginning from FY2016/17 to FY2020/21. The secretariat for this committee has been placed at this Bank's Corporate Planning Department. The strategy has now been gradually implemented.

24. Following the provision of increasing the paid-up capital of BFIs made by monetary policy for FY2015/16, the paid up capital of BFIs increased from Rs. 140.79 billion in mid-July 2015 to Rs. 225.31 billion in mid-July 2017.
25. There are 28 commercial banks, 40 development banks, 28 finance companies and 53 microfinance institutions as in mid-July 2017. Despite reduction in the number of development banks and finance companies consequent to the process of merger and acquisition, the number of BFI branches increased to 5,068 as in mid-July 2017 from their number at 4,272 in mid-July 2016.
26. Commercial banking network reached only 297 local level out of 753 local level in seven states as in mid-July 2017.
27. NRB declared 16 institutions as the problematic. Among them, nine institutions have still remained problematic while new investors were attracted to six of them. Among the remaining three institutions, two institutions have their legal suits under consideration of the court while in one institution, discussion has been continued among new investors and its management team on the subjects of reforming the institution.
28. Currency of various denominations that were in circulation as in mid-July 2016 amounted to Rs. 386.16 billion which increased by 11.61 percent during the year to reach Rs. 430.99 billion as in mid-July 2017.
29. The total number of staff in the NRB reached 1,125, comprising 1,011 personnel in administration stream and 114 personnel in technical stream. Level-wise distribution of staff consisted of 659 officers, 324 assistants and 142 in classless, office assistants.
30. The departments which were in operation outside office premises following the devastating earthquake of April 25, 2015 were transferred to the Baluwatar premises by constructing two-storey building in the north-east side of the Baluwatar premises.
31. Inter-Bank Payment System (IPS) came into implementation with effect from August 17, 2016.
32. The assets/liabilities of NRB increased by 7.25 percent to Rs. 10.57 billion in mid-July 2017 over the amount as in mid-July 2016.
33. Net Income for FY2016/17 prior to the adjustment of the revaluation gain/loss of foreign exchange and other assets increased by 38.05 percent to Rs. 19.19 billion. Such net income in the previous year had amounted to Rs. 13.90 billion.

Acronyms

ACU	Asian Clearing Unit
ADB	Asian Development Bank
ADBL	Agricultural Development Bank Limited
AFI	Alliance for Financial Inclusion
AM	Ante Meridiem (Before Noon)
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLC	Anti-Money Laundering Council
APEC	Asia-Pacific Economic Cooperation
APG	Asia/Pacific Group on Money Laundering
APRACA	Asia-Pacific Rural and Agricultural Credit Association
A2F	Access to Finance
BAFIA	Banks and Financial Institutions Act
BFI	Banks and Financial Institutions
BNM	Bank Negara Malaysia
BOP	Balance of Payments
CAR	Capital Adequacy Ratio
CAMELS	Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk
CBS	Central Bureau of Statistics
CBSL	Central Bank of Sri Lanka
CCD	Credit/Core Capital and Deposit
CEO	Chief Executive Officer
CIC	Credit Information Center
CICTAB	Centre for International Cooperation in Agricultural Banking
CIT	Citizen Investment Trust
CRR	Cash Reserve Ratio
CSD	Central Securities Depository
CYFI	Child and Youth Financial International
Danida	Danish International Development Agency
DC	Data Center
DCGF	Deposit and Credit Guarantee Fund
DFID	British Government's Department for International Development
DOI	Department of Industry
DRS	Disaster Recovery Site
DSGE	Dynamic Stochastic General Equilibrium
DTCO	District Treasury Controller Office
ECC	Electronic Cheque Clearing
e-GDDs	Enhanced General Data Dissemination System
e.g.	exempli gratia (for example)
EOI	Expression of Interest
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EPF	Employees Provident Fund
etc.	et cetera (and the rest)
FATF	Financial Action Task Force

FCGO	Financial Comptroller General Office
FDI	Foreign Direct Investment
FIU	Financial Information Unit
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FOB	Free on Board
FRTI	Financial Regulators Training Initiative
FSAP	Financial Sector Assessment Program
FSIs	Financial Soundness Indicators
FY	Fiscal Year
GDP	Gross Domestic Product
GI Pipe	Galvanized Iron Pipe
GIDC	Government Integrated Data Center
GL Software	General Ledger Software
GNDI	Gross National Disposable Income
<i>goAML</i>	<i>Anti-Money Laundering System developed by UNODC</i>
GON	Government of Nepal
GSAs/PSAs	General Service Agents/Passenger Service Agents
HRMISS	Human Resource Management Information System Software
ICAN	Institute of Chartered Accountants of Nepal
ICRG	International Cooperation Review Group
IC	Indian Currency
i.e.	id est (that is)
IIP	International Investment Position
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IRs.	Indian Rupees
IT	Information Technology
JTCC	Joint Technical Coordination Committee
KfW	Kreditanstalt für Wiederaufbau (German Government-owned Development Bank)
KPMG	Klynveld Peat Marwick Goerdeler
KYC	Know Your Customer
LAA	Local Authorities' Accounts
LIBTIS	Liquidity and Inter-Bank Transaction Information System Software
LMFF	Liquidity Monitoring and Forecasting Framework
Ltd.	Limited
M1	Money Supply
M2	Broad Money Supply
M3	Broad Money Liquidity
MAP	Making Access to Financial Services Possible
MAS	Monetary Authority of Singapore
MFDB	Microfinance Development Bank
MFFI	Microfinance Financial Institution
MFI	Microfinance Institution
MICR	Magnetic Ink Character Recognition
MMYP	Mobile Money for the Poor

MOF	Ministry of Finance
MS Billete	Mild Steel Billet
MS Wires	Mild Steel Wires
NBL	Nepal Bank Limited
NCHL	Nepal Clearing House Ltd.
NEPSE	Nepal Stock Exchange
NFA	Net Foreign Assets
NFRS	Nepal Financial Reporting Standards
NGO	Non-Government Organization
NIBAF	National Institute of Banking and Finance
NIBM	National Institute of Bank Management
NIDC	Nepal Industrial Development Corporation
n.i.e.	not included elsewhere
NPL	Non-Performing Loan
NRB	Nepal Rastra Bank
OBSS	Online Bidding System Software
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
OMO	Open Market Operations
O/W	Of Which
PCA	Prompt Corrective Action
PDMD	Public Debt Management Department
PE	Public Enterprise
PFC	Provident Fund Corporation
PISS	Price Index System Software
P/L Account	Profit and Loss Account
PM	Post Meridiem (After Noon)
POL	Petroleum Oil Lubricants
POT	Point of Transaction
Previous Year	FY2014/15
PVC Compound	Polyvinyl Chloride Compound
RBB	Rastriya Banijya Bank
RBI	Reserve Bank of India
Review Year	FY2015/16
RFP	Request for Proposal
RISMFP	Raising Income of Small and Medium Farmers Project
RMDC	Rural Microfinance Development Centre Limited
Rs.	Rupees
RSRF	Rural Self Reliance Fund
RTGS	Real Time Gross Settlement
SAARC	South Asian Association for Regional Cooperation
SCB	Standard Chartered Bank
SEACEN	South East Asian Central Banks
SEANZA	South East Asia, New Zealand, Australia
SEAVG	South East Asia Voting Group

SEG	SEACEN Expert Group
SEZ	Special Economic Zone
SFDB	Small Farmers Development Bank
SLF	Standing Liquidity Facility
SLR	Statutory Liquidity Ratio
STI	Singapore Regional Training Institute
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TT	Telegraphic Transfer
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
USA	United States of America
US\$	United States Dollar
WAN	Wide Area Network
Valley	Kathmandu Valley
VAMNICOM	Vaikunth Mehta National Institute of Cooperative Management
VAT	Value Added Tax
VDC	Village Development Committee
viz.	videlicet (that is to say, namely)
y-o-y	Year on Year

PART – 1
MACROECONOMIC AND FINANCIAL SITUATION

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PART – ONE

MACROECONOMIC AND FINANCIAL SITUATION

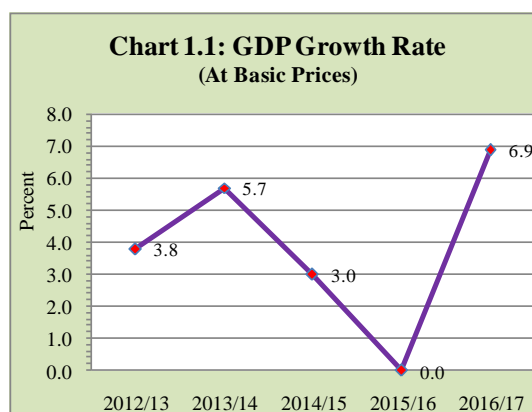
World Economic Situation and Outlook

- 1.1 The world's economic growth rate has been further progressing because of the continued improvement in the economic activities being witnessed in advanced economies, especially the United States of America (USA), as well as the emerging and developing economies. The improvement being witnessed in the world economy since 2016 is estimated to continue in 2017 and 2018. According to the World Economic Outlook being published by the International Monetary Fund (IMF) in October 2017, world's economic growth rate in 2017 is projected at 3.6 percent compared to the growth rate of 3.2 percent in 2016. Because of the improvement in the emerging and developing economies as well as the increasingly favourable financial environment of the world, the IMF has estimated that the world economy this year and the next will see an expansion.
- 1.2 It is estimated that the overall output of the advanced economies will see a rise of 2.2 percent in 2017 compared to the 1.7 percent expansion witnessed in 2016. In emerging and developing economies, the IMF has estimated that the economic growth rate will see a marginal improvement at 4.6 percent in 2017 compared to the 4.7 percent growth recorded in 2016. The growth rate of Asian emerging and development economies is projected to rise by 6.5 percent in 2017 compared to the 6.4 percent growth achieved in 2016. In 2017, neighbouring countries, India and China, are projected to attain growth of 6.7 percent and 6.8 percent respectively over their respective growth of 7.1 percent and 6.7 percent in 2016.
- 1.3 Inflation in advanced economies in 2017 is projected at 1.7 percent compared to the inflation of 0.8 percent in 2016. In emerging and developing economies, inflation is projected at 4.2 percent in 2017 compared to the inflation of 4.3 percent in 2016. World trade is projected to rise by 4.2 percent in 2017 compared to the 2.4 percent growth achieved in 2016.

Nepal's Macroeconomic and Financial Situation

Gross Domestic Product

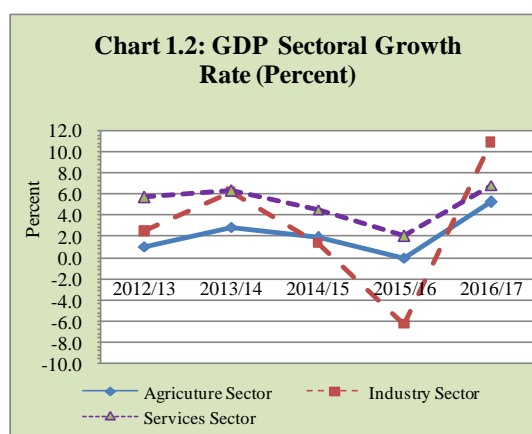
1.4 FY2016/17 remained encouraging from the perspective of economic growth. According to the Central Bureau of Statistics (CBS), Nepal's real gross domestic product (GDP) in FY2016/17 is estimated to grow by 6.9 percent at basic prices and 7.5 percent at producers' prices. In FY2015/16, such growth rate was 0.01 percent at basic prices and 0.4 percent at producers' prices. In the review year, economic growth rate remained encouraging for the reasons of favourable monsoon, regular supply of energy, expedited reconstruction work and improvement being witnessed in business environment.



1.5 In the review year, output of agriculture and non-agriculture sectors is estimated to grow by 5.3 percent and 7.7 percent respectively. In the previous year, output of agriculture and non-agriculture sectors showed a marginal growth of 0.03 percent and 0.2 percent respectively. In the review year, under non-agriculture, industry sputred by 10.9 percent while services sector rose by 6.9 percent. In the previous year, the industrial output contractd by 6.3 percent as compared to 2.1 percent growth in the services sector.

Sectoral Composition of GDP

1.6 In FY2016/17, as percent of GDP, the agriculture, industry, and services sectors comprised 29.4 percent, 14.6 percent, and 56.0 percent respectively. Such share percentages in FY2015/16 were 31.6, 14.2, and 54.2 respectively. In the review year, the share of agriculture in GDP marginally declined which was made good by the rorresponding rise in the share of agriculture and services.



1.7 In the review year, on the basis of broad industrial classification, the GDP shares of primary sector (agriculture and forestry, fishing, and mining and quarrying), secondary sector (manufacturing, electricity, gas and water, and construction) and tertiary (services) sector are 30.0 percent, 14.0 percent and 56.0 percent respectively. Such shares in the previous year were 32.2 percent, 13.6 percent, and 54.2 percent respectively.

Table 1.1
Share of Primary, Secondary, and Tertiary Sectors in the Real GDP
 (at Current Prices)

Sectors	As Percent of GDP ¹				
	2012/13	2013/14	2014/15	2015/16	2016/17
Primary ²	34.4	33.2	32.3	32.2	30.0
Secondary ³	14.6	14.3	14.2	13.6	14.0
Tertiary ⁴	51.0	52.5	53.4	54.2	56.0

1 GDP including Financial Intermediation (FISIM)

2 Agriculture, forestry and fishery, and mining and quarrying

3 Manufacturing industries, electricity, gas and water, and construction

4 Services

Source: Central Bureau of Statistics

Agriculture

- 1.8 In FY2016/17, agricultural output grew by 5.3 percent for the reasons of favourable monsoon, commercialization of agriculture and easy availability of agricultural inputs. The year showed improvement in output of paddy, maize, wheat and millet while there has been a marginal decline in the output of barley. As mentioned earlier, agricultural output had increased by a negligible rate of 0.03 percent last year.

Industry

- 1.9 Industrial sector expanded by 10.9 percent in the review year in contrast to the 6.3 percent decline in the previous year. In the review year, this sector showed impressive rise on account of expedited reconstruction work, improvement in electricity supply and rise in industrial output.
- 1.10 In the review year, output of manufacturing industries grew by 9.7 percent. Such output in the previous year had contracted by 8.0 percent. Electricity, gas and water increased by 13.0 percent in the review year as compared to the decline of 7.4 percent in the previous year. Likewise, construction sector witnessed a rise of 11.7 percent in the review year as compared to the decline of 4.4 percent in the previous year.
- 1.11 In FY2016/17, the commitment amount of foreign direct investment (FDI) showed a decline of 1.6 percent whereas the number of FDI projects increased by 13.5 percent. During the year, the Department of Industry (DOI) approved a total of 395 foreign and joint-investment projects with foreign investment commitments amounting to Rs. 15.02 billion. In the previous year, the DOI had approved 348 projects with foreign investment commitments amounting to Rs. 15.25 billion.
- 1.12 The sectoral distribution of 395 projects registered in the review year was as follows: service-related 157, tourism-related 152, production-related 55, agriculture and forestry-related 20, information technology-related 8, mining-related 2 and construction-related

1. In the review year as compared to the previous year, both the the number of projects and commitment amount in respect of projects related to industrial output and tourism increased while the number of service-related projects rose despite reduction in the commitment amount of such projects.

Services

1.13 Services sector is estimated to have grown by 6.9 percent in the review year. In the previous year, the sector had expanded by 2.1 percent. The growth of overall services sector accelerated in the review year due to increase in tourist arrivals, expansion in the trade and improvement in the business environment.

1.14 The wholesale and retail trade under the services sector expanded by 9.8 percent in the review year in contrast to its 2.5 percent decline in the previous year. The hotels and restaurants expanded by 7.1 percent in the review year in contrast to their slump of 9.7 percent in the previous year. Transport, storage and communications witnessed a growth of 6.5 percent in comparison to 2.7 percent growth in the previous year. Financial intermediation and real estate, renting, and business activities increased by 6.7 percent and 5.3 percent respectively in the review year. In the previous year, these sectors had registered growth of 8.6 percent and 3.7 percent respectively.

Saving and Gross National Disposable Income

1.15 Total consumption as percent of GDP remained at 89.7 percent in FY2016/17 in comparison to previous year's ratio at 96.2 percent, the highest-ever during the past decade. The ratio of gross domestic saving to GDP was at a low of 10.3 percent. However, due to high remittance inflow, the gross national saving to GDP ratio remained at 43.8 percent.

1.16 In FY2016/17, gross national disposable income (GNDI) has risen by 13.4 percent as compared to the rise of 6.4 percent in the previous year. The ratio of GNDI to GDP remained at 133.5 percent in the review year as compared to its ratio at 136.1 percent in the previous year.

Table 1.2
Gross National Disposable Income
 (at Current Prices)

Particulars	Rs. in Billion			Percent Change	
	2014/15	2015/16	2016/17	2015/16 ¹	2016/17 ²
Gross Domestic Product (at Producers' Prices)	2,130.15	2,247.43	2,599.23	5.5	15.7
Factor Income, Net	34.24	34.00	27.79	-0.7	-18.3
Current Transfer, Net	709.96	778.19	843.66	9.6	8.4
Gross National Disposable Income	2,874.35	3,059.62	3,470.68	6.4	13.4

1 Revised Estimates

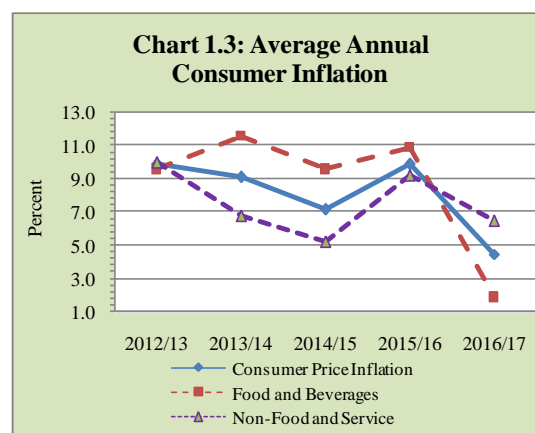
2 Preliminary Estimates

Source: Central Bureau of Statistics

Inflation and Salary and Wage Rate Index

Consumer Price Inflation

1.17 Average annual consumer inflation in FY2016/17 was contained at 4.5 percent as compared to the inflation of 9.9 percent in the previous year. Average annual consumer inflation reduced to 4.5 percent first time since FY2004/05. Nepal's inflation declined due to the base year price effect of previous year, improvement in the arrangement of supply and transportation and low Indian inflation.



1.18 In the review year, overall consumer inflation remained low on account of reduced annual prices in sub-groups like ghee and oil, pulses and legumes, vegetables and transportation.

1.19 In the review year, the prices of food and beverages group increased by 1.9 percent while the prices of non-food and services group increased by 6.5 percent. In the previous year, the prices of food and non-food items had increased by 10.9 percent 9.2 percent respectively.

1.20 Among the products falling under the food and beverages group, overall food inflation remained low in the review year as prices declined by 6.0 percent in ghee and oil, 5.5 percent in oil-seeds and legumes, and 2.5 percent in vegetables. In the previous year, the average annual price indices increased by 19.5 percent in ghee and oil sub-group, 32.7 percent in oil seeds and legumes sub-group, and 10.3 percent in vegetables sub-group. In the review year, average annual price indices of sugar and sugar products sub-group and alcoholic drinks sub-group recorded rises at 14.8 percent and 11.8 percent

respectively. In the previous year, the average annual rise of these sub-groups was 7.3 percent and 12.9 percent respectively.

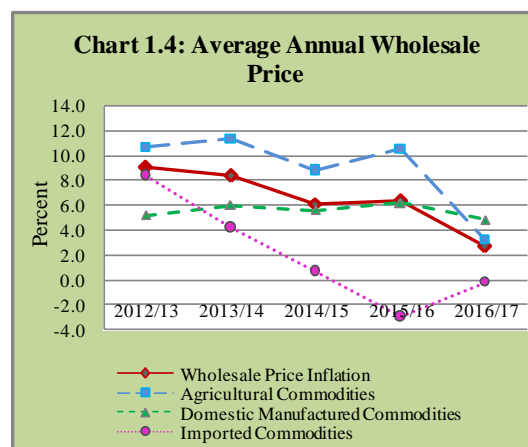
- 1.21 In the review year, under non-food and services group, average annual price index of education sub-sector increased the most at 9.8 percent. This sub-group had risen by 10.1 percent in the previous year. Similarly, the average annual price index of clothing and footwear sub-group and furnishing and household equipment sub-group registered increments of 9.2 percent and 8.2 percent respectively. In the previous year, such increment rates were 14.2 percent and 12.7 percent respectively.
- 1.22 Region-wise analysis showed that the average annual consumer price index in the review year rose by 6.4 percent in the Hills, 4.4 percent in the Terai, 4.1 percent in the mountains and 3.1 percent in the Kathmandu valley. Such rise in the previous year was 10.4 percent in the Hills, 8.6 percent in the Terai, 8.8 percent in the mountains and 11.6 percent in the Kathmandu valley.

Spread of Consumer Inflation between Nepal and India

- 1.23 In FY2016/17, average annual consumer inflation in India was at 3.4 percent compared to Nepal's 4.5 percent, resulting in the spread of the average annual consumer inflation between these two countries at 1.1 percentage point. In the previous year, the inflation in Nepal was at 9.9 percent as compared to India's 5.2 percent, resulting in the spread of annual average consumer inflation at 4.7 percent. In the review year, the spread between inflation in Nepal and India reduced as there was less price pressure in India as well as improvement in supply management and transport.

Wholesale Price Inflation

- 1.24 In FY2016/17, the average annual wholesale inflation was at 2.7 percent in comparison to the inflation at 6.3 percent in the previous year. The average annual wholesale price index in the review year increased by 3.2 percent in agricultural commodities and 4.8 percent in domestic manufactured commodities whereas the average annual price index of imported goods marginally declined by 0.2 percent. In the previous year, the average annual price indices of agricultural commodities and domestic manufactured commodities rose by 10.5 percent and 6.2 percent respectively in contrast to the 2.9 percent decline in the average annual price index of imported goods.



National Salary and Wage Rate Index

- 1.25 The average annual national salary and wage rate index increased by 14.4 percent in FY2016/17 as compared to its rise at 5.8 percent in the previous year. In the review year, the salary index rose by 18.7 percent while the wage rate index observed a rise of 13.4 percent in the previous year. The salary and wage rate index substantially rose because of the salary hike as decided by the Government of Nepal for civil servants. In the review year, the average annual index of salary for civil service, army and police, and public enterprises sub-groups witnessed an increment of 24.2 percent, 23.6 percent and 20.8 percent respectively. Likewise, the wage rate increased by 14.6 percent for construction labourers, 13.9 percent for industrial labourers, and 13.1 percent for agricultural labourers.

External Sector

- 1.26 In FY2016/17, under merchandise trade, trade deficit widened for the reasons of modest rise in merchandise exports and spectacular growth in merchandise imports. There was phenomenal rise in external trade which could be attributed to high increase in the import of vehicular means and petroleum products as well as rise in imports of construction materials for reconstruction and work relating to development/construction.

External Trade Situation

- 1.27 In the review year, total merchandise exports increased by 4.2 percent (Rs. 2.93 billion) to Rs. 73.05 billion. In the previous year, such exports had declined by 17.8 percent. In the review year, exports to India and China declined while there is increase in exports to other countries. Merchandise exports as percent of GDP declined in the review year to 2.8 percent from 3.1 percent in the previous year.
- 1.28 Out of the total merchandise exports, exports to India in the review year increased by 5.0 percent (Rs. 1.96 billion) to Rs. 41.45 billion compared to the fall of 29.3 percent in the previous year. In terms of US dollar, merchandise exports to India increased by 5.2 percent to US\$ 390.2 million in contrast to the decline of 33.9 percent in the previous year. Commoditywise, exports to India rose on account of the rise in export of items like oil cakes, juice, jute goods, G.I. pipe, noodles and clothing.
- 1.29 Merchandise exports to China increased by 1.2 percent (Rs. 20.0 million) to Rs. 1.70 billion in the review year in comparison to the decline of 24.6 percent in the previous year. In terms of US dollar, exports to China in the review year increased by 1.7 percent to US\$ 16.0 million in contrast to the decline of 30.2 percent in the previous year. Commodity-wise, exports to China especially of items like readymade garments, noodles and incense sticks rose in the review year.

- 1.30 Merchandise exports to other countries in the review year increased by 3.3 percent (Rs. 960.0 million) to Rs. 29.90 billion in comparison to a rise of 6.3 percent in the previous year. In terms of US dollars, exports in the review year rose by 3.6 percent to US\$ 281.90 million in comparison to a contraction of 0.7 percent in the previous year. In the review year, exports to other countries of items like handicraft, readymade leather goods, silverware and jewelleryes, and pulses.
- 1.31 In the review year, total merchandise imports increased by 28.0 percent (Rs. 216.51 billion) to Rs. 990.11 billion. In the previous year, such imports had decreased by 0.18.4 percent to Rs. 773.60 billion. Merchandise imports as percent of GDP increased to 38.1 percent in the review year from 34.4 percent in the previous year.
- 1.32 Merchandise imports from India increased by 32.8 percent (Rs. 156.46 billion) to Rs. 633.67 billion in the review year as against the decrease by 2.9 percent in the previous year. During the year, imports increased due to rise in imports of items like POL, vehicles and spare parts, M. S. billet, cement, other machinery and parts.
- 1.33 In the review year, merchandise imports from China increased by 10.0 percent (Rs. 11.55 billion) to Rs. 127.25 billion. In the previous year, such imports had risen by 15.5 percent. In terms of US dollars, imports rose by 10.6 percent to US\$ 1.20 billion in the review year as against the rise of 7.7 percent in the previous year. Imports from China increased due to rise in imports of items like telecommunication equipment and parts, other machinery and parts, television, and transport equipment and parts.
- 1.34 In the review year, merchandise imports from other countries increased by 26.8 percent (Rs. 48.51 billion) to Rs. 229.20 billion. In the previous year, such imports had contracted by 1.2 percent. In terms of US dollars, imports increased by 27.7 percent to US\$ 1.69 billion in the review year against the reduction by 7.8 percent in the previous year. In the review year, imports from other countries increased due to rise in the imports of items like gold, edible oil and telecommunication equipment and parts.
- 1.35 Total merchandise trade deficit widened by 30.4 percent (Rs. 215.58 billion) to Rs. 917.06 billion in the review year. Such trade deficit had increased by 2.0 percent in the previous year. Trade deficit as percent of GDP increased to 35.3 percent in the review year from the level of 31.3 percent in the previous year. Of the total trade deficit, trade deficit with India increased by 35.3 percent (Rs. 154.50 billion) to Rs. 592.22 billion. Likewise, trade deficit with China rose by 10.1 percent (Rs. 11.53 billion) to Rs. 125.54 billion. Trade deficit with other countries increased by 31.3 percent (Rs. 47.55 billion) to Rs. 199.30 billion.
- 1.36 Total merchandise trade decreased by 26.0 percent (Rs. 219.45 billion) to Rs. 1,063.16 billion in the review year in contrast to the reduction by 1.9 percent in the previous year. Total trade as percent of GDP increased to 40.9 percent in the review year from 37.5 percent in the previous year. Of the total trade, trade with India increased by 30.7

percent (Rs. 158.41 billion) to Rs. 675.12 billion in the review year. Total trade with India had decreased by 5.6 percent in the previous year. Likewise, total trade with China rose by 9.9 percent (Rs. 11.57 billion) to Rs. 128.95 billion in the review year. Total trade with China in the previous year had risen by 14.6 percent. Likewise, total trade with other countries increased by 23.6 percent (Rs. 49.46 billion) to Rs. 259.10 billion in the review year. Total trade with other countries had decreased marginally by 0.2 percent in the previous year.

- 1.37 Exports to imports ratio during the review year fell to 7.4 percent from previous year's 9.1 percent. India's share in total exports fell to 56.7 percent in the review year from 56.3 percent in the previous year. India's share in total imports increased to 64.0 percent in the review year from 61.7 percent in the previous year. India's share in total trade deficit increased to 64.6 percent in the review year from 62.22 percent in the previous year. Likewise, India's share in total trade rose to 63.5 percent in the review year from 61.2 percent in the previous year.

Services Account

- 1.38 On account of higher increase in services credit in comparison to services debit in the review year, net services account marked a drastic decline of 70.6 percent (Rs. 6.96 billion) to Rs. 2.89 billion (deficit). In the previous year, the surplus in the services account had amounted to Rs. 9.85 billion.
- 1.39 In FY2016/17, services credit increased by 14.3 percent (Rs. 19.79 billion) to Rs. 158.26 billion. Services credit had decreased by 7.2 percent in the previous year. Under this account, travel credit increased by 40.1 percent (Rs. 16.76 billion) to Rs. 58.53 billion, government services credit (n.i.e.) declined by 33.4 percent (Rs. 12.80 billion) to Rs. 25.53 billion and other services credit increased by 27.1 percent (Rs. 15.83 billion) to Rs. 74.20 billion.
- 1.40 Services debit in the review year increased by 20.8 percent (Rs. 26.75 billion) to Rs. 155.372 billion. Services debit in the previous year had gone up by 5.7 percent. Under this account, travel debit increased by 41.7 percent (Rs. 23.51 billion) to Rs. 79.93 billion, transportation debit increased by 6.5 percent (Rs. 2.85 million) to Rs. 46.88 billion, government services debit contracted by 36.6 percent (Rs. 777.0 million) to Rs. 1.33 billion, and other services debit widened by 27.1 percent (Rs. 15.83 billion) to Rs. 74.20 billion in the review year.

Transfer

- 1.41 Transfer credit (net) in the review year increased by 9.5 percent (Rs. 73.61 billion) to Rs. 851.80 billion. Transfer credit (net) in the previous year had widened by 9.6 percent. Under the transfer account, foreign grants increased by 62.8 percent (Rs. 44.25 billion) to Rs. 695.45 billion. In the previous year, the grants receipts amounted to Rs. 70.41 billion.

- 1.42 Under transfer account, remittance inflow increased by 4.6 percent (Rs. 30.39 billion) to Rs. 695.45 billion in the review year. The remittance in the previous year had gone up by 7.7 percent. In terms of US dollars, remittance inflow increased by 4.8 percent and amounted to US\$ 6.56 billion in the review year. Such remittance in the previous year had recorded an increase of 1.0 percent.
- 1.43 In the review year, pension receipts declined by 2.0 percent (Rs. 920.0 million) to Rs. 45.59 billion. Such pension receipts in the previous year had amounted to Rs. 46.51 billion.

Current Account and Overall BOP

- 1.44 In the review year, there was current account deficit amounting to Rs. 10.13 billion. On the basis of annual data, current account deficit this year occurred since the current account deficit in FY2010/11. Current account in the previous year had recorded a surplus of Rs. 140.42 billion. In the review year, current account deficit as percent of GDP remained at 0.4 percent. In the previous year, current account was in surplus at 6.2 percent of GDP. Current account was in deficit due to slow expansion of remittance inflow in comparison to the import growth.
- 1.45 In the review year, BOP surplus amounted to Rs. 82.15 billion. In the previous year, the BOP surplus had amounted to Rs. 188.95 billion. BOP surplus as percent of GDP in the review year decreased to 3.2 percent from 8.4 percent in the previous year.
- 1.46 In the review year, transfer under the capital account decreased by 21.3 percent (Rs. 3.62 billion) to a surplus of Rs. 13.36 billion. The annual inflow of foreign direct investment (FDI) under financial account surged by 128.1 percent (Rs. 7.58 billion) to Rs. 13.50 billion in the review year. FDI had increased by 35.1 percent in the previous year.
- 1.47 In the review year, foreign loan inflows expanded by 43.0 percent (Rs. 18.83 billion) to Rs. 62.60 billion. In the previous year, such loan inflows had risen by 49.6 percent. Principal repayment in the review year increased marginally by 0.1 percent (Rs. 20.0 million) to Rs. 17.81 billion. In the previous year, principal repayment had increased by 4.4 percent.

Foreign Exchange Reserve

- 1.48 During the review year, total foreign exchange reserve rose by 3.9 percent to Rs. 1,079.52 billion in mid-July 2017. Such reserve had expanded by 26.1 percent to Rs. 1,039.21 billion in mid-July 2016. In terms of US dollars, total reserve of the banking system in the review year widened by 7.8 percent to US\$ 10.50 billion. Such reserve in the previous year had augmented by 19.5 percent. Foreign exchange reserve with NRB amounted to Rs. 927.27 billion as in mid-July 2017 from Rs. 887.01 billion as in mid-July 2016, reflecting the increase at 4.5 percent during the review year. Of the total

foreign exchange reserve in the banking system as in mid-July 2017, the share of NRB constituted 85.9 percent. Likewise, the Indian currency reserve as percent of total reserve constituted 23.3 percent.

Reserve Adequacy Indicator

1.49 Reserve adequacy indicators showed favorable position during the review year. Based on total imports for FY2016/17, the foreign exchange reserve as in mid-July 2017 was sufficient to finance merchandise imports equivalent to 13.2 months and merchandise and service imports equivalent to 11.4 months.

	2014/15	2015/16	2016/17
1. Foreign Exchange Reserve Sufficient for Financing Imports of Equivalent Months			
a. Merchandise	13.0	16.5	13.2
b. Merchandise and Services	11.2	14.1	11.4
2. Gross Foreign Exchange Reserve/GDP (%)	38.7	46.2	41.5
3. Gross Foreign Exchange Reserve/Imports* (%)	93.3	117.4	95.3
4. Gross Foreign Exchange Reserve/Broad Money Supply (%)	43.9	46.3	41.7
5. Gross Foreign Exchange Reserve/Reserve Money	157.6	190.0	164.3

* Merchandise and Service Imports

1.50 In the review year, the ratios of foreign exchange reserve in terms of GDP, total imports, broad money and reserve money were 41.5 percent, 95.3 percent, 41.7 percent and 164.3 percent respectively. Such ratios in the previous year had been 46.2 percent, 117.4 percent, 46.3 percent and 190.0 percent respectively.

International Investment Position

1.51 As in mid-July 2017, Nepal's foreign assets and liabilities amounted to Rs. 1,107.79 billion and Rs. 666.41 billion respectively. As a result, the net International Investment Position (IIP) remained positive at Rs. 441.38 billion in mid-July 2017 as compared to the net IIP at Rs. 443.53 billion as in mid-July 2016.

Exchange Rate Trend

1.52 The exchange rate of the Nepalese rupee vis-à-vis the Indian rupee has been kept fixed also in FY2016/17. During the review year, Nepalese rupee appreciated against US dollar by 3.8 percent, pound sterling by 6.0 percent, euro by 1.0 percent and Japanese yen by 11.3 percent.

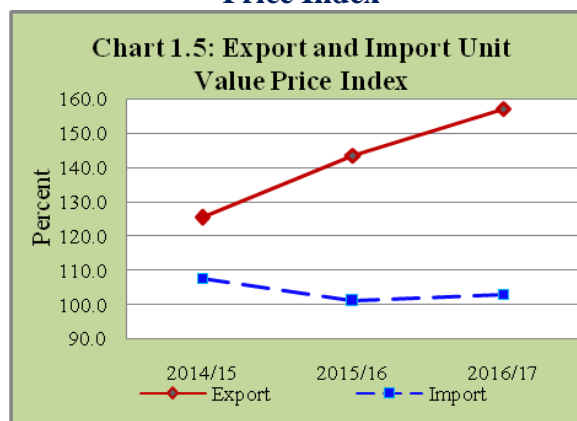
**Table 1.4
Exchange Rate Movement**

Foreign Currency	Buying Rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2015	2016	2017	2016	2017
1 US dollar	101.14	106.73	102.86	-5.2	3.8
1 Pound sterling	158.01	141.30	133.32	11.8	6.0
1 Euro	111.48	118.60	117.40	-6.0	1.0
10 Japanese yen	8.18	10.11	9.08	-19.1	11.3

Export and Import Price Index

- 1.53 The average annual unit value price index of exports based on customs data increased by 10.4 percent in the review year. In contrast, the average annual unit value price index of customs-based imports declined by 0.1 percent. As a result, the terms of trade in the review year improved by 9.1 percent. The terms of trade in the previous year had increased by 22.2 percent.

Chart 1.5: Export and Import Unit Value Price Index



Note: The export and import unit value price index has been prepared based on the application of unit value method on trade data received from the Customs Department. The index has been calculated by the use of Laspeyre's index formula by including 72 export items and 117 import items based on the transactions share of items in the total trade.

Fiscal Situation

- 1.54 As per the Constitution of Nepal, budget for FY2016/17 was presented in the Legislature-Parliament one and half months prior to the commencement of the fiscal year.

The budget incorporated important objectives like implementation of the Constitution, revival of the economy affected by the earthquake and the obstruction of supply system and attaining high economic growth by raising productivity and production.

- 1.55 With a view to making budget implementation effective, the budget contained provisions like making arrangements for special monitoring of mega projects and important programmes, making expenditure and transfer process simpler and more effective, the industrial area, project area, highway and public enterprise to be declared as 'no closure and no strike zone', beginning of implementation of budget programmes on the day of commencement of fiscal year itself, etc. However, on the cash flow basis, the total government expenditure remained only at 75.7 percent of the budget estimate in the review year. Expenditure-wise, the recurrent, capital, and financing expenditure as percent of total expenditure was computed as 63.2 percent, 23.9 percent, and 13.0 percent respectively. These expenditures as respective ratios of GDP represented 19.3 percent, 7.3 percent, and 4.0 percent in the review year compared to the previous year's ratios at 16.2 percent, 5.1 percent, and 4.5 percent respectively.

Government Revenue

- 1.56 In FY2016/17, the government revenue increased by 26.4 percent to Rs. 609.16 billion, which represented 107.7 percent of the annual target amounting to Rs. 565.90 billion. In the previous year, revenue had risen by 18.8 percent to Rs. 481.98 billion. In the review

year, revenue as the ratio of GDP stood at 23.4 percent compared to the ratio of 21.4 percent in the previous year.

1.57 Among the headings of revenue, value added tax (VAT) grew by 31.0 percent to Rs. 160.32 billion in the review year. The VAT had increased by 8.6 percent to Rs. 122.41 billion in the previous year.

1.58 Income tax increased by 26.3 percent to Rs. 148.24 billion in the review year compared to an increase of 32.7 percent to Rs. 117.41 billion in the previous year.

1.59 In the review year, customs revenue improved by 37.8 percent to Rs. 113.18 billion compared to an increase of 10.0 percent to Rs. 82.16 billion in the previous year.

1.60 During the review year, excise duty increased by 28.7 percent to Rs. 84.68 billion compared to the increase of 22.9 percent to Rs. 65.78 billion in the previous year.

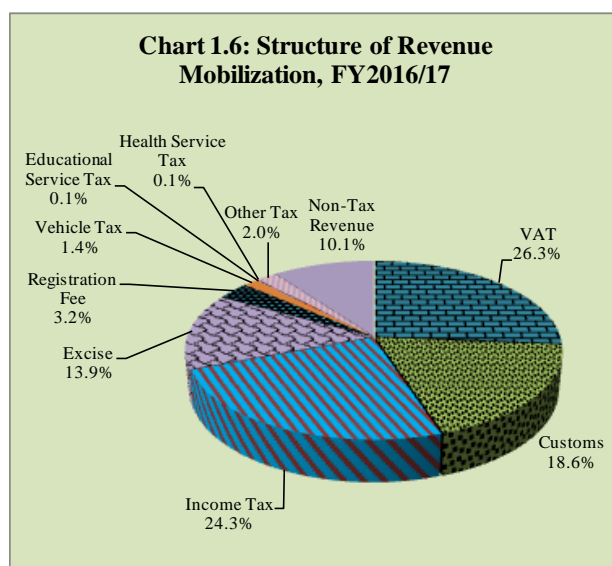
1.61 Of the total revenue mobilized in the review year, the share of the VAT was the highest at 26.3 percent followed by income tax (24.3 percent), customs duty (18.6 percent), and excise duty (13.9 percent). These ratios in the previous year had been VAT (25.4 percent), income tax (24.4 percent), customs duty (17.0 percent), and excise duty (13.6 percent).

1.62 In the review year, mobilization of non-tax revenue increased by 1.4 percent to Rs. 61.69 billion compared to an increase of 22.0 percent to Rs. 60.87 billion in the previous year.

1.63 Of the total revenue, the share of tax and non-tax revenue stood at 89.9 percent and 10.1 percent respectively in the review year. Likewise, the share of direct and indirect tax revenue in the total tax revenue comprised 34.6 percent and 65.4 percent respectively. In the previous year, the share of tax and non-tax revenue in the total revenue had remained 87.4 percent and 12.6 percent respectively. In the previous year, the share of direct and indirect tax revenue in the total tax revenue comprised 35.8 percent and 64.2 percent respectively.

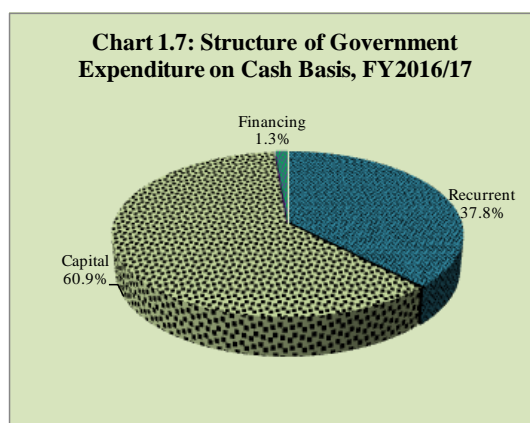
Table 1.5
Major Government Finance Indicators
(Percent of GDP)

Particulars	2014/15	2015/16	2016/17
Total Expenditure	23.9	25.9	30.5
Recurrent Expenditure	15.7	16.2	19.3
Capital Expenditure	3.8	5.1	7.3
Revenue	19.1	21.5	23.4
Tax Revenue	16.7	18.7	21.3
Fiscal Deficit	-3.2	-2.5	-6.4



Government Expenditure

1.64 In the review year, total government expenditure on cash basis rose by 36.5 percent to Rs. 793.91 billion. This constituted 75.7 percent of annual budget estimate amounting to Rs. 1,048.92 billion. In the previous year, total expenditure on cash basis had increased by 14.2 percent to Rs. 581.70 billion.



1.65 In the review year, recurrent expenditure on cash basis increased by 37.6 percent to Rs. 501.62 billion. This constituted 81.3 percent of recurrent budget estimate amounting to Rs. 617.16 billion. Recurrent expenditure in the previous year had risen by 8.8 percent.

1.66 In the review year, capital expenditure on cash flow basis expanded by 63.8 percent to Rs. 189.46 billion, representing 60.7 percent of capital budget estimate amounting to Rs. 311.95. Capital expenditure had risen by 42.8 percent in the previous year.

1.67 Cash flow-based financing item in the review year increased by 1.3 percent to Rs. 102.84 billion. The financing item had increased by 8.8 percent in the previous year.

Budget Deficit

1.68 In the review year, government budget on cash flow basis remained at a deficit of Rs. 166.88 billion. Such budget deficit in the previous year had amounted to Rs. 56.68 billion.

Sources of Financing Budget Deficit

1.69 During the review year, mobilization of total domestic borrowing amounted to Rs. 88.34 billion which as a ratio of the GDP remained at 3.4 percent. Such borrowing in the previous year had amounted to Rs. 87.77 billion.

1.70 During the review year, the principal repayment on domestic debt amounted to Rs. 38.79 billion. GON maintained with NRB a cash surplus of Rs. 127.69 billion at the end of the review year. Such surplus at the end of previous fiscal year had amounted to Rs. 115.02 billion.

Government Debt

1.71 As in mid-July 2017, the total outstanding external debt of the GON stood at Rs. 413.98 billion. Likewise, the outstanding domestic debt of the GON as in mid-July 2017 amounted to Rs. 283.71 billion in comparison to its level at Rs. 234.16 billion in mid-July

	Government Debt Indicators	2014/15	2015/16	2016/17
1.	Total Debt/Gross Domestic Product	25.3	27.4	26.8
2.	External Debt/Gross Domestic Product	16.1	17	15.9
3.	Domestic Debt/Gross Domestic Product	9.2	10.4	10.9
4.	External Debt/Exports	402	544.4	561.1
5.	External Debt Service/Exports	20.0	25.4	24.4
6.	Total Debt Service/Revenue	15.9	14.2	9.3
7.	Domestic Debt Service/Revenue	11.7	10.5	6.4
8.	External Debt Service/Revenue	4.2	3.7	2.9

Note: IMF promissory notes and overdraft from the NRB are not included in the domestic debt.
Source: FCGO and NRB

2016. Thus, the total combined outstanding debt of the GON at the end of the review year amounted to Rs. 697.69 billion, representing 26.8 percent of GDP.

Policy Provisions Concerning Revenue

1.72 The GON's budget for FY2016/17 adopted the objectives of revenue policies as follows:

- Laying foundation of economic prosperity through investment-friendly tax policy,
- Making the economy dynamic through implementing tax system favorable to the promotion of economic activities,
- Adopting the policy of fiscal incentives to revitalize the activities damaged by the earthquake and supply obstruction,
- Reducing foreign dependence and promoting export by boosting domestic output,
- Enhancing voluntary tax compliance through trade facilitation, augmentation of institutional capacity, and procedural reform,
- Focusing on tax base protection and economic transparency for consolidation of federal finance,
- Raising the contribution of non-tax revenue as a source of revenue mobilization.

1.73 For bringing into implementation the revenue policy as stated, major strategies and programs announced comprised the following:

Tax Base Tax System Reform for Economic Prosperity

- Presenting in the federal parliament the unified tax bill for simplification and updating of tax laws and procedures,
- With a view to implementing federalism, presenting in the federal parliament the federal financial management bill for federal, state and local levels as well as model tax law formats for state and local levels,

- Bringing into tax bracket an additional 300,000 new tax payers by providing permanent account number (PAN) to all those earning income and conducting business,
- For transactions in services as well as goods and services (mix), threshold amount chargeable for value-added tax (VAT) raised from one million rupees to two million rupees,
- Introducing import-export code number for systematizing export-import business,
- Carrying out legal and structural reforms with a view to making the non-tax collecting agencies legally responsible and accountable,
- Income tax exemption limit raised from Rs. 250,000 to Rs. 350,000 for individual and from Rs. 300,000 to Rs. 400,000 for the couple,
- To enhance voluntary tax compliance through alleviating tax burden on small and medium tax payers, income tax rate chargeable on transactions has been reviewed and reduced.

Tax Concession and Facility for Increase in National Output and Employment Generation

- Provision has been made to levy only one percent customs duty on tools, equipment, mills and machinery required for agriculture, irrigation and livestock operations.
- In order to raise the contribution of agriculture in the economy, provision has been made to exempt the VAT on insurance premium for these businesses, namely, birds, fish, horticulture and bee-keeping.
- Provision has been made to exempt cent percent excise duty on imports of all types of large electric vehicles that will be used for public transportation by levying customs duty only at one percent.
- Provision has been made to exempt cent percent excise duty on imports of electric vehicles that will come under private use by levying customs duty only at ten percent.
- In order to lessen the citizens' health treatment cost and provide qualitative health services, the VAT is fully exempt while customs duty is levied at only one percent on equipment concerned with treatment of cancer, heart, and kidneys that is imported by GON-approved health institute.
- Provision has been made to levy customs duty only at one percent on goods imported by foreign-aided projects.

Application of Information Technology for Modernization of Tax System

- Development of infrastructure will be made such that the tax payments could be made electronically by 2018. Further, in the case of income tax, VAT and excise duty, electronic payments system will be commenced from FY2016/17.
- The wave-based ASYCUDA system of customs checks and clearance will be expanded to additional 10 main customs offices.
- With a view of providing services through electronic means for facilitation of international trade, infrastructure will be developed for operationalization of Nepal National One-door System by 2020.
- Provision has been made to compulsorily issue invoices through electronic system in the case of all tax payers comprising departmental stores and those in business complexes.

Consolidation of Revenue Administration for Enhancement of Its Structural Capacity

- For reforming the revenue administration, there is a program to constitute Central Revenue Board and align the revenue administration structure accordingly.
- For modernization of customs offices, to expedite the construction of integrated customs check points. Already, state-of-the-art x-ray machines have been installed in the major customs offices.
- Revenue management information system has been extended in 35 districts and missions located abroad following completion of feasibility study of single revenue heading with a view to making the work of revenue collection simpler.

Taxation Rates

1.74 For FY2016/17, there has been no change in the six import tariff rates applicable for FY2015/16, namely, 5, 10, 15, 20, 30, and 80 percent. Likewise, for FY2016/17, there has been no change in the nine excise rates applicable for FY2015/16, namely, 5, 10, 15, 30, 35, 40, 50, 55 and 60 percent.

Table 1.7
Tax Rates

Description	FY2015/16	FY2016/17
1. Import Duties (Percent)	5, 10, 15, 20, 30, 80	5, 10, 15, 20, 30, 80
2. Export Duties (Percent)	10, 200	10, 200
3. Excise (Percent)	5, 10, 15, 30, 35, 40, 50, 55, 60	5, 10, 15, 30, 35, 40, 50, 55, 60
4. VAT (Percent)	13 Percent	13 Percent
5. <u>Income Tax</u>		
(a) Exemption Threshold		
(i) Individual	Rs. 250,000	Rs. 300,000
(ii) Couple or Family	Rs. 300,000	Rs. 400,000
(b) Tax Rates (Percent)		
(i) Up to exemption threshold of taxable income from employment	1 Percent	1 Percent
(ii) First Rs. 100,000 after Exemption Limit	15 Percent	15 Percent
(iii) On residual amount	25 Percent	25 Percent
(iv) On additional 25 percent tax amount after Rs. 25 lakh	40 Percent	40 Percent
<u>Corporate Tax</u>		
(a) Flat Rate on Corporate Net Income		
(i) Banks and Financial Institutions	30 Percent	30 Percent
(ii) Others	25 Percent	25 Percent
(b) Partnership Firm	25 Percent	25 Percent
House Rent Tax	10 Percent	10 Percent
Meeting Allowance	15 Percent	15 Percent
Commission	15 Percent	15 Percent
Lottery, Gift, Prize	25 Percent	25 Percent
Interest Tax	5 Percent	5 Percent
Provident Fund and Pension	5 Percent	5 Percent
Government Securities	5 Percent	5 Percent
Dividend Tax	5 Percent	5 Percent

Public Enterprises

1.75 While making overall financial analysis of 39 public enterprises (PEs) that have been in operation under full or majority ownership of the GON, 23 PEs earned net profit while 16 PEs incurred net loss during FY2015/16.

Table 1.8
Financial Condition of Public Enterprises

	Rs. in Billion			Growth Rate (%)	
	2015	2016	2017	2016	2017
Government Investment	227.50	256.12	270.03	12.6	5.4
Share Investment	115.81	126.16	139.52	8.9	10.6
Loan Investment	111.68	129.96	130.51	16.4	0.4
Shareholders' Fund	105.99	173.38	202.78	63.6	17.0
Unfunded Liabilities	27.02	25.81	32.34	-4.5	25.3
Operating Income	257.82	270.48	233.51	4.9	-13.7
Net Profit/Loss	5.05	34.41	34.96	581.3	1.6
Retained Profit/Loss	-26.92	13.20	33.33	-149.0	152.5

Source: Annual Performance Review of Public Enterprises, 2017, 2016, and 2015, Ministry of Finance, Government of Nepal

1.76 PEs recorded net profit of Rs. 34.96 billion in FY2015/16 compared to their net profit of Rs. 34.41 billion in FY2014/15. Net profit of PEs remained favorable on account of net profit earned by enterprises like Nepal Oil Corporation (Rs. 19.36 billion), Nepal

Telecommunications Company Ltd. (Rs. 13.27 billion), Nepal Bank Ltd. (Rs. 2.88 billion), Agriculture Development Bank (Rs. 2.36 billion), Civil Aviation Authority of Nepal (Rs. 1.42 billion) as well as net profit earned by some other PEs.

- 1.77 In FY2015/16, PEs' total shareholders' fund as well as GON's total investment in share and debt of the PEs increased. The GON's investment in PEs marked a rise of 5.4 percent over the previous year.
- 1.78 In FY2015/16, GON received from PEs the dividend of Rs. 7.81 billion which represented 5.6 percent of total share investment of the GON. The dividend received in the previous year had amounted to Rs. 6.46 billion. In the review year, GON received dividend from Nepal Telecommunications Company Ltd., Industrial District Management Ltd., Nepal Stock Exchange Ltd., and Agriculture Development Bank Ltd.
- 1.79 Net accumulated profit of PEs as in mid-July 2016 amounted to Rs. 33.33 billion. Last year, the accumulated loss of PEs had amounted to Rs. 26.92 billion.
- 1.80 Even among profit-earning PEs, majority of them do not have satisfactory performance with respect to financial condition, capacity utilization, and staff productivity. Some PEs have incurred loss while still others have suffered from negative net worth also. The current challenges facing the PEs have been as follows: (a) very low return on GON's investment in PEs, (b) lack of updated audit, (c) huge strength of idle human resource, (d) creation of excessive unfunded liability for gratuity, pension, employees' provident fund, etc., (e) loss-making PEs further increasing their dependence on GON, and (f) lack of clear long-term policy for running the PEs, (g) shortage of professionally strong leadership, (h) dearth of clear policy and mechanism for monetaring and inspection of PEs. etc.
- 1.81 The share of unfunded liability in each of the PEs has risen substantially on account of facility being provided to retiring PE staff under various headings like gratuity, pension, medical care, insurance, cash in lieu of leave, etc. In FY2015/16, the unfunded liability went up by 25.3 percent to Rs. 32.34 billion. In previous year, such unfunded liability had amounted to Rs. 25.81 billion.

Monetary and Financial Situation

Monetary Situation

- 1.82 In FY2016/17, broad money supply increased by 15.5 percent compared to an increase of 19.5 percent in the previous year. In the review year, narrow money supply increased by 13.1 percent in comparison to an increase of 18.5 percent in the previous year.
- 1.83 Currency in circulation increased by 10.5 percent in the review year in comparison to the increase of 21.3 percent in the previous year. Demand deposits increased by 18.1

percent in the review year in comparison to the increase of 13.7 percent in the previous year

- 1.84 In the review year, net foreign assets (NFA) with adjustment of gain/loss in the foreign exchange valuation increased by Rs 82.15 billion (8.6 percent) in comparison to an increase of Rs. 188.95 billion (25.3 percent) in the previous year. The rate of increase of NFA slowed in the review year due to significant rise in the rate of increase of imports compared to that of exports.
- 1.85 In FY2016/17, domestic credit expanded by 19.4 percent in the review year in comparison to the rate of increase of 18.2 percent in the previous year. There was some increase in the growth rate of domestic credit in the review year in comparison to that of the previous year as an outcome of higher growth of NRB's net claims on government.
- 1.86 In the review year, net claims of NRB on GON expanded by 45.9 percent (Rs. 40.32 billion) while such claims in the previous year had declined by 31.0 percent. Net claims of NRB on GON increased in the review year because of the increase in the domestic debt mobilization by the GON. The GON's cash surplus with NRB as at the end of the review year amounted to Rs. 127.69 billion.
- 1.87 In the review year, monetary sector's claims on private sector expanded by 18.0 percent (Rs. 304.89 billion) compared to the growth of 23.2 percent in the previous year. In the review year, claims of the monetary sector on the private sector remained below the targeted rate at 20.0 percent due to problem arising in credit extension by the BFIs since the third quarter of the review year.
- 1.88 In the review year, reserve money increased by 20.1 percent in comparison to such growth at 4.6 percent in the previous year. Despite reduction in deposits of other institutions in NRB, substantial increase in deposits of commercial banks in NRB increased the growth rate of reserve money in comparison to that of the previous year.

Inter-Bank Transactions and Use of Standing Liquidity Facility

- 1.89 In FY2016/17, inter-bank transactions of commercial banks amounted to Rs. 1062.04 billion and those of other financial institutions (excluding transactions among commercial banks) stood at Rs. 381.02 billion. These respective transactions in the previous year had aggregated Rs. 961.72 billion and Rs. 129.06 billion respectively. In the review year, BFIs obtained standing liquidity facility (SLF) on 89 occasions amounting to Rs. 62.39 billion against the collateral of treasury bills, development bonds and NRB bonds at 7.0 percent interest rate (bank rate) for a maximum period of five working days in comparison to the SLF amount of Rs. 14.03 billion in the previous year.

Table 1.9
Inter-Bank Transactions and Use of Standing Liquidity Facility

Particulars	2014/15	2015/16	2016/17
Inter-bank Transactions of Commercial Banks (Rs. in billion)	374.70	961.72	1062.04
Inter-bank Transaction Rate of Commercial Banks (In Percent) ¹	1.01	0.69	0.64
Inter-bank Transaction of Other Financial Institutions except among Commercial Banks (Rs. in billion)	226.92	129.06	381.03
Inter-bank Transaction Rate of Other Financial Institutions (In Percent) ¹	3.89	3.25	4.47
Use of Standing Liquidity Facility (Rs. in billion)	10.31	14.03	62.39

¹ Weighted average interest rate during the month of mid-June to mid-July

Liquidity Management

- 1.90 Liquidity management of the banking system has been conducted by the use of required instruments in accordance with the decision of the open market operation committee as per the NRB Open Market Operation Bylaw, 2014.
- 1.91 In FY2016/17, instruments for absorption and injection of liquidity as necessitated have been used for the reasons of fluctuations in liquidity of banking system.
- 1.92 In FY2016/17, liquidity amounting to Rs. 61.0 billion was injected through open market operations. Under the OMO, a total of Rs. 33.21 billion has been injected through repo auction (including Rs. 5.40 billion under interest rate corridor) and Rs. 27.79 billion has been injected through outright purchase.
- 1.93 In FY2016/17, under OMO, liquidity amounting to Rs. 124.45 billion has been absorbed. Out of this, Rs. 43.75 billion has been absorbed under interest rate corridor through 14-day deposit auction, Rs. 16.45 billion has been absorbed through 90-day deposit auction and Rs. 64.25 billion has been absorbed through reverse repo. In the previous year, liquidity amounting a total of Rs. 542.25 billion was absorbed comprising deposit auction of Rs. 297.50 billion, reverse repo auction of Rs. 235.95 billion and outright sale auction of Rs. 9.10 billion.

Foreign Exchange Transaction

- 1.94 In FY2016/17, NRB injected net liquidity amounting to Rs. 435.86 billion through the net purchase of US\$ 4.11 billion from foreign exchange market (commercial banks). In the previous year, net liquidity amounting to Rs. 471.35 billion was injected through the net purchase of US\$ 4.45 billion. In the review year, the NRB purchased Indian currency (IC) equivalent to Rs. 451.89 billion by selling US\$ 4.12 billion and euro 120.0 million. In the previous year, IC equivalent to Rs. 385.47 billion was purchased by selling US\$ 3.40 billion and euro 210.0 million.

Table 1.10
Overall Situation of Foreign Exchange Transactions

(Rs. in billion)

Particulars	2014/15	2015/16	2016/17
1. US\$ Purchase	397.86	471.35	435.86
2. US\$ Sale	1.14	-	-
3. Net Liquidity Injection	396.72	471.35	435.87
4. Purchase of Indian Currency by Selling US\$	348.09	360.39	437.73
5. Purchase of Indian Currency by Selling Euro	-	25.08	14.16

Short-Term Interest Rates

- 1.95 The 91-day weighted average Treasury Bill rate has increased in the month of mid-June to mid-July, 2017 compared to the same month in the previous year while the weighted average interest rate of interbank transactions has contracted. The 91-day weighted average Treasury Bill rate in the month of mid-June to mid-July, 2017 reached 0.71 percent in comparison to such rate at 0.05 percent in the same month of the previous year. Similarly, the weighted average inter-bank transaction rate among commercial banks declined to 0.64 percent in the review month in comparison to such a rate of 0.69 percent in the month one year ago. Likewise, the weighted average inter-bank interest rate among other financial institutions increased to 4.4 percent in the review month in comparison to 3.89 percent in the month one year ago.
- 1.96 Weighted interest rate spread between credit and deposit in commercial banks averaged 5.18 percent in the last month of FY2016/17 in comparison to its average spread at 5.58 percent in the same month of 2015/16. Similarly, the average base rate increased to 9.89 percent in the last month of 2016/17 from its rate at 6.54 percent in the same month of 2015/16.

Table 1.11
Interest Rate Spread and Base Rate of Commercial Banks

Particulars	2014/15	2015/16	2016/17
Weighted Average Interest Rate Spread	5.68	5.58	5.18
Average Base Rate	7.88	6.54	9.89

Status of Sources and Uses of Funds of Banks and Financial Institutions

Commercial Banks

- 1.97 In FY2016/17, total assets/liabilities of commercial banks increased by 20.6 percent (Rs. 441.81 billion) in comparison to the growth at 22.1 percent (Rs. 387.49 billion) in the previous year.
- 1.98 In FY 2016/17, total deposits mobilized by commercial banks increased by 18.6 percent (Rs. 326.96 billion) to Rs. 2,080.39 billion in mid-July 2017 in comparison to the

growth at 20.7 percent (Rs 300.68 billion) in the previous year. In the review year, the current, saving, and fixed deposits of commercial banks rose by 9.5 percent, 0.6 percent, and 68.2 percent respectively while such growth in the previous year had been 16.4 percent, 24.9 percent, and 25.4 percent respectively.

- 1.99 On the uses side of the financial resources, the loans and advances of commercial banks in the review year increased by 23.5 percent (Rs. 375.19 billion) to Rs. 1,970.12 billion in mid-July 2017. The loans and advances of commercial banks had increased by 25.9 percent in the previous year. In the review year, claims on private sector increased by 25.0 percent (Rs. 341.71 billion) which had increased by 26.5 percent (Rs. 286.74 billion) in the previous year. The ratio of claims on private sector to GDP in 2016/17 stood at 75.8 percent.
- 1.100 Out of the claims on private sector, production sector credit increased by 13.5 percent (Rs. 37.64 billion) in the review year in comparison to such rise at 16.1 percent in the previous year. In production sector, credit extension has remarkably increased for food production, cement, miscellaneous production, log and timber production/furniture, drinking materials, and stones, soil and lead production. During the review year, extension of food production and cement production credit increased by 15.7 percent (Rs. 9.03 billion) and 23.0 percent (Rs. 8.76 billion) respectively. Likewise, extension of credit increased by 15.4 percent (Rs. 4.88 billion) in miscellaneous production, and 25.4 percent (Rs. 2.80 billion) in log and timber production/furniture, 19.4 percent (Rs. 2.50 billion) in drinking materials and 38.9 percent (Rs. 2.33 billion) in stones, soil and lead production. In the review year, credit extension for agriculture and animal farming has contracted by 4.7 percent in contrast to the rise of 35.9 percent in the previous year.
- 1.101 In the review year, commercial banks' investment in government securities increased by 14.7 percent (Rs. 26.10 billion) to Rs. 203.06 billion as in mid-July 2017. Such investment had increased by Rs. 40.60 billion in the previous year.
- 1.102 As in mid-July 2017, the liquid assets of commercial banks (including investment in government securities) amounted to Rs. 598.69 billion. These liquid assets represented 28.8 percent of the total deposits as in the previous year. Among the components of liquid assets, liquid funds increased by 20.5 percent. Balance held abroad marginally decreased by 0.7 percent (Rs. 1.0 billion) to Rs. 144.56 billion while balance with NRB increased by 44.3 percent (Rs. 59.71 billion) to Rs. 194.43 billion as in mid-July 2017.

Development Banks

- 1.103 In the review year, total assets/liabilities of development banks decreased by 16.0 percent (Rs. 53.23 billion) to Rs. 278.46 billion as in mid-July 2017. Total deposits, the major source of resource mobilization, contracted by 17.8 percent (Rs. 47.87 billion) to Rs. 221.03 billion in the review year. Likewise, liquid assets of

development banks (including investment in government securities) as in mid-July 2017 amounted to Rs. 25.89 billion, representing 11.7 percent of total deposits in comparison to such ratio at 10.2 percent in the previous year. Among the components of liquid assets, liquid funds contracted by 13.0 percent to Rs. 19.08 billion.

- 1.104 In the review year, loans and advances of development banks decreased by 14.6 percent (Rs. 42.90 billion) to Rs. 251.80 billion in contrast to the growth of 16.7 percent in the previous year. Among the components of loans and advances, claims on the private sector contracted by 13.7 percent to Rs. 200.74 billion as in mid-July 2017, representing 7.7 percent of GDP. In view of the increasing trend of development banks' merger/acquisition in the review year, there was contraction in total assets/liabilities, deposit mobilization and loans and advances of development banks.

Finance Companies

- 1.105 In the review year, total assets/liabilities of finance companies decreased by 19.1 percent (Rs. 18.90 billion) to Rs. 80.06 billion as in mid-July 2017. Such assets/liabilities in the previous year had contracted by 5.8 percent to Rs. 98.96 billion. Deposit mobilization, the major source of resource mobilization, contracted by 17.9 percent (Rs. 11.26 billion) to Rs. 51.77 billion as in mid-July 2017 in comparison to the rate of contraction at 12.0 percent in the previous year. Liquid assets of finance companies (including investment in government securities) as in mid-July 2017 amounted to Rs. 10.0 billion, representing 19.32 percent of total deposits in comparison to such ratio at 16.6 percent in the previous year. Among the components of liquid assets, liquid funds contracted by 9.6 percent to Rs. 5.98 billion as in mid-July 2017.
- 1.106 In the review year, loans and advances of finance companies contracted by 17.3 percent (Rs. 15.27 billion) to Rs. 72.99 billion as in mid-July 2017 in comparison to the contraction at 5.8 percent in the previous year. Among the components of loans and advances, claims on private sector declined by 13.3 percent to Rs. 49.28 billion as in mid-July 2017, representing 1.9 percent of GDP. During the review year, there was reduction in finance companies' assets/liabilities, deposits, and loans and advances due to increasing trend of their merger/acquisition in/by commercial banks as well as development banks.

Microfinance Institutions

- 1.107 Among the 53 MFIs engaged in operations relating to microfinance as 'D'-class financial institutions as in mid-July 2017, 49 are working as replicators of Grameen banking system while four are carrying out wholesale microfinance lending transactions.
- 1.108 In the review year, total assets/liabilities of 'D'-class MFIs expanded by 33.8 percent to Rs. 128.01 billion as in mid-July 2017, with the total deposits and total borrowings

amounting to Rs. 34.40 billion and Rs. 66.95 billion respectively and total credit and total investment reaching Rs. 106.52 billion and 2.75 billion respectively.

Cooperatives Licensed for Carrying Out Limited Banking Operations

- 1.109 The cooperatives established under the Cooperatives Act, 1992 and licensed by the NRB to carry out limited banking operations have been performing such operations in accordance with the directives issued by the NRB. The number of such cooperatives, which was 16 in mid-July 2016, numbered 15 in mid-July 2017 because the license of the National Cooperatives Development Bank was revoked. Total assets/liabilities of cooperatives licensed by NRB for performing limited banking operations increased to Rs. 33.08 billion in mid-July 2017 from Rs. 32.52 billion in mid-July 2016. Likewise, as per the unaudited financial statements, deposits mobilized amounted to Rs. 21.37 billion in comparison to Rs. 20.18 billion as in mid-July 2016. MFIs' investments in government securities, time deposits and others totalled Rs. 4.05 billion as in mid-July 2017.

Non-Government Organizations for Carrying Out Financial Intermediary Operations

- 1.110 Established under Societies Registration Act, 1977 and operating in accordance with the provisions of Financial Intermediary Institutions Act, 1999, the non-government organizations (NGOs) licensed by NRB for carrying out financial intermediary operations numbered 25 as in mid-July 2017, with the sources/uses of funds of these institutions amounting to Rs. 13.52 billion.

Insurance Companies

- 1.111 As in mid-July 2017, 10 life insurance companies, 17 non-life insurance companies and one reinsurance company are in operation. Based on data obtained from Insurance Board, total assets/liabilities of insurance companies increased by 17.5 percent to Rs. 185.89 billion as in mid-July 2017 in comparison to Rs. 158.24 billion as in mid-July 2016.

Employees Provident Fund

- 1.112 Total assets/liabilities of the Employees Provident Fund (EPF) as in mid-July 2017 increased by 11.8 percent to Rs. 251.28 billion in comparison to Rs. 224.85 billion as in mid-July 2016. Provident funds of the employees expanded by 12.0 percent to Rs. 244.15 billion as in mid-July 2017 in comparison to Rs. 217.94 billion as in mid-July 2016.

Citizen Investment Trust

- 1.113 Based on data obtained from Citizen Investment Trust (CIT), total assets/liabilities of CIT as in mid-July 2017 rose by 19.4 percent to Rs. 99.10 billion in comparison to

Rs. 83.01 billion as in mid-July 2016. Fund collection, a major component in the liabilities side of CIT, widened by 16.7 percent to Rs. 93.55 billion in mid-July 2017 in comparison to Rs. 80.16 billion as in mid-July 2016. On the assets side, loans and advances in the review year leaped by 69.8 percent to Rs. 23.11 billion in comparison to Rs. 13.61 billion as in mid-July 2016.

Postal Saving Bank

1.114 Among the 117 offices which were authorized for collecting deposits under Postal Services Department of GON, only 68 offices are presently involved in mobilizing deposits. As in mid-July 2017, total deposits of Postal Saving Bank amounted to Rs. 2.11 billion while the loans and advances reached Rs. 657.80 million.

Table 1.12
Transaction Details of Postal Saving Bank

Particulars	Mid-July		
	2015	2016	2017
Number of Offices Licensed to accept Deposits	117	117	117
Number of Offices accepting Deposits	68	68	68
Number of Offices doing Investment	59	59	59
Number of Accounts	63,661	63,963	69,695
Total Deposits (Rs. in million)	1,785.0	2,930.0	2,114.3
Total Investment Outstanding (Rs. in million)	490.2	328.6	657.8

Source: Department of Postal Services, GON

Deposit and Credit Guarantee Fund

1.115 The Deposit and Credit Guarantee Fund (DCGF) has been providing credit guarantee services for priority sector as well as for livestock, vegetable farming, foreign employment, micro and deprived sector, and small and medium-scale enterprise. The DCGF guaranteed total credit amounting to Rs. 6.30 billion and guaranteed total deposits amounting to Rs. 381.88 billion as in mid-July 2017 (Table 1.13).

Table 1.13
Transaction Details of Deposit and Credit Guarantee Fund

Particulars	Mid-July		Percent Change
	2016	2017	
Total Deposit Guaranteed (Rs. in billion)	339.04	381.88	12.6
Total Credit Guaranteed (Rs. in billion)	2.94	6.30	114.2

Source: Deposit and Credit Guarantee Fund

Credit Information Centre Limited

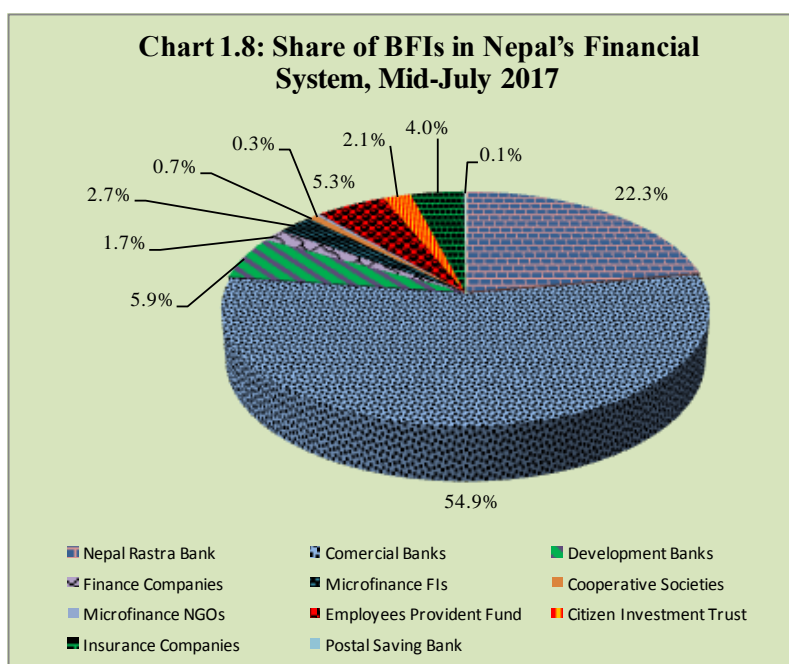
1.116 According to information available from Credit Information Centre Limited, the number of blacklisted borrowers as in mid-July 2017 reached 5,552 in comparison to their number at 4,790 as in mid-July 2016.

Financial Structure

- 1.117 The share of NRB in total assets/liabilities of BFIs in mid-July 2017 comprised 22.3 percent. Likewise, in the total assets/liabilities of BFIs in mid-July 2017, the share of commercial banks was 54.9 percent, development banks 5.9 percent, finance companies 1.7 percent, Employees Provident Fund 5.3 percent, Citizen Investment Trust 2.1 percent, and insurance companies 4.0 percent.
- 1.118 As in mid-July 2017, the combined assets/liabilities of the banking system and contractual saving institutions reached 181.0 percent of the GDP.

Financial Expansion

- 1.119 The number of BFIs (including the cooperatives and NGOs performing limited banking operations) licensed by NRB declined to 188 in mid-July 2017 in comparison to their number at 219 in mid-July 2016. The merger/acquisition of BFIs following the promulgation of Merger/Acquisition of Banks and Financial



Institutions Bylaw, 2011 somewhat reduced the number of BFIs in comparison to their number as in previous year. Institution-wise, as in mid-July 2017, there were 28 commercial banks, 40 development banks, 28 finance companies, and 53 micro-finance development banks (MFDBs).

- 1.120 In the 'A', 'B', and 'C' - class BFIs, the total number of deposit accounts and borrowers in mid-July 2017 reached 19.75 million and 1.22 million respectively. Such number in mid-July 2016 had been 16.84 million and 1.10 million respectively. Similarly, the number of depositors and borrowers in MFIs in mid-July 2017 reached 2.37 million and 1.58 million respectively.
- 1.121 The number of NGOs licensed by NRB for carrying out limited banking operations remained 25 in mid-July 2017. The number of such NGOs was the same at 25 as in mid-July 2016. Likewise, the number of cooperatives licensed by NRB for carrying

out limited banking operations remained 14 in mid-July 2017 in comparison to their number at 15 as in mid-July 2016.

- 1.122 The total number of BFIs in operation in mid-July 2017 remained at 198 (NRB-licensed 188 and 10 others), 28 insurance companies, and one each of Employees Provident Fund, Citizen Investment Trust and Postal Saving Bank). Such number as in previous year was 256.

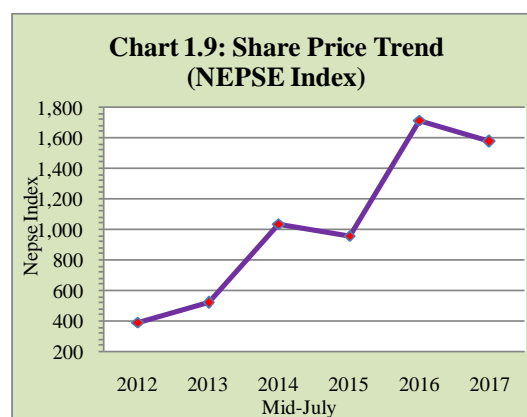
Table 1.14
Number of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July		
	2015	2016	2017
Commercial Banks	30	28	28
Development Banks	76	67	40
Finance Companies	48	42	28
Microfinance Development Banks	39	42	53
Cooperatives Licensed by the NRB (performing limited banking transactions)	15	15	14
NGOs Licensed by the NRB (performing limited banking transactions)	27	25	25
Institutions Licensed by NRB to conduct banking transactions	235	219	188
Other Institutions ¹	8	8	8
Insurance Companies	26	26	28
Employees Provident Fund	1	1	1
Citizen Investment Trust	1	1	1
Postal Saving Bank	1	1	1
Total	272	256	229

¹ including National Cooperative Bank Ltd., Shri Masreq Bank PSC, and Hydropower Investment and Development Company Ltd. along with licensed institutions for the purpose of conducting hire purchase transactions

Securities Market

- 1.123 There has been some reduction in the stock exchange transactions in FY2016/17. On annual point-wise basis, the NEPSE index reduced by 7.9 percent to 1,582.7 points in mid-July 2017. The NEPSE index had posted a remarkable growth of 78.7 percent to 1718.2 points in mid-July 2016. Similarly, the NEPSE sensitive index also slid by 8.9 percent to 336.0 points in mid-July 2017 over its level at 369.1 points in mid-July 2016. Similarly, the NEPSE float index also slipped by 7.4 percent to 116.1 points in mid-July 2017 from 125.4 points as in mid-July 2016.



- 1.124 However, there has been a rise in the total amount of securities market transactions in FY2016/17. Total share transactions expanded by 24.9 percent to Rs. 204.79 billion in

the review year in comparison to the amount at Rs. 163.96 billion in the previous year.

- 1.125 As in mid-July 2017, market capitalization on annual pointwise basis contracted by 1.8 percent to Rs. 1,856.83 billion. The amount of market capitalization as in mid-July 2017 is equal to 71.4 percent of GDP in comparison to 84.1 percent as in mid-July 2016. As in the review year, the share of market capitalization is 85.4 percent in banks and financial institutions (including insurance companies), 4.2 percent in hydropower, 2.3 percent in manufacturing and processing, 1.6 percent in hotels, 0.1 percent in trading and 6.5 percent in others.
- 1.126 The paid-up share price of companies listed in Nepal Stock Exchange Limited rose by 41.9 percent to Rs. 289.59 billion as in mid-July 2017. In FY2016/17, additional securities listed were ordinary share at Rs. 4.67 billion, right share at Rs. 29.64 billion, bonus share at Rs. 36.42 billion, government securities at Rs. 62.0 billion and others at Rs. 1.25 billion, totaling Rs. 133.98 billion.
- 1.127 The number of companies listed in Nepal Stock Exchange Limited has reached 208 as in mid-July 2017 in comparison to their number at 230 as in mid-July 2016. The number of listed companies came down due to merging of BFIs into one another. Among the listed companies, 165 are BFIs (including insurance companies) while 18 are manufacturing and processing industries, 14 are hydro-power companies, 4 each are hotels and trading companies, and three are categorized under the others.

Table 1
World Economic Growth Rate, Price, and Trade
(Annual Percent Change)

	2015	2016	Projection	
			2017	2018
World Output	3.4	3.2	3.6	3.7
Advanced Economies	2.2	1.7	2.2	2.0
United States	2.9	1.5	2.2	2.3
Euro Area	2.0	1.8	2.1	1.9
Japan	1.1	1.0	1.5	0.7
Emerging and Developing Economies	4.3	4.3	4.6	4.9
Emerging and Developing Asia	6.8	6.4	6.5	6.5
China	6.9	6.7	6.8	6.5
India	8.0	7.1	6.7	7.4
Commodity Prices				
Fuel	-47.2	-15.7	17.4	-0.2
Non-fuel	-17.5	-1.8	7.1	0.5
Consumer Prices				
Advanced Economies	0.3	0.8	1.7	1.7
Emerging and Developing Economies	4.7	4.3	4.2	4.4
World Trade (Merchandise and Services)	2.8	2.4	4.2	4.0

Source: International Monetary Fund, World Economic Outlook, October 2017

Table 2
Macroeconomic Indicators

S.N.	Description	Percent Change		
		2014/15	2015/16	2016/17
1	Producers' Prices:			
	1.1 GDP at constant (2000/01) prices	3.3	0.4	7.5
	1.2 GDP at current prices	8.4	5.5	15.7
2	Basic Prices:			
	2.1 GDP at constant (2000/01) prices	3.0	0.01	6.9
	2.2 GDP at current prices	8.0	4.7	15.4
3	GNI at Current Prices	8.4	5.4	15.1
4	Total Consumption	11.8	11.8	7.9
5	Gross Domestic Saving	-16.3	-56.2	210.2
6	Gross National Saving	4.7	-4.5	26.7
7	Total Investment	2.9	-8.9	45.8
8	Gross Fixed Capital Formation	29.0	8.6	35.7
9	Gross National Disposable Income	9.3	6.4	13.4
10	Money Supply (M1)	19.7	18.5	13.1
11	Broad Money Supply (M2)	19.9	19.5	15.5
12	Domestic Credit	16.2	18.2	19.4
13	Fixed Deposits	15.1	21.6	58.8
14	Total Exports	-7.3	-17.8	4.2
15	Total Imports	8.4	-0.1	28.0
16	Gross Foreign Exchange Reserve	26.1	26.1	3.9
17	Government Revenue	13.8	18.8	26.4
18	Government Expenditure*	22.0	14.2	36.5
19	National Consumer Price Index	7.2	9.9	4.5
20	Wholesale Price Index	6.1	6.3	2.7
As Percent of Nominal GDP at Producers' Prices				
1	Total Consumption	90.8	96.2	89.7
2	Gross Domestic Saving	9.2	3.8	10.3
3	Gross National Saving	44.1	40.0	43.8
4	Total Investment	39.1	33.7	42.5
5	Gross Fixed Capital Formation	28.0	28.8	33.8
6	Gross National Disposable Income	134.9	136.1	133.5
7	Money Supply (M1)	19.9	22.4	21.9
8	Broad Money Supply (M2)	88.2	99.8	99.7
9	Domestic Credit	71.7	80.3	83.0
10	Fixed Deposits	23.6	27.1	37.3
11	Total Exports	4.0	3.1	2.8
12	Total Imports	36.4	34.4	38.1
13	Foreign Exchange Reserve	38.7	46.2	41.5
14	Government Revenue	19.1	21.5	23.4
15	Government Expenditure*	23.9	25.9	30.5
16	Government Budget Surplus/Deficit*	-2.2	-2.2	-4.8
17	Domestic Borrowings	2.0	3.9	3.4
18	Trade Balance (-Deficit)	-32.4	-31.3	-35.3
19	Current Account Balance (-Deficit)	5.1	6.2	-0.4
20	Total Outstanding External Debt	16.1	17.0	15.8

* On cash basis

Source: Economic Survey, 2015/16; Financial Comptroller General Office

Table 3
Sectoral Growth Rate of Gross Domestic Product
(at 2000/01 prices)

(In Percent)

Particulars	Growth Rate		
	2014/15	2015/16 ^R	2016/17 ^P
1. Agriculture	1.1	0.03	5.3
Agriculture and Forestry	1.0	-0.2	5.3
Fishery	7.1	11.8	6.9
2. Non-agriculture	3.9	0.2	7.7
Industry	1.4	-6.3	10.9
Mining and Quarrying	2.3	-2.8	8.2
Manufacturing	0.4	-8.0	9.7
Electricity, Gas & Water	0.8	-7.4	13.0
Construction	2.9	-4.4	11.7
Service	4.6	2.1	6.9
Wholesale & Retail Trade	2.4	-2.5	9.8
Hotels & Restaurants	3.3	-9.7	7.1
Transport, Storage & Communication	6.2	2.0	6.5
Financial Intermediation	2.9	8.6	6.7
Real Estate, Renting & Business Activities	0.8	3.7	5.3
Public Administration & Defence	8.8	2.5	9.6
Education	5.1	7.0	4.2
Health & Social Work	11.4	3.2	6.6
Other Community, Social & Personal Service Activities	12.5	3.7	5.9
GDP at basic prices	3.0	0.01	6.9
GDP at producers' prices	3.3	0.4	7.5

R = Revised Estimate

P = Provisional Estimate

Source: Central Bureau of Statistics

Table 4
National Consumer Price Index
(Annual Average)
(Base Year: 2014/15=100)

Groups/Sub-Groups	Weight %	2014/15	2015/16	2016/17	Percent Change	
					2015/16	2016/17
Overall Index	100.00	100.0	109.9	114.8	9.9	4.5
1. Food & Beverage	43.91	100.0	110.9	113.0	10.9	1.9
Cereal Grains & their Products	11.33	100.0	109.2	111.1	9.2	1.7
Legume Varieties	1.84	100.0	132.7	125.4	32.7	-5.5
Vegetables	5.52	100.0	110.3	107.5	10.3	-2.5
Meat & Fish	6.75	100.0	109.8	112.4	9.8	2.4
Milk Products & Eggs	5.24	100.0	110.0	114.0	10.0	3.6
Ghee & Oil	2.95	100.0	119.5	112.3	19.5	-6.0
Fruits	2.08	100.0	106.5	110.6	6.5	3.8
Sugar & Sweets	1.74	100.0	107.3	123.2	7.3	14.8
Spices	1.21	100.0	113.5	119.9	13.5	5.7
Soft Drinks	1.24	100.0	104.7	108.5	4.7	3.6
Hard Drinks	0.68	100.0	112.9	126.1	12.9	11.8
Tobacco Products	0.41	100.0	107.6	111.6	7.6	3.7
Restaurant Food	2.92	100.0	109.3	117.1	9.3	7.1
2. Non-Food & Services	56.09	100.0	109.2	116.3	9.2	6.5
Clothing & Footwear	7.19	100.0	114.2	124.7	14.2	9.2
Housing & Utilities	20.3	100.0	112.7	122.0	12.7	8.2
Furnishing & Household Equipment	4.3	100.0	106.3	112.9	6.3	6.3
Health	3.47	100.0	102.6	105.3	2.6	2.7
Transport	5.34	100.0	102.0	100.9	2.0	-1.1
Communication	2.82	100.0	105.1	104.9	5.1	-0.2
Recreation & Culture	2.46	100.0	104.3	107.5	4.3	3.1
Education	7.41	100.0	110.1	120.9	10.1	9.8
Miscellaneous Goods & Services	2.81	100.0	104.5	113.8	4.5	9.0
Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	100.0	111.6	115.0	11.6	3.1
1. Food & Beverage	39.77	100.0	113.3	115.0	13.3	1.5
2. Non-Food & Services	60.23	100.0	110.5	115.0	10.5	4.2
Consumer Price Index - Terai						
Overall Index	100.00	100.0	108.6	113.4	8.6	4.4
1. Food & Beverage	44.14	100.0	109.7	111.4	9.7	1.5
2. Non-Food & Services	55.86	100.0	107.8	115.0	7.8	6.7
Consumer Price Index - Hills						
Overall Index	100.00	100.0	110.4	117.5	10.4	6.4
1. Food & Beverage	46.88	100.0	110.8	114.2	10.8	3.1
2. Non-Food & Services	53.12	100.0	110.1	120.5	10.1	9.4
Consumer Price Index - Mountain						
Overall Index	100.00	100.0	108.8	113.2	8.8	4.1
1. Food & Beverage	59.53	100.0	108.5	111.4	8.5	2.7
2. Non-Food & Services	40.47	100.0	109.1	115.9	9.1	6.2

Table 5
National Wholesale Price Index
(Annual Average)
 (Base Year: 1999/2000=100)

Groups/Sub-Groups	Weight %	2014/15	2015/16	2016/17	Percent Change	
					2015/16	2016/17
1. Overall Index	100.0	296.6	315.3	323.6	6.3	2.7
1.1 Agricultural Commodities	49.6	338.7	374.2	386.1	10.5	3.2
Foodgrains	16.6	266.9	273.1	281.1	2.3	2.9
Cash Crops	6.1	393.0	411.1	423.3	4.6	3.0
Pulses	3.8	343.5	477.7	501.6	39.1	5.0
Fruits & Vegetables	11.2	321.8	376.6	362.5	17.0	-3.7
Spices	1.9	307.2	375.4	419.7	22.2	11.8
Livestock Production	10.0	447.5	477.4	513.7	6.7	7.6
1.2 Domestic Manufactured Commodities	20.4	251.8	267.5	280.3	6.2	4.8
Food-related Products	6.1	235.5	243.3	255.8	3.3	5.1
Beverages & Tobacco	5.7	284.3	312.6	335.0	9.9	7.2
Construction Materials	4.5	288.6	296.2	292.9	2.7	-1.1
Others	4.1	189.8	208.9	226.6	10.1	8.5
1.3 Imported Commodities	30.0	257.7	250.3	249.9	-2.9	-0.2
Petroleum Products & Coal	5.4	522.3	448.3	418.6	-14.2	-6.6
Chemical Fertilizers & Chemical Goods	2.5	246.5	251.7	249.0	2.1	-1.1
Transport Vehicles & Machinery Goods	7.0	190.8	202.4	225.2	6.1	11.2
Electric & Electronic Goods	1.9	124.3	125.1	126.6	0.6	1.2
Drugs & Medicine	2.7	154.1	154.1	140.7	-0.1	-8.7
Textile-related Products	3.1	187.4	194.3	195.9	3.7	0.8
Others	7.4	233.0	241.0	244.4	3.4	1.4

Table 6
National Salary and Wage Rate Index
(2004/05 = 100)

	Groups/Sub-Groups	Weight %	2013/14	2014/15	2015/16	2016/17	Percent Change	
							2015/16	2016/17
	Overall Index	100.00	316.0	342.5	362.3	414.7	5.8	14.4
1.	Salary Index	26.97	234.8	254.6	256.7	304.7	0.8	18.7
	Officers	9.80	215.4	234.2	236.5	279.2	1.0	18.0
	Non-Officers	17.17	246.0	266.2	268.2	319.1	0.7	19.0
1.1	Civil Service	2.82	309.6	340.7	340.7	423.2	0.0	24.2
	Officers	0.31	262.2	281.4	281.4	350.7	0.0	24.6
	Non-Officers	2.51	315.3	347.9	347.9	432.0	0.0	24.2
1.2	Public Corporations	1.14	263.4	287.3	290.1	350.6	1.0	20.8
	Officers	0.19	214.3	230.8	233.0	295.2	0.9	26.7
	Non-Officers	0.95	273.2	298.5	301.6	361.6	1.0	19.9
1.3	Bank & Financial Institutions	0.55	417.6	446.2	457.7	494.9	2.6	8.1
	Officers	0.10	324.3	341.2	352.3	375.6	3.2	6.6
	Non-Officers	0.45	439.0	470.2	481.8	522.2	2.5	8.4
1.4	Army & Police Forces	4.01	304.9	332.4	332.4	410.8	0.0	23.6
	Officers	0.17	237.4	259.2	259.3	322.6	0.0	24.4
	Non-Officers	3.84	308.0	335.7	335.7	414.8	0.0	23.6
1.5	Education	10.55	268.1	295.8	300.2	362.4	1.5	20.7
	Officers	6.80	243.9	268.9	272.1	326.8	1.2	20.1
	Non-Officers	3.75	312.0	344.6	351.2	426.9	1.9	21.6
1.6	Private Institutions	7.90	111.3	111.3	111.3	111.3	0.0	0.0
	Officers	2.24	115.3	115.3	115.3	115.3	0.0	0.0
	Non-Officers	5.66	109.7	109.7	109.7	109.7	0.0	0.0
2.	Wage Rate Index	73.03	345.9	374.9	401.3	455.3	7.0	13.4
2.1	Agricultural Labourer	39.49	392.4	422.7	457.5	517.3	8.3	13.1
	Male	20.49	377.8	416.1	451.0	498.0	8.4	10.4
	Female	19.00	408.1	429.8	464.6	538.2	8.1	15.8
2.2	Industrial Labourer	25.25	293.1	317.4	329.0	374.6	3.6	13.9
	Highly Skilled	6.31	272.6	300.4	319.8	356.9	6.5	11.6
	Skilled	6.31	290.0	314.3	326.9	370.1	4.0	13.2
	Semi-Skilled	6.31	290.1	315.8	323.3	363.8	2.4	12.5
	Unskilled	6.32	319.7	339.3	345.8	407.6	1.9	17.9
2.3	Construction Labourer	8.29	285.9	322.9	354.1	405.7	9.7	14.6
	Mason	2.76	264.1	300.9	329.6	379.2	9.5	15.0
	Skilled	1.38	255.7	291.1	318.4	368.9	9.4	15.8
	Unskilled	1.38	272.6	310.8	340.9	389.4	9.7	14.2
	Carpenter	2.76	252.6	284.3	316.8	371.9	11.4	17.4
	Skilled	1.38	244.2	276.7	310.9	359.4	12.4	15.6
	Unskilled	1.38	261.0	291.9	322.8	384.4	10.6	19.1
	Worker	2.77	340.7	383.3	415.7	466.0	8.5	12.1
	Male	1.38	345.6	392.5	422.0	457.1	7.5	8.3
	Female	1.39	335.8	374.1	409.5	474.9	9.5	16.0

Table 7
Consumer Price Inflation in Nepal and India (Monthly Series)
(y-o-y changes)

Months	2014/15			2015/16			2016/17 ^P		
	Nepal	India	Deviation	Nepal	India	Deviation	Nepal	India	Deviation
August	7.5	7.7	-0.2	6.9	3.7	3.2	8.6	5.1	3.5
September	7.6	6.5	1.1	7.2	4.4	2.8	7.9	4.3	3.6
October	7.5	5.5	2.0	8.2	5.0	3.3	6.7	4.2	2.5
November	7.2	4.4	2.8	10.4	5.4	5.0	4.8	3.6	1.2
December	7.0	4.9	2.1	11.6	5.6	6.0	3.8	3.4	0.4
January	6.8	5.2	1.6	12.1	5.7	6.4	3.2	3.2	0.0
February	7.0	5.4	1.6	11.3	5.2	6.1	3.3	3.7	-0.4
March	7.0	5.3	1.7	10.2	4.8	5.4	2.9	3.8	-0.9
April	6.9	4.9	2.0	9.7	5.4	4.3	3.8	3.0	0.8
May	7.1	5.0	2.1	10.0	5.8	4.2	3.4	2.2	1.2
June	7.4	5.4	2.0	11.1	5.8	5.3	2.8	1.5	1.2
July	7.6	3.7	3.9	10.4	6.1	4.3	2.7	2.4	0.3
Average	7.2	5.3	1.9	9.9	5.2	4.7	4.5	3.4	1.1

Table 8
Direction of Foreign Trade*

(Rs. in Million)

	2014/15	2015/16	2016/17 ^P	Percent Change	
				2015/16	2016/17
TOTAL EXPORTS	85,319.1	70,117.1	73,049.1	-17.8	4.2
To India	55,864.6	39,493.7	41,449.2	-29.3	5.0
To China	2,229.9	1,681.5	1,701.5	-24.6	1.2
To Other Countries	27,224.6	28,941.9	29,898.4	6.3	3.3
TOTAL IMPORTS	774,684.2	773,599.1	990,113.2	-0.1	28.0
From India	491,655.9	477,212.6	633,669.6	-2.9	32.8
From China	100,166.4	115,694.3	127,245.0	15.5	10.0
From Other Countries	182,861.9	180,692.2	229,198.6	-1.2	26.8
TOTAL TRADE BALANCE	-689,365.1	-703,482.0	-917,064.1	2.0	30.4
With India	-435,791.3	-437,718.9	-592,220.4	0.4	35.3
with China	-97,936.5	-114,012.8	-125,543.5	16.4	10.1
With Other Countries	-155,637.3	-151,750.3	-199,300.2	-2.5	31.3
TOTAL FOREIGN TRADE	860,003.3	843,716.3	1063,162.3	-1.9	26.0
With India	547,520.5	516,706.3	675,118.7	-5.6	30.7
With China	102,396.3	117,375.8	128,946.5	14.6	9.9
With Other Countries	210,086.5	209,634.1	259,097.0	-0.2	23.6

(In Percent)

1. Ratio of Exports to Imports	11.0	9.1	7.4
India	11.4	8.3	6.5
China	2.2	1.5	1.3
Other Countries	14.9	16.0	13.0
2. Share in Total Exports			
India	65.5	56.3	56.7
China	2.6	2.4	2.3
Other Countries	31.9	41.3	40.9
3. Share in Total Imports			
India	63.5	61.7	64.0
China	12.9	15.0	12.9
Other Countries	23.6	23.4	23.1
4. Share in Trade Balance			
India	63.2	62.2	64.6
China	14.2	16.2	13.7
Other Countries	22.6	21.6	21.7
5. Share in Total Trade			
India	63.7	61.2	63.5
China	11.9	13.9	12.1
Other Countries	24.4	24.8	24.4
6. Share of Exports & Imports in Total Trade			
Exports	9.9	8.3	6.9
Imports	90.1	91.7	93.1

* Based on customs data

P = Provisional

Table 9
Exports of Major Commodities to India*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16	2016/17 ^P	2015/16	2016/17
A.	Major Commodities	49,467.6	46,267.4	34,320.4	-6.5	-25.8
1	Aluminium Section	376.9	472.2	191.4	25.3	-59.5
2	Biscuits	1.5	2.1	0.0	40.8	-100.0
3	Brans	182.4	180.4	143.4	-1.1	-20.5
4	Brooms	1.2	1.1	0.5	-6.7	-59.8
5	Cardamom	4,267.2	3,839.7	4,633.3	-10.0	20.7
6	Catechue	0.0	0.0	0.0	-	-
7	Cattlefeed	267.0	617.1	383.0	131.1	-37.9
8	Chemicals	0.0	16.6	6.7	-	-59.6
9	Cinnamon	64.5	82.4	95.3	27.7	15.6
10	Copper Wire Rod	1,426.9	1,260.6	892.1	-11.7	-29.2
11	Fruits	18.0	9.3	21.3	-48.2	128.0
12	G.I. pipe	3,031.0	2,993.7	938.9	-1.2	-68.6
13	Ghee (Vegetable)	0.0	0.0	0.0	-	-
14	Ghee (Clarified)	156.0	154.7	138.1	-0.8	-10.7
15	Ginger	469.3	461.4	521.9	-1.7	13.1
16	Handicraft Goods	23.1	27.2	25.2	17.7	-7.5
17	Herbs	244.8	500.3	372.7	104.4	-25.5
18	Juice	4,431.5	4,773.3	3,247.6	7.7	-32.0
19	Jute Goods	4,302.2	4,273.1	4,245.9	-0.7	-0.6
	(a) Hessian	5.6	10.7	85.6	90.3	697.6
	(b) Sackings	3,578.6	3,746.5	3,787.5	4.7	1.1
	(c) Twines	718.0	515.9	372.8	-28.1	-27.7
20	Live Animals	234.2	204.6	104.7	-12.6	-48.8
21	M.S. Pipe	213.0	173.5	51.7	-18.5	-70.2
22	Marble Slab	23.3	0.0	0.0	-100.0	-
23	Medicine (Ayurvedic)	894.7	907.2	730.6	1.4	-19.5
24	Mustard & Linseed	17.5	47.3	64.3	170.4	36.0
25	Noodles	522.4	621.2	456.2	18.9	-26.6
26	Oil Cakes	706.2	613.1	1,001.1	-13.2	63.3
27	Paper	0.3	1.4	0.9	339.5	-39.9
28	Particle Board	158.4	109.2	29.4	-31.1	-73.0
29	Pashmina	68.0	49.5	72.3	-27.2	46.1
30	Plastic Utensils	357.6	343.9	211.6	-3.8	-38.5
31	Polyester Yarn	5,153.3	5,018.2	3,252.8	-2.6	-35.2
32	Pulses	4.4	127.1	279.3	-	119.8
33	Raw Jute	43.7	1.7	12.5	-96.1	631.8
34	Readymade Garments	310.6	260.8	166.8	-16.1	-36.1
35	Ricebran Oil	195.4	72.5	62.8	-62.9	-13.4
36	Rosin	1,392.5	1,842.6	1,688.8	32.3	-8.3
37	Shampoos and Hair Oils	0.0	0.0	0.0	-	-
38	Shoes and Sandals	1,962.0	2,360.4	1,607.9	20.3	-31.9
39	Skin	264.4	315.6	123.8	19.4	-60.8
40	Soap	25.6	21.8	10.5	-14.9	-51.9
41	Stone and Sand	1,917.8	54.7	0.0	-97.1	-100.0
42	Turpentine	267.6	310.5	260.7	16.0	-16.0
43	Textiles**	5,779.2	5,129.2	3,438.5	-11.2	-33.0
44	Thread	180.2	180.4	50.2	0.1	-72.2
45	Tooth Paste	1,133.2	984.8	1,012.5	-13.1	2.8
46	Turmeric	4.4	0.5	9.0	-89.0	-
47	Vegetables	126.8	250.1	281.7	97.2	12.6
48	Wire	2,070.2	2,212.8	1,547.0	6.9	-30.1
49	Zinc Sheet	6,177.0	4,387.5	1,935.7	-29.0	-55.9
B.	Others	10,146.1	9,597.2	5,173.3	-5.4	-46.1
	Total (A+B)	59,613.7	55,864.6	39,493.7	-6.3	-29.3

* Based on customs data

** Includes PP fabric

P = Provisional

Table 10
Imports of Major Commodities from India*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16	2016/17 ^P	2015/16	2016/17
A.	Major Commodities	381,740.9	371,598.1	506,569.1	-2.7	36.3
1	Agri. Equip. & Parts	9,407.1	9,493.6	15,202.2	0.9	60.1
2	Aluminium Bars, Rods, Profiles, Foil, etc.	3,197.6	3,173.9	3,665.8	-0.7	15.5
3	Baby Food & Milk Products	4,659.8	4,685.7	5,904.1	0.6	26.0
4	Bitumen	649.2	456.5	1,171.7	-29.7	156.7
5	Books and Magazines	1,650.4	1,961.3	1,708.5	18.8	-12.9
6	Cement	10,125.5	11,689.5	24,032.5	15.4	105.6
7	Chemical Fertilizer	5,954.7	1,599.0	1,083.0	-73.1	-32.3
8	Chemicals	3,095.1	3,338.9	3,943.4	7.9	18.1
9	Coal	6,208.2	9,155.4	9,015.6	47.5	-1.5
10	Cold-rolled Sheet in Coil	7,153.0	6,964.8	5,027.5	-2.6	-27.8
11	Cooking Stoves	245.3	306.8	413.4	25.1	34.8
12	Cosmetics	1,866.0	2,189.0	2,664.2	17.3	21.7
13	Cuminseeds and Peppers	1,188.3	1,167.4	1,230.4	-1.8	5.4
14	Dry Cell Battery	3,738.1	4,330.6	2,622.8	15.8	-39.4
15	Electrical Equipment	10,720.3	12,213.7	13,865.6	13.9	13.5
16	Enamel & Other Paints	1,901.7	2,027.7	2,328.4	6.6	14.8
17	Fruits	3,706.1	5,016.8	4,949.9	35.4	-1.3
18	Glass Sheet and Glasswares	3,152.1	3,696.2	4,072.2	17.3	10.2
19	Hotrolled Sheet in Coil	13,259.2	13,421.0	16,191.1	1.2	20.6
20	Incense Sticks	705.7	613.6	723.2	-13.1	17.9
21	Insecticides	1,767.3	1,784.6	2,136.5	1.0	19.7
22	Live Animals	1,952.4	2,689.7	2,165.3	37.8	-19.5
23	M.S. Billet	26,335.6	22,657.3	46,509.3	-14.0	105.3
24	M.S. Wires, Rods, Coils, Bars	5,392.0	7,888.9	9,259.1	46.3	17.4
25	Medicine	17,846.6	19,163.9	21,484.2	7.4	12.1
26	Molasses Sugar	29.9	22.7	67.0	-24.2	195.7
27	Other Machinery & Parts	18,892.9	19,323.3	26,526.9	2.3	37.3
28	Other Stationery Goods	546.3	576.8	683.0	5.6	18.4
29	Paper	5,140.4	5,542.0	5,876.9	7.8	6.0
30	Petroleum Products	110,057.8	65,607.9	118,919.7	-40.4	81.3
31	Pipe and Pipe Fittings	1,342.4	1,421.0	2,049.5	5.9	44.2
32	Plastic Utensils	2,069.3	2,512.8	2,761.5	21.4	9.9
33	Radio, TV, Deck & Parts	1,178.4	1,514.8	1,596.4	28.5	5.4
34	Raw Cotton	132.5	198.9	235.2	50.1	18.2
35	Readymade Garments	4,605.9	4,458.8	5,622.9	-3.2	26.1
36	Rice and paddy	15,612.6	21,863.2	23,600.9	40.0	7.9
37	Salt	1,162.9	1,282.7	904.0	10.3	-29.5
38	Sanitaryware	3,369.2	4,236.1	5,051.4	25.7	19.2
39	Shoes & Sandals	786.7	888.0	1,049.2	12.9	18.2
40	Steel Sheet	52.8	317.0	246.7	500.1	-22.2
41	Sugar	19.3	356.4	119.1	-	-66.6
42	Tea	68.5	61.1	78.4	-10.8	28.2
43	Textiles	3,816.7	4,166.7	4,204.3	9.2	0.9
44	Thread	7,210.5	6,654.7	6,418.3	-7.7	-3.6
45	Tobacco	2,037.7	2,765.7	2,805.3	35.7	1.4
46	Tyre, Tubes & Flaps	4,326.5	4,081.1	5,876.8	-5.7	44.0
47	Vegetables	7,988.7	7,725.6	10,645.5	-3.3	37.8
48	Vehicles & Spare Parts	44,126.3	62,940.2	77,844.1	42.6	23.7
49	Wire Products	1,289.5	1,394.7	2,015.8	8.2	44.5
B.	Others	109,914.9	105,614.5	127,100.5	-3.9	20.3
	Total (A+B)	491,655.9	477,212.6	633,669.6	-2.9	32.8

* Based on customs data

P = Provisional

Table 11
Exports of Major Commodities to China*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16	2016/17 ^P	2015/16	2016/17
A.	Major Commodities	916.9	1,002.7	956.2	9.4	-4.6
1	Incense Sticks	14.0	5.6	9.8	-60.0	73.8
2	Aluminium, Copper and Brass Utensils	0.0	0.0	0.0	-	-
3	Handicraft (Metal and Woolen)	202.0	429.3	373.0	112.5	-13.1
4	Herbs	0.0	0.0	0.0	-	-
5	Human Hair	17.2	13.3	0.0	-22.8	-100.0
6	Musical Instruments, Parts and Accessories	0.1	0.0	0.0	-100.0	-
7	Nepalese Paper & Paper Products	0.0	0.0	0.0	-	-
8	Noodles	47.3	12.9	27.7	-72.8	115.6
9	Other Handicraft Goods	57.4	52.0	85.6	-9.4	64.6
10	Pashmina	28.1	50.3	25.5	78.6	-49.2
11	Readymade Garments	43.9	17.0	58.7	-61.3	245.0
12	Readymade Leather Goods	0.4	0.2	0.8	-49.1	324.0
13	<i>Rudrakshya</i> Beads	10.1	0.0	0.0	-100.0	-
14	Silverware and Jewelleries	4.3	1.0	3.2	-77.2	225.7
15	Tanned Skin	306.9	171.4	138.2	-44.1	-19.4
16	Tea	13.4	11.9	8.7	-11.6	-27.0
17	Vegetables	0.0	0.0	0.0	-	-
18	Wheat Flour	22.3	5.7	6.0	-74.4	5.3
19	Woolen Carpet	149.3	232.1	219.0	55.5	-5.7
B.	Other	1,313.1	678.9	745.3	-48.3	9.8
	Total (A+B)	2,229.9	1,681.5	1,701.5	-24.6	1.2

* Based on customs data

P = Provisional

Table 12
Imports of Major Commodities from China*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16	2016/17 ^P	2015/16	2016/17
A.	Major Commodities	69,539.5	81,535.1	88,456.2	17.2	8.5
1	Aluminium Scrap, Flake, Foil, Bars & Rods	1,437.7	1,705.0	1,451.1	18.6	-14.9
2	Bags	540.2	569.9	636.8	5.5	11.7
3	Camera	469.6	255.6	410.1	-45.6	60.5
4	Chemical	1,187.3	1,367.3	1,191.3	15.2	-12.9
5	Chemical Fertilizer	7,620.0	16,119.6	8,745.6	111.5	-45.7
6	Cosmetic Goods	281.7	345.5	418.3	22.7	21.1
7	Dry Cell Battery	196.1	198.1	203.1	1.0	2.5
8	Electrical Goods	9,091.3	8,960.5	8,929.7	-1.4	-0.3
9	Fastener	214.1	231.9	225.7	8.3	-2.7
10	Garlic	451.1	508.6	365.8	12.7	-28.1
11	Ginger	0.0	0.0	0.0	-	-
12	Glasswares	908.2	1,196.7	1,412.0	31.8	18.0
13	Medical Equipment & Tools	1,598.4	1,281.8	1,027.8	-19.8	-19.8
14	Medicine	475.5	562.1	567.4	18.2	0.9
15	Metal & Wooden Furniture	703.6	834.9	1,260.0	18.7	50.9
16	Office Equipment & Stationery	750.7	648.1	868.3	-13.7	34.0
17	Other Machinery and Parts	8,323.4	7,917.7	10,475.8	-4.9	32.3
18	Other Stationeries	457.1	636.2	668.1	39.2	5.0
19	Paraffin Wax	256.2	250.6	29.0	-2.2	-88.4
20	Pipe and Pipe Fittings	492.6	270.1	666.0	-45.2	146.6
21	Plywood & Particle Board	355.0	295.5	380.6	-16.8	28.8
22	Polyethylene Terephthalate (Plastic Pet Chips/Pet Resin)	50.3	0.0	0.0	-100.0	-
23	Raw Silk	1,537.9	1,337.5	755.1	-13.0	-43.5
24	Raw Wool	517.6	750.8	719.5	45.0	-4.2
25	Readymade Garments	4,080.4	5,617.9	5,559.8	37.7	-1.0
26	Seasoning Powder & Flavour for Instant Noodles	50.9	49.3	70.8	-3.0	43.5
27	Shoes and Sandals	1,685.7	2,409.3	2,176.4	42.9	-9.7
28	Smart Cards	225.2	201.8	148.3	-10.4	-26.5
29	Solar Pannel	709.1	820.0	832.2	15.6	1.5
30	Steel Rod & Sheet	548.3	173.3	632.9	-68.4	265.2
31	Storage Battery	1,047.0	458.5	837.9	-56.2	82.8
32	Telecommunication Equipments and Parts	15,397.4	17,989.8	24,230.6	16.8	34.7
33	Threads - Polyester	348.9	313.8	331.9	-10.1	5.7
34	Toys	510.7	617.2	734.7	20.9	19.0
35	Transport Equipment & Parts	1,322.4	1,583.4	2,787.4	19.7	76.0
36	Tyre, Tubes and Flapes	198.0	136.0	159.1	-31.3	16.9
37	Video Television & Parts	4,440.6	3,684.6	7,146.5	-17.0	94.0
38	Welding Rods	258.9	486.5	438.3	87.9	-9.9
39	Wheat Products	158.8	206.1	209.7	29.7	1.8
40	Writing & Printing Paper	641.3	543.7	752.3	-15.2	38.4
B.	Other Commodities	30,626.9	34,159.3	38,788.8	11.5	13.6
	Total (A + B)	100,166.4	115,694.3	127,245.0	15.5	10.0

* Based on customs data

P = Provisional

Table 13
Exports of Major Commodities to Other Countries*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16	2016/17 ^P	2015/16	2016/17
A.	A. Major Commodities	15,563.4	17,929.0	16,329.5	15.2	-8.9
1	Handicraft (Metal and Wooden)	84.8	97.5	153.3	15.0	57.3
2	Herbs	60.6	219.8	147.9	262.9	-32.7
3	Nepalese Paper & Paper Products	217.8	324.2	380.1	48.8	17.2
4	Nigerseed	0.0	0.0	0.0	-	-
5	Pashmina	2,117.7	2,635.6	2,353.7	24.5	-10.7
6	Pulses	1,131.6	882.8	970.0	-22.0	9.9
7	Readymade Garments	3,959.7	4,481.9	4,005.5	13.2	-10.6
8	Readymade Leather Goods	261.1	225.0	263.5	-13.8	17.1
9	Silverware and Jewelleries	102.5	214.6	253.8	109.3	18.3
10	Tanned Skin	646.6	424.0	383.1	-34.4	-9.6
11	Tea	221.1	575.2	262.0	160.2	-54.4
12	Woolen Carpet	6,760.1	7,848.4	7,156.4	16.1	-8.8
B.	B. Others	11,661.1	11,012.9	13,568.9	-5.6	23.2
	Total (A+B)	27,224.6	28,941.9	29,898.4	6.3	3.3

* Based on customs data

P = Provisional

Table 14
Imports of Major Commodities from Other Countries*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2014/15	2015/16 ^R	2016/17 ^P	2015/16	2016/17
A.	A. Major Commodities	133,585.0	123,472.8	159,666.4	-7.6	29.3
1	Aircraft Spareparts	16,984.4	7,679.2	17,277.3	-54.8	125.0
2	Bags	31.3	52.1	43.8	66.4	-15.9
3	Betelnut	4,377.3	2,097.8	1,036.9	-52.1	-50.6
4	Button	2.2	2.3	0.4	1.7	-80.2
5	Camera	591.4	245.1	432.7	-58.6	76.5
6	Chemical Fertilizer	956.8	1,686.6	3,299.8	76.3	95.7
7	Cigarette Paper	31.2	37.1	36.4	18.7	-1.7
8	Clove	75.0	49.3	127.4	-34.3	158.3
9	Coconut Oil	30.0	22.9	31.4	-23.5	37.2
10	Computer and Parts	1,360.4	1,345.9	2,536.4	-1.1	88.5
11	Copper Wire Rod, Scrapes & Sheets	2,531.4	1,717.7	1,755.6	-32.1	2.2
12	Cosmetic Goods	1,093.2	1,112.5	1,280.5	1.8	15.1
13	Crude Coconut Oil	13.8	9.7	0.0	-29.5	-100.0
14	Crude Palm Oil	5,104.2	3,119.0	5,773.1	-38.9	85.1
15	Crude Soyabean Oil	12,843.9	12,719.7	13,529.1	-1.0	6.4
16	Cuminseed	0.0	4.1	4.2	-	2.7
17	Door Locks	3.3	7.3	10.3	120.9	40.7
18	Drycell Battery	22.5	214.6	18.0	852.3	-91.6
19	Edible Oil	3,039.2	2,661.3	8,767.7	-12.4	229.5
20	Electrical Goods	1,913.3	1,770.6	1,663.1	-7.5	-6.1
21	Fastener	13.0	11.7	3.2	-10.6	-72.9
22	Flash Light	9.6	8.8	19.9	-9.0	126.7
23	G.I.Wire	2.6	2.5	2.7	-4.5	7.4
24	Glasswares	240.4	188.9	375.9	-21.4	98.9
25	Gold	6,389.6	16,074.3	27,432.1	151.6	70.7
26	Insecticides	100.1	107.6	186.2	7.4	73.1
27	M.S. Billet	0.0	11.6	0.0	-	-100.0
28	M.S.Wire Rod	41.1	51.9	21.0	26.3	-59.5
29	Medical Equipment & Tools	4,217.3	5,316.8	5,439.9	26.1	2.3
30	Medicine	5,312.9	9,030.0	3,406.5	70.0	-62.3
31	Office Equipment & Stationery	421.6	627.9	946.4	48.9	50.7
32	Other Machinery & Parts	5,955.6	6,670.2	6,474.1	12.0	-2.9
33	Other Stationeries	938.2	564.5	673.3	-39.8	19.3
34	P.V.C.Compound	2,262.4	1,724.1	2,441.3	-23.8	41.6
35	Palm Oil	465.5	744.3	607.7	59.9	-18.4
36	Paraffin Wax	122.1	68.5	23.1	-43.8	-66.3
37	Petroleum Products	2,035.5	3,116.2	2,494.2	53.1	-20.0
38	Pipe & Pipe Fittings	351.6	215.6	146.1	-38.7	-32.2
39	Polythene Granules	6,579.6	9,122.3	8,905.4	38.6	-2.4
40	Powder Milk	555.5	221.2	713.4	-60.2	222.6
41	Raw Silk	17.1	2.0	0.1	-88.1	-95.6
42	Raw Wool	940.8	908.9	833.4	-3.4	-8.3
43	Readymade Garments	959.3	1,504.6	1,078.5	56.8	-28.3
44	Shoes and Sandals	165.8	225.2	203.0	35.8	-9.8
45	Silver	24,699.3	7,242.8	9,873.3	-70.7	36.3
46	Small Cardamom	424.3	342.8	1,832.8	-19.2	434.7
47	Steel Rod & Sheet	6.8	61.3	34.9	803.4	-43.0
48	Storage Battery	950.7	768.8	677.1	-19.1	-11.9
49	Synthetic & Natural Rubber	159.9	158.6	179.1	-0.8	12.9
50	Synthetic Carpet	495.0	553.5	661.6	11.8	19.5
51	Telecommunication Equipment & Parts	3,856.2	5,488.2	6,901.7	42.3	25.8
52	Tello	290.9	120.4	99.9	-58.6	-17.0
53	Textile Dyes	117.5	112.1	102.9	-4.6	-8.2
54	Textiles	869.0	709.7	707.9	-18.3	-0.3
55	Threads	2,641.3	2,941.1	2,146.0	11.4	-27.0
56	Toys	107.5	85.2	166.4	-20.7	95.2
57	Transport Equipment & Parts	4,772.3	5,876.9	7,618.1	23.1	29.6
58	Tyre, Tube & Flaps	409.0	463.1	596.1	13.2	28.7
59	Umbrella and Parts	0.7	1.4	7.4	96.4	428.8
60	Video, Television & Parts	1,792.4	1,364.3	2,306.0	-23.9	69.0
61	Watches & Bands	383.8	487.4	480.7	27.0	-1.4
62	Writing & Printing Paper	1,877.1	1,854.8	2,730.0	-1.2	47.2
63	X-Ray Film	413.1	349.7	500.6	-15.4	43.2
64	Zinc Ingot	216.0	1,416.4	1,992.3	555.8	40.7
B.	B. Others	49,276.9	57,219.4	69,532.2	16.1	21.5
	Total (A+B)	182,861.9	180,692.2	229,198.6	-1.2	26.8

* Based on customs data

P Provisional

Table 15
Summary of Balance of Payments

(Rs. in Million)

Particulars	Annual			Percent Change	
	2015/16	2016/17	2016/17 ^P	2015/16	2016/17
A. Current Account	108,319.8	140,418.5	-10,130.6	-	-
Goods: Exports f.o.b.	98,276.3	74,866.1	82,127.5	-23.8	9.7
Oil	0.0	0.0	0.0	-	-
Other	98,276.3	74,866.1	82,127.5	-23.8	9.7
Goods: Imports f.o.b.	-761,773.0	-756,487.9	-977,945.8	-0.7	29.3
Oil	-112,044.6	-68,724.4	-121,413.8	-38.7	76.7
Other	-649,728.4	-687,763.5	-856,532.0	5.9	24.5
Balance on Goods	-663,496.7	-681,621.8	-895,818.3	2.7	31.4
Services: Net	27,617.5	9,849.2	2,891.3	-64.3	-70.6
Services: Credit	149,288.4	138,472.4	158,264.9	-7.2	14.3
Travel	53,428.6	41,765.3	58,526.9	-21.8	40.1
Government n.i.e.	32,481.1	38,330.8	25,533.6	18.0	-33.4
Other	63,378.7	58,376.3	74,204.3	-7.9	27.1
Services: Debit	-121,670.9	-128,623.2	-155,373.6	5.7	20.8
Transportation	-43,996.3	-44,030.3	-46,884.9	0.1	6.5
Travel	-53,190.2	-56,418.4	-79,926.9	6.1	41.7
O/W Education	-17,065.4	-20,139.1	-35,024.9	18.0	73.9
Government Services:Debit	-1,974.8	-2,100.3	-1,331.9	6.4	-36.6
Other	-22,509.6	-26,074.2	-27,229.8	15.8	4.4
Balance on Goods & Services	-635,879.2	-671,772.6	-892,926.9	5.6	32.9
Income: Net	34,242.5	34,004.3	30,995.1	-0.7	-8.8
Income: Credit	42,831.5	43,085.3	51,958.8	0.6	20.6
Income: Debit	-8,589.0	-9,080.9	-20,963.8	5.7	-
Balance on Goods,Services & Income	-601,636.7	-637,768.3	-861,931.9	6.0	35.1
Transfers: Net	709,956.5	778,186.8	851,801.3	9.6	9.5
Current Transfers: Credit	712,522.2	781,989.6	855,708.8	9.7	9.4
Grants	52,855.4	70,411.6	114,663.9	33.2	62.8
Workers' Remittances	617,278.8	665,064.3	695,452.4	7.7	4.6
Pensions	42,388.0	46,513.6	45,592.6	9.7	-2.0
Other (Indian Excise Refund)	0.0	0.0	0.0	-	-
Current Transfers: Debit	-2,565.7	-3,802.8	-3,907.6	48.2	2.8
B. Capital Account (Capital Transfer)	14,811.4	16,987.3	13,362.7	14.7	-21.3
Total (Group A plus B)	123,131.2	157,405.8	3,232.1	27.8	-97.9
C. Financial Account (Excluding Group E)	18,023.8	29,638.4	26,639.5	64.4	-10.1
Direct Investment in Nepal	4,382.6	5,920.9	13,503.9	35.1	-
Portfolio Investment	0.0	0.0	0.0	-	-
Other Investment: Assets	-34,584.5	-30,936.3	-48,690.6	-10.5	57.4
Trade Credits	-2,234.3	-338.9	-9,005.3	-84.8	-
Other	-32,350.2	-30,597.4	-39,685.3	-5.4	29.7
Other Investment: Liabilities	48,225.7	54,653.8	61,826.1	13.3	13.1
Trade Credits	22,912.3	16,397.4	24,381.3	-28.4	48.7
Loans	12,160.4	27,341.8	56,109.2	124.8	105.2
General Government	12,222.5	25,978.9	44,787.1	112.5	72.4
Drawings	29,264.3	43,774.0	62,601.7	49.6	43.0
Repayments	-17,041.8	-17,795.1	-17,814.6	4.4	0.1
Other Sectors	-62.1	1,362.9	11,322.0	-	-
Currency & Deposits	14,318.6	14,982.3	-18,812.0	4.6	-
Nepal Rastra Bank	-20.2	-5.6	231.9	-72.3	-
Deposit Money Banks	14,338.8	14,987.9	-19,043.9	4.5	-
Other Liabilities	-1,165.7	-4,067.7	147.7	249.0	-103.6
Total (Group A through C)	141,155.0	187,044.3	29,871.6	32.5	-84.0
D. Miscellaneous Items, Net	18,199.6	16,891.2	33,471.1	-7.2	98.2
Total (Group A through D)	159,354.6	203,935.5	63,342.7	28.0	-68.9
E. Reserves & Related Items	-159,354.6	-203,935.5	-63,342.7	28.0	-68.9
Reserve Assets	-158,192.0	-203,935.5	-61,640.5	28.9	-69.8
Nepal Rastra Bank	-130,353.0	-172,887.0	-61,879.3	32.6	-64.2
Deposit Money Banks	-27,839.0	-31,048.5	238.8	11.5	-
Use of Fund Credit and Loans	-1,162.6	0.0	-1,702.3	-	-
Changes in Reserve Net (- increase)	-145,036.0	-188,953.2	-82,154.7	-	-56.5

P Provisional

Table 16
Gross Foreign Exchange Reserve

	Mid-July			Percent Change	
	2015	2016	2017	2015/16	2016/17
	Rs. in Million				
Nepal Rastra Bank	703,060.9	887,010.8	927,266.4	26.2	4.5
Convertible	517,456.7	672,458.2	683,870.4	30.0	1.7
Inconvertible	185,604.2	214,552.6	243,396.0	15.6	13.4
Commercial Banks	120,995.1	152,199.8	152,255.6	25.8	0.0
Convertible	114,843.4	144,005.6	144,507.4	25.4	0.3
Inconvertible	6,151.7	8,194.2	7,748.2	33.2	-5.4
Total Reserve	824,056.0	1039,210.6	1079,521.9	26.1	3.9
Convertible	632,300.1	816,463.8	828,377.8	29.1	1.5
Inconvertible	191,756.0	222,746.9	251,144.2	16.2	12.7
	US dollars in Million				
Nepal Rastra Bank	6,951.4	8,310.8	9,014.8	19.6	8.5
Convertible	5,116.2	6,300.6	6,648.6	23.1	5.5
Inconvertible	1,835.1	2,010.2	2,366.3	9.5	17.7
Commercial Banks	1,196.3	1,426.0	1,480.2	19.2	3.8
Convertible	1,135.5	1,349.3	1,404.9	18.8	4.1
Inconvertible	60.8	76.8	75.3	26.2	-1.9
Total Reserve	8,147.7	9,736.8	10,495.1	19.5	7.8
Convertible	6,251.7	7,649.8	8,053.4	22.4	5.3
Inconvertible	1,895.9	2,087.0	2,441.6	10.1	17.0

Table 17
International Investment Position (IIP)

(Rs. in Million)

S.N.	Items	As in Mid-July (Rs. in Million)		
		2015	2016	2017
A	Assets	83,778.89	105,401.21	110,778.75
1	Direct Investment	0.00	0.00	0.00
2	Portfolio Investment	0.00	0.00	0.00
3	Other Investments	11,110.50	13,638.12	15,212.98
	Other equity	547.61	688.37	1,076.58
	Currency and deposits	4,416.95	4,179.69	4,355.68
	Loans	6.41	5.76	330.46
	Trade credit and advances	223.43	33.89	900.53
	Other account receivable	5,916.10	8,730.41	8,549.73
4	Official Reserve Assets	72,668.39	91,763.09	95,565.77
B	Liabilites	54,262.32	61,048.53	66,640.88
1	Direct Investment	10,617.18	13,767.82	15,118.21
2	Portfolio Investment	0.00	0.00	0.00
3	Other Investments	43,645.14	47,280.70	51,522.67
	Other equity	0.00	0.00	0.00
	Currency and deposits	3,987.03	4,066.47	4,140.23
	Loans	36,396.25	40,519.92	43,960.70
	Trade credit and advances	2,291.23	1,639.74	2,438.13
	Other account payable	3.82	36.25	6.64
	Special drawing rights	966.81	1,018.33	976.96
Net IIP		185,923.0	29,516.57	44,352.68

Table 18
Government Budgetary Operation¹
(On Cash Basis)

(Rs. in Million)

Heads	Amount			Percent Change	
	2014/15	2015/16	2016/17 ²	2015/16	2016/17
Expenditure of Budget	509,213.9	581,704.4	793,912.7	14.2	36.5
Recurrent	334,881.5	364,469.2	501,619.6	8.8	37.6
a. Domestic Resources	309,169.3	333,275.0	465,283.9	7.8	39.6
b. Foreign Loans	3,625.7	9,490.6	19,140.8	161.8	101.7
c. Foreign Grants	22,086.5	21,703.6	17,194.9	-1.7	-20.8
Capital	81,030.3	115,677.4	189,456.6	42.8	63.8
a. Domestic Resources	68,626.0	101,579.1	152,580.5	48.0	50.2
b. Foreign Loans	7,646.2	7,247.5	24,626.5	-5.2	239.8
c. Foreign Grants	4,758.1	6,850.8	12,249.6	44.0	78.8
Financial	93,302.1	101,557.7	102,836.5	8.8	1.3
a. Domestic Resources	87,750.5	93,336.9	100,771.0	6.4	8.0
b. Foreign Loans	4,051.6	7,834.2	1,737.0	93.4	-77.8
c. Foreign Grants	1,500.0	386.7	328.5	-74.2	-15.0
Total Resources	440,907.0	525,022.0	627,037.0	19.1	19.4
Revenue and Grants	434,795.2	521,761.4	623,639.8	20.0	19.5
Revenue	405,846.6	481,978.1	609,163.8	18.8	26.4
Foreign Grants	28,948.6	39,783.2	14,476.0	37.4	-63.6
Non-Budgetary Receipts, net	11,104.8	5,713.4	15,668.9	-48.5	174.2
Deficits(-) Surplus(+)	-68,307.0	-56,682.0	-166,876.0	-17.0	194.4
Sources of Financing	-68,307.0	-56,683.0	-166,876.0	-17.0	194.4
Internal Loans	54,482.0	13,215.0	116,129.0	-75.7	778.8
Domestic Borrowings	42,423.1	87,774.5	88,337.7	106.9	0.6
(i) Treasury Bills	10,000.0	20,500.0	33,000.0		
(ii) Development Bonds	30,000.0	62,000.0	55,000.0		
(iii) National Saving Certificates	0.0	0.0	0.0		
(iv) Citizen Saving Certificates	2,339.4	5,000.0	285.6		
(v) Foreign Employment Bond	83.7	274.5	52.1		
Overdrafts ³	12,114.0	-74,373.0	28,600.0	-713.9	-138.5
Others ⁴	-55.5	-186.4	-808.4	235.9	333.7
Principal Refund and Share Divestment	11,224.0	13,694.0	2,940.2	22.0	-78.5
Foreign Loans	2,601.2	29,773.5	47,806.5	1044.6	60.6
Treasury Fund Account	28,538.8	6,849.0	41,268.0	-76.0	502.6
V. A. T. Fund Account	1,129.6	-3.1	-850.9	-100.3	
Customs Fund Account	832.9	216.0	228.6	-74.1	5.8
Reconstruction Fund Account	10,000.0	0.0	17,038.6		
Local Authorities' Accounts (LAA) ⁵	5,497.4	3,086.9	13,314.4	-43.8	331.3
Other Income	11,078.0	3,549.0	11,537.0		
Current Account (-Surplus)	10,312.0	81,222.0	12,668.0	687.6	-84.4

1 Based on data reported by 8 offices of NRB, 66 branches of Rastriya Banijya Bank Limited, 44 branches of Nepal Bank Limited, 9 branches of Everest Bank Limited, 4 branches of Global IME Bank Limited and 1 branch each of Nepal Bangladesh Bank, NMB Bank Limited and Bank of Kathmandu Limited conducting government transactions and release report from 79 DTCOs and payment centres.

2 Unaudited

3 Minus (-) indicates surplus

4 Interest from Government Treasury transactions and others.

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

Table 19
Outstanding Domestic Debt of Government of Nepal

(Rs. in Million)

S. N.	Bonds/Ownership	Amount			Amount Change		Percent Change	
		2014/15	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
1	Treasury Bills	119,858.1	116,059.1	110,409.3	-3,799.0	-5,649.8	-3.17	-4.87
	a. Nepal Rastra Bank	17,968.9	16,099.9	30,457.4	-1,869.0	14,357.5	-10.40	89.18
	b. Commercial Banks	100,729.2	97,899.5	79,538.8	-2,829.6	-18,360.7	-2.81	-18.76
	c. Development Banks	907.0	444.4	343.1	-462.6	-101.3	-51.05	-22.73
	d. Finance Companies	253.1	111.5	70.0	-141.6	-41.5	-55.73	-37.50
	e. Others	0.0	1,503.8	0.0	1,503.8	-1,503.8	-	-
2	Development Bonds	57,070.0	108,900.0	163,900.0	51,830.0	55,000.0	90.82	50.51
	a. Nepal Rastra Bank	28.7	0.0	8,942.0	-28.7	8,942.0	-100.00	-
	b. Commercial Banks	35,633.9	79,063.5	123,523.0	43,429.6	44,459.5	121.88	56.23
	c. Development Banks	2,180.9	5,116.7	6,471.7	2,935.8	1,355.1	134.62	26.47
	d. Finance Companies	2,793.9	3,733.5	3,948.3	939.7	214.8	33.64	5.74
	e. Others	16,432.7	20,986.3	21,015.0	4,553.7	28.7	27.71	0.14
3	National Saving Certificates	16,586.5	906.5	906.5	-15,680.0	0.0	-94.54	0.06
	a. Nepal Rastra Bank	21.4	1.3	182.4	-20.1	181.1	-95.24	18140.00
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0	-	-
	c. Development Banks	0.0	0.0	0.0	0.0	0.0	-	-
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0	-	-
	e. Others	16,565.1	905.2	724.1	-15,659.9	-181.1	-94.54	-19.99
4	Citizen Saving Bonds	3,056.2	7,806.2	7,965.2	4,750.0	159.0	155.43	2.04
	a. Nepal Rastra Bank (Secondary Market)	507.6	307.6	2,274.7	-200.1	1,967.1	-39.37	638.54
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0	-	-
	c. Development Banks	0.0	0.0	0.0	0.0	0.0	-	-
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0	-	-
	e. Others	2,548.6	7,498.6	5,690.5	4,950.1	-1,808.1	194.19	-24.12
5	Foreign Employment Bonds	215.0	486.2	529.7	271.1	43.5	126.05	8.99
	a. Nepal Rastra Bank	0.02	0.01	10.00	-0.01	9.99	-	-
	b. Others	215.0	486.2	519.7	271.1	33.6	126.05	6.93
6	Total Domestic Debt	196,785.8	234,157.9	283,710.7	37,372.1	49,552.8	18.99	21.16
	a. Nepal Rastra Bank	18,526.6	16,408.8	41,866.5	-2,117.8	25,457.7	-11.43	155.14
	b. Commercial Banks	136,363.1	176,963.0	203,061.8	40,600.0	26,098.8	29.77	14.75
	c. Development Banks	3,087.8	5,561.1	6,814.8	2,473.2	1,253.8	80.08	22.55
	d. Finance Companies	3,047.0	3,845.0	4,018.3	798.1	173.3	26.22	4.48
	e. Others	35,761.3	31,380.0	27,949.3	-4,381.3	-3,430.7	-12.25	-10.93
7	Balance at NRB (Overdraft(+)/Surplus(-))	-33,813.1	-115,018.5	-127,686.4	-81,205.4	-12,667.9	-440.16	11.01

Memorandum Item

a. IMF Promissory Note	4,871.1	4,871.1	4,871.1
b. Foreign Debt	342,964.8	381,743.9	409,863.9
c. Total Public Debt (Excluding IMF Promissory Note)	539,750.6	615,901.8	693,574.6

Table 20
Monetary Survey

(Rs. in Million)

	Mid-July			Annual Change			
	2015	2016	2017 ^P	2015/16		2016/17	
				Amount	Percent	Amount	Percent
1. Foreign Assets, Net	747,287.4	956,022.1	1,014,724.7	188,953.2 ¹	25.3	82,154.7 ²	8.6
1.1 Foreign Assets	847,679.0	1,069,830.7	1,107,913.3	222,151.7	26.2	38,082.6	3.6
1.2 Foreign Currency Deposits	100,391.6	113,808.7	93,188.6	13,417.1	13.4	-20,620.0	-18.1
(a) Deposits	94,395.6	109,383.4	90,339.6	14,987.8	15.9	-19,043.8	-17.4
(b) Other	5,996.0	4,425.2	2,849.0	-1,570.7	-26.2	-1,576.2	-35.6
2. Net Domestic Assets	1,130,514.1	1,288,556.5	1,576,977.3	177,823.8 ¹	15.7	264,968.7 ²	20.6
2.1 Domestic Credit	1,527,345.6	1,805,694.8	2,156,287.9	278,349.2	18.2	350,593.2	19.4
(a) Net Claims on Government	127,211.4	87,759.4	128,074.7	-39,452.1	-31.0	40,315.3	45.9
Claims on Government	161,024.5	202,777.8	255,761.1	41,753.3	25.9	52,983.3	26.1
Government Deposits	33,813.1	115,018.5	127,686.4	81,205.4	240.2	12,667.9	11.0
(b) Claims on Non-Financial Govt Enterprises	10,100.8	8,227.0	9,225.9	-1,873.8	-18.6	998.9	12.1
(c) Claims on Financial Enterprises	16,088.6	17,443.6	21,834.1	1,355.0	8.4	4,390.6	25.2
Government	3,260.7	3,414.3	4,286.2	153.6	4.7	871.9	25.5
Non-Government.	12,827.9	14,029.3	17,547.9	1,201.4	9.4	3,518.7	25.1
(D) Claims on Private Sector	1373,944.9	1692,264.9	1,997,153.2	318,320.0	23.2	304,888.3	18.0
2.2 Net Non-Monetary Liabilities	396,831.5	517,138.3	579,310.6	1,005,25.3 ¹	25.3	85,624.5 ²	16.6
3. Broad Money Supply (M2)	1,877,801.5	2,244,578.6	2,591,702.0	366,777.0	19.5	347,123.4	15.5
3.1 Money Supply (M1+)	1,376,048.6	1,634,481.7	1,623,172.5	258,433.2	18.8	-11,309.3	-0.7
(a) Money Supply (M1)	424,744.6	503,287.1	569,402.4	78,542.5	18.5	66,115.3	13.1
Currency	270,080.4	327,482.7	361,745.9	57,402.3	21.3	34,263.2	10.5
Demand Deposits	154,664.2	175,804.4	207,656.4	21,140.2	13.7	31,852.0	18.1
(b) Saving & Call Deposits	951,303.9	1,131,194.6	1,053,770.1	179,890.7	18.9	-77,424.5	-6.8
3.2 Time Deposits	501,753.0	610,096.8	968,529.5	108,343.9	21.6	358,432.7	58.8
4. Broad Money Liquidity (M3)	1,972,197.2	2,353,962.0	2,682,041.6	381,764.8	19.4	328,079.6	13.9

P = Provisional

1 Adjusting exchange valuation gain of Rs. 19,781.4 million

2 Adjusting exchange valuation gain of Rs. -23,452.1 million

Table 21
Central Bank Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2015/16		2016/17	
	2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets	726,683.9	917,630.9	955,657.7	190,947.0	26.3	38,026.8	4.1
1.1 Gold Investment	19,527.1	28,206.2	25,929.4	8,679.1	44.4	-2,276.7	-8.1
1.2 SDR Holdings	4,095.9	29.8	170.6	-4,066.0	-99.3	140.8	471.8
1.3 IMF Reserve Position	0.0	2,384.1	2,291.3	2,384.1		-92.8	-2384.1
1.4 Foreign Exchange	703,060.9	887,010.8	927,266.4	183,949.9	26.2	40,255.6	4.5
2. Claims on Government	18,526.6	16,408.7	41,866.5	-2,117.9	-11.4	25,457.8	155.1
2.1 Treasury Bills	17,968.9	16,099.9	30,457.4	-1,869.1	-10.4	14,357.6	89.2
2.2 Development Bonds	28.7	0.0	8,942.0	-28.7	-100.0	8,942.0	
2.3 Other Government Securities	529.0	308.9	2,467.1	-220.2	-41.6	2,158.2	698.8
2.4 Loans and Advances	0.0	0.0	0.0	0.0		0.0	
3. Claims on Non-Financial Government Enterprises	31.0	31.0	31.0	0.0	0.0	0.0	0.0
4. Claims on Non-Financial Institutions	2,423.8	2,423.8	3,448.6	0.0	0.0	1,024.8	42.3
4.1 Government Institutions	2,407.8	2,407.8	3,432.6	0.0	0.0	1,024.8	42.6
4.2 Non-Government Institutions	16.0	16.0	16.0	0.0	0.0	0.0	0.0
5. Claims on Banks and Financial Institutions	3,261.5	6,710.2	6,937.3	3,448.6	105.7	227.1	3.4
5.1 Refinance	3,261.5	5,910.2	6,937.3	2,648.6	81.2	1,027.1	17.4
5.2 Repo Lending and SLF	0.0	800.0	0.0	800.0		-800.0	-100.0
6. Claims on Private Sector	4,695.8	4,449.8	4,137.1	-246.0	-5.2	-312.7	-7.0
7. Other Assets	31,359.3	33,875.4	36,601.2	2,516.1	8.0	2,725.8	8.0
Assets = Liabilities	786,981.9	981,529.7	1048,679.4	194,547.8	24.7	67,149.7	6.8
8. Reserve Money	522,898.4	547,053.0	656,909.5	24,154.5	4.6	109,856.5	20.1
8.1 Currency Outside ODCs	270,080.4	327,482.7	361,745.9	57,402.3	21.3	34,263.2	10.5
8.2 Currency Held by ODCs	47,292.0	55,901.1	63,082.5	8,609.0	18.2	7,181.4	12.8
8.3 Deposits of Commercial Banks	174,939.8	134,715.9	194,425.9	-40,224.0	-23.0	59,710.1	44.3
8.4 Deposits of Development Banks	11,483.8	13,738.9	12,364.7	2,255.0	19.6	-1,374.1	-10.0
8.5 Deposits of Finance Companies	5,815.5	5,551.4	4,802.4	-264.1	-4.5	-748.9	-13.5
8.6 Other Deposits	13,286.9	9,663.1	20,488.0	-3,623.8	-27.3	10,824.9	112.0
9. Govt. Deposits	33,813.1	115,018.5	127,686.4	81,205.4	240.2	12,667.9	11.0
10. Deposit Auction	60,000.0	0.0	14,400.0	-60,000.0	-100.0	14,400.0	
11. Reverse Repo	5,000.0	0.0	0.0	-5,000.0	-100.0	0.0	
12. NRB Bond	0.0	49,080.0	0.0	49,080.0		-49,080.0	
13. Foreign Liabilities	5,996.0	4,425.2	2,849.0	-1,570.7	-26.2	-1,576.2	-35.6
14. Capital and Reserve	118,248.2	139,195.6	128,664.1	20,947.4	17.7	-10,531.5	-7.6
15. Other Liabilities	41,026.1	126,757.4	118,170.3	85,731.3	209.0	-8,593.9	-6.8

1 Adjusting exchange valuation gain of Rs. 19,625.1 million

2 Adjusting exchange valuation gain of Rs. -23,746.6 million

Table 22
Condensed Assets and Liabilities of Banks and Financial Institutions
(Rs. in Million)

	Mid-July			Annual Change			
				2015/16		2016/17	
	2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	1,688,829.9	2,016,816.2	2,299,807.6	327,986.3	19.4	282,991.4	14.0
1.1 Demand Deposits	159,290.0	183,460.3	199,047.2	24,170.3	15.2	15,586.9	8.5
(a) Domestic Deposits	141,377.3	166,141.3	187,168.4	24,764.0	17.5	21,027.1	12.7
(b) Foreign Deposits	17,912.6	17,319.0	11,878.8	-593.6	-3.3	-5,440.2	-31.4
1.2 Saving Deposits	712,471.2	873,679.6	814,153.0	161,208.4	22.6	-59,526.5	-6.8
(a) Domestic Deposits	702,459.4	858,549.9	800,517.3	156,090.6	22.2	-58,032.6	-6.8
(b) Foreign Deposits	10,011.8	15,129.6	13,635.7	5,117.8	51.1	-1,493.9	-9.9
1.3 Fixed Deposits	509,201.1	615,861.4	993,425.8	106,660.3	20.9	377,564.4	61.3
(a) Domestic Deposits	489,602.8	594,160.0	947,689.9	104,557.3	21.4	353,529.9	59.5
(b) Foreign Deposits	19,598.4	21,701.4	45,735.9	2,103.0	10.7	24,034.5	110.8
1.4 Call Deposits	295,717.4	327,878.1	272,342.0	32,160.7	10.9	-55,536.1	-16.9
(a) Domestic Deposits	248,844.5	272,644.7	253,252.8	23,800.1	9.6	-19,391.9	-7.1
(b) Foreign Deposits	46,872.8	55,233.4	19,089.2	8,360.6	17.8	-36,144.2	-65.4
1.5 Margin Deposits	12,150.2	15,936.8	20,839.6	3,786.6	31.2	4,902.8	30.8
2. Borrowings from NRB	3,261.5	6,710.2	6,937.3	3,448.6	105.7	227.1	3.4
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	383,714.9	473,139.0	580,782.0	89,424.0	23.3	107,643.0	22.8
4.1 Paid-up Capital	141,598.6	164,981.4	226,966.6	23,382.8	16.5	61,985.2	37.6
4.2 General Reserves	80,937.5	107,709.1	139,321.8	26,771.7	33.1	31,612.7	29.4
4.3 Other Liabilities	161,178.9	200,448.5	214,493.5	39,269.6	24.4	14,045.1	7.0
Assets=Liabilities	2,075,806.3	2,496,665.3	2,887,526.8	420,859.0	20.3	390,861.5	15.7
5. Liquid Funds	353,447.0	356,855.5	420,687.0	3,408.6	1.0	63,831.4	17.9
5.1 Cash in Hand	47,292.0	55,901.1	63,082.5	8,609.0	18.2	7,181.4	12.8
5.2 Balance with NRB	192,239.2	154,006.1	211,593.1	-38,233.0	-19.9	57,587.0	37.4
5.3 Foreign Currency in Hand	1,336.9	999.9	1,092.8	-337.0	-25.2	92.9	9.3
5.4 Balance Held Abroad	112,504.8	145,881.6	144,752.9	33,376.9	29.7	-1,128.8	-0.8
5.5 Cash in Transit	74.1	66.8	165.7	-7.3	-9.8	98.9	148.0
6. Loans and Advances	1,542,634.9	1,902,718.2	2,240,901.0	360,083.3	23.3	338,182.8	17.8
6.1 Claims on Government	142,497.9	186,369.1	213,894.6	43,871.2	30.8	27,525.5	14.8
6.2 Claims on Non-Financial Government Enterprises	10,069.8	8,196.0	9,194.9	-1,873.8	-18.6	998.9	12.2
6.3 Claims on Financial Enterprises	13,664.8	15,019.8	18,385.6	1,355.0	9.9	3,365.7	22.4
Government	852.9	1,006.6	853.7	153.6	18.0	-152.9	-15.2
Non-Government	12,811.9	14,013.3	17,531.9	1,201.4	9.4	3,518.7	25.1
6.4 Claims on Private Sector	1,369,249.1	1,687,815.1	1,993,016.1	318,566.0	23.3	305,201.0	18.1
Principal	1,338,931.6	1,656,838.8	1,959,002.4	317,907.2	23.7	302,163.6	18.2
Interest Accrued	30,317.5	30,976.3	34,013.7	658.8	2.2	3,037.4	9.8
6.5 Foreign Bills Purchased & Discounted	7,153.4	5,318.3	6,409.9	-1,835.1	-25.7	1,091.6	20.5
7. NRB Bonds	0.0	49,080.0	0.0	49,080.0		-49,080.0	
8. Other Assets	179,724.4	188,011.5	225,938.8	8,287.1	4.6	37,927.3	20.2

P = Provisional

Table 23
Condensed Assets and Liabilities of Commercial Banks

(Rs. in Million)

	Mid-July			Annual Change			
				2015/16		2016/17	
	2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	1,452,748.8	1,753,430.6	2,080,385.7	300,681.9	20.7	326,955.0	18.6
1.1 Demand Deposits	150,442.9	175,087.2	191,702.3	24,644.3	16.4	16,615.1	9.5
(a) Domestic Deposits	132,566.9	157,821.0	179,874.8	25,254.1	19.1	22,053.8	14.0
(b) Foreign Deposits	17,876.0	17,266.2	11,827.5	-609.9	-3.4	-5,438.7	-31.5
1.2 Saving Deposits	559,351.0	698,691.2	703,028.1	139,340.2	24.9	4,336.9	0.6
(a) Domestic Deposits	549,436.3	683,588.7	689,422.5	134,152.4	24.4	5,833.8	0.9
(b) Foreign Deposits	9,914.7	15,102.5	13,605.6	5,187.9	52.3	-1,497.0	-9.9
1.3 Fixed Deposits	417,355.1	523,230.7	879,821.8	105,875.6	25.4	356,591.1	68.2
(a) Domestic Deposits	397,787.4	501,530.4	834,086.9	103,743.0	26.1	332,556.5	66.3
(b) Foreign Deposits	19,567.7	21,700.3	45,734.9	2,132.6	10.9	24,034.5	110.8
1.4 Call Deposits	313,798.9	340,707.8	285,228.7	26,908.9	8.6	-55,479.1	-16.3
(a) Domestic Deposits	266,863.4	285,473.9	266,139.4	18,610.5	7.0	-19,334.5	-6.8
(b) Foreign Deposits	46,935.5	55,233.9	19,089.3	8,298.5	17.7	-36,144.6	-65.4
1.5 Margin Deposits	11,800.9	15,713.7	20,604.8	3,912.8	33.2	4,891.1	31.1
2. Borrowings from NRB	3,261.5	6,516.3	6,243.6	3,254.7	99.8	-272.6	-4.2
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	297,716.1	381,269.4	496,399.1	83,553.2	28.1	115,129.7	30.2
4.1 Paid-up Capital	98,300.1	122,538.9	186,759.5	24,238.9	24.7	64,220.6	52.4
4.2 General Reserves	63,635.7	88,058.1	121,570.4	24,422.4	38.4	33,512.3	38.1
4.3 Other Liabilities	135,780.3	170,672.3	188,069.2	34,892.0	25.7	17,396.9	10.2
Assets=Liabilities	1,753,726.4	2,141,216.3	2,583,028.4	387,489.9	22.1	441,812.1	20.6
5. Liquid Funds	327,932.5	328,337.0	395,624.5	404.5	0.1	67,287.5	20.5
5.1 Cash in Hand	39,383.4	47,060.6	55,472.0	7,677.1	19.5	8,411.4	17.9
5.2 Balance with NRB	174,939.8	134,715.9	194,425.9	-40,224.0	-23.0	59,710.1	44.3
5.3 Foreign Currency in Hand	1,252.1	928.1	996.7	-323.9	-25.9	68.6	7.4
5.4 Balance Held Abroad	112,283.6	145,568.3	144,564.8	33,284.7	29.6	-1,003.5	-0.7
5.5 Cash in Transit	73.5	64.1	165.0	-9.4	-12.8	100.9	157.4
6. Loans and Advances	1,267,006.8	1,594,927.5	1,970,122.3	327,920.6	25.9	375,194.9	23.5
6.1 Claims on Government	136,363.1	176,963.0	203,061.8	40,599.9	29.8	26,098.8	14.7
6.2 Claims on Non-Financial Government Enterprises	9,774.5	7,875.8	8,874.4	-1,898.6	-19.4	998.6	12.7
6.3 Claims on Financial Enterprises	11,901.2	15,311.2	16,701.3	3,410.0	28.7	1,390.2	9.1
Government	852.9	1,006.6	853.7	153.6	18.0	-152.9	-15.2
Non-Government	11,048.3	14,304.6	15,847.7	3,256.3	29.5	1,543.1	10.8
6.4 Claims on Private Sector	1,101,814.7	1,389,459.2	1,735,074.9	287,644.5	26.1	345,615.7	24.9
(a) Principal	1,080,542.1	1,367,279.8	1,708,985.2	286,737.7	26.5	341,705.5	25.0
(b) Interest Accrued	21,272.6	22,179.5	26,089.7	906.9	4.3	3,910.2	17.6
6.5 Foreign Bills Purchased & Discounted	7,153.4	5,318.3	6,409.9	-1,835.1	-25.7	1,091.6	20.5
7. NRB Bonds	0.0	49,020.0	0.0	49,020.0		-49,020.0	
8. Other Assets	158,787.1	168,931.8	217,281.6	10,144.7	6.4	48,349.8	28.6

P = Provisional

Table 24
Condensed Assets and Liabilities of Development Banks

(Rs. in Million)

	Mid-July			Annual Change			
				2015/16		2016/17	
	2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	230,725.3	268,895.4	221,028.1	38,170.1	16.5	-47,867.3	-17.8
1.1 Demand Deposits	5,539.4	7,238.3	5,588.5	1,699.0	30.7	-1,649.9	-22.8
(a) Domestic Deposits	5,502.8	7,185.5	5,537.2	1,682.7	30.6	-1,648.3	-22.9
(b) Foreign Deposits	36.6	52.8	51.3	16.2	44.4	-1.5	-2.9
1.2 Saving Deposits	120,640.8	143,419.3	92,788.1	22,778.4	18.9	-50,631.1	-35.3
(a) Domestic Deposits	120,543.7	143,392.2	92,758.0	22,848.5	19.0	-50,634.2	-35.3
(b) Foreign Deposits	97.2	27.1	30.1	-70.1	-72.1	3.0	11.2
1.3 Fixed Deposits	62,212.7	68,222.1	88,673.0	6,009.4	9.7	20,450.9	30.0
(a) Domestic Deposits	62,182.0	68,221.0	88,671.9	6,039.0	9.7	20,450.9	30.0
(b) Foreign Deposits	30.6	1.1	1.0	-29.5	-96.5	0.0	-3.6
1.4 Call Deposits	41,997.0	49,807.4	33,757.2	7,810.3	18.6	-16,050.2	-32.2
(a) Domestic Deposits	41,472.6	49,586.5	33,544.6	8,113.9	19.6	-16,042.0	-32.4
(b) Foreign Deposits	524.4	220.9	212.7	-303.6	-57.9	-8.2	-3.7
1.5 Margin Deposits	335.4	208.3	221.2	-127.1	-37.9	12.9	6.2
2. Borrowings from NRB	0.0	5.0	181.4	5.0		176.4	3528.0
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	57,998.1	62,786.1	57,246.0	4,788.0	8.3	-5,540.0	-8.8
4.1 Paid-up Capital	27,534.7	29,278.2	29,699.5	1,743.5	6.3	421.3	1.4
4.2 General Reserves	11,783.2	12,137.7	12,282.2	354.5	3.0	144.5	1.2
4.3 Other Liabilities	18,680.1	21,370.1	15,264.3	2,690.0	14.4	-6,105.8	-28.6
Assets=Liabilities	288,723.4	331,686.5	278,455.5	42,963.1	14.9	-53,231.0	-16.0
5. Liquid Funds	18,683.7	21,923.1	19,078.5	3,239.4	17.3	-2,844.6	-13.0
5.1 Cash in Hand	6,894.1	7,819.7	6,519.2	925.6	13.4	-1,300.4	-16.6
5.2 Balance with NRB	11,483.8	13,738.9	12,364.7	2,255.0	19.6	-1,374.1	-10.0
5.3 Foreign Currency in Hand	84.5	71.7	96.0	-12.8	-15.2	24.3	33.9
5.4 Balance Held Abroad	220.9	292.6	98.2	71.7	32.5	-194.4	-66.4
5.5 Cash in Transit	0.4	0.3	0.3	-0.2	-36.7	0.0	0.0
6. Loans and Advances	253,591.8	294,700.0	251,801.0	41,108.2	16.2	-42,899.0	-14.6
6.1 Claims on Government	3,087.8	5,561.1	6,814.8	2,473.3	80.1	1,253.7	22.5
6.2 Claims on Non-Financial Government Enterprises	195.9	188.2	170.1	-7.7	-3.9	-18.1	-9.6
6.3 Claims on Financial Enterprises	54,041.7	54,167.3	41,999.9	125.6	0.2	-12,167.5	-22.5
Government	0.0	0.0	0.0	0.0		0.0	
Non-Government	54,041.7	54,167.3	41,999.9	125.6	0.2	-12,167.5	-22.5
6.4 Claims on Private Sector	196,266.3	234,783.3	202,816.3	38,517.0	19.6	-31,967.0	-13.6
(a) Principal	193,415.8	232,698.8	200,735.9	39,283.0	20.3	-31,962.9	-13.7
(b) Interest Accrued	2,850.5	2,084.5	2,080.3	-766.0	-26.9	-4.2	-0.2
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bond	0.0	60.0	0.0	60.0		-60.0	
8. Other Assets	16,447.9	15,003.4	7,576.0	-1,444.5	-8.8	-7,427.4	-49.5

P = Provisional

Table 25
Condensed Assets and Liabilities of Finance Companies

(Rs. in Million)

	Mid-July			Annual Change			
				2015/16		2016/17	
	2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	71,636.2	63,027.9	51,768.0	-8,608.3	-12.0	-11,259.9	-17.9
1.1 Demand Deposits	5,426.4	4,542.4	4,371.8	-884.0	-16.3	-170.6	-3.8
(a) Domestic Deposits	5,426.4	4,542.4	4,371.8	-884.0	-16.3	-170.6	-3.8
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.2 Saving Deposits	33,755.0	32,046.9	18,444.6	-1,708.1	-5.1	-13,602.4	-42.4
(a) Domestic Deposits	33,755.0	32,046.9	18,444.6	-1,708.1	-5.1	-13,602.4	-42.4
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.3 Fixed Deposits	31,550.0	24,985.8	25,197.9	-6,564.2	-20.8	212.0	0.8
(a) Domestic Deposits	31,550.0	24,985.8	25,197.9	-6,564.2	-20.8	212.0	0.8
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.4 Call Deposits	890.8	1,437.9	3,740.2	547.2	61.4	2,302.3	160.1
(a) Domestic Deposits	890.8	1,437.9	3,740.2	547.2	61.4	2,302.3	160.1
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.5 Margin Deposits	13.9	14.8	13.5	0.8	5.9	-1.3	-8.6
2. Borrowings from NRB	0.0	188.9	512.3	188.9		323.4	171.2
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	33,399.7	35,739.5	27,775.9	2,339.8	7.0	-7,963.6	-22.3
4.1 Paid-up Capital	15,763.8	13,164.2	10,507.6	-2,599.5	-16.5	-2,656.7	-20.2
4.2 General Reserves	5,518.5	7,513.3	5,469.3	1,994.8	36.1	-2,044.0	-27.2
4.3 Other Liabilities	12,117.5	15,062.0	11,799.1	2,944.5	24.3	-3,262.9	-21.7
Assets=Liabilities	105,035.9	98,956.3	80,056.2	-6,079.6	-5.8	-18,900.2	-19.1
5. Liquid Funds	6,830.8	6,616.0	5,984.0	-214.8	-3.1	-631.9	-9.6
5.1 Cash in Hand	1,014.5	1,020.8	1,091.3	6.3	0.6	70.4	6.9
5.2 Balance with NRB	5,815.5	5,551.4	4,802.4	-264.1	-4.5	-748.9	-13.5
5.3 Foreign Currency in Hand	0.4	0.1	0.1	-0.3	-67.2	0.0	-19.2
5.4 Balance Held Abroad	0.3	41.2	89.8	40.9	15623.7	48.6	118.0
5.5 Cash in Transit	0.1	2.4	0.4	2.3	1727.9	-2.0	-83.5
6. Loans and Advances	93,715.7	88,264.1	72,990.9	-5,451.7	-5.8	-15,273.2	-17.3
6.1 Claims on Government	3,047.0	3,845.0	4,018.0	798.0	26.2	173.0	4.5
6.2 Claims on Non-Financial Government Enterprises	99.4	131.9	150.4	32.5	32.7	18.5	14.0
6.3 Claims on Financial Enterprises	19,401.3	20,714.6	13,697.6	1,313.4	6.8	-7,017.0	-33.9
Government	0.0	0.0	0.0	0.0		0.0	
Non-Government	19,401.3	20,714.6	13,697.6	1,313.4	6.8	-7,017.0	-33.9
6.4 Claims on Private Sector	71,168.1	63,572.5	55,124.9	-7,595.5	-10.7	-8,447.7	-13.3
(a) Principal	64,973.7	56,860.2	49,281.2	-8,113.5	-12.5	-7,579.0	-13.3
(b) Interest Accrued	6,194.4	6,712.3	5,843.7	518.0	8.4	-868.7	-12.9
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bonds	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	4,489.4	4,076.3	1,081.3	-413.1	-9.2	-2,995.0	-73.5

P = Provisional

Table 26
Sectorwise Outstanding Loan of Commercial Banks

(Rs. in Million)

		Mid-July			Annual Change			
					2015/16		2016/17	
		2015	2016	2017 ^P	Amount	Percent	Amount	Percent
1.	Agriculture	65,159.8	78,791.5	90,041.2	13,631.7	20.9	11,249.7	14.3
2.	Mining	3,526.2	3,404.0	3,894.5	-122.1	-3.5	490.5	14.4
3.	Production Sector	255,565.6	296,111.2	329,800.1	40,545.6	15.9	33,688.9	11.4
4.	Construction	152,872.3	182,872.1	212,185.5	29,999.8	19.6	29,313.4	16.0
5.	Metal Production, Machinery & Electrical Tools and Fitting	16,208.4	19,473.5	25,027.1	3,265.1	20.1	5,553.6	28.5
6.	Transportation, Equipment Production and Fitting	23,002.5	29,942.1	33,692.5	6,939.6	30.2	3,750.4	12.5
7.	Transportation, Communication and Public Service	60,042.0	83,966.8	105,100.4	23,924.8	39.8	21,133.6	25.2
8.	Wholesalers and Retailers	297,464.8	374,349.8	434,697.6	76,885.0	25.8	60,347.7	16.1
9.	Finance, Insurance and Fixed Assets	107,252.8	135,056.4	165,393.3	27,803.6	25.9	30,336.9	22.5
10.	Service Industry	107,993.9	126,574.7	156,122.3	18,580.9	17.2	29,547.6	23.3
11.	Consumption Loan	58,687.9	65,187.0	85,339.0	6,499.1	11.1	20,152.0	30.9
12.	Local Government	1,715.2	1,655.0	1,583.8	-60.2	-3.5	-71.2	-4.3
13.	Other	212,595.5	284,468.7	343,348.0	71,873.1	33.8	58,879.3	20.7
	Total	1,362,086.8	1,681,852.7	1,986,225.1	319,766.0	23.5	304,372.4	18.1

P = Provisional

Table 27
Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to Banks and Financial Institutions

(Rs. in Million)

S.N.	Institutions	2014/15	2015/16	2016/17
1.	Commercial Banks	6,744.0	7,524.0	477.0
2.	Development Banks	0.0	0.0	522.0
3.	Finance Companies	0.0	76.0	14,411.0
	Total	6,744.0	7,600.0	15,410.0

Table 28
Sources and Uses of Funds of Microfinance Institutions

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2015	2016	2017 ¹	2015/16	2016/17
Sources					
Capital Funds	6,142.7	8,673.7	12,763.6	41.2	47.2
Deposits	15,996.8	24,095.3	34,401.2	50.6	42.8
Borrowings	38,596.9	52,431.4	66,953.0	35.8	27.7
Others	5,389.7	7,200.0	10,172.1	33.6	41.3
P/L Account	2,556.1	3,306.2	3,718.9	29.3	12.5
Sources=Uses	68,682.3	95,706.6	128,008.8	39.3	33.8
Uses					
Liquid Funds	6,979.8	11,073.2	12,741.0	58.6	15.1
Investment	2,466.3	2,843.5	2,753.1	15.3	-3.2
Loans & Advances	55,066.9	77,233.0	106,515.2	40.3	37.9
Others	4,123.1	4,546.2	5,929.9	10.3	30.4
P/L Account	46.2	10.8	69.6	-76.6	544.8

1 Unaudited

Table 29
Sources and Uses of Funds of NRB Licensed Cooperatives

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2015	2016	2017 ¹	2015/16	2016/17
Sources					
Capital Funds	2,151.0	2,761.0	2,862.2	28.4	3.7
Deposits	18,712.8	25,417.0	25,399.4	35.8	0.1
Borrowings	1,441.2	1,595.5	2,021.7	10.7	26.7
Others	1,939.2	2,091.8	1,765.5	7.9	15.6
P/L Account	737.2	651.7	1,027.7	-	11.6
Sources=Uses	24,981.5	32,516.9	33,076.5	30.2	1.7
Uses					
Liquid Funds	6,575.2	8,042.7	6,859.4	22.3	14.7
Investment	2,181.6	2,358.5	2,828.7	8.1	19.9
Loans & Advances	14,407.9	20,184.5	21,365.0	40.1	5.8
Others	1,627.2	1,765.4	1,765.4	8.5	-
P/L Account	189.6	165.8	258.0	-	12.5

1 Unaudited

Table 30
Sources and Uses of Funds of Insurance Companies

(Rs. in Million)

Particulars	Mid-July			2015/16		2016/17	
	2015	2016	2017 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	8,300.0	10,995.2	14,522.1	2,695.2	32.5	3,526.9	32.1
Reserve Funds	99,300.0	135,416.9	162,819.4	36,116.9	36.4	27,402.5	20.2
Other Liabilities	16,700.0	11,829.5	8,548.5	-4,870.5	-29.2	-3,281.0	-27.7
Sources=Uses	124,300.0	158,241.6	185,890.0	33,941.6	27.3	27,648.4	17.5
Uses							
Bank & Cash Balances	5,100.0	5,517.3	4,623.5	417.3	8.2	-893.8	-16.2
Investment	101,700.0	133,296.5	161,263.1	31,596.5	31.1	27,966.6	21.0
Fixed Assets	3,300.0	2,737.0	2,993.3	-563.0	-17.1	256.3	9.4
Other Assets	14,200.0	16,690.8	17,010.1	2,490.8	17.5	319.3	1.9

1 Unaudited

Source: Insurance Board Nepal

Table 31
Sources and Uses of Funds of Employees Provident Fund

(Rs. in Million)

Particulars	Mid-July			2015/16		2016/17	
	2015	2016	2017 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	187,565.3	217,936.6	244,145.4	30,371.3	16.2	26,208.8	12.0
Reserve Funds	4,628.0	4,439.2	4,659.0	-188.8	-4.1	219.8	5.0
Other Liabilities	2,249.9	2,479.0	2,479.0	229.1	10.2	-	-
Sources=Uses	194,443.2	224,854.8	251,283.3	30,411.6	15.6	26,428.5	11.8
Uses							
Bank & Cash Balance	8,014.8	7,881.1	2,521.0	-133.7	-1.7	-5,360.1	-68.0
Investment	54,316.9	69,457.7	78,690.4	15,140.8	27.9	9,232.7	13.3
Fixed Deposits	36,870.0	51,372.0	60,520.0	14,502.0	39.3	9,148.0	17.8
GON Securities	15,226.4	15,865.2	15,390.4	638.8	4.2	-474.8	-3.0
Housing Plan	-	-	-	-	-	-	-
Share Investment	2,220.5	2,220.5	2,780.0	-	-	559.5	25.2
Other Investment	-	-	-	-	-	-	-
Loans and Advances	128,935.6	144,105.0	166,660.9	15,169.4	11.8	22,555.9	15.7
Project Loan	24,819.6	24,749.6	28,471.0	-70.0	-0.3	3,721.4	15.0
Depositor Loan	104,116.0	119,355.4	138,189.9	15,239.4	14.6	18,834.5	15.8
Fixed Assets	320.3	400.0	1,181.0	79.7	24.9	781.0	195.3
Other Assets	2,855.7	3,011.0	2,230.0	155.3	5.4	-781.0	-25.9

1 Unaudited

Source: Employees Provident Fund

Table 32
Sources and Uses of Funds of Citizen Investment Trust

(Rs. in Million)

Particulars	Mid-July			2015/16		2016/17	
	2015	2016	2017 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
1. Paid-up Capital	450.0	607.5	740.3	157.5	35.0	132.8	21.9
2. Reserve Funds	1,845.7	1,514.1	2,322.9	-331.6	-18.0	808.8	53.4
3. Fund Collection	67,225.4	80,156.4	93,545.1	12,931.0	19.2	13,388.7	16.7
4. Other Liabilities	972.3	735.4	2,493.3	-236.9	-24.4	1,757.9	239.0
Sources=Uses	70,493.4	83,013.4	99,101.6	12,520.0	17.8	16,088.2	19.4
Uses							
1. Liquid Assets	9,313.6	600.0	2,283.5	-8,713.6	-93.6	1,683.5	280.6
2. Investment	41,723.4	62,875.8	68,564.7	21,152.4	50.7	5,688.9	9.0
3. Loans & Advances	17,373.7	13,608.3	23,108.9	-3,765.4	-21.7	9,500.6	69.8
4. Other Assets	2,082.7	5,929.3	5,144.5	3,846.6	184.7	-784.8	-13.2

1 Unaudited

Source: Citizen Investment Trust

Table 33
Structure of Nepalese Financial System

(Rs. in Million)

Particulars	2014/15			2015/16			2016/17		
	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)
Financial Institutions									
Nepal Rastra Bank	3,047,071.0	88.5	143.0	3,689,525.0	88.7	164.2	4,164,560.0	88.5	160.2
Commercial Banks	786,982.0	22.9	36.9	437.0	23.6	43.7	1,048,679.0	22.3	40.3
Development Banks	1,753,726.0	50.9	82.3	953.0	51.5	95.3	2,583,028.0	54.9	99.4
Finance Companies	288,723.0	8.4	13.6	148.0	8.0	14.8	278,455.0	5.9	10.7
Microfinance FIs	105,036.0	3.1	4.9	44.0	2.4	4.4	80,056.0	1.7	3.1
Cooperatives	68,682.0	2.0	3.2	43.0	2.3	4.3	127,744.0	2.7	4.9
Microfinance NGOs	24,981.0	0.7	1.2	12.0	0.7	1.2	33,076.0	0.7	1.3
	18,940.0	0.6	0.9	6.0	0.3	0.6	13,521.0	0.3	0.5
Contractual Saving Institutions									
Provident Fund	394,381.0	11.5	18.5	207.0	11.2	20.7	536,275.0	11.4	20.6
Citizen Investment Trust	194,443.0	5.6	9.1	100.0	5.4	10.0	251,283.0	5.3	9.7
Insurance Companies	70,493.0	2.0	3.3	37.0	2.0	3.7	99,102.0	2.1	3.8
	129,445.0	3.8	6.1	70.0	3.8	7.0	185,890.0	4.0	7.2
Postal Saving Bank									
	1,785.0	0.1	0.1	1.0	0.1	0.1	2,813.0	0.1	0.1
Total	3,443,238.0	100.0	161.6	1,850.0	100.0	185.0	4,703,648.0	100	181
GDP (Rs. in billion)			2,130.2			2247.4			2599.2
Market Capitalization of Securities Market (Rs. in billion)			989.4			1890.1			1856.8
Ratio of Market Capitalization to GDP (%)			46.4			84.1			71.4

Table 34
Stock Market Indicators

Particulars	Mid-July			Percent Change	
	2015	2016	2017	2015/16	2016/17
1 Number of Listed Companies	232	230	208	-0.9	-9.6
2 Paid-up Capital of Listed Companies (Rs. in million)	157,576.1	204,019.6	289,590.4	29.5	41.9
3 Total Market Capitalization (Rs. in million)	989,404.0	1,890,130.0	1,856,829.4	91.0	-1.8
4 Annual Turnover (Rs. in million)	65,331.6	163,957.8	204,787.1	151.0	24.9
5 Market Days	216	233	230	7.9	-1.3
6 Number of Companies Traded	271	274	270	1.1	-1.5
7 Number of Transactions	483,856	838,987	1,356,515	73.4	61.7
8 Number of Listed Shares (in '000)	1,631,525	2,105,437	2,965,884	29.0	40.9
9 Number of Shares Traded (in '000)	159,717	302,021	392,598	89.1	30.0
10 Ratio of Paid-up Capital to GDP (%)	7.40	9.08	11.14	22.7	22.7
11 Ratio of Turnover to Paid-up Capital (%)	41.46	80.36	70.72	93.8	-12.0
12 Ratio of Turnover to Market Capitalization (%)	6.60	8.67	11.03	31.4	27.1
13 Ratio of Market Capitalization to GDP (%)	46.45	84.10	71.44	81.1	-15.1
14 NEPSE Index (closing)	961.23	1,718.15	1,582.67	78.7	-7.9
15 NEPSE Sensitive Index (closing)	204.67	369.07	336.04	80.3	-8.9
16 NEPSE Float Index (closing)	68.47	125.41	116.14	83.2	-7.4

Source: Nepal Stock Exchange Limited

Table 35
Securities Listed at Nepal Stock Exchange Limited

	2015/16			2016/17 ¹		
	No. of Shares ('000)	Amount (Rs. in Million)	Share %	No. of Shares ('000)	Amount (Rs. in Million)	Share %
Institutionwise						
Commercial Banks	179,187.7	19,448.8	64.2	467,822.4	46,782.2	34.9
Development Banks	47,687.6	4,768.8	15.7	130,057.4	13,005.7	9.7
Insurance Companies	20,677.3	2,067.7	6.8	40,818.5	4,081.8	3.0
Finance Companies	11,393.6	1,139.4	3.8	27,332.3	2,733.2	2.0
Productive and Processing Companies	0.0	0.0	0.0	0.0	0.0	0.0
Hotels	12,128.6	1,212.9	4.0	6,585.1	658.5	0.5
Trading Organizations	0.0	0.0	0.0	107.1	10.7	0.0
Hydropower Companies	16,518.4	1,651.8	5.5	33,007.2	3,300.7	2.5
Others	65.0	6.5	0.0	746,575.0	63,407.5	47.3
Total	287,658.2	30,295.8	100.0	1,452,304.9	133,980.5	100.0
Securitywise						
Ordinary Shares	30,524.7	3,052.5	10.1	46,666.9	4,666.7	3.5
Right Shares	41,282.8	4,128.3	13.6	296,441.5	29,644.1	22.1
Bonus Shares	214,150.7	21,415.1	70.7	364,196.5	36,419.7	27.2
Government Bonds	0.0	0.0	0.0	620,000.0	62,000.0	46.3
Convertible Preference Shares	0.0	0.0	0.0	0.0	0.0	0.0
Debentures Issued by Banks	1,700.0	1,700.0	5.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	125,000.0	1,250.0	0.9
Total	287,658.2	30,295.8	100.0	1,452,304.9	133,980.5	100.0

Source: Nepal Stock Exchange Limited

Table 36
Listed Companies and Market Capitalization

Particulars	No. of Listed Companies			Market Capitalization (Rs. In Million)						Share Price	
	Mid-July 2015	Mid-July 2016	Mid-July 2017	Mid-July 2015		Mid-July 2016		Mid-July 2017		Percent Change	
				Price	Share %	Price	Share %	Price	Share %	2015/16	2016/17
Financial Institutions	198	193	165	769,057	77.7	1,581,443	83.7	1,586,082	85.42	105.6	0.3
<i>Commercial Banks</i>	29	29	27	496,242	50.8	995,160	52.7	979,490	52.75	100.5	-1.6
<i>Development Banks</i>	96	95	80	96,920	9.8	233,121	12.3	258,428	13.92	140.5	10.9
<i>Finance Companies</i>	51	47	36	42,218	4.5	68,427	3.6	52,361	2.82	62.1	-23.5
<i>Insurance Companies</i>	22	22	22	133,677	13.1	284,735	15.1	295,802	15.93	113.0	3.9
Construction and Processing Companies	18	18	18	29,681	2.7	45,803	2.4	41,990	2.26	54.3	-8.3
Hotels	4	4	4	24,856	2.7	26,812	1.4	29,356	1.58	7.9	9.5
Trading Organizations	4	4	4	1,178	0.1	1,180	0.1	1,238	0.07	0.2	4.9
Hydropower Companies	6	8	14	69,212	7.0	88,226	4.7	77,197	4.16	27.5	-12.5
Others	2	3	3	95,420	9.3	146,667	7.8	120,967	6.51	53.7	-17.5
Total	232	230	208	989,404	99.6	1,890,130	100.0	1,856,829	100.0	91.0	-1.8

Source: Nepal Stock Exchange Limited

Appendix 1.1

Lists of Banks and Financial Institutions Licensed for Performing Financial Transactions (As in mid-July 2017)

1. Commercial Banks

S. No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nepal Bank Ltd.	Dharmapath, Kathmandu	1937/11/15	8,042.66	National Level
2	Rastriya Banijya Bank Ltd.	Singhadurbarplaza, Kathmandu	1966/01/23	8,588.97	National Level
3	Agriculture Development Bank Ltd.	Ramshahpath, Kathmandu	1968/01/21	12,520.39	National Level
4	Nabil Bank Ltd.	Beena Marg, Kathmandu	1984/07/12	6,185.51	National Level
5	Nepal Investment Bank Ltd. ¹	Durbarmarg, Kathmandu	1986/03/09	9,240.38	National Level
6	Standard Chartered Bank Nepal Ltd.	Nayabaneswor, Kathmandu	1987/02/28	4,005.72	National Level
7	Himalayan Bank Ltd.	Kamaladi, Kathmandu	1993/01/18	6,491.62	National Level
8	Nepal SBI Bank Ltd.	Kesharmahal, Kathmandu	1993/07/07	6,924.89	National Level
9	Nepal Bangladesh Bank Ltd.	Kamaladi, Kathmandu	1994/06/06	7,219.06	National Level
10	Everest Bank Ltd.	Lazimpat, Kathmandu	1994/10/18	4,606.43	National Level
11	Kumari Bank Ltd. ²	Durbarmarg, Kathmandu	2001/04/03	6,208.42	National Level
12	Laxmi Bank Ltd.	Hattisar, Kathmandu	2002/04/03	6,318.06	National Level
13	Citizens Bank International Ltd.	Narayanhitipath, Kathmandu	2007/04/20	6,921.69	National Level
14	Prime Commercial Bank Ltd. ³	Kamalpokhari, Kathmandu	2007/09/24	6,325.43	National Level
15	Sunrise Bank Ltd.	Gairidhara, Kathmandu	2007/10/12	7,017.70	National Level
16	Mega Bank Nepal Ltd.	Kamaladi, Kathmandu	2010/07/23	4,582.31	National Level
17	Century Commercial Bank Ltd. ⁴	Putalisadak, Kathmandu	2011/03/10	5,460.63	National Level
18	Sanima Bank Ltd.	Nagpokhari, Kathmandu	2012/02/15	6,897.63	National Level
19	Machhapuchhre Bank Ltd.	New Road, Pokhara, Kaski	2012/7/9*	6,598.70	National Level
20	NIC Asia Bank Ltd.	Thapathali, Kathmandu	2013/6/30*	6,692.60	National Level
21	Global IME Bank Ltd. ⁵	Panipokhari, Kathmandu	2014/4/9*	8,080.34	National Level
22	NMB Bank Ltd.	Babarmahal, Kathmandu	2015/10/18*	6,461.77	National Level
23	Prabhu Bank Ltd.	Babarmahal, Kathmandu	2016/2/12*	5,881.40	National Level
24	Siddhartha Bank Ltd.	Hattisar, Kathmandu	2016/7/21*	5,250.86	National Level
25	Bank of Kathmandu Ltd.	Kamalpokhari, Kathmandu	2016/7/14*	5,629.58	National Level
26	Civil Bank Ltd. ⁶	Kamaladi, Kathmandu	2016/10/17*	5,185.22	National Level
27	Nepal Credit and Commerce Bank Ltd.	Bagbazar, Kathmandu	2017/01/01*	4,679.06	National Level
28	Janata Bank Nepal Ltd. ⁷	Thapathali, Kathmandu	2017/04/07*	6,993.69	National Level

* Joint operation date after merger

1 Paid-up capital after the acquisition of Ace Development Bank Ltd. By Nepal Investment Bank Ltd.

2 Paid-up capital after the acquisition of Kasthamandap Development Bank Ltd., Kankrevihar Development Bank Ltd., Mahakali Development Bank Ltd., and Paschimanchal Finance Company Ltd. By Kumari Bank Ltd.

3 Paid-up capital after the acquisition of Biratlaxmi Development Bank Ltd. And Country Development Bank Ltd. By Prime Commercial Bank Ltd.

4 Paid-up capital after the acquisition of Innovative Development Bank Ltd., Araniko Development Bank Ltd., and Sagarmatha Finance Ltd. By Century Commercial Bank Ltd.

5 Paid-up capital after acquisition of Reliable Development Bank Ltd. By Global IME Bank Ltd.

6 Paid-up Capital after the acquisition of Unique Financial Institution Ltd. And Hama Merchant and Finance Ltd. By Civil Bank Ltd.

7 Paid-up capital after acquisition of Siddhartha Development Bank Ltd. By Janata Bank Nepal Ltd.

Paid-up capital as in mid-June 2017.

2. Development Banks

S. No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	NIDC Development Bank Ltd.	Durbar Marg, Kathmandu	1959/06/15	415.82	National Level
2	Narayani Development Bank Ltd.	Ratna Nagar, Chitawan	2001/10/17	55.57	1-3 District Level (Nawalparasi, Chitwan, Makawanpur)
3	Sahayogi Vikas Bank Ltd.	Janakpurdham, Dhanusha	2003/10/23	423.08	1-3 District Level (Dhanusa, Mahottari, Sindhuli)
4	Karnali Bikash Bank Ltd.	Nepalgunj, Banke	2004/02/18	151.00	1-3 District Level (Banke, Bardiya, Dang)
5	Excel Development Bank Ltd.	Birtamod, Jhapa	2005/07/21	384.56	1-3 District Level (Ilam, Jhapa, Morang)
6	Western Development Bank Ltd.	Ghorahi, Dang	2005/09/15	313.92	1-3 District Level (Dang, Banke, Kapilvastu)
7	Miteri Development Bank Ltd.	Dharan, Sunsari	2006/10/13	380.29	1-3 District Level (Jhapa, Morang, Sunsari)
8	Tinau Bikas Bank Ltd.	Butwal, Rupandehi	2006/11/01	460.85	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
9	Muktinath Bikas Bank Ltd.	Kamaladi, Kathmandu	2007/01/03	1,542.72	National Level
10	Sewa Development Bank Ltd.	Butwal, Rupandehi	2007/02/25	1,017.10	4-10 District Level (Rupandehi, Nawalparasi and Kapilvastu, Palpa, Shangza, Chitwan, Gulmi, Arghakhanchi, Dang and Banke)
11	Kankai Bikas Bank Ltd.	Damak, Jhapa	2007/05/03	150.00	1-3 District Level (Jhapa, Ilam, Morang)
12	Bhargab Bikas Bank Ltd.	Nepalgunj, Banke	2007/08/30	264.00	1-3 District Level (Banke, Dang, Bardiya)
13	Alpine Development Bank Ltd.	Hetauda, Makawanpur	2007/10/05	260.08	1-3 District Level (Makawanpur, Chitwan, Kavrepalanchowk)
14	Corporate Development Bank Ltd.	Birgunj, Parsa	2007/11/07	305.00	1-3 District Level (Parsa, Makawanpur, Kavrepalanchowk)
15	Kabeli Bikas Bank Ltd.	Dhankutabazar, Dhankuta	2007/12/16	84.21	1 District Level (Dhankuta)
16	Purnima Bikas Bank Ltd.	Siddharthanagar, Rupandehi	2008/05/20	352.39	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
17	Hamro Bikas Bank Ltd.	Battar, Nuwakot	2009/04/19	413.64	1 District Level (Nuwakot)
18	Kanchan Development Bank Ltd.	Mahendranagar, Kanchanpur	2009/09/19	346.50	1-3 District Level (Kailali, Kanchanpur, Dadeldhura)
19	Raptibheri Bikas Bank Ltd.	Nepalgunj, Banke	2010/01/15	143.77	1-3 District Level (Banke, Bardiya, Dang)
20	Tourism Development Bank Ltd.	New Baneshwor, Kathmandu	2010/03/18	1,831.29	National Level
21	Mission Development Bank Ltd.	Butwal, Rupandehi	2010/06/15	389.85	1-3 District Level (Rupandehi, Nawalparasi, Kapilvastu)
22	Mount Makalu Development Bank Ltd.	Basantapur, Terathum	2010/07/21	69.16	1 District Level (Terathum)
23	Sindhu Bikas Bank Ltd.	Barhabise, Sindhupalchowk	2010/09/09	262.19	1-3 District Level (Sindhupalchowk, Kavre, Dolkha)
24	Sahara Bikas Bank Ltd.	Malangawa, Sarlahi	2010/10/27	67.26	1 District Level (Sarlahi)
25	Nepal Community Development Bank Ltd.	Butwal, Rupandehi	2010/11/03	220.29	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
26	Salapa Bikash Bank Ltd.	Diktel, Khotang	2012/07/16	28.00	1 District Level (Khotang)
27	Saptakoshi Development Bank Ltd.	Tankisinuwari, Morang	2012/10/02	211.00	1-3 District Level (Morang, Ilam, Panchthar)
28	Sajha Bikash Bank Ltd.	Dhangadi, Kailali	2013/4/30	100.00	1-3 District Level (Kailali, Kanchanpur, Doti)

29	Green Development Bank Ltd.	Baglung Bazar, Baglung	2013/8/25	100.00	1-3 District Level (Baglung, Myagdi, Kaski)
30	Sangrila Development Bank Ltd. ⁸	Baluwatar, Kathmandu	2014/7/13*	1,358.47	National Level
31	Deva Development Bank Ltd.	Laldurbar, Kathmandu	2015/7/10*	1,444.98	National Level
32	Kailash Bikash Bank Ltd.	Putalisadak, Kathmandu	2016/4/4*	2,291.49	National Level
33	Shine Resunga Development Bank Ltd.	Butwal, Rupandehi	2013/3/17*	1,102.89	4-10 District Level (Rupandehi, Nawalparasi, Arghakhachi, Gulmi, Palpa, Dang, Pyuthan, Kapilvastu, Baglung and Chitwan)
34	Kamana Sewa Bikas Bank Ltd.	Pokhara, Kaski	2017/8/4*	804.4	National Level
35	Jyoti Bikas Bank Ltd.	Kamaladi, Kathmandu	2016/8/12*	2,129.05	National Level
36	Garima Bikas Bank Ltd.	lazimpat, Kathmandu	2016/9/20*	2,204.24	National Level
37	Om Development Bank Ltd. ⁹	Pokhara, Kaski	2017/6/16*	1,643.94	National Level
38	Mahalaxmi Bikas Bank Ltd. ¹⁰	Durbar Marg, Kathmandu	2017/7/2*	2,633.80	National Level
39	Gandaki Bikas Bank Ltd. ¹¹	Pokhara, Kaski	2017/7/5*	1,843.93	National Level
40	Lumbini Bikas Bank Ltd. ¹²	Dillibazar, Kathmandu	2017/7/9*	2,008.88	National Level

* Joint operation date after merger

8 Paid-up capital after the acquisition of Cosmos Development Bank Ltd. By Sangrila Development Bank Ltd.

9 Paid-up capital after the merger of Om Development Bank Ltd. And Manaslu Development Bank Ltd.

10 Paid-up capital after merger of Yeti Development Bank Ltd. And Mahalaxmi Development Bank Ltd. Into Mahalaxmi Development Bank Ltd.

11 Paid-up capital after the merger of Fewa Development Bank Ltd.

12 Paid-up capital after the merger of Vibor Society Development Bank Ltd. And Lumbini Finance and Leasing Company Ltd. Into Lumbini Development Bank Ltd.

Paid-up capital as in mid-June 2017.

3. Finance Companies

S.No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nepal Finance Ltd.	Kamaladi, Kathmandu	1993/01/06	135.80	National Level
2	Nepal Share Markets and Finance Ltd.	Ramshahapath, Kathmandu	1993/10/19	233.33	National Level
3	Union Finance Ltd.	Narayanchaur, Naxal	1994/12/12	176.59	National Level
4	Goodwill Finance Ltd.	Hattisar, Kathmandu	1995/5/15	453.75	National Level
5	Lalitpur Finance Co. Ltd.	Lagankhel, Lalitpur	1995/12/14	187.95	National Level
6	United Finance Co. Ltd.	Durbarmarg, Kathmandu	1996/01/26	672.71	National Level
7	General Finance Ltd.	Chabahil, Kathmandu	1996/2/1	132.23	National Level
8	Progressive Finance Co. Ltd.	Newroad, Kathmandu	1996/02/26	210.00	National Level
9	Janaki Finance Co. Ltd.	Janakpurdham, Dhanusha	1997/03/07	341.86	1-3 District Level (Dhanusa, Mahottari, Siraha)
10	Pokhara Finance Ltd.	Pokhara, Kaski	1997/03/16	557.42	National Level
11	Arun Finance Ltd.	Dharan, Sunsari	1997/08/17	150.00	National Level
12	Multipurpose Finance Co. Ltd	Rajbiraj, Saptari	1998/04/15	41.47	1 District Level (Saptari)
13	Shrijana Finance Ltd.	Biratnagar, Morang	1999/12/14	302.40	1-3 District Level (Morang, Sunsari, Saptari)
14	World Merchant Banking & Finance Ltd.	Hetauda, Makawanpur	2001/08/10	181.98	National Level
15	Capital Merchant Banking & Finance Co. Ltd.	Battisputali, Kathmandu	2002/02/01	935.07	National Level
16	Crystal Finance Ltd.	Thapathali, Kathmandu	2002/3/13	70.00	National Level
17	Guheshwori Merchant Banking & Finance Ltd.	Pulchowk, Lalitpur	2002/06/13	493.48	National Level
18	ICFC Finance Ltd.	Bhatbhateni, Kathmandu	2004/07/15	801.78	National Level

19	Kuber Merchant Finance Ltd.	Kamalpokhari, Kathmandu	2006/03/24	150.00	National Level
20	Seti Finance Ltd.	Tikapur, Kailali	2006/05/18	152.60	1 District Level (Kailali)
21	Namaste Bitiya Sanstha Ltd.	Ghorahi, Dang	2007/07/09	84.00	1 District Level (Dang)
22	Manjushree Financial Institution Ltd.	Nayabaneswor, Kathmandu	2007/10/17	724.38	National Level
23	Jebil's Finance Ltd.	Newroad, Kathmandu	2009/10/28	288.96	National Level
24	Synergy Finance Ltd.	Butwal, Rupandehi	2012/12/6*	474.41	National Level
25	Reliance Finance Ltd.	Pradarsani Marg, Kathmandu	2014/05/08*	512.57	National Level
26	Gorkhas Finance Ltd.	Dillibazar, Kathmandu	2016/4/10*	762.47	National Level
27	Shree Investment & Finance Co. Ltd.	Dillibazar, Kathmandu	2017/2/1*	345.45	National Level
28	Central Finance Ltd.	Kupondole, Lalitpur	2017/3/23*	520.66	National Level

* Joint operation date after merger

Note: The finance company number is arrived at after the merger into other institution of Paschimanchal Finance Company Ltd., Lumbini Finance and Leasing Company Ltd., Unique Financial Institution Ltd., Hama Merchant and Finance Ltd. And Sagarmatha Finance Ltd.

Paid-up capital as in mid-June 2017.

4. Microfinance Development Banks

S.No	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nirdhan Utthan Bank Ltd.	Naxal, Kathmandu	1999/07/17	600.00	National Level
2	Rural Microfinance Development Centre Ltd.	Putalisadak, Kathmandu	1999/12/06	692.12	National Level
3	Deprosc Microfinance Development Bank Ltd.	Bharatpur, Chitwan	2001/07/03	606.12	National Level
4	Chhimek Microfinance Development Banks Ltd.	Old Baneshwor, Kathmandu	2001/12/10	834.07	National Level
5	Shawalamban Laghu Bitta Bikas Banks Ltd.	Lalcolony Marg, Kathmandu	2002/02/22	418.96	National Level
6	Sana Kisan Bikas Bank Ltd.	Subidhanagar, Kathmandu	2002/03/11	503.06	National Level
7	Nerude Laghu Bitta Bikas Bank Ltd.	Biratnagar, Morang	2007/06/15	306.00	National Level
8	Naya Nepal Laghu Bitta Bikas Bank Ltd.	Dhulikhel, Kavre	2009/03/20	20.00	4-10 District Level (Kavre, Ramechhap, Sindhuli, Mahottari, Dhanusa, Siraha, Saptari, Sunsari, Morang, Jhapa)
9	Mithila Laghu Bitta Bikas Bank Ltd.	Dhalkebar, Dhanusha	2009/04/29	57.37	4-10 District Level (Sindhuli, Mahottari, Dhanusa, Siraha, Sarlahi, Saptari, Rautahat, Udaypur, Bara, Ramechhap)
10	Summit Microfinance Development Bank Ltd.	Birtamod, Jhapa	2009/05/20	72.50	4-10 District Level (Jhapa, Morang, Sunsari, Taplejung, Ilam, Panchthar, Udayapur, Saptari, Siraha, Dhankuta)
11	Sworojagar Laghu Bitta Bikas Bank Ltd.	Banepa, Kavre	2009/12/16	70.00	4-10 District Level (Kavre, Chitwan, Makawanpur, Nawalparasi, Rautahat, Bara, Parsa, Tanahu, Gorkha, Lamjung)
12	First Microfinance Development Bank Ltd.	Gyaneshwor, Kathmandu	2009/12/28	395.59	National Level
13	Nagbeli Microfinance Development Bank Ltd.	Birtamod, Jhapa	2010/02/04	52.64	1-3 District Level (Jhapa, Morang, Ilam)
14	Kalika Microcredit Development Bank Ltd.	Waling, Syangja	2010/07/21	50.00	4-10 District Level (Syangja, Kaski, Parbat, Palpa, Nawalparasi, Rupandehi, Tanahu, Dhading, Gorkha, Makwanpur)
15	Mirmire Microfinance Development Bank Ltd.	Banepa, Kavre	2010/09/23	30.00	10+5 District Level (Rasuwa, Nuwakot, Dhading, Dolkha, Gulmi, Kavrepalanchowk, Makawanpur, Chitwan, Nawalparasi, Palpa, Rukum, Rolpa, Salyan, Arghakhachi, Pyuthan)

16	Janautthan Samudayik Microfinance Dev. Bank Ltd.	Butwal, Rupandehi	2010/11/09	24.00	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Kapilvastu, Rupandehi, Nawalparasi, Chitwan, Parsa)
17	Womi Microfinance Bittiya Sanstha Ltd.	Khanikhola, Dhading	2012/03/08	64.80	17+15 District Level (Dhading, Makawanpur, Chitwan, Nawalparasi, Tanahu, Lamjung, Kavrepalanchowk, Kaski, Syanja, Palpa, Sindhuli, Okhaldhunga, Udayapur, Dhankuta, Gorkha, Nuwakot, Ilam, Terhathum, Rupandehi, Kapilbastu, Bara, Parsa, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha, Saptari, Sunsari, Morang, Dang, Banke)
18	Laxmi Microfinance Bittiya Sanstha Ltd.	Maharajgunj, Kathmandu	2012/06/04	220.00	National Level
19	Civil Laghubitta Bittiya Sanstha Ltd.	Chuchepati, Kathmandu	2012/07/05	105.00	National Level
20	Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	Chitlang, Makwanpur	2012/12/25	121.00	National Level
21	Kisan Microfinance Bittiya Sanstha Ltd.	Lamkichuha, Kailali	2013/01/16	32.20	10+5 District Level (Kailali, Achham, Bajura, Bajhang, Baitadi, Darchula, Kalikot, Humla, Mugu, Doti, Dadheldhura, Dailekh, Salyan, Jajarkot, Jumla)
22	Vijaya Laghubitta Bittiya Sanstha Ltd.	Gaidakot, Nawalparasi	2013/03/28	161.00	National Level
23	NMB Microfinance Bittiya Sanstha Ltd.	Pokhara-Hemja, Kaski	2013/03/31	112.70	National Level
24	FORWARD Community Microfinance Bittiya Sanstha Ltd.	Duhabi Bhaluwa, Sunsari	2013/05/17	200.00	National Level
25	Reliable Microfinance Bittiya Sanstha Ltd.	Besisahar, Lamjung	2013/05/19	56.50	10+5 District Level (Lamjung, Manang, Mustang, Dolpa, Ramechhap, Sindhupalchowk, Dhading, Nuwakot, Rasuwa, Gorkha, Tanahu, Kaski, Palpa, Kavre, Okhaldhunga)
26	Mahuli Samudayik Laghubitta Bittiya Sanstha Ltd.	Bakdhuwa, Saptari	2013/06/15	40.00	4-10 District Level (Saptari, Siraha, Udayapur, Khotang, Sunsari, Bhojpur, Okhaldhunga, Sindhuli, Dhankuta, Ramechhap)
27	Suryodaya Laghubitta Bittiya Sanstha Ltd.	Putalibazar, Syanja	2013/07/16	40.00	4-10 District Level (Baglung, Myagdi, Parbat, Syanja, Manang, Lamjung, Mustang, Gulmi, Pyuthan, Rolpa)
28	Mero Microfinance Bittiya Sanstha Ltd.	Battar, Nuwakot	2013/07/18	220.00	National Level
29	Samata Microfinance Bittiya Sanstha Ltd.	Pipra, Simara	2013/08/25	31.60	5 District Level (Bara, Rautahat, Sarlahi, Mahottari, Sindhuli)
30	RSDC Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2013/09/11	115.00	National Level
31	Samudayik Laghubitta Bittiya Sanstha Ltd.	Panchkhal, Kavre	2014/04/13	70.00	4-10 District Level (Paanchkhal, Kavrepalanchowk, Dolakha, Ramechhap, Solukhumbu, Okhaldhunga, Nuwakot, Khotang, Bhojpur, Sankhuasabha)
32	National Microfinance Bittiya Sanstha Ltd.	Nilkantha, Dhading	2014/07/02	100.00	National Level
33	Nepal Grameen Bikas Bank Ltd.	Butwal, Rupandehi	2014/8/15*	557.50	National Level
34	Nepal Sewa Laghubitta Bittiya Sanstha Ltd.	Phataksila, Sindhupalchok	2014/10/26	21.00	1-3 District Level (Sindhupalchok, Rasuwa, Nuwakot)
35	Unnati Microfinance Bittiya Sanstha Ltd.	Padsari, Rupandehi	2014/11/07	38.50	4-10 District Level (Rupandehi, Palpa, Pyuthan, Kapilvastu, Arghakhachi, Gulmi, Parbat, Baglung, Myagdi, Mustang)

36	Swadeshi Lagubitta Bittiya Sanstha Ltd.	Itahari, Sunsari	2014/12/31	100.00	National Level
37	NADEP Laghubitta Bittiya Sanstha Ltd.	Gajuri, Dhading	2015/05/15	112.00	National Level
38	Support Microfinance Bittiya Sanstha Ltd.	Hasposa, Itahari	2015/07/12	42.00	4-10 Distrit Level (Sunsari, Terathum, Dhankuta, Panchthar, Bhojpur, Udayapur, Khotang, Sindhuli, Ramechhap, Makwanpur)
39	Arambha Microfinance Bittiya Sanstha Ltd.	Ugratara, Kavrepalanchok	2015/07/23	20.40	4-10 District Level (Sindhupalchok, Nuwakot, Dolakha, Ramechhap, Sindhuli, Okhaldhunga, Khotang, Bhojpur, Terathum, Dhankuta)
40	Janasewi Laghubitta Bittiya Sanstha Ltd.	Kushma, Parbat	2015/09/29	49.00	4-10 District Level (Parbat, Baglung, Myagdi, Gulmi, Rukum, Rolpa, Kaski, Tanahu, Lamjung, Gorkha)
41	Chautari Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2016/01/03	21.00	4-10 District Level (Nawalparasi, Rupandehi, Kapilvastu, Gulmi, Arghakhachi, Palpa, Rolpa, Dang, Salyan)
42	Ghodighoda Laghubitta Bittiya Sanstha Ltd.	Sripur Belouri, Kanchanpur	2016/06/12	11.05	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Surkhet, Doti, Dadeldhura, Baitadi, Darchula)
43	Asha Lagubitta Bittiya Sastha Ltd.	Madanpur Nuwakot	2016/08/29	70.00	National Level
44	Nepal Agro Microfinance Bittiya Sastha Ltd.	Pokhara, Kaski	2016/09/20	28.00	4-10 District Level (Kaski, Parbat, Baglung, Gulmi, Pyuthan, Rolpa, Tanahun, Salyan, Palpa, Lamjung)
45	Rama Roshan Microfinance Bittiya Sastha Ltd.	Mangalsen, Acham	2016/09/22	13.40	4-10 District Level (Achham, Dadeldhura, Doti, Bajhang, Bajura, Kailali, Jumla, Kalikot, Dailekh, Surkhet)
46	Creative Laghubitta Bittiya Sastha Ltd.	Pratapur, Kailali	2016/09/25	14.00	4-10 District Level (Kailali, Kanchanpur, Bardiya, Surkhet, Doti, Achham, Kalikot, Bajura, Darchula, Bajhang)
47	Gurans Laghubitta Bittiya Sastha Ltd.	Dhankutabazaar, Dhankuta	2016/11/16	28.00	4-10 District Level (Taplejung, Panchthar, Ilam, Terathum, Dhankuta, Sankhuwasabha, Bhojpur, Morang, Sunsari, Okhaldhunga)
48	Ganapati Microfinance Bittiya Sastha Ltd.	Shuklagandaki, Tanahu	2016/12/09	70.00	National Level
49	Infinity Microfinance Bittiya Sanstha Ltd	Gaidakot, Nawalparasi	2017/01/20	70.00	National Level
50	Adhikhola Laghubitta Bittiya Sanstha Ltd.	Bhirkot, Syangja	2017/02/12	19.20	4-10 District Level (Syangja, Kaski, Lamjung, Tanahu, Nawalparasi, Rupandehi, Palpa, Arghakhachi, Gulmi, Kapilvastu)
51	Swabhimamicrofinance Bittiya Sanstha Ltd.	Tilottama, Rupandehi	2017/05/22	14.00	National Level
52	Sparsha Laghubitta Bittiya Sanstha Ltd.	Pokhara Lekhnath, Kaski	2017/07/13	56.00	4-10 District Level (Kaski, Baglung, Myagdi, Lamjung, Tanahu, Nawalparasi, Parbat, Gulmi, Arghakhachi, Gorkha)
53	Sabaiko Laghubitta Bittiya Sanstha Ltd.	Bandipur, Tanahu	2017/07/14	112.00	National Level

* Joint operation date after merger

Paid-up capital as in mid-June 2017.

5. Savings and Credit Cooperatives (performing limited banking transactions only)

S.No	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)
1	Shree Nabajivan Co-operative Ltd.	Dhangadi, Kailali	1993/12/15	138.00
2	Sagun Sahakari Sanstha Ltd.	Chhetrapati, Kathamandu	1994/10/9	11.73
3	Nepal Sahakari Bittiya Sanstha Ltd.	Newbaneshwor, Kathamandu	1994/12/30	29.46
4	The Sahara Loan Saving Co-operative Society Ltd.	Malangawa, Sarlahi	1995/4/15	145.84
5	Bindabasini Saving & Credit Sahakari Sanstha Ltd.	Khopasi, Kavre	1995/6/21	175.52
6	Mahila Sahakari Sanstha Ltd.	Kuleshwor, Kathmandu	1995/9/27	28.40
7	Sahakari Bittiya Bikash Sanstha Ltd.	Nepalgunj, Banke	1996/6/16	19.99
8	Shree Manakamana Sahakari Sanstha Ltd.	Banepa, Kavre	1997/2/18	53.71
9	Bheri Sahakari Bittiya Sanstha Ltd.	Nepalgunj, Banke	1997/3/5	18.13
10	Viccu Saving & Credit Sahakari Sanstha Ltd.	Gaidakot, Nawalparasi	1997/8/11	177.56
11	Kisan Multipurpose Sahakari Sanstha Ltd.	Lamki, Kailali	1997/12/29	67.50
12	Star Multipurpose Saving & Credit Sahakari Sanstha Ltd.	Biratnagar, Morang	1998/4/14	32.43
13	Himalaya Sahakari Sanstha Ltd.	Purano Baneshwor, Kathmandu	1998/4/29	57.00
14	Upakar Saving & Credit Sahakari Sanstha Ltd.	Walling, Syangja	2000/3/21	53.97

Note: NRB cancelled the license of Nepal Multipurpose Cooperative Society Ltd. (Mahendranagar, Jhapa) to conduct limited banking transactions on June 13, 2017.

Paid-up capital as in mid-June 2017.

6. Non-Government Organizations (performing microfinance transactions)

S.No	Name	Head Office	Operation Date (A.D.)	Working Area
1	Chartare Yuba Club	Tityang, Baglung	2000/06/05	Baglung
2	Unique Nepal	Naya Gaun, Bardiya	2000/06/29	Banke, Bardiya, Kailali, Kanchanpur, Dadeldhura
3	Samudayik Mahila Bikas Kendra	Rajbiraj, Saptari	2000/07/14	Saptari
4	Dhaulagiri Community Research Dev. Centre	Baglung	2000/10/21	Baglung
5	Society of Local Volunteers Efforts Nepal (Solve)	Dhankuta	2001/07/10	Dhankuta
6	Center for Women's Right and Development	Kathmandu	2002/04/30	Kathmandu
7	MANUSHI	Kathmandu	2002/05/03	Kathmandu, Sindhupalchowk, Nuwakot, Dolakha
8	Jeevan Bikash Samaj	Bariyati, Morang	2002/06/18	Morang, Sunsari, Jhapa, Dhankuta, Sindhuli, Udaypur
9	Mahila Adarsha Sewa Kendra	New Baneshwor, Kathmandu	2002/07/02	Kathmandu
10	Patan Business and Professional Women	Pulchowk, Lalitpur	2002/07/02	Lalitpur
11	Women's Self-Reliant Society	Bharatpur, Chitwan	2002/07/14	Chitwan
12	Creative Women Environment Development Association.	Maharajgunj, Kathmandu	2002/07/24	Kathmandu
13	Shreejana Development Center	Pokhara, Kaski	2002/08/22	Kaski
14	Cottage & Small Industries Organization	Chabahil, Kathmandu	2002/09/02	Kathmandu
15	Social Upgrade in Progress of Education Region (SUPER)	Tulsipur, Dang	2002/10/29	Dang
16	Nepal Women Community Service Center	Tribhuvan Municipality, Dang	2002/10/30	Dang, Pyuthan, Salyan, Rolpa
17	Gramin Mahila Bikash Sanstha	Tribhuvan Municipality, Dang	2003/04/23	Dang

18	Gramin Mahila Utthan Kendra	Tribhuvan Municipality, Dang	2003/06/18	Dang, Banke, Pyuthan, Salyan, Rolpa
19	Gramin Sewa Nepal	Bhajani, Kailali	2003/09/18	Kailali
20	Mahila Upakar Manch	Kohalpur, Banke	2003/10/29	Banke
21	Gramin Swayam Sewak Samaj	Hariwon, Sarlahi	2005/11/20	Sarlahi, Mahottari
22	Srijana Community Development Center	Choharwa, Siraha	2012/11/18	Siraha, Udaypur, Sindhuli
23	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	Kusma, Parbat	2012/11/18	Myagdi, Parbat, Kaski, Syangja, Palpa, Tanahun, Lamjung, Gorkha, Baglung, Nawalparasi, Chitwan
24	Nepal Grameen Bikas Sanstha	Hadigaun, Kathmandu	2012/12/13	Kathmandu, Makawanpur, Bara, Parsa
25	Women Enterprises Association of Nepal	Putalisadak, Kathmandu	2013/01/04	Kathmandu

7. Other Institutions

S.No.	Name	Office	Contact Office	Licensed Date
1	Rastriya Sahakari Bank Ltd.	Kupondole, Lalitpur	Baneshwor, Kathmandu	2010/07/20
2	Mashreq Bank PSC	Dubai , UAE	Thapathali, Kathmandu	2010/10/12
3	Hydroelectricity Investment & Development Company Ltd.	Babarmahal	Babarmahal ,Kathmandu	2012/07/10
4	Omni Pvt.Ltd. ^{&}	Adarshnagar, Birgunj	Adarshanagar, Birgunj	2014/05/07
5	Hulas Investment Pvt.Ltd. ^{&}	Ganabahal, Kathmandu	Ganabahal, Kathmandu	2014/08/03
6	Sipradi Hire Purchase Pvt. Ltd. ^{&}	Thapathali, Kathmandu	Thapathali, Kathmandu	2014/11/06
7	MAW Investment Pvt. Ltd. ^{&}	Biratnagar, Morang	Teku, Kathmandu	2015/01/14
8	Batas Investment Co. Pvt. Ltd. ^{&}	Pokhara, Kaski	Gairidhara, Kathmandu	2015/02/04
9	Syakar Investment Pvt. Ltd. ^{&}	Kantipath, Kathmandu	Kantipath, Kathmandu	2016/06/24
10	Jagadamba Credit & Investment Pvt. Ltd. ^{&}	Naxal, Kathmandu	Naxal, Kathmandu	2017/01/01

[&] For the purpose of hire purchase

PART – 2

ACTIVITIES OF NEPAL RASTRA BANK

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PART – TWO

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2016/17

2.1 In accordance with the provision made in the Nepal Rastra Bank Act, 2002, the NRB has been formulating and implementing monetary policy with the objective of maintaining economic stability and sustainable development of the economy through price and balance of payments stability. Besides, the monetary policy has been contributing toward the promotion of productive sector credit and attaining inclusive economic development through the expansion of financial access and extension of financial literacy. In this context, the NRB proclaimed the monetary policy for FY2016/17 on July 14, 2016 with the main objective of maintaining macroeconomic stability and facilitating the achievement of targeted economic growth by making it consistent with the GON's policies and programmes as enunciated through its budget announcement.

Objectives and Targets

- 2.2 The main objectives of monetary policy were ensuring that inflation is controlled and no unfavourable impact is exerted on external sector stability through demand side while facilitating the reconstruction work in the economy affected by the earthquake, conducting appropriate monetary management for stability in external sector and interest rate, encouraging financial investment towards productive sector and enhancing financial inclusion through expansion in financial access.
- 2.3 The monetary policy for FY2016/17 set the target of containing average annual consumer inflation at 7.5 percent. Besides, the monetary policy targeted to maintain foreign exchange reserve level sufficient to cover the import of goods and services for at least 8.0 months and to manage necessary monetary liquidity to facilitate the attainment of 6.5 percent economic growth.
- 2.4 The mid-term review of the monetary policy for FY2016/17 was published on February 21, 2017 by revising the projection of certain economic and financial indicators based on the existing actual situation of financial and economic sectors during the first six months as well as the outlook for the remaining six months.
- 2.5 FY2016/17 remained satisfactory from the standpoint of economic growth and macroeconomic stability. Overall economic growth remained encouraging for the

reasons of favourable monsoon, expansion in activities of services sector and improvements in overall supply management. Consequently, real gross domestic product (GDP) in FY2016/17 is estimated to have grown by 6.9 percent at basic prices and 7.5 percent at producers' prices. As for price, average annual inflation in review year was contained at 4.5 percent in the review year due to base year effect of previous year and improvement in supply management. Towards external sector, the BOP remained at a surplus of Rs. 82.15 billion in the review year resulting in foreign exchange reserve level sufficient to cover imports of goods and services for 11.4 months.

Table 2.1
Inflation and Balance of Payments Surplus

Particulars	2014/15	2015/16	2016/17	
			Target	Actual
Annual Average Inflation (in percent)	7.2	9.9	7.5	4.5
Balance of Payments Surplus (Rs. billion)	145.04	188.95	51.0	82.15

Intermediate and Operating Targets of Monetary Policy

- 2.6 Adopting price stability as the primary objective of monetary policy for FY2016/17, the fixed exchange rate system with the Indian currency was continued as the nominal anchor of monetary policy. Inflation was targeted to be contained at 7.5 percent on the basis of considerations like inflation in other countries, exchange rate, supply-related conditions, etc. For this purpose, continuity was given to the practice of designating the growth rate of broad money supply as the intermediate target and excess reserve of the BFIs as the operating target of monetary policy.
- 2.7 For managing required liquidity and also in consideration of the existing situation of liquidity overhang with the objective of maintaining the macroeconomic stability and achieving the targeted economic growth, the broad money supply as the intermediate target of monetary policy was projected to rise by 17.0 percent in FY2016/17. Likewise, for the review year, domestic credit growth was projected at 25.0 percent and claims on private sector was projected at 20.0 percent. The mid-term review of the monetary policy revised the projection of the money supply growth to 17.9 percent from the original projection at 17.0 percent while the projected growth rates of domestic domestic credit and claims on private sector were left unchanged, based on the actual situation for the first six months and the outlook for the remaining period.
- 2.8 Notwithstanding the impressive expansion witnessed in the overall economic activities in the review year, there was pressure on the liquidity of the banking system for the reasons of slow expansion in remittance inflow and high imports, resulting in a lower growth of broad money supply at 15.5 percent in comparison to the projection at 17.0 percent for the year. Similarly, in the review year, domestic credit and claims on private

sector grew at rates lower than their projections. Domestic credit and claims on private sector grew by 19.4 percent and 18.0 percent respectively (Table 2.2).

Table 2.2
Money Supply and Domestic Credit

Particulars	2014/15	2015/16	2016/17	
			Target	Actual
Growth rate of broad money supply (in percent)	19.9	19.5	17.0	15.5
Growth rate of narrow money supply (in percent)	19.7	18.5	18.5	13.1
Growth rate of domestic credit (in percent)	16.2	18.2	25.0	19.4
Growth rate of credit to private sector (in percent)	19.4	23.2	20.0	18.0

Instruments of Monetary Policy

- 2.9 Consistent with the operating direction of monetary policy for FY2016/17 and to facilitate the attainment of related economic and monetary objectives, the operating target and instruments of monetary policy were selected. The system of interest rate corridor was implemented with the objectives of maintaining interest rate stability by reducing the fluctuations in liquidity of banking sector and modernizing the monetary management.
- 2.10 The market-based pre-determined repo rate for the two-week period had been assumed to work as the policy rate. An arrangement was made for determining the repo rate by adding 200 basis points to the weighted average interbank rate calculated for the day before two working days as decided by the open market operation committee.
- 2.11 An arrangement was made for absorbing liquidity by auction through two-week deposit collection on the basis of market-based pre-determined interest rate. An arrangement was made for determining the rate for deposit collection by subtracting 10 basis points from the weighted average interbank rate calculated for the day before two working days as decided by the open market operation committee.
- 2.12 A policy provision was made for inviting as per requirement by the open market operation committee for deposit collection auctions of two-week period based on objectives of monetary policy and liquidity amount as determined by liquidity monitoring and forecasting framework (LMFF).
- 2.13 A policy provision was made whereby the rate of standing liquidity facility would work as the upper bound of interest rate corridor while the interest rate of two-week deposit collection rate would work as the lower bound. An arrangement was made whereby the interest rate corridor would remain within the interbank interest rate and the repo rate of two-week period. Also, an arrangement was made for making continued progress in the system of interest rate corridor on the basis of the experience as to the lower or upper bound of the corridor would the targeted interbank rate fall.

2.14 The cash reserve ratio (CRR) to be maintained by the BFIs had been stipulated at 6 percent for “A”-class, 5 percent for “B”-class and 4 percent for “C”-class as before. For the computation of the CRR, time period of two weeks and minimum daily balance to be maintained at 70 percent was arranged. Likewise, continuity had also been provided to the existing provision relating to statutory liquidity ratio (SLR). The existing bank rate at 7 percent, which was applied for the purpose of lender of the last resort facility and for the purpose of discounting the securities, was continued.

Table 2.3
CRR and SLR to be Maintained by BFIs (Percent)

Headings	2014/15	2015/16	2016/17
Cash Reserve Ratio			
“A” Class Institutions	6.0	6.0	6.0
“B” Class Institutions	5.0	5.0	5.0
“C” Class Institutions	4.0	4.0	4.0
Statutory Liquidity Ratio			
“A” Class Institutions	12.0	12.0	12.0
“B” Class Institutions	9.0	9.0	9.0
“C” Class Institutions	8.0	8.0	8.0

2.15 The arrangement whereby BFIs would have to extend credit up to 2 percent rate of interest to the earthquake victims for building house and the NRB would extend refinance to such BFIs at zero percent rate of interest had been continued.

2.16 The ordinary refinance rate being provided by the NRB at 4.0 percent with a view to contributing toward achieving overall economic growth by extending credit for commercial agriculture like banana, fruit, vegetables, livestock and fishery, etc. as well as for hydropower and other specified productive sector has been continued. Likewise, special refinance rate at 1.0 percent interest rate based on existing procedures would be extended for amount equivalent to the exports out of ostrich farming, cardamom and bee-keeping.

2.17 The special refinance rate provided by NRB has been kept unchanged at 1 percent in order to support sick industries, cottage and small industries, foreign employment, promoting small businesses run by Dalits, indigenous people, oppressed, women, persons with disabilities, disadvantaged and minority communities and encourage exports. A concessional refinance to encourage exports in foreign currency has also been kept unchanged at the existing rate of 0.25 percentage point added to the LIBOR.

2.18 A provision requiring commercial banks to allocate 20 percent of total credit to the specified productive sector was continued. Under this, the minimum lending that banks were required to extend to agriculture and hydropower had been increased from 12 percent to 15 percent by mid-July 2017. Likewise, the provision requiring development

- banks and finance companies to lend 15 percent and 10 percent respectively to the specified productive sector was continued.
- 2.19 Arrangement was made to provide ordinary refinance facility in order to establish luxury hotels in areas with tourism development potential but comparatively not yet developed like Pathibhara, Maipokhari, Halesi, Langtang, Swargadwari, Upper Mustang, Gadhimai, Janakpurdham, Rara and Khaptad.
 - 2.20 The provision of extending special refinance to BFIs at 1 percent interest to encourage agriculture and small business-based income generating activities in poverty-stricken 10 districts, namely, Bajura, Kalikot, Bajhang, Humla, Darchula, Jumla, Doti, Achham, Mugu and Baitadi as well as high poverty deepening 114 Village Development Committees and 4 Municipalities with located in the southern border of Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari.
 - 2.21 It was mentioned in the budget for FY2016/17 that arrangement will be made for necessary revision in the "Manual on Interest Subsidies on Commercial Agriculture Credit to the Youths, 2014". It was mentioned that the revision will introduce five percent interest subsidy on the loans extended to the youth and small business for the specified commercial agriculture in addition to simplifying the procedure for lending by BFIs.
 - 2.22 It was mentioned in the budget that arrangement will be made for monitoring the small and medium enterprise (SME) desks of BFIs with the objective of easing the credit availability for those so far not falling in the targeted group of BFIs and those above the deprived section economically (missing middle).
 - 2.23 As mentioned in the budget for FY2016/17, BFIs will be encouraged to provide additional financial resources required for the youths receiving challenge fund facility to be established with the objective of providing seed capital to young entrepreneurs. It was mentioned that arrangement will be made for including such lending in the category of productive and deprived sector lending.
 - 2.24 The ratio of loan to be extended by the commercial banks to the deprived sector has been kept unchanged at five percent, with minimum two percent out of the five percent to be lent by the commercial banks directly. In addition, existing deprived sector lending ratio for the development bank and finance company was kept unchanged.
 - 2.25 A provision was made to include project loan up to one million rupees provided by BFIs against the collateral of commercial agriculture project under deprived sector lending.
 - 2.26 Monetary Policy Formulation Manual, 2016 was formulated and brought into implementation with the objective of making formulation and implementation of

monetary policy more systematic and effective. As per the provision of this Manual, quarterly review of the monetary policy has been introduced since FY2016/17.

Public Debt Management

Issue and Management

- 2.27 NRB is undertaking the domestic debt management and liquidity management as well as providing SLF facility on the collateral of specified securities (development bonds, treasury bills, NRB bonds) for short-term liquidity management. NRB is conducting management of domestic debt of the GON as well as liquidity management functions in accordance with the Public Debt Act, 2002, Public Debt Rules, 2003 (Second Amendment), Management of Primary and Secondary Market of Securities Rules, 2005, Public Debt Management Guidelines, 2017 and Nepal Rastra Bank Open Market Transaction Bylaw, 2014 as well as other other bylaws and manuals.
- 2.28 The function of raising domestic debt has been performed in accordance with the GON-approved annual domestic debt issue calendar and auction calendar after the annual enactment of the Raising of Public Debt Act for raising domestic debt as provided in the annual budgets of the GON.
- 2.29 The NRB is presently conducting domestic debt management on behalf of the GON by issuing treasury bills, development bonds, citizen saving bonds, national saving bonds and foreign employment saving bonds.

Treasury Bills

- 2.30 During FY2016/17, the treasury bills issued amounted to Rs. 33.0 billion comprising Rs. 10.0 billion of 91 days, Rs. 14.0 billion of 182 days and Rs. 9.0 billion of 364 days. Similarly, treasury bills issued in the past and outstanding for an amount of Rs. 110.41 billion till mid-July 2017 were issued from time to time as per their repayment period. During the review year, treasury bills amounting to Rs. 38.65 billion were redeemed by the GON.

Development Bonds

- 2.31 Development bonds amounting to Rs. 55.0 billion were issued in FY2016/17. During the year, development bonds issued as per the interest rate determined through the Dutch auction method totalled Rs. 13.0 billion of five-year period (issued two times), Rs. 19.0 billion of six-year period (issued three times) and Rs. 5.0 billion of seven-year period, Rs. 7.0 billion of nine-year period, Rs. 5.0 billion of 13-year period and Rs. 6.0 billion of 15-year period (all issued one time). The interest rates determined on development bonds were 3.02 percent and 3.60 percent for two respective five-year periods, 3.98 percent, 3.08 percent and 3.56 percent for three respective six-year periods and 3.47 percent of five-year period, 3.99 percent of nine-year period, 3.84 percent of

13-year period and 4.99 percent of 15-year period. The outstanding amount of development bonds as in mid-July 2017 was Rs. 163.9 billion. The maturity period of outstanding development bonds ranged between 5 years and 15 years.

Citizen/National/Foreign Employment Saving Bonds

- 2.32 As per the domestic debt issue calendar for FY2016/17, citizen saving bonds amounting to Rs. 285.66 billion was sold out of two invitations for subscription of citizen saving bonds at Rs. 5.0 billion. The interest rate (coupon) on the 5-year citizen saving bonds was fixed at 8.5 percent. The outstanding amount of citizen saving bonds as in mid-July 2017 reached Rs. 7.97 billion. During FY2016/17, the amount of citizen saving bonds redeemed by the GON amounted to Rs. 126.57 million.
- 2.33 There was no fresh issue of national saving bonds during FY2016/17. The outstanding national saving bonds as in mid-July 2017 amounted to Rs. 906.5 million.
- 2.34 As per the issue calendar for FY2016/17, foreign employment saving bonds with maturity period of 5 years and interest rate (coupon rate) at 10.0 percent amounting to Rs. 1.0 billion was offered for subscription. Out of this, total subscription on three occasions amounted to Rs. 52.14 million. At the end of the review year, foreign employment saving bonds amounting to Rs. 529.6 million remained outstanding. During the review year, principal repaid by GON on foreign employment saving bonds amounted to Rs. 8.66 million.

Net Domestic Debt Issue

- 2.35 In FY2016/17, gross domestic debt amounting to Rs. 88.34 billion was raised through various instruments while redemption amounted to Rs. 38.79 billion. As the amount of redemption was less than the amount raised, the net domestic debt issued resulted in a positive sum of Rs. 49.55 billion during the FY2016/17.

Table 2.4
Net Domestic Debt Issue

(Rs in Million)

Description	2014/15	2015/16	2016/17	Ratio with GDP (%)		
				2014/15	2015/16	2016/17
(A) Total Issue	42,422.6	87,774.5	88,337.8	2.00	3.90	3.40
Treasury Bill	10,000.0	20,500.0	33,000.0	0.47	0.91	1.27
Development Bond	30,000.0	62,000.0	55,000.0	1.41	2.76	2.12
National Saving Bond	0.0	0.0	0.0	0.00	0.00	0.00
Citizen Saving Bond	2,339.4	5,000.0	285.7	0.11	0.22	0.01
Foreign Employment Bond	83.2	274.5	52.1	0.00	0.01	0.00
Special Bond	0.0	0.0	0.0	0.00	0.00	0.00
(B) Payment	47,454.9	50,402.4	38,785.1	2.23	2.24	1.49
Treasury Bill	26,610.0	24,299.0	38,649.9	1.25	1.08	1.49
Development Bond	20,040.9	10,170.0	0.0	0.94	0.45	0.00
National Saving Bond	0.0	15,680.0	0.0	0.00	0.70	0.00
Citizen Saving Bond	800.0	250.0	126.6	0.04	0.01	0.00
Foreign Employment Bond	4.0	3.4	8.7	0.00	0.00	0.00
Special Bond	0.0	0.0	0.0	0.00	0.00	0.00
(C) Net Domestic Debt	-5,032.3	37,372.1	49,552.7	-0.24	1.66	1.91
Treasury Bill	-16,610.0	-3,799.0	-5,649.9	-0.78	-0.17	-0.22
Development Bond	9,959.1	51,830.0	55,000.0	0.47	2.30	2.12
National Saving Bond	0.0	-15,680.0	0.0	0.00	-0.70	0.00
Citizen Saving Bond	1,539.4	4,750.0	159.1	0.07	0.21	0.01
Foreign Employment Bond	79.2	271.1	43.4	0.00	0.01	0.00
Special Bond	0.0	0.0	0.0	0.00	0.00	0.00
(D) Total Outstanding Domestic Debt	196,785.7	234,157.9	283,710.6	9.26	10.41	10.92
Gross Domestic Product	2,124,650.0	2,248,691.0	2,599,234.0			

Total Outstanding Domestic Debt Liability of Government of Nepal

2.36 The domestic debt liability of the GON totaled Rs. 283.71 billion as in mid-July 2017 in comparison to Rs. 234.16 billion in the previous year. The volume of treasury bills declined to Rs. 110.41 billion as in mid-July 2017 from Rs. 116.06 billion as in mid-July 2016 due to the higher redemption amounting to Rs. 38.65 billion compared to the sum raised amounting to Rs. 33.0 billion during the review year. Domestic debt raised through the development bonds in the review year amounted to Rs. 55.0 billion compared to the zero amount of redemption, which resulted in the increase in the volume of development bonds. Likewise, in comparison to the previous year, the outstanding amount of citizen saving bonds and foreign employment saving bonds witnessed some increment as the amount raised by issuing these bonds was greater than the amount redeemed. The outstanding amount of national saving bonds as at the end of the review year remained constant at Rs. 906.5 million as there was no redemption was made during the year.

Table 2.5

GON's Total Outstanding Domestic Debt

(Rs in Million)

S. N.	Type of Bill/Bond	2014/15		2015/16		2016/17		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2015/16	2016/17
1.	Treasury Bill	119,858.1	60.9	116,059.1	49.6	110,409.3	38.92	-3.17	-4.87
2.	Development Bond	57,070.0	29.0	108,900.0	46.5	163,900.0	57.77	90.82	50.51
3.	National Saving Bond	16,586.5	8.4	906.5	0.4	906.5	0.32	-94.53	0.00
4.	Citizen Saving Bond	3,056.1	1.6	7,806.2	3.3	7,965.3	2.81	155.43	2.04
5.	Foreign Employment Bond	215.0	0.1	486.2	0.2	529.6	0.19	126.14	8.93
6.	Special Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total		196,785.7	100.0	234,158.0	100.0	283,710.6	100.0		

Government Securities in the Ownership of Nepal Rastra Bank

2.37 Citizen/national/foreign employment saving bonds, development bonds and treasury bills are transferred to the ownership of the NRB in the case of securitization of the amount of overdraft, direct repurchase auction while conducting OMO, purchase from the secondary market the securities placed under the collateral if BFIs fail to repay the amount of SLF and sale of /request to sell the securities in their ownership to NRB by market makers. Similarly, securities are also transferred to the ownership of the NRB under the provision of direct purchase of treasury bills and development bonds from the secondary market for the monetary policy management. Among the government securities held in the ownership of the NRB, the share of treasury bills has remained the highest in FY2016/17 as in the previous years.

Table 2.6

Details of Government Securities in the Ownership of NRB

(Rs. in Million)

S. N.	Type of Security	2014/15		2015/16		2016/17		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2015/16	2016/17
1.	Treasury Bill	15,468.9	96.69	16,099.9	98.12	30,457.4	72.75	4.08	89.18
2.	Development Bond	0.0	0.00	0.0	0.00	8,942.0	21.36	0.00	894.20
3.	National Saving Bond	21.4	0.13	1.3	0.01	182.4	0.44	-93.93	13,930.77
4.	Citizen Saving Bond	507.6	3.17	307.6	1.87	2,274.7	5.43	-39.41	639.62
5.	Foreign Employment Bond	0.0	0.00	0.01	0.00	10.0	0.02	0.00	99,900.00
Total		15,997.9	100.00	16,408.8	100.00	41,866.5	100.00		

Licensing and Inspection of Market Makers and Sales Agents

2.38 Altogether 51 BFIs were granted license for three years with effect from FY2016/17 to handle primary issue and secondary market transactions of government bonds (citizen saving bonds and national saving bonds) issued for the general public as well as the secondary market transactions of foreign employment bonds. Likewise, 13 banks, financial institutions and remittance companies were licensed to act as sales agents for primary issue of foreign employment saving bonds. The number of market makers reduced to 38 as at the end of fiscal year because of the continued process of merging of BFIs with one another. In the review year, some of the licensed market makers were inspected and advice provided.

Awareness Oriented Programme Relating to Government Securities

2.39 Three interactive programmes were conducted relating to primary and secondary market transaction of government securities in the participation of staff of head office and branch offices of market makers located in Kathmandu valley with the purpose of making transactions in government securities more effective.

2.40 With the purpose of expanding transactions of government securities outside the Valley, a one-day instruction seminar on the topic of public debt and monetary management and three instruction seminars on the topic of online auction system were conducted in the participation of officials of BFIs with headquarters located outside the Valley.

2.41 With the purpose of disseminating information on online auction process, one-day instruction programme has been conducted on online auction system for the staff of public debt management department at the training hall of Bankers Training Centre.

2.42 Two instruction programmes have been conducted on online auction system in the participation of staff of non-bank financial institutions located inside the Kathmandu valley in the review year.

2.43 With the purpose of promoting the sale by imparting knowledge about foreign employment saving bonds to the Nepal-based family members of Nepalese citizens involved in foreign employment, orientation programmes were conducted in nine places inside and outside Kathmandu valley.

2.44 With the purpose of providing information on foreign employment saving bond to Nepalese citizens and non-residential Nepalese, promoting the sale of such saving bond and remitting the foreign earnings through official channels, awareness programme relating to foreign employment saving bond was organized in Doha of Qatar and Dubai of UAE, selected among destination countries where Nepalese are concentrated for foreign employment.

- 2.45 With the purpose of promoting the sale of foreign employment saving bond, one-day trainers' training was organised in Kathmandu in participation of chiefs of 116 institutions licensed by the Department of Foreign Employment of the GON for imparting orientation training to individuals going for foreign employment.

Infrastructure Related to Public Debt Management

- 2.46 With the purpose of making the standing liquidity facility as provided under sub-rule 17 of the Nepal Rastra Bank Open Market Operation Bylaw, 2014 more systematic, effective and technology-friendly, Standing Liquidity Procedure, 2016 has been prepared and brought into implementation.
- 2.47 With the purpose of making the functions of Public Debt Management Department more systematic, simpler, convenient and technology-friendly, Public Debt Management Guideline, 2017 has been accepted and brought into implementation substituting the Public Debt Management Guideline, 2003. Likewise, Procedure relating to Market Makers, 2013 has been amended and the same implemented.

Financial Sector Reform, Expansion of Financial Access and Regulation

Legal Reform

- 2.48 Among various Acts relating to financial sector, Nepal Rastra Bank Act, 2002, Banking Offence and Punishment Act, 2008 have been amended by the Legislature-Parliament while Banks and Financial Institutions Act, 2006 has been annulled and Banks and Financial Institutions Act, 2016 has been promulgated. Besides, Establishment and Conduct of Deposit and Credit Guarantee Fund Act, 2016 has been enacted. There has been revision in the Employees Provident Fund Act, 1962. It has been assumed that the amended Acts will assist in settling the accounts of problematic institutions, in good governance of financial sector, and in security of financial resources as well as their efficient mobilization.
- 2.49 With the purpose of making timely improvements in Negotiable Instruments Act, 1977, deliberations have been taking place among the stakeholders.

Implementation of Financial Sector Development Strategy

- 2.50 The Governor of the NRB has been designated as the Coordinator of the Implementation Committee for the effective implementation of the Financial Sector Development Strategy which has been approved by the GON, Council of Ministers, on January 6, 2017 and brought into implementation for the five-year period commencing from FY2016/17

through FY2020/21. The Corporate Planning Department of the NRB has been designated as the Secretariat of the Committee. The Strategy has been in the process of implementation on a gradual basis.

Capital Enhancement in the Banks and Financial Institutions

2.51 Following the requirement of increase in paid-up capital of BFIs by the monetary policy for FY2015/16, these institutions have gone on increasing capital through the modalities like merger/acquisition, bonus, rights shares and additional shares. Accordingly, the paid-up capital of the BFIs increased to Rs. 225.31 billion as in mid-July 2017 from Rs. 140.79 billion as in mid-July 2015.

2.52 The ratio of primary capital to risk-adjusted assets of commercial banks, development banks and finance companies as in mid-July 2017 remained at 13.35 percent, 19.43 percent and 20.21 percent respectively. As in mid-July 2016, the ratio of primary capital to risk-adjusted assets of commercial banks, development banks and finance companies remained at 10.62 percent, 14.41 percent and 21.28 percent respectively.

Non-Performing Assets and Credit/Capital and Deposit Ratio

2.53 In the review year, the ratio of non-performing assets (NPA) has fallen while credit/capital and deposit (CCD) ratio has risen in comparison to that of last year. As in mid-July 2017, the ratio of NPA to total loans and advances of the commercial banks has stood at 1.5 percent in comparison to such ratio at 1.82 percent as in mid-July 2016. Likewise, as in mid-July 2017, the ratio of NPA to total loans and advances of the development banks and finance companies remained at 1.36 percent and 13.37 percent respectively in comparison to previous year's ratios at 1.48 percent and 14.42 percent respectively. The CCD ratio of commercial banks as in mid-July 2017 reached 79.57 percent in comparison to such ratio at 75.97 percent as in mid-July 2016.

Financial Access Enhancement Programme

2.54 Financial access has been widening with expansion of BFI network. In accordance with the objective of expanding financial inclusion through encouragement for the opening of BFI branches in the geographical regions having low access of financial services, the NRB policy of extending loan to the BFIs for opening branches of NRB-licensed "A", "B", and "C"-category BFIs for the specified period at zero percent rate of interest up to Rs. 5.0 million per branch in the headquarters of the specified 14 districts and up to Rs. 10.0 million per branch outside the headquarters of these districts has been continued as usual. Similarly, while opening branches and conducting programmes of financial service by the "D"-class financial institutions in the specified 22 districts having low financial access, the arrangement of providing loan up to Rs. 3.0 million per branch at zero percent interest rate for operating the branch has been continued also in FY2016/17.

- 2.55 During the review year, 11 micro-finance financial institutions (MFFIs) have been licensed for commencing financial transactions. The newly established institutions are one each in Nuwakot, Achham, Kailali, Dhankuta, Nawalparasi, Syangja and Rupandehi districts and two each in Tanahun and Kaski districts.
- 2.56 In the review year, letter of consent has been issued for 11 proposed MFFIs comprising one each in Rupandehi, Nawalparasi, Kapilvastu, Kavrepalanchowk and Jajarkot districts and two each in Sarlahi, Tanahun and Gorkha districts. Likewise, out of six companies that applied for permission to conduct hire purchase lending, three companies have been in the final stage of receiving permission while documents received from remaining three companies have been studied and their memorandum of association and articles of association have been amended in consonance with the directives issued by the NRB.
- 2.57 In accordance with the provision made by the monetary policy for FY2014/15 that the NGOs needed to be converted into "D"-class MFFIs by mid-July 2016 by fulfilling necessary procedures, applications were received from 25 NGOs. However, the process of converting such institutions into "D"-class MFFIs was postponed as per point No. 6 of Company Directives, 2015 issued by GON, Office of the Company Registrar, which stated that no company could be established after the name of such institution or partnership firm or private firm and such firms could also not be the promoter of any company as the firm registered as per the Institutions Registration Act, 1977 would not enjoy separate legal existence. In this context, as intimated by the letter of Office of the Company Registrar dated February 10, 2017, maximum two years commencing with the first amendment of the Company Directives, 2015 was added for the conversion of the name or transfer of the share or debenture of the company which had been registered also under the promotion of the NRB-licenced NGOs for working as the financial intermediaries. Accordingly, as regards the process for conversion of such institutions into "D"-class MFFIs, provision has been made that they need to convert into "D"-class MFFIs by fulfilling all the requirements latest by mid-April 2018 according to the decision of the board of directors of the NRB as held on March 13, 2017. The number of such institutions applying for conversion into "D"-class MFFIs has been 25.
- 2.58 NRB has been giving priority for branchless banking services with a view to enhancing financial access. NRB has been giving permission for conducting branchless banking services through Point of Transaction (POT) machine and mobile banking in rural areas by also monitoring the technical and practical aspects of the banks. BFIs have been providing such service in a total of 1,008 places as in mid-July 2017. Permission has been granted to operate branchless banking service in a total of 196 places as at the end of the review year. Likewise, Nepal SBI Bank Ltd. has been permitted to conduct In-touch Outlet for the first time in Nepal and, at the present, such service has already come into operation.
- 2.59 In the review year, BFIs have expanded their branches impressively. The number of BFI branches rose to 4,968 in the review year in comparison to the number of branches at

4,272 as in mid-July 2016. Consequently, an average of 5,610 people have been served by a BFI branch. In the review year, deposit accounts numbered 19.70 million while the number of creditors was 1.22 million in 'A', 'B' and 'C'-class institutions.

Table 2.7
Branches of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July			
	2014	2015	2016	2017
Branches of Commercial Banks	1,547	1,672	1,869	2,274
Branches of Development Banks	818	808	852	769
Branches of Finance Companies	239	242	175	130
Branches of Microfinance Institutions	826	1,116	1,376	1,895
Total	3,430	3,838	4,272	5,068
No. of Deposit Account ('000)	13,130	14,935	16,836	19,754
No. of Borrowers ('000)	940	1,033	1,097	1,216
No. of Branchless Banking Centre			812	1,008

2.60 Among the 753 local levels in seven states, commercial banking network only reached 297 local levels in the review year.

Table 2.8
Provincewise Commercial Bank Network at Local Level
(July 2017)

Province	No. of Local Level	No. of Local Level with Access of Network
One	137	58
Two	136	47
Three	119	58
Four	77	32
Five	133	64
Six	63	11
Seven	88	27
Total	753	297

Merger/Acquisition of BFIs

2.61 Continuity has been provided to the NRB policy of promoting merger/acquisition of BFIs on mutual basis in the review year also. BFI Merger and Acquisition Bylaw, 2016 has come into effect following the approval by the NRB Board of Directors on September 3, 2016 by annulling the BFI Merger Bylaw, 2011 (first amendment 2012) and BFI Acquisition Bylaw, 2013.

2.62 In the review year, 24 BFIs have resulted from 63 BFIs that went into the process of merger and acquisition. License has been cancelled in respect of 39 BFIs, out of which 30

BFIs have been merged into 13 BFIs and 33 BFIs have gone through the process of acquisition resulting in 11 institutions. License has been annulled in the case of 17 institutions in respect of the merger and 22 institutions in respect of the acquisition.

Table 2.9
Merged/Acquired Banks and Financial Institutions

(Rs in Million)

BFIs	Up to 2011	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Commercial Banks	2	2	3	4	2	8	12
Development Banks	1	6	12	6	12	13	37
Finance Companies	6	7	12	8	6	7	14
Microfinance Institutions		-	-	-	5	0	0
Merged/Acquired BFIs	9	15	27	18	25	28	63
BFIs Created after Merger/ Acquisition	4	7	11	8	9	11	24

Zero-Interest Credit

2.63 As per the NRB facility of providing zero-interest credit to "A", "B", and "C" category BFIs for specified period up to Rs. 5.0 million per branch within the headquarters of the specified 14 districts and up to Rs. 10.0 million per branch outside the headquarters of these districts, no credit has been provided in FY2016/17.

2.64 While opening branches and conducting programmes of financial service by "D"-class financial institutions in the specified 22 districts having low financial access, there has been a provision of providing loan up to Rs. 3.0 million per branch at zero percent interest rate for operating the branch. Under this facility, Rs. 15.0 million was provided to NMB Microfinance Financial Institution Ltd. for opening five branches comprising one branch each in Okhaldhunga, Bhojpur and Rukum, and two branches in Khotang. Similarly, a total of Rs. 12.0 million was provided to Swodeshi Microfinance Financial Institution Limited for opening altogether four branches comprising one each in Rolpa, Achham, Solukhumbu and Bhojpur. Likewise, Rs. 9.0 million was provided to Chautari Microfinance Financial Institution Ltd. for opening a total of three branches comprising two in Salyan and one in Rolpa. Similarly, Rs. 12.0 million was provided to Nepal Agro Microfinance Financial Institution Limited for opening a total of four branches comprising three in Salyan and one in Rolpa. Such facility amounted to Rs. 3.0 million for Swabalamban Microfinance Development Bank Limited for opening a branch in Rasuwa, Rs. 12.0 million to Vijaya Microfinance Financial Institution Limited for opening a total of four branches comprising two in Okhaldhunga and one each in Salyan and Jajarkot, Rs. 15.0 million to Mero Microfinance Financial Institution Limited for opening five branches each in Achhan, Rukum, Salyan, Rolpa and Rasuwa, and 15.0 million to Kisan Microfinance Financial Institution Ltd. for opening five branches each in Jumla, jajarkot, Bajura, Baitadi and Salyan.

Refinance Facility

- 2.65 The use of refinance facility provided by the NRB has remarkably gone up due to the reduction in the refinance rates and simplification in its procedures. In the review year, general refinance amounting to Rs. 13.78 billion was provided to 13 commercial banks, two development banks and eight finance companies against the collateral of good loan provided for production-oriented sector. In FY2015/16, general refinance amounting to Rs. 7.60 billion was provided to three commercial banks and one finance company against the collateral of good loan provided for production-oriented sector.
- 2.66 In the review year, export refinance facility amounting to Rs. 828.70 million was provided to five commercial banks. In the previous year, export refinance facility amounting to Rs. 1.30 billion had been provided. In accordance with refinance procedures in connection with refinancing the lending for the purpose of reconstructing residential houses for the households affected by the earthquake, altogether 17 BFIs were provided refinance facility amounting to Rs. 799.0 million. In FY2015/16, refinance under this heading for eight BFIs (seven 'A'-class and one 'C'-class) had amounted to Rs. 59.0 million.

Formation and Proceedings of Grievance Management Committee

- 2.67 Grievance Management Committee was formed, as per the decision of the Council of Ministers dated December 15, 2006, under the convenorship of Deputy Governor comprising representative from MOF and President of Nepal Bankers Association as members and representative from Federation of Nepalese Chambers of Commerce and Industry (FNCCI) as observer for hearing grievances if any party feels aggrieved in transactions between the BFI and the borrower. Among the 103 grievances and complaints received in the review year, hearing by the Grievance Management Committee has been undertaken in the case of 33. Regarding the remaining complaints, necessary correspondence has been made with concerned BFIs and attempts have been underway for their solutions by coordinating between the applicants and the concerned parties. Likewise, about 400 complaints received on informal basis (other than the written means) have been addressed in the review year.

Grievance Management

- 2.68 Applications have been received in the Grievance Management Committee especially for matters like extending the maturity period of the loan, discontinuing the auctioning of the property pledged as collateral as the auction being carried out was not in compliance with the procedures, releasing the collateral as the third party failed to release it due to misutilization of the credit, blacklisting, removal from the black list, etc. Regarding such complaints, by inviting both the borrower and the bank in the Committee meeting, mutual understanding is built between both the parties besides communicating Committee decisions on the matters and getting them implemented. The activities of the Committee formed in the NRB have helped in addressing the problems arising between the BFI and

the client as well as minimizing the problems relating to credit being witnessed in the banking and the financial sector.

Blocking of Account and Confiscation of Passports

2.69 In the review year, altogether 785 accounts have been released or blocked at the request of various investigation offices of Nepal Police, Internal Revenue Offices and Tax-payer Service Centres and Commission for the Investigation of Abuse of Authority (CIAA).

Refinance for Sick Industries

2.70 In order to provide relief for rehabilitating the sick industries, the provision of providing refinance by the NRB for sick industries against the security of the collateral of good loan at one percent rate of interest was continued. The BFIs as in the previous year were not allowed to charge more than 4.5 percent interest to the borrowers within the period of the utilization of such refinance. In addition, Facilities that could be Provided by the Financial Sector in Connection with the Sick Industries Guidelines, 2013 had been approved and brought into implementation.

Deprived Sector Credit

2.71 There has been a requirement for extending credit to the deprived sector by commercial banks, development banks, and finance companies at the rate of 5.0 percent, 4.5 percent, and 4.0 percent of the total credit respectively. As in mid-July 2017, the credit extended to the deprived sector as the percent of total credit comprised 6.0 percent (Rs. 92.41 billion) by the commercial banks, 9.1 percent (Rs. 16.60 billion) by the development banks and 5.2 percent (Rs. 2.20 billion) by the finance companies.

Implementation of NFRS

2.72 A high-level Nepal Financial Reporting Standards (NFRS) Oversight Committee has been formed under the non-executive board member of this Bank for implementing conveniently and efficiently in BFIs the NFRS and discharging necessary coordinating role in the process of such implementation. Likewise, a task force has been formed for drafting new directive by including necessary subjects to be revised in the existing directive for harmonization between NRB directive issued for BFIs and NFRS.

Financial Stability Report

2.73 This Bank has been regularly publishing the Financial Stability Report. In the process, the ninth issue of the Financial Stability Report based on statistics as in mid-July 2016 has been in the stage of approval for release.

Implementation of Basel-III Provisions

2.74 In accordance with the NRB policy of gradually implementing the Basel-III provisions on the basis of need and justification, Capital Adequacy Framework 2015 based on Basel-III has been implemented in Nepalese commercial banks. The Capital Adequacy Framework, 2015 has been implemented to be fully run in NRB-licensed 'A'-class commercial banks since mid-January 2016. Among the Basel-III provisions, it has been provided that the liquidity coverage ratio, net stable funding ratio, and SIFI (systemically important financial institution) measures will be implemented by 2019.

Cancellation of the List of Auditors/Auditing Firms and Professional Experts

2.75 In the context of NRB publishing annually the list of auditors submitted by the Institute of Chartered Accountants of Nepal in compliance of sub-section (2) of section 60 of the then prevailing Banks and Financial Institutions Act, 2006 as well as the NRB publishing the list of professional experts in accordance with section 13 of the Act, the lists of auditors and professional experts published by this Bank have been cancelled as the Banks and Financial Institutions Act, 2016 does not have the provision for publishing such lists.

Rural Self-Reliance Fund and Other Projects Related to Microfinance

Rural Self-Reliance Fund

2.76 With the joint initiative and capital participation by GON and NRB, the Rural Self-Reliance Fund (RSRF) was established in 1991 to provide the wholesale loan to cooperatives and NGOs. The total seed fund in RSRF has reached Rs.793.4 million, with the contribution of Rs. 540.0 million from GON and Rs. 253.4 million from NRB. With the objective of expanding the investment coverage of the RSRF in line with its objective in the context of changing circumstances, the Rural Self-Reliance Fund Operations Directive, 2012 has come into implementation since February 13, 2013. The RSRF has been providing loan on installment basis, computed as percent of the core capital (viz., share capital, general reserve, and profit) of affiliate institutions, not exceeding 20 times at first time and 15 times each at second and third times up to Rs. 2.5 million, Rs. 3.0 million and Rs. 3.5 million at first, second and third times respectively. There is an arrangement of providing microcredit through cooperatives/NGOs to each member up to Rs. 90,000 for enhancing the economic/social status of the deprived sector. For borrowing members well-known for having best utilization of their second time loan and desiring to run any micro-enterprise on a mutual basis, there is also an arrangement of providing credit up to Rs. 150,000 per project. Similarly, since FY2002/03, there has also been an arrangement of providing wholesale credit for the purpose of arranging long-term capital from the RSRF to Agricultural Development Bank Limited (ADBL) and institutions (ADBL and

'D'-class MFIs) performing microfinance activities for businesses requiring long-term capital especially tea, cardamom, and cold storage.

Table 2.10
Transaction Details of Rural Self-Reliance Fund

Description	Mid-July			
	2014	2015	2016	2017
Loan Disbursement:				
Number of Districts	68	68	70	70
Number of Institutions	940	1,024	1,104	1,165
Number of Benefited Families	46,081	49,245	55,304	58,830
Loan Disbursed (Rs. in million)	1,523.3	1,700.6	2,000.7	2,098.4
Principal Repaid (Rs. in million)	913.0	1,165.0	1,444.3	1,696.6
Outstanding Loan (Rs. in million)	610.4	535.6	556.2	601.8
Overdue Loan (as percentage of loan to be repaid)	3.67	5.38	4.66	4.64
Loan Recovery (in percent)	96.33	94.62	95.34	95.36

2.77 As in mid-July 2017, the RSRF disbursed loan amounting to Rs. 2,298.36 million to a total of 1,164 institutions comprising 1,111 cooperatives and 53 NGOs. Of the total disbursed amount, Rs. 1,696.57 million was repaid and Rs. 601.79 million remained outstanding. As in that date, out of the total disbursement of long-term loan which amounted to Rs. 159.20 million, Rs. 128.64 million was repaid, leaving Rs. 30.56 million as outstanding. At the present, the long-term loan amount has been invested in ADBL only.

Table 2.11
Lending Position of Rural Self-Reliance Fund
(As in mid-July 2017)

Description	NGOs	Cooperatives	Long Term Loan	Total
Loan Disbursement				
a) No. of Institutions	53	1111	1	1165
b) Loan Amount (Rs. in million)	22.5	2,116.7	159.2	2,298.4
c) No. of Benefited Families	4,004	54,826	-	58,830
Loan Recovery				
a) Principal Amount (Rs. in million)	20.5	1,547.5	128.6	1,696.6
b) Interest Amount (Rs. in million)	2.8	186.0	-	188.8
Outstanding Loan				
a) No. of Institutions	15	389	1	405
b) Principal Amount (Rs. in million)	2.0	569.2	30.6	601.8
Overdue Loan				
a) No. of Institutions	15	110	-	125
b) Principal Amount (Rs. in million)	2.0	80.5	-	82.6

2.78 This year also, continuity has been given for publicity and promotion by organizing various seminars and programmes with the objective of expanding the access to the RSRF of the cooperatives and NGOs working in rural areas of the country.

Projects Related to Microfinance

- 2.79 As per the subsidiary loan agreement entered into between the GON and NRB, various projects with time-bound repayment features were implemented by the NRB. Projects that were under implementation, and investment activities of which have now been completed, out of principal received from GON on various dates that amounted to Rs. 830.07 million are the Production Credit for Rural Women (20-year), Micro-Credit for Women (25-year), Third Livestock Project (27-year), Western Terai Poverty Alleviation Project (36-year) and Community Underground Water Irrigation Sector Project (36-year). Out of the total sum invested in these projects, Rs. 782.62 million has been repaid, with Rs. 48.07 million remaining as outstanding. An amount of Rs. 388.08 million has been due to GON as remaining principal. Similarly, out of Rs. 164.65 million assistance received till mid-July 2017 from the project entitled Raising Income of Small and Medium Farmers Project (RISMFP) that has been in operation under the grants assistance of the Asian Development Bank (ADB), Manila, Rs. 63.49 million was invested among the farmer groups, cooperatives, agricultural entrepreneurs and agro-market committees which have been in operation in 10 districts of the Mid-Western and Far-Western Development Regions.
- 2.80 For promoting sustainable economic development through the medium of financial access in the rural areas, under the financial agreement for the programme entitled Sustainable Economic Development in Rural Areas as part of the German Financial Cooperation with Nepal, NRB will act as Onlanding Agent under MOF for programme implementation and coordination as per agreement dated June 30, 2016 for euro 7.0 million under Confirmation of Implementation Modalities/Request for Proposal as Selection Mode for PFPs/Financing and Separate Agreements.
- 2.81 Various projects and programmes have been implemented and the same continued over the years by NRB for the promotion of financial access, financial literacy, financial inclusion, rural finance, agricultural development, micro-enterprise, etc. in association with international agencies and fora like Centre for International Cooperation in Agricultural Banking (CICTAB), Asia-Pacific Rural and Agricultural Credit Association (APRACA), Alliance for Financial Inclusion (AFI), Child and Youth Finance International (CYFI), World Bank, Asian Development Bank (ADB), United Nations Development Programme (UNDP), United Nations Capital Development Fund (UNCDF), United Nations Children's Fund (UNICEF), Save the Children, Danish International Development Agency (Danida), DFID (British Government's Department for International Development), etc.
- 2.82 As per the bilateral agreement between GON and Government of Denmark in connection with bringing into implementation the UNNATI-Inclusive Growth Programme in assistance of UNCDF in partnership with NRB, the UNNATI Access to Finance-A2F Programme has been brought into operation for the period from 2014 through 2018. With

a view to contributing to value chain activities of 150,000 small farmers mainly engaged in dairy, ginger, cardamom and orthodox tea in the seven hilly districts of eastern region, namely, Ilam, Panchthar, Tehrathum, Bhojpur, Dhankuta, Taplejung, Sankhuwasabha, financial services will be made available through BFIs working in that region. Besides, the Project aims at providing branchless banking services and mobile financial services to 100,000 clients. The total assistance of the Project amounts to US\$ 9.4 million.

- 2.83 In order to address the policy-related issue relating to financial literacy, NRB has formulated National Financial Literacy Policy, 2015 and has submitted to the GON for its approval.
- 2.84 As a part of the UNNATI-Inclusive Growth Programme in assistance of UNCDF, Making Access to Financial Services Possible (MAP) Programme has also come into operation. Under this programme, a national-level Finiscope Survey on the situation of financial inclusiveness was conducted in 2014 and results thereof also published. Under this programme, work on determining National Financial Inclusion Roadmap has been ongoing based on study relating to demand side and supply side.
- 2.85 Under the UNNATI-Inclusive Growth Programme, project relating to digital financial services in Nepal (Mobile Money for the Poor-MM4P) has also been under implementation. Under this programme, activities like assisting Payments System Department of NRB in the area of retail payments and conducting the work of e-mapping in Banks and Financial Institutions Regulation Department are ongoing.

Supervision of Banks and Financial Institutions

Supervision of Commercial Banks

- 2.86 In FY2016/17, risk-based inspection of 19 commercial banks has been completed as part of the corporate level on-site inspection which is conducted by NRB on a regular basis. Continuity has been given to the process of correcting remarks and queries received as well as making evaluation of commercial banks following the conduct by application of risk-based supervision method in accordance with international standard which was started from previous fiscal year.
- 2.87 Besides the corporate level on-site inspection that is carried out on a regular basis, altogether 18 special on-site inspection in various banks have been conducted by special inspection teams based on matters like complaints and grievances received in NRB from various agencies. In addition, examination and inspection has been conducted through requiring submission of necessary documents in connection with 81 similar complaints received in the NRB.
- 2.88 As per the provision that the BFIs needed to obtain NRB clearance for the publication of financial statements prior to the holding of annual general meeting, approval has been granted to all the 28 commercial banks for publication of the financial statements on the

basis of financial statements for FY2015/16. While authorizing the publication of the financial statements, banks have been instructed to correct the defects and weaknesses pointed out in the course of the on-site and off-site inspection carried out by the NRB as well as to improve the qualifications and comments received from external auditors. In addition, commercial banks have been instructed to make arrangements not to repeat such weaknesses and qualifications.

- 2.89 Regular monitoring has been conducted as to the qualifications and comments as mentioned in the inspection and supervision reports prepared on the basis of corporate level on-site inspection, special inspection and targeted on-site inspection as well as off-site supervision along with directions issued thereof for correcting such qualifications and comments.
- 2.90 In order to maintaining financial stability through development of healthy banking system as well as eradicating problems in BFIs in the future, continuity has been given to the task of timely cautioning the concerned BFIs by applying measures like the CAELS rating, CMAELS rating, identification of early warning signals and preparation of risk profile of commercial banks, etc.
- 2.91 For timely identifying problem relating to liquidity and for managing it appropriately, continuity has been given to the task of measuring and monitoring liquidity in the banking system on daily and regular interval through monitoring desk established under Off-site Cell.
- 2.92 Continuity has been made to the task of monitoring the CRR to be maintained fortnightly and SLR to be maintained monthly by the banks. In accordance with the provision of charging the banks penalties for not maintaining the stipulated level of CRR and SLR requirements, no commercial banks were charged such penalties during FY2015/16 though altogether five BFIs were charged such penalty in the previous fiscal year.

Table 2.12
Details Regarding the Penalties for Not Complying with the Specified CRR and SLR

BFIs	2014/15		2015/16		2016/17	
	No.	Rs.	No.	Rs.	No.	Rs.
"A"	-	-	1	165,667.12	-	-
"B"	3	9,464.54	3	1,285,363.10	-	-
"C"	-	-	1	7,045.77	1	32,747.88
Total Amount	3	9,464.54	5	1,458,075.99	1	32,747.88

- 2.93 In order to access the deprived sector credit to specified people, monitoring has been continued for ensuring the compliance as to the same. For the review year, all commercial banks have granted deprived sector credit as specified while eight BFIs were charged penalties for failing to extend deprived sector credit at ratios as specified during the previous year.

Table 2.13
Details Regarding the Penalties for Not Complying with the
Deprived Sector Lending Ratio

BFIs	2014/15		2015/16		2016/17	
	No.	Rs.	No.	Rs.	No.	Rs.
"A"	1	1,752,101.43	1	11,526,661.28	-	-
"B"	4	2,750,085.25	2	189,921.80	-	-
"C"	4	5,688,613.56	5	1,126,445.00	-	-
Total Amount	9	10,190,800.24	8	12,843,028.08	-	-

- 2.94 Continuity has been given to the work of monitoring the risk concentration of the credit extended by the BFIs in the single sector and purpose of the economy.
- 2.95 Annual bank supervision report incorporating results obtained from inspection and supervision of commercial banks and analysis of financial situation along with timely issues has been published for FY2015/16.
- 2.96 For increasing strength of supervisory work, NRB has given continuity to the programmes of expanding mutual cooperation by exchanging supervisory information and cooperation with central banks of other countries. With the objective of expanding mutual cooperation and relationship among supervisory authorities and exchanging supervisory information, a memorandum of understanding has been signed between the NRB and the State Bank of Pakistan, the central bank of Pakistan, on February 9, 2017. Prior to this, such agreement was signed with Reserve Bank of India, India's central bank, China's China Banking Regulatory Commission and Bangladesh Bank, the central bank of Bangladesh.
- 2.97 During the review year, clarification was sought from three commercial banks on four occasions while attention of one commercial bank was drawn as regards the contravention of the NRB and AML/CFT directions.

Supervision of Development Banks

- 2.98 The BASEL II Framework has been implemented also for 'B'-class national level financial institutions as provided in the monetary policy for FY2016/17.
- 2.99 With the objective of applying the concept of base rate to other financial institutions in addition to the 'A'-class banks on a gradual basis, regular monitoring of base rate in 'B'-class financial institutions has been conducted.
- 2.100 Regular monitoring of stress testing performed by 'B'-class national level financial institutions based on stress testing guidelines issued by NRB has been carried out. In accordance with the work plan for gradually implementing stress testing also for regional level development banks as prescribed in the monetary policy for FY2015/16, the work has been commenced by requiring the submission of statistics from regional level development banks.

- 2.101 Planned programme for conducting the on-site inspection of 'B'-class financial institutions at least once a year has been in operation. In the review year, among the 'B'-class financial institutions, corporate level on-site inspection has been carried out in 43 institutions, special and urgent inspection has been performed in 13 institutions and follow up monitoring has been conducted in one institution.
- 2.102 Among the 65 development banks that submitted their audited financial statements for FY2015/16 to NRB for its concurrence, financial statements were accepted and concurrence was given for publication of the same in 22 development banks of national level, nine development banks of 10 district level, 25 development banks of three district level and nine development banks of one district level. Likewise, five development banks have been permitted to distribute cash dividend while 45 development banks have been permitted to distribute stock dividend.
- 2.103 Off-site supervision on a regular basis has been conducted for 'B'-class financial institutions. Off-site supervision reports have been prepared for the fourth quarter of FY2015/16 and for the first, second and third quarters of FY2016/17 following which key financial indicators and annual supervision report of development banks were prepared and uploaded in the NRB website.
- 2.104 While regularly monitoring the statutory liquidity ratios of 'B'-class financial institutions up to mid-July during FY2016/17, all institutions complied with the provision of statutory liquidity ratio as stipulated by the NRB.
- 2.105 While regularly monitoring the CRRs and deprived sectors lendings of 'B'-class financial institutions up to mid-July during FY2016/17, all institutions complied with the provision of the ratios as stipulated by the NRB.

Supervision of Finance Companies

- 2.106 In FY 2016/17, on-site inspection of 25 finance companies, special inspection of five finance companies and follow-up inspection of four finance companies have been conducted.
- 2.107 Concurrence was granted to 28 finance companies for publication of the annual financial statements during the review year.
- 2.108 During the review year, nine finance companies went for merger/acquisition while two were released from problematic list. Accordingly, as in mid-July 2017, 21 finance companies have been running regularly while seven finance companies have been declared problematic.

Table 2.14
Key Macroeconomic Indicators of Finance Companies
(July 2017)

a.	Total Paid-up Capital	Rs. 8,199,193,000
b.	Total Deposit	Rs. 50,064,801,000
c.	Total Loan	Rs. 43,885,243,000
d.	Loan on Productive Sector	Rs. 5,686,542,000 (12.96 Percent)
e.	Deprived Sector Loan	Rs. 2,186,807,000 (5.51 Percent)
f.	Total Real Sector Loan	Rs. 3,597,342,000 (8.20 percent)
g.	Non-Performing Loan	3.08 Percent
h.	Total Loan/Total Deposit and Primary Capital	72.13 Percent
i.	Loan/Deposit Ratio	87.65 Percent
j.	Liquid Assets/Total Deposits	34.64 Percent

Supervision of Microfinance Institutions

2.109 In the review year, the NRB conducted on-site inspection in 41 microfinance development banks, 8 cooperatives engaged in limited banking operations and 8 NGOs involved in operation of financial intermediation. In the review year, special inspection has been conducted in three of the microfinance development banks.

Resolution of Problem Banks and Financial Institutions

2.110 NRB declared 16 BFIs as problematic. Five of them (Nepal Development Bank, Samjhana Finance Limited, Gorkha Development Bank, United Development Bank, and Himalayan Finance Limited) were resolved/have been in the process of resolution through liquidation/merger/acquisition, etc.

2.111 In FY2016/17, General Finance Limited and Arun Finance Limited are operating transactions regularly following their release from the problematic list.

2.112 Among the nine institutions which were in the problematic list as in mid-July 2017, two comprised the 'B'-class financial institutions and seven comprised the 'C'-class finance companies.

2.113 According to unprocessed financial statements of 9 problematic institutions as in mid-July 2017, deposits totaled Rs. 2.26 billion while credit amounted to Rs. 5.55 billion. At the time when these institutions were declared problematic, total deposits amounted to Rs. 10.63 billion and total credit summed up Rs. 13.35 billion.

2.114 Among the remaining nine problematic BFIs, new investors have been inducted in six BFIs (transfer of promoter shares in the name of new investors completed in four of them while the process is ongoing for transfer of the same in two of them). Among the remaining three institutions, the legal proceedings are ongoing in the honorable court in

the case of Crystal Finance Company Limited and Nepal Share Markets and Finance Limited while deliberations at different stages between new investors and management for improvement of the institution have been ongoing in the case of Narayani Development Bank.

- 2.115 Quarterly financial indicators of these problematic institutions have been prepared and updated in the website of NRB for information to related stakeholders and public at large.
- 2.116 All the problematic institutions have been regularly supervised and monitored in the context of regularly monitoring the problematic institutions besides steadfastly carrying out the activity of reforming the institutions. Likewise, work has been carried out by keeping the subject of reforming the institutions at the centrestage by deliberating with board of directors and new investors of the institutions as required.

Foreign Exchange Management

- 2.117 For importing by Nepalese entities software from India against payment in convertible foreign currency, provision has been made to permit a sum up to US\$15,000 at a time through L/C by fulfilling certain specified procedures.
- 2.118 Payment for an amount up to US\$15,000 a year could be made by Nepalese for procuring goods and services out of the convertible foreign currency account maintained by them.
- 2.119 Instead of the buying rate only which hitherto had been quoted in respect of Swedish kroner, Danish kroner, Hong Kong dollar, Kuwaiti dinar and Baharain dinar, both the buying and selling rates of these currencies have been quoted as per the prevailing practice and, thus, the purchase/sale of all the foreign currencies has been carried out accordingly.
- 2.120 As notified by the Swedish central bank, The Riksbank, the decision to demonetize Swedish kroner notes of 100 and 500 denominations of 2001 series issued prior to October 3, 2016, arrangement had been made for the exchange of these notes in the NRB by June 11, 2017.
- 2.121 The maximum one-time convertible foreign currency amount equivalent to US\$40,000 hitherto permitted for the payment of imports of goods from third countries except India through draft/TT has been raised to US\$50,000.
- 2.122 In the case of imports of goods and services (including lease) in convertible foreign currency from third countries (other than India), bank guarantee will be required even if the amount exceeds US\$50,000 or equivalent convertible foreign currency.

- 2.123 Regarding the minimum paid-up capital, the remittance company issuing remittance card, remitter company transacting as principal company, and company involved in remittance transactions in the capacity of agent of foreign-based principal company were respectively required to maintain such capital at Rs. 250 million, Rs. 100 million, and Rs. 20 million by mid-July 2017.
- 2.124 Institutions dealing in purchase of convertible foreign exchange and those dealing in both types of transactions like purchase/sale of Indian currency and purchase of convertible foreign currency were respectively required to maintain the minimum paid-up capital at Rs. 1.5 million and Rs. 2.0 million by mid-July 2017.
- 2.125 Provision has been made to permit remit to the concerned country on the basis of specified documents a maximum of 75 percent of the tax-deducted amount of salary, allowance and other facilities as specified in the agreement between the foreign national of third countries working in any firm, company or organization and such employer. In the case of accumulated amount in the provident fund and retirement fund, whole post-tax amount could be remitted to an annual ceiling of US\$36,000 at the maximum rate of US\$3,000 per month.
- 2.126 With respect to the use of Indian sea ports for importing and exporting of goods by Nepalese firms, companies or institutions, import customs points have been designated for import of goods via Indian ports of Kolkata/Haldia and Vishakhapatnam through LC by amending clause 1(4) of circular No. 580 issued to the licensed entities by the NRB.
- 2.127 As currency in denominations of IC 500 and IC 1,000 was demonetized by Government of India and Reserve Bank of India with effect from November 8, 2016, the purchase, sale and exchange of these notes has been completely banned.
- 2.128 Regarding the gold import and its sale arrangements, additional provisions have been made on the Gold Import and Sale/Distribution Procedure, 2011. As per these provisions, gold denominated as 'identified specific bar' and pure or 99.99 gold would have to be imported, gold import and its sale/distribution would have to be made in quantities of 100, 200, 500 gms. and up to 1 kg, the invoice/receipt evidencing the sale of gold by the banks to the business persons involved in gold and silver would have to mention information like the purity of gold, its brand and identified number/serial number, and one single business person is permitted to obtain recommendation for gold purchase from one single association/federation only.
- 2.129 A number of provisions have been made with a view to managing cash US dollar. Accordingly, commercial banks themselves could import fresh US dollar notes only and sell the same, they could impose cash handling charge on the customers at a maximum rate of 30 paisa per dollar bought, and customers demanding dollar would have to be provided exchange facility through banking instrument, wherever possible.

- 2.130 The provision of allowing 15 kg. as the maximum daily limit of import of gold as mentioned in section 4 of para. 2 of the Gold Import and Sale/Distribution Procedure, 2011 issued by the NRB has been raised to 20 kg.
- 2.131 Commercial firms/companies that import goods against L/C from overseas could book with the concerned bank loan in convertible foreign exchange as per the prevailing practice for a period up to 90 days till mid-April 2017 for the sum up to the payable amount.
- 2.132 So far, there has been the provision of submitting to NRB monthly statements and documents containing the details of remittance transactions as performed by licenced BFIs, remittance companies, money changers dealing in foreign exchange, hotels and entities like travels, trekking, cargo, etc. which also transact in foreign exchange. With the objective of making the reporting simpler and systematic, such statement since mid-April 2017 would have to be compulsorily submitted through online reporting only.
- 2.133 The BFIs and remittance companies involved in remittance transactions are required to make remittance payment exceeding Rs. 200,000 compulsorily through bank account or cheque with effect from mid-July 2017.
- 2.134 In the context of regulating the foreign exchange, a volume called “consolidated circulars issued to BFIs and other entities licensed to transact in foreign exchange, 2017” has been prepared and brought into implementation by revising and adjusting the circulars that are valid to date out of the circulars numbering 381 through 668 issued on various dates as well as incorporating public notices concerning foreign exchange issued by the NRB and GON on various dates.
- 2.135 The use of cards has been rising and even foreign tourists have brought such cards for use in exchange into Nepalese rupee. In this respect, a committee has been formed and technical and practical aspects regarding the possibility of money changers also being involved in providing the exchange facility at the point of sale (POS) are being studied.
- 2.136 Some firms, companies or industries have brought in foreign exchange as the amount representing foreign investment by obtaining approval from the concerned government agency without obtaining NRB approval. Likewise, though some firms, companies or industries have brought in foreign exchange by obtaining NRB approval, they have not registered the same in the NRB till date. Public notice has, therefore, been issued requiring the concerned firm, company or industry to obtain NRB approval after complying with specified procedure prior to bringing in foreign investment while, in the case of foreign investment already brought in, compulsorily get the same registered after fulfilling the procedure.
- 2.137 Notice has been published by making policy provisions in connection with obtaining foreign loan. Accordingly, approval of the concerned government agency followed by NRB approval is required for obtaining foreign loan by any industry, company or entity

established in Nepal. Further, if securities need to be placed as the collateral or furnishing of personal guarantee is required for obtaining the foreign loan, the concerned government agency needs to approve the related agreement following which the approval of the NRB could be issued also based on the compliance of conditions set by the NRB.

- 2.138 With respect to the projects being developed by also involving the foreign investment comprising those categorized as the projects of national glory by the Investment Board under the GON or projects approved by the Investment Board and run domestically with foreign investment, amount incurred in the country of foreign investor for conducting the feasibility study, geological exploration, survey and design of the project could be allowed to be capitalized and included as the foreign investment if application is received by fulfilling specified conditions, as per the public notice issued to this effect.
- 2.139 There has been the explicit provision that foreign exchange transactions could be conducted only with the prior approval of the NRB. So far, the bitcoin has not received the legal acceptance in the form of currency in Nepal. Notwithstanding such provision, there have been occasional reports that some individuals are indulging in transactions in bitcoins. In response to such reports, it has been announced through public notice that any transaction in bitcoins is completely illegal in Nepal.
- 2.140 As in mid-July 2017, institutions licensed to deal in foreign exchange numbered 2,630, comprising 123 hotels, 1,170 trekking agencies, 708 travel agencies, 402 money changers, 52 remittance companies, 28 commercial banks, 8 development banks, 2 financial companies, 1 NCHI, 61 GSAs/PSAs of foreign airlines, 54 cargo/couriers, and 21 other various entities.
- 2.141 Among the firms, companies or institutions licensed to deal in foreign exchange (other than BFIs), during FY2016/17, regular inspection of 226 of them comprising 145 money changers, 49 hotels, 10 trekking agencies, 4 remittance companies inside the Valley and 18 money changers outside the Valley was conducted. Following the inspection, 12 money changers and 5 hotels were imposed fines which aggregated Rs. 430,000.
- 2.142 The Foreign Exchange Investment Guidelines, 2009 has been reviewed and updated.

Table 2.15
Type and Number of Firms, Companies or Institutions Licensed to
Deal in Foreign Exchange
(Other than BFIs)

Description	Mid-July			
	2014	2015	2016	2017
Firms or companies dealing in remittance	47	49	49	52
Money Changers	336	431	403	402
Hotels	320	329	162	123
Trekking Agencies	1,511	1,660	1,113	1,170
Travel Agencies	1,670	1,744	819	708
Foreign Airlines	54	59	32	61
Cargo Couriers	301	305	57	54
Other Organizations	73	79	43	21
Total	4,312	4,656	2,678	2,591*

* Except 38 BFIs and one NCHL

Currency Management

- 2.143 In FY2016/17, 200 million pieces of Rs. 1000 denomination notes, 120 million pieces of Rs. 100 denomination notes, 150 million pieces of Rs. 500 denomination notes and 55 million pieces of Rs. 20 denomination notes were printed and being deposited in the NRB vault. Likewise, the process of receiving notes being printed as per agreement with China Banknotes Printing and Minting Corporation, China, for printing of 260 million pieces of Rs. 5 denomination notes and as per agreement with Oberthur Fiduciaire, France, for printing 240 pieces of Rs. 10 denomination notes has already started.
- 2.144 In the review year, 382.15 million pieces of various denomination notes amounting to Rs. 89.04 billion, as detailed in the table below, were issued from stock into circulation. In the review year, the note printing expenses amounted to Rs. 938.7 million.

Table 2.16
Details of Currency Notes Issued from Note Stock in FY2016/17

Denomination (Rs.)	Notes in Circulation (Pieces in Million)	Amount (Rs. in Million)
5	69.45	347.2
10	60.20	602.0
20	33.30	666.0
50	50.60	2,530.0
100	77.45	7,745.0
500	28.00	14,000.0
1000	63.15	63,150.0
Total Amount	382.15	89,040.2

2.145 Notes in circulation as in mid-July 2017 amounted to Rs. 430.99 billion, registering an increase of 11.61 percent over the notes in circulation amounting to Rs. 386.16 billion as in mid-July 2016. Notes issued have been secured by foreign currency and foreign securities. The details of currency in circulation as in mid-July 2017 have been as follows:

Table 2.17
Details of Currency Notes in Circulation (Mid-July 2017)

Denomination (Rs.)	Notes in Circulation (Pieces in Thousand)	Amount (Rs. in Million)	Percent
1	161,111	161.2	0.04
2	92,854	185.7	0.04
5	436,827	2,184.1	0.51
10	334,426	3,344.3	0.78
20	198,066	3,961.3	0.92
25	2,298	57.5	0.01
50	147,924	7,396.2	1.72
100	152,545	15,254.5	3.54
250	350	87.5	0.02
500	190,227	95,113.5	22.07
1000	303,244	303,244.3	70.36
Total	2,019,872	430,990.0	100.00

2.146 In order to make the supply system of the Nepalese currency simple, convenient and effective throughout the country as well as ensure the necessary supply of currency as required for GON's recurrent and capital expenditure, NRB has been supplying Nepalese notes and seizing the soiled notes through the 75 currency chests across the nation, comprising NRB's one chest in the Valley and one each in seven offices outside the Valley, RBB's 43 and NBL's 24. Total number of currency chests with effect from FY2017/18 will rise to 77, comprising RBB's currency chest in Damak of Jhapa district and Dharan of Sunsari district. If the amount deposited in the currency chests exceeds the amount insured, the excess amount is returned back incurring the fund transfer costs by the NRB itself while arrangement has been made to replenish the required amount if funds are deficient in the currency chest. During the recent years, besides commercial banks, national level development banks and finance companies have also been involved in currency chest transactions. Further, in order to enhance effectiveness of the existing operational procedures for resolving problems observed in currency chest transactions, seminars have been conducted through participation of staff engaged in currency chest transactions. Besides, suggestions collected/received from inspection and follow-up of currency chests from time to time have been forwarded for improvements.

2.147 In accordance with the objective of bringing into circulation only the clean notes, the process of implementing clean note policy has been continued in FY2016/17 also. Besides, in order to bring awareness among the public about clean notes, seminars were conducted in one place inside the Valley and three places outside the Valley. In order to

enhance effectiveness of clean note policy since the implementation of the Clean Note Policy since FY2010/11, new circular was issued on April 14, 2016 which instructed forbidding stitching the note packets, crossing out, and tearing/getting torn carelessly. Necessary direction has been given by conducting regular inspection for assessing the compliance of this circular in the course of BFIs' work relating to deposit and payment. Information is being uploaded in the NRB website to impart awareness among the stakeholders and the general public about the need to bring into secure circulation and discontinue the soiled notes from circulation.

- 2.148 Soiled, torn and non-usable notes in various denominations in the possession of BFIs and the general public amounting to Rs. 25.75 billion were collected and consigned to ashes during the review year. Such soiled and non-usable notes consigned to ashes since the start of the process to mid-July 2017 summed to Rs. 361.40 billion.

Table 2.18

Details of Worn Notes unfit for Circulation consigned to Ashes in FY2016/17

Denominations (Rs.)	Consigned to Ashes (in Thousand)	Amount (Rs. Million)
1	100	0.1
2	170	0.4
5	35,383	176.9
10	36,265	362.7
20	31,802	636.0
25	9	0.2
50	28,544	1,427.2
100	40,205	4,020.5
250	8	2.0
500	4,174	2,087.0
1000	17,041	17,041.2
Total	193,701	25,754.2

Human Resource Management

- 2.149 Of the total number of NRB staff at 1,125 in mid-July 2017, 1,011 were from administration stream and 114 were from technical stream. The level-wise composition of the total staff strength showed 659 at officer-level, 324 at assistant-level, and 142 at office assistant-level (class-less). The ratio of the officers to assistants (including assistant-level (class-less) as at the end of the review year was 1:0.70. Such ratio in the previous year had been 1:0.72. Similarly, at the end of the review year, a total of 126 staff (security 84, health 11, engineer 2, sub-engineer 2, driver 6 and others, i.e., among the retired employees of NRB, 21) were under contract basis.

Table 2.19
Details of Existing Staff

Level	Staff Composition as in mid-July 2017		
	Administration	Technical	Total
Officer Special	9	–	9
Officer First	47	1	48
Officer Second	140	21	161
Officer Third	413	28	441
Total	609	50	659
Assistant First	42	16	58
Assistant Second	165	38	203
Assistant Third	53	10	63
Assistant Fourth	–	–	–
Assistant Fifth	–	–	–
Total	260	64	324
Office Assistant (Class-less) First	44	–	44
Office Assistant (Class-less) Second	29	–	29
Office Assistant (Class-less) Third	8	–	8
Office Assistant (Class-less) Fourth	61	–	61
Total	142	–	142
Grand Total	1,011	114	1,125

- 2.150 During FY2016/17, 23 assistant directors entered into the Bank service while 124 employees left the Bank service for various reasons. Among the employees who left the Bank service, 117 employees left due to the provision of compulsory retirement, 5 employees resigned and 2 met untimely death.
- 2.151 During the review year, altogether 104 vacancies were fulfilled by means of promotion comprising 23 from open competition, 50 from evaluation and 31 from internal examination. Vacancy through the open competition has been fulfilled only in the post of officer third (assistant director). Likewise, six drivers have been recruited on contract basis.

Table 2.20
Details of Fulfillment of Vacancy during FY2016/17

S.N.	Level	Service Type	External Competition	Performance Appraisal	Internal Competition
1	Officer Special	Administration	-	4	-
2	Officer First	Administration	-	6	5
3	Officer First	Technical	-	1	-
4	Officer Second	Administration	-	15	12
5	Officer Second	Technical	-	3	-
6	Officer Third	Administration	23	5	3
7	Officer Third	Technical	-	-	-
8	Assistant First	Administration	-	4	8
9	Assistant First	Technical	-	4	-
10	Assistant Second	Administration	-	6	3
11	Assistant Second	Technical	-	2	-
12	Assistant Third	Administration	-	-	-
13	Office Assist. 4th	Administration	-	-	-
14	Contract Driver	Technical	6	-	-
Total			29	50	31

2.152 With effect from July 16, 2016, monthly remuneration of NRB employees as well as surveillance group working in the Bank on contract basis has been raised by 25 percent. Likewise, there has been an increment of 15 percent, applicable from the date of the decision, in the remuneration of former NRB employees working on the contract basis after their retirement.

2.153 In accordance with the decision of the board of directors, the work relating to formulation of human resource development plan has been moving ahead with the formation of the high-level human resource development committee as well as human resource development plan draft sub-committee for imparting technical assistance to the committee.

Miscellaneous

Budget Management, Corporate Risk Mitigation and Strategic Plan

Budgetary Management

2.154 As per the provision made in Section 43 of Nepal Rastra Bank Act, 2002 and as per point number 6 (3) of Nepal Rastra Bank Budget Formulation, Implementation and Monitoring Directive, 2015, the board of directors has approved the NRB's income and expenditure (budget) for FY2017/18.

2.155 All the departments/offices/divisions/units have been informed for implementation and compliance of 26-point directive being issued by the board of directors at the time of

budget approval with the view of making the implementation of the annual income and expenditure (budget) for FY2017/18 more effective, efficient and outcome-oriented. Attention has also been brought to the need for complying with the provisions as contained in the budget directive issued by the NRB while implementing the budget.

- 2.156 According to the Nepal Rastra Bank Act, 2002 and the Nepal Rastra Bank Budget Formulation, Implementation, and Monitoring Directive, 2015, the Corporate Planning Department would make a quarterly review of NRB income-expenditure by analyzing report received from each budget centre and submit it to the budget review committee by incorporating necessary remarks/suggestions. There is a provision for submitting the budget review report to the board of directors and finally approving it following the evaluation of the report as per necessity by the budget review committee and enclosing recommendation for issuing necessary directions for making budget implementation effective.
- 2.157 For making NRB's day to day activities more effective by mutually coordinating various departments/offices/divisions, Management Consultations Seminar is arranged every year for discussing annual work plan and related budget. Accordingly, such seminar was organized in the review year also. Such consultation has resulted in effective coordination in the functioning of departments/divisions/offices of the NRB. Further, the seminar has also been fruitful in resolving problems encountered in day-to-day activities. As a result, there has been a qualitative improvement in the work performance as an outcome of effectiveness in work operations.
- 2.158 Budget implementation and monitoring seminar has been organized with the purpose of discussing and resolving problems witnessed in connection with budget formulation and implementation in NRB's various departments, divisions, cells, and offices which are directly related with budget formulation and expenditure system. The organization of such seminar has helped in discussing the relevant aspects that have to be considered for practical and objective formulation of budget in consistence with the NRB's vision and mission as well as approved annual work plans. Likewise, programme for instructing G.L. System for staff involved in budgeting has been organized.

Implementation of Risk Management

- 2.159 In order to further revise and update the Nepal Rastra Bank Risk Management Guidelines, 2010, the Nepal Rastra Bank Risk Management Guidelines, 2017 has been implemented with effect from March 6, 2017.
- 2.160 Risk Management Report for the period till the third quarter of FY2016/17 has been prepared on the basis of details received from various departments. With the purpose of making the reporting of risks pertaining to the functions of departments and offices further agile, Risk Assesment and Reporting Templete has been prepared and direction

has been received from the risk management committee to implement the template with effect from the first quarter of FY2017/18.

- 2.161 An international-level seminar was organized in July 2017 for the purpose of formulating and implementing business continuity plan of NRB. As an elementary stage for formulating the business continuity plan, the work of business impact analysis for each department/office has been completed.

Implementation of Strategic Plan

- 2.162 With the implementation period of the second strategic plan of NRB (2012-2016) coming to an end on December 31, 2016, the work for overall evaluation of the plan has been completed. Out of 201 functions envisaged to be attained as per the strategic plan (2012-2016), functions numbering 17 were deleted from the strategic plan for the reasons of these being of operational nature and lacking relevance while it was decided to include 10 important functions unfinished in this period to the upcoming strategic plan. Among the 174 functions that found place in the resultant final list, 157 functions have been completed in entirety while 17 functions are nearing the completion stage.
- 2.163 NRB's third strategic plan (2017-2021) has been in the final stage of formulation. Following the interactions spanning various stages with stakeholders on the strategic plan, the plan is in the process of being given final touches by the strategic plan formulation committee constituted under the convenorship of the NRB board member.

Implementation of Annual Work Plan

- 2.164 Annual evaluation and review report has been formulated up to the third quarter of FY2016/17. In accordance with the annual work plan, out of the specified weightage for a total of 376 programmes approved for commencement or completion till the third quarter by the department, division, office and unit, a target was determined for conducting work equivalent to 364.99 weightage, of which functions equivalent to 257.1 weightage (74.47 percent of the target) were completed. Among the 183 functions to be completed in entirety, 96 functions have been completed in entirety while 123 sub-functions out of 167 sub-functions have been completed.
- 2.165 The board of directors approved the work plan of all departments and offices for FY2017/18 in accordance with Nepal Rastra Bank Plan Formulation and Evaluation Directive, 2015.

Information Technology and Activities Related to Financial Information Unit

- 2.166 In the process of acquiring and developing new software and making necessary changes in the software already developed, software for renewing licence by NRB for institutions dealing in foreign exchange transactions and for recording LC transactions conducted by commercial banks has been developed and brought into operation.

- 2.167 E-mapping software and Mobile App has been readied for making graphical presentation for conveniently identifying the location of outlets of branch, ATM and BLB (branchless banking) of BFIs inside the territory of Nepal. For collecting related information, orientation programme for Mobile App has been conducted and data has been collected through Mobile App.
- 2.168 Work has been initiated to also bring “D”-class financial institutions having their operation at regional level within the umbrella of *reporting.nrb.org.np*.
- 2.169 Work of installing Active Directory System and preparing File Server in computers located in all departments and offices of NRB has been completed. Old network wiring has been replaced by new network wiring and brought into operation in branch offices located in Biratnagar and Siddharthanagar. Necessary work on preparing Network Estimate and Network Drawing prior to network wiring in all offices of the NRB located outside the Valley except the Dhangadhi office has been conducted.
- 2.170 Network wiring has been completed and brought into operation in newly built building located in Central Office of NRB as well as in the Finance Company Supervision Department located in the ground floor of the library building. Fibre Optic Backbone Network has been installed by connecting all buildings located in the Central Office of NRB.
- 2.171 Graphical presentation and API of foreign exchange rates quoted by NRB on daily basis has been prepared. Likewise, security feature called SSL (Secured Socket Layer) for official website of NRB and new e-mail system has been brought into operation.
- 2.172 Migration to new e-mail server in place of the old e-mail server which was in operation of NRB has been completed. Further, server migration has been done by changing the hosting service supplier of Bank’s website *www.nrb.org.np*.
- 2.173 Arrangement has been made to make the data reportig to NRB by BFIs by keeping the reporting application in a separate server and the same operated through *reporting.nrb.org.np* in place of the previous practice of reporting within the server right inside the Bank’s website. Likewise, Content Management System (CMS) has been prepared through which content upload could be made in NRB’s website and intranet by the concerned department itself.
- 2.174 Under the work of establishing NRB’s Disaster Recovery Site (DR Site), all the civil work for DR Site as well as the configuration test of computer equipment included in the Data Center and DR Site has been completed and the same has been sent to the concerned branch offices.
- 2.175 Physical infrastructure related to information technology prepared by payments service suppliers and by BFIs in the process of establishment of new offices as well as the

transferred ones have been inspected. Similarly, information technology infrastructure of BFIs has been supervised by visiting various BFIs.

Proceeding/Pleading of Legal Suits

2.176 Following are the category and number of legal suits comprising writ petition following dissatisfaction with the NRB decision against BFIs and their officials for violation of the NRB directive as well as the suits lodged in various courts by also making NRB a defendant.

S. No.	Type of Legal Suits	Number
1	Current Suits	66
2	Decided Suits	36
3	Suits relating to Insolvency	3

Internal Audit

2.177 Among the internal audit activities regularly conducted by Internal Audit Department of NRB during FY2016/17, risk-based audit of Banking Office, Currency Management Department, Financial Management Department, Public Debt Management Department, General Services Department, and all Offices outside the Kathmandu valley have been completed. Likewise, monitoring the compliance of directives issued by internal audit committee has also been completed.

2.178 Audit has been completed and report submitted to internal audit committee in areas like policy-level and procedural arrangements with respect to implementation of Establishment of BFIs and their Licensing for Conducting Financial Transactions, 2007 as well as other subjects, licensing for conducting foreign exchange transactions in accordance with the prevailing legal provision and their implementation progress along with the investment, formulation and implementation of annual budget/work plan, subjects like recruitment/transfer/promotion and training/seminar in accordance with Nepal Rastra Bank Staff Service Bylaw, 2011 (including second amendment, 2015).

2.179 As part of making system audit of software like general ledger (GL) and HRMISS being used by NRB through external experts, preparing terms of reference (TOR) and expression of interest (EOI) as well as selection of auditors has begun.

2.180 In the process of making internal audit work more effective and linking it with the NRB's statistical system, continuity has been provided for regular monitoring the NRB's daily transactions through the GL system. Likewise, the work of off-site inspection has been continued along with preparing half-yearly report and forwarding corrective measures.

2.181 Half-yearly monitoring has been conducted as to the progress regarding adoption of measures for correcting deficiencies as ascertained by external and internal audit.

- 2.182 On-site monitoring has been conducted on the management of exchange of new notes as well as the currency exchange operations carried out by the Currency Management Department on the occasion of *Vijaya Dashami 2016* and the report thereof has been submitted to the audit committee. Accordingly, audit committee has directed to correct the deficiencies and weaknesses as pointed out in the report.
- 2.183 Audit committee has given direction to various departments/offices in connection with formulating necessary policy-level arrangements for making internal control system of NRB more effective.
- 2.184 By unifying and updating the circulars, policies and bylaws issued by various departments and offices of NRB up to mid-October 2016, the 'Collection of Internal Circulars' has been prepared and uploaded in the NRB website (www.nrb.org.np).
- 2.185 The Audit Committee has made consultation and given necessary direction to Currency Management Department, Human Resource Management Department, General Services Department, Corporate Planning Department and Financial Management Department in connection with matters like ambiguities, problems and policy-level vagueness.

General Services

- 2.186 The work of constructing two-storey building in the north-east side of the Baluwatar premises has been constructed and works like cubical partition, furnishing and installation of air conditioning in the building have been completed following which the departments which were transferred outside the central office subsequent to the devastating earthquake that occurred on April 25, 2015 have been reinstated in the Baluwatar complex.
- 2.187 To clear the wreckage of earthquake-damaged buildings located at Baluwatar and Thapathali and to construct in that place modern buildings equipped with infrastructure, consultants have been appointed on the basis of agreement with GON, Central Project Unit, and work has now been in progress for clearing the wreckage and preparing master plan for constructing new buildings as well as work regarding preparation of detailed engineering design, cost estimation, soil test, environmental impact study and bid documentation.
- 2.188 Following the selection of consultants for performing the work like making detailed engineering design, cost estimation, soil test, environmental impact study and bid documentation in connection with constructing necessary infrastructure at NRB's land located at Sano Thimi, Bhaktapur, the draft master plan has been prepared on the basis of which work on detailed engineering design, cost estimation, soil test, environmental impact study and bid documentation has been ongoing.

Payments System

- 2.189 It has been arranged that Payment System Department will perform secretariat functions like assuming responsibility for implementating the tasks being discharged under agreement with respect to payment system concerning SAARC Payment Council and other international fora as per bylaw 7(2) of Payment and Settlement Bylaw, 2015 (first amendment, 2016) as well as carry out other activities necessary for ensuring coordination.
- 2.190 One senior financial sector expert from IMF provided technical assistance for consolidating the NRB's oversight functions on payment system during June 24-July 8, 2017. Likewise, one payment systems advisor from the Bank of Korea has been stationed at the NRB to assist in the payment system development since March 8, 2017.
- 2.191 Among the BFIs which have sought permission to work as the payment system provider (PRP), 28 commercial banks have been authorized to work as the PRPs, subject to the various conditions. Besides, permission has been granted to the following to discharge functions regarding payments, subject to various conditions: (a) Prabhu Technology Pvt. Ltd., Kamaladi, Kathmandu-payment system operator/PSP, (b) IME Digital Solution Pvt. Ltd., Panipokhari, Kathmandu-PSP and (c) e-Sewa Phone Pay Pvt. Ltd., Hattisar, Kathmandu-PSP.
- 2.192 With respect to electronic payment transactions, directive has been issued regarding (a) security system to be adopted while delivering electronic payment system, (b) conduct of financial service in domestic currency through telecommunications network and (c) conduct of electronic payment card.
- 2.193 Regarding establishment of real time gross settlement (RTGS) system, central securities depository (CSD) and national payment switch, the report prepared by the study team for the establishment of RTGS has been received.
- 2.194 A task force has been constituted for the purpose of preparing national small value payment strategy. Likewise, with respect to Nepal's small value payments, work has been completed for acquiring existing information (stock taking) the draft report of which has been ready.
- 2.195 Inspection of NCHL-IPS to be conducted by Nepal Clering House Limited (NCHL) as per NCHL-IPS rule book approved by NRB has been completed. This facility has been conducted by NCHL on a gradual basis since August 17, 2016.
- 2.196 Study report has been prepared on the basis of the data/details received from survey team deputed in connection with promotion of electronic payment system in Nepal's city areas comprising Pokhara, Kamalamai, Kathmandu valley, Panchkhal and Nilkantha in the hilly region and Biratnagar, Birgunj, Nepalgunj and Dhangadhi in the Terai region.

Banking Transactions

- 2.197 During FY2016/17, inspection of government transactions being conducted by 12 branches comprising seven branches of Rastriya Banijya Bank, three branches of Nepal Bank Ltd. and two branches of Agricultural Development Bank has been completed.
- 2.198 For conducting government transactions of various district offices of GON as well as local level offices by specifying the office and location, an additional three commercial banks (Nepal Investment Bank Ltd., NIC Asia Bank Ltd., and Prime Commercial bank Ltd.) have been permitted by NRB for performing government transactions following which approval has been granted for conducting transactions since July 16, 2017, in addition to the permission already granted to, and government transactions being conducted through, nine commercial banks (namely, Rastriya Banijya Bank Ltd., Nepal Bank Ltd., Everest Bank Ltd., Nepal-Bangladesh Bank Ltd., Global IME Bank Ltd., NMB Bank Ltd., Bank of Kathmandu Ltd., Agricultural Development Bank Ltd. and Century Bank Ltd.). Likewise, with effect from July 16, 2017, the government transactions being conducted by NRB offices outside the Valley (namely, Janakpur, Birgunj, Pokhara, Nepalgunj and Dhangadhi) were transferred to Rastriya Banijya Bank Ltd. and permitted for carrying out government transactions of the respective areas.
- 2.199 Interbank Payment System (IPS) has been brought into implementation since August 17, 2016.
- 2.200 One-day seminar on electronic cheque clearing (ECC-IPS) has been organized in NRB's district offices (namely, Biratnagar, Birgunj, Pokhara and Dhangadhi) and inspection work regarding ECC-IPS has been completed in Biratnagar, Janakpur, Birgunj, Pokhara, Siddharthanagar, Nepalgunj and Dhangadhi offices.
- 2.201 The amount of ceiling for cheque clearing through ECC has been raised from Rs. 200 million to Rs. 300 million.
- 2.202 The second express has been added to the Friday transactions so far limited to high value and first express.
- 2.203 The supply management of IC has been eased with IC 4.6 billion being brought from the Reserve Bank of India on four occasions.
- 2.204 For addressing the shortage of US dollar in the market, fresh US dollar currency notes in 100 denominations amounting to US\$10.0 million was brought from CIMB Bank, Singapore. Likewise, excess US dollar totaling US\$67.58 million has been sent through cargo for depositing in agency accounts at UOB Bank, Singapore, on 17 occasions and US\$57.84 million at CIMB Bank, Singapore, on 14 occasions.

2.205 As per the request of offices under GON like Nepal Army, Nepal Police, Armed Police and Department of Roads, 123 new letters of credit were opened in the review year and the payment of which has been regularly made on the basis of the LC documents.

Training, Workshop, Seminar, Travel, and Interaction Programmes

2.206 With the objective of making effective the timely availability of correct statistics from the BFIs, four statistical seminars (one inside the Valley and three outside the Valley) were held during the review year with the representation of BFI staff involved in NRB reporting.

2.207 Interaction programmes were organized with officials of “B”-class financial institutions working on reporting of money laundering and financial investment on terrorism encompassing subjects like Nepal’s existing legal arrangement concerning money laundering, criteria and sources of mechanisms on identification of politically exposed persons (PEPS), monitoring accounts and transactions of clients as well as criteria for identification of doubtful transactions and management thereof, statistical statements that the institution is required to submit regarding money laundering under off-site supervision and the statements that the institution is required to submit in relation to bank’s self-assessment questionnaire. Similarly, in the context of emerging challenges concerning corporate governance in the financial sector, interaction programmes have been conducted on subjects relating to corporate governance, credit and operation risk as well as internal control system with chairmen and executive directors of “B”-class financial institutions in Kathmandu, Siddharthanagar and Biratnagar.

2.208 With the objective of eliminating defects that could arise from the circulation of counterfeit currency notes, four interactive seminars (one inside the Valley and three outside the Valley) were held in the participation of stakeholders for identification of counterfeit currency notes.

2.209 Bankers Training Center conducted 29 training programmes, comprising 18 officer level, 8 officer/assistant level and 3 assistant level. The training participants numbered 651, comprising 587 from NRB and 64 from other institutions. Likewise, among the participants, 549 were males and 102 were females.

2.210 One-day officer level instruction programme on the subject of Nepal’s payments system was conducted. Altogether 24 NRB staff participated in the programme, representing various departments and offices outside the Valley.

2.211 With the objective of imparting information on structure of information technology, software and security details in all NRB offices outside the Valley, training was organised on the subject of ‘IT infrastructure, information system implementation, upgrade and security’. Moreover, inventory management software has been installed and necessary training has been imparted for its operation in all NRB departments and offices outside the Valley.

- 2.212 One-day interaction programme also encompassing the participation of top management was organized in Kathmandu entitled ‘caution to be adopted in connection with problem observed in the process of defending in the court as well as the caution to be adopted for their solution in subjects like policy and directive issued by NRB and NRB proceedings in connection therewith’. Training programme concerning banking process and banking laws conducted through National Banking Institute in Butwal and Hetauda was completed in the participation of officials representing various government attorney offices under the Office of Attorney General, offices under revenue investigation department and crime investigation department of Nepal Police. Training programme concerning banking process and banking laws conducted through National Legal Academy in Palpa and Dhankuta was completed in the participation of representatives from various government attorney offices under the Office of Attorney General, offices under revenue investigation department and crime investigation department of Nepal Police as well as the honourable judges of district and high courts. Similarly, four-day training programme on banking laws was conducted with participation of honourable judges of high court.
- 2.213 An interactive seminar was organized among NRB’s top management and all department/office chiefs on notes and remarks as mentioned in annual budget for FY2015/16. Direction has been provided to all departments and offices for taking action on notes and remarks as observed in the process of internal audit as well as making arrangements for non-repetition of defects that often repeated in the past.
- 2.214 NRB’s Banking Office in Kathmandu organized one-day instruction programme on ‘Government Transactions Directive, 2015 and Revenue Management Information System (RMIS)’ for the related staff of commercial bank branches involved in government transactions.
- 2.215 Interactions have been conducted in various places of the country including Kathmandu in the process of preparation of pre-budget report which the NRB submits to the GON for assisting in formulation of annual budget. Similarly, in the process of formulation of monetary policy, interaction with all the stakeholders has been held in Kathmandu.

Study and Research Activities

- 2.216 Study is also being conducted on the subject of role of NRB under the federal system in cooperation of UNCDF under the Unnati Financial Access Project.
- 2.217 Monthly and annual bulletin has been compiled and published regularly on the basis of daily, monthly and quarterly statistics received in the NRB from BFIs in accordance with Unified Directive.
- 2.218 The Research Department of the NRB conducted studies on ‘Effects of Provisions relating to Free Visa and Ticket on Foreign Employment’, ‘Condition of Foreign Direct Investment in Domestic Institutions including Industry and Business’, ‘Condition and

Prospect of Economic Situation and Financial Access in Districts having High Poverty Ratio', 'Optimal Inflation Rate for Nepal', 'Volatility and International Trade of Nepal', 'Elasticity and Buoyancy of Taxation in Nepal: A Revisit of the Empirical Evidence' and 'Effectiveness of Concessional Financing'.

- 2.219 Special study has been conducted by the NRB's Biratnagar Office incorporating Jhapa, Morang, Sunsari and Saptari districts on the subject entitled 'Condition and Effectiveness of Agricultural Credit'. Likewise, special study has been conducted on 'Commercial Banana Cultivation in Chitwan District: Conditions and Prospects' by Birgunj Office. Studies have been conducted by NRB's Nepalgunj Office on topics entitled 'Study on Hotels Located in Nepalgunj and Kohalpur of Banke District', 'Study on Condition of Herbs in the Mid-Western Region' and 'Condition and Prospects of Ginger Farming in Salyan District'.

Meeting of Board of Directors

- 2.220 The Board of Directors held 75 meetings in FY2016/17. Such meetings in the previous year had numbered 97.

Table 1
Denomination-wise Currency Notes in Circulation

(Rs. in Million)

Denomination	Mid July					
	2015		2016		2017	
	Amount	Percent	Amount	Percent	Amount	Percent
1	161.4	0.1	161.2	0.0	161.1	0.0
2	186.6	0.1	186.1	0.1	185.7	0.0
5	1,859.0	0.6	2,003.7	0.5	2,184.1	0.5
10	2,794.4	0.9	3,025.0	0.8	3,344.3	0.8
20	3,418.6	1.8	3,756.2	1.0	3,961.3	1.0
25	58.2	0.0	57.7	0.0	57.5	0.0
50	5,693.2	1.8	6,622.3	1.7	7,396.2	1.7
100	11,554.3	3.6	11,734.6	3.0	15,254.5	3.5
250	87.5	0.0	87.5	0.0	87.5	0.0
500	88,489.6	27.7	91,896.8	23.8	95,113.5	22.1
1000	204,777.2	64.2	266,629.0	69.1	303,244.3	70.4
Total	319,080.0	100.0	386,160.1	100.0	430,990.0	100.0

Table 2
Security against Currency Notes in Circulation

(Rs. in Million)

Mid-July	Gold	Silver	Foreign Currency and Securities	Total	Government Securities	Security against Note Issued	Share of Foreign Currency, Gold and Silver in Total Security (%)
				(1+2+3)			(4÷6)*100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	703	-	79,756.0	80,459.0	4,172.0	84,631.0	95.1
2007	-	-	87,138.0	87,138.0	4,172.0	91,310.0	95.4
2008	-	-	108,778.0	108,778.0	4,172.0	112,950.0	96.3
2009	-	-	137,038.0	137,038.0	4,172.0	141,210.0	97.0
2010	-	-	157,128.0	157,128.0	4,172.0	161,300.0	97.4
2011	-	-	163,448.0	163,448.0	4,172.0	167,620.0	97.5
2012	-	-	197,078.0	197,078.0	4,172.0	201,250.0	97.9
2013	-	-	233,460.0	233,460.0	-	233,460.0	100.0
2014	-	-	273,250.0	273,250.0	-	273,250.0	100.0
2015	-	-	319,080.0	319,080.0	-	319,080.0	100.0
2016	-	-	386,160.0	386,160.0	-	386,160.0	100.0
2017	-	-	430,990.0	430,990.0	-	430,990.0	100.0

Table 3
Training Programs Conducted by Bankers Training Centre

S. No.	Subject	Level	Date	No. of Participants
1	Development in Monetary Policy Frameworks	Officer	Aug. 7-8, 2016	21
2	Nepal Financial Reporting Standard (NFRS)	Officer	Aug. 14-16, 2016	20
3	Pre-service	Officer	Aug. 21-26, 2016	23
4	Management Development Programme	Officer	Aug. 28-Sept. 2, 2016	24
5	Public Debt Management	Officer/ Non-officer	Sept. 11-13, 2016	22
6	IT Infrastructure of NRB & Information Security Awareness	Officer	Sept. 20-21, 2016	18
7	Monetary & Fiscal Management	Officer	Oct. 23-26, 2016	22
8	Basel I, Basel II and Basel III Framework	Officer	Nov. 13-15, 2016	22
9	National Payment System Development Strategy	Officer	Nov. 20-22, 2016	22
10	Risk Based Internal Auditing System	Officer	Nov. 27-29, 2016	21
11	Operation of NRB Inventory Management System	Officer/ Non-officer	Dec. 4-5, 2016	22
12	Foreign Exchange Management: Policy, Regulation and Inspection	Officer	Dec. 11-12, 2016	21
13	Central Banking	Officer/ Non-officer	Dec. 18-23, 2016	23
14	Risk Based Supervision	Officer	Jan. 1-3, 2017	23
15	Risk Management and Corporate Governance in NRB	Officer	Jan. 8-9, 2017	22
16	Auctioning Process of Govt. Bond and Open Market Operation Instruments	Officer/ Non-officer	Jan. 16-18, 2017	21
17	Olympic Banking (GL) System for Support Group	Officer/ Non-officer	Jan. 22-24, 2017	31
18	Identification of Counterfeit Banknotes and Cash Management	Officer/ Non-officer	Jan. 31 - Feb. 1, 2017	22
19	Training on Role of Personal Assistant and Secretarial Assistant	Non-officer	Feb. 3, 2017	22
20	Macroeconomic Model Building and Forecasting	Officer	Feb. 8-10, 2017	22
21	Procurement Procedures of NRB, Public Procurement and Contract Management	Officer/ Non-officer	Feb. 12-16, 2017	22
22	Payment and Settlement Bylaw Provisions and Provisions of Licensing Policy for Institution/Mechanism working as Payment Operators	Officer	Feb. 23, 2017	25
23	Training on Support Service (Drivers)	Non-officer	Feb. 26, 2017	20
24	Training on Support Service (Supporting Staff)	Non-officer	Feb. 28, 2017	25
25	HRMISS	Officer/ Non-officer	Mar. 2-3, 2017	20
26	Stress Management	Special and First Class Officer	Mar. 10-11, 2017	32
27	Risk Based Supervision	Officer	Mar. 29-31, 2017	21
28	Management Development Programme for GBB Staff	Officer	May 21-24, 2017	25
29	AML Supervision and Inter-agency Co-operation	Officer	June 11-12, 2017	22
30	Advance Report Writing	Officer	July 11-12, 2017	25
	Total			681

Table 4
Participation in International Training, Seminar, Meeting, and Workshop Programmes

S.No.	Subject	No. of Participants	Host Institution	Place
1	SEACEN-FSI Regional Seminar on Problem Bank Supervision and Early Intervention	4	SEACEN	Singapore
2	Operational & Technological Risk Management & Supervision	3	SEACEN	Kuala Lumpur, Malaysia
3	The GSMA Mobile & 360 Africa & Mobile Money Leadership Forum	2	360 Africa	Tanzania
4	18th Conference of Directors of Supervision of Asia Pacific Economies & 29th Meeting of SEACEN Directors of Supervision	1	SEACEN	Kuala Lumpur, Malaysia
5	SEACEN/BOJ 2016 Symposium on Achieving Accurate Bank/Financial Reporting during the Periods of Rising Credit Risk	2	SEACEN	Kuala Lumpur, Malaysia
6	Executive Interaction Programme	1	BIS	Basel, Switzerland
7	2016 Seminar on Anti-Money Laundering for Nepal	2	APG	China
8	High Level Seminar for Directors of Research & Training	2	SEACEN	Papua New Guinea
9	Database Management for Cooperatives & Rural Financing Institution	3	CICTAB	Pune, India
10	15th SEACEN Advanced Course on Payment & Settlement System : Strengthening Resilience of P Payment System to Cybercrimes	4	SEACEN	Kuala Lumpur, Malaysia
11	Co-operatives Governance for Board of Directors of Rural Financing Institution and Co-operatives	2	CICTAB	Sri Lanka
12	Human Capital Management & Talent Development	2	BNM	Kuala Lumpur, Malaysia
13	Regional Seminar on Fintech in Capital Market New Ecosystem for Market Based Financing Development & Financial Inclusion	4	ADB	Bangkok, Thailand
14	International Programme on Management of Rural Financing Institutions & Co-operating for Rural Development	3	CICTAB	Hyderabad, India
15	Workshop on Applying AML/CFT Controls to Delegated Non-Financial Businesses & Professions	5	Bank of Korea	Seoul, Korea
16	The SEACEN Course on Macro prudential Policy	4	SEACEN	Papua New Guinea
17	14th Payment & Settlement System	2	Bank of Finland	Helsinki, Finland
18	Technical Assistance & Training Working Group of Egmont Group of Financial Intelligence UNITS-AD-HOC Meeting	2	APG	Warsaw, Poland
19	Observation Tour of Micro-financing System of Sri Lanka	1	CBSL	Sri Lanka
20	SEACEN Signature Course on Macroeconomic & Monetary Policy	4	SEACEN	Seoul, Korea
21	Central Bank Seminar	1	BIS	Zurich, Switzerland
22	24th SAARC-FINANCE Co-coordinators Meeting	1	SAARC-FINANCE	Sri Lanka
23	Human Resource Management	1	DBB	Frankfurt, Germany
24	6th Economics & Finance Conference	1	Banque de France	Paris, France
25	Meeting on the New Expected Loss Provisioning Framework & the Revisited Standardized Approach for Credit Risk	2	SEACEN	Hong Kong
26	8th AFI Global Policy Forum	1	AFI	Nadi, Fiji
27	19th APG Annual Meeting	2	APG	California, USA
28	Payment System & Instruments	2	ISCB	Istanbul, Turkey
29	Financial Sectors Legal Frameworks	2		Singapore
30	Developing Managerial Decision Making Skills for Marketing Cooperatives	4	CICTAB	Bhuaneshwor, India
31	Liquidity Analysis & Liquidity Management	1	DBB	Frankfurt, Germany
32	Financial Consumer Protection	1	DBB	Frankfurt, Germany
33	Reserve Management	1	BIS	Warth, Switzerland
34	Gold Reserve Management	2	World gold Council	London, UK
35	Prudential Supervision of the Banking Sector & Macro prudential Regulations	2	ISCB	Istanbul, Turkey
36	FSI-SEANZA Regional Seminar on Implementation of Macro prudential Policies	6	FSI-SEANZA	Bali, Indonesia
37	Seminar on Central Bank Transparency & Monetary Policy Communication	2	CBSL	Colombo, Sri Lanka
38	Maintaining Regional Financial Stability During a time Uncertain Global Economic Performance	3	SEACEN	Mumbai, India
39	Inter Government Meeting	1	NTTFC	Lhasa, China
40	Annual Plenary PPWG Meeting	2	FATF	Doha, Qatar

S.No.	Subject	No. of Participants	Host Institution	Place
41	SEACEN-BIS High Level Seminar & 15th SEACEN Executive Committee Meeting	3	SEACEN	Manila, Philippines
42	Economic Education-The Role of Central Banks	1	DBB	Frankfurt, Germany
43	A Study Tour of E-Payment in India	1		New Delhi, India
44	SEACEN Seminar on Issues on Central Bank Governance Amid Global Uncertainties	4	SEACEN	Manila, Philippines
45	Experience Sharing on Remittance Inflows	3	RMA	Bhutan
46	Workshop on Human Resource Management & Training	2	Banque de France	Paris, France
47	Digital Payment Ecosystem Visit India	2	UNCDF	Mumbai/Delhi, India
48	Exposure Visit to Cambodia	25	CMA	Cambodia
49	International Programme on Agro Value Chain Financing	2	CICTAB	Pune, India
50	Contract Signing between NRB & CIMB	2	NRB	Singapore
51	IMF 2016 Annual Meeting	2	IMF	Washington DC, USA
52	Management in the Central Bank	1	FRBank	New York, USA
53	Supervision	1	FRBank	New York, USA
54	SEACEN-IMF Course on Macroeconomic Diagnostics	4	SEACEN	Siam Reap, Cambodia
55	FATF October Plenary & Working Group Meeting	3	FATF	Paris, France
56	Seminar on Operationalizing Macro prudential tools in Supervision	1	BIS	Basel, Switzerland
57	Thomson Reuters Eikon Training	3	Thomson Reuters	Mumbai, India
58	Seminar on Safeguard Assessments of Central Banks	2	IMF	Singapore
59	Exposure Visit to Cambodia	25	CMA	Cambodia
60	Seminar on Central Bank Finance	2	Bank Indonesia	Indonesia
61	2016 Regional Forum on Investment Management of Foreign Exchange Reserves	1	ADB	Philippines
62	Destruction Process of Rs. 1000 Denomination Note	2	PERURI	Jakarta, Indonesia
63	Advanced Capital Planning & Stress Testing	3	SEACEN	Hong Kong
64	Outreach Meeting on Supervisory Challenges & Forward Looking Supervision	1	BIS	Hong Kong
65	FSI-EMEAP Regional Seminar - the Regulation & Supervision of Systematically Important Banks	4	BIS	Beijing, China
66	To Bring US\$ From CMB	2	NRB	Singapore
67	Short-Term Forecasting at Central Banks	1	ISCB	Istanbul, Turkey
68	Seminar on Macro Stress Testing	2	IMF-STI	Singapore
69	7th MAS information Technology Supervision Workshop	2	MAS	Singapore
70	Seminar on SAARC Finance Database & First Meeting of Working Group in SAARC FINANCE Database	4	RBI	Pune, India
71	Seminar on Trading Book Issues & Market Infrastructure	1	BIS	Madrid, Spain
72	Invitation to Visit Banknote Printing in Nanchang	4	China Banknote	China
73	SEACEN-IMF Course of Monetary Policy Operations	3	SEACEN	Manila, Philippines
74	2016 SEACEN-OMFIF Joint Policy Summit	2	SEACEN	Kuala Lumpur, Malaysia
75	Financial Stability	4	Bank of Korea	Seoul, Korea
76	Agricultural & Rural Development through Cooperative Business Model	3	CICTAB	Pune, India
77	Development Managerial Skills For Agricultural Co-Operative & Rural Financing Institutions	3	CICTAB	Gurgaun, India
78	Market Development with Finance Co-operation	2	China Govt	China
79	Compliance for Financial Institutions	2	CBSL	Colombo, Sri Lanka
80	Central Bank Governance Forum- Governance Bodies and Enabling Mechanisms	2	Institute of Corporate Governance	Dubai
81	Seminar of Banking & Entrepreneurship Development of Nepal	1	NRNA	Bali Indonesia
82	52nd SEACEN Governors Conference	2	SEACEN	Yangon, Myanmar
83	23rd Mas Banking Supervision	2	MAS	Singapore
84	BIS Asian Reserve Management Workshop	2	BIS	Hong Kong
85	MANAFATE/APG Joint Typologies & Capacity Building Workshop	1	APG	Jeddah, Saudi Arabia
86	2016 Cyber Security Conclave	2	IFC	Dhaka, Bangladesh
87	SEACEN-IMF Course on Financial Cycles and Crisis	4	SEACEN-IMF	Mumbai, India
88	Forecasting, Budgeting & Financial Management	3	CBSL	Colombo, Sri Lanka
89	2016 International Sustainable Finance Forum- Market Innovation for Sustainable Finance	2	IFC	Bali, Indonesia
90	Financial Soundness Indicators	2	IMF-STI	Singapore
91	Maximizing the Power of Access: Finding an Optimal Balance Between Financial Inclusion & Financial Stability.	2	AFI	Bali, Indonesia
92	Best Practices in Commercial Bank Operations	2	CBSL	Colombo, Sri Lanka
93	Annual Conference on Central Bank Business Surveys & Liaison Programme	2		Kuala Lumpur

S.No.	Subject	No. of Participants	Host Institution	Place
94	Workshop on Credit Management	2	CBSL	Colombo, Sri Lanka
95	Legal Aspects of International Financial Institutions	2	IMF-STI	Singapore
96	Conference on Bank Resolution, Crisis Management & Deposit Insurance Issues	1	BIS	Basel, Switzerland
97	Meeting on Supervisory Priorities including Implementing Basel II	1	BIS	Basel, Switzerland
98	Seminar on Impacts of Mobile Financial Services in the SAARC Region & 2nd Meeting of Researchers	3	Bangladesh Bank	Dhaka, Bangladesh
99	International Programme in Application of Information Technology for Development of Agriculture Cooperatives & Rural Financing Institutions	3	CICTAB	Pune, India
100	3rd SEACEN Research Week	1	SEACEN	Kuala Lumpur, Malaysia
101	Exposure Visit to Programme on Co-operative Business Model in Sri Lanka	2	CICTAB	Colombo, Sri Lanka
102	Discussion with RBI on the Issues of Demonetization of INR 500 & 1000	2	MoF/N	Delhi, India
103	Training on Basel II & III Practices of RBI	5	RBI	Mumbai, India
104	Security Features in Genuine Currency Notes & Identification of Forged Notes	6	CBSL	Colombo, Sri Lanka
105	Regional Development: Fiscal Risk, Fiscal Space & SDGs	1	IMF-JICA	Japan
106	Central Banking Policies-Cruising New Frontiers	4	RBI	Chennai, India
107	MoU on Cooperation in the Field of Supervision and Exchange of Supervisory Information	2	NRB/State Bank of Pakistan	Karachi, Pakistan
108	Retreat Programme	1	IMF	Vietnam
109	Brainstorming Workshop to Finalize the Draft Strategic Plan of SDF 2020 MSME	1	SAARC Dev. Fund	Colombo, Sri Lanka
110	Working Visit of RTGS System of RBI	3	RBI	Mumbai, India
111	Financial Soundness Indicators	2	IMF	Bangkok, Thailand
112	On-Site Banking Supervision	1	DBB	Munich, Germany
113	4th Meeting of the SEAVG Working Group to Enhance the Effectiveness and Formulate the New Rotation Scheme for SEAVG Office at the IMF	1	BNM	Kuala Lumpur, Malaysia
114	Inauguration and First Steering Committee Meeting	2	IMF-SARTAAC	Delhi, India
115	Apec Financial Regulators Training Initiative Regional Seminar on Crisis Management	4	APEC	Bali, Indonesia
116	International Programme on Agricultural Financing and Rural Development	1	CICTAB	Dhaka, Bangladesh
117	Asia Reserve Managers Exchange	3	SCB	Singapore
118	7th Economic and Finance Conference	1	Int'l Institution of Social & Eco. Science	Tel Aviv, Israel
119	47th International Central Banking Course	1	State Bak of Pakistan	Pakistan
120	Women's Development through Income Generating Activities	2	CICTAB	Pune, India
121	International Programme on Good Governance for Women Board of Directors of Cooperatives and Rural Financing Institutions.	3	CICTAB	Pune, India
122	International Programme on Skill Development of Trainers Training in the area of Promotion and Financing or SHGs JLGs for Financial Inclusion for Rural Poor	3	CICTAB	Lucknow, India
123	Sale Promotion Programme of Foreign Employment Saving Bonds	4	NRB	Doha, Dubai
124	Foreign Reserve Management	4	Bank of Korea	Seoul, Korea
125	Top Management Forum on Knowledge Management for SMEs	1	Korea	Korea
126	Seminar on Stress Testing for Supervision	1	BIS	Switzerland
127	Research and Observation Visit	2	Money Laundering Nepal	Fiji
128	Economic Education- The Role of Central Banks	1	DBB	Frankfurt, Germany
129	Meeting of the Supervisory College	4	RBI	Mumbai, India
130	5th Advance Programme for Central Bankers and Regulators	2	The Chinese University	Hong Kong
131	FATF Plenary and Working Group Meeting	2	FATF	France
132	Public Procurement	1	DBB	Frankfurt
133	Japan IMF Microfinance Seminar for Asia	1	National Graduate Institute for Policy Studies	Japan
134	SEACEN Foundation Course on Payment and Settlement Systems	3	SEACEN	Beijing, China
135	Fiscal Analysis and Forecasting	1	IMF-SARTTAC	Delhi, India
136	Human Resource Management at Central Banks	2	ISCB	Istanbul, Tukey
137	Cloud Services and Intermediate infrastructure Industries	1	WHD.Global	Rust, Germany

S.No.	Subject	No. of Participants	Host Institution	Place
138	5th NRNA Asia Pacific Regional Meeting & Inaugural ADB-OMFIF Seminar	2	NRNA	Kuala Lumpur & Tokyo
139	International Programme on Cooperative Governance for the Board of Directors of Cooperatives and Rural Financing Institutions	2	CICTAB	Pune, India
140	12th Asia-Pacific High Level Meeting on Banking Supervision	2	BIS	Bali, Indonesia
141	Assessor Training Workshop	1	APG/FATF	Washington DC, USA
142	Workshop on Achieving Better Results in Complex Times	4	SEACEN	Bangkok, Thailand
143	2nd Dissemination Workshop: FAD-APRACA Regional Grant Project "RuFBeP"	1	APRACA	Indonesia
144	SAARCFINANCE Seminar on Financial Stability	2	SAARC-Finance	Islamabad, Pakistan
145	SEACEN-BOJ Intermediate Course on Payment and Settlement Systems	4	SEACEN	Kuala Lumpur, Malaysia
146	Regional Seminar on Liquidity Risk Management	4	APEC	Hong Kong
147	Dye Destruction Process of Rs. 100	2	China Banknote	Nanchang, China
148	High Security Printing Conference Series 2016-17	2	Reconnaissance International	Baku, Azerbaijan
149	Payment & Settlement Systems: Operation, Risks and Oversight	4	RBI	Chennai
150	Exposure Visit/Training	24	CMA	Cambodia
151	Interaction Programme With CMA Senior Management	3	CMA	Cambodia
152	Meeting of the Standing Committee	2	ICU	Myanmar
153	Financial Markets and Instruments	1	IMF-STI	Singapore
154	SAARC Finance Coordinators Meeting	1	SAARC Finance	Dhaka, Bangladesh
155	The Transmission of Macro-Prudential and Monetary Policies Across Borders & 2017 Spring Meeting of IMF	2	IMF/IBRN	Washington DC, USA
156	Observation Visit to International Practices in Areas of Banking and Insurance Sector	1	MoF/N	Frankfurt & Berlin Germany
157	Internal Audit Practices at Central Banks	1	SCB	Istanbul, Turkey
158	Programme on Strategic Leadership in Inclusive Finance	1	UNCDF	Boston, USA
159	Crisis Management and Resolution	4	SEACEN	Kuala Lumpur, Malaysia
160	Model Based Monetary Policy Analysis & Forecasting	2	IMF-STI	Singapore
161	IT Auditing	1	DBB	Frankfurt, Germany
162	Central Bank Accounting and Budget Management	2	Banque de France	Paris, France
163	Cash Related Processes at Central Bank-Risk Coverage by the Internal Audit Function	1	DBB	Frankfurt, Germany
164	Compilation of Balance of Payment Statistics	1	IMF	Washington DC, USA
165	The Currency Conference	1	Currency Research	Kuala Lumpur, Malaysia
166	Reserve and Asset Management	1	BIS	Switzerland
167	Fiscal Framework	1	IMF-STI	Singapore
168	Equitable Growth through Financial Inclusion	1	RMA	Bhutan
169	Introductory Course on Monetary & Financial Statistics	1	IMF-STI	Singapore
170	4th International User Group Meeting	2	WHD. Global	New York, USA
171	Workshop on International Cooperation focused on Asset Recovery for BIMSTEC Member Countries	1	BFIU/WBG	Dhaka, Bangladesh
172	IADI 2017 Research Conference	1	BIS	Switzerland
173	68th APRACA Executive Meeting & Visit to the APRACA Secretariat	3	APRACA	Beijing & Bangkok
174	Developing a Leadership Growth Mindset	3	SEACEN	Myanmar
175	Regional Seminar on Cyber Security/Technology Risk Supervision	2	APEC	Cook Islands
176	To Visit Banknote Printing Plant	3	China Banknote	Nanchang, China
177	KPP Knowledge Partnership Programme	4	Bank of Korea	Seoul, Korea
178	Training on Quarterly National Accounting	1	IMF-SARTAAC	Delhi, India
179	Internet Based Fully Automation	1	NEPSE	Dhaka, Colombo
180	35th AGM of SEACEN	2	SEACEN	Kuala Lumpur
181	Capital Flows, Macroeconomics Analysis and Policies	1	IMF-STI	Singapore
182	Financial Programming and Policies	1	IMF-SARTAAC	Delhi, India
183	Fiscal Policy Analysis with DSGE Models	1	IMF	Washington DC, USA
184	Financial Sector Surveillance	1	IMF-STI	Singapore
185	Working Group Meeting	2	FATF	Spain
186	UOB Hong Kong Cash Processing Centre	2	United Overseas Bank	Hong Kong
187	Annual General Meeting of BIS	2	BIS	Switzerland
188	Basel Regulations	5	RBI	Chennai, India
189	South-South Education Programme for Economic and Finance	1	Finance Center for South - South Corporation	Beijing
190	Portfolio Analytics	1	BIS	Switzerland
191	Programme with Ministry of Commerce and Industry	4	IMF-SARTTAC	New Delhi
192	Egmont Group Plenary	2	Egmont Group	Macau, China
193	Study Visit	1	Bank of Korea	Seoul, Korea

S.No.	Subject	No. of Participants	Host Institution	Place
194	SEACEN-MAS Financial Technology Disruption: Rebutting Finance and Regulation	4	SEACEN-MAS	Singapore
195	BNM-AFI Consumer Empowerment and Market Conduct Programme	4	BNM-AFI	Kuala Lumpur, Malaysia
196	Course on Macroeconomic & Monetary Policy Management Theme" Monetary Policy Challenges since the Global Financial Crisis	4	SEAEN	Bali, Indonesia
197	39th Meeting of SEACEN Directors of Monetary Policy Research & High Level Seminar for Directors of Monetary Policy Research	1	SEACEN	Kuala Lumpur, Malaysia
198	46th Board of Directors Meeting & STS Meeting of the Asian Clearing Union	4	ACU	Colombo, Sri Lanka
199	APG Annual Meeting	2	APG	Colombo, Sri Lanka
200	Green Financing Symposium	1	BIS	Frankfurt, Germany
201	24th Banking Supervisors Training Programme	2	SEACEN	Singapore
	Total	500		

Table 5

Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in FY2016/17

S.No	Office	Fund Transfers and Deposits								Purchase and Sale of Foreign Currencies					
		Amount (Rs. Million)					IC (Rs. Million)			Other Foreign Currencies		IC			
		Fund Transfer			Fund In ²		Fund Transfer		Fund In	Rs. Million		Rs. Million			
		No. of Currency Chests ¹	Frequ-ency	Amount	Frequ-ency	Amount	Frequ-ency	Amount	Frequ-ency	Amount	Purchase	Balance ³	Purchase	Sale ⁴	Balance ³
1	Biratnagar	10	54	29,660.0	8	466.8	33	378.0	1	480.0	19.5	50.7	-	300.8	9,063.7
2	Janakpur	5	46	14,224.8	3	61.7	8	48.8	-	-	210.7	19.7	-	246.9	1,174.8
3	Birgunj	4	19	5,776.5	7	1,918.0	4	15.4	-	-	42.3	0.4	-	310.2	863.6
4	Pokhara	8	79	18,630.0 ⁵	8	380.5	-	-	1	100.0	947.0	83.2	1.0	94.2	278.2
5	Siddharthanagar	7	73	20,000.0	12	143.8	5	32.0	-	-	480.4	50.4	21.6	382.8	234.4
6	Nepalgunj	13	62	13,100.0	26	4,097.8	-	-	1	400.0	23.3	14.3	2.4	220.8	555.9
7	Dhangadhi	9	66	9,779.0	10	935.1	-	-	1	400.0	14.3	14.3	13.5	367.0	395.5
	Total	56	399	111,170.3	74	8,003.7	50	474.2	4	1,380.0	1,737.5	233.0	38.5	1,922.7	12,566.1

1 Number of currency chests under the Office

2 Only deposits made out of currency chests by Bank branches having currency chests

3 Only amount sold to clients by Office

4 Balance in mid-July 2017 following transfers to other offices

5 Including Rs. 380 million fund transferred in Manang district by Currency Management Department in addition to the fund transferred amounting to Rs. 18.63 billion in currency chests falling within the area of Pokhara Office.

Appendix 2.1

Directive Issued to “A”, “B”, and “C”- Class Banks and Financial Institutions

1. Arrangements need to be made for depositing cash dividend to be distributed to the shareholders of the BFIs in the account of the shareholders. Likewise, if the shareholder could not receive the requested number of shares subsequent to the allocation of securities in the case of public issue (IPO/FPO), arrangement needs to be made to refund such amount in the account mentioned by the applicant in the share application form.
2. Provision for refinancing at 4 percent annual interest rate has been made against the security of good loan provided for establishment of luxury hotels in tourist destinations that have good tourist prospects but not developed comparatively, namely, Pathivara, Maipokhari, Halesi, Langtang, Sworgadwari, Upper Mustang, Gadhimai, Janakpurdham, Rara and Khaptad regions. Likewise, provision for refinancing at 1 percent interest rate against the security of good loan has also been made for the sum not exceeding the equivalent amount of exports in the case of ostrich, cardamom and honey following their farming.
3. Capital Adequacy Framework, 2007 (Updated 2008) based on Basel II has been parallelly implemented in national-level finance companies.
4. While valuing share to be kept as collateral in the case of provision of loan of margin lending nature, the maximum amount of loan that could be provided against collateral of the share will be 50 percent of the average closing price during the last 180 working days published by the Nepal Stock Exchange or the prevailing market price of the share, whichever is less.
5. While valuing share to be kept as security in the case of provision of loan against collateral of promoter share, the maximum amount of loan that could be provided will be based on maximum 50 percent of the average price of ordinary share during the last 180 working days or the last transaction price of the promoter share, whichever is less. Maximum 50 percent of the amount valued as per this arrangement could only be lent.
6. The ceiling of loan under multiple banking to be transformed into co-financing loan has been raised from Rs. 0.5 billion to Rs. 1.0 billion. Besides, multiple banking loan not transformed into co-financing loan under this arrangement need to be classified under close surveillance category by mid-July 2017 and, accordingly, loan loss provisioning need to be made.

However, in the case of loan to be provided to microfinance financial institutions by licensed BFIs (‘A’, ‘B’ and ‘C’-class) under deprived sector lending, it has been arranged not to make transformation into co-financing loan compulsory under this provision.

7. In the case of loan to be provided against security of house-land and real estate, the maximum fair market value of house-land and real estate has been lowered from 60 percent to 50 percent and the ceiling in the case of residential house loan has been lowered from two-thirds to 60 percent.
8. Provision has been made for allowing following loan to be classified under deprived sector loan:

- Loan up to Rs. 1.0 million provided against collateral of commercial farming project
 - Loan provided to borrowers up to Rs. 1.0 million for agricultural business specified as per ‘interest subsidy to be provided on agricultural loan to youth procedure, 2014’ as approved by the GON and brought into implementation
 - Loan provided to small and cottage business up to Rs. 1.0 million against the collateral of moveable/fixed property or against the collateral of enterprise/project
9. The cash ceiling of the payment by the licensed BFIs has been lowered from 5.0 million to Rs. 3.0 million.
 10. Arrangement has been made for not requiring NRB approval for reinstating bank branches/sub-branches previously closed/merged for the security reasons by just informing NRB with/without NRB permission. For effective reinstating of bank branches displaced during the period of conflict, arrangement has been made for opening one branch under the approval of the NRB in Kathmandu valley provided that two such branches have been reinstated.
 11. The CRR calculation period has been fixed as two weeks and at least 70 percent amount under CRR has to be maintained as per daily basis.
 12. NRB permission is not required for opening branches by BFIs in places other than the Kathmandu valley, metropolitan or sub-metropolitan city or municipality centre. Without the prior approval of NRB, no transfer, closure or merger of any branch or any type of office in places other than the same ward of municipality, sub-metropolitan city and metropolitan city or village body could be made.
 13. Following the appointment/nomination of, and taking charge by, new board director in the BFI, the BFI need to conduct orientation programme within a month covering subjects like the institutions’ structure, nature of business, corporate governance, corporate strategy, business plan, duties and responsibilities of board member, strategies adopted in connection with risk management, macroeconomic and financial situation, prevailing legal arrangement, existing banking services and system, directive issued by NRB and so on. Besides, arrangement need to be made for conducting orientation/refresher programme for all board directors at least once a year covering subjects like transparency, disclosure, conflict of interest, compliance as well as relations and coordination with other regulatory institutions incorporating international best practices on the subject.
 14. For raising employee efficiency in the licensed BFIs, provision has been made for spending at least 3.0 percent of the staff expense annually for their training and career development by making procedures under conditions as specified by the NRB.
 15. BFIs need to allocate and deposit at least 1.0 percent of the net profit for the fiscal year in the corporate social responsibility fund in order for becoming more active in the work relating to corporate social responsibility. Besides, direction has been issued for making provision for spending the accumulated fund in the next fiscal year in the areas as specified by the NRB by making necessary procedures.
 16. With reference to the order of the full bench of the honourable Supreme Court issued on December 31, 2015 in the name of all BFIs for the immediate implementation of the 14-

- point directive regarding the assets pledged and their guarantee against the loan including the auction thereof as well as for the necessary monitoring by the NRB with respect thereto, all BFIs were directed for immediate implementation of the aforesaid directive.
17. If minimum credit is not extended in specified productive sector or extended less than the required, penalty for the shortfall amount will be imposed by calculating at the highest rate of interest that the BFI charges on loans applicable during the period of such shortfall since mid-July 2017, according to section 81 of the Nepal Rastra Bank Act, 2002.
 18. There has been a revision in the definition of the 'cottage and small industry'. Accordingly, the definition covers small industries as mentioned under the caption of cottage industries as per annex 2 of Industrial Enterprises Act, 2016 and small industries with fixed capital up to Rs. 100.0 million.
 19. Licensed BFIs may obtain management service from non-resident Nepalese as per the technical service agreement (TSA) under the terms and conditions as specified by the NRB. Likewise, if skilled manpower has not been available in any special technical post in the country, non-resident Nepalese could be appointed and get functions performed by such appointee in compliance with the procedures/provisions as specified by the NRB.
 20. It has been specified that licensed BFIs' interest rate on deposit based on demand and short notice (call deposit) should not exceed the minimum interest rate on saving deposit.
 21. Maximum 50 percent amount of loans and advances provided to following sectors by licensed BFIs could be deducted from the loans and advances for the purpose of computation of credit/core capital and deposit (CCD) ratio only for the period as on mid-July 2017:
 - (1) maximum 2 percent of direct lending under deprived sector credit
 - (2) additional lending extended as per 'interest subsidy to be made available to the youth for commercial agricultural credit procedures, 2014' (not to duplicate under productive sector), and
 - (3) Credit extended to productive sector (agriculture, energy, tourism, and cottage and small enterprises)
 22. The CCD ratio has to be monitored on daily basis with effect from July 16, 2017. Likewise, if the CCD ratio computed daily exceeds the specified ceiling, provision has been made to charge a fine equivalent to the bank rate on excess credit, as per section 99 of Nepal Rastra Bank Act, 2002.
 23. While extending credit to natural persons for purchase of vehicles for personal purpose, the credit ceiling will be maximum 50 percent of the cost of such vehicle. However, such ceiling will not be applicable in the case of vehicles used for services such as public transport, construction work, tourism, education, health, transportation, etc.
 24. The ceiling of individual credit of the revolving nature like the overdraft extended by BFIs has been reduced to Rs. 7.5 million from Rs. 10.0 million. In the case of credit exceeding such ceiling, the same has to be brought within the ceiling by mid-July 2017.

25. In the situation where the borrower submits different financial statements for the same date or period, the loan extended to such borrower shall be classified under loss category.
26. In the case of import credit like the trust receipt, bills discounting or of similar nature, the maximum period has been raised from 120 days to 150 days for the period up to mid-July 2017.
27. As the GON, Council of Ministers, cancelled the “Provision of Interest Subsidy on Credit Extended to Youth for Commercial Agriculture Procedure, 2014” and approved “Provision of Interest Subsidy on Credit Extended for Commercial Agriculture and Animal Husbandry Procedure, 2016,” directive has been issued for cancelling existing procedure and implementing new procedure.
28. Provision relating to administrative service fee and commitment fee chargeable while extending credit has been revised. Accordingly, administrative service fee could be charged since the time of receipt of loan application to the time that the process of loan sanction has begun. However, in the event that the credit has not been sanctioned, it is required that such fee be immediately returned by depositing in the account of the client.
29. By annulling the prevailing directive on interest rate, new directive has been issued which requires the BFIs to determine the interest rate on loans and advances by tying-up with the ‘base rate’.
30. The present directive concerning interest rate has been cancelled and new directive has been issued requiring the BFIs to tie-up the interest rate determination for the loans and advances to base rate.
 - (1) Following provisions have been made by amending some points of the current provisions with respect to the composition of deprived sector credit.
 - (2) Under renewal power technology, credit extended for an amount not exceeding Rs. 100,000 to a family for the purpose of solar home electric system, solar cooker, solar dryer, solar water pump, bio-gas, improved water mill and improved cooking stoves; such ceiling in the case of borrowers utilizing the credit for the last two years and falling under ‘pass’ category will be Rs. 150,000.
 - (3) Loans and advances up to Rs. 30 million extended by BFIs for micro and small hydro projects, with capacity up to 1,000 kilowatt, aimed at promoting renewal power targeting the deprived households based on ownership of user groups, cooperatives, private institutions and public-private partnership institutions investing 50 percent or more of the total project cost as well as loans and advances extended to dedicated cooperatives, private institutions and public-private partnership institutions other than the user groups and saving and credit cooperatives for projects like solar mini grid having peak capacity up to 500 kilowatt, gasi-fire technology having capacity up to 200 kilowatt and wind and solar-wind power mixed system and corporate bio-gas plant having capacity up to 200 cubic meters.
31. In place of the current directive on anti-money laundering and combating the financing of terrorism, a new directive with explicit provision of fines for non-compliance of the

- Act, Rules and NRB Directive on anti-money laundering and combating the financing of terrorism has been issued.
32. The 'D'-class micro-finance financial institutions could determine their lending rate by adding a maximum of 7 percentage points to the rate arrived at by adding to their cost of funds the administrative cost at a maximum of 4 percentage points. However, the lending rate thus derived should not exceed 18 percent.
 33. The minimum paid-up capital of the national-level wholesale lending micro-finance financial institutions licensed by the NRB should be maintained at Rs. 600 million by mid-July 2018.
 34. The existing provision with respect to the ceiling of deprived sector credit provided by the 'D'-class micro-finance financial institution has been revised as follows:
 - (a) The ceiling of micro-credit available to the deprived and low-income individuals on group guarantee basis for carrying out micro-enterprise or business for a group member has been fixed at Rs. 300,000. The credit ceiling for the group member utilizing credit for the last two years and falling under the 'good' category has been fixed at Rs. 500,000.
 - (b) The ceiling of micro-credit available to a household for the purpose of solar home systems and/or bio-gas has been fixed at Rs. 200,000.
 - (c) The ceiling of micro-credit that can be made available to the deprived and low-income individuals against acceptable collateral for carrying out micro-enterprise or business for a group member has been fixed at Rs. 500,000. The credit ceiling for the group member utilizing credit for the last two years and falling under the 'good' category has been fixed at Rs. 700,000. The ceiling of micro-credit that can be made available to the deprived and low-income individuals against acceptable collateral for carrying out micro-enterprise or business for a group member has been fixed at Rs. 500,000. The ceiling of credit extended by micro-credit financial institutions in the village bodies that can be made available to the individuals associated or not associated with the group against acceptable collateral for carrying out micro-enterprise has been fixed at Rs. 1,000,000.
 - (d) The ceiling of micro-credit that can be made available to the deprived and low-income individuals not associated with group against sufficient collateral has been fixed at Rs. 300,000.
 35. The work of receiving applications for establishment of micro-finance financial institutions has been withdrawn except for institutions to be set up for operation in specified 10 districts with low financial access.
 36. As per the provision contained in the existing law relating to banks and financial institutions, the representation in the board of directors needs to be proportionately shared between the promoter share group and public share group in such a way that the number of board directors could range between five in minimum and seven in maximum. Accordingly, notification has been made so as to make arrangement for constituting board of directors by immediately holding BFI's general/special meeting with the view to make necessary amendment/adjustment/revision of their respective memorandum of association and articles of association in compliance with the prevailing law.

37. With regard to implementing the programme relating to establishing minimum one commercial bank branch in each of the local level formed as per the Constitution of Nepal, mandatory provision with incentive has been made for opening branch in those local levels which are presently absent of bank.
38. 'Prompt Corrective Action of Banks and Financial Institutions Rules, 2017' has been brought into implementation substituting the 'Prompt Corrective Action of Banks and Financial Institutions Rules, 2007' issued by the NRB.
39. As per sub-section (2) of section 127 of the Banks and Financial Institutions Act, 2016, the chairman of the board of directors of the BFI should take oath of post and secrecy with the NRB in specified format. Accordingly, the dignitary administering oath of post and secrecy for 'A'-class commercial banks is Governor/Deputy Governor, for national level 'B'-class financial institutions is Deputy Governor/Executive Director of banks and financial institutions department, for other institutions (except the one located in districts) is Executive Director/Director of banks and financial institutions department and for regional or district-level institution with its head office located in district (outside the Kathmandu valley) is Director of NRB office located in that region.

Appendix 2.2

Microfinance Institutions involved in Financial Dealing in the Capacity of Grameen Bank Replicators

S.N.	Microfinance Institutions	S.N.	Microfinance Institutions
1	Nirdhan Utthan Bank Ltd.	26	Samata Microfinance Bittiya Sanstha Ltd.
2	Diprox Laghubitta Bikas Bank Ltd.	27	Samudayik Laghubitta Bittiya Sanstha Ltd.
3	Chhimek Laghubitta Bikas Bank Ltd.	28	National Microfinance Bittiya Sanstha Ltd.
4	Swawalamban Laghubitta Bikas Bank Ltd.	29	Nepal Grameen Bikas Bank Ltd.
5	Nerude Laghubitta Bikas Bank Ltd.	30	Nepal Sewa Laghubitta Bittiya Sanstha Ltd.
6	Naya Nepal Laghubitta Bikas Bank Ltd.	31	Unnati Microfinance Bittiya Sanstha Ltd.
7	Mithila Laghubitta Bikas Bank Ltd.	32	Swadeshi Laghubitta Bittiya Sanstha Ltd.
8	Summit Microfinance Development Bank Ltd.	33	Nadepa Laghubitta Bittiya Sanstha Ltd.
9	Swarojgar Laghubitta Bikas Bank Ltd.	34	Support Microfinance Bittiya Sanstha Ltd.
10	Nagbeli Laghubitta Bikas Bank Ltd.	35	Arambha Microfinance Bittiya Sanstha Ltd.
11	Kalika Microcredit Development Bank Ltd.	36	Janasewi Laghubitta Bittiya Sanstha Ltd.
12	Mirmire Microfinance Bank Ltd.	37	Chautari Laghubitta Bittiya Sanstha Ltd.
13	Jana Utthan Samudayik Laghubitta Bikas Bank Ltd.	38	Ghodaghodi Laghubitta Bittiya Sanstha Ltd.
14	Womi Microfinance Bittiya Sanstha Ltd.	39	Asha Laghubitta Bittiya Sanstha Ltd.
15	Laxmi Laghubitta Bittiya Sanstha Ltd.	40	Nepal Agro Laghubitta Bittiya Sanstha Ltd.
16	Civil Laghubitta Bittiya Sanstha Ltd.	41	Ramaroshan Laghubitta Bittiya Sanstha Ltd.
17	Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	42	Creative Laghubitta Bittiya Sanstha Ltd.
18	Kisan Microfinance Bittiya Sanstha Ltd.	43	Gurans Laghubitta Bittiya Sanstha Ltd.
19	Vijaya Labhubitta Bittiya Sanstha Ltd.	44	Ganapati Laghubitta Bittiya Sanstha Ltd.
20	NMB Microfinance Bittiya Sanstha Ltd.	45	Infinity Microfinance Bittiya Sanstha Ltd.
21	Forward Community Microfinance Bittiya Sanstha Ltd.	46	Andhikhola Laghubitta Bittiya Sanstha Ltd.
22	Reliable Microfinance Bittiya Sanstha Ltd.	47	Swabhiman Microfinance Bittiya Sanstha Ltd.
23	Mahuli Samudayik Laghubitta Bittiya Sanstha Ltd.	48	Sparsha Laghubitta Bittiya Sanstha Ltd.
24	Suryodaya Laghubitta Bittiya Sanstha Ltd.	49	Sabaiko Labhugitta Bittiya Sanstha Ltd.
25	Mero Microfinance Bittiya Sanstha Ltd.		

Appendix 2.3

Microfinance Institutions Exclusively Dealing in Wholesale Lending

S.N.	Microfinance Institutions	S.N.	Microfinance Institutions
1	Rural Microfinance Development Centre	3	First Microfinance Development Bank
2	Sana Kisan Bikas Bank	4	RSDC Laghubitta Bittiya Sanstha Ltd.

Appendix 2.4

“B” Class Financial Institutions as in mid-July 2017

(a) National Level			
S.N.	Name	S.N.	Name
1	NIDC Development Bank Ltd.	8	Kailash Bikas Bank Ltd.
2	Mahalaxmi Biksa Bank Ltd.	9	Sangrila Development Bank Ltd.
3	Deva Bikas Bank Ltd.	10	Garima Bikas Bank Ltd.
4	Lumbini Bikas Bank Ltd.	11	Fewa Bikas Bank Ltd.
5	Jyoti Bikas Bank Ltd.	12	Muktinath Bikas Bank Ltd.
6	Kamana Bikas Bank Ltd.	13	Om Development Bank Ltd.
7	Tourism Development Bank Ltd.		

(b) Institutions with Operations in 10 Districts			
S.N.	Name	S.N.	Name
1	Shine Regunga Development Bank Ltd.	2	Sewa Bikas Bank Ltd.

(c) Institutions with Operations in Three Districts			
S.N.	Name	S.N.	Name
1	Narayani Development Bank Ltd.	11	Kanchan Development Bank Ltd.
2	Sahayogi Bikas Bank Ltd.	12	Saptakoshi Development Bank Ltd.
3	Karnali Bikas Bank Ltd.	13	Sajha Bikas Bank Ltd.
4	Excel Development Bank Ltd.	14	Green Development Bank Ltd.
5	Western Development Bank Ltd.	15	Rapti Bheri Bikas Bank Ltd.
6	Miteri Development Bank Ltd.	16	Mission Development Bank Ltd.
7	Tinau Bikas Bank Ltd.	17	Sindhu Bikas Bank Ltd.
8	Kankai Biksa Bank Ltd.	18	Nepal Community Development Bank Ltd.
9	Bhargav Bikas Bank Ltd.	19	Coporate Development Bank Ltd.
10	Àlpine Development Bank Ltd.	20	Purnima Bikas Bank Ltd.

(d) Institutions with Operations in a Single District			
S.N.	Name	S.N.	Name
1	Kabeli Bikas Bank Ltd.	4	Mount Makalu Development Bank Ltd.
2	Hamro Bikas Bank Ltd.	5	Sahara Bikas Bank Ltd.
3	Salpa Bikas Bank Ltd.		

Appendix 2.5

Commercial Bank Branches Inspected On-Site in FY2016/17

S.N.	Name of Commercial Bank
1	Civil Bank Ltd.
2	Nepal Bank Ltd.
3	Nabil Bank Ltd.
4	Nepal Investment Bank Ltd.
5	Nepal Bangladesh Bank Ltd.
6	Machhapuchchhre Bank Ltd.
7	Rastriya Banijya Bank Ltd.
8	Kumari Bank Ltd.
9	Bank of Kathmandu Ltd.
10	NMB Bank Ltd.
11	Nepal SBI Bank Ltd
12	Century Commercial Bank Ltd.
13	Siddhartha Bank Ltd.
14	NIC Asia Bank Ltd.
15	Janata Bank Nepal Ltd.
16	Sunrise Bank Ltd
17	Mega Bank Nepal Ltd.
18	Prime Commercial Bank Ltd.
19	Citizens Bank International Ltd.
20	Agricultural Development Bank Ltd.

Appendix 2.6

Development Banks Inspected at Corporate Level in FY2016/17

(A) On-Site Inspection

Deva Bikas Bank Ltd.	Sahayogi Bikas Bank Ltd.
Fewa Bikas Bank Ltd.	Garima Bikas Bank Ltd.
Jyoti Bikas Bank Ltd.	Hamro Bikas Bank Ltd.
Yeti Development Bank Ltd.	Mission Development Bank Ltd.
Muktinath Bikas Bank Ltd.	Kamana Bikas Bank Ltd.
Reliable Development Bank Ltd.	Ace Development Bank Ltd.
Sangrila Development Bank Ltd.	NIDC Development Bank Ltd.
Gandaki Development Bank Ltd.	Apex Development Bank Ltd.
Kailash Bikash Bank Ltd.	Saptakoshi Development Bank Ltd.
Shine Resunga Development Bank Ltd.	Mahalaxmi Bikas Bank Ltd.
Bhargav Bikas Bank Ltd.	Vibor Society Development Bank Ltd.
Green Development Bank Ltd.	Sajha Bikash Bank Ltd.
Alpine Development Bank Ltd.	Om Development Bank Ltd.
Salapa Development Bank Ltd.	Sindhu Bikas Bank Ltd.
Kanchan Development Bank Ltd.	Tinau Development Bank Ltd.
Karnali Bikas Bank Ltd.	Western Development Bank Ltd.
Kankai Bikas Bank Ltd.	Cosmos Development Bank Ltd.
Miteri Development Bank Ltd.	Kabeli Bikas Bank Ltd.
Sewa Bikas Bank Ltd.	Mount Makalu Development Bank Ltd.
Raptibheri Bikas Bank Ltd.	Sahara Bikas Bank Ltd.
Purnima Bikas Bank Ltd.	Nepal Community Development Bank Ltd.
Excel Development Bank Ltd.	

(B) Special Inspection

Triveni Bikas Bank Ltd.	Vibor Society Development Bank Ltd.
Muktinath Bikas Bank Ltd.	Reliable Development Bank Ltd.
Mission Development Bank Ltd.	Kasthamandap Development Bank Ltd.
Kailash Bikash Bank Ltd.	Sindhu Bikas Bank Ltd.
Yeti Development Bank Ltd.	Lumbini Bikas Bank Ltd.
Vibor Society Development Bank Ltd.	Siddhartha Development Bank Ltd.
Siddhartha Development Bank Ltd.	

(C) Follow-up Inspection

Alpine Development Bank Ltd.

Appendix 2.7

Banks and Financial Institutions Licensed to act as Market Makers in Government Securities for Three Years Beginning from FY2016/17

S.N.	Name
1	Mega Bank Nepal Ltd., Kantipath, Kathmandu
2	Laxmi Bank Ltd., Hattisar, Kathmandu
3	Civil Bank Ltd., Kamaladi, Kathmandu
4	Nabil Bank Ltd., Durbarmarg, Kathmandu
5	Citizens Bank International Ltd., Kamaladi, Ktm.
6	Siddhartha Bank Ltd., Hattisar, Kathmandu
7	Lumbini Bank Ltd., Naxal, Kathmandu
8	Prabhu Bank Ltd., Babarmahal, Kathmandu
9	Sunrise Bank Ltd., Gairhidhara, Kathmandu
10	Century Commercial Bank Ltd., Putalisadak, Ktm.
11	Nepal Bangladesh Bank Ltd., Kathmandu
12	NMB Bank Limited, Babarmahal, Kathmandu
13	Sanima Bank Ltd., Naxal, Kathmandu
14	Janata Bank Ltd., Naya Baneshwor, Kathmandu
15	Agriculture Development Bank Ltd., Kathmandu
16	Machhapuchhre Bank Ltd., Lazimpat, Ktm.
17	NIC Asia Bank Ltd., Thapathali, Kathmandu
18	Biratlaxmi Bikas Bank Ltd., Biratnagar
19	Sahayogi Bikas Bank Ltd., Dhanusha
20	Bagmati Development Bank Ltd., Sarlahi
21	Infrastructure Development Bank Ltd., Ghantaghar
22	NIDC Development Bank Ltd., Durbarmarg, Ktm
23	Kailash Bikas Bank Ltd., Putalisadak, Kathmandu
24	Supreme Development Bank Ltd., Tinkune, Ktm.
25	Apex Development Bank Ltd., Hattisar, Ktm.
26	Deva Bikas Bank Ltd., Laldurbar, Kathmandu

S.N.	Name
27	Ace Development Bank Ltd., Naxal, Kathmandu
28	Kasthamandap Development Bank Ltd., Ktm.
29	International Development Bank Ltd., Ktm.
30	Sangrila Development Bank Ltd., Kathmandu
31	Reliable Development Bank Ltd., Kathmandu
32	Triveni Bikas Bank Ltd., Thapathali, Ktm.
33	Om Development Bank Limited, Pokhara
34	Bhargav Bikas Bank Ltd., Nepalgunj
35	Malika Bikas Bank Ltd., Dhangadhi
36	Sajha Bikas Bank Ltd., Dhangadhi
37	Sagarmatha Merchant Bank and Finance Ltd., Lalitpur
38	Guheshwori Merchant and Finance Ltd., Lalitpur
39	ICFC Finance Ltd., Bhatbhateni, Kathmandu
40	Jebils Finance Ltd., New Road, Kathmandu
41	Goodwill Finance Ltd., Hattisar, Kathmandu
42	Unique Finance Ltd., Putalisadak, Kathmandu
43	Citizen Investment Trust, Kathmandu
44	Nepal Investment Bank Ltd., Durbarmarg, Ktm.
45	Global IME Bank Ltd., Panipokhari, Ktm.
46	Excel Development Bank Ltd., Birtamod, Jhapa
47	Araniko Development Bank Ltd., Dhulikhel, Kavre
48	Yeti Development Bank Ltd., Durbarmarg, Ktm.
49	Central Finance Ltd., Kupondol, Lalitpur
50	International Leasing and Finance Co. Ltd., Ktm
51	Shree Investment and Finance Co. Ltd., Ktm.

Appendix 2.8

Banks and Remittance Companies Licensed to act as Sales Agents in Foreign Employment Saving Bonds for Three Years Beginning from FY2016/17

S.N.	Banks and Remittance Companies	Addrsss
1	Citizens Bank International Limited	Kamaladi, Kathmandu
2	NMB Bank Limited	Babarmahal, Kathmandu
3	Nabil Bank Limited	Durbarmarg, Kathmandu
4	Machhapuchchhre Bank Limited	Lazimpat, Kathmandu
5	Prabhu Bank Limited	Babarmahal, Kathmandu
6	Sunrise Bank Limited	Gairhidhara, Kathmandu
7	Siddhartha Bank Limited	Hattisar, Kathmandu
8	Sanima Bank Limited	Naxal, Kathmandu
9	Century Commercial Bank Limited	Putalisadak, Kathmandu
10	Prabhu Money Transfer Pvt. Ltd.	Lainchour, Kathmandu
11	City Express Money Transfer	Ghantaghar, Kathmandu
12	IME Limited	Panipokhari, Kathmandu
13	Sewa Remit Pvt. Ltd.	Kuleshwor, Kathmandu

Appendix 2.9

Board of Directors

(In mid-July 2017)

Dr. Chiranjibi Nepal, Governor	Chairman
Mr. Shanta Raj Subedi, Secretary, Ministry of Finance	Member
Mr. Chinta Mani Siwakoti, Deputy Governor	Member
Mr. Shiba Raj Shrestha, Deputy Governor	Member
Prof. Dr. Shreeram Poudyal	Member
Mr. Ramjee Regmi	Member
Mr. Bal Krishna Man Singh	Member

Appendix 2.10

Special Class Officers and First Class Officers

(In mid-July 2017)

Special Class Officers		
1	Mr. Narayan Prasad Paudel	Executive Director, Banks & Financial Institutions Regulation Dept.
2	Mr. Nara Bahadur Thapa	Executive Director, Research Department
3	Mr. Janak Bahadur Adhikari	Executive Director, Banking Office, Kathmandu
4	Mr. Bhisma Raj Dhungana	Executive Director, Foreign Exchange Management Dept.
5	Mr. Laxmi Prapanna Niraula	Executive Director, Development Bank Supervision Dept.
6	Dr. Shankar Prasad Acharya	Executive Director, Corporate Planning Department
7	Mr. Maheswor Lal Shrestha	Executive Director, Bank Supervision Department
8	Mr. Bhuban Kandel	Executive Director, Currency Management Dept.
9	Mr. Ramesh Kumar Pokharel	Executive Director, General Services Department
10	Dr. Nephil Matangi Maskay	Act. Executive Director, Payment Systems Department
11	Mr. Upendra Kumar Paudel	Act. Executive Director, Micro-Finance Promotion and Supervision Dept.
12	Mr. Yejendra Prasad Luitel	Act. Executive Director, Finance Company Supervision Dept.
13	Dr. Bhubanesh Prasad Pant	Act. Executive Director, Office of the Governor
14	Dr. Bama Dev Sigdel	Act. Executive Director, Financial Management Department
15	Mr. Basu Dev Adhikari	Act. Executive Director, Internal Audit Department
16	Dr. Gopal Prasad Bhatta	Act. Executive Director, Human Resource Management Dept.
17	Mrs. Neelam Dhungana (Timsina)	Act. Executive Director, Public Debt Management Department
First Class Officers		
18	Mr. Jhalak Sharma Acharya	Director, Problem Bank Resolution Division
19	Mr. Dev Kumar Dhakal	Director, Micro-Finance Promotion and Supervision Dept.
20	Mr. Mukunda Kumar Chhetri	Director, Bank Supervision Department
21	Mr. Hari Sharan K.C.	Director, Banks & Financial Institutions Regulation Dept.
22	Mr. Pitambar Bhandari	Director, Research Department
23	Mr. Rajendra Pandit	Director, Office of the Governor

24	Mr. Sunil Udash	Director, Foreign Exchange Management Dept.
25	Mr. Rishikesh Bhatta	Director, Financial Information Unit
26	Mr. Mukunda Mahat	Director, Human Resource Management Department
27	Mr. Pradeep Raj Poudyal	Director, Research Department
28	Dr. Gunakar Bhatta	Director, Research Department
29	Mr. Naresh Shakya	Director, Development Bank Supervision Dept.
30	Mr. Suman Kumar Adhikari	Director, Corporate Planning Department
31	Mr. Raman Nepal	Director, Banks & Financial Institutions Regulation Dept.
32	Dr. Prakash Kumar Shrestha	Director, Office of the Governor
33	Mr. Bam Bahadur Mishra	Director, Bank Supervision Department
34	Mrs. Sita Ghimire	Director, Public Debt Management Department
35	Mr. Bhisma Prasad Upreti	Director, Currency Management Dept.
36	Mrs. Sarita Bhatta (Adhikari)	Director, Development Bank Supervision Dept.
37	Mr. Revati Prasad Nepal	Director, Nepal Rastra Bank, Siddharthanagar Office
38	Mr. Ramu Paudel	Director, Nepal Rastra Bank, Biratnagar Office
39	Mr. Vishrut Thapa	Director, Nepal Rastra Bank, Dhangadhi Office
40	Mr. Ram Bahadur Manandhar	Director, Payment Systems Department
41	Mr. Binod Kumar Tandukar	Director, Development Bank Supervision Dept.
42	Mr. Chiranjibi Chapagain	Director, Payment Systems Department
43	Mr. Tej Bahadur Rana Magar	Director, Financial Management Department
44	Mr. Ramhari Neupane	Director, Legal Division
45	Mr. Dhananjaya Sharma	Director, Nepal Rastra Bank, Birgunj Office
46	Mr. Dayaram Sharma Pangeni	Director, Finance Company Supervision Dept.
47	Mr. Tulasi Prasad Ghimire	Director, Nepal Rastra Bank, Janakpur Office
48	Mr. Guru Prasad Paudel	Director, Nepal Rastra Bank, Nepalgunj Office
49	Mr. Ashok Kumar Paudel	Director, Bank Supervision Department
50	Mr. Rabindra Maharjan	Director, Banking Office, Kathmandu
51	Mr. Bimal Raj Khanal	Director, Banks & Financial Institutions Regulation Dept.
52	Mr. Binod Raj Acharya	Director, Micro-Finance Promotion and Supervision Dept.
53	Mr. Pom Nath Gautam	Director, Nepal Rastra Bank, Pokhara Office
54	Mr. Ram Prasad Gautam	Director, Bankers' Training Centre
55	Mr. Kiran Pandit	Director, Bank Supervision Department
56	Mr. Satyendra Timilsina	Director, Payment Systems Department
57	Mr. Shiva Ram Dawadi	Director (I.T.), Information and Technology Dept.
58	Mr. Prem Prasad Neupane	Act. Director, Currency Management Dept.
59	Mrs. Binita Bista	Act. Director, Bankers' Training Centre
60	Mr. Pralhad Thapa	Act. Director, Financial Management Department
61	Mr. Uddhab Lal Ranjitkar	Act. Director, Mint Division
62	Mr. Chet Prasad Upreti	Act. Director, Foreign Exchange Management Dept.
63	Mr. Balaram Paudel	Act. Director, Human Resource Management Department
64	Mr. Ishwari Prasad Neupane	Act. Director, Finance Company Supervision Dept.
65	Mr. Ananda Poudyal	Act. Director, General Services Department
66	Mr. Roshan Kumar Sigdel	Act. Director, Internal Audit Department

PART – THREE

ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

- **Assets and Liabilities** 139
- **Income Statement** 140
- **Annual Financial Statements of Nepal Rastra Bank** 143

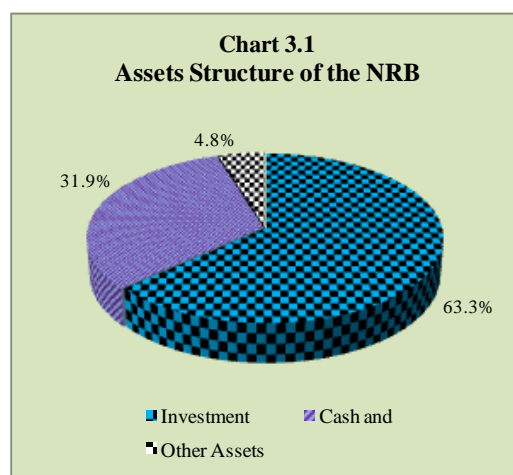
PART – THREE

ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

Assets and Liabilities

3.1 As per the NRB's balance sheet as in mid-July 2017, the assets/liabilities of the Bank compared to the corresponding amount in mid-July 2016 increased by 7.22 percent to Rs. 1,057.20 billion. The assets/liabilities had risen by 24.9 percent to Rs. 985.98 billion in mid-July 2016.

3.2 Of the total assets in mid-July 2017, the share of investment securities was 63.33 percent followed by cash and cash equivalents at 31.85 percent and other assets at 4.82 percent. The corresponding shares in mid-July 2016 were 57.10 percent, 37.91 percent and 4.99 percent respectively.

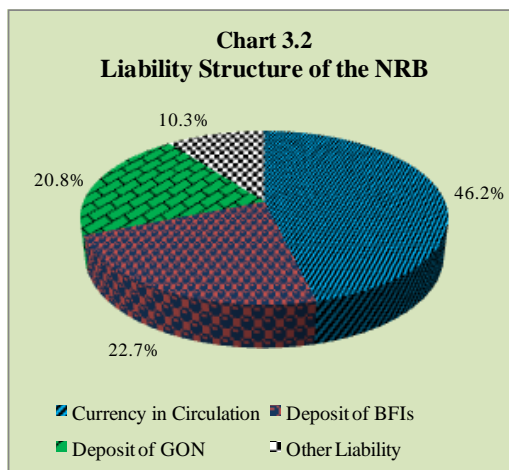


3.3 As in mid-July 2017 as compared to that in mid-July 2016, the amount of NRB's investment securities increased by 18.92 percent to Rs. 669.53 billion. In mid-July 2016, the total investment securities had amounted to Rs. 563.02 billion.

3.4 As in mid-July 2017 as compared to that in mid-July 2016, the amount of NRB's cash and cash equivalents decreased by 9.9 percent to Rs. 336.77 billion. In mid-July 2016, cash and cash equivalents had amounted to Rs. 373.78 billion.

3.5 As in mid-July 2017, of the total liabilities and equity, the share of liabilities was 88.22 percent and that of equity 11.78 percent. In mid-July 2016, these shares were 85.53 percent and 14.47 percent respectively.

3.6 As share of total liabilities as in mid-July 2017, currency in circulation, deposits from banks and financial institutions, deposits from Government of Nepal and other liabilities stood at 46.21 percent, 22.69 percent, 20.77 percent and 10.33 percent respectively. These shares in mid-July 2016 constituted 45.79 percent, 24.28 percent, 15.87 percent and 14.06 percent respectively.



3.7 As compared to the amount in mid-July 2016, currency in circulation as in mid-July 2017 rose by 11.61 percent to Rs. 430.99 billion. As in mid-July 2016, currency in circulation had amounted to Rs. 386.16 billion.

3.8 In comparison to the amount as in mid-July 2016, deposits from banks and financial institutions in NRB as in mid-July 2017 increased by 3.32 percent amounting to Rs. 211.58 billion. Such deposits as in mid-July 2016 had amounted to Rs. 204.78 billion.

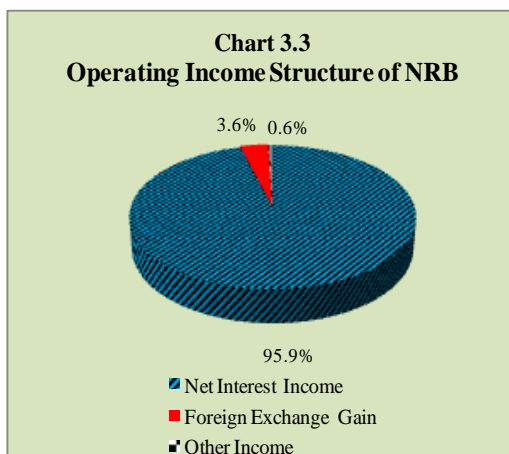
3.9 In comparison to the amount as in mid-July 2016, GON deposits in NRB as in mid-July 2017 showed a marked rise at 44.77 percent to Rs. 193.75 billion. Such deposits as in mid-July 2016 had amounted to Rs. 133.83 billion.

3.10 Total equity as in mid-July 2017 in comparison to the level as in mid-July 2016 contracted by 12.68 percent, of which reserves and surplus declined by 14.39 percent to Rs. 119.56 billion in comparison to its level at Rs. 139.65 billion as in mid-July 2016.

3.11 Share capital was augmented to Rs. 5.0 billion as in mid-July 2017 from Rs. 3.0 billion as in mid-July 2016.

Income Statement

3.12 As per the income statement for FY2016/17 (July 16, 2016 through July 15, 2017), total net operating income of NRB during the review year in comparison to the previous year expanded by 20.82 percent to Rs. 25.74 billion. In the net operating income, the share of net operating interest was 95.87 percent, that of foreign exchange gain realized was 3.58 percent and that of net other income was 0.55 percent.



3.13 In the review year as compared to the previous year, the interest income increased by 20.11 percent to Rs. 24.68 billion while other income rose by 36.60 percent to Rs.

281.97 million and net loss from fees and commission recorded 37.01 percent further loss to Rs. 184.33 million.

- 3.14 In the review year, income before revaluation of gain/loss from foreign exchange and other income rose by 39.57 percent to Rs. 19.70 billion as compared to its level at Rs. 14.12 billion in the previous year.
- 3.15 In the review year, net expenditure after adjusting foreign exchange revaluation loss at Rs. 23.75 billion, gold and silver revaluation loss at Rs. 3.88 billion and securities revaluation gain at Rs. 9.95 million amounted to Rs. 7.92 billion as compared to the net income instead of net expenditure at Rs. 37.76 billion in the previous year.
- 3.16 In the review year, total comprehensive expenditure after adjusting other comprehensive income/expenditure amounted to Rs. 10.57 billion in contrast to total comprehensive income that amounted to Rs. 38.78 billion in the previous year.

STATEMENT OF FINANCIAL POSITION
As on 31st Asar, 2074 (15th July, 2017)

Figures in NRs.

Particulars	Notes	As on 31-3-2074	As on 31-3-2073
ASSETS			
Cash and Cash Equivalents	4.1	336,774,441,233	373,783,720,397
Trading Assets		-	-
Derivative Assets Held for Risk Management		-	-
Loans and Advances to Bank and Financial Institutions	4.2	6,927,270,915	6,700,152,878
Loans and Advances to Others	4.3	13,047,932,415	9,326,933,368
Overdraft to Government of Nepal		-	-
Gold and Silver	4.4	27,633,686,674	29,868,476,457
Investment Securities	4.5	669,520,092,160	563,022,144,135
Inventories	4.6	1,429,421,619	1,486,003,561
Investment Properties		-	-
Property, Plant and Equipment	4.7	978,441,149	868,002,056
Intangible Assets	4.8	138,405,026	161,594,152
Other Assets	4.9	754,987,780	760,978,967
TOTAL ASSETS		1,057,204,678,971	985,978,005,971
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities held for Trading		-	-
Derivative Liabilities Held for Risk Management		-	-
Bills Payable		233,602,320	1,122,218,355
Deposits from Bank and Financial Institutions	4.10	211,579,363,272	204,783,424,094
Deposit from Government of Nepal		193,752,687,231	133,832,156,252
Deposits from Others	4.11	27,004,456,317	13,104,514,567
Short Term Borrowings	4.12	14,400,000,000	49,080,000,000
IMF Related Liabilities	4.13	21,559,685,462	23,789,350,031
Staff Liabilities	4.14	23,690,470,601	19,729,726,781
Subordinated Liabilities		-	-
Provisions		-	-
Other Liabilities	4.15	1,933,436,696	4,475,027,699
Currency in Circulation	4.16	430,990,000,000	386,160,000,000
Surplus Payable to Government of Nepal	4.17 (a)	7,500,000,000	7,250,000,000
Total Liabilities		932,643,701,900	843,326,417,780
EQUITY			
Capital		5,000,000,000	3,000,000,000
Reserves & Surplus	4.17 (b)	119,560,977,072	139,651,588,192
Non-controlling Interest		-	-
TOTAL EQUITY		124,560,977,072	142,651,588,192
TOTAL LIABILITIES AND EQUITY		1,057,204,678,971	985,978,005,971

Notes referred above and significant disclosures are integral part of this statement.

As per our report of even date

Dr. Gopal Prasad Bhatta

Act. Executive Director-Financial Management Dept.

Mr. Ishwar Nepal

Deputy Auditor General

Board of Directors:

Dr. Chiranjibi Nepal
Governor

CA. Tek Nath Acharya
T.N Acharya & Co.
Chartered Accountants

CA. Mahesh Khanal
M. Khanal & Co.
Chartered Accountants

CA. Prabin D. Joshi
Prabin Joshi & Co.
Chartered Accountants

Mr. Shankar Prasad Adhikari
Secretary MOF/Board Member

Mr. Chintamani Siwakoti
Deputy Governor

Mr. Shiba Raj Shrestha
Deputy Governor

Dr. Shree Ram Poudyal
Board Member

Mr. Ramjee Regmi
Board Member

Mr. Bal Krishna Man Singh
Board Member

Date: 2074/10/14
Place: Kathmandu

(Restricted as per the interim order of Supreme Court vide letter dated 2073.8.24)

NEPAL RASTRA BANK
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME
For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

Figures in NRs.

Particulars	Notes	For the Year Ended 31-3-2074	For the Year Ended 31-3-2073
Interest Income	4.18	25,159,984,065	21,238,247,263
Interest Expense	4.19	(478,464,921)	(689,699,657)
Net interest Income		24,681,519,144	20,548,547,606
Fee and Commission Income	4.20	66,995,016	63,863,308
Fee and Commission Expense	4.21	(251,329,717)	(198,405,380)
Net Fee and Commission Income		(184,334,700)	(134,542,072)
Net Trading Income		-	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		920,815,808	213,802,381
Other Income	4.22	201,967,577	147,850,467
Total Operating Income		25,619,967,829	20,775,658,382
Impairment Allowance on Financial Assets Written back		124,225,097	532,816,000
Net Operating Income		25,744,192,927	21,308,474,382
Personnel Expenses	4.23	(4,188,331,805)	(5,451,313,632)
Depreciation, Amortisation and Impairment of Non-Financial Assets	4.24	(112,238,988)	(101,700,802)
Operating Expenses	4.25	(1,741,360,826)	(1,639,516,333)
Income/(Expenditure) before revaluation		19,702,261,308	14,115,943,614
Foreign Exchange Gain/(Loss) - Unrealised		(23,752,795,700)	17,929,777,629
Net Gold and Silver Revaluation Gain/(Loss)		(3,876,680,456)	5,708,576,716
Securities Revaluation Gain/(Loss)		9,952,836	4,830,707
Net Income/(Expenditure) for the year		(7,917,262,011)	37,759,128,666
Other Comprehensive Income			
Actuarial gain (Loss) in defined benefit Retirement Schemes		(1,898,003,065)	-
Foreign currency translation differences		-	-
Net gain (loss) on hedges of net investments		-	-
Net Change in fair value of Cash flow hedges		-	-
Net Change in Fair value of available- for -sale financial assets		(752,882,409)	1,024,809,982
Other Comprehensive income		(2,650,885,474)	1,024,809,982
Total Comprehensive income		(10,568,147,486)	38,783,938,648

Notes referred above and significant disclosures are integral part of this statement.

Dr. Gopal Prasad Bhatta

Act. Executive Director-Financial Management Dept.

Board of Directors:Dr. Chiranjibi Nepal
GovernorCA. Tek Nath Acharya
T.N Acharya & Co.
Chartered AccountantsCA. Mahesh Khanal
M. Khanal & Co.
Chartered AccountantsCA. Prabin D. Joshi
Prabin Joshi & Co.
Chartered AccountantsMr. Shankar Prasad Adhikari
Secretary MOF/Board MemberMr. Chintamani Siwakoti
Deputy GovernorMr. Shiba Raj Shrestha
Deputy GovernorDr. Shree Ram Poudyal
Board MemberMr. Ramjee Regmi
Board MemberMr. Bal Krishna Man Singh
Board MemberDate: 2074/10/14
Place: Kathmandu

(Restricted as per the interim order of Supreme Court vide letter dated 2073.8.24)

As per our report of even date

Mr. Ishwar Nepal

Deputy Auditor General

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS

For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

PARTICULARS	Figures in NRs.	
	For the Year Ended 31-3-2074	For the Year Ended 31-3-2073
Cash Flow From Operating Activities:		
Net Income/(Expenditure) for the year	(7,917,262,011)	37,759,128,666
Adjustments:		
Gold and Silver Revaluation (gain)/loss (Net)	3,876,680,456	(5,708,576,716)
Revaluation (Gain) or Loss on Foreign Exchange	23,752,795,700	(17,929,777,630)
Securities Revaluation Gain	(9,952,836)	(4,830,707)
Depreciation & Amortisation	112,238,988	101,700,802
Dividend Income	(62,991,715)	(24,568,748)
Provisions no Longer Required Written Back	(124,225,097)	(532,816,000)
Grant Income	-	(115,825)
Profit from Sale of Assets/ Investments	(6,110,898)	(10,885,370)
Assets Written Off	-	16,126
Interest paid on IMF Liabilities	29,849,447	5,494,745
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(22,463,634)	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	(1,898,003,065)	-
Cash Flow From Operation Before Inc / Dec in Operating Assets	17,730,555,333	13,654,769,344
(Increase)/Decrease in Operating Assets	(3,885,543,955)	(3,351,400,245)
Loans & Advances	(3,948,117,083)	(3,171,596,283)
Inventories	56,581,942	615,380,915
Other Assets	5,991,186	(795,184,877)
Increase/(Decrease) in Operating Liabilities	46,466,948,689	99,303,956,972
Government Deposit	59,920,530,979	99,302,756,800
Deposit Liabilities	20,695,880,929	8,251,239,432
Bills Payable	(888,616,035)	733,315,198
Short Term Borrowings	(34,680,000,000)	49,080,000,000
IMF Deposit	-	819,800,000
Staff Liabilities	3,960,743,819	3,695,505,705
Other Liabilities	(2,541,591,003)	(62,578,660,163)
Net Cash Flow From Operating Activities	Total (A)	60,311,960,068
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Investment Securities	(107,116,652,501)	(148,761,309,070)
Gold & Silver	(1,641,890,673)	(2,919,284,605)
Purchase of Property, Plant & Equipment	(299,900,789)	(197,122,811)
Sale of Property, Plant & Equipment	107,211,240	25,861,029
Purchase of Intangible Assets	(688,508)	(1,047,550)
Dividend Income	62,991,715	24,568,748
Net Cash Flow From Investing Activities	Total (B)	(108,888,929,516)
Cash Flow From Financing Activities:		
Bank Note Issued	44,830,000,000	67,080,000,000
Increase/Decrease in ECF/RCF Loan & SDR Allocation	(2,229,664,568)	(1,082,759,919)
Interest paid on IMF Liabilities	(29,849,447)	(5,494,745)
Surplus Paid to GON	(7,250,000,000)	(7,000,000,000)
Net Cash Flow From Financing Activities	Total (C)	35,320,485,984
Net Cash Flow for the Year (A+B+C)	(13,256,483,464)	16,770,737,148
Revaluation Gain or Loss on Foreign Exchange	(23,752,795,700)	17,929,704,517
Cash and Cash Equivalent at the Beginning of the Year	373,783,720,397	339,083,278,732
Cash and Cash Equivalent at the end of the Year	336,774,441,233	373,783,720,397

As per our report of even date

Dr. Gopal Prasad Bhatta
Act. Executive Director-Financial Management Dept.

Mr. Ishwar Nepal
Deputy Auditor General

Board of Directors:

Dr. Chiranjibi Nepal
Governor

CA. Tek Nath Acharya
T.N Acharya & Co.
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M. Khanal & Co.
Chartered Accountants

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Dr. Shree Ram Poudyal
Board Member

Mr. Ramjee Regmi
Board Member

Mr. Bal Krishna Man Singh
Board Member

Date: 2074/10/14
Place: Kathmandu

(Restricted as per the interim order of Supreme Court vide letter dated 2073.8.24)

NEPAL RASTRA BANK
Statement of Changes in Equity
For the Year ended on 31st Asar, 2074 (15th JULY, 2017)

Figures in NRs.

PARTICULARS	Capital	Statutory Reserve				Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Other Reserves	Retained Earning	Total
		General Reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equilisation Fund						
Balance as on 1st Shrawan 2072	3,000,000,000	21,745,438,676	3,489,959,379	-	64,644,715,969	4,480,191,137	2,235,996,388	854,909,553	10,631,289,675	35,148,685	111,117,649,461
Net Income for the year										37,759,128,749	37,759,128,749
Other Comprehensive Income							1,024,809,982			-	1,024,809,982
Appropriation of Net Income:											
To General Reserve		1,964,852,718								(1,964,852,718)	-
To Monetary Liability Reserve			707,554,619							(707,554,619)	-
To Exchange Equilisation Fund					17,929,777,630					(17,929,777,630)	-
To Gold & Silver Equilisation Reserve						5,708,576,716				(5,708,576,716)	-
To Revaluation Reserve							4,830,707			(4,830,707)	-
To Other Reserve								4,228,685,044		(4,228,685,044)	-
Inter Fund Transfer:											
Gold & Silver to General Reserve											-
Other Reserve to General Reserve		24,708,491							(24,708,491)		-
Balance Surplus Transfer to Government										(7,250,000,000)	(7,250,000,000)
Balance as on 1st Shrawan 2073	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	10,188,767,853	3,260,806,370	859,740,259	14,835,266,228	0	142,651,588,192
Adjustment for Prior Period Income									814,411	(23,278,046)	(22,463,635)
Restated Balance	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	10,188,767,853	3,260,806,370	859,740,259	14,836,080,639	(23,278,045)	142,629,124,557
Net Income for the year										(7,917,262,011)	(7,917,262,011)
Other Comprehensive Income										(2,650,885,474)	(2,650,885,474)
Appropriation of Net Income:											
To General Reserve		4,239,793,020								(4,239,793,020)	-
To Monetary Liability Reserve			889,049,010							(889,049,010)	-
To Financial Stability Fund				889,049,010						(889,049,010)	-
To Exchange Equilisation Fund					(23,752,795,700)					23,752,795,700	-
To Gold & Silver Equilisation Reserve						(3,876,680,456)				3,876,680,456	-
To Revaluation Reserve							9,952,836			(9,952,836)	-
To Other Reserve								3,507,471,975		(3,507,471,975)	-
To Net Cumulative Surplus Fund								2,734,774		(2,734,774)	-
Inter Fund Transfer:											
Gold & Silver to General Reserve											-
General Reserve to Share Capital	2,000,000,000	(2,000,000,000)									-
Other Reserve to General Reserve											-
Balance Surplus Transfer to Government										(7,500,000,000)	(7,500,000,000)
Balance as on 31st Asar 2074	5,000,000,000	25,974,792,905	5,086,563,008	889,049,010	58,821,697,899	6,312,087,397	3,270,759,206	859,740,259	18,346,287,388	0	124,560,977,072

Board of Directors:

As per our report of the even date.

..... Dr. Chiranjibi Nepal Governor	..... Mr. Shankar Prasad Adhikari Secretary MOF/Board Member	..... Dr. Gopal Prasad Bhatta Act. Executive Director-Financial Management Dept.	..... Mr. Ishwar Nepal Deputy Auditor General
..... Mr. Chinta Mani Siwakoti Deputy Governor	..... Mr. Shiba Raj Shrestha Deputy Governor	..... CA. Tek Nath Acharya T.N Acharya & Co. Chartered Accountants	..... CA. Mahesh Khanal M. Khanal & Co. Chartered Accountants
..... Dr. Sri Ram Poudyal Board Member	..... Mr. Ramjee Regmi Board Member	..... Mr. Bal Krishna Man Singh Board Member	..... CA. Prabin D. Joshi Prabin Joshi & Co. Chartered Accountants

Date: 2074/10/14
Place: Kathmandu

(Restricted as per the Interim Order of Supreme Court vide
letter dated 2073/08/24)

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year: 2073-74 (2016-17)

1. General information

Nepal Rastra Bank (hereinafter referred to as 'NRB' or 'the Bank'), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The main activities/objectives of the Bank include:

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

2. Basis of preparation

2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by International Accounting Standards Board. The standards that are not fully complied with includes NFRS 9 - Financial Instruments, NAS 19 - Employee Benefits and NFRS 12 - Disclosure of Interests in Other Entities.

Format of Financial statements of Nepal Rastra Bank has been changed from this fiscal year for better presentation of items in Financial statements in line with NFRS.

The financial statements include Statement of Financial Position, Statement of Net Income and Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes to Accounts. Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

2.2 Responsibility of Financial Statements

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The financial statements are approved by the Board Meeting held on 14th Magh 2074 (28th January 2018).

2.3 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

2.4 Fiscal Year

The financial statements relate to the fiscal year 2073/74 i.e. 1st Sawan 2073 to 31st Asar 2074 corresponding to Gregorian calendar 16th July 2016 to 15th July 2017. The previous year was 1st Sawan 2072 to 31st Asar 2073 (16th July 2015 to 15th July 2016).

2.5 Use of Estimates, Assumptions or Judgments

The preparation of the financial statements in conformity with NFRS requires management to make judgment, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimates, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

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

2.6 Controlling Body

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

- The Bank shall be the banker and financial advisor of Government of Nepal and a financial agent of the Government.
- Government of Nepal shall consult the Bank on any matters that are within the jurisdiction of its competence. It shall be the duty of the Bank to advice on matter consulted by the Government of Nepal.
- Government of Nepal shall, while preparing annual budget, consult the Bank on the domestic debt including overdrafts.
- The Bank shall submit a pre-budget review report to Government of Nepal each year on the economic and financial matters.

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

3. Significant Accounting Policies

3.1 Basis of Measurement

The financial statements are prepared on a historical cost basis except for following material items.

Items	Measurement Basis
Non Derivative Financial Instrument at Fair value through profit or Loss	Fair value
Available for sale financial assets, except for equity investments whose fair value are not available	Fair value
Gold Investment other than inventories	Fair value
Inventories	Cost or market value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

3.2 Basis of Consolidation

The Bank's investment in Rastriya Beema Samsthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done.

3.3 Interest Income/(Expenses)

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably. Expenses are accounted on accrual basis.

Interest income/(expenses) is recognized in Statement of Net Income and Other Comprehensive Income using the effective interest method when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably.

The effective interest rate is the rate that exactly discount estimated future cash receipt or payment through expected life of the financial instrument or where appropriate a shorter period, to the net carrying amount of the financial asset and liability. While calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amount paid or received by the Bank that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

Interest income on investments from certain banks and financial institutions which are declared as problematic and receipt of interest from which is not forthcoming are not recognized.

- i. Interest on financial assets and financial liabilities measured at amortized cost on an effective interest basis.
- ii. Interest on available for sale investment securities calculated on an effective interest basis.
- iii. The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flow affect interest income/expenses; and
- iv. The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

3.4 Non Interest Income

i. Fees and Commission income

Fees and commission income is earned for currency exchange and government transactions and other services. These are measured on accrual basis.

ii. Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities and included all realized and unrealized fair value changes.

iii. Net income from financial instruments designated at fair value

All gains and losses from the changes in the fair value of financial assets and liabilities designated at fair value are recognized through Net Income. Interest income and expenses and dividend income arising on these financial instruments are also included, except for interest arising from debt securities issued by the Bank, and derivatives managed in conjunction with those debt securities which is recognized in Interest expense.

Net income from other financial instrument at fair value through profit and loss related to non trading derivatives held for risk management purposes that do not form part of the qualifying hedge relationships are recognized through profit or loss. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

iv. Other Income

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.

- Penal income is accounted on cash basis.

Income and expenses are presented on a net basis only when permitted under NFRS.

3.5 Leases

Payment made under operating leases are recognized in Statement of Net Income on straight line basis over the term of the lease.

3.6 Foreign Currency Transaction

Income and expenditure denominated in foreign currency are translated into Nepalese Rupees on the basis of exchange rate prevailing on the value date.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year/origination date, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.

Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions.

An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Other Comprehensive Income.

3.7 Income Tax

Income of the NRB is exempted from taxes under section 8 of the NRB Act, 2058 as well as Section 10 of Income Tax Act, 2058.

3.8 Financial Assets and Financial Liabilities

i) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued, subordinated liabilities on the date of which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash-flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

The Bank classifies its financial assets into one of the following categories:

- At amortised cost: Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, Such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.
- At fair value through profit or loss: Financial assets are classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales decisions based on its fair

value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.

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

Financial liabilities

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

(iii) Derecognition

Financial assets

The Bank derecognizes a financial assets when the contractual rights to the cash flow from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Bank neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in income or expenditure. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate assets or liability.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Amortised cost measurement

The 'amortized cost' of a financial asset and financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between initial amount recognized and the maturity amount minus any reduction for impairment.

(vi) Fair value measurement

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where

quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows.

(vii) Identification and measurement of impairment

Financial assets

At each reporting date the bank assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- breach of contract, such as default or delinquency by a borrower
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider
- indication that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

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

In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its book value is objective evidence of impairment.

Impairment losses are recognized in income or expenditure and reflected in an allowance account against loans and receivables or held to maturity investment securities. Impairment loss on available for sale securities are a part of equity routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement (OCI in case of available for sale).

If, in a subsequent period, the fair value of an impaired available-for-sale securities increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through income or expenditure; otherwise, any increase in fair value is recognized through OCI. Any subsequently recovery in the fair value of an impaired available-for-sale debt is recognized through OCI. Any subsequent recovery in the fair value of an impaired available for sale equity security is always recognized in OCI.

Non financial assets

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

(viii) Designation at fair value through Profit or Loss

The Bank has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.9 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

3.10 Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure.

3.11 Loans and Advances to Banks and Financial Institutions

Loans and advances to Banks and Financial Institutions include non derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities.

3.12 Loan and Advances to Others

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as parties. The Bank provides various types of loans to its employee as per the Staff Bylaws of the Bank. The loans are measured at cost.

3.13 Investment Securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss., incremental direct transaction cost, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

3.14 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

3.15 Property and Equipment***i. Recognition and Measurement***

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

If significant part of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of Net Income.

ii. Depreciation

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

The estimated useful lives of the significant items of Property & Equipment are as follows:

<u>Class of assets</u>	<u>Estimated useful life</u>
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 years
Vehicles	5 years
Others	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iii. Assets received in grant

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

3.16 Intangible Assets

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the Bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Software, useful life of which have been defined by terms of contract or conditions for use are amortized on straight-line basis over the useful life of asset.

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

3.17 Impairment of Non Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non financial assets to determine where there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognized in Statement of Net Income. Impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

3.18 Gold and silver

Gold and Silver (other than inventories)

Gold held as investment (paper gold) is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Statement of Other Comprehensive Income.

Gold and silver stock (physical) are carried at cost or net realizable value whichever is less. Cost for gold and silver is determined on the basis of specific identification of their individual cost (IAS 2.23).

3.19 Inventories

Inventories are carried at cost or net realizable value whichever is less. Cost for inventories is determined under the weighted average method. Other stores except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to Statement of Net Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed off at the time of purchase.

3.20 Deposit and Borrowings

Deposits and borrowings (debt securities issued) are the source of funds of the bank in addition to its reserves.

Deposits and borrowings (including debts securities issued) are initially measured at fair value minus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

3.21 Provisions

A provision is recognized if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.22 Employee Benefits

i. Defined Contribution Plans

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

- 1) **Contributory Retirement Fund:** All permanent employees are entitled for participation in employee's Provident Fund (Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of basic salary to this fund, which is separately administered as a defined contribution plan as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in Statement of Net Income as the related services are rendered.
- 2) **Welfare Provident Fund:** Certain amounts as prescribed by the Board are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in Statement of Net Income as the related services are accounted.

ii. Defined Benefits Plan

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in OCI. The Bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefits liability (assets), taking into account any changes in the net defined benefits liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized in personal expenses in Statement of Net Income.

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

- 1) **Gratuity and Pension Scheme:** Gratuity and Pension Scheme is a defined benefit obligation under which employees having service period of five years or more but less than twenty years are eligible for gratuity, which is based on last pay-scale of staff's existing designation and completed years of service. Similarly, employees having service period of twenty years or more are eligible for pension, which is based on last pay-scale of staff's existing designation and completed years of service. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.
- 2) **Staff Security Fund:** Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty three months salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.
- 3) **Staff Medical Fund:** Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(d). Incremental liability is provided for and transferred to this Fund.
- 4) **Leave Encashment:** As per Nepal Rastra Bank Staff By-Law 2068: Rule 86,87 and 91, the employees are entitled to en-cash their un-utilized accumulated leave at the time of retirement or any other prescribed time as decided by the management of the bank. Home leave, Sick leave and Special Leave are defined benefit plans which are recognized when the leave remains un-availed at the time of closing date. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date.

iii. Other long term employee benefits

The group net obligation in respect of long term employee benefits is the amount of future benefits that employees earned in return or their service in the current and prior period. That benefit is discounted to determine its present value. Remeasurements are recognized in Statement of Net Income in the period in which they arise.

iv. Termination Benefits

The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

v. *Short term employee benefits*

Short term employees benefits are expenses as the related services is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably.

3.23 Currency in Circulation

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

The Bank also issues coins of various denominations for circulation. Currency circulation liability does not include the liability on account of coins in circulation, as allowed by the Act.

3.24 Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase Arrangements (Repo) and Reverse Repo of securities are recorded as follows:

- a) Securities sold subject to repurchase arrangements (Repo) are recorded as refinance and loan to banks. The obligation to repurchase is shown as liabilities for securities sold under agreement to repurchase and the difference between the sale and repurchase value is accrued on a pro rata basis and recorded as expense.
- b) Securities purchased under agreements to resell ('reverse repos') are recorded as deposits and other balances of banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the statement of financial position.

3.25 Unclaimed Account

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

3.26 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.

3.27 Consolidation of Project Accounts

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

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

3.28 Changes in Accounting Policies

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

3.29 Presentation

The presentation of certain line items of previous year financial statements have been changed (regrouped or rearranged) to align the financial statements.

4. Notes relating to items in the financial statements

4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.9, balances of cash and cash equivalent at the reporting date are as below:

Particulars	31-03-2074	31-03-2073
Foreign Currency:		
Cash in Hand & at Vault	17,603,729,593.68	16,919,382,217.59
Balances with Other Banks	55,539,228,832.37	5,425,938,495.77
GOI Treasury Bills	229,506,949,862.40	203,070,960,576.00
US Government Treasury Bills	15,406,025,704.70	5,338,216,111.67
Notice Deposit (JPY)	8,426,240,000.00	12,272,561,979.48
Time Deposit	-	69,001,821,584.32
Investment in FIXBIS	1,999,800,000.00	6,432,082,697.32
Investment in Repurchase Agreements	-	48,038,622,166.88
IMF Related Assets: SDR Holdings	171,322,847.73	2,416,907,139.17
Total Foreign Currency	328,653,296,840.88	368,916,492,968.20
Local Currency:		
Cash in Hand & at Vault	8,086,615,706.00	4,647,968,185.09
Balances with Other Banks	34,528,685.85	219,259,243.96
Total Local Currency	8,121,144,391.85	4,867,227,429.05
Total	336,774,441,232.73	373,783,720,397.25

4.2 Loans and Advances to B/FI

Please refer accounting policy in Note 3.11. The balances of loans and advances to banks and financial institution (B/FI) and microfinance (MFI) are as below:

Particulars	31-03-2074	31-03-2073
Refinance:		
Commercial Banks	6,094,782,647	6,614,252,877.89
Development Banks	501,370,772	5,000,000.00
Finance Companies	277,117,496	38,900,000.00
Loan to Micro Finance Institutions	64,000,000	52,000,000.00
Less: Allowance for impairment	(10,000,000)	(9,999,999.83)
Total	6,927,270,915	6,700,152,878
Allowance for impairment		
Balance as on 01-04-2073	10,000,000.00	10,000,000.00
Charge for the year	-	-
Effect of foreign currency movements	-	-
Unwind of discount	-	-
Balance as on 31-03-2074	10,000,000.00	10,000,000.00

These investments are realized on the settlement date as per the terms of loan agreement.

4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.12. The balances are given as below:

Particulars	31-03-2074	31-03-2073
Receivable from GON against payment to IMF	2,431,416,400	-
Loans to Employees	4,076,871,800	4,389,546,115
Less: allowance for impairment	-	-
Net Loans and advances to Employees	4,076,871,800	4,389,546,115
Interest Receivable	4,423,473,836	3,984,356,526
Less: Interest Suspense	(91,422,121)	(444,346,919)
Net Interest Receivable	4,332,051,715	3,540,009,607
Advances Recoverable	2,217,922,378	1,407,707,525
Less: Impairment Allowance	(10,329,878)	(10,329,878)
Net Advances Recoverable	2,207,592,500	1,397,377,646
Total	13,039,442,869	9,326,933,368

Loans and advances to employees are provided with/without collateral.

4.4 Gold & Silver

Please refer accounting policy in Note 3.18. The balances are gives as below:

Particulars	31-03-2074	31-03-2073
Investment in Paper Gold	25,929,438,227	28,206,181,776.74
Gold Held in Stock	1,612,492,258	1,566,791,538
Silver Held in Stock	91,756,189	95,503,142.25
Total	27,633,686,674	29,868,476,457

4.5 Investment Securities

Please refer accounting policy in Note 3.13. The balances are given as below:

Particulars	31-03-2074	31-03-2073
At Amortized Cost	625,006,512,704.35	542,928,410,390.39
At Fair Value through Other Comprehensive Income (OCI)	44,513,579,455.68	20,093,733,744.25
At Fair Value through Profit or Loss		
Total	669,520,092,160.03	563,022,144,134.64
a) Investment Securities at Amortized Cost		
US Government Treasury Notes/Bonds	71,944,021,840	103,078,298,438
Government Treasury Notes/Bonds (CNY)	56,766,905,759	52,368,638,018
Investment in Mid term Instruments	8,082,347,421	8,302,929,017
Balance with Banks in Time Deposit (FCY)	462,162,752,642	356,979,796,952
Government Bond	4,871,051,043	4,871,051,043
Fixed deposit with BFIs	21,510,087,903	17,742,525,923
Less individual allowance for impairment	(330,653,903)	(414,829,000)
Total	625,006,512,704	542,928,410,390
Impairment Loss on Available for Sale Investment Securities		
Balance as on 01-04-2073	414,829,000	947,645,000
Charge for the year	-	-
Reversal of Impairment	(84,175,097)	(532,816,000)
Balance as on 31-03-74	330,653,903	414,829,000

b) Investment Securities at Fair Value through OCI		
Government Treasury Bills	30,158,502,599	16,099,450,874
Saving Certificates	11,382,487,396	308,861,000
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Equity securities measured at fair value	2,575,028,961	3,327,911,370
Unquoted equity securities measured at cost	151,660,500	151,660,500
Less: Allowance for impairment of equity securities	(7,500,000)	(47,550,000)
Total	44,513,579,456	20,093,733,744
Impairment Loss on Available for Sale Investment Securities		
Balance as on 01-04-2073	47,550,000	47,550,000
Charge for the year	-	-
Reversal of Impairment	(40,050,000)	-
Balance as on 31-03-74	7,500,000	47,550,000

The Bank does not have investment securities to be measured at fair value through profit or loss.

Impairment allowance has been done for the investment in Agricultural Project Service Center, which is in liquidation and National Productivity and Economic Development Center, which is not in operation.

Investment in equity securities includes the following:

Particulars	% of holding	31-03-2074	31-03-2073
Investment in Quoted Securities			
Rural Microfinance Development Cen.	4.05	140,334,584	21,045,000
Citizen Investment Trust	13.00	2,341,151,989	3,090,879,330
Nepal Grameen Bikas Bank Limited	3.59	93,542,387	215,987,040
Total		2,575,028,961	3,327,911,370
Investment in Unquoted Securities			
(a) Investment in Shares of Subsidiaries			
Agricultural Project Services Centre	62.50	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	55.56	1,000,000	1,000,000
Sub-Total		6,000,000	6,000,000
(b) Investment in Shares of Associates			
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500
National Productivity and Eco. Dev.	31.52	2,500,000	2,500,000
Sub-Total		14,580,500	14,580,500
(c) Other Investments			
Deposit & Credit Guarantee Fund	10.00	107,580,000	107,580,000
Nepal Clearing House	10.00	15,000,000	15,000,000
Credit Information Bureau	10.03	3,500,000	3,500,000
National Banking Institute	15.29	5,000,000	5,000,000
Sub-Total		131,080,000	131,080,000
Total		151,660,500	151,660,500

4.6 Inventories

Please refer accounting policy in Note 3.19. The details of balance are as follows:

Particulars	31-03-2074	31-03-2073
Security Note Stock	1,123,201,889	1,083,988,682
Coin Stock	295,282,162	390,974,691
Numismatic and Medallion Coins	22,909,158	22,931,719
Other Metal Stock	22,485,598	22,722,881
Dispensary Stock	499,863	342,639
Total Inventories	1,464,378,671	1,520,960,613
Less: Impairment Allowance		
Non-moving Numismatic and Medallion Coins	(22,465,794)	(22,465,794)
Non-moving Other Metal Stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	(3,775,258)	(3,775,258)
Total Allowance for Impairment	(34,957,052)	(34,957,052)
Total Inventories Net of Allowance for Impairment	1,429,421,619	1,486,003,561

4.7 Property and Equipment

Please see accounting policy in Note 3.15. The details are given as below:

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%	20%	20%	20%	20%	10%	20%		
Original Cost	Balance as on 1 st Sawan 2072	193,834,552	612,427,278	202,141,506	245,002,388	110,352,524	114,856,087	22,996,728	4,740,096	15,146,638	1,521,497,798
	Addition during the Year	-	73,073,279	32,955,699	41,300,469	3,016,681	16,782,653	2,806,717	201,193	32,765,127	202,901,818
	Disposal/Write Off/Adjustment	-	(18,075,083)	(43,064,007)	(45,661,925)	(5,484,027)	(8,302,811)	(2,837,864)	(83,479)	(5,778,883)	(129,288,079)
	Balance as on 31 st Asar 2073	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	123,335,929	22,965,582	4,857,811	42,132,883	1,595,111,537
Accumulated Depreciation	Balance as on 1 st Sawan 2072	-	252,185,134	142,813,730	150,442,319	103,204,102	86,449,235	18,822,210	4,514,666	-	758,431,395
	Depreciation for the Year	-	18,207,472	20,662,169	24,678,200	3,413,814	9,475,518	780,317	93,851		77,311,342
	Disposal/Write Off/Adjustment	-	(7,519,716)	(41,383,389)	(43,070,656)	(5,484,020)	(8,296,532)	(2,795,466)	(83,477)		(108,633,256)
	Balance as on 31 st Asar 2073	-	262,872,890	122,092,509	132,049,863	101,133,896	87,628,222	16,807,061	4,525,040	-	727,109,481
Net Book Value as on 31st Asar 2073		193,834,552	404,552,584	69,940,688	108,591,069	6,751,281	35,707,707	6,158,520	332,771	42,132,883	868,002,056
Original Cost	Balance as on 1 st Sawan 2073	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	123,335,929	22,965,582	4,857,811	42,132,883	1,595,111,537
	Addition during the Year		60,364,846	51,367,607	76,558,835	5,202,260	24,851,729	21,180,905	27,685	60,346,922	299,900,789
	Disposal/Write Off/Adjustment			(22,747,161)	(39,984,574)	(2,588,349)	(5,552,942)	(459,374)	(1)	(74,982,788)	(146,315,189)
	Balance as on 31 st Asar 2074	193,834,552	727,790,321	220,653,643	277,215,192	110,499,089	142,634,716	43,687,113	4,885,495	27,497,017	1,748,697,137
Accumulated Depreciation	Balance as on 1 st Sawan 2073	-	262,872,890	122,092,509	132,049,863	101,133,896	87,628,222	16,807,061	4,525,040	-	727,109,481
	Depreciation for the Year		20,085,014	21,879,389	31,185,001	2,551,287	11,806,534	772,357	81,772		88,361,354
	Disposal/Write Off/Adjustment			(22,465,067)	(14,271,809)	(2,588,335)	(5,395,026)	(459,364)	(35,246)		(45,214,847)
	Balance as on 31 st Asar 2074	-	282,957,904	121,506,831	148,963,055	101,096,848	94,039,730	17,120,054	4,571,566	-	770,255,988
Net Book Value as on 31st Asar 2074		193,834,552	444,832,416	99,146,812	128,252,138	9,402,240	48,594,986	26,567,058	313,929	27,497,017	978,441,149

Allowances for obsolescences has been made for Rs.33,52,949 on Building under Construction which is presented under Capital Work in Progress

4.8 Intangible Assets and Goodwill

Please refer accounting policies in Notes 3.16. The details of balance are as follows:

Particulars		Computer Software			Total Assets	
		Useful Life Defined by Contractual Agreements	Other Useful Life			Capital Work in Progress
Amortisation Rate			20%	10%		
Original Cost	Balance as on 1 st Sawan 2072	3,304,395	10,728,596	229,272,935	1,866,440	245,172,366
	Addition during the Year	783,090	-		264,460	1,047,550
	Disposal/Write Off/Adjustment	(2,323,555)	(2,402,853)			(4,726,408)
	Balance as on 31 st Asar 2073	1,763,930	8,325,743	229,272,935	2,130,900	241,493,508
Accumulated Amortisation	Balance as on 1 st Sawan 2072	2,846,789	7,713,703	49,675,803	-	60,236,295
	Depreciation for the Year	457,599	1,004,568	22,927,293		24,389,460
	Disposal/Write Off/Adjustment	(2,323,550)	(2,402,849)			(4,726,399)
	Balance as on 31 st Asar 2073	980,838	6,315,422	72,603,096	-	79,899,356
Net Book Value as on 31st Asar 2073		783,092	2,010,321	156,669,839	2,130,900	161,594,152
Original Cost	Balance as on 1 st Sawan 2073	1,763,930	8,325,743	229,272,935	2,130,900	241,493,508
	Addition during the Year		688,508			688,508
	Disposal/Write Off/Adjustment					-
	Balance as on 31 st Asar 2074	1,763,930	9,014,251	229,272,935	2,130,900	242,182,016
Accumulated Amortisation	Balance as on 1 st Sawan 2073	980,838	6,315,422	72,603,096	-	79,899,356
	Depreciation for the Year	261,004	689,337	22,927,293		23,877,634
	Disposal/Write Off/Adjustment					-
	Balance as on 31 st Asar 2074	1,241,842	7,004,758	95,530,390	-	103,776,990
Net Book Value as on 31st Asar 2074		522,088	2,009,492	133,742,545	2,130,900	138,405,026

4.9 Other Assets

Particulars	31-03-2074	31-03-2073
Deposits	1,663,378	1,652,378
Project Assets	693,073,513	660,992,763
Other Receivables	60,250,889	98,333,826
Total	754,987,780	760,978,967

4.10 Deposits from banks and financial institutions

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	31-03-2074	31-03-2073
Foreign Currency	3,460,173,528	3,246,826,181
Local Currency	208,119,189,745	201,536,597,913
Total	211,579,363,272	204,783,424,094

Deposit from bank and financial institutions include amount deposited by B/FI for cash reserve ratio (CRR), among others. All deposits are non interest bearing.

4.11 Deposits from Others

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	31-03-2074	31-03-2073
Foreign Currency:		
Public Enterprises	408,582,097	382,438,025
Other Organisations	621,156	644,526
Total Foreign Currency	409,203,253	383,082,551
Local Currency:		
Public Enterprises	15,839,648,424	7,623,376,274
Margin Deposit in LCs	6,316,051,238	3,523,329,157
Other Organisations	4,439,553,402	1,574,726,584
Total Local Currency	26,595,253,064	12,721,432,015
Total	27,004,456,317	13,104,514,567

All deposits are non interest bearing and current in nature.

4.12 Short Term Borrowings

See accounting policy in Note 3.19. The details of balance are as follows:

Particulars	31-03-2074	31-03-2073
NRB Bonds	-	49,080,000,000.00
Deposit Collection-Auction	14,400,000,000.00	-
Reverse Repo Liabilities	-	-
Total carrying amount	14,400,000,000.00	49,080,000,000.00

NRB Bonds, Deposit Collection under auction and Reverse Repo liabilities are instruments used by the Bank to withdraw liquidity from the market on short term basis (less than one year).

4.13 IMF Related Liabilities

Particulars	31-03-2074	31-03-2073
Foreign Currency:		
Special Drawing Right Allocation	9,769,636,572	10,183,273,536
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	2,454,904,632	3,838,264,380
Loan under Extended Credit Facility (ECF)	153,359,809	586,027,665
Total Foreign Currency	12,377,901,013	14,607,565,581
Local Currency:		
IMF Account No 1	9,180,925,768	9,180,925,768
IMF Account No 2	858,681	858,681
Total Local Currency	9,181,784,449	9,181,784,449
Total	21,559,685,462	23,789,350,031

4.14 Staff Liabilities

See accounting policy in Note 3.22. The details of balance are as follows:

Particulars	31-03-2074	31-03-2073
Medical Fund (Includes Medical Earning Fund, Interest, etc)	669,763,754	283,082,210
Welfare Provident Fund	487,900,116	436,853,982
Liability for Staff Leave Encashment	972,344,883	888,152,300
Liability for Retired Staff	435,323,511	304,972,601
Gratuity and Pension Fund	18,451,547,560	15,726,708,968
Staff Security Fund	2,673,590,776	2,089,956,721
Total	23,690,470,601	19,729,726,781

4.15 Other Liabilities

Particulars	31-03-2074	31-03-2073
Interest Payable	12,622,370.45	1,074,901.10
Asian Clearing Union	166,188,402.50	218,456,119.89
Earnest Money	-	7,784,489.13
Insurance Premium Collected from Staff	127,429,553.60	143,636,626.62
Other Payables of Project	1,455,463.54	373,587,879.99
Payable against GON Bonds	-	2,390,069,996.67
Unclaimed Account	37,382,274.92	33,840,398.57
General Account	47,278,943.02	48,078,943.02
Deferred Grant Income	122.70	122.70
Other Liabilities	1,541,079,564.98	1,258,498,221.43
Total	1,933,436,695.71	4,475,027,699.12

4.16 Currency in Circulation

See accounting policies in Notes 3.23. The details of balance are as follows:

The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

Denomination	31-03-2074	31-03-2073
1	161,110,983	161,224,148
2	185,708,612	186,140,232
5	2,184,133,530	2,003,683,295
10	3,344,261,790	3,025,011,680
20	3,961,314,460	3,756,168,120
25	57,462,375	57,676,325
50	7,396,195,550	6,622,293,550
100	15,254,496,700	11,734,570,900
250	87,459,000	87,516,250
500	95,113,527,000	91,896,788,500
1000	303,244,330,000	266,628,927,000
Total	430,990,000,000	386,160,000,000

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 8,086,615,706 (P.Y. NRs. 4,652,557,463).

4.17 (a) Appropriation of Net Income/(Expenditure) and Surplus payable to Government of Nepal

The Board of Directors of the Bank has Appropriated the Following Amount to Different Fund During the Year as required by Nepal Rastra Bank Act, 2058 and the balance amount will be paid to GON as per the said Act.

Net Income/(Expenditure) for the year	(7,917,262,011)	37,759,128,749
Transfer (to)/from Exchange Equalisation Fund	23,752,795,700	(17,929,777,630)
Transfer (to)/from Gold & Silver Equalisation Reserve	3,876,680,456	(5,708,576,716)
Transfer (to)/from Securities Revaluation Fund	(9,952,836)	(4,830,707)
Investment Revaluation Fund	-	-
Actuarial gain (Loss) in defined benefit Retirement Schemes	(1,898,003,065)	-
Surplus/(Deficit) Due to Restatement of Prior Period Errors	(23,278,046)	35,148,685
Surplus Available for Distribution	17,780,980,197	14,151,092,381
Less: Appropriations		
General Reserve	(4,239,793,020)	(1,964,852,718)
Monetary Liability Reserve	(889,049,010)	(707,554,619)
Financial Stability Fund	(889,049,010)	-
Development Fund	(4,160,000,000)	(3,551,232,671)
Development Finance Project Mobilisation Fund	-	(23,374,544)
Liquidity Stabilization Fund	-	(400,000,000)
Banking Development Fund	(30,000,000)	(30,000,000)
Mechanisation Fund	-	(200,000,000)
Gold Replacement Fund	(70,354,384)	(24,077,829)
Net Cumulative Surplus Fund	(2,734,774)	-
Balance Payable to Government of Nepal	7,500,000,000	7,250,000,000

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability.

4.17 (b) Reserves & Surplus

The balance of balance sheet on reporting date stands as below:

Particulars	31-03-2074	As on 31-3-2073
Capital Reserve:		
Gold and Silver Equalization Reserve	6,312,087,397	10,188,767,853
Statutory Reserve:		
General Reserve	25,974,792,905	23,734,999,885
Monetary Liabilities Reserve	5,086,563,008	4,197,513,998
Financial Stability Fund	1,889,049,010	-
Exchange Equalization Fund	58,821,697,898	82,574,493,598
Net Cumulative Surplus Fund	2,734,774	-
Other Reserves and Funds:		
Development Fund	15,000,989,244	10,840,989,244
Banking Development Fund	891,941,806	861,941,806
Development Finance Project Mob. Fund	250,814,411	249,999,999
Liquidity Stabilization fund	-	1,000,000,000
Mechanisation Fund	991,316,414	991,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	94,432,213	24,077,829
Investment Revaluation Reserve	869,693,096	859,740,259
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	2,507,923,960	3,260,806,370
Project Split Interest Reserve Fund	4,233,489	4,233,489
Total Reserves and Funds	119,560,977,072	139,651,588,192

Further descriptions of each fund has been given in disclosure no. 5.8

4.18 Interest Income

See accounting policy 3.3. Interest income include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Foreign Currency Financial Assets		
Treasury Bills & Deposits	23,800,345,622	20,620,916,206
SDR Holding & Asian Clearing Union	-	1,735,859
Sub-total	23,800,345,622	20,622,652,065
Local Currency Financial Assets		
Government Securities	697,924,841	168,148,327
Investment in Financial and Other Institutions	377,951,007	355,132,274
Loans and Refinance	283,762,596	92,314,596
Sub-total	1,359,638,443	615,595,198
Total Interest Income from Financial Assets	25,159,984,065	21,238,247,263

4.19 Interest Expenses

See accounting policy in Note 3.3. Interest expenses include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	29,849,447	5,494,745
Others	4,431,536	1,401,983
Sub-total	34,280,983	6,896,728
Local Currency Financial Liabilities		
Government Securities	444,183,938	682,802,929
Sub-total	444,183,938	682,802,929
Total Interest Expense on Financial Liabilities	478,464,921	689,699,657

4.20 Fee and Commission Income

See accounting policy in Note 3.4(i). Fee and commission income include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Foreign Currency Financial Assets		
On Currency Exchange	1,308,856	1,649,673
Sub-total	1,308,856	1,649,673
Local Currency Financial Assets		
Government Transaction & Other services	65,686,161	62,213,635
Sub-total	65,686,161	62,213,635
Total Commission Income from Financial Assets	66,995,016	63,863,308

4.21 Fee and Commission Expense

Particulars	F.Y 2073-74	F.Y 2072-73
Foreign Currency Liabilities		
Commission & Charges	26,725,375	6,012,724
Sub-total	26,725,375	6,012,724
Local Currency Liabilities		
Agency Expenses	224,604,342	192,392,656
Sub-total	224,604,342	192,392,656
Total Agency and Service Charge	251,329,717	198,405,380

Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts.

Nepal Bank Ltd.	55,800,000	55,800,000
Rastriya Banijya Bank	90,600,000	90,600,000
Agriculture Development Bank	1,875,000	
Total	148,275,000	146,400,000

4.22 Other Income

See accounting policies in Notes 3.4 (iv). Other income comprises the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Income from Mint (Sale of Coin)	234,121	172,671
Gain from Sale of Precious Metals and Coins	79,630,308	24,077,829
Fine/Penalty Charge	6,267,929	29,893,480
Profit from Sale of Assets	6,110,898	10,885,370
Dividend Income	62,991,715	24,568,748
Project Income/(Loss)	(1,483,255)	9,610,825
Grant Income	-	115,825
Miscellaneous	48,215,861	48,525,719
Total	201,967,577	147,850,467

4.23 Personnel Expenses

See accounting policy in Note 3.22 (v). Personnel expenses include the following:

Particulars	F.Y 2073-74	F.Y 2072-73
Salary	668,050,312	565,799,351
Allowances	619,225,921	556,493,593
Provident Fund Contribution	66,805,031	56,552,475
Staff Welfare (Including Medical Fund Contribution)	610,462,316	177,344,423
Staff Welfare Provident Fund	405,955,000	369,050,000
Pension & Gratuity Fund	1,077,681,285	3,000,000,000
Staff Security Fund	425,663,159	500,000,000
Staff Leave Compensation	295,381,969	209,643,007
Others	19,106,813	16,430,783
Total	4,188,331,805	5,451,313,632

4.24 Depreciation, Amortisation and Impairment of Non Financial Assets

Particulars	F.Y 2073-74	F.Y 2072-73
Depreciation on Property & Equipment	88,361,354	77,311,342
Impairment of Property & Equipment	-	-
Amortisation of intangible assets	23,877,634	24,389,460
Impairment of intangible assets	-	-
Total	112,238,988	101,700,802

4.25 Operating Expenses

Particulars	F.Y 2073-74	F.Y 2072-73
Directors Fees and Expenses	6,067,847	7,673,669
Note Printing Charges	938,702,726	936,813,717
Mint Expenses	382,261	493,494
Security charges	54,932,925	49,508,346
Remittance Charges	52,977,498	47,392,769
Travelling Expenses	245,131,878	233,015,199
Insurance Charges	86,868,095	65,440,061
Repair & Maintenance	62,052,440	70,732,081
Banking Promotion	51,982,154	39,717,097
Audit Fees and Expenses	2,120,983	2,381,180
Assets Written Off	352,037	16,126
Utilities Expenses	39,608,373	36,558,871
Postal and Communication Expenses	14,650,010	14,663,358
House Rent	12,048,603	10,983,532
Training Seminar and Membership	17,404,290	1,568,998
Expenses on Miscellaneous Assets	16,668,954	6,285,001
Consumable Expenses	23,134,887	21,541,842
Books and Periodicals	9,218,693	8,521,230
Miscellaneous Expenses	107,056,172	86,209,762
Total	1,741,360,826	1,639,516,333

**Notes to the Consolidated Financial Statements
of B/FI (Name of the Bank or Financial Institution)**

For the Year ended 31 Ashad 20X2 (16 July 20X2)

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5. Significant Disclosures

5.1 Gold and Silver

A sum of NRs. 70,354,384 (P.Y. NRs 24,077,829) was appropriated out of surplus available for distribution this year to the "Gold Replacement Fund". The quantity and market value of gold and silver held as inventory at the yearend were as follows:

Particulars	As on 31 st Asar 2074		As on 31 st Asar 2073	
	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)
Gold (Investment)	5,863.054.272	25,929,438,227	6,121.578.590	28,206,181,776.74
Gold held in Stock	2,615.702.651	11,885,752,846	2,615.138.521	13,015,544,419
Silver held in Stock	126,190.988.950	7,685,031,227	126,172.309.750	9,790,971,237
Total		45,500,222,300		51,012,697,432

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

5.2 Year end Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	102.86	106.73
2	Sterling Pound	133.32	141.28
3	Euro	117.40	118.60
4	Swiss Franc	106.22	108.87
5	Australian Dollar	79.80	81.58
6	Canadian Dollar	80.80	82.61
7	Japanese Yen	0.908	1.011
8	Singapore Dollar	74.83	79.36
9	SDR	143.461	149.535
10	Chinese Yuan	15.16	15.96
11	Indian Rupees	1.60	1.60

5.3 Related Parties

i. Key Management Personnel

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

S.N.	NAME	POST	REMARKS
1	Dr. Chiranjibi Nepal	Governor	
2	Shanta Raj Subedi	Finance Secretary/Board	
3	Chintamani Siwakoti	Deputy Governor	
4	Shiba raj Shrestha	Deputy Governor	
5	Dr. Sri Ram Poudyal	Board Member	
6	Ramjee Regmi	Board Member	
7	Bal Krishna Man Singh	Board Member	
8	Ram Hari Aryal	Board Member	retired w.e.f.2073.12.31
9	Rajan Bikram Shah	Executive Director	retired w.e.f 2073.04.01
10	Dr. Binod Atreya	Executive Director	retired w.e.f 2073.04.12
11	Hari Prasad Kaphle	Executive Director	retired w.e.f 2073.05.08
12	Khyam Narayan Dhakal	Executive Director	retired w.e.f 2073.07.04
13	Dr. Min Bahadur Shrestha	Executive Director	retired w.e.f 2073.07.01
14	Shiva Nath Pandey	Executive Director	retired w.e.f 2073.09.03
15	Trilochan Pangen	Executive Director	retired w.e.f 2074.01.11
16	Narayan Prasad Poudel	Executive Director	
17	Nara Bahadur Thapa	Executive Director	
18	Janak Bahadur Adhikari	Executive Director	
19	Bhisma Raj Dhungana	Executive Director	
20	Laxmi Prapanna Niraula	Executive Director	
21	Dr. Shankar Prashad Acharya	Executive Director	
22	Maheshwor Lal Shrestha	Executive Director	
23	Bhuban Kadel	Executive Director	
24	Ramesh Kumar Pokharel	Executive Director	
25	Dr. Nephil Matangi Maskay	Executive Director	
26	Upendra Kumar Paudel	Executive Director	
27	Ejendra Prasad Luitel	Executive Director	
28	Dr. Bhubanesh Prasad Pant	Executive Director	
29	Dr. Bamdev Sigdel	Executive Director	
30	Basudev Adhikari	Executive Director	
31	Dr. Gopal Prasad Bhatta	Executive Director	
32	Neelam Dhungana(Timsina)	Executive Director	

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	45,206,007	38,697,720
Post-employment benefits	16,471,530	12,872,054
Other long term benefits	33,288,180	26,862,783
Total	94,965,717	78,432,557

The transactions, if any, with director-related or key management personnel – related entities occurred in the normal course of NRB's operations were conducted as arms length transactions.

ii. Transactions with Related Parties

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

Particulars	Current Year (NRs.)			Previous Year (NRs.)		
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	Key Management Personnel
Employees Benefits	-	-	94,965,717	-	-	78,432,557
Meeting Fees/ Incidental Expenses to Directors	-	-	6,067,847	-	-	7,673,669
Insurance Premium paid	86,868,095			65,440,061	-	-
Balances as on Asar End	-	-	-	-	-	-
Loan Facilities	-	-	58,609,118	-	-	71,120,845
Provision for Diminution in Value of Investment	.....	.....	.....	5,000,000	.....	.....

5.4 Inter-Office Transactions

The balance of inter-office transactions under reconciliation is Rs. 4,72,78,943.02 (PY Rs. 4,80,78,943.02) which is presented as general account under Other liabilities.

5.5 Assets Received in Grant

The various assets received as grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586 (PY NRs. 11,585,586), out of which there was a written down balance of NRs. 123 (PY NRs. 123) at the year end. During the year no grant assets were received.

5.6 Financial Instruments

Financial Risk Management – Overview

Risk Management Framework

The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board of Directors has formed the Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies. The committee reports regularly to the Board of Directors about its activities.

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

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

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

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

A. Credit Risk

Credit Risk is risk of financial loss to a party if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Bank's credit risk in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms

and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

Exposure to Credit Risk

The maximum exposure to credit risk at the year-end was as follows:

a) By Nature of Assets

Particulars	As on 31-3-2074	As on 31-3-2073
Cash Equivalents	311,084,095,933	352,216,369,995
Loans and Advances to Bank and Financial Institutions	6,927,270,915	6,700,152,878
Loans and Advances to Others	13,047,932,415	9,326,933,368
Gold and Silver	25,929,438,227	28,206,181,777
Investment Securities	669,520,092,160	583,928,501,775
Other Assets	754,987,780	760,978,967
TOTAL ASSETS	1,027,263,817,430	981,139,118,759

b) By Geographical Region

Particulars	As on 31-3-2074	As on 31-3-2073
India	419,110,332,198	367,094,533,101
USA	111,206,914,739	153,813,997,171
Germany	434,692,982	2,361,678,406
Switzerland	46,550,988,571	56,611,756,470
United Kingdom	27,146,177,793	35,644,816,509
France	31,115,741,955	40,938,755,068
Japan	60,109,858,004	75,766,341,607
Netherland	-	1,244,668,251
Australia	10,598,133,632	25,800,880,598
Singapore	51,581,996,123	14,390,893,215
Canada	2,648,676,442	19,557,446,939
Belgium	11,272,154,446	-
Hong Kong	37,215,045,401	38,779,168,352
U.A.E	22,205,907,026	22,795,785,326
China	83,920,419,151	62,936,991,242
Iran	166,188,403	-
Thailand	-	32,671,423
Nepal	111,980,590,565	63,368,735,080
Total	1,027,263,817,430	981,139,118,758

c) By Nature of the Entity:

Particulars	As on 31-3-2074	As on 31-3-2073
Central Banks	25,597,318,679	66,292,213,858
Bank for International Settlement	10,521,210,357	15,981,324,090
Foreign Government	365,629,859,915	332,157,391,432
International Monetary Fund	171,322,848	2,416,907,139
Foreign Commercial Banks	511,265,563,910	484,926,401,729
Domestic Banks and FIs	28,141,233,601	24,229,249,801
Government of Nepal	46,412,041,038	21,279,362,917
Equity Instruments	2,972,589,460	3,432,021,870
Cash in Hand	25,690,345,300	21,786,609,647
Other Parties	10,862,332,322	8,637,636,276
Total	1,027,263,817,430	981,139,118,759

d) By Credit Rating

Particulars	Rating	Current Year		Previous Year	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	32,022,378,741	3.12	37,494,150,913	3.82
	AA+	111,027,381,856	10.81	138,626,927,586	14.13
	AA-	20,195,221,372	1.97	59,003,993,444	6.01
	A+	23,332,130,127	2.27	19,012,030,930	1.94
	A	193,664,929,226	18.85	214,636,043,096	21.88
	A-	21,420,316,047	2.09	1,098,618,977	0.11
	BBB+	-	-	1,973,434,789	0.2
	BBB-	81,772,617,152	7.96	43,728,069,353	4.46
	NR**	437,836,916,895	42.62	404,215,181,374	41.2
Total		921,271,891,415	89.68	919,788,450,462	93.75
Local Currency Financial Assets	NR **	105,991,926,015	10.32	61,350,668,297.00	6.25
Total Financial Assets		1,027,263,817,430	100	981,139,118,759	100

All of the above ratings are as per S&P.

** Not rated

Impairment Losses

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

Particulars	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance	Allowances for Doubtful Receivables
Balance as on 1st Sawan 2072	47,550,000	947,645,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	(532,816,000)	-	-
Reversal of Impairment Loss	-	-	-	-
Balance as on 31st Asar 2073	47,550,000	414,829,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	40,050,000	84,175,097	-	-
Balance as on 31st Asar 2074	7,500,000	330,653,903	10,000,000	10,329,878

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

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) formed by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the acceptable standard. In case of domestic investment, investment is made in the counterparty who meets the minimum standard level set by the credit policy. An analysis of credit quality of financial assets not impaired is as follows:

Counterparties	As on 31-3-2074	As on 31-3-2073
External Credit Rating at least AAA/BBB- from credit rating agency	483,434,974,520	374,846,095,125
Non Rated Counterparties	35,917,205,096	130,511,425,956
Central Banks	25,597,318,679	66,292,213,858
Bank for International Settlement	10,521,210,357	15,981,324,090
Foreign Government	365,629,859,915	332,157,391,432
International Monetary Fund	171,322,848	2,416,907,139
Government of Nepal	46,412,041,038	21,279,362,917
Financial Assets with Other Counterparties:	59,579,884,977	37,654,398,242
- Party with Normal Risk	59,221,401,196	37,192,019,242
- Party with High Risk	358,483,781	462,379,000
Total	1,027,263,817,430	981,139,118,759

B. Liquidity Risk

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

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

Assets Held for Managing Liquidity Risk

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

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

Financial Liabilities

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

Current Year Figures (NRs.)

Particulars	<u>Contractual and Other Cash Flows</u>				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Bills Payable	233,602,320	233,602,320			
Deposits from Bank and Financial Institutions	211,579,363,272	42,315,872,654	3,460,173,528	165,803,317,090	
Deposit from Government of Nepal	193,752,687,231	77,501,074,893	116,251,612,339		
Deposits from Others	27,004,456,317	5,400,891,263	21,603,565,054		
Short Term Borrowings	14,400,000,000	14,400,000,000			
IMF Related Liabilities	21,559,685,462	-	1,218,273,107	1,331,670,210	19,009,742,145
Staff Liabilities	23,690,470,601	923,223,627	1,048,023,650	4,192,094,600	17,527,128,723
Other Liabilities	1,933,436,696	1,933,436,696			
Total	494,153,701,900	142,708,101,454	143,581,647,677	171,327,081,900	36,536,870,868

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows				
	Carrying Amount	2 Months or Less	2 -12 Months	2 -5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	215,368,998,304	13,001,855,660	811,354,406	201,555,788,238	
IMF Related Liabilities	14,607,565,581	-	1,218,273,107	1,331,670,210	12,057,622,264
IMF Related Deposit	9,181,784,449	-	-	-	9,181,784,449
GON Deposit	133,832,156,252	-	133,832,156,252	-	-
Bills Payable	1,122,218,355	1,122,218,355	-	-	-
Staff Liabilities	19,629,587,646	625,950,496	1,039,468,268	3,781,930,291	14,182,238,591
Other Payables	517,224,507	-	373,587,880	-	143,636,627
Other Liabilities	199,696,300	199,696,300	-	-	-
Total	394,459,231,394	14,949,720,811	137,274,839,913	206,669,388,739	35,565,281,931

C. Market Risk

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

i. Currency Risk

Currency risk is the risk, where the value of financial instruments may fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign exchange reserves management function. The investment committee reviews the currency composition of the reserve and monitors the Bank's compliance with the limits established for foreign currency positions by the board. The major holding of foreign currency assets are denominated in USD, CNY, AUD, GBP, EURO and INR.

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

Current Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	58.05	3.95	0.20	3.00	9.98	0.84	0.02
Cash and Cash Equivalents	57,710,805,099	215,934,691	1,804,439,229	4,541,828,538	8,682,945,502	421,387,358	171,322,848
Loans and Advances to Bank and Financial Institutions							
Loans and Advances to Others	968,282,203	60,078,838		14,111,143	879,959,238	6,525,459	
Gold and Silver	25,929,438,227						
Investment Securities	450,204,021,840	36,100,000,000		23,070,000,000	82,376,905,759	7,320,000,000	
Other Assets	-						
Total Financial Assets	534,812,547,369	36,376,013,530	1,804,439,229	27,625,939,682	91,939,810,499	7,747,912,817	171,322,848
Bills Payable							
Deposits from Bank and Financial Institutions	1,258,247,821	2,619,293	1,980,057,590	97,608,024			
Deposit from Government of Nepal							
Deposits from Others	409,203,253						
Short Term Borrowings							
IMF Related Liabilities							12,377,901,013
Staff Liabilities							
Other Liabilities	253,977,978						
Total Financial Liabilities	1,921,429,051	2,619,293	1,980,057,590	97,608,024	-	-	12,377,901,013
Net Financial Position Exposure	532,891,118,317	36,373,394,237	(175,618,361)	27,528,331,658	91,939,810,499	7,747,912,817	(12,206,578,165)

Previous Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	56.94%	3.98%	1.55%	2.92%	9.33%	0.84%	0.45%
Cash Balances	1,985,110,760	106,054,571	2,271,890,926	112,826,208	36,579,745	79,913,692	-
Demand Deposits	61,106,526,109	941,151,251	2,480,111,272	3,010,091,002	8,971,665,567	675,268,867	-
Time Deposit	338,938,647,146	29,797,621,893	9,496,812,638	23,760,077,937	23,462,353,469	6,958,188,150	-
Govt. & Other Debt Securities	90,627,530,229	-	-	-	52,368,638,018	-	-
Other Investments	2,664,443,749	5,638,485,268	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	4,119,794,209
Bills Purchased	-	-	-	-	-	-	-
Other Receivables	624,992,596	179,790,241	19,463,782	17,635,964	1,087,786,788	6,443,922	-
Gold Investment	28,206,181,777	-	-	-	-	-	-
Total Financial Assets	524,153,432,366	36,663,103,224	14,268,278,618	26,900,631,111	85,927,023,587	7,719,814,631	4,119,794,209
Deposit of Banks & FIs	1,684,278,676	2,028,813	1,393,234,570	124,153,891	-	-	-
Deposit Others	383,082,551	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	10,183,273,536
Loan from IMF	-	-	-	-	-	-	4,424,292,045
Other Liabilities	-	-	-	-	-	-	-
Bills Payables	-	-	-	-	-	-	-
Total Financial Liabilities	2,067,361,227	2,028,813	1,393,234,570	124,153,891	-	-	14,607,565,581
Net Financial Position Exposure	522,086,071,139	36,661,074,411	12,875,044,048	26,776,477,220	85,927,023,587	7,719,814,631	-10,487,771,372

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 23.32% (PY 23.31%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 0.65% (PY 0.68%) of the total foreign currency reserve.

Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD and SDR against Nepalese rupee at the end of reporting period would have affected the value of financial instruments denominated in a foreign currency and increased (decreased) in profit or loss by the amount shown below. This analysis is based on foreign exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast cash flows.

	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2074		For the Year Ended 2073	
	Strengthening	Weakening	Strengthening	Weakening
USD	53,289,111,832	-53,289,111,832	52,208,607,114	-52,208,607,114
AUD	3,637,339,424	-3,637,339,424	3,666,107,441	-3,666,107,441
EUR	-17,561,836	17,561,836	1,287,504,405	-1,287,504,405
GBP	2,752,833,166	-2,752,833,166	2,677,647,722	-2,677,647,722
CNY	9,193,981,050	-9,193,981,050	8,592,702,359	-8,592,702,359
CAD	774,791,282	-774,791,282	771,981,463	-771,981,463
SDR	-1,220,657,817	1,220,657,817	-1,048,777,137	1,048,777,137
Total	68,409,837,100	-68,409,837,100	68,155,773,367	-68,155,773,367

ii) Interest Rate Risk

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

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

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

Particulars	Weighted Average Interest Rate %	As on 31st Asar 2074	As on 31st Asar 2073
Interest Sensitive Financial Assets			
Bank Balance	0.23	55,539,228,832	5,425,938,496
Investment in Foreign Currency	2.82	506,600,578,290	569,330,072,212
IMF Related Assets	0.07	171,322,848	2,416,907,139
Government Securities	4.90	415,164,893,162	345,039,400,022
Other Investments	7.69	21,510,087,903	17,581,096,923
Refinance & Loans	0.83	6,927,270,915	11,089,698,993
Total Interest Sensitive Financial Assets		1,005,913,381,949	950,883,113,785
Interest Sensitive Financial Liabilities			
IMF Related Liabilities	0.06	12,377,901,013	14,607,565,581
Total Interest Sensitive Financial Liabilities		12,377,901,013	14,607,565,581
Net Interest Sensitive Financial Position		993,535,480,936	936,275,548,204

iii) Other Market Prices Risk

Equity price risk arises from investment as fair value through Other Comprehensive Income as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 11 institutions. All the investments were measured at cost except in three cases where the shares were listed and closing price was available hence such shares were measured at fair value.

Classification and Fair Value of financial assets

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

Particulars	Fair Value through P/L	Fair Value through OCI	Cost/Amortised Cost	Cash & Cash Equivalents	Loans & Advances	Financial Liabilities	Total Carrying Amount	Fair Value
Cash & Cash Equivalents				336,774,441,233			336,774,441,233	336,774,441,233
Loans and Advances to Bank and Financial Institutions			6,927,270,915				6,927,270,915	6,927,270,915
Loans and Advances to Others			13,047,932,415				13,047,932,415	13,047,932,415
Gold and Silver		25,929,438,227					25,929,438,227	25,929,438,227
Investment Securities								
GON Securities		41,540,989,995					41,540,989,995	41,540,989,995
Equity Instruments:							-	-
Measured at Fair Value		2,575,028,961					2,575,028,961	2,575,028,961
Measured at Cost			397,560,500				397,560,500	NA
Other Investments			625,006,512,704				625,006,512,704	NA
Other Assets			754,987,780.4				754,987,780	754,987,780
Total Financial Assets		70,045,457,183	646,134,264,314	336,774,441,233	-	-	1,052,954,162,730	
Bills Payable						233,602,320	233,602,320	233,602,320
Deposits from Bank and Financial Institutions						211,579,363,272	211,579,363,272	211,579,363,272
Deposit from Government of Nepal						193,752,687,231	193,752,687,231	193,752,687,231
Deposits from Others						27,004,456,317	27,004,456,317	27,004,456,317
Short Term Borrowings						14,400,000,000	14,400,000,000	14,400,000,000
IMF Related Liabilities						21,559,685,462	21,559,685,462	21,559,685,462
Staff Liabilities						23,690,470,601	23,690,470,601	23,690,470,601
Other Liabilities						1,933,436,696	1,933,436,696	1,933,436,696
Total Financial Liabilities		-	-	-	-	494,153,701,900	494,153,701,900	
Net Financial Position		70,045,457,183	646,134,264,314	336,774,441,233	-	(494,153,701,900)	558,800,460,830	

5.7 Employees Benefits - Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and amount of compensation. These post-employment benefits plans are 'Gratuity or Pension Plan', 'Staff Security Plan' and 'Leave Encashment Plan'. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan' and 'Staff Security Plan' is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

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

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

The details of the actuarial valuation of obligation for two defined benefit plans, viz., the Gratuity and Pension plan and the Staff Security Fund are as follows:

	Funded Plans (NRs.)	
	Gratuity & Pension Fund	Staff Security Fund
Present value of obligation as per Actuarial Valuation	18,451,547,560	2,673,590,776
Liability balance as per books	16,056,795,273	1,666,995,555
Additional provision required	2,394,752,287	1,006,595,221

The details of the net liabilities of pension or gratuity and staff security fund recognized in financial statements are disclosed as below:

Amount Recognized in the statement of Financial Position

Particulars	As on 31 st Asar 2074		As on 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Present Value of Obligations	18,451,547,560	2,673,590,776	16,260,561,185	2,241,351,694
Fair Value of Plan Assets/Current Balance of Provision Account	16,056,795,273	1,666,995,555	12,726,708,968	1,589,956,721
Net Liability /(Asset)	2,394,752,287	1,006,595,221	3,533,852,217	651,394,973
Unrecognised Actuarial Losses	-	-	533,852,217	151,394,973
Net Liabilities/(Assets) Recognised in Statement of Financial Position	2,394,752,287	1,006,595,221	3,000,000,000	500,000,000

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 st Asar 2074		For the Year Ended 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Obligation	16,260,561,185	2,241,351,694	15,430,681,540	2,410,870,990
Current Service Cost	393,426,811	111,878,496	336,533,057	124,068,215
Interest Cost	1,269,292,728	162,389,689	1,234,454,523	192,869,679
Actuarial Losses (Gains)	1,317,071,002	580,932,063	-86,787,295	-193,662,662
Losses (Gains) on Curtailments				-
Benefits Paid	-788,804,166	-422,961,166	-654,320,640	-292,794,528
Closing Obligation	18,451,547,560	2,673,590,776	16,260,561,185	2,241,351,694

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 31 st Asar 2074		For the Year Ended 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	12,560,762,860	1,798,606,387	10,624,843,690	1,491,400,915
Expected Return	1,099,946,706	138,624,078	849,987,495	119,312,073
Actuarial Gains (Losses)	18,943,765	-138,624,078	-1,259,747,685	-119,312,073
Distribution on Settlements				
Contribution by Employer	3,165,946,108	291,350,334	3,000,000,000	600,000,000
Benefits Paid	-788,804,166	-422,961,166	-654,320,640	-292,794,528
Closing Fair Value	16,056,795,273	1,666,995,555	12,560,762,860	1,798,606,387

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 31 st Asar 2074		For the Year Ended 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Charged to Statement of Income	1,077,681,285	425,663,158	3,000,000,000	500,000,000
Actuarial Losses Recognized in OCI	1,317,071,002	580,932,063		
Total Employee Benefit Expense	2,394,752,287	1,006,595,221	3,000,000,000	500,000,000

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 31 st Asar 2074		For the Year Ended 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	100%	100%	100%	100%
Others	-	-	-	-
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 31 st Asar 2074		For the Year Ended 31 st Asar 2073	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.67%	6.67%	6.67%	6.67%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%

5.8 Reserves

The Bank has maintained different reserves and funds. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act, 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the net income. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalisation Reserve and respective Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10%, 5% and 5% of net income available for appropriation to General Reserve, Monetary Liability Reserve and Financial Stability Reserve respectively. In addition, an amount equal to the capital expenditure included in annual budget shall be appropriated to General Reserve and the amount decided by Board will be maintained in Net Cumulative Surplus Reserve. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount is annually allocated by the Board of Directors out of the each year's Net Income to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of Net Income to these reserves and funds. The details of statutory and other reserve and funds are as follows:

I. Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 889,049,010 (P.Y. NRs. 707,554,619) was appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 889,049,010 (P.Y. NRs. 0) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073. The outstanding amount NRs. 1,000,000,000 of Liquidity Stabilization fund till Asar 31, 2074 has also been transferred to this fund as per the decision of the board of directors of the bank.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net income available for appropriation of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs. 4,239,793,020 (P.Y. NRs. 1,964,852,718) is appropriated in General Reserve during the year.

d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount as decided by the board shall be allocated and kept in such reserve. This year NRs. 2,734,774 (P.Y. NRs. 0) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs.23,752,795,700 (P.Y. revaluation gain of NRs. 17,929,777,630) which is equivalent to net exchange loss was appropriated from/to net income to this fund during the year.

f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net income of the year. Accordingly an amount of Rs.3,876,680,456 (P.Y. revaluation gain of NRs. 5,708,576,716) which is equivalent to net revaluation loss on revaluation of gold and silver was appropriated to this fund.

II. Other Reserve and Funds

Board of Directors of the Bank is authorized by section 41 (1)(ga) of the NRB Act to appropriate the remaining Net Income in other funds as may be necessary and pay the remaining amount to Government of Nepal. Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive of the Bank and the Board of Directors appropriate some part of the net income available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose of the reserve or fund as mentioned in the Account Directive. The following reserves/funds have been maintained:

a) Development Fund

This is the specific fund created as per Monetary Policy of the Bank 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. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly an amount of NRs.4,160,000,000 (P.Y. NRs. 3,551,232,671) has been allocated to this fund during the year.

b) Banking Development Fund

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 30,000,000 (P.Y. NRs. 30,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually. Since there is loss from the projects during the year, no amount (P.Y. NRs. 23,374,544) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

d) Mechanization Fund

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. No amount (P.Y. NRs. 200,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund

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

f) Mint Development Fund

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. No amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Gold Replacement Fund

This fund has been created for replacing the gold / silver sold during the year. An amount equal to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this

fund is utilized for replacement of gold. Accordingly, an amount of NRs.70,354,384 (P.Y. NRs. 24,077,829) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh)

This fund was created as per the NRB Monetary Policy to provide wholesale credit for lending purpose to the deprived sector through MFIs, corporate and NGOs and refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year. Earmarked investment of this fund has been made.

5.9 Prior Period Errors

The prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into additional expenses for the previous year by NRs.23,278,046 than by the reported figure of the previous year. This resulted into decrease in net income of previous year by the said amount and has been shown in previous year reserve account as deficit due to restatement of prior period errors and has been adjusted with current year surplus available for appropriation.

5.10 Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consists of gold and other precious metals, foreign currencies and securities denominated in foreign currency, special drawing rights, bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

(in NRs. billion)		
Particulars	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	583.87	672.46
Non-Convertible Foreign Currency	243.40	214.55
Gold Reserve	28.22	28.21
Special Drawing Rights	0.17	0.03
Sub Total	955.66	915.25
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	144.51	144.01
Non-Convertible Foreign Currency	7.75	8.19
Sub Total	152.26	152.2
Total Foreign Exchange Reserve of Banking System	1079.52	1067.45

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	1.43	1.65
Indian Treasury Bills	20.29	18.98
BIS FIXBIS	0.18	0.60
Bonds/Notes	12.16	14.52
Mid Term Instrument	0.76	0.78
Call Deposits	2.83	4.49
Time Deposit	42.81	39.81
Gold Deposit	2.40	2.64
Special Drawing Rights	0.00	0.23
Balance with NRB and BFIs	17.14	16.30
Total	100.00	100.00

5.11 Projects' Asset and Liability

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

For the Year ended 31st Asar 2074

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
Equity & Liabilities						
Reserve & Surplus	6,995,297	4,259,808	19,716,782	12,362,148	7,924,373	51,258,408
Loans	43,800,000	18,300,858	96,050,000	11,729,647	727,567,922	897,448,428
Accounts Payable	-	91,504	976	1,362,983	-	1,455,464
Total Equity & Liabilities	50,795,297	22,652,170	115,767,758	25,454,778	735,492,295	950,162,299
Assets						
Loan to PFIs	-	-	-	1,101,098	691,972,415	693,073,513
Investment	45,541,000	9,699,000	108,680,000	10,980,000	-	174,900,000
Other Receivables	873,389	182,288	2,051,986	206,364	-	3,314,026
Cash and Bank Balance	4,380,908	12,770,883	5,035,773	13,167,316	43,519,880	78,874,759
Total Assets	50,795,297	22,652,170	115,767,758	25,454,778	735,492,295	950,162,299

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
A. Income						
Interest Income:	2,031,063	573,014	5,550,744	1,269,228	-	9,424,049
From Loan to PFIs				83,417		83,417
On Investment	2,031,063	573,014	5,550,744	1,185,811		9,340,632
Loan Loss Prov. Written back				22,245		22,245
Other Income						-
Total Incomes	2,031,063	573,014	5,550,744	1,291,473	-	9,446,294
B. Expenditure						
Administrative Expenses					175,828	175,828
Interest Expenses	1,478,250	762,535	4,011,500	371,439		6,623,724
Foreign Exchange Loss					4,129,996	4,129,996
Loan Loss Provision						-
Depreciation						-
Total Expenses	1,478,250	762,535	4,011,500	371,439	4,305,824	10,929,548
Surplus (Deficit) (A-B)	552,813	(189,521)	1,539,244	920,034	(4,305,824)	(1,483,254)

For the Year ended 31nd Asar 2073

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
Equity & Liabilities						
Reserve & Surplus	6,442,484	4,449,329	18,177,538	11,442,115	12,230,197	52,741,663
Loans	51,100,000	30,501,431	107,350,000	23,459,294	358,975,236	571,385,961
Accounts Payable	-	152,507	4,237,977	156,396	-	4,546,880
Total Equity & Liabilities	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	628,674,504
Assets						
Loan to PFIs	0	-	-	3,303,294	327,545,817	330,849,111
Investment	-	0	-	-	-	0
Other Receivables	-	0	0	503,520	0	503,520
Cash and Bank Balance	57,542,484	35,103,267	129,765,515	31,250,991	43,659,616	297,321,873
Total Assets	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	628,674,504

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
A. Income						
Interest Income:	1,582,698	1,610,629	4,964,304	1,209,127	0	9,366,758
From Loan to PFIs	102,737			150,150		252,887
On Investment	1,479,961	1,610,629	4,964,304	1,058,977		9,113,871
Loan Loss Prov. Written back	34,246		633,871	22,245		690,362
Other Income					7,351,977	7,351,977
Total Incomes	1,616,944	1,610,629	5,598,175	1,231,372	7,351,977	17,409,097
B. Expenditure						0
Administrative Expenses						0
Interest Expenses	1,697,250	1,128,553	4,237,500	566,933	168,036	7,798,272
Provision for Service Charge						0
Loan Loss Provision						0
Depreciation						0
Total Expenses	1,697,250	1,128,553	4,237,500	566,933	168,036	7,798,272
Surplus (Deficit) (A-B)	(80,306)	482,076	1,360,675	664,439	7,183,941	9,610,825

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

Statement of Financial Position

Particulars	As on 31 st Asar 2074		As on 31 st Asar 2073	
	CGISP	RSRF	CGISP	RSRF
Equity				
Capital Contribution **	17,548,370	793,400,000	17,548,370	793,400,000
Surplus	130,172,524	128,379,628	116,009,020	131,909,195
Financial Risk Fund	5,200,000		5,200,000	
Long- term Liabilities				
Loan from ADB - Non-Current Portion	140,502,824		150,538,740	
Current Liabilities and Provision				
Loan from ADB - Current Portion	60,215,496		50,179,580	
Service Charge due on Loan from ADB	20,972,977		20,972,977	
Loan Loss Provision	469,488	73,141,693	648,834	45,083,353
Accounts Payable	326,141	70,197,425	320,684	72,735,083
Total Equity & Liabilities	375,407,820	1,065,118,745	361,418,204	1,043,127,631
Assets				
Non-Current Assets				
Fixed Assets	4	550,501	4	47,520
Loan to PFI- Non Current Portion	32,095,787	30,562,500	46,786,923	42,962,500
Investment	306,000,000			
Current Assets				
Interest Receivables	6,358,066	39,260,356	140,053	
Loan to PFI-current portion	14,852,985	571,049,748	18,096,457	507,619,144
Cash and cash equivalents	16,100,978	423,695,641	296,394,768	492,498,467
Total Assets	375,407,820	1,065,118,745	361,418,205	1,043,127,631

** Capital Contribution in case of RSRF includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'investment at fair value through other comprehensive income' under note 4.5 of the financial statements.

Statement of Comprehensive Income

Particulars	As on 31st Asar 2074		As on 31st Asar 2073	
	CGISP	RSRF	CGISP	RSRF
A. Income				
Interest Income:	14,622,054	30,289,918	10,928,800	28,882,427
From Loan to PFIs	2,969,805	27,279,900	4,103,649	27,015,645
On deposit with banks	11,652,249	2,013,454	6,825,152	559,603
On Investment		996,564		1,307,179
Other Income		683,028		133,387
Loan Loss Provision Written back	179,347	0	194,551	0
Total Incomes	14,801,401	30,972,946	11,123,351	29,015,814
B. Expenditure				
Administrative Expenses	45,581	6,428,372	37,358	24,677,848
Provision for Service Charge	2,007,184		2,007,183	
Loan Loss Provision	-	28,058,340	-	889,278
Depreciation	0	15,802	27,906	59,841
Total Expenses	2,052,765	34,502,513	2,072,447	25,626,967
Surplus (Deficit) (A-B)	12,748,636	-3,529,567	9,050,905	3,388,847

5.12 Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2074 as per the records of the bank was a surplus balance of NRs. 193,752,687,231 (P.Y. NRs. 133,832,156,252). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position. The surplus balance of Government Treasury position as of 31st Asar 2073 was finalized at Poush end 2073.

5.13 Transaction with the International Monetary Fund (IMF)

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

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

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

Financial Position in the Fund

Particulars	As on 31 st Asar 2074		As on 31 st Asar 2073	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
<u>SPECIAL DRAWING RIGHT:</u>				
Net cumulative allocation	9,769,636,572	68,099,599	10,183,273,536	68,099,599
Holdings	171,322,847	1,194,212	2,416,907,139	16,162,819
<u>OUTSTANDING PURCHASES & LOANS:</u>				
RCF Loans	2,454,904,632	17,112,000	3,838,264,380	25,668,000
ECF Arrangements	153,359,809	1,069,000	586,027,665	3,919,000
<u>OTHER INFORMATION</u>	<u>Per cent of Quota</u>		<u>Per cent of Quota</u>	
Quota	100	156,900,000	100	156,900,000
Currency Holding	89.82	140,923,637	89.82	140,923,637
Reserve Tranche Position	10.19	15,981,999	10.19	15,981,999

The SDR is converted into Nepalese rupees at conversion rate of NRs 143.461 (P.Y. NRs. 149.535) per SDR.

5.14 Contingent Liabilities and Capital Commitments

The bank has following amounts of contingent liabilities and capital commitments.

PARTICULARS	Asar 31, 2074	Asar 31, 2073
	NRs.	NRs.
Letters of Credit	33,310,303,147	40,976,566,198
Unclaimed Account Transfer to P/L Account	100,066,715	100,066,715
Capital Commitment	6,268,199	17,546,195
Total	33,416,638,061	41,094,179,108

Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date.

5.15 Claims against the bank

There are 66 cases filed in the court against the various decisions of the bank against which the bank is not expected to incur a significant monetary liability.

5.16 Number of Employees

The number of employees holding office at the yearend was 1,128 (PY 1,232).

5.17 Events occurred after Balance Sheet Date

- i. The change in exchange rates of various foreign currencies after the yearend resulted in decrease as of date in net foreign currency assets, exchange equalization fund and net profit/(loss) for the period. The decrease is estimated to be NRs. 2,780,671,187.02 (PY NRs. 1,527,483,010 increase) as of the date of issuing the financial statements.
- ii. The change in market price of Gold investment (other than inventories) after the yearend resulted in increase in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The increase is estimated to be NRs. 2,026,506,674.58 (PY NRs. 4,428,787,839 decrease) as of the date of issuing the financial statements.
- 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.