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CONTENTS

Executive Summary	i
Acronyms	v

PART – 1

MACROECONOMIC AND FINANCIAL SITUATION

World Economic Situation and Outlook	1
Macroeconomic and Financial Situation of Nepal	1
Gross Domestic Product	1
Sectoral Composition of GDP	2
Agriculture	3
Industry	3
Services	3
Saving and Gross National Disposable Income	4
Inflation, and Salary and Wage Rate Index	4
Consumer Price Inflation	4
Consumer Price Inflation between Nepal and India	5
Wholesale Price Inflation	5
National Salary and Wage Rate Index	6
External Sector	6
Foreign Trade	6
Current Account and Overall Balance of Payments Situation	8
Foreign Exchange Reserve	9
Reserve Adequacy Indicator	9
International Investment Position	10
Trend of Exchange Rate	10
Export and Import Price Index	10
Fiscal Situation	10
Government Revenue	11
Government Expenditure	12
Policy Provisions Regarding Revenue	13
Tax Rates	15
Public Enterprises	16
Monetary and Financial Situation	17
Monetary Situation	17
Inter-Bank Transactions and Use of Standing Liquidity Facility	18
Liquidity Management	18
Foreign Exchange Transaction	18
Short-Term Interest Rates	19
Status of Sources and Uses of Funds of Banks and Financial Institutions	20
Commercial Banks	20
Development Banks	20

Finance Companies	21
Microfinance Financial Institutions	21
Cooperatives Licensed for Limited Banking Operations	22
Non-Government Organizations Licensed for Financial Intermediary Operations	22
Insurance Companies	22
Employees Provident Fund	22
Citizen Investment Trust	22
Postal Savings Bank	23
Deposit and Credit Guarantee Fund	23
Credit Information Bureau	23
Financial Structure	24
Financial Expansion	24
Securities Market	25

Text Tables

Table 1.1 Share of Primary, Secondary, and Tertiary Sectors in GDP (at Current Prices)	2
Table 1.2 Gross National Disposable Income (at Current Prices)	4
Table 1.3 Reserve Adequacy Indicators	9
Table 1.4 Exchange Rate Movement	10
Table 1.5 Major Government Finance Indicators	10
Table 1.6 Government Debt Situation	13
Table 1.7 Tax Rates	15
Table 1.8 Financial Condition of Public Enterprises	16
Table 1.9 Inter-Bank Transactions and Use of Standing Liquidity Facility	18
Table 1.10 Overall Situation of Foreign Exchange Transactions	19
Table 1.11 Interest Rate of Commercial Banks (Percent)	19
Table 1.12 Transaction Details of Postal Saving Bank	23
Table 1.13 Transaction Details of Deposit and Credit Guarantee Fund	23
Table 1.14 Number of Banks and Financial Institutions	25

Charts

Chart 1.1 GDP Growth Rate (basic price)	1
Chart 1.2 GDP Sectoral Growth Rate	2
Chart 1.3 Average Annual Consumer Price Inflation.....	4
Chart 1.4 Average Annual Wholesale Price Inflation	5
Chart 1.5 Export and Import Unit Value Price Index	10
Chart 1.6 Structure of Revenue Mobilization, FY2017/18	11
Chart 1.7 Structure of Government Expenditure on Cash Basis, FY2017/18	12
Chart 1.8 Share of BFIs in Nepal's Financial System, Mid-July 2018	24
Chart 1.9 Stock Market Trend (NEPSE Index).....	25

Tables

Table 1 World Economic Growth, Price, and Trade	27
Table 2 Macroeconomic Indicators	28
Table 3 Sectoral Growth Rate of Gross Domestic Product (at 2000/01 prices)	29
Table 4 National Consumer Price Index (Annual Average)	30
Table 5 National Wholesale Price Index (Annual Average)	31

Table 6	National Salary and Wage Rate Index	32
Table 7	Consumer Price Inflation in Nepal and India (Monthly Series)	33
Table 8	Direction of Foreign Trade	34
Table 9	Exports of Major Commodities to India	35
Table 10	Imports of Major Commodities from India	36
Table 11	Exports of Major Commodities to China	37
Table 12	Imports of Major Commodities from China	38
Table 13	Exports of Major Commodities to Other Countries	39
Table 14	Imports of Major Commodities from Other Countries	40
Table 15	Summary of Balance of Payments	41
Table 16	Gross Foreign Exchange Reserve	42
Table 17	International Investment Position (IIP)	43
Table 18	Government Budgetary Operation (on Cash Basis)	44
Table 19	Outstanding Domestic Debt of Government of Nepal	45
Table 20	Monetary Survey	46
Table 21	Central Bank Survey.....	47
Table 22	Condensed Assets and Liabilities of Banks and Financial Institutions	48
Table 23	Condensed Assets and Liabilities of Commercial Banks	49
Table 24	Condensed Assets and Liabilities of Development Banks	50
Table 25	Condensed Assets and Liabilities of Finance Companies	51
Table 26	Sectorwise Outstanding Loan of Commercial Banks	52
Table 27	Sources and Uses of Funds of Microfinance Financial Institutions	52
Table 28	Sources and Uses of Funds of NRB Licensed Cooperatives	53
Table 29	Sources and Uses of Funds of Insurance Companies	53
Table 30	Sources and Uses of Funds of Employees Provident Fund	54
Table 31	Sources and Uses of Funds of Citizen Investment Trust	54
Table 32	Structure of Nepalese Financial System	55
Table 33	Stock Market Indicators	55
Table 34	Securities Listed at Nepal Stock Exchange Limited	56
Table 35	Listed Companies and Market Capitalization	56

Appendix

Appendix 1.1	Lists of Banks and Financial Institutions Licensed for Financial Transactions (As in mid-July 2018)	57-64
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PART - 2

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2017/18	67
Objectives and Targets	67
Intermediate and Operating Targets of Monetary Policy	68
Instruments of Monetary Policy	68
Public Debt Management	70
Issue and Management	70
Treasury Bills	70

Development Bonds	71
Citizen/National/Foreign Employment Saving Bonds	71
Net Domestic Debt Issue	71
Total Outstanding Domestic Debt Liability of Government of Nepal	72
Government Securities in the Ownership of Nepal Rastra Bank	73
Promotional Programme related to Government Securities	74
Financial Sector Reform, Enhancing Financial Access and Regulation	74
Rural Self-Reliance Fund and Other Projects Related to Microfinance	82
Rural Self-Reliance Fund	82
Projects relating to Microfinance.....	84
Supervision of Banks and Financial Institutions	85
Supervision of Commercial Banks	85
Supervision of Development Banks	87
Supervision of Finance Companies	88
Supervision of Microfinance Financial Institutions.....	89
Foreign Exchange Management	89
Currency Management	91
Human Resource Management	93
Miscellaneous	95
Budget Management, Corporate Risk Mitigation, and Strategic Plan	95
Information Technology and Activities related to Financial Awareness	96
Preparation of Draft Bill and Pleading of Legal Suits	98
Internal Audit	98
General Services	99
Payments System	100
Banking Transactions	101
Meeting of Board of Directors	102
Training, Workshop, Seminar, Travel, and Interaction	102
Study and Research Activities	104

Text Tables

Table 2.1 Inflation and Balance of Payments Surplus	68
Table 2.2 Money Supply and Domestic Credit	68
Table 2.3 CRR and SLR to be Maintained by BFIs (Percent)	69
Table 2.4 Net Domestic Debt Issue	72
Table 2.5 Domestic Debt Liabilities of the GON	73
Table 2.6 Details of Government Securities in the Ownership of NRB	73
Table 2.7 Commercial Bank Branches at Local Level (Mid-July 2018)	75
Table 2.8 Branches of Banks and Financial Institutions	76
Table 2.9 Merged/Acquired Banks and Financial Institutions	77
Table 2.10 Licensed Institutions	77
Table 2.11 Institutions Granted Letter of Intent	78
Table 2.12 MFIs Receiving Credit Facility at Zero Interest Rate	79
Table 2.13 Transactions of Rural Self-Reliance Fund	82
Table 2.14 Lending Position of Rural Self-Reliance Fund	83
Table 2.15 Sources and Uses of Funds of Microfinance Financial Institutions	84

Table 2.16	Details Regarding Penalties (for non compliance of required CRR and SLR)	86
Table 2.17	Key Highlights of Finance Companies	88
Table 2.18	Details of Currency Notes Issued from Note Stock in FY2017/18	91
Table 2.19	Details of Currency Notes in Circulation (Mid-July 2018)	92
Table 2.20	Details of Consigned Notes Ineligible for Circulation in FY2017/18	93
Table 2.21	Details of Existing Staff	94
Table 2.22	Details of Fulfillment of Vacancy during FY2017/18	95
Table 2.23	Details of Threshold Transactions in FY2017/18	97
Table 2.24	Details of Suspicious Transactions in FY2017/18	97
Table 2.22	Details of Legal Suits	98

PART-2 Tables

Table 1	Denomination-wise Currency Notes in Circulation	105
Table 2	Security against Currency Notes in Circulation	105
Table 3	Training Programmes Conducted by Bankers Training Centre	106
Table 4	Participation in International Training, Seminar, Meeting, and Workshop	107
Table 5	Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside the Kathmandu Valley in FY2017/18	112

PART-2 Appendices

2.1	Directive Issued to "A", "B" and "C" - Class Banks and Financial Institutions	113
2.2	Commercial Bank Branches Inspected On-site in FY2017/18	118
2.3	Development Banks Inspected at Corporate Level in FY2017/18	119
2.4	Banks and Financial Institutions Licensed as Market Makers	120
2.5	Banks and Remittance Companies Licensed as Sales Agents for Foreign Employment Saving Bonds	120
2.6	Board of Directors	121
2.7	List of Special Class Officers and First Class Officers	121

PART – 3

ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

Assets and Liabilities	125
Income Statement	126

Charts

Chart 3.1	Assets Structure of the NRB	125
Chart 3.2	Liabilities Structure of the NRB	126
Chart 3.3	Operating Income Structure of NRB	126

Annual Financial Statements of Nepal Rastra Bank	128
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Executive Summary

1. According to the World Economic Outlook published by the International Monetary Fund in October 2018, the global growth both in 2018 and 2019 is projected at 3.7 percent. The Fund estimates that, in 2018, the growth rate of advanced economies, emerging and developing economies, and emerging and developing Asian economies will be 2.4 percent, 4.7 percent, and 6.5 percent respectively. The Fund projects that India and China, Nepal's neighbouring economies, will witness the respective growth rate of 7.3 percent and 6.6 percent in 2018.
2. The inflation projections for 2018 in advanced economies and emerging and developing economies are 2.0 percent and 5.0 percent respectively. In 2017, the inflation in advanced economies was 1.7 percent compared to 4.3 percent in emerging and developing economies.
3. In Nepal, the real gross domestic product in FY2017/18 at basic prices and at producers' prices is estimated to grow by 5.9 percent and 6.3 percent respectively. Agricultural output is estimated to increased by 2.7 percent and non-agricultural output by 7.7 percent during the review year.
4. The annual average consumer price inflation in FY2017/18 remained at 4.2 percent, the lowest since FY2004/05. During the review year, the price indices of food and beverages group and non-food and services group increased by 2.7 percent and 5.3 percent respectively.
5. In FY2017/18, merchandise exports stood at Rs. 81.19 billion whereas merchandise imports amounted to Rs. 1,242.83 billion. The a merchandise trade deficit stood at of Rs. 1,161.14 billion, equivalent to 38.6 percent of gross domestic product.
6. Though the current account remained at a deficit of Rs. 245.22 billion in the review year, the balance of payments witnessed a marginal surplus of Rs. 960.0 million. The gross foreign exchange reserve in mid-July 2018 reached Rs. 1,102.59 billion, which is sufficient to finance merchandise imports for 10.8 months and merchandise and service imports for 9.4 months.
7. During FY2017/18, the revenue of the Government of Nepal increased by 19.2 percent to Rs. 726.08 billion while total government expenditure on cash basis rose by 26.2 percent to Rs. 1,029.02 billion. During the year, budget based on cash flow recorded a deficit of Rs. 268.85 billion.
8. Broad money increased by 19.4 percent while narrow money registered a rise of 17.6 percent during the review year. Similarly, domestic credit grew by 26.5 percent and monetary sector's claims on private sector rose by 22.3 percent. Deposits at banks and

financial institutions marked a growth of 19.2 percent while loans and advances of these institutions extended to the private sector rose by 22.5 percent during the year.

9. In FY2017/18, Rs. 195.0 billion liquidity was absorbed and Rs. 107.34 billion liquidity was injected through various instruments of the open market operations. During the year, Rs. 38.33 billion liquidity was utilized through the standing liquidity facility.
10. Commercial banks' weighted average lending and deposit rates in mid-July 2018 were 12.47 percent and 6.49 percent respectively. Similarly, weighted average interest rate of inter-bank transactions among commercial bank was 2.96 percent as of mid-July 2018.
11. During FY2017/18, total assets/liabilities of commercial banks expanded by 18.8 percent to Rs. 3,069.23 billion, that of development banks by 28.1 percent to Rs. 356.84 billion, and that of finance companies by 18.5 percent to Rs. 94.86 billion. Similarly, total assets/liabilities of microfinance financial institutions as in mid-July 2018 expanded by 34.4 percent to Rs. 171.99 billion.
12. As in mid-July 2018, the number of banks and financial institutions licensed by the NRB was 151, comprising 28 commercial banks, 33 development banks, 25 finance companies, and 65 microfinance financial institutions.
13. Till mid-July 2018, the Deposit and Credit Guarantee Fund guaranteed credit amounting to Rs. 12.38 billion and deposits amounting to Rs. 430.74 billion. As in mid-July 2018, the Credit Information Centre Limited blacklisted creditors numbering 6,241.
14. As in mid-July 2018, the NEPSE index remained at 1,212.4 points while market capitalization amounted to Rs. 1,435.14 billion equivalent to 47.7 percent of gross domestic product.
15. With the objective of contributing to growth while maintaining macroeconomic stability, Nepal Rastra Bank announced the monetary policy for FY2017/18 on July 9, 2017.
16. The monetary policy laid down its major objectives as preventing the adverse impact on inflation as well as maintaining external sector stability in the face of demand pressure while pursuing the growth target, conducting appropriate monetary management for attaining stability in external sector and interest rate, mobilizing financial resources towards priority sector, and widening financial inclusion through expansion of financial access and financial literacy.
17. As to the cash reserve ratio to be compulsorily maintained by the banks and financial institutions, the ratios prescribed have remained unchanged at 6.0 percent, 5.0 percent, and 4.0 percent for category "A", "B", and "C" institutions respectively. Similarly, continuity has been given for the existing provision relating to the statutory liquidity ratio. The existing provision regarding 7.0 percent bank rate used for the purpose of the

lender-of-the-last-resort facility as well as discounting the securities has remained unchanged.

18. Sectors like hydro-power, agriculture, tourism, export, small and medium-scale industries, medicine production, cement, garment, etc., were defined as the prioritized sector and the commercial banks were required to compulsorily extend at least 25 percent of their total lending by mid-July 2018 comprising minimum 10 percent in agriculture, 5 percent in hydro-power, 5 percent in tourism, and the rest in other prioritized sectors. Continuity has been given to the provision of extending specified productive sector credit at 20 percent of the total loans and advances of the commercial banks. 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.
19. Continuing the existing requirement of extending 5.0 percent, 4.5 percent, and 4.0 percent of the total lending to the deprived sector by the commercial banks, development banks, and finance companies respectively, the existing 2.0 percent requirement of minimum direct lending to the deprived sector by commercial bank themselves has been made optional.
20. Nepal Rastra Bank has been continuing the implementation of its part of activities as enshrined in the Financial Sector Development Strategy (FY2016/17-FY2020/21) which was approved by the Government of Nepal, Council of Ministers, on January 6, 2016.
21. Consequent to the provision of raising the paid-up capital of banks and financial institutions as prescribed in the monetary policy for FY2015/16, the process for increasing their capital through modalities like the merger/acquisition, bonus, rights, and other shares has proceeded. Accordingly, the paid-up capital of banks and financial institutions increased from Rs. 140.79 billion in mid-July 2015 to Rs. 282.51 billion in mid-July 2018.
22. In the review year, 19 banks and financial institutions involved in the absorption/merger/acquisition process, which led to the revoke of licenses of 10, resulting in their net count at 9.
23. With the expansion of the network of financial institutions, financial access has been increasing. In response to the Government of Nepal's target of establishing at least one commercial bank branch in each of the local level, commercial bank branches have reached 631 out of the 753 local level by mid-July 2018. Similarly, the total number of branches of banks and financial institutions by mid-July 2018 reached 6,651, comprising commercial bank branches at 3,023, development bank branches at 993, finance company branches at 186, and microfinance financial institution branches at 2,449.

24. Currency notes of various denominations that were in circulation as in mid-July 2018 amounted to Rs. 494.39 billion, an increase of 14.7 percent from the level of Rs. 430.99 billion as in mid-July 2017.
25. As in mid-July 2018, Nepal Rastra Bank staff reached 951, comprising 863 in administration stream and 88 in technical stream. Level-wise distribution of staff consisted of 527 officers, 297 assistants, and 127 office assistants (class-less).
26. Tenders have been called for reconstruction of the buildings located at Baluwatar and Thapathali which were damaged by the devastating earthquake of April 25, 2015.
27. The draft of Payment and Settlement Act, 2017 prepared with the aim of developing and expanding secured, healthy, and efficient payment system along with conducting payment-related regulation, supervision, and monitoring has been forwarded to the Government of Nepal.
28. As per the balance-sheet as in mid-July 2018, the assets/liabilities of Nepal Rastra Bank as compared to the amount as in mid-July 2017 increased by 9.59 percent to Rs. 11.59 billion.
29. Net income for FY2017/18 prior to the adjustment of the revaluation gain/loss of foreign exchange and other assets increased by 44.95 percent to Rs. 28.56 billion. Such net income for FY2016/17 had amounted to Rs. 19.70 billion.

Acronyms

ACU	Asian Clearing Unit
ADB	Asian Development Bank
ADBL	Agricultural Development Bank Limited
AFI	Alliance for Financial Inclusion
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
EOI	Expression of Interest
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EPF	Employees Provident Fund
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
GDP	Gross Domestic Product
GIDC	Government Integrated Data Center
GL	General Ledger
GNDI	Gross National Disposable Income
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
IIP	International Investment Position
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
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
MAP	Making Access to Financial Services Possible
MAS	Monetary Authority of Singapore
MDB	Microfinance Development Bank
MFI	Microfinance Financial Institution
MI	Microfinance Institution
MICR	Magnetic Ink Character Recognition
MMYP	Mobile Money for the Poor
MOF	Ministry of Finance
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	Organization for Economic Co-operation and Development
OMO	Open Market Operations
PCA	Prompt Corrective Action
PDMD	Public Debt Management Department
PE	Public Enterprise
PFC	Provident Fund Corporation
PISS	Price Index System Software
POL	Petroleum, Oil, Lubricants
POT	Point of Transaction
RBB	Rastriya Banijya Bank
RBI	Reserve Bank of India
RFP	Request for Proposal
RISMFP	Raising Income of Small and Medium Farmers Project
RMDC	Rural Microfinance Development Centre Limited
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
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
WAN	Wide Area Network
VAMNICOM	Vaikunth Mehta National Institute of Cooperative Management
VAT	Value Added Tax
y-o-y	Year on Year

PART – 1
MACROECONOMIC AND FINANCIAL SITUATION

World Economic Situation and Outlook	1
Nepal's Macroeconomic and Financial Situation	1
• Gross Domestic Product	1
• Inflation and Salary and Wage Rate Index	4
• External Sector	6
• Fiscal Situation	10
• Monetary and Financial Situation	17
• Securities Market	25
Tables	27
Appendix	57

PART – ONE

MACROECONOMIC AND FINANCIAL SITUATION

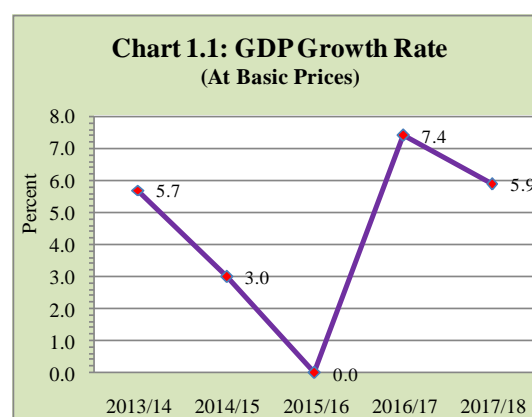
World Economic Situation and Outlook

- 1.1 According to the World Economic Outlook published by the International Monetary Fund (IMF or Fund) in October 2018, the global growth rate in 2017 was 3.7 percent. The Fund has projected the same rate of global growth in 2018 and 2019.
- 1.2 It is estimated that the overall output of the advanced economies will see a rise of 2.4 percent in 2018 compared to the 2.3 percent expansion witnessed in 2017. In emerging and developing economies, the Fund has estimated that the growth rate in 2018 will be 4.7 percent, the same rate as observed in 2017. The growth rate of Asian emerging and developing economies is estimated at 6.5 percent, the same rate as observed in 2017. In 2018, neighbouring economies, India and China, are estimated to attain growth of 7.3 percent and 6.6 percent respectively over their respective growth of 6.7 percent and 6.9 percent in 2017.
- 1.3 Inflation in advanced economies in 2018 is estimated at 2.0 percent compared to the 1.7 percent inflation in 2017. In emerging and developing economies, inflation is estimated at 5.0 percent in 2018 compared to the 4.3 percent inflation in 2017. According to the Fund, there could be pressure on the overall price situation due to likely rise in the energy price in 2018. World trade in goods and services is estimated to grow by 4.2 percent in 2018 compared to the 5.2 percent growth in 2017.

Macroeconomic and Financial Situation of Nepal

Gross Domestic Product

- 1.4 FY2017/18 remained encouraging from the standpoint of growth. According to the Central Bureau of Statistics (CBS), Nepal's real gross domestic product (GDP) in FY2017/18 is estimated to have grown by 5.9 percent at basic prices and 6.3 percent at producers' prices. In FY2016/17, the growth rate was 7.4 percent at basic prices and 7.9 percent at producers' prices. In the review year, the growth rate remained

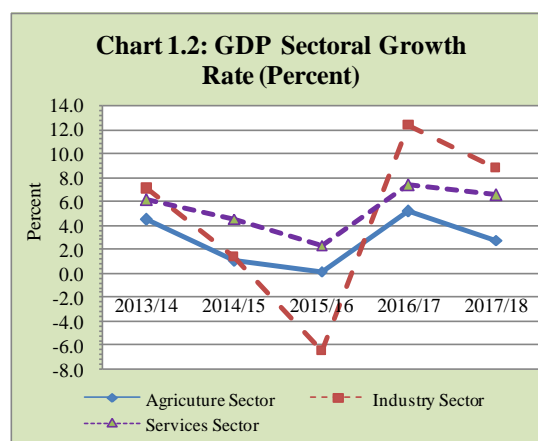


encouraging for the reasons like favourable monsoon, regular supply of energy, expedited reconstruction work, and improvement in business environment.

- 1.5 In the review year, agriculture and non-agriculture sectors are estimated to have grown by 2.7 percent and 7.1 percent respectively. In the previous year, agriculture and non-agriculture sectors had grown by 5.2 percent and 8.5 percent respectively. In the review year, under non-agriculture, industry and services sectors rose by 8.8 percent and 6.6 percent respectively. In the previous year, industry and services sectors had grown by 12.4 percent and 7.4 percent respectively.

Sectoral Composition of GDP

- 1.6 In FY2017/18, as share of GDP, the agriculture, industry, and services sectors comprised 27.6 percent, 14.8 percent, and 57.6 percent respectively. Such share percentages in FY2016/17 were 28.8, 14.7, and 56.6 respectively. In the review year, the share of agriculture in GDP declined while such share of industry and services went up.



- 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 28.2 percent, 14.2 percent, and 57.6 percent respectively. Such shares in the previous year were 29.4 percent, 14.1 percent, and 56.6 percent respectively.

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

Sectors	As Percent of GDP ¹			Change in Percentage Points	
	2015/16	2016/17	2017/18	2016/17	2017/18
Primary ²	33.2	32.3	32.2	29.4	28.2
Secondary ³	14.3	14.2	13.6	14.1	14.2
Tertiary ⁴	52.5	53.4	54.2	56.6	57.6

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 FY2017/18, despite damage to paddy crop on account of heavy floods and inundation at the beginning of the fiscal year, the agricultural output saw a growth of 2.7 percent for the reasons of favourable monsoon in the rest of the period, commercialization of agriculture, and easy availability of agricultural inputs. The year showed improvement in output of maize, wheat, and millet whereas there has been a 1.5 percent decline in the output of paddy. Agricultural output had increased by an encouraging 5.2 percent last year.

Industry

- 1.9 In FY2017/18, industrial sector expanded by 8.8 percent in comparison to the 12.4 percent growth in the previous year. This sector expanded due to continuity in reconstruction work and improvement in electricity supply.
- 1.10 In the review year, output of manufacturing industries grew by 8.0 percent. Such output in the previous year had increased by 9.7 percent. Electricity, gas and water increased by 5.8 percent in the review year as compared to the sharp growth at 20.5 percent in the previous year. Likewise, construction sector witnessed a rise of 10.6 percent in the review year as compared to the increase at 12.4 percent in the previous year.
- 1.11 In FY2017/18, despite the surge of commitment amount with respect to foreign direct investment (FDI) at 266.0 percent, the number of FDI projects decreased by 1.3 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. 55.65 billion. In the previous year, the DOI had approved 400 projects with foreign investment commitments amounting to Rs. 15.20 billion.
- 1.12 The sectoral distribution of the 395 projects registered in the review year was as follows: service-related 118, tourism-related 156, production-related 66, agriculture and forestry-related 20, information technology-related 26, mining-related 3, and energy-related 6. In the review year, investment commitments for energy-related projects totalled the largest. This year, both the number of projects and commitment amount in respect of projects related to industrial output increased while the number of tourism-related projects rose despite reduction in the commitment amount of such projects.

Services

- 1.13 Services sector is estimated to have grown by 6.6 percent in FY2017/18. In the previous year, the sector had expanded by 7.4 percent. The growth in services sector in the review year is attributed to increase in tourist arrivals, expansion in trade, and improvement in the business environment.

1.14 The wholesale and retail trade under the services sector expanded by 9.1 percent in the review year in comparison to its 9.6 percent growth in the previous year. The hotels and restaurants expanded by 9.8 percent in the review year compared to the 7.3 percent growth in the previous year. Similarly, transport, storage and communications witnessed a growth of 5.4 percent in the review year in comparison to the rise at 6.6 percent in the previous year. Financial intermediation and real estate, renting, and business activities increased by 6.4 percent and 5.2 percent respectively in the review year. In the previous year, these sectors had grown at 9.1 percent and 5.7 percent respectively.

Saving and Gross National Disposable Income

1.15 Total consumption as percent of GDP is estimated at 84.99 percent in FY2017/18 in comparison to the previous year's ratio at 88.05 percent. Despite the low ratio of gross domestic saving to GDP, the high remittance inflow was attributed to raising the ratio of gross national saving to GDP to 43.94 percent in FY2017/18.

1.16 In FY2017/18, gross national disposable income at current prices (GNDI) rose by 9.98 percent as compared to the rise of 15.0 percent in the previous year. The ratio of GNDI to GDP remained at 128.9 percent in the review year as compared to the ratio at 133.4 percent in the previous year.

Table 1.2
Gross National Disposable Income
(at Current Prices)

Particulars	Rs. in Billion			Percent Change	
	2015/16	2016/17	2017/18	2016/17 ¹	2017/18 ²
Gross Domestic Product (at Producers' Prices)	2253.16	2642.60	3007.25	17.3	13.8
Factor Income, Net	34.00	31.00	24.18	-8.9	-22
Current Transfer, Net	778.19	851.80	845.84	9.5	-0.7
Gross National Disposable Income	3065.35	3525.39	3877.27	15	9.98

1 Revised Estimates

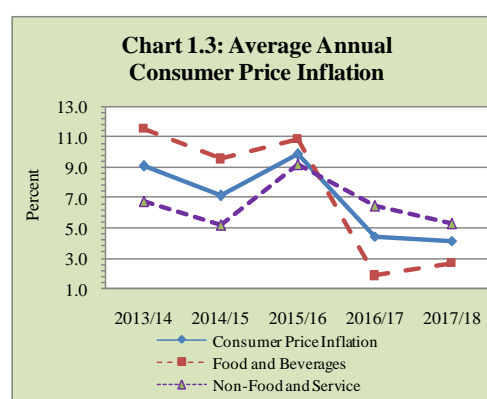
2 Preliminary Estimates

Source: Central Bureau of Statistics

Inflation, and Salary and Wage Rate Index

Consumer Price Inflation

1.17 The annual average consumer price inflation in FY2017/18 remained at 4.2 percent as compared to the inflation at 4.5 percent in FY2016/17. The review year's inflation was the lowest for the years since FY2004/05.



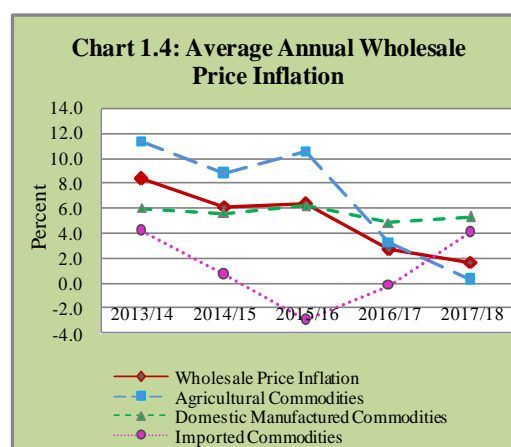
- 1.18 In FY2017/18, the prices of food and beverages group rose by 2.7 percent while the prices of non-food and services group witnessed a rise of 5.3 percent. In the previous year, the prices of food and non-food items had rose by 1.9 percent and 6.5 percent respectively.
- 1.19 Overall consumer inflation in the review year somewhat softened in comparison to the inflation in the previous year mainly due to reduction in the prices of pulses and legumes by 24.0 percent, spices by 4.9 percent, and sugar and sugar products by 0.7 percent. In the previous year, prices of pulses and legumes declined by 5.5 percent while prices of spices rose by 5.7 percent and prices of sugar and sugar products recorded the rise of 14.8 percent.
- 1.20 In the review year, under the non-food and services group, increase in prices was observed in education at 8.0 percent, in furnishing and household at 6.8 percent, in clothing and footwear at 5.9 percent, in miscellaneous goods and services at 3.7 percent, and in transportation at 1.9 percent.
- 1.21 Region-wise analysis showed that the annual average consumer price inflation in the review year rose by 5.9 percent in the mountains, 4.6 percent in the Hills, 4.4 percent in the Terai, and 3.3 percent in the Kathmandu valley. Inflation in the previous year was 4.1 percent in the mountains, 6.4 percent in the Hills, 4.4 percent in the Terai, and 3.1 percent in the Kathmandu valley.

Consumer Price Inflation between Nepal and India

- 1.22 In FY2017/18, the annual average consumer price inflation in Nepal was 4.2 percent compared to India's 4.4 percent, resulting in the -0.3 percentage point deviation in the inflation between these two countries. In the previous year, the inflation in Nepal was 4.5 percent compared to India's 3.4 percent.

Wholesale Price Inflation

- 1.23 In FY2017/18, the annual average wholesale price inflation was 1.7 percent in comparison to the 2.7 percent inflation in the previous year. In the review year, the annual average wholesale price index of agricultural commodities decreased by 0.3 percent while such index of domestic manufactured commodities and imported commodities rose by 5.3 percent and 4.1 percent respectively. Such index in the previous year had increased by 3.2 percent in the case of agricultural commodities and 4.8 percent in the case of domestic manufactured commodities, with the index of imported commodities decreasing by 0.2 percent.



National Salary and Wage Rate Index

- 1.24 The annual average national salary and wage rate index in FY2017/18 increased by 6.2 percent as compared to its rise by 14.4 percent in the previous year. In the review year, the salary index and wage rate index rose by 9.6 percent and 5.3 percent respectively. Such rise in the previous year was 18.3 percent in the salary index and 13.4 percent in the wage rate index. In the review year, the wage rate index increased by 5.6 percent for construction labourers, 5.2 percent for industrial labourers, and 4.6 percent for agricultural labourers.

External Sector

- 1.25 In FY2017/18, the merchandise trade deficit increased by 26.7 percent (Rs. 244.57 billion) to Rs. 1,161.64 billion. In the previous year, the trade deficit had increased by 30.4 percent. The trade deficit as a percent of GDP increased to 38.6 percent in the review year from 34.7 percent in the previous year. Out of the total trade deficit in the review year, the deficit with India increased by 28.9 percent (Rs. 170.99 billion) to Rs. 763.21 billion, the deficit with China rose by 25.2 percent (Rs. 31.65 billion) to Rs. 157.20 billion, and the deficit with other countries enlarged by 21.0 percent (Rs. 41.93 billion) to Rs. 241.23 billion.

Foreign Trade

- 1.26 In FY2017/18, total merchandise exports increased by 11.1 percent (Rs. 8.14 billion) to Rs. 81.19 billion. In the previous year, such exports had declined by 4.2 percent. Merchandise exports as the percent of GDP declined in the review year to 2.7 percent from 2.8 percent in the previous year.
- 1.27 Out of the total merchandise exports, exports to India in the review year increased by 12.4 percent (Rs. 5.16 billion) to Rs. 46.60 billion compared to the rise of 5.0 percent in the previous year. Commoditywise, exports to India rose mainly for the increase in items like cardamom, polyester yarn, hessian bag, corrugated sheets, etc.
- 1.28 Merchandise exports to China in the review year expanded by 43.3 percent (Rs. 740.0 million) to Rs. 2.44 billion in comparison to the marginal rise of 1.2 percent in the previous year. In terms of US dollar, exports to China in the review year increased by 45.7 percent to US\$ 2.33 billion in comparison to the marginal rise of 1.7 percent in the previous year. Commodity-wise, exports to China especially of items like noodles, handicraft, Pashmina, readymade garments, etc. climbed during the review year.
- 1.29 Merchandise exports to other countries in the review year rose by 7.5 percent (Rs. 2.25 billion) to Rs. 32.15 billion in comparison to the increase of 3.3 percent in the previous year. In terms of US dollars, exports to other countries in the review year expanded by 9.1 percent to US\$ 307.70 million in comparison to the accretion of 3.6 percent in the

- previous year. Commodity-wise, exports to other countries especially of items like readymade garments, herbs, tea, silverware, etc. increased during the review year.
- 1.30 In the review year, total merchandise imports expanded by 25.5 percent (Rs. 252.71 billion) to Rs. 1,242.83 billion. In the previous year, such imports had increased by 28.0 percent. Merchandise imports as percent of GDP rose to 41.3 percent in the review year from 37.5 percent in the previous year.
- 1.31 Merchandise imports from India increased by 27.8 percent (Rs. 176.14 billion) to Rs. 809.81 billion in the review year compared to the expansion of 32.8 percent in the previous year. During the year, imports of items like POL, vehicles and spare parts, machinery and parts, M. S. billet, hot-rolled sheets in coil, cement, etc. increased.
- 1.32 In the review year, merchandise imports from China increased by 25.5 percent (Rs. 32.39 billion) to Rs. 159.64 billion. In the previous year, such imports had risen by 10.0 percent. In terms of US dollars, imports increased by 27.3 percent to US\$ 1.53 billion in the review year compared to the rise of 10.6 percent in the previous year. Imports from China increased due to rise in imports of items like machinery and parts, ready-made garments, telecommunication equipment and parts, electrical goods, etc.
- 1.33 In the review year, merchandise imports from other countries increased by 19.3 percent (Rs. 44.18 billion) to Rs. 273.38 billion. In the previous year, such imports had expanded by 26.8 percent. In terms of US dollars, imports increased by 20.6 percent to US\$ 2.61 billion in the review year compared to the expansion of 27.7 percent in the previous year. In the review year, imports from other countries increased due to rise in the imports of items like aircraft spare parts, polyethene granules, gold, machinery and parts, etc.
- 1.34 Total merchandise trade widened by 24.5 percent (Rs. 260.86 billion) to Rs. 1,324.02 billion in the review year. Total trade had expanded by 26.0 percent in the previous year. Total trade as percent of GDP increased to 44.0 percent in the review year from the level of 40.2 percent in the previous year. Of the total trade, the trade with India expanded by 26.9 percent (Rs. 181.30 billion) to Rs. 856.42 billion in the review year. Such trade had expanded by 30.7 percent in the previous year. Likewise, total trade with China increased by 25.7 percent (Rs. 33.13 billion) to Rs. 162.07 billion in the review year. Such trade had expanded by 9.9 percent in the previous year. Similarly, total trade with other countries increased by 17.9 percent (Rs. 46.43 billion) to Rs. 305.53 billion in the review year. Such trade had increased by 23.6 percent in the previous year.
- 1.35 Exports to imports ratio during the review year fell to 6.5 percent. Such ratio in the previous year was 7.4 percent. India's share in total exports rose to 57.4 percent in the review year from 56.7 percent in the previous year. India's share in total imports increased to 65.2 percent in the review year from 64.0 percent in the previous year. Total trade deficit with India widened to 65.7 percent in the review year from 64.6

percent in the previous year. Likewise, India's share in total trade increased to 64.7 percent in the review year from 63.5 percent in the previous year.

Services Account

- 1.36 In FY2017/18, net services account posted a surplus of Rs. 2.07 billion. In the previous year, such surplus had amounted to Rs. 2.89 billion.
- 1.37 In the review year, services credit increased by 12.1 percent (Rs. 19.21 billion) to Rs. 177.47 billion. Services credit had expanded by 14.3 percent in the previous year. Under this account, travel credit increased by 14.6 percent (Rs. 8.57 billion) to Rs. 67.10 billion in the review year. Travel credit had expanded by 40.1 percent in the previous year.
- 1.38 Services debit in the review year increased by 12.9 percent (Rs. 20.0 billion) to Rs. 175.41 billion. Services debit in the previous year had gone up by 20.8 percent. Under this account, travel debit amounted to Rs. 79.60 billion in the review year as compared to Rs. 79.92 billion in the previous year.

Transfer

- 1.39 In the review year, transfer credit (net) increased by 1.5 percent (Rs. 12.87 billion) to Rs. 864.67 billion. Transfer credit (net) in the previous year had increased by 9.5 percent.
- 1.40 Transfer credit increased 1.7 percent (Rs. 14.77 billion) to Rs. 870.47 billion in the review year in comparison to an increase of 9.4 percent in the previous year. Likewise, transfer debit increased by 48.6 percent (Rs. 1.90 billion) to Rs. 5.81 billion in the review year compared to an increase of 2.8 percent in the previous year.
- 1.41 Remittance inflow increased by 8.6 percent (Rs. 59.61 billion) to Rs. 755.06 billion in the review year. The remittance inflow in the previous year had gone up by 4.6 percent. Remittance inflow as a percent of GDP remained at 25.1 percent in the review year in comparison to 26.3 percent in the previous year.
- 1.42 In the review year, pension receipts improved by 18.8 percent (Rs. 8.56 billion) to Rs. 54.16 billion. Such receipts in the previous year had contracted by 2.0 percent.

Current Account and Overall BOP

- 1.43 The review year marked the consecutive second year of deficit in the current account on the basis of annual data. The current account deficit in the review year amounted to Rs. 245.22 billion. Such deficit in the previous year had amounted to Rs. 10.13 billion. Current account deficit as percent of GDP rose to 8.2 percent in the review year from 0.4 percent in the previous year.

- 1.44 The BOP surplus amounted to Rs. 960.0 million in the review year compared to such surplus at Rs. 82.11 billion in the previous year.
- 1.45 In the review year, transfer under the capital account rose by 32.6 percent (Rs. 4.36 billion) to a surplus of Rs. 17.72 billion. The annual inflow of foreign direct investment (FDI) under financial account increased by 29.7 percent (Rs. 4.01 billion) to Rs. 17.51 billion in the review year. The FDI had recorded a spectacular rise of 128.1 percent in the previous year.
- 1.46 In the review year, government's foreign loan inflows expanded by 59.4 percent (Rs. 37.17 billion) to Rs. 99.77 billion. In the previous year, such loan inflows had risen by 43.0 percent. Government's principal repayment in the review year amounted to Rs. 18.59 billion. Such repayment in the previous year had amounted to Rs. 17.82 billion.

Foreign Exchange Reserve

- 1.47 Total foreign exchange reserve in mid-July 2018 as compared to that in mid-July 2017 rose by 2.1 percent to Rs. 1,102.59 billion. Such reserve had expanded by 3.9 percent to Rs. 1,079.43 billion in mid-July 2017. However, in terms of US dollars, total reserve of the banking system decreased by 3.9 percent to US\$ 10.08 billion in the review year. Such reserve in the previous year had augmented by 7.8 percent.
- 1.48 Foreign exchange reserve with NRB augmented by 6.7 percent to Rs. 989.40 billion in mid-July 2018. Such reserve had amounted to Rs. 927.27 billion in mid-July 2017. Of the total foreign exchange reserve in the banking system as in mid-July 2018, the share of NRB constituted 87.3 percent. Likewise, the Indian currency reserve as percent of total reserve constituted 23.8 percent.

Reserve Adequacy Indicator

- 1.49 In the review year also, reserve adequacy indicators portrayed favorable position. Based on total imports for FY2017/18, the foreign exchange reserve as in mid-July 2018 was sufficient to finance merchandise imports equivalent to 10.8 months and merchandise and service imports equivalent to 9.4 months.

	2015/16	2016/17	2017/18
1. Foreign Exchange Reserve Sufficient for Financing Imports of Equivalent Months			
a. Merchandise	16.5	13.2	10.8
b. Merchandise and Services	14.1	11.4	9.4
2. Gross Foreign Exchange Reserve/GDP (%)	46.1	40.8	36.7
3. Gross Foreign Exchange Reserve/Imports* (%)	117.4	95.2	78.6
4. Gross Foreign Exchange Reserve/Broad Money Supply (%)	46.3	41.6	35.6
5. Gross Foreign Exchange Reserve/Reserve Money	190.0	164.3	155.3

* Merchandise and Service Imports

- 1.50 In the review year, the ratios of foreign exchange reserve to GDP, total imports, broad money, and reserve money were 36.7 percent, 78.6 percent, 35.6 percent, and 155.3 percent respectively. Such ratios in the previous year had been 40.8 percent, 95.2 percent, 41.6 percent, and 164.3 percent respectively.

International Investment Position

1.51 As in mid-July 2018, Nepal's foreign assets and liabilities amounted to Rs. 1,138.24 billion and Rs. 819.97 billion respectively. As a result, the net International Investment Position (IIP) remained positive at Rs. 318.27 billion in mid-July 2018 as compared to the net IIP at Rs. 430.76 billion as in mid-July 2017.

Trend of Exchange Rate

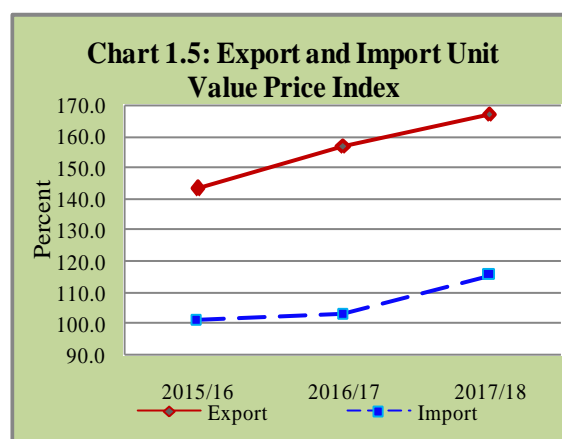
1.52 The exchange rate of the Nepalese rupee vis-à-vis the Indian rupee has been kept fixed during FY2017/18 also. In mid-July 2018 as compared to mid-July 2017, the Nepalese rupee depreciated against the US dollar by 5.9 percent, pound sterling by 7.9 percent, euro by 8.1 percent, and Japanese yen by 6.7 percent.

Table 1.4
Exchange Rate Movement

Foreign Currency	Buying Rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July			Percent	
	2016	2017	2018	2017	2018
1 US dollar	106.73	102.86	109.34	3.8	-5.9
1 Pound sterling	141.30	133.32	144.71	6.0	-7.9
1 Euro	118.60	117.40	127.77	1.0	-8.1
10 Japanese yen	10.11	9.08	9.73	11.3	-6.7

Export and Import Price Index

1.53 Based on customs data for FY2017/18, the annual average unit value price index of exports and the annual average unit value price index of imports increased by 10.3 percent and 12.5 percent respectively in the review year. As a result, the terms of trade in the review year deteriorated by 2.0 percent. The terms of trade in the previous year had deteriorated by 1.2 percent.



Fiscal Situation

1.54 As per the Constitution of Nepal, budget for FY2017/18 was presented in the Federal Parliament one and half months prior to the commencement of the fiscal year. The budget for FY2017/18 brought changes in existing expenditure authorization policy for making the budget implementation more effective.

Table 1.5
Major Government Finance Indicators
(Percent of GDP)

Particulars	2014/15	2015/16	2016/17
Total Expenditure	25.8	30.9	34.2
Recurrent Expenditure	16.2	19.4	22.6
Capital Expenditure	5.1	7.5	8.0
Revenue	21.4	23.0	24.1
Tax Revenue	18.7	20.7	21.9
Fiscal Deficit	-2.5	-7.1	-8.9

1.55 For making budget implementation effective, the budget incorporated mandatory provisions like calling for tenders by August-end, making contractual agreements by

October-end, preventing the practice of entering into contracts beyond ones capacity, etc. Despite such arrangements, government expenditure on cash basis by the end of the fiscal year only remained 80.5 percent of the budget estimate. Expenditure-wise, the recurrent, capital, and financing expenditure as percent of total expenditure remained 66.1 percent, 23.3 percent, and 10.6 percent respectively. These expenditures as respective ratios of GDP represented 22.6 percent, 8.0 percent, and 3.6 percent in the review year compared to the previous year's respective ratios at 19.4 percent, 7.5 percent, and 3.9 percent.

Government Revenue

1.56 In FY2017/18, the government revenue increased by 19.2 percent to Rs. 726.08 billion, accounting for 99.5 percent of the budget's annual target of Rs. 730.06 billion. In the previous year, revenue had risen by 26.4 percent to Rs. 609.12 billion. In the review year, revenue as the ratio of GDP stood at 24.1 percent compared to the ratio of 23.0 percent in the previous year.

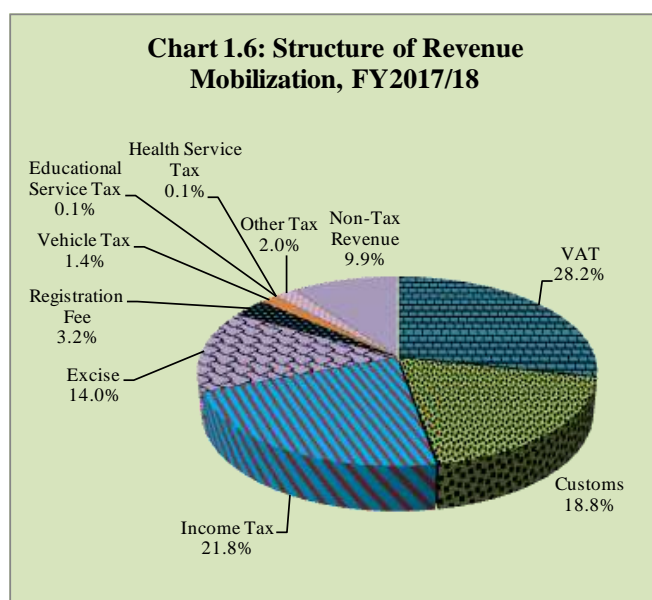
1.57 Among the headings of revenue, value added tax (VAT) grew by 29.0 percent to Rs. 206.79 billion in the review year. The VAT had increased by 31.0 percent to Rs. 160.32 billion in the previous year.

1.58 Income tax increased by 7.9 percent to Rs. 159.90 billion in the review year compared to an increase of 26.3 percent to Rs. 148.24 billion in the previous year.

1.59 In the review year, customs revenue improved by 21.7 percent to Rs. 137.79 billion compared to an increase of 37.8 percent to Rs. 113.18 billion in the previous year.

1.60 During the review year, excise duty increased by 21.1 percent to Rs. 102.58 billion compared to the increase of 28.7 percent to Rs. 84.68 billion in the previous year.

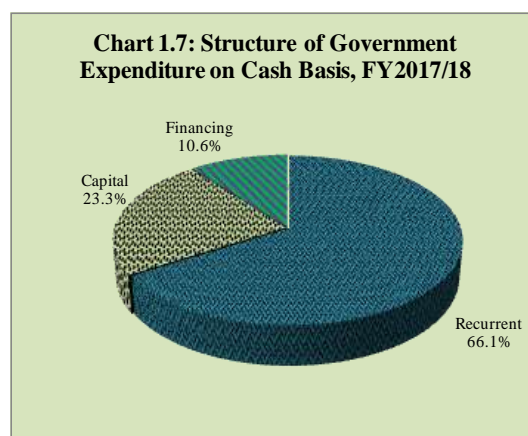
1.61 Of the total revenue mobilized in the review year, the share of the VAT was the highest at 28.2 percent followed by income tax (21.8 percent), customs duty (18.8 percent), and excise duty (14.0 percent). These ratios in the previous year had been 26.3 percent for VAT, 24.3 percent for income tax, 18.6 percent for customs duty, and 13.9 percent for excise duty.



- 1.62 In the review year, mobilization of non-tax revenue increased by 17.9 percent to Rs. 72.74 billion compared to the marginal rise of 1.4 percent to Rs. 61.69 billion in the previous year.
- 1.63 Of the total revenue, the share of tax and non-tax revenue in the review year stood at 90.1 percent and 9.9 percent respectively. Likewise, the share of direct and indirect tax revenue in the total tax revenue comprised 32.2 percent and 67.8 percent respectively. In the previous year, the share of tax and non-tax revenue in the total revenue had remained 89.9 percent and 10.1 percent respectively. Likewise, in the previous year, the share of direct and indirect tax revenue in the total tax revenue comprised 34.6 percent and 65.4 percent respectively.

Government Expenditure

- 1.64 In FY2017/18, total government expenditure on cash basis increased by 26.2 percent to Rs. 1,029.02 billion. This expenditure constituted 80.5 percent of the annual budget estimate (Rs. 1,048.92 billion). In the previous year, total expenditure on cash basis had increased by 40.2 percent to Rs. 815.70 billion.



- 1.65 In the review year, recurrent expenditure on cash basis increased by 32.4 percent to Rs. 680.31 billion. This constituted 84.7 percent of recurrent budget estimate amounting to Rs. 803.53 billion. Recurrent expenditure in the previous year had increased by 40.9 percent to Rs. 513.67 billion.
- 1.66 In the review year, capital expenditure on cash basis expanded by 20.4 percent to Rs. 239.91 billion, representing 71.6 percent of capital budget estimate amounting to Rs. 335.18 billion. Capital expenditure had shown marked increase of 72.2 percent to Rs. 199.19 billion in the previous year.
- 1.67 Financing expenditure on cash basis increased by 5.8 percent to Rs. 108.80 billion in the review year. Such expenditure had increased by 1.3 percent in the previous year.

Budget Deficit

- 1.68 In the review year, government budget on cash basis remained at a deficit of Rs. 268.85 billion. Such budget deficit in the previous year had amounted to Rs. 188.69 billion.

Sources of Financing Budget Deficit

- 1.69 During the review year, mobilization of total domestic borrowing amounted to Rs. 144.75 billion which as a ratio of GDP remained at 4.8 percent. Such borrowing in the previous year had amounted to Rs. 88.34 billion.
- 1.70 During the review year, the principal repayment on domestic debt amounted to Rs. 37.56 billion. The GON maintained with NRB a cash surplus of Rs. 126.15 billion at the end of the review year. Such surplus at the end of the previous fiscal year had been Rs. 106.27 billion.

Government Debt

- 1.71 As in mid-July 2018, the total outstanding external debt of the GON stood at Rs. 519.51 billion. Likewise, the outstanding domestic debt of the GON as in mid-July 2018 amounted to Rs. 390.9 billion in comparison to its level at Rs. 283.71 billion in mid-July 2017. Thus, the total combined outstanding debt of the GON at the end of the review year amounted to Rs. 910.41 billion, constituting 30.3 percent of GDP.

	Government Debt Indicators	2015/16	2016/17	2017/18
1.	Total Debt/Gross Domestic Product	27.6	26.4	30.3
2.	External Debt/Gross Domestic Product	17.3	15.7	17.3
3.	Domestic Debt/Gross Domestic Product	10.4	10.7	13.0
4.	External Debt/Exports	554.4	566.7	639.9
5.	External Debt Service/Exports	25.4	31.1	22.9
6.	Total Debt Service/Revenue	14.1	10.1	7.7
7.	Domestic Debt Service/Revenue	10.5	6.4	5.1
8.	External Debt Service/Revenue	3.7	3.7	2.6

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

Policy Provisions regarding Revenue

- 1.72 The GON's budget for FY2017/18 adopted the objectives of revenue policies as follows:
- To clarify the revenue jurisdiction and revenue allocation among the federal, state, and local level in accordance with the Constitution of Nepal, 2015,
 - To emphasize optimization of revenue mobilization by bringing all types of economic activities into the tax net and protect the national tax base through controlling leakages based on mutual cooperation, partnership, and coordination among the federal, state, and local level,
 - To reform revenue system for achieving sustainable revenue growth and strengthening federal fiscal system,
 - To contribute to reduce the widening trade deficit through export promotion by expanding national production and productivity,
 - To make revenue system equitable and investment-friendly through adopting fair and transparent tax system,

- To make the existing non-tax rates cost effective by identifying additional sources of non-tax revenue.

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

Federal Fiscal Strengthening

- To broaden the revenue base in such a way that the state and local level would be made capable enough to independently mobilize certain portion of financial resources as per requirement besides making them capable for self-determining the revenue rate,
- To present the Bill in the federal parliament to establish a revenue board for making structural reform of the revenue administration.

Procedural Reform

- New business code number will be brought into effect beginning this fiscal year revising the existing business code used for the tax purpose so as to make the code consistent with goods classification code based on the harmonized customs system
- Nepal being a member country of the World Customs Organization, Goods Classification and Codification, 2017, developed and promoted by the Organization, will be implemented from this fiscal year.
- The Automated System for Customs Data (ASYCUDA) will be made web-based. For this purpose, the Customs Automation Informed System (ASYCUDA World) will be gradually extended to all customs offices.
- The importer and exporter will be allowed to import and export goods and services for business purpose only after getting export-import code.

Broadening Tax Base

- The task of allotting Permanent Account Number to all income earners including doctors, engineers, lawyers, advisors, artists, players and individuals involved in teaching profession in various teaching institutions will be continued, and thus additional taxpayers will be brought into the tax net.

Taxpayers Education Programs

- Necessary coordination will be made to include tax system of Nepal in the curricula of secondary level school to disseminate tax-related information.

Efficiency and System Development

- Revenue Administration Training Centre will be fostered as an academic institution capable of offering capacity development and subject-matter efficiency focusing on academic subjects. The Centre will be developed as a Document Archiving Centre storing and preserving important revenue-related records.

Control of Revenue Leakage

- Trade deflection will be controlled by strengthening the internal monitoring and surveillance of trade through the adoption of electronic system in the domestic transportation of goods. Patrolling will be mobilized for controlling smuggling.
- Payments of trade with India and Tibet of China over a certain amount could only be made through the banking system.
- Customs valuation system will be made realistic and transaction value-based by enforcing realistic customs declaration and right classification of goods.
- Special strategy will be adopted to prevent under-invoicing, smuggling, and illegal trade.

Tax Rates

1.74 For FY2017/18, there has been no change in the six import tariff rates that were applicable for FY2016/17, namely, 5, 10, 15, 20, 30, and 80 percent. Likewise, for FY2017/18, there has been no change in the nine excise rates that were applicable for FY2016/17, namely, 5, 10, 15, 30, 35, 40, 50, 55, and 60 percent. Similarly, for FY2017/18, there have been no changes in income tax exemption limit, income tax rate, and limits for other taxes and rates thereof.

Table 1.7
Tax Rates

Description	FY2016/17	FY2017/18
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. 350,000	Rs. 350,000
(ii) Couple or Family	Rs. 400,000	Rs. 400,000
(b) Tax Rates (Percent)		
Upto exemption threshold of taxable income from employment		
(i) First Rs. 100,000 after Exemption Limit	15 Percent	15 Percent
(ii) On residual amount	25 Percent	25 Percent
(iii) 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 40 public enterprises (PEs) that have been in operation under full or majority ownership of the GON, 26 PEs earned net profit, 11 PEs incurred net loss while financial statements of 3 PEs were not available for FY2016/17.

	Rs. in Billion			Growth Rate (%)	
	2016	2017	2018	2017	2018
Government Investment	256.12	270.03	312.08	5.4	15.6
Share Investment	126.16	139.52	159.57	10.6	14.4
Loan Investment	129.96	130.51	152.51	0.4	16.9
Shareholders' Fund	177.21	217.45	289.56	22.7	33.2
Unfunded Liabilities	25.81	32.34	38.57	25.3	19.3
Operating Income	274.35	238.84	322.06	-12.9	34.8
Net Profit/Loss	34.41	34.96	41.43	1.6	18.5
Retained Profit/Loss	7.08	22.36	27.77	215.8	24.2

Source: Annual Performance Review of Public Enterprises, 2018, 2017, and 2016, Ministry of Finance, Government of Nepal

- 1.76 PEs recorded net profit of Rs. 41.43 billion in FY2016/17 compared to their net profit of Rs. 34.96 billion in FY2015/16. Net profit of PEs remained favorable on account of net profit earned by enterprises like Nepal Telecommunications Company Ltd. (Rs. 15.37 billion), Nepal Oil Corporation (Rs. 10.41 billion), Nepal Bank Ltd. (Rs. 3.12 billion), Rastriya Banijya Bank Ltd. (Rs. 2.78 billion), Agriculture Development Bank Ltd. (Rs. 2.57 billion), Civil Aviation Authority of Nepal (Rs. 1.51 billion) as well as net profit earned by some other PEs.
- 1.77 In FY2016/17, PEs' total shareholders' fund as well as the GON's total investment in the form of equity and loan investment in the PEs increased. During the year, the GON's investment as equity and loan in the PEs marked a rise of 15.6 percent over the amount in FY2015/16.
- 1.78 In FY2016/17, the GON received the dividend of Rs. 7.78 billion from PEs, which represented 4.87 percent of the total share investment of the GON. The dividend received in FY2015/16 had amounted to Rs. 7.81 billion. In the review year, the GON received dividend from Nepal Telecommunications Company Ltd., Industrial District Management Ltd., Agriculture Development Bank Ltd., and Hydro-Power Investment and Development Bank.
- 1.79 Net accumulated profit of PEs as in mid-July 2017 amounted to Rs. 27.77 billion. Such accumulated profit of PEs had amounted to Rs. 22.36 billion as in mid-July 2016.
- 1.80 Majority of the PEs have been incapable to show work performance as well as produce reasonable return as per their objective. The existing challenges facing the PEs have been as follows: (a) weak competitive capacity in the PEs, (b) lack of updated audit, (c) excessive pressure of human resource, (d) creation of excessive unfunded liability for gratuity, pension, employees' provident fund, etc., (e) increasing dependence of loss-making PEs on the GON, (f) lack of clear long-term policy for running the PEs, (g)

shortage of professionally capable leadership, (h) dearth of clear policy and mechanism for monetizing and inspection of PEs, etc.

- 1.81 The share of unfunded liability in each of the PEs has risen substantially on account of facilities being provided to retiring PE staff under various headings like gratuity, pension, medical care, insurance, cash in lieu of leave, etc. In FY2016/17, the unfunded liability expanded by 19.3 percent to Rs. 38.57 billion. Such unfunded liability had amounted to Rs. 32.34 in FY2015/16.

Monetary and Financial Situation

Monetary Situation

- 1.82 In FY2017/18, broad money supply increased by 19.4 percent compared to an increase of 15.5 percent in the previous year. In the review year, narrow money supply increased by 17.6 percent in comparison to an increase of 13.1 in the previous year.
- 1.83 Currency in circulation increased by 15.0 percent in the review year in comparison to the increase of 10.5 percent in the previous year. Demand deposits increased by 22.0 percent in the review year in comparison to the increase of 18.1 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. 960.0 billion (0.1 percent) compared to an increase of Rs. 82.11 billion (8.6 percent) in the previous year. The rate of increase of NFA slowed due to significant rise in the rate of increase of imports compared to that of exports in the review year.
- 1.85 In FY2017/18, domestic credit expanded by 26.5 percent in comparison to the rise of 20.6 percent in the previous year.
- 1.86 In the review year, net claims of monetary sector on the GON expanded by 82.4 percent (Rs. 123.14 billion) while such claims in the previous year had expanded by 70.3 percent. The GON's cash surplus with NRB as at the end of the review year amounted to Rs. 89.50 billion.
- 1.87 In the review year, monetary sector's claims on private sector expanded by 22.3 percent (Rs. 445.62 billion) compared to the growth of 18.0 percent in the previous year.
- 1.88 In the review year, reserve money increased by 8.1 percent in comparison to such growth at 20.1 percent in the previous year.
- 1.89 Total deposits in BFIs rose by 19.2 percent in the review year. Such rise had been 14.0 percent last year. Similarly, during the review year, loans extended to the private sector by the BFIs expanded by 22.5 percent compared to the rise of 18.2 percent in the previous year.

Inter-Bank Transactions and Use of Standing Liquidity Facility

1.90 In FY2017/18, inter-bank transactions of commercial banks amounted to Rs. 1,161.31 billion and those of other financial institutions (excepting transactions between commercial banks) stood at Rs. 49.43 billion. These respective transactions in the previous year had aggregated Rs. 1,062.04 billion and Rs. 381.02 billion respectively.

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

Particulars	2015/16	2016/17	2017/18
Inter-bank Transactions of Commercial Banks (Rs. in billion)	961.72	1062.04	1161.31
Inter-bank Transaction Rate of Commercial Banks (In Percent) ¹	0.69	0.64	2.96
Inter-bank Transaction of Other Financial Institutions except among Commercial Banks (Rs. in billion)	129.06	381.02	49.43
Inter-bank Transaction Rate of Other Financial Institutions (In Percent) ¹	3.25	4.47	5.40
Use of Standing Liquidity Facility (Rs. in billion)	14.03	62.39	38.33

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

Liquidity Management

1.91 Depending on the liquidity situation prevailing in the banking system and in accordance with the decision of the open market operation committee as per the NRB Open Market Operation Bylaw, 2014, liquidity of the banking system has been managed by the use of appropriate instruments like repo, reverse repo, outright purchase, outright sale, deposit collection, and NRB bond.

1.92 In FY2017/18, liquidity amounting to Rs. 195.0 billion (on turnover basis) was absorbed, comprising Rs. 84.75 billion through reverse repo, Rs. 55.90 billion through normal procedure of deposit collection, and Rs. 45.95 billion through 14-day deposit collection under the interest rate corridor. Similarly, during the review year, Rs. 107.34 billion has been absorbed, comprising Rs. 69.72 billion through 14-day repo under the interest rate corridor and Rs. 37.62 billion through outright purchase.

1.93 In FY2017/18, with a view to managing short-term liquidity, requesting BFIs availed the standing liquidity facility for 32 times amounting to Rs. 38.33 billion (on turnover basis) at 7 percent interest rate for a maximum period of 7 days.

Foreign Exchange Transactions

1.94 In FY2017/18, the NRB injected net liquidity amounting to Rs. 422.34 billion through the net purchase of US\$ 4.05 billion from the foreign exchange market (commercial banks). In the previous year, net liquidity amounting to Rs. 435.86 billion was injected through the net purchase of US\$ 4.11 billion from the foreign exchange market. In the review year, the NRB purchased Indian currency (IC) equivalent to Rs. 522.03 billion by selling US\$ 4.76 billion, euro 60.0 million, and pound sterling 110.0 million. In the

previous year, IC equivalent to Rs. 451.89 billion was purchased by selling US\$ 4.12 billion and euro 120.0 million.

Table 1.10
Overall Situation of Foreign Exchange Transactions

(Rs. in billion)

Particulars	2015/16	2016/17	2017/18
1. US\$ Purchase	471.35	435.86	431.48
2. US\$ Sale	-	-	9.15
3. Net Liquidity Injection	471.35	435.86	422.34
4. Purchase of Indian Currency by Selling US\$	360.39	437.73	498.64
5. Purchase of Indian Currency by Selling Euro	25.08	14.16	7.38

Short-Term Interest Rates

- 1.95 The 91-day weighted average Treasury Bill rate as well as the weighted average interest rate of inter-bank transactions increased in a month through to mid-July, 2018 compared to the same period in the previous year. The 91-day weighted average Treasury Bill rate in the month of mid-June to mid-July, 2018 reached 3.74 percent in comparison to such rate at 0.71 percent in the same month of the previous year. Similarly, the weighted average inter-bank transaction rate among commercial banks rose to 2.96 percent in the review month in comparison to the prevailing rate of 0.64 percent in the month one year ago. Likewise, the weighted average inter-bank interest rate among other financial institutions increased to 5.4 percent in the review month in comparison to the prevailing rate of 4.47 percent in the month one year ago.
- 1.96 The weighted average interest rate on credit and deposit of commercial banks respectively averaged 12.47 percent and 6.49 percent in the last month of FY2017/18 in comparison to the weighted average interest rate at 11.33 percent and 6.15 percent in the last month of 2016/17. Similarly, the average base rate of commercial banks increased to 10.47 percent in the last month of 2017/18 from the prevailing rate at 9.89 percent in the last month of 2016/17.

Table 1.11
Interest Rate of Commercial Banks (Percent)

Particulars	Mid-June/Mid-July 2017	Mid-June/Mid-July 2018
Weighted Average Interest Rate of Credit	11.33	12.47
Weighted Average Interest Rate of Deposit	6.15	6.49
Average Base Rate	9.89	10.47

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

Commercial Banks

- 1.97 In FY2017/18, total assets/liabilities of the commercial banks increased by 18.8 percent (Rs. 486.20 billion) to Rs. 3,069.23 billion in comparison to the growth of 20.6 percent (Rs. 441.81 billion) in the previous year.
- 1.98 In FY2017/18, total deposits mobilized by the commercial banks increased by 18.2 percent (Rs. 378.83 billion) to Rs. 2,459.22 billion in mid-July 2018 in comparison to the rise of 18.6 percent (Rs. 326.96 billion) in the previous year. In the review year, the current, saving, and fixed deposits of the commercial banks rose by 29.4 percent, 15.5 percent, and 21.5 percent respectively while such growth in the previous year had been 9.5 percent, 0.6 percent, and 68.2 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 23.2 percent (Rs. 458.02 billion) to Rs. 2,428.14 billion in mid-July 2018. The loans and advances of commercial banks had increased by 23.5 percent in the previous year. In the review year, claims on private sector increased by 22.3 percent (Rs. 381.49 billion) which had increased by 25.0 percent (Rs. 341.71 billion) in the previous year. The ratio of claims on private sector to GDP in 2017/18 stood at 69.5 percent.
- 1.100 As in mid-July 2018, the priority sector credit extended by commercial banks (Rs. 486.74 billion) remained 23.04 percent of their total credit, with the share of agriculture, energy, and tourism comprising 7.4 percent, 6.0 percent, and 3.8 percent respectively.
- 1.101 In the review year, commercial banks' investment in government securities expanded by 35.9 percent (Rs. 72.80 billion) to Rs. 275.86 billion as in mid-July 2018. Such investment in the previous year had increased by Rs. 26.10 billion.
- 1.102 As in mid-July 2018, the liquid assets of commercial banks (including investment in government securities) amounted to Rs. 643.61 billion. The liquid assets represented 26.2 percent of the total deposits as in the previous year. Among the components of liquid assets, liquid funds increased by 7.0 percent. Likewise, the balance held abroad shrunk by 23.6 percent (Rs. 34.18 billion) to Rs. 110.39 billion and the balance with the NRB subsided by 1.7 percent (Rs. 3.35 billion) to Rs. 191.08 billion in mid-July 2018.

Development Banks

- 1.103 In the review year, total assets/liabilities of development banks widened by 28.1 percent (Rs. 78.38 billion) to Rs. 356.84 billion as in mid-July 2018. Total deposits, the major source of resource mobilization, widened by 30.5 percent (Rs. 67.32 billion) to Rs. 288.35 billion in the review year. Likewise, liquid assets of development banks

(including investment in government securities) as in mid-July 2018 amounted to Rs. 28.19 billion, representing 9.8 percent of total deposits in comparison to such ratio which remained at 11.7 percent in the previous year. Among the components of liquid assets, the liquid funds expanded by 5.9 percent to Rs. 20.20 billion.

- 1.104 In the review year, loans and advances of development banks widened by 28.4 percent (Rs. 71.58 billion) to Rs. 323.38 billion in contrast to the reduction of 14.6 percent in the previous year. Among the components of loans and advances, claims on the private sector expanded by 25.6 percent to Rs. 252.11 billion as in mid-July 2018, representing 8.4 percent of the GDP.

Finance Companies

- 1.105 In the review year, total assets/liabilities of finance companies rose by 18.5 percent (Rs. 14.81 billion) to Rs. 94.86 billion as in mid-July 2018. Such assets/liabilities in the previous year had contracted by 19.1 percent to Rs. 80.06 billion. Deposit mobilization, the major source of resource mobilization, increased by 21.6 percent (Rs. 11.18 billion) to Rs. 62.95 billion as in mid-July 2018 in comparison to the rate of contraction at 17.9 percent in the previous year. The liquid assets of finance companies (including investment in government securities) as in mid-July 2018 amounted to Rs. 9.20 billion, representing 14.6 percent of total deposits in comparison to such ratio at 19.1 percent in the previous year. Among the components of liquid assets, liquid funds contracted by 6.4 percent to Rs. 5.52 billion as in mid-July 2018.
- 1.106 In the review year, loans and advances of finance companies widened by 19.0 percent (Rs. 13.87 billion) to Rs. 86.95 billion as in mid-July 2018 in comparison to the fall by 17.2 percent in the previous year. Among the components of loans and advances, claims on the private sector expanded by 16.1 percent to Rs. 57.23 billion as in mid-July 2018, representing 1.9 percent of the GDP.

Microfinance Financial Institutions

- 1.107 Among the 65 MFIs engaged in operations relating to microfinance in the capacity of 'D'-class financial institutions as in mid-July 2018, 61 are working as replicators of Grameen banking system whereas the rest 4 are working as wholesale lending microfinance institution.
- 1.108 In the review year, total assets/liabilities of 'D'-class MFIs expanded by 37.2 percent to Rs. 175.61 billion as in mid-July 2018, with the total deposits and total borrowings amounting to Rs. 49.55 billion and Rs. 87.68 billion respectively and total credit and total investment reaching Rs. 145.95 billion and 2.50 billion respectively.

Cooperatives Licensed for Limited Banking Operations

- 1.109 The cooperatives established under the Cooperatives Act 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. Such cooperatives as in mid-July 2018 numbered 14. Total assets/liabilities of these cooperatives increased to Rs. 42.29 billion in mid-July 2018 from Rs. 33.08 billion in mid-July 2017. Likewise, the deposits mobilized by them rose to Rs. 33.14 billion as in mid-July 2018 in comparison to Rs. 25.40 billion mobilized till mid-July 2017. Their loans and advances increased to Rs. 26.79 billion in mid-July 2018 from Rs. 21.37 billion in mid-July 2017. The MFIs' investments in government securities, time deposits, shares and deposits, and others totalled Rs. 2.92 billion as in mid-July 2018. As mentioned in the monetary policy for FY2018/19, cooperatives licensed by the NRB to carry out limited banking operations have been removed from the NRB's regulatory and supervisory purview with effect from July 17, 2018.

Non-Government Organizations for 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 the NRB for carrying out financial intermediary operations numbered 24 as in mid-July 2018, with the sources/uses of funds of these institutions as on that date amounting to Rs. 24.43 billion.

Insurance Companies

- 1.111 As in mid-July 2018, 18 life insurance companies, 20 non-life insurance companies and one re-insurance company were in operation. Based on data obtained from Insurance Board, total assets/liabilities of insurance companies expanded by 40.0 percent to Rs. 260.32 billion as in mid-July 2018 in comparison to the amount of Rs. 185.89 billion as in mid-July 2017.

Employees Provident Fund

- 1.112 Total assets/liabilities of the Employees Provident Fund (EPF) as in mid-July 2018 rose by 17.9 percent to Rs. 296.38 billion in comparison to Rs. 251.28 billion as in mid-July 2017. Provident funds of the employees expanded by 16.8 percent to Rs. 285.21 billion as in mid-July 2018 in comparison to Rs. 244.15 billion as in mid-July 2017.

Citizen Investment Trust

- 1.113 Based on data obtained from Citizen Investment Trust (CIT), total assets/liabilities of CIT as in mid-July 2018 increased by 15.1 percent to Rs. 114.06 billion in comparison to Rs. 99.10 billion as in mid-July 2017. Fund collection, a major component of the

liabilities side of the CIT, widened by 15.0 percent to Rs. 107.61 billion in mid-July 2018 in comparison to Rs. 93.55 billion as in mid-July 2017. On the assets side, loans and advances in the review year grew by 12.7 percent to Rs. 26.04 billion in comparison to Rs. 23.11 billion as in mid-July 2017.

Postal Savings Bank

- 1.114 Among the 117 offices which were authorized for collecting deposits under Postal Services Department of the GON, only 65 offices are currently involved in mobilizing deposits. As in mid-July 2018, total deposits of Postal Saving Bank amounted to Rs. 3.40 billion while the loans and advances reached Rs. 593.60 million.

Table 1.12
Transaction Details of Postal Saving Bank

Particulars	Mid-July		
	2016	2017	2018
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	57
Number of Accounts	63,963	69,695	72,947
Total Deposits (Rs. in million)	2,930.0	2,114.3	3,403.2
Total Investment Outstanding (Rs. in million)	328.6	657.8	593.6

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 enterprises. The DCGF guaranteed credit and deposits amounting to Rs. 12.38 billion and Rs. 430.74 billion as in mid-July 2018.

Table 1.13
Transaction Details of Deposit and Credit Guarantee Fund

Particulars	Mid-July		Percent Change
	2017	2018	
Total Deposit Guaranteed (Rs. in billion)	381.89	430.74	12.8
Total Credit Guaranteed (Rs. in billion)	9.46	12.38	30.8

Source: Deposit and Credit Guarantee Fund

Credit Information Bureau

- 1.116 According to information available from the Credit Information Bureau, Nepal, the number of blacklisted borrowers as in mid-July 2018 reached 6,241 in comparison to their number at 5,247 as in mid-July 2017.

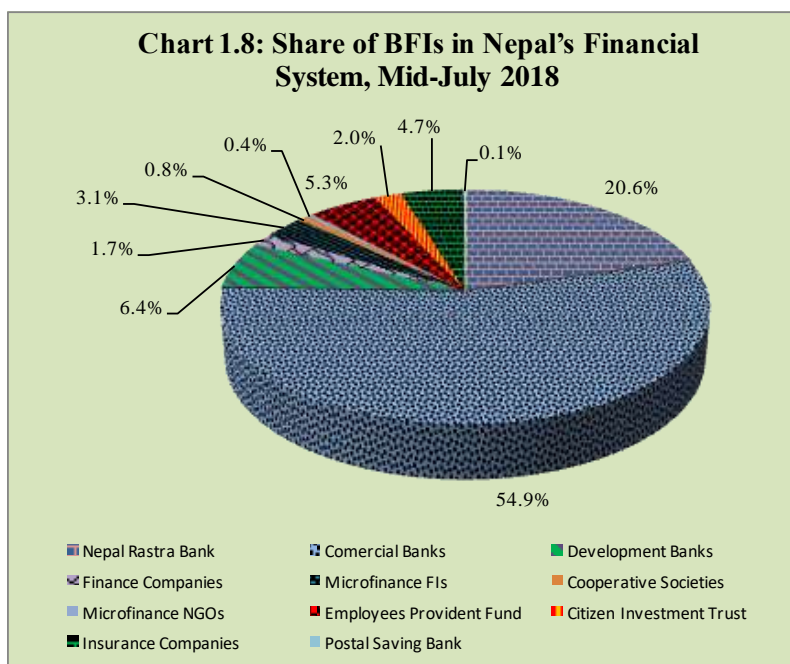
Financial Structure

1.117 In the total assets/liabilities of BFIs (including contractual saving institutions) in mid-July 2018, the share of NRB was 20.6 percent. Similarly, such share of commercial banks was 54.9 percent, development banks 6.4 percent, finance companies 1.7 percent, Employees’ Provident Fund 5.3 percent, Citizen Investment Trust 2.0 percent, and insurance companies 4.7 percent.

1.118 As in mid-July 2018, the combined assets/liabilities of the banking system and contractual saving institutions reached 185.7 percent of the GDP.

Financial Expansion

1.119 The number of BFIs (including the cooperatives and NGOs performing limited banking operations) licensed by NRB increased to 189 in mid-July 2018 in comparison to their number at 188 in mid-July 2017. Institution-wise, as in mid-July 2018, there were 28 commercial banks, 33 development banks, 25 finance companies, and 65 MFIs.



1.120 The combined number of deposit accounts and borrowers in the commercial banks, development banks, and finance companies in mid-July 2018 reached 23, 545, 000 and 1,301, 000 respectively. Such number in mid-July 2017 had been 19, 754, 000 and 1, 216,000 respectively. Similarly, the members and borrowers in MFIs in mid-July 2018 had numbered 2, 857,000 and 1,854,000 respectively.

1.121 The NGOs licensed by NRB for carrying out limited banking operations in mid-July 2018 numbered 24 compared to their number in mid-July 2017 at 25. Likewise, the cooperatives licensed by NRB for carrying out limited banking operations in mid-July 2018 numbered 14, the same as in the previous year.

1.122 Total number of banks and financial institutions in operation in mid-July 2018 remained at 241, comprising NRB-registered 199 (BFIs licensed to operate banking transactions 189 and others 10), insurance companies 39, and one each of Employees’

Provident Fund, Citizen Investment Trust, and Postal Saving Bank). Such number as in mid-July 2017 had totaled 229.

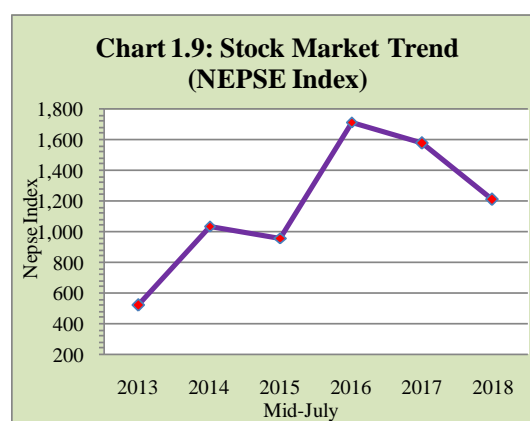
Table 1.14
Number of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July		
	2016	2017	2018
Commercial Banks	28	28	28
Development Banks	67	40	33
Finance Companies	42	28	25
Microfinance Development Banks	42	53	65
Cooperatives Licensed by the NRB (performing limited banking transactions)	15	14	14
NGOs Licensed by the NRB (performing limited banking transactions)	25	25	24
Institutions Licensed by NRB to conduct banking transactions	219	188	189
Other Institutions ¹	8	10	10
Insurance Companies	26	28	39
Employees Provident Fund	1	1	1
Citizen Investment Trust	1	1	1
Postal Saving Bank	1	1	1
Total	256	229	241

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 In FY2017/18, y-o-y basis, the NEPSE index contracted by 23.4 percent to 1,212.4 points in mid-July 2018. The NEPSE index had also posted a decline of 7.9 percent to 1,582.7 points in mid-July 2017. Similarly, the NEPSE sensitive index also slided by 24.1 percent to 255.2 points in mid-July 2018 over its level at 336.0 points in mid-July 2017. Similarly, the NEPSE float index also slipped by 25.0 percent to 87.2 points in mid-July 2018 from 116.1 points as in mid-July 2017.



1.124 There has been a decline in the total amount of securities market transactions in FY2017/18. Total amount of transactions shrunk by 40.8 percent to Rs. 121.39 billion in the review year. Such transactions had amounted to Rs. 205.02 billion in the previous year.

1.125 As in mid-July 2018, market capitalization on y-o-y basis contracted by 22.7 percent to Rs. 1,435.14 billion. The amount of market capitalization as in mid-July 2018

represented 47.7 percent of GDP in comparison to such ratio at 70.3 percent as in mid-July 2017. As in the review year, the share of market capitalization was 80.5 percent in banks and financial institutions (including insurance companies), 4.7 percent in hydropower, 2.8 percent in manufacturing and processing, 1.7 percent in hotels, 0.1 percent in trading, and 10.2 percent in others.

- 1.126 The paid-up share price of companies listed in the Nepal Stock Exchange Limited rose by 21.6 percent to Rs. 352.09 billion as in mid-July 2018. Additional securities listed in FY2017/18 comprised ordinary share at Rs. 30.83 billion, right share at Rs. 36.14 billion, bonus share at Rs. 27.47 billion, government securities at Rs. 36.47 billion, and others at Rs. 620.0 million, aggregating Rs. 131.53 billion.
- 1.127 The companies listed in the Nepal Stock Exchange Limited numbered 196 as in mid-July 2018 in comparison to their number at 208 as in mid-July 2017. Among the listed companies, 147 are BFIs (including insurance companies) while 18 are manufacturing and processing industries, 19 are hydro-power companies, 4 each are hotels and trading companies, and 4 are categorized under the others.

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

	2016	2017	Projection	
			2018	2019
World Output	3.3	3.7	3.7	3.7
Advanced Economies	1.7	2.3	2.4	2.1
United States	1.6	2.2	2.9	2.5
Euro Area	1.9	2.4	2.0	1.9
Japan	1.0	1.7	1.1	0.9
Emerging and Developing Economies	4.4	4.7	4.7	4.7
Emerging and Developing Asia	6.5	6.5	6.5	6.3
China	6.7	6.9	6.6	6.2
India	7.1	6.7	7.3	7.4
Goods Price				
Fuel	-15.7	23.3	31.4	-0.9
Non-fuel	-1.5	6.8	2.7	-0.7
Consumer Price				
Advanced Economies	0.8	1.7	2.0	1.9
Emerging and Developing Economies	4.2	4.3	5.0	5.2
World Trade (Merchandise and Services)	2.4	5.2	4.2	4.0

Source: International Monetary Fund, World Economic Outlook, October 2018

Table 2
Macroeconomic Indicators

S.N.	Description	Percent Change		
		2015/16	2016/17	2017/18
1	Producers' Prices:			
	1.1 GDP at constant (2000/01) prices	0.6	7.9	6.3
	1.2 GDP at current prices	5.8	17.3	13.8
2	Basic Prices:			
	2.1 GDP at constant (2000/01) prices	0.2	7.4	5.9
	2.2 GDP at current prices	5.0	15.8	12.7
3	GNI at Current Prices	5.7	16.9	13.4
4	Total Consumption	11.8	7.6	9.8
5	Gross Domestic Saving	-53.3	244.5	42.9
6	Gross National Saving	-3.9	32.6	10.2
7	Total Investment	-8.2	58.3	28.8
8	Gross Fixed Capital Formation	8.6	29.9	22.0
9	Gross National Disposable Income	6.6	15.0	10.0
10	Money Supply (M1)	18.5	13.1	17.6
11	Broad Money Supply (M2)	19.5	15.5	19.4
12	Domestic Credit	18.2	20.6	24.9
13	Fixed Deposits	21.6	58.8	25.5
14	Total Exports	-17.8	4.2	11.1
15	Total Imports	-0.1	28.0	25.5
16	Gross Foreign Exchange Reserve	26.1	3.9	2.1
17	Government Revenue	15.1	26.2	18.9
18	Government Expenditure*	32.0	39.3	25.0
19	National Consumer Price Index	9.9	4.5	4.2
20	Wholesale Price Index	6.3	2.7	1.7
As Percent of Nominal GDP at Producers' Prices				
1	Total Consumption	95.9	88.1	85.0
2	Gross Domestic Saving	4.1	11.9	15.0
3	Gross National Saving	40.1	45.4	43.9
4	Total Investment	33.9	45.7	51.8
5	Gross Fixed Capital Formation	28.7	31.8	34.1
6	Gross National Disposable Income	136.0	133.4	128.9
7	Money Supply (M1)	22.3	21.5	22.3
8	Broad Money Supply (M2)	99.6	98.1	102.9
9	Domestic Credit	80.1	82.4	90.4
10	Fixed Deposits	27.1	36.7	40.4
11	Total Exports	3.1	2.8	2.7
12	Total Imports	34.4	37.5	41.3
13	Foreign Exchange Reserve	46.2	40.8	36.7
14	Government Revenue	21.5	23.2	24.2
15	Government Expenditure*	26.7	31.7	34.8
16	Government Budget Surplus/Deficit*	-5.1	-8.5	-10.6
17	Domestic Borrowings	-31.2	-34.7	-38.6
18	Trade Balance (-Deficit)	6.2	-0.4	-8.2
19	Current Account Balance (-Deficit)	17.3	15.7	17.3
20	Total Outstanding External Debt	10.4	10.7	13.0

* On cash basis

Source: Economic Survey, 2017/18; Financial Comptroller General Office

Table 3
Sectoral Growth Rate of Gross Domestic Product

(at 2000/01 prices)

(In Percent)

Particulars	Growth Rate		
	2015/16	2016/17 ^R	2017/18 ^P
1. Agriculture	0.2	5.2	2.7
Agriculture and Forestry	0.01	5.1	2.7
Fishery	11.8	8.0	7.4
2. Non-agriculture	0.4	8.5	7.1
Industry	-6.4	12.4	8.8
Mining and Quarrying	-2.8	13.7	10.5
Manufacturing	-8.0	9.7	8.0
Electricity, Gas & Water	-7.6	20.5	5.8
Construction	-4.4	12.4	10.6
Service	2.4	7.4	6.6
Wholesale & Retail Trade	-2.2	9.6	9.1
Hotels & Restaurants	-9.7	7.3	9.8
Transport, Storage & Communication	2.0	6.6	5.4
Financial Intermediation	8.6	9.1	6.4
Real Estate, Renting & Business Activities	3.7	5.7	5.2
Public Administration & Defence	2.5	9.1	9.6
Education	7.3	6.5	4.8
Health & Social Work	3.2	7.3	6.3
Other Community, Social & Personal Service Activities	5.6	5.6	5.5
GDP at basic prices	0.2	7.4	5.9
GDP at producers' prices	0.6	7.9	6.3

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 %	2015/16	2016/17	2017/18	Percent Change	
					2016/17	2017/18
Overall Index	100.00	109.9	114.8	119.6	4.5	4.2
1. Food & Beverage	43.91	110.9	113.0	116.1	1.9	2.7
Cereal Grains & their Products	11.33	109.2	111.1	113.8	1.7	2.5
Legume Varieties	1.84	132.7	125.4	95.2	-5.5	-24.0
Vegetables	5.52	110.3	107.5	119.7	-2.5	11.4
Meat & Fish	6.75	109.8	112.4	114.9	2.4	2.2
Milk Products & Eggs	5.24	110.0	114.0	121.9	3.6	7.0
Ghee & Oil	2.95	119.5	112.3	115.1	-6.0	2.4
Fruits	2.08	106.5	110.6	114.7	3.8	3.8
Sugar & Sweets	1.74	107.3	123.2	122.3	14.8	-0.7
Spices	1.21	113.5	119.9	114.0	5.7	-4.9
Soft Drinks	1.24	104.7	108.5	111.7	3.6	3.0
Hard Drinks	0.68	112.9	126.1	135.8	11.8	7.6
Tobacco Products	0.41	107.6	111.6	117.5	3.7	5.4
Restaurant Food	2.92	109.3	117.1	122.8	7.1	4.9
2. Non-Food & Services	56.09	109.2	116.3	122.4	6.5	5.3
Clothing & Footwear	7.19	114.2	124.7	132.1	9.2	5.9
Housing & Utilities	20.30	112.7	122.0	130.3	8.2	6.8
Furnishing & Household Equipment	4.30	106.3	112.9	117.2	6.3	3.7
Health	3.47	102.6	105.3	107.7	2.7	2.2
Transport	5.34	102.0	100.9	102.9	-1.1	1.9
Communication	2.82	105.1	104.9	105.4	-0.2	0.5
Recreation & Culture	2.46	104.3	107.5	111.9	3.1	4.1
Education	7.41	110.1	120.9	130.6	9.8	8.0
Miscellaneous Goods & Services	2.81	104.5	113.8	118.1	9.0	3.7
Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	111.6	115.0	118.8	3.1	3.3
1. Food & Beverage	39.77	113.3	115.0	118.7	1.5	3.2
2. Non-Food & Services	60.23	110.5	115.0	118.8	4.2	3.3
Consumer Price Index - Terai						
Overall Index	100.00	108.6	113.4	118.4	4.4	4.4
1. Food & Beverage	44.14	109.7	111.4	114.3	1.5	2.6
2. Non-Food & Services	55.86	107.8	115.0	121.7	6.7	5.9
Consumer Price Index - Hills						
Overall Index	100.00	110.4	117.5	122.9	6.4	4.6
1. Food & Beverage	46.88	110.8	114.2	116.7	3.1	2.2
2. Non-Food & Services	53.12	110.1	120.5	128.6	9.4	6.7
Consumer Price Index - Mountain						
Overall Index	100.00	108.8	113.2	119.8	4.1	5.9
1. Food & Beverage	59.53	108.5	111.4	117.0	2.7	5.0
2. Non-Food & Services	40.47	109.1	115.9	124.2	6.2	7.2

Table 5
National Wholesale Price Index
(Annual Average)

(Base Year: 1999/2000=100)

Groups/Sub-Groups	Weight %	2015/16	2016/17	2017/18	Percent Change	
					2016/17	2017/18
1. Overall Index	100.00	315.3	323.6	329.2	2.7	1.7
1.1 Agricultural Commodities	49.59	374.2	386.1	385.1	3.2	-0.3
Foodgrains	16.58	273.1	281.1	285.6	2.9	1.6
Cash Crops	6.09	411.1	423.3	410.3	3.0	-3.1
Pulses	3.77	477.7	501.6	414.2	5.0	-17.4
Fruits & Vegetables	11.18	376.6	362.5	381.0	-3.7	5.1
Spices	1.95	375.4	419.7	428.9	11.8	2.2
Livestock Production	10.02	477.4	513.7	519.5	7.6	1.1
1.2 Domestic Manufactured Commodities	20.37	267.5	280.3	295.2	4.8	5.3
Food-Related Products	6.12	243.3	255.8	260.8	5.1	2.0
Beverages & Tobacco	5.68	312.6	335.0	360.5	7.2	7.6
Construction Materials	4.50	296.2	292.9	324.3	-1.1	10.7
Others	4.07	208.9	226.6	223.1	8.5	-1.6
1.3 Imported Commodities	30.04	250.3	249.9	260.1	-0.2	4.1
Petroleum Products & Coal	5.40	448.3	418.6	444.0	-6.6	6.1
Chemical Fertilizers & Chemical Goods	2.46	251.7	249.0	242.0	-1.1	-2.8
Transport Vehicles & Machinery Goods	6.97	202.4	225.2	239.3	11.2	6.3
Electric & Electronic Goods	1.87	125.1	126.6	127.7	1.2	0.8
Drugs & Medicine	2.73	154.1	140.7	161.2	-8.7	14.6
Textile-related Products	3.10	194.3	195.9	194.5	0.8	-0.7
Others	7.51	241.0	244.4	249.0	1.4	1.9

Table 6
National Salary and Wage Rate Index

(2004/05 = 100)

	Groups/Sub-Groups	Weight %	2014/15	2015/16	2016/17	2017/18	Percent Change	
							2016/17	2017/18
	Overall Index	100.00	349.0	369.8	423.2	449.4	14.4	6.2
1.	Salary Index	26.97	278.6	284.4	336.4	368.6	18.3	9.6
	Officers	9.80	260.4	265.8	310.9	339.6	17.0	9.2
	Non-Officers	17.17	289.0	295.0	350.8	385.1	18.9	9.8
1.1	Civil Service	2.82	340.7	340.7	423.2	423.2	24.2	0.0
	Officers	0.31	281.4	281.4	350.7	350.7	24.6	0.0
	Non-Officers	2.51	347.9	347.9	432.0	432.0	24.2	0.0
1.2	Public Corporations	1.14	287.3	290.1	350.6	353.1	20.8	0.7
	Officers	0.19	230.8	233.0	295.2	297.2	26.7	0.7
	Non-Officers	0.95	298.5	301.6	361.6	364.2	19.9	0.7
1.3	Bank & Financial Institutions	0.55	446.2	457.7	494.9	523.2	8.1	5.7
	Officers	0.10	341.2	352.3	375.6	407.5	6.6	8.5
	Non-Officers	0.45	470.2	481.8	522.2	549.7	8.4	5.3
1.4	Army & Police Forces	4.01	332.4	332.4	410.8	410.8	23.6	0.0
	Officers	0.17	259.2	259.3	322.6	322.6	24.4	0.0
	Non-Officers	3.84	335.7	335.7	414.8	414.8	23.6	0.0
1.5	Education	10.55	295.8	300.2	362.4	383.4	20.7	5.8
	Officers	6.80	268.9	272.1	326.8	354.6	20.1	8.5
	Non-Officers	3.75	344.6	351.2	426.9	435.5	21.6	2.0
1.6	Private Institutions	7.90	193.3	206.0	219.7	299.4	6.7	36.3
	Officers	2.24	230.1	243.6	254.4	293.9	4.4	15.5
	Non-Officers	5.66	178.8	191.1	206.0	301.5	7.8	46.4
2.	Wage Rate Index	73.03	374.9	401.3	455.3	479.3	13.4	5.3
2.1	Agricultural Labourer	39.49	422.7	457.5	517.3	546.3	13.1	5.6
	Male	20.49	416.1	451.0	498.0	523.0	10.4	5.0
	Female	19.00	429.8	464.6	538.2	571.4	15.8	6.2
2.2	Industrial Labourer	25.25	317.4	329.0	374.6	391.8	13.9	4.6
	Highly Skilled	6.31	300.4	319.8	356.9	360.1	11.6	0.9
	Skilled	6.31	314.3	326.9	370.1	372.9	13.2	0.7
	Semi-Skilled	6.31	315.8	323.3	363.8	366.6	12.5	0.8
	Unskilled	6.32	339.3	345.8	407.6	467.4	17.9	14.7
2.3	Construction Labourer	8.29	322.9	354.1	405.7	426.7	14.6	5.2
	Mason	2.76	300.9	329.6	379.2	398.9	15.0	5.2
	Skilled	1.38	291.1	318.4	368.9	389.8	15.8	5.7
	Unskilled	1.38	310.8	340.9	389.4	408.1	14.2	4.8
	Carpenter	2.76	284.3	316.8	371.9	386.5	17.4	3.9
	Skilled	1.38	276.7	310.9	359.4	374.1	15.6	4.1
	Unskilled	1.38	291.9	322.8	384.4	398.9	19.1	3.8
	Worker	2.77	383.3	415.7	466.0	494.6	12.1	6.1
	Male	1.38	392.5	422.0	457.1	480.4	8.3	5.1
	Female	1.39	374.1	409.5	474.9	508.7	16.0	7.1

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

Months	2015/16			2016/17			2017/18 ^p		
	Nepal	India	Deviation	Nepal	India	Deviation	Nepal	India	Deviation
August	6.9	3.7	3.2	8.6	5.1	3.5	2.3	3.4	-1.1
September	7.2	4.4	2.8	7.9	4.3	3.6	3.4	3.3	0.1
October	8.2	5.0	3.2	6.7	4.2	2.5	3.1	3.6	-0.5
November	10.4	5.4	5.0	4.8	3.6	1.2	3.9	4.9	-1.0
December	11.6	5.6	6.0	3.8	3.4	0.4	4.2	5.2	-1.0
January	12.1	5.7	6.4	3.2	3.2	0.0	4.0	5.1	-1.1
February	11.3	5.2	6.1	3.3	3.7	-0.4	5.0	4.4	0.6
March	10.2	4.8	5.4	2.9	3.8	-0.9	6.0	4.3	1.7
April	9.7	5.4	4.3	3.8	3.0	0.8	5.3	4.6	0.7
May	10.0	5.8	4.2	3.4	2.2	1.2	4.1	4.9	-0.8
June	11.1	5.8	5.3	2.8	1.5	1.2	4.1	5.0	-0.9
July	10.4	6.1	4.3	2.7	2.4	0.4	4.6	4.2	0.4
Average	9.9	5.2	4.7	4.5	3.4	1.1	4.2	4.4	-0.2

Table 8
Direction of Foreign Trade*

(Rs. in Million)

	2015/16	2016/17	2017/18 ^P	Percent Change	
				2016/17	2017/18
TOTAL EXPORTS	70117.1	73049.1	81191.6	4.2	11.1
To India	39493.7	41449.2	46604.8	5.0	12.4
To China	1681.5	1701.5	2437.8	1.2	43.3
To Other Countries	28941.9	29898.4	32149.0	3.3	7.5
TOTAL IMPORTS	773599.3	990113.2	1242826.8	28.0	25.5
From India	477212.6	633669.6	809814.2	32.8	27.8
From China	115694.3	127245.0	159636.3	10.0	25.5
From Other Countries	180692.4	229198.6	273376.2	26.8	19.3
TOTAL TRADE BALANCE	-703482.2	-917064.1	-1161635.2	30.4	26.7
With India	-437718.9	-592220.4	-763209.4	35.3	28.9
with China	-114012.8	-125543.5	-157198.5	10.1	25.2
With Other Countries	-151750.5	-199300.2	-241227.3	31.3	21.0
TOTAL FOREIGN TRADE	843716.4	1063162.3	1324018.4	26.0	24.5
With India	516706.3	675118.7	856419.1	30.7	26.9
With China	117375.8	128946.5	162074.1	9.9	25.7
With Other Countries	209634.3	259097.0	305525.2	23.6	17.9

(In Percent)

1. Ratio of Exports to Imports	9.1	7.4	6.5
India	8.3	6.5	5.8
China	1.5	1.3	1.5
Other Countries	16.0	13.0	11.8
2. Share in Total Exports			
India	56.3	56.7	57.4
China	2.4	2.3	3.0
Other Countries	41.3	40.9	39.6
3. Share in Total Imports			
India	61.7	64.0	65.2
China	15.0	12.9	12.8
Other Countries	23.4	23.1	22.0
4. Share in Trade Balance			
India	62.2	64.6	65.7
China	16.2	13.7	13.5
Other Countries	21.6	21.7	20.8
5. Share in Total Trade			
India	61.2	63.5	64.7
China	13.9	12.1	12.2
Other Countries	24.8	24.4	23.1
6. Share of Exports & Imports in Total Trade			
Export	8.3	6.9	6.1
Import	91.7	93.1	93.9

* Based on customs data

P = Provisional

Table 9
Exports of Major Commodities to India*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	Major Commodities	34320.4	35001.1	37775.9	2.0	7.9
1	Aluminium Section	191.4	263.2	115.7	37.5	-56.0
2	Biscuits	0.0	0.1	0.0	-	-100.0
3	Brans	143.4	266.9	325.1	86.1	21.8
4	Brooms	0.5	0.0	0.6	-100.0	-
5	Cardamom	4633.3	3906.2	4846.3	-15.7	24.1
6	Catechue	0.0	0.0	0.0	-	-
7	Cattlefeed	383.0	555.4	467.9	45.0	-15.8
8	Chemicals	6.7	10.1	7.4	50.6	-26.7
9	Cinnamon	95.3	71.0	93.8	-25.5	32.2
10	Copper Wire Rod	892.1	793.5	950.2	-11.0	19.7
11	Fruits	21.3	17.1	16.2	-19.9	-5.2
12	G.I. pipe	938.9	1026.0	246.4	9.3	-76.0
13	Ghee (Vegetable)	0.0	0.0	0.0	-	-
14	Ghee (Clarified)	138.1	145.4	119.4	5.3	-17.9
15	Ginger	521.9	232.3	701.3	-55.5	201.9
16	Handicraft Goods	25.2	44.2	39.2	75.5	-11.5
17	Herbs	372.7	603.7	728.5	62.0	20.7
18	Juice	3247.6	5057.5	4738.5	55.7	-6.3
19	Jute Goods	4245.9	4460.5	4643.5	5.1	4.1
	(a) Hessian	85.6	138.0	220.1	61.1	59.5
	(b) Sackings	3787.5	3613.3	4419.4	-4.6	22.3
	(c) Twines	372.8	709.2	4.1	90.2	-99.4
20	Live Animals	104.7	126.5	68.7	20.9	-45.7
21	M.S. Pipe	51.7	46.7	7.8	-9.8	-83.3
22	Marble Slab	0.0	31.8	53.2	-	67.5
23	Medicine (Ayurvedic)	730.6	681.3	743.3	-6.8	9.1
24	Mustard & Linseed	64.3	28.2	31.6	-56.1	12.0
25	Noodles	456.2	655.6	537.2	43.7	-18.1
26	Oil Cakes	1001.1	1460.1	1480.8	45.8	1.4
27	Paper	0.9	8.6	1.9	908.5	-77.9
28	Particle Board	29.4	18.2	13.4	-38.2	-26.2
29	Pashmina	72.3	72.1	80.2	-0.2	11.2
30	Plastic Utensils	211.6	169.9	22.1	-19.7	-87.0
31	Polyester Yarn	3252.8	2816.5	3665.1	-13.4	30.1
32	Pulses	279.3	0.4	0.1	-99.8	-88.7
33	Raw Jute	12.5	39.5	0.0	216.8	-100.0
34	Readymade Garments	166.8	201.1	147.5	20.6	-26.7
35	Ricebran Oil	62.8	24.2	11.5	-61.5	-52.4
36	Rosin	1688.8	1671.2	1581.0	-1.0	-5.4
37	Shampoos and Hair Oils	0.0	0.0	0.0	-	-
38	Shoes and Sandals	1607.9	1233.9	1247.6	-23.3	1.1
39	Skin	123.8	249.7	274.5	101.8	9.9
40	Soap	10.5	1.9	1.0	-82.3	-47.9
41	Stone and Sand	0.0	0.0	0.0	-	-
42	Turpentine	260.7	285.2	321.0	9.4	12.5
43	Textiles**	3438.5	3241.0	3204.0	-5.7	-1.1
44	Thread	50.2	33.8	636.1	-32.6	-
45	Tooth Paste	1012.5	648.5	762.7	-35.9	17.6
46	Turmeric	9.0	7.7	2.2	-14.5	-72.0
47	Vegetables	281.7	91.5	96.9	-67.5	5.9
48	Wire	1547.0	1672.9	1964.2	8.1	17.4
49	Zinc Sheet	1935.7	2029.8	2780.2	4.9	37.0
B.	Others	5173.3	6448.1	8829.0	24.6	36.9
	Total (A+B)	39493.7	41449.2	46604.8	5.0	12.4

* Based on customs data

** Includes PP fabric

P = Provisional

Table 10
Imports of Major Commodities from India*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	Major Commodities	371598.1	506569.1	654326.7	36.3	29.2
1	Agri. Equip.& Parts	9493.6	15202.2	4552.8	60.1	-70.1
2	Aluminium Bars, Rods, Profiles, Foil, etc.	3173.9	3665.8	4986.6	15.5	36.0
3	Baby Food & Milk Products	4685.7	5904.1	6711.0	26.0	13.7
4	Bitumen	456.5	1171.7	2689.5	156.7	129.5
5	Books and Magazines	1961.3	1708.5	1431.5	-12.9	-16.2
6	Cement	11689.5	24032.5	31178.1	105.6	29.7
7	Chemical Fertilizer	1599.0	1083.0	1862.2	-32.3	72.0
8	Chemicals	3338.9	3943.4	6112.6	18.1	55.0
9	Coal	9155.4	9015.6	10871.5	-1.5	20.6
10	Cold-rolled Sheet in Coil	6964.8	5027.5	10264.1	-27.8	104.2
11	Cooking Stoves	306.8	413.4	591.2	34.8	43.0
12	Cosmetics	2189.0	2664.2	3008.0	21.7	12.9
13	Cuminseeds and Peppers	1167.4	1230.4	1487.7	5.4	20.9
14	Dry Cell Battery	4330.6	2622.8	2848.7	-39.4	8.6
15	Electrical Equipment	12213.7	13865.6	15946.8	13.5	15.0
16	Enamel & Other Paints	2027.7	2328.4	2934.5	14.8	26.0
17	Fruits	5016.8	4949.9	5731.1	-1.3	15.8
18	Glass Sheet and Glasswares	3696.2	4072.2	4610.7	10.2	13.2
19	Hotrolled Sheet in Coil	13421.0	16191.1	24426.8	20.6	50.9
20	Incense Sticks	613.6	723.2	885.0	17.9	22.4
21	Insecticides	1784.6	2136.5	2168.0	19.7	1.5
22	Live Animals	2689.7	2165.3	3314.9	-19.5	53.1
23	M.S. Billet	22657.3	46509.3	57943.3	105.3	24.6
24	M.S. Wires, Rods, Coils, Bars	7888.9	9259.1	14285.6	17.4	54.3
25	Medicine	19163.9	21484.2	24076.8	12.1	12.1
26	Molasses Sugar	22.7	67.0	67.2	195.7	0.3
27	Other Machinery & Parts	19323.3	26526.9	39276.5	37.3	48.1
28	Other Stationery Goods	576.8	683.0	818.5	18.4	19.8
29	Paper	5542.0	5876.9	6418.2	6.0	9.2
30	Petroleum Products	65607.9	118919.7	170134.4	81.3	43.1
31	Pipe and Pipe Fittings	1421.0	2049.5	2769.7	44.2	35.1
32	Plastic Utensils	2512.8	2761.5	3384.3	9.9	22.6
33	Radio, TV, Deck & Parts	1514.8	1596.4	1352.9	5.4	-15.3
34	Raw Cotton	198.9	235.2	109.5	18.2	-53.4
35	Readymade Garments	4458.8	5622.9	5425.6	26.1	-3.5
36	Rice and paddy	21863.2	23600.9	28909.9	7.9	22.5
37	Salt	1282.7	904.0	1181.9	-29.5	30.7
38	Sanitaryware	4236.1	5051.4	2224.9	19.2	-56.0
39	Shoes & Sandals	888.0	1049.2	1037.6	18.2	-1.1
40	Steel Sheet	317.0	246.7	1250.6	-22.2	407.0
41	Sugar	356.4	119.1	48.7	-66.6	-59.1
42	Tea	61.1	78.4	105.3	28.2	34.4
43	Textiles	4166.7	4204.3	4844.4	0.9	15.2
44	Thread	6654.7	6418.3	9382.2	-3.6	46.2
45	Tobacco	2765.7	2805.3	2640.8	1.4	-5.9
46	Tyre, Tubes & Flapes	4081.1	5876.8	7617.9	44.0	29.6
47	Vegetables	7725.6	10645.5	11038.5	37.8	3.7
48	Vehicles & Spare Parts	62940.2	77844.1	105974.1	23.7	36.1
49	Wire Products	1394.7	2015.8	3393.5	44.5	68.3
B.	Others	105614.5	127100.5	155487.6	20.3	22.3
	Total (A+B)	477212.6	633669.6	809814.2	32.8	27.8

* Based on customs data

P = Provisional

Table 11
Exports of Major Commodities to China*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	Major Commodities	1002.7	956.2	1165.4	-4.6	21.9
1	Incense Sticks	5.6	9.8	12.6	73.8	28.9
2	Aluminium, Copper and Brass Utensils	0.0	0.0	0.0	-	-
3	Handicraft (Metal and Woolen)	429.3	373.0	319.3	-13.1	-14.4
4	Herbs	0.0	0.0	0.0	-	-
5	Human Hair	13.3	0.0	0.0	-100.0	-
6	Musical Instruments, Parts and Accessories	0.0	0.0	0.0	-	-
7	Nepalese Paper & Paper Products	0.0	0.0	0.0	-	-
8	Noodles	12.9	27.7	87.8	115.6	216.6
9	Other Handicraft Goods	52.0	85.6	144.1	64.6	68.4
10	Pashmina	50.3	25.5	77.7	-49.2	204.5
11	Readymade Garments	17.0	58.7	107.6	245.0	83.5
12	Readymade Leather Goods	0.2	0.8	0.1	324.0	-88.5
13	<i>Rudrakshya</i> Beads	0.0	0.0	0.0	-	-
14	Silverware and Jewelleries	1.0	3.2	1.5	225.7	-54.6
15	Tanned Skin	171.4	138.2	101.4	-19.4	-26.7
16	Tea	11.9	8.7	28.9	-27.0	233.0
17	Vegetables	0.0	0.0	0.0	-	-
18	Wheat Flour	5.7	6.0	25.1	5.3	318.3
19	Woolen Carpet	232.1	219.0	259.3	-5.7	18.4
B.	Other	678.9	745.3	1272.4	9.8	70.7
	Total (A+B)	1681.5	1701.5	2437.8	1.2	43.3

* Based on customs data

P = Provisional

Table 12
Imports of Major Commodities from China*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	Major Commodities	81535.1	88456.2	112558.8	8.5	27.2
1	Aluminium Scrap, Flake, Foil, Bars & Rods	1705.0	1451.1	1622.5	-14.9	11.8
2	Bags	569.9	636.8	842.0	11.7	32.2
3	Camera	255.6	410.1	582.6	60.5	42.0
4	Chemical	1367.3	1191.3	1675.9	-12.9	40.7
5	Chemical Fertilizer	16119.6	8745.6	8721.0	-45.7	-0.3
6	Cosmetic Goods	345.5	418.3	665.6	21.1	59.1
7	Dry Cell Battery	198.1	203.1	181.2	2.5	-10.8
8	Electrical Goods	8960.5	8929.7	10951.7	-0.3	22.6
9	Fastener	231.9	225.7	239.4	-2.7	6.1
10	Garlic	508.6	365.8	604.3	-28.1	65.2
11	Ginger	0.0	0.0	0.0	-	-
12	Glasswares	1196.7	1412.0	1426.2	18.0	1.0
13	Medical Equipment & Tools	1281.8	1027.8	1583.7	-19.8	54.1
14	Medicine	562.1	567.4	915.1	0.9	61.3
15	Metal & Wooden Furniture	834.9	1260.0	1202.2	50.9	-4.6
16	Office Equipment & Stationery	648.1	868.3	1103.3	34.0	27.1
17	Other Machinery and Parts	7917.7	10475.8	18863.4	32.3	80.1
18	Other Stationeries	636.2	668.1	646.8	5.0	-3.2
19	Paraffin Wax	250.6	29.0	6.8	-88.4	-76.7
20	Pipe and Pipe Fittings	270.1	666.0	735.7	146.6	10.5
21	Plywood & Particle Board	295.5	380.6	359.7	28.8	-5.5
22	Polyethylene Terephthalate (Plastic pet chips/Pet Resin)	0.0	0.0	24.0	-	-
23	Raw Silk	1337.5	755.1	1695.8	-43.5	124.6
24	Raw Wool	750.8	719.5	372.4	-4.2	-48.2
25	Readymade Garments	5617.9	5559.8	8763.7	-1.0	57.6
26	Seasoning Powder & Flavour for Instant Noodles	49.3	70.8	77.7	43.5	9.7
27	Shoes and Sandals	2409.3	2176.4	2998.6	-9.7	37.8
28	Smart Cards	201.8	148.3	367.6	-26.5	147.9
29	Solar Pannel	820.0	832.2	480.5	1.5	-42.3
30	Steel Rod & Sheet	173.3	632.9	1215.4	265.2	92.0
31	Storage Battery	458.5	837.9	741.7	82.8	-11.5
32	Telecommunication Equipments and Parts	17989.8	24230.6	26825.0	34.7	10.7
33	Threads - Polyester	313.8	331.9	302.8	5.7	-8.8
34	Toys	617.2	734.7	798.7	19.0	8.7
35	Transport Equipment & Parts	1583.4	2787.4	4109.9	76.0	47.4
36	Tyre, Tubes and Flapes	136.0	159.1	179.3	16.9	12.7
37	Video Television & Parts	3684.6	7146.5	8993.5	94.0	25.8
38	Welding Rods	486.5	438.3	638.2	-9.9	45.6
39	Wheat Products	206.1	209.7	293.6	1.8	40.0
40	Writing & Printing Paper	543.7	752.3	751.6	38.4	-0.1
B.	Other Commodities	34159.3	38788.8	47077.5	13.6	21.4
	Total (A + B)	115694.3	127245.0	159636.3	10.0	25.5

* Based on customs data

P = Provisional

Table 13
Exports of Major Commodities to Other Countries*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	A. Major Commodities	17929.0	16329.5	16397.6	-8.9	0.4
1	Handicraft (Metal and Wooden)	97.5	153.3	89.2	57.3	-41.8
2	Herbs	219.8	147.9	295.9	-32.7	100.0
3	Nepalese Paper & Paper Products	324.2	380.1	312.8	17.2	-17.7
4	Nigerseed	0.0	0.0	0.0	-	-
5	Pashmina	2635.6	2353.7	2124.3	-10.7	-9.7
6	Pulses	882.8	970.0	896.3	9.9	-7.6
7	Readymade Garments	4481.9	4005.5	4368.1	-10.6	9.1
8	Readymade Leather Goods	225.0	263.5	295.4	17.1	12.1
9	Silverware and Jewelleries	214.6	253.8	349.9	18.3	37.9
10	Tanned Skin	424.0	383.1	440.1	-9.6	14.9
11	Tea	575.2	262.0	363.7	-54.4	38.8
12	Woolen Carpet	7848.4	7156.4	6861.9	-8.8	-4.1
B.	B. Others	11012.9	13568.9	15751.3	23.2	16.1
	Total (A+B)	28941.9	29898.4	32149.0	3.3	7.5

* Based on customs data

P = Provisional

Table 14
Imports of Major Commodities from Other Countries*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A.	A. Major Commodities	123472.8	159666.4	189219.5	29.3	18.5
1	Aircraft Spareparts	7679.2	17277.3	22356.7	125.0	29.4
2	Bags	52.1	43.8	81.5	-15.9	85.9
3	Betelnut	2097.8	1036.9	2035.4	-50.6	96.3
4	Button	2.3	0.4	0.7	-80.2	53.6
5	Camera	245.1	432.7	558.9	76.5	29.2
6	Chemical Fertilizer	1686.6	3299.8	4625.5	95.7	40.2
7	Cigarette Paper	37.1	36.4	58.8	-1.7	61.3
8	Clove	49.3	127.4	83.1	158.3	-34.8
9	Coconut Oil	22.9	31.4	65.8	37.2	109.2
10	Computer and Parts	1345.9	2536.4	1853.7	88.5	-26.9
11	Copper Wire Rod, Scrapes & Sheets	1717.7	1755.6	2304.9	2.2	31.3
12	Cosmetic Goods	1112.5	1280.5	1329.8	15.1	3.9
13	Crude Coconut Oil	9.7	0.0	7.7	-100.0	-
14	Crude Palm Oil	3119.0	5773.1	4689.2	85.1	-18.8
15	Crude Soyabean Oil	12719.7	13529.1	15053.5	6.4	11.3
16	Cuminseed	4.1	4.2	0.1	2.7	-98.6
17	Door Locks	7.3	10.3	5.4	40.7	-47.5
18	Drycell Battery	214.6	18.0	41.3	-91.6	129.6
19	Edible Oil	2661.3	8767.7	6514.3	229.5	-25.7
20	Electrical Goods	1770.6	1663.1	2100.9	-6.1	26.3
21	Fastener	11.7	3.2	1.8	-72.9	-42.9
22	Flash Light	8.8	19.9	13.7	126.7	-30.9
23	G.I.Wire	2.5	2.7	7.8	7.4	190.7
24	Glasswares	188.9	375.9	414.1	98.9	10.2
25	Gold	16074.3	27432.1	32203.5	70.7	17.4
26	Insecticides	107.6	186.2	149.6	73.1	-19.6
27	M.S. Billet	11.6	0.0	0.0	-100.0	-
28	M.S.Wire Rod	51.9	21.0	0.0	-59.5	-99.9
29	Medical Equipment & Tools	5316.8	5439.9	9044.0	2.3	66.3
30	Medicine	9030.0	3406.5	4793.6	-62.3	40.7
31	Office Equipment & Stationery	627.9	946.4	1022.0	50.7	8.0
32	Other Machinery & Parts	6670.2	6474.1	10943.9	-2.9	69.0
33	Other Stationeries	564.5	673.3	660.8	19.3	-1.9
34	P.V.C.Compound	1724.1	2441.3	2528.6	41.6	3.6
35	Palm Oil	744.3	607.7	604.6	-18.4	-0.5
36	Paraffin Wax	68.5	23.1	11.1	-66.3	-52.1
37	Petroleum Products	3116.2	2494.2	2108.9	-20.0	-15.4
38	Pipe & Pipe Fittings	215.6	146.1	107.5	-32.2	-26.4
39	Polythene Granules	9122.3	8905.4	13896.2	-2.4	56.0
40	Powder Milk	221.2	713.4	574.5	222.6	-19.5
41	Raw Silk	2.0	0.1	1.5	-95.6	-
42	Raw Wool	908.9	833.4	753.2	-8.3	-9.6
43	Readymade Garments	1504.6	1078.5	1024.3	-28.3	-5.0
44	Shoes and Sandals	225.2	203.0	201.8	-9.8	-0.6
45	Silver	7242.8	9873.3	13354.2	36.3	35.3
46	Small Cardamom	342.8	1832.8	187.4	434.7	-89.8
47	Steel Rod & Sheet	61.3	34.9	112.1	-43.0	220.9
48	Storage Battery	768.8	677.1	521.8	-11.9	-22.9
49	Synthetic & Natural Rubber	158.6	179.1	257.5	12.9	43.8
50	Synthetic Carpet	553.5	661.6	566.7	19.5	-14.3
51	Telecommunication Equipment & Parts	5488.2	6901.7	6057.4	25.8	-12.2
52	Tello	120.4	99.9	194.1	-17.0	94.2
53	Textile Dyes	112.1	102.9	152.8	-8.2	48.5
54	Textiles	709.7	707.9	743.3	-0.3	5.0
55	Threads	2941.1	2146.0	3473.1	-27.0	61.8
56	Toys	85.2	166.4	399.6	95.2	140.2
57	Transport Equipment & Parts	5876.9	7618.1	10779.4	29.6	41.5
58	Tyre,Tube & Flaps	463.1	596.1	505.6	28.7	-15.2
59	Umbrella and Parts	1.4	7.4	0.1	428.8	-98.5
60	Video Television & Parts	1364.3	2306.0	3242.9	69.0	40.6
61	Watches & Bands	487.4	480.7	554.8	-1.4	15.4
62	Writing & Printing Paper	1854.8	2730.0	2285.1	47.2	-16.3
63	X-Ray Film	349.7	500.6	490.1	43.2	-2.1
64	Zinc Ingot	1416.4	1992.3	507.4	40.7	-74.5
B.	B. Others	57219.4	69532.2	84156.7	21.5	21.0
	Total (A+B)	180692.2	229198.6	273376.2	26.8	19.3

* Based on customs data

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Table 15
Summary of Balance of Payments

(Rs. in Million)

Particulars	Annual			Percent Change	
	2015/16	2016/17	2017/18 ^P	2016/17	2017/18
A. Current Account	140418.5	-10130.6	-245216.7	-	-
Goods: Exports f.o.b.	74866.1	82127.5	93305.2	9.7	13.6
Oil	0.0	0.0	0.0	-	-
Other	74866.1	82127.5	93305.2	9.7	13.6
Goods: Imports f.o.b.	-756487.9	-977945.8	-1227874.0	29.3	25.6
Oil	-68724.4	-121413.8	-172243.2	76.7	41.9
Other	-687763.5	-856532.0	-1055630.8	24.5	23.2
Balance on Goods	-681621.8	-895818.3	-1134568.9	31.4	26.7
Services: Net	9849.2	2891.3	2066.3	-70.6	-28.5
Services: Credit	138472.4	158264.9	177473.0	14.3	12.1
Travel	41765.3	58526.9	67094.6	40.1	14.6
Government n.i.e.	38330.8	25533.6	22461.5	-33.4	-12.0
Other	58376.3	74204.3	87916.9	27.1	18.5
Services: Debit	-128623.2	-155373.6	-175406.7	20.8	12.9
Transportation	-44030.3	-46884.9	-63251.3	6.5	34.9
Travel	-56418.4	-79926.9	-79596.5	41.7	-0.4
O/W Education	-20139.1	-35024.9	-38089.5	73.9	8.7
Government Services:Debit	-2100.3	-1331.9	-2483.5	-36.6	86.5
Other	-26074.2	-27229.8	-30075.4	4.4	10.5
Balance on Goods & Services	-671772.6	-892926.9	-1132502.6	32.9	26.8
Income: Net	34004.3	30995.1	22614.9	-8.8	-27.0
Income: Credit	43085.3	51958.8	69142.8	20.6	33.1
Income: Debit	-9080.9	-20963.8	-46527.9	-	-
Balance on Goods,Services & Income	-637768.3	-861931.9	-1109887.6	35.1	28.8
Transfers: Net	778186.8	851801.3	864670.9	9.5	1.5
Current Transfers: Credit	781989.6	855708.8	870475.7	9.4	1.7
Grants	70411.6	114663.9	61262.4	62.8	-46.6
Workers' Remittances	665064.3	695452.4	755058.6	4.6	8.6
Pensions	46513.6	45592.6	54154.7	-2.0	18.8
Other (Indian Excise Refund)	0.0	0.0	0.0	-	-
Current Transfers: Debit	-3802.8	-3907.6	-5804.8	2.8	48.6
B. Capital Account (Capital Transfer)	16987.3	13362.7	17721.8	-21.3	32.6
Total (Group A plus B)	157405.8	3232.1	-227494.9	-97.9	-7138.6
C. Financial Account (Excluding Group E)	29638.4	26639.5	102842.1	-10.1	286.1
Direct Investment in Nepal	5920.9	13503.9	17512.8	-	-
Portfolio Investment	0.0	0.0	0.0	-	-
Other Investment: Assets	-30936.3	-48690.6	-40289.9	57.4	-17.3
Trade Credits	-338.9	-9005.3	4193.5	-	-
Other	-30597.4	-39685.3	-44483.4	29.7	12.1
Other Investment: Liabilities	54653.8	61826.1	125619.2	13.1	103.2
Trade Credits	16397.4	24381.3	54534.9	48.7	123.7
Loans	27341.8	56109.2	84441.4	105.2	50.5
General Government	25978.9	44787.1	81178.9	72.4	81.3
Drawings	43774.0	62601.7	99768.1	43.0	59.4
Repayments	-17795.1	-17814.6	-18589.2	0.1	4.3
Other Sectors	1362.9	11322.0	3262.5	-	-
Currency & Deposits	14982.3	-18812.0	-13339.9	-	-
Nepal Rastra Bank	-5.6	231.9	-178.6	-	-
Deposit Money Banks	14987.9	-19043.9	-13161.3	-	-
Other Liabilities	-4067.7	147.7	-17.2	-103.6	-111.7
Total (Group A through C)	187044.3	29871.6	-124652.7	-84.0	-517.3
D. Miscellaneous Items, Net	16850.4	33422.5	112273.0	98.3	235.9
Total (Group A through D)	203894.6	63294.1	-12379.7	-69.0	-119.6
E. Reserves & Related Items	-203894.6	-63294.1	12379.7	-69.0	-119.6
Reserve Assets	-203894.6	-61591.9	13350.4	-69.8	-121.7
Nepal Rastra Bank	-172887.0	-61879.3	-25781.8	-64.2	-58.3
Deposit Money Banks	-31007.6	287.4	39132.2	-	-
Use of Fund Credit and Loans	0.0	-1702.3	-970.7	-	-
Changes in Reserve Net (- increase)	-188912.3	-82106.1	-960.2	-	-

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Table 16
Gross Foreign Exchange Reserve

	Mid-July			Percent Change	
	2016	2017	2018	2016/17	2017/18
	Rs. in Million				
Nepal Rastra Bank	887010.8	927266.4	989396.3	4.5	6.7
Convertible	672458.2	683870.4	737632.1	1.7	7.9
Inconvertible	214552.6	243396.0	251764.2	13.4	3.4
Commercial Banks	152158.6	152165.8	113188.9	0.0	-25.6
Convertible	142550.1	141503.0	102007.4	-0.7	-27.9
Inconvertible	9608.5	10662.8	11181.5	11.0	4.9
Total Reserve	1039169.4	1079432.1	1102585.2	3.9	2.1
Convertible	815008.3	825373.3	839639.5	1.3	1.7
Inconvertible	224161.2	254058.8	262945.8	13.3	3.5
	US dollars in Million				
Nepal Rastra Bank	8310.8	9014.8	9048.8	8.5	0.4
Convertible	6300.6	6648.6	6746.2	5.5	1.5
Inconvertible	2010.2	2366.3	2302.6	17.7	-2.7
Commercial Banks	1425.6	1479.3	1035.2	3.8	-30.0
Convertible	1335.6	1375.7	932.9	3.0	-32.2
Inconvertible	90.0	103.7	102.3	15.1	-1.4
Total Reserve	9736.4	10494.2	10084.0	7.8	-3.9
Convertible	7636.2	8024.2	7679.2	5.1	-4.3
Inconvertible	2100.3	2469.9	2404.8	17.6	-2.6

Table 17
International Investment Position (IIP)

(Rs. in Million)

S.N.	Items	As in Mid-July (Rs. in Million)		
		2016	2017	2018
A	Assets	1054012.2	1107787.5	1,138,241.3
1	Direct Investment	0.0	0.0	-
2	Portfolio Investment	0.0	0.0	-
3	Other Investments	136381.3	152129.8	118,135.0
	Other equity	6883.7	10765.8	8,792.3
	Currency and deposits	41796.9	43556.8	47,474.6
	Loans	57.6	3304.6	3,562.2
	Trade credit and advances	339.0	9005.3	4,193.6
	Other account receivable	87304.1	85497.3	54,112.3
4	Official Reserve Assets	917630.9	955657.7	1,020,106.3
B	Liabilities	610485.3	677024.6	819,972.1
1	Direct Investment	137678.1	168611.0	186,123.8
2	Portfolio Investment	0.0	0.0	-
3	Other Investments	472807.2	508413.6	633,848.4
	Other equity	0.0	0.0	-
	Currency and deposits	40664.7	41402.3	43,498.9
	Loans	405199.3	432794.1	525,184.6
	Trade credit and advances	16397.5	24381.2	54,534.8
	Other account payable	362.5	66.4	154.6
	Special drawing rights	10183.3	9769.6	10,475.5
Net IIP		443526.8	430762.9	318,269.1

Table 18
Government Budgetary Operation¹
(On Cash Basis)

(Rs. in Million)

Heads	Amount			Percent Change	
	2015/16	2016/17	2017/18 ²	2016/17	2017/18
Expenditure of Budget	581704.4	815703.0	1029022.4	40.2	26.2
Recurrent	364469.2	513674.8	680312.7	40.9	32.4
a. Domestic Resources	333275.0	476214.7	628569.6	42.9	32.0
b. Foreign Loans	9490.6	19890.4	28130.9	109.6	41.4
c. Foreign Grants	21703.6	17569.7	23612.2	-19.0	34.4
Capital	115677.4	199191.7	239906.0	72.2	20.4
a. Domestic Resources	101579.1	160256.4	196035.8	57.8	22.3
b. Foreign Loans	7247.5	25724.4	36914.3	254.9	43.5
c. Foreign Grants	6850.8	13210.9	6955.9	92.8	-47.3
Financial	101557.7	102836.5	108803.7	1.3	5.8
a. Domestic Resources	93336.9	100771.0	102959.3	8.0	2.2
b. Foreign Loans	7834.2	1737.0	5510.3	-77.8	217.2
c. Foreign Grants	386.7	328.5	334.1	-15.0	1.7
Total Resources	525022.2	627008.4	760174.3	19.4	21.2
Revenue and Grants	521761.3	623594.1	754509.3	19.5	21.0
<i>Revenue</i>	481978.1	609117.3	726077.7	26.4	19.2
<i>Foreign Grants</i>	39783.2	14476.8	28431.6	-63.6	96.4
Previous Year's Cash Balance & Beruju	3260.9	3414.3	5665	4.7	65.9
Deficits(-) Surplus(+)	-56682.2	-188694.6	-268848.1	232.9	42.5
Sources of Financing	56682.2	188694.6	268848.1	232.9	42.5
Internal Loans	13214.7	137947.9	186650.1	943.9	35.3
Domestic Borrowings	87774.5	88337.7	144750.9	0.6	63.9
(i) Treasury Bills	20500.0	33000.0	71958.7	61.0	118.1
(ii) Development Bonds	62000.0	55000.0	72000.0	-11.3	30.9
(iii) National Savings Certificates	0.0	0.0	0.0		
(iv) Citizen Saving Certificates	5000.0	285.6	751.1	-94.3	163.0
(v) Foreign Employment Bond	274.5	52.1	41.2	-81.0	-21.0
Overdrafts ³	-74373.4	50418.5	44613.3	-167.8	-11.5
Others	-186.4	-808.3	-2714.2	333.6	235.8
Principal Refund and Share Divestment	13694.0	2940.2	3235.3	-78.5	10.0
Foreign Loans	29773.5	47806.5	78962.7	60.6	65.2
Balance of Govt. Office Account	6848.8	41672.1	64489.0	508.5	54.8
V. A. T. Fund Account	-3.1	-853.5	34.0	27432.3	-104.0
Customs Fund Account	216.0	225.2	-443.6	4.3	-297.0
Reconstruction Fund Account	0.0	17038.6	1248.5	-	-92.7
Local Authorities' Accounts (LAA) ⁴	3086.9	13323.8	44059.6	331.6	230.7
Others ⁵	3549.0	11938.0	19590.5	236.4	64.1
Current Balance (-) Surplus)	81222.3	-8746.4	19875.7	-110.8	-327.2

1 Based on data reported by 1 office of NRB, 81 branches of Rastriya Banijya Bank Limited, 56 branches of Nepal Bank Limited, 52 branches of NIC Asia Bank Limited, 25 branches of Agriculture Development Bank, 16 branches of Global IME Bank Limited, 12 branches of Everest Bank Limited, 10 branches of Nepal Investment Bank, 8 branches of NMB Bank Limited, 7 branches of Nepal Bangladesh Bank Limited, 5 branches each of Bank of Kathmandu Limited, Citizens Bank International Limited and Siddhartha Bank Limited, 3 branches each of Civil Bank Limited, Prabhu Bank Limited, Janata Bank Limited and Machhapuchhre Bank Limited, 2 branches each of Sanima Bank Limited and Prime Commercial Bank Limited, and 1 branch of Century Commercial Bank and Mega Bank Limited and conducting government transactions and release report from 81 DTCOs and payment centres.

2 Provisional..

3 Minus (-) indicates surplus

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

5 Others includes Guarantee deposits, Operational funds (Imprest) & Emergency funds and Conditional and unconditional grant from government to local bodies.

Table 19
Outstanding Domestic Debt of Government of Nepal

(Rs. in Million)

S. N.	Bonds/Ownership	Amount			Amount Change		Percent Change	
		2015/16	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
1	Treasury Bills	116059.1	110409.3	144847.9	-5649.8	34438.6	-4.9	31.2
	a. Nepal Rastra Bank	16099.9	30457.4	26119.9	14357.5	-4337.5	89.2	-14.2
	b. Commercial Banks	97899.5	79538.8	118153.0	-18360.7	38614.2	-18.8	48.5
	c. Development Banks	444.4	343.1	420.0	-101.3	76.9	-22.8	22.4
	d. Finance Companies	111.5	70.0	155.0	-41.5	85.0	-37.2	121.4
	e. Others	1503.8	0.0	0.0	-1503.8	0.0		
2	Development Bonds	108900.0	163900.0	235900.0	55000.0	72000.0	50.5	43.9
	a. Nepal Rastra Bank	0.0	8942.0	45287.0	8942.0	36345.0		
	b. Commercial Banks	79063.5	123523.0	157710.5	44459.5	34187.5	56.2	27.7
	c. Development Banks	5116.7	6471.7	7569.4	1355.1	1097.7	26.5	17.0
	d. Finance Companies	3733.5	3948.3	3532.7	214.8	-415.6	5.8	-10.5
	e. Others	20986.3	21015.0	21800.4	28.7	785.4	0.1	3.7
3	National Saving Certificates	906.5	906.5	906.5	0.0	0.0	0.0	0.0
	a. Nepal Rastra Bank	1.3	182.4	262.2	181.1	79.8		
	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	905.2	724.1	644.3	-181.1	-79.8	-20.0	-11.0
4	Citizen Saving Bonds	7806.2	7965.2	8716.3	159.0	751.1	2.0	9.4
	a. Nepal Rastra Bank (Secondary Market)	307.6	2274.7	2907.5	1967.1	632.8	639.6	27.8
	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	7498.6	5690.5	5808.8	-1808.1	118.3	-24.1	2.1
5	Foreign Employment Bonds	486.2	529.7	528.0	43.5	-1.7	9.0	-0.3
	a. Nepal Rastra Bank	0.0	10.0	10.9	10.0	0.9		
	b. Others	486.2	519.7	517.1	33.6	-2.6		
6	Total Domestic Debt	234157.9	283710.7	390898.7	49552.8	107188.0	21.2	37.8
	a. Nepal Rastra Bank	16408.8	41866.5	74587.5	25457.7	32721.0	155.1	78.2
	b. Commercial Banks	176963.0	203061.8	275863.5	26098.8	72801.7	14.7	35.9
	c. Development Banks	5561.1	6814.8	7989.4	1253.8	1174.6	22.5	17.2
	d. Finance Companies	3845.0	4018.3	3687.7	173.3	-330.6	4.5	-8.2
	e. Others	31380.0	27949.3	28770.6	-3430.7	821.3	-10.9	2.9
7	Balance at NRB (Overdraft+)/Surplus(-)	-115018.5	-106272.1	-126148.4	8746.4	-19876.3	-7.6	-15.8

Memorandum Item

a. IMF Promissory Note	4871.1	4871.1	262.8
b. Foreign Debt	381743.9	413978.8	519512.6
c. Total Public Debt (Excluding IMF Promissory Note)	615901.8	693574.6	894528.4

Table 20
Monetary Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	955980.9	1014634.9	1054291.7	82106.1 ¹	8.6	960.2 ²	0.1
1.1 Foreign Assets	1069789.5	1107823.5	1133295.2	38034.0	3.6	25471.7	2.3
1.2 Foreign Currency Deposits	113808.7	93188.6	79003.5	-20620.0	-18.1	-14185.1	-15.2
(a) Deposits	109383.4	90339.6	77178.3	-19043.8	-17.4	-13161.3	-14.6
(b) Other	4425.2	2849.0	1825.2	-1576.2	-35.6	-1023.8	-35.9
2. Net Domestic Assets	1288597.7	1577067.1	2040174.9	265017.3 ¹	20.6	501804.4 ²	31.8
2.1 Domestic Credit	1805736.0	2177792.0	2719242.4	372056.1	20.6	541450.4	24.9
(a) Net Claims on Government	87759.4	149489.0	235979.7	61729.6	70.3	86490.7	57.9
Claims on Government	202777.8	255761.1	362128.1	52983.3	26.1	106367.0	41.6
Government Deposits	115018.5	106272.1	126148.4	-8746.4	-7.6	19876.3	18.7
(b) Claims on Non-Financial Govt Enterprises	8227.0	9225.9	10034.3	998.9	12.1	808.4	8.8
(c) Claims on Financial Enterprises	17443.6	21917.1	30444.4	4473.6	25.6	8527.3	38.9
Government	3414.3	4286.2	3827.2	871.9	25.5	-459.1	-10.7
Non-Government.	14029.3	17630.9	26617.3	3601.7	25.7	8986.3	51.0
(D) Claims on Private Sector	1692306.1	1997160.0	2442784.0	304853.9	18.0	445624.0	22.3
2.2 Net Non-Monetary Liabilities	517138.3	600724.9	679067.5	107038.8 ¹	20.7	39646.0 ²	6.6
3. Broad Money Supply (M2)	2244578.6	2591702.0	3094466.6	347123.4	15.5	502764.6	19.4
3.1 Money Supply (M1+)	1634481.7	1623172.5	1878960.2	-11309.3	-0.7	255787.7	15.8
(a) Money Supply (M1)	503287.1	569402.4	669394.9	66115.3	13.1	99992.5	17.6
Currency	327482.7	361745.9	415985.4	34263.2	10.5	54239.5	15.0
Demand Deposits	175804.4	207656.4	253409.5	31852.0	18.1	45753.1	22.0
(b) Saving & Call Deposits	1131194.6	1053770.1	1209565.3	-77424.5	-6.8	155795.2	14.8
3.2 Time Deposits	610096.8	968529.5	1215506.4	358432.7	58.8	246976.9	25.5
4. Broad Money Liquidity (M3)	2353962.0	2682041.6	3171644.9	328079.6	13.9	489603.3	18.3

P = Provisional

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

2 Adjusting exchange valuation gain of Rs. -23452.1 million

Table 21
Central Bank Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets	917630.9	955657.7	1020106.3	38026.8	4.1	64448.6	6.7
1.1 Gold Investment	28206.2	25929.4	28078.5	-2276.7	-8.1	2149.1	8.3
1.2 SDR Holdings	29.8	170.6	165.1	140.8	471.8	-5.5	-3.2
1.3 IMF Reserve Position	2384.1	2291.3	2466.3	-92.8	-3.9	175.0	92.8
1.4 Foreign Exchange	887010.8	927266.4	989396.3	40255.6	4.5	62130.0	6.7
2. Claims on Government	16408.7	41866.5	74587.5	25457.8	155.1	32721.0	78.2
2.1 Treasury Bills	16099.9	30457.4	26119.9	14357.6	89.2	-4337.5	-14.2
2.2 Development Bonds	0.0	8942.0	45287.0	8942.0		36345.0	406.5
2.3 Other Government Securities	308.9	2467.1	3180.6	2158.2	698.8	713.5	28.9
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	2423.8	3448.6	2795.7	1024.8	42.3	-652.9	-18.9
4.1 Government Institutions	2407.8	3432.6	2779.7	1024.8	42.6	-652.9	-19.0
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	6710.2	6937.3	12230.3	227.1	3.4	5293.0	76.3
5.1 Refinance	5910.2	6937.3	12230.3	1027.1	17.4	5293.0	76.3
5.2 Repo Lending and SLF	800.0	0.0	0.0	-800.0	-100.0	0.0	
6. Claims on Private Sector	4449.8	4137.1	4796.1	-312.7	-7.0	659.0	15.9
7. Other Assets	33875.4	36601.2	38810.4	2725.8	8.0	2209.2	6.0
Assets = Liabilities	981529.7	1048679.4	1153357.3	67149.7	6.8	104677.9	10.0
8. Reserve Money	547053.0	656909.5	709884.5	109856.5	20.1	52974.9	8.1
8.1 Currency Outside ODCs	327482.7	361745.9	415985.4	34263.2	10.5	54239.5	15.0
8.2 Currency Held by ODCs	55901.1	63082.5	72207.4	7181.4	12.8	9124.9	14.5
8.3 Deposits of Commercial Banks	134715.9	194425.9	191080.6	59710.1	44.3	-3345.3	-1.7
8.4 Deposits of Development Banks	13738.9	12364.7	12843.8	-1374.1	-10.0	479.0	3.9
8.5 Deposits of Finance Companies	5551.4	4802.4	4210.7	-748.9	-13.5	-591.7	-12.3
8.6 Other Deposits	9663.1	20488.0	13556.6	10824.9	112.0	-6931.5	-33.8
9. Govt. Deposits	115018.5	106272.1	126148.4	-8746.4	-7.6	19876.3	29.9
10. Deposit Auction	0.0	14400.0	44550.0	14400.0		30150.0	209.4
11. Reverse Repo	0.0	0.0	0.0	0.0		0.0	
12. NRB Bond	49080.0	0.0	0.0	-49080.0		0.0	
13. Foreign Liabilities	4425.2	2849.0	1825.2	-1576.2	-35.6	-1023.8	-35.9
14. Capital and Reserve	139195.6	128664.1	173512.2	-10531.5	-7.6	44848.1	34.9
15. Other Liabilities	126757.4	139584.6	97437.1	12827.2	10.1	-42147.5	-38.7

P = Provisional

Table 22
Condensed Assets and Liabilities of Banks and Financial Institutions

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	2016816.2	2299807.6	2742102.9	282991.4	14.0	442295.3	19.2
1.1 Demand Deposits	183460.3	199047.2	256298.4	15586.9	8.5	57251.2	28.8
(a) Domestic Deposits	166141.3	187168.4	239853.0	21027.1	12.7	52684.5	28.1
(b) Foreign Deposits	17319.0	11878.8	16445.4	-5440.2	-31.4	4566.7	38.4
1.2 Saving Deposits	873679.6	814153.0	946821.9	-59526.5	-6.8	132668.9	16.3
(a) Domestic Deposits	858549.9	800517.3	936435.0	-58032.6	-6.8	135917.7	17.0
(b) Foreign Deposits	15129.6	13635.7	10386.9	-1493.9	-9.9	-3248.8	-23.8
1.3 Fixed Deposits	615861.4	993425.8	1228056.5	377564.4	61.3	234630.7	23.6
(a) Domestic Deposits	594160.0	947689.9	1193173.7	353529.9	59.5	245483.8	25.9
(b) Foreign Deposits	21701.4	45735.9	34882.7	24034.5	110.8	-10853.2	-23.7
1.4 Call Deposits	327878.1	272342.0	288593.5	-55536.1	-16.9	16251.5	6.0
(a) Domestic Deposits	272644.7	253252.8	273130.3	-19391.9	-7.1	19877.5	7.8
(b) Foreign Deposits	55233.4	19089.2	15463.2	-36144.2	-65.4	-3626.0	-19.0
1.5 Margin Deposits	15936.8	20839.6	22332.6	4902.8	30.8	1493.1	7.2
2. Borrowings from NRB	6710.2	6937.3	12230.3	227.1	3.4	5293.0	76.3
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	473139.0	580782.0	691418.7	107643.0	22.8	110636.7	19.0
4.1 Paid-up Capital	164981.4	226966.6	282509.2	61985.2	37.6	55542.6	24.5
4.2 General Reserves	107709.1	139321.8	151143.2	31612.7	29.4	11821.3	8.5
4.3 Other Liabilities	200448.5	214493.5	257766.3	14045.1	7.0	43272.7	20.2
Assets=Liabilities	2496665.3	2887526.8	3445751.9	390861.5	15.7	558225.1	19.3
5. Liquid Funds	356814.4	420597.2	393460.5	63782.8	17.9	-27136.6	-6.5
5.1 Cash in Hand	55901.1	63082.5	72207.4	7181.4	12.8	9124.9	14.5
5.2 Balance with NRB	154006.1	211593.1	208135.1	57587.0	37.4	-3458.0	-1.6
5.3 Foreign Currency in Hand	999.9	1092.8	2685.0	92.9	9.3	1592.1	145.7
5.4 Balance Held Abroad	145840.4	144663.1	110396.3	-1177.4	-0.8	-34266.8	-23.7
5.5 Cash in Transit	66.8	165.7	36.8	98.9	148.0	-128.9	-77.8
6. Loans and Advances	1902759.4	2240990.8	2763288.2	338231.4	17.8	522297.4	23.3
6.1 Claims on Government	186369.1	213894.6	287540.6	27525.5	14.8	73646.0	34.4
6.2 Claims on Non-Financial Government Enterprises	8196.0	9194.9	10003.3	998.9	12.2	808.4	8.8
6.3 Claims on Financial Enterprises	15019.8	18468.6	27648.7	3448.8	23.0	9180.2	49.7
Government	1006.6	853.7	1047.5	-152.9	-15.2	193.8	22.7
Non-Government	14013.3	17614.9	26601.3	3601.7	25.7	8986.3	51.0
6.4 Claims on Private Sector	1687856.3	1993022.9	2437987.9	305166.6	18.1	444965.0	22.3
Principal	1656880.0	1959009.2	2399814.5	302129.2	18.2	440805.3	22.5
Interest Accrued	30976.3	34013.7	38173.4	3037.4	9.8	4159.7	12.2
6.5 Foreign Bills Purchased & Discounted	5318.3	6409.9	107.7	1091.6	20.5	-6302.2	-98.3
7. NRB Bond	49080.0	0.0	0.0	-49080.0		0.0	
8. Other Assets	188011.5	225938.8	289003.2	37927.3	20.2	63064.4	27.9

P = Provisional

Table 23
Condensed Assets and Liabilities of Commercial Banks

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	1753430.6	2080385.7	2459219.0	326955.0	18.6	378833.3	18.2
1.1 Demand Deposits	175087.2	191702.3	248045.6	16615.1	9.5	56343.3	29.4
(a) Domestic Deposits	157821.0	179874.8	231602.4	22053.8	14.0	51727.6	28.8
(b) Foreign Deposits	17266.2	11827.5	16443.2	-5438.7	-31.5	4615.7	39.0
1.2 Saving Deposits	698691.2	703028.1	811667.0	4336.9	0.6	108638.9	15.5
(a) Domestic Deposits	683588.7	689422.5	801283.5	5833.8	0.9	111861.0	16.2
(b) Foreign Deposits	15102.5	13605.6	10383.5	-1497.0	-9.9	-3222.1	-23.7
1.3 Fixed Deposits	523230.7	879821.8	1068861.5	356591.1	68.2	189039.7	21.5
(a) Domestic Deposits	501530.4	834086.9	1033978.8	332556.5	66.3	199891.9	24.0
(b) Foreign Deposits	21700.3	45734.9	34882.7	24034.5	110.8	-10852.1	-23.7
1.4 Call Deposits	340707.8	285228.7	308479.0	-55479.1	-16.3	23250.3	8.2
(a) Domestic Deposits	285473.9	266139.4	293013.0	-19334.5	-6.8	26873.7	10.1
(b) Foreign Deposits	55233.9	19089.3	15466.0	-36144.6	-65.4	-3623.4	-19.0
1.5 Margin Deposits	15713.7	20604.8	22165.9	4891.1	31.1	1561.1	7.6
2. Borrowings from NRB	6516.3	6243.6	11776.9	-272.6	-4.2	5533.3	88.6
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	381269.4	496399.1	598235.3	115129.7	30.2	101836.2	20.5
4.1 Paid-up Capital	122538.9	186759.5	231457.6	64220.6	52.4	44698.1	23.9
4.2 General Reserves	88058.1	121570.4	132712.5	33512.3	38.1	11142.1	9.2
4.3 Other Liabilities	170672.3	188069.2	234065.1	17396.9	10.2	45995.9	24.5
Assets=Liabilities	2141216.3	2583028.4	3069231.2	441812.1	20.6	486202.8	18.8
5. Liquid Funds	328337.0	395624.5	367746.5	67287.5	20.5	-27877.9	-7.0
5.1 Cash in Hand	47060.6	55472.0	63741.4	8411.4	17.9	8269.4	14.9
5.2 Balance with NRB	134715.9	194425.9	191080.6	59710.1	44.3	-3345.3	-1.7
5.3 Foreign Currency in Hand	928.1	996.7	2500.5	68.6	7.4	1503.8	150.9
5.4 Balance Held Abroad	145568.3	144564.8	110388.9	-1003.5	-0.7	-34175.9	-23.6
5.5 Cash in Transit	64.1	165.0	35.2	100.9	157.4	-129.9	-78.7
6. Loans and Advances	1594927.5	1970122.3	2428141.7	375194.9	23.5	458019.4	23.2
6.1 Claims on Government	176963.0	203061.8	275863.5	26098.8	14.7	72801.7	35.9
6.2 Claims on Non-Financial Government Enterprises	7875.8	8874.4	9631.5	998.6	12.7	757.2	8.5
6.3 Claims on Financial Enterprises	15311.2	16701.3	22577.2	1390.2	9.1	5875.9	35.2
Government	1006.6	853.7	1047.5	-152.9	-15.2	193.8	22.7
Non-Government	14304.6	15847.7	21529.7	1543.1	10.8	5682.1	35.9
6.4 Claims on Private Sector	1389459.2	1735074.9	2119961.7	345615.7	24.9	384886.8	22.2
(a) Principal	1367279.8	1708985.2	2090479.1	341705.5	25.0	381493.9	22.3
(b) Interest Accrued	22179.5	26089.7	29482.7	3910.2	17.6	3393.0	13.0
6.5 Foreign Bills Purchased & Discounted	5318.3	6409.9	107.7	1091.6	20.5	-6302.2	-98.3
7. NRB Bond	49020.0	0.0	0.0	-49020.0		0.0	
8. Other Assets	168931.8	217281.6	273343.0	48349.8	28.6	56061.4	25.8

P = Provisional

Table 24
Condensed Assets and Liabilities of Development Banks

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	268895.4	221028.1	288346.0	-47867.3	-17.8	67318.0	30.5
1.1 Demand Deposits	7238.3	5588.5	7304.0	-1649.9	-22.8	1715.5	30.7
(a) Domestic Deposits	7185.5	5537.2	7301.7	-1648.3	-22.9	1764.6	31.9
(b) Foreign Deposits	52.8	51.3	2.3	-1.5	-2.9	-49.0	-95.6
1.2 Saving Deposits	143419.3	92788.1	114735.9	-50631.1	-35.3	21947.8	23.7
(a) Domestic Deposits	143392.2	92758.0	114732.6	-50634.2	-35.3	21974.5	23.7
(b) Foreign Deposits	27.1	30.1	3.4	3.0	11.2	-26.7	-88.8
1.3 Fixed Deposits	68222.1	88673.0	124816.2	20450.9	30.0	36143.2	40.8
(a) Domestic Deposits	68221.0	88671.9	124816.2	20450.9	30.0	36144.2	40.8
(b) Foreign Deposits	1.1	1.0	0.0	0.0	-3.6	-1.0	-100.0
1.4 Call Deposits	49807.4	33757.2	41371.1	-16050.2	-32.2	7613.9	22.6
(a) Domestic Deposits	49586.5	33544.6	41371.1	-16042.0	-32.4	7826.5	23.3
(b) Foreign Deposits	220.9	212.7	0.0	-8.2	-3.7	-212.7	-100.0
1.5 Margin Deposits	208.3	221.2	118.8	12.9	6.2	-102.4	-46.3
2. Borrowings from NRB	5.0	181.4	221.0	176.4	3528.0	39.6	21.8
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	62786.1	57246.0	68272.9	-5540.0	-8.8	11026.9	19.3
4.1 Paid-up Capital	29278.2	29699.5	38003.8	421.3	1.4	8304.3	28.0
4.2 General Reserves	12137.7	12282.2	12080.4	144.5	1.2	-201.8	-1.6
4.3 Other Liabilities	21370.1	15264.3	18188.7	-6105.8	-28.6	2924.4	19.2
Assets=Liabilities	331686.5	278455.5	356839.9	-53231.0	-16.0	78384.5	28.1
5. Liquid Funds	21923.1	19078.5	20198.3	-2844.6	-13.0	1119.8	5.9
5.1 Cash in Hand	7819.7	6519.2	7161.6	-1300.4	-16.6	642.4	9.9
5.2 Balance with NRB	13738.9	12364.7	12843.8	-1374.1	-10.0	479.0	3.9
5.3 Foreign Currency in Hand	71.7	96.0	184.3	24.3	33.9	88.4	92.1
5.4 Balance Held Abroad	292.6	98.2	7.4	-194.4	-66.4	-90.9	-92.5
5.5 Cash in Transit	0.3	0.3	1.2	0.0	0.0	0.9	359.1
6. Loans and Advances	294700.0	251801.0	323376.8	-42899.0	-14.6	71575.8	28.4
6.1 Claims on Government	5561.1	6814.8	7989.4	1253.7	22.5	1174.6	17.2
6.2 Claims on Non-Financial Government Enterprises	188.2	170.1	75.2	-18.1	-9.6	-94.9	-55.8
6.3 Claims on Financial Enterprises	54167.3	41999.9	61535.0	-12167.5	-22.5	19535.2	46.5
Government	0.0	0.0	0.0	0.0		0.0	
Non-Government	54167.3	41999.9	61535.0	-12167.5	-22.5	19535.2	46.5
6.4 Claims on Private Sector	234783.3	202816.3	253777.1	-31967.0	-13.6	50960.9	25.1
(a) Principal	232698.8	200735.9	252107.6	-31962.9	-13.7	51371.7	25.6
(b) Interest Accrued	2084.5	2080.3	1669.5	-4.2	-0.2	-410.8	-19.7
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bond	60.0	0.0	0.0	-60.0		0.0	
8. Other Assets	15003.4	7576.0	13264.9	-7427.4	-49.5	5688.9	75.1

P = Provisional

Table 25
Condensed Assets and Liabilities of Finance Companies

(Rs. in Million)

	Mid-July			Annual Change			
				2016/17		2017/18	
	2016	2017	2018 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	63027.9	51768.0	62946.9	-11259.9	-17.9	11179.0	21.6
1.1 Demand Deposits	4542.4	4371.8	3974.8	-170.6	-3.8	-397.0	-9.1
(a) Domestic Deposits	4542.4	4371.8	3974.8	-170.6	-3.8	-397.0	-9.1
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.2 Saving Deposits	32046.9	18444.6	20425.4	-13602.4	-42.4	1980.9	10.7
(a) Domestic Deposits	32046.9	18444.6	20425.4	-13602.4	-42.4	1980.9	10.7
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.3 Fixed Deposits	24985.8	25197.9	34512.6	212.0	0.8	9314.7	37.0
(a) Domestic Deposits	24985.8	25197.9	34512.6	212.0	0.8	9314.7	37.0
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.4 Call Deposits	1437.9	3740.2	3986.2	2302.3	160.1	246.0	6.6
(a) Domestic Deposits	1437.9	3740.2	3986.2	2302.3	160.1	246.0	6.6
(b) Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.5 Margin Deposits	14.8	13.5	47.9	-1.3	-8.6	34.4	254.6
2. Borrowings from NRB	188.9	512.3	232.4	323.4	171.2	-279.9	-54.6
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	35739.5	27775.9	31684.4	-7963.6	-22.3	3908.4	14.1
4.1 Paid-up Capital	13164.2	10507.6	13047.8	-2656.7	-20.2	2540.3	24.2
4.2 General Reserves	7513.3	5469.3	6350.2	-2044.0	-27.2	881.0	16.1
4.3 Other Liabilities	15062.0	11799.1	12286.3	-3262.9	-21.7	487.2	4.1
Assets=Liabilities	98956.3	80056.2	94863.7	-18900.2	-19.1	14807.5	18.5
5. Liquid Funds	6574.8	5894.2	5515.7	-680.5	-10.4	-378.5	-6.4
5.1 Cash in Hand	1020.8	1091.3	1304.4	70.4	6.9	213.1	19.5
5.2 Balance with NRB	5551.4	4802.4	4210.7	-748.9	-13.5	-591.7	-12.3
5.3 Foreign Currency in Hand	0.1	0.1	0.1	0.0	-19.2	0.0	-18.2
5.4 Balance Held Abroad	0.0	0.0	0.0	0.0		0.0	
5.5 Cash in Transit	2.4	0.4	0.4	-2.0	-83.5	0.0	11.0
6. Loans and Advances	88305.3	73080.7	86952.7	-15224.6	-17.2	13872.0	19.0
6.1 Claims on Government	3845.0	4018.0	3687.7	173.0	4.5	-330.3	-8.2
6.2 Claims on Non-Financial Government Enterprises	131.9	150.4	296.6	18.5	14.0	146.2	97.2
6.3 Claims on Financial Enterprises	20714.6	13780.6	18719.4	-6934.0	-33.5	4938.8	35.8
Government	0.0	0.0	0.0	0.0		0.0	
Non-Government	20714.6	13780.6	18719.4	-6934.0	-33.5	4938.8	35.8
6.4 Claims on Private Sector	63613.7	55131.7	64249.0	-8482.1	-13.3	9117.3	16.5
(a) Principal	56901.4	49288.0	57227.8	-7613.4	-13.4	7939.8	16.1
(b) Interest Accrued	6712.3	5843.7	7021.2	-868.7	-12.9	1177.5	20.2
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	4076.3	1081.3	2395.4	-2995.0	-73.5	1314.1	121.5

P = Provisional

Table 26
Sectorwise Outstanding Loan of Commercial Banks

(Rs. in Million)

		Mid-July			Annual Change			
		2016	2017	2018 ^P	2016/17		2017/18	
					Amount	Percent	Amount	Percent
1.	Agriculture	78791.5	90041.2	135756.6	11249.7	14.3	45715.4	50.8
2.	Mining	3404.0	3894.5	5033.3	490.5	14.4	1138.8	29.2
3.	Production Sector	296111.2	329800.1	397853.5	33688.9	11.4	68053.5	20.6
4.	Construction	182872.1	212185.5	253154.6	29313.4	16.0	40969.0	19.3
5.	Metal Production, Machinery & Electrical Tools and Fitting	19473.5	25027.1	33148.5	5553.6	28.5	8121.4	32.5
6.	Transportation, Equipment Production and Fitting	29942.1	33692.5	36935.8	3750.4	12.5	3243.3	9.6
7.	Transportation, Communication and Public Service	83966.8	105100.4	133168.1	21133.6	25.2	28067.7	26.7
8.	Wholesalers and Retailers	374349.8	434697.6	532019.2	60347.7	16.1	97321.6	22.4
9.	Finance, Insurance and Fixed Assets	135056.4	165393.3	203034.8	30336.9	22.5	37641.5	22.8
10.	Service Industry	126574.7	156122.3	197151.3	29547.6	23.3	41029.0	26.3
11.	Consumption Loan	65187.0	85339.0	87156.8	20152.0	30.9	1817.9	2.1
12.	Local Government	1655.0	1583.8	1553.5	-71.2	-4.3	-30.3	-1.9
13.	Other	284468.7	343348.0	406812.9	58879.3	20.7	63464.9	18.5
	Total	1681852.7	1986225.1	2422778.8	304372.4	18.1	436553.7	22.0

P = Provisional

Table 27
Sources and Uses of Funds of Microfinance Financial Institutions

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2016	2017	2018 ¹	2016/17	2017/18
Sources					
Capital Funds	8,673.70	12,763.60	17,443.60	47.2	36.7
Deposits	24,095.30	34,401.20	49,548.80	42.8	44
Borrowings	52,431.40	66,953.00	87,683.70	27.7	31
Others	7,200.00	10,172.10	16,904.60	41.3	66.2
P/L Account	3,306.20	3,718.90	4,029.30	12.5	8.3
Sources=Uses	95,706.60	128,008.80	175,610.00	33.8	37.2
Uses	-	-	-	0	0
Liquid Funds	11,073.20	12,741.00	16,383.10	15.1	28.6
Investment	2,843.50	2,753.10	2,495.50	-3.2	-9.4
Loans & Advances	77,233.00	106,515.20	145,951.50	37.9	37
Others	4,546.20	5,929.90	10,718.50	30.4	80.8
P/L Account	10.80	69.60	61.40	544.8	-11.8

1 Unaudited

Table 28
Sources and Uses of Funds of NRB Licensed Cooperatives

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2016	2017	2018 ¹	2016/17	2017/18
Sources					
Capital Funds	2,761.0	2,862.2	3,499.5	3.7	22.3
Deposits	25,417.0	25,399.4	33,143.4	-0.1	30.5
Borrowings	1,595.5	2,021.7	1,803.7	26.7	-10.8
Others	2,091.8	1,765.5	2,477.6	-15.6	40.3
P/L Account	651.7	1,027.7	1,362.5	57.7	32.6
Sources=Uses	32,516.9	33,076.5	42,286.7	1.7	27.8
Uses					
Liquid Funds	8,042.7	6,859.4	9,830.7	-14.7	43.3
Investment	2,358.5	2,828.7	2,920.4	19.9	3.2
Loans & Advances	20,184.5	21,365.0	26,794.6	5.8	25.4
Others	1,765.4	1,765.4	2,353.8	0	33.3
P/L Account	165.8	258.0	387.2	55.6	50.1

1 Unaudited

Table 29
Sources and Uses of Funds of Insurance Companies

(Rs. in Million)

Particulars	Mid-July			2016/17		2017/18	
	2016	2017	2018 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	10,995.20	14,522.10	35,981.00	3,526.90	32.1	21,458.90	147.8
Reserve Funds	135,416.90	162,819.40	203,743.60	27,402.50	20.2	40,924.20	25.1
Other Liabilities	11,829.50	8,548.50	20,591.60	3,281.00	-27.7	12,043.10	140.9
Sources=Uses	158,241.60	185,890.00	260,316.20	27,648.40	17.5	74,426.20	40
Uses							
Bank & Cash Balances	5,517.30	4,623.50	6,900.20	-893.80	-16.2	2,276.70	49.2
Investment	133,296.50	161,263.10	227,774.30	27,966.60	21	66,511.20	41.2
Fixed Assets	2,737.00	2,993.30	3,626.90	256.30	9.4	633.60	21.2
Other Assets	16,690.80	17,010.10	22,014.80	319.30	1.9	5,004.70	29.4

1 Unaudited

Source: Insurance Board Nepal

Table 30
Sources and Uses of Funds of Employees Provident Fund

(Rs. in Million)

Particulars	Mid-July			2016/17		2017/18	
	2016	2017	2018 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	217,936.60	244,145.40	285,204.50	26,208.80	12.0	41,059.10	16.8
Reserve Funds	4,439.20	4,659.00	7,973.90	219.80	5.0	3,314.90	71.2
Other Liabilities	2,479.00	2,479.00	3,203.70	-	0.0	724.70	29.2
Sources=Uses	224,854.80	251,283.30	296,382.20	26,428.50	11.8	45,098.80	17.9
Uses							
Bank & Cash Balance	7,881.10	2,521.00	1,926.80	- 5,360.10	-68.0	-594.20	-23.6
Investment	69,457.70	78,690.40	72,294.70	9,232.70	13.3	-6,395.70	-8.1
Fixed Deposits	51,372.00	60,520.00	52,500.00	9,148.00	17.8	-8,020.00	-13.3
GON Securities	15,865.20	15,390.40	14,988.00	-474.80	-3.0	-402.40	-2.6
Housing Plan	-	-	-	-	0.0	-	0.0
Share Investment	2,220.50	2,780.00	4,806.60	559.50	25.2	2,026.60	72.9
Other Investment	-	-	-	-	0.0	-	0.0
Loans and Advances	144,105.00	166,660.90	218,537.50	22,555.90	15.7	51,876.60	31.1
Project Loan	24,749.60	28,471.00	40,354.90	3,721.40	15.0	11,883.90	41.7
Depositor Loan	119,355.40	138,189.90	178,182.60	18,834.50	15.8	39,992.70	28.9
Fixed Assets	400.00	1,181.00	1,404.70	781.00	195.3	223.70	18.9
Other Assets	3,011.00	2,230.00	2,218.50	-781.00	-25.9	-11.50	-0.5

1 Unaudited

Source: Employees Provident Fund

Table 31
Sources and Uses of Funds of Citizen Investment Trust

(Rs. in Million)

Particulars	Mid-July			2016/17		2017/18	
	2016	2017	2018 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
1. Paid-up Capital	607.50	740.30	903.10	132.80	21.9	162.80	22.0
2. Reserve Funds	1,514.10	2,322.90	3,738.50	808.80	53.4	1,415.60	60.9
3. Fund Collection	80,156.40	93,545.10	107,605.20	13,388.70	16.7	14,060.10	15.0
4. Other Liabilities	735.40	2,493.30	1,814.50	1,757.90	239.0	-678.80	-27.2
Sources=Uses	83,013.40	99,101.60	114,061.30	16,088.20	19.4	14,959.70	15.1
Uses							
1. Liquid Assets	600.00	2,283.50	1,825.00	1,683.50	280.6	-458.50	-20.1
2. Investment	62,875.80	68,564.70	77,817.10	5,688.90	9.0	9,252.40	13.5
3. Loans & Advances	13,608.30	23,108.90	26,040.00	9,500.60	69.8	2,931.10	12.7
4. Other Assets	5,929.30	5,144.50	8,379.20	-784.80	-13.2	3,234.70	62.9

1 Unaudited

Source: Citizen Investment Trust

Table 32
Structure of Nepalese Financial System

(Rs. in Million)

Particulars	2015/16			2016/17			2017/18		
	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	3,694,948.0	88.8	164.0	4,169,884.0	88.6	157.8	4,916,619.0	88.0	163.5
Nepal Rastra Bank	981,530.0	23.6	43.6	1,048,679.0	22.3	39.7	1,153,357.0	20.6	38.4
Commercial Banks	2,141,216.0	51.4	95.0	2,583,028.0	54.9	97.7	3,069,231.0	54.9	102.1
Development Banks	331,686.0	8.0	14.7	278,455.0	5.9	10.5	356,840.0	6.4	11.9
Finance Companies	98,956.0	2.4	4.4	80,056.0	1.7	3.0	94,864.0	1.7	3.2
Microfinance FIs	95,707.0	2.3	4.2	128,009.0	2.7	4.8	175,610.0	3.1	5.8
Cooperatives*	32,517.0	0.8	1.4	33,076.0	0.7	1.3	42,287.0	0.8	1.4
Microfinance NGOs*	13,336.0	0.3	0.6	18,580.0	0.4	0.7	24,430.0	0.4	0.8
Contractual Saving Institutions	466,110.0	11.2	20.7	536,275.0	11.4	20.3	670,760.0	12.0	22.3
Provident Fund	224,855.0	5.4	10.0	251,283.0	5.3	9.5	296,382.0	5.3	9.9
Citizen Investment Trust	83,013.0	2.0	3.7	99,102.0	2.1	3.8	114,061.0	2.0	3.8
Insurance Companies	158,242.0	3.8	7.0	185,890.0	3.9	7.0	260,316.0	4.7	8.7
Postal Saving Bank	2,196.0	0.1	0.1	2,119.0	-	0.1	1,914.0	-	0.1
Total	4,163,254.0	100.0	184.8	4,708,278.0	100.0	178.2	5,589,292.0	100.0	185.9
GDP (Rs. in billion)			2,253.16			2,642.60			3,007.25
Market Capitalization of Securities Market (Rs. in billion)			1,890.13			1,856.83			1,435.14
Ratio of Market Capitalization to GDP (%)			83.9			70.3			47.7

1 Unaudited

* Licensured by NRB

Table 33
Stock Market Indicators

Particulars	Mid-July			Percent Change	
	2016	2017	2018	2016/17	2017/18
1 Number of Listed Companies	230	208	196	- 9.6	-5.8
2 Paid-up Capital of the Listed Companies (Rs. in million)	204,019.60	289,590.40	352,094.60	41.9	21.6
3 Total Market Capitalization (Rs. in million)	1,890,130.00	1,856,829.40	1,435,137.70	-1.8	-22.7
4 Annual Turnover (Rs. in million)	164,651.70	205,023.10	121,391.00	24.5	-40.8
5 Market Days	233	230	233	-1.3	1.3
6 Number of Companies Traded	274	270	259	-1.5	-4.1
7 Number of Transactions	838,987	1,356,515	1,311,034	61.7	-3.4
8 Number of Listed Shares (in '000)	2,105,437	2,965,884	3,598,745	40.9	21.3
9 Number of Shares Traded (in '000)	303,575	392,881	293,818	29.4	-25.2
10 Ratio of Paid-up Capital to GDP (%)	9.1	11.0	11.7	21.0	6.8
11 Ratio of Turnover to Paid-up Capital (%)	80.7	70.8	34.5	-12.3	-51.3
12 Ratio of Turnover to Market Capitalization (%)	8.7	11.0	20.5	26.8	-23.4
13 Ratio of Market Capitalization to GDP (%)	83.9	70.3	47.7	-16.2	-32.1
14 NEPSE Index (closing)	1,718.2	1,582.7	1,212.4	-7.9	-23.4
15 NEPSE Sensitive Index (closing)	369.1	336.0	255.2	-8.9	-24.1
16 NEPSE Float Index (closing)	125.4	116.1	87.2	-7.4	-25.0

Source: Nepal Stock Exchange Limited

Table 34
Securities Listed at Nepal Stock Exchange Limited

	2016/17			2017/18		
	No. of Shares ('000)	Amount (Rs. in Million)	Share %	No. of Shares ('000)	Amount (Rs. in Million)	Share %
Institutionwise						
Commercial Banks	467,822.4	46,782.2	34.9	403,056.2	40,305.6	30.6
Development Banks	130,057.4	13,005.7	9.7	121,689.6	12,169.0	9.3
Insurance Companies	40,818.5	4,081.8	3.0	68,574.7	6,857.5	5.2
Finance Companies	27,332.3	2,733.2	2.0	22,723.4	2,272.3	1.7
Productive and Processing Companies	0.0	0.0	0.0	0.0	0.0	0.0
Hotels	6,585.1	658.5	0.5	2,273.3	227.3	0.2
Trading Organizations	107.1	10.7	0.0	8,917.9	891.8	0.7
Hydropower Companies	33,007.2	3,300.7	2.5	40,409.0	4,040.9	3.1
Others	746,575.0	63,407.5	47.3	647,672.2	64,767.2	49.2
Total	1,452,304.9	133,980.5	100.0	1,315,316.3	1,315,316.3	100.0
Securitywise						
Ordinary Shares	46,666.9	4,666.7	3.5	308,322.4	30,832.2	23.4
Right Shares	296,441.5	29,644.1	22.1	361,446.4	36,144.6	27.5
Bonus Shares	364,196.5	36,419.7	27.2	274,673.4	27,467.3	20.9
Government Bonds	620,000.0	62,000.0	46.3	364,716.0	36,471.6	27.7
Convertible Preference Shares	0.0	0.0	0.0	0.0	0.0	0.0
Debentures Issued by Banks	0.0	0.0	0.0	0.0	0.0	0.0
Others	125,000.0	1,250.0	0.9	6,158.1	615.8	0.5
Total	1,452,304.9	133,980.5	100.0	1,315,316.3	131,531.6	100.0

Source: Nepal Stock Exchange Limited

Table 35
Listed Companies and Market Capitalization

Particulars	No. of Listed Companies			Market Capitalization (Rs. In Million)						Share Price	
	Mid-July 2016	Mid-July 2017	Mid-July 2018	Mid-July 2016		Mid-July 2017		Mid-July 2018		Percent Change	
				Price	Share %	Price	Share %	Price	Share %	2016/17	2017/18
Financial Institutions	193	165	147	1581442.9	83.7	1586081.6	85.4	1155762.2	80.5	0.3	-27.1
Commercial Banks	29	27	27	995160.3	52.7	979489.8	52.8	744021.1	51.8	-1.6	-24.0
Development Banks	95	80	34	233120.6	12.3	258428.5	13.9	72578.9	5.1	10.9	-71.9
Finance Companies	47	36	27	68427.1	3.6	52361.3	2.8	18187.5	1.3	-23.5	-65.3
Microfinance Financial Institutions	-	-	37	-	-	-	-	97052.9	6.8	-	-
Insurance Companies	22	22	22	284734.9	15.1	295802.0	15.9	223921.8	15.6	3.9	-24.3
Construction and Processing Companies	18	18	18	45803.1	2.4	41989.5	2.3	40172.0	2.8	-8.3	-4.3
Hotels	4	4	4	26811.8	1.4	29356.2	1.6	24419.4	1.7	9.5	-16.8
Trading Organizations	4	4	4	1179.9	0.1	1237.9	0.1	1141.7	0.1	4.9	-7.8
Hydropower Companies	8	14	19	88225.5	4.7	77197.3	4.2	67397.5	4.7	-12.5	-12.7
Others	3	3	4	146666.9	7.8	120966.9	6.5	146245.0	10.2	-17.5	20.9
Total	230	208	196	1890130.0	100.0	1856829.4	100.0	1435137.7	100.0	-1.8	-22.7

Source: Nepal Stock Exchange Limited

Appendix 1.1

Lists of Banks and Financial Institutions Licensed for Financial Transactions (As in mid-July 2018)

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	8,042.70	National Level
2	Agriculture Development Bank Ltd.	Ramshahpath, Kathmandu	1968/01/21	13,937.90	National Level
3	Nabil Bank Ltd.	Beena Marg, Kathmandu	1984/07/12	8,043.20	National Level
4	Nepal Investment Bank Ltd.	Durbarmarg, Kathmandu	1986/03/09	10,645.60	National Level
5	Standard Chartered Bank Nepal Ltd.	Nayabaneswor, Kathmandu	1987/02/28	8,011.40	National Level
6	Himalayan Bank Ltd.	Kamaladi, Kathmandu	1993/01/18	8,114.50	National Level
7	Nepal SBI Bank Ltd.	Kesharmahal, Kathmandu	1993/07/07	8,046.90	National Level
8	Nepal Bangladesh Bank Ltd.	Kamaladi, Kathmandu	1994/06/06	8,088.10	National Level
9	Everest Bank Ltd.	Lazimpat, Kathmandu	1994/10/18	8,106.90	National Level
10	Kumari Bank Ltd.	Durbarmarg, Kathmandu	2001/04/03	5,969.50	National Level
11	Laxmi Bank Ltd.	Hattisar, Kathmandu	2002/04/03	8,221.70	National Level
12	Citizens Bank International Ltd.	Narayanhitipath, Kathmandu	2007/04/20	8,033.20	National Level
13	Prime Commercial Bank Ltd.	Kamalpokhari, Kathmandu	2007/09/24	8,033.30	National Level
14	Sunrise Bank Ltd.	Gairidhara, Kathmandu	2007/10/12	8,152.60	National Level
15	Century Commercial Bank Ltd.	Putalisadak, Kathmandu	2011/03/10	8,063.40	National Level
16	Sanima Bank Ltd.	Nagpokhari, Kathmandu	2012/02/15	8,001.30	National Level
17	Machhapuchhre Bank Ltd.	New Road, Pokhara, Kaski	2012/07/09*	8,055.70	National Level
18	NIC Asia Bank Ltd.	Thapathali, Kathmandu	2013/06/30*	8,031.10	National Level
19	Global IME Bank Ltd.	Panipokhari, Kathmandu	2014/04/09*	8,888.40	National Level
20	NMB Bank Ltd.	Babarmahal, Kathmandu	2015/10/18*	6,461.80	National Level
21	Prabhu Bank Ltd.	Babarmahal, Kathmandu	2016/02/12*	8,001.30	National Level
22	Siddhartha Bank Ltd.	Hattisar, Kathmandu	2016/07/21*	8,464.40	National Level
23	Bank of Kathmandu Ltd.	Kamalpokhari, Kathmandu	2016/07/14*	6,245.40	National Level
24	Civil Bank Ltd.	Kamaladi, Kathmandu	2016/10/17*	7,259.30	National Level
25	Nepal Credit and Commerce Bank Ltd.	Bagbazar, Kathmandu	2017/01/01*	4,679.10	National Level
26	Janata Bank Nepal Ltd.	Thapathali, Kathmandu	2017/04/07*	8,000.80	National Level
27	Rastriya Banijya Bank Ltd. ¹	Singhadurbarplaza, Kathmandu	2018/05/02*	9,004.80	National Level
28	Mega Bank Nepal Ltd. ²	Kamaladi, Kathmandu	2010/05/13*	9,286.80	National Level

* Joint operation date after merger

1 After the merger of Rastriya Banijya Bank Ltd. and NIDC Development Bank Ltd.

2 After the merger of Mega Bank Ltd. and Tourism Development Bank.

Paid-up capital as in mid-June 2018.

2. Development Banks

S. No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Narayani Development Bank Ltd.	Ratna Nagar, Chitawan	2001/10/17	55.60	1-3 District Level (Nawalparasi, Chitwan, Makwanpur)
2	Sahayogi Vikas Bank Ltd.	Janakpurdham, Dhanusha	2003/10/23	509.70	1-3 District Level (Dhanusa, Mahottari, Sindhuli)

3	Karnali Bikash Bank Ltd.	Nepalgunj, Banke	2004/02/18	151.00	1-3 District Level (Banke, Bardiya, Dang)
4	Excel Development Bank Ltd.	Birtamod, Jhapa	2005/07/21	692.70	1-3 District Level (Ilam, Jhapa, Morang)
5	Miteri Development Bank Ltd.	Dharan, Sunsari	2006/10/13	500.00	1-3 District Level (Jhapa, Morang, Sunsari)
6	Tinau Bikas Bank Ltd.	Butwal, Rupandehi	2006/11/01	506.90	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
7	Muktinath Bikas Bank Ltd.	Kamaladi, Kathmandu	2007/01/03	2,591.80	National Level
8	Kankai Bikas Bank Ltd.	Damak, Jhapa	2007/05/03	500.00	1-3 District Level (Jhapa, Ilam, Morang)
9	Bhargab Bikas Bank Ltd.	Nepalgunj, Banke	2007/08/30	408.40	1-3 District Level (Banke, Dang, Bardiya)
10	Corporate Development Bank Ltd.	Birgunj, Parsa	2007/11/07	200.00	1-3 District Level (Parsa, Makwanpur, Kavrepalanchowk)
11	Kabeli Bikas Bank Ltd. ³	Dhankutabazar, Dhankuta	2007/12/16	223.00	1 District Level (Dhankuta)
12	Purnima Bikas Bank Ltd.	Siddharthanagar, Rupandehi	2008/05/20	525.00	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
13	Hamro Bikas Bank Ltd.	Battar, Nuwakot	2009/04/19	492.20	1 District Level (Nuwakot)
14	Kanchan Development Bank Ltd.	Mahendranagar, Kanchanpur	2009/09/19	506.00	1-3 District Level (Kailali, Kanchanpur, Dadeldhura)
15	Mission Development Bank Ltd.	Butwal, Rupandehi	2010/06/15	519.30	1-3 District Level (Rupandehi, Nawalparasi, Kapilvastu)
16	Sindhu Bikas Bank Ltd.	Barhabise, Sindhupalchowk	2010/09/09	418.10	1-3 District Level (Sindhupalchowk, Kavre, Dolkha)
17	Sahara Bikas Bank Ltd.	Malangawa, Sarlahi	2010/10/27	73.00	1 District Level (Sarlahi)
18	Nepal Community Development Bank Ltd.	Butwal, Rupandehi	2010/11/03	484.60	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
19	Salapa Bikash Bank Ltd.	Diktel, Khotang	2012/07/16	28.00	1 District Level (Khotang)
20	Saptakoshi Development Bank Ltd.	Tankisinuwari, Morang	2012/10/02	508.50	1-3 District Level (Morang, Ilam, Panchthar)
21	Green Development Bank Ltd.	Baglung Bazar, Baglung	2013/08/25	100.00	1-3 District Level (Baglung, Myagdi, Kaski)
22	Sangrila Development Bank Ltd. ⁸	Baluwatar, Kathmandu	2014/07/13*	2,445.30	National Level
23	Deva Development Bank Ltd.	Laldurbar, Kathmandu	2015/07/10*	2,084.60	National Level
24	Kailash Bikash Bank Ltd.	Putalisadak, Kathmandu	2016/04/04*	2,520.60	National Level
25	Shine Resunga Development Bank Ltd.	Butwal, Rupandehi	2013/03/17*	1,378.60	4-10 District Level (Rupandehi, Nawalparasi, Arghakhachi, Gulmi, Palpa, Dang, Pyuthan, Kapilvastu, Baglung and Chitwan)
26	Jyoti Bikas Bank Ltd.	Kamaladi, Kathmandu	2016/08/12*	2,593.60	National Level
27	Garima Bikas Bank Ltd.	Iazimpat, Kathmandu	2016/09/20*	2,534.90	National Level
28	Om Development Bank Ltd. ⁹	Pokhara, Kaski	2017/06/16*	2,515.20	National Level
29	Mahalaxmi Bikas Bank Ltd. ¹⁰	Durbar Marg, Kathmandu	2017/07/02*	2,633.80	National Level
30	Gandaki Bikas Bank Ltd. ¹¹	Pokhara, Kaski	2017/07/05*	2,750.00	National Level
31	Lumbini Bikas Bank Ltd. ¹²	Dillibazar, Kathmandu	2017/07/09*	2,149.60	National Level
32	Kamana Sewa Bikas Bank Ltd.	Gyaneshwor, Ktm.	2017/08/04*	2,357.10	National Level
33	Western Development Bank Ltd.	Ghorahi, Dang	2005/09/15*	429.30	1-3 District Level (Dang, Banke, Kapilvastu)

* Joint operation date after merger

3 After the acquisition of Mount Makalu Development Bank Ltd. by Kabeli Bikash Bank Ltd.

Paid-up capital as in mid-June 2018.

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	233.30	National Level
3	Goodwill Finance Ltd.	Hattisar, Kathmandu	1995/5/15	800.00	National Level
4	Lalitpur Finance Co. Ltd.	Lagankhel, Lalitpur	1995/12/14	236.90	National Level
5	United Finance Co. Ltd.	Durbarmarg, Kathmandu	1996/01/26	800.50	National Level
6	Best Finance Ltd.	Chabahil, Kathmandu	1996/02/01	297.50	National Level
7	Progressive Finance Co. Ltd.	Newroad, Kathmandu	1996/02/26	210.00	National Level
8	Janaki Finance Co. Ltd.	Janakpurdham, Dhanusha	1997/03/07	403.40	1-3 District Level (Dhanusa, Mahottari, Siraha)
9	Pokhara Finance Ltd.	Pokhara, Kaski	1997/03/16	754.20	National Level
10	Hathawe Finance Co. Ltd.	Dharan, Sunsari	1997/08/17	300.00	National Level
11	Multipurpose Finance Co. Ltd.	Rajbiraj, Saptari	1998/04/15	41.50	1 District Level (Saptari)
12	Shrijana Finance Ltd.	Biratnagar, Morang	1999/12/14	400.70	1-3 District Level (Morang, Sunsari, Saptari)
13	World Merchant Banking & Finance Ltd.	Hetauda, Makwanpur	2001/08/10	182.00	National Level
14	Capital Merchant Banking & Finance Co. Ltd.	Battisputali, Kathmandu	2002/02/01	935.10	National Level
15	Crystal Finance Ltd.	Thapathali, Kathmandu	2002/3/13	70.00	National Level
16	Guheshwori Merchant Banking & Finance Ltd.	Pulchowk, Lalitpur	2002/06/13	800.00	National Level
17	ICFC Finance Ltd.	Bhatbhateni, Kathmandu	2004/07/15	882.20	National Level
18	City Express Finance Co. Ltd.	Durbarmarg, Kathmandu	2006/03/24	150.00	National Level
19	Manjushree Financial Institution Ltd.	Nayabaneswor, Kathmandu	2007/10/17	800.10	National Level
20	Jebil's Finance Ltd.	Newroad, Kathmandu	2009/10/28	577.90	National Level
21	Synergy Finance Ltd.	Butwal, Rupandehi	2012/12/6*	474.40	National Level
22	Reliance Finance Ltd.	Pradarsani Marg, Kathmandu	2014/05/08*	713.10	National Level
23	Gorkhas Finance Ltd.	Dillibazar, Kathmandu	2016/4/10*	868.00	National Level
24	Shree Investment & Finance Co. Ltd.	Dillibazar, Kathmandu	2017/2/1*	632.20	National Level
25	Central Finance Ltd.	Kupondole, Lalitpur	2017/3/23*	735.40	National Level

* Joint operation date after merger

Note: NRB cancelled the license of Himalaya Finance Ltd. (Sundhara, Kathmandu) and Samjhana Finance Co. Ltd. (Banepa, Kavre).

Paid-up capital as in mid-June 2018.

4. Microfinance Financial Institutions

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	1,000.00	National Level
2	Rural Microfinance Development Centre Ltd.	Putalisadak, Kathmandu	1999/12/06	726.70	National Level
3	Deprosc Microfinance Development Bank Ltd.	Bharatpur, Chitwan	2001/07/03	703.10	National Level
4	Chhimek Microfinance Development Banks Ltd.	Old Baneshwor, Kathmandu	2001/12/10	1,000.00	National Level
5	Shawalamban Laghu Bitta Bikas Banks Ltd.	Lalcolony Marg, Kathmandu	2002/02/22	503.10	National Level
6	Sana Kisan Bikas Bank Ltd.	Subidhanagar, Kathmandu	2002/03/11	628.80	National Level

7	Nerude Laghu Bitta Bikas Bank Ltd.	Biratnagar, Morang	2007/06/15	345.80	National Level
8	Naya Nepal Laghu Bitta Bikas Bank Ltd.	Dhulikhel, Kavre	2009/03/20	24.00	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	66.00	4-10 District Level (Sindhuli, Mahottari, Dhanusa, Siraha, Sarlahi, Saptari, Rautahat, Udaypur, Bara, Ramechhap, Sindhupalchok, Nuwakot, Dolakha, Okhaldhunga)
10	Summit Microfinance Development Bank Ltd.	Birtamod, Jhapa	2009/05/20	145.00	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	122.50	National Level
12	First Microfinance Development Bank Ltd.	Gyaneshwor, Kathmandu	2009/12/28	681.70	National Level (Thok Karja)
13	Nagbeli Microfinance Development Bank Ltd.	Birtamod, Jhapa	2010/02/04	76.60	4-10 District Level (Jhapa, Morang, Ilam, Panchthar, Taplejung, Terhathum, Dhankuta, Sunsari, Saptari, Udaypur)
14	Kalika Microcredit Development Bank Ltd.	Waling, Syangja	2010/07/21	100.00	National Level
15	Mirmire Microfinance Development Bank Ltd.	Banepa, Kavre	2010/09/23	58.90	10+5 District Level (Rasuwa, Nuwakot, Dhading, Dolakha, Gulmi, Kavrepalanchowk, Makwanpur, Chitwan, Nawalparasi, Palpa, Rukum, Rolpa, Salyan, Arghakhanchi, Pyuthan)
16	Janautthan Samudayik Microfinance Dev. Bank Ltd.	Butwal, Rupandehi	2010/11/09	28.80	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	77.80	15+17 District Level (Dhading, Makwanpur, Chitwan, Nawalparasi, Tanahun, Lamjung, Kavrepalanchowk, Kaski, Syangja, Palpa, Sindhuli, Okhaldhunga, Udaypur, Dhankuta, Gorkha, Nuwakot, Ilam, Terhathum, Rupandehi, Kapilvastu, Bara, Parsa, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha, Saptari, Sunsari, Morang, Dang, Banke)
18	Laxmi Microfinance Bittiya Sanstha Ltd.	Maharajgunj, Kathmandu	2012/06/04	242.00	National Level
19	Civil Laghubitta Bittiya Sanstha Ltd.	Chuchepati, Kathmandu	2012/07/05	109.70	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	48.10	10+5 District Level (Kailali, Achham, Bajura, Bajhang, Baitadi, Darchula, Kalikot, Humla, Mugu, Doti, Dadeldhura, Dailekh, Salyan, Jajarkot, Jumla)
22	Vijaya Laghubitta Bittiya Sanstha Ltd.	Gaidakot, Nawalparasi	2013/03/28	177.10	National Level
23	NMB Microfinance Bittiya Sanstha Ltd.	Pokhara-Hemja, Kaski	2013/03/31	140.90	National Level
24	FORWARD Community Microfinance Bittiya Sanstha Ltd.	Duhabi Bhaluwa, Sunsari	2013/05/17	300.20	National Level

25	Global IME Laghubitta Bittiya Sanstha Ltd.	Besisahar, Lamjung	2013/05/19	96.10	45 District Level (Rapti-5, Lumbini-6, Narayani-5, Bagmati-5 (except Valley), Veri-4 (except Jajarkot), Gandaki-5 (except Syangja), Janakpur-5 (except Dolakha), Kailali, Kanchanpur, Mustang, Baglung, Dolpa, Sunsari, Morang, Udaypur, Siraha, Okhaldhunga)
26	Mahuli Samudyik Laghubitta Bittiya Sanstha Ltd.	Bagdhuwa, Saptari	2013/06/15	60.00	10+5 District Level (Saptari, Siraha, Udayapur, Khotang, Sunsari, Bhojpur, Okhaldhunga, Sindhuli, Dhankuta, Ramechhap, Terhathum, Sankhuwasabha, Solukhumbu, Sarlahi, Mahottari)
27	Suryodaya Laghubitta Bittiya Sanstha Ltd.	Putalibazar, Syanja	2013/07/16	72.80	4-10 District Level (Baglung, Myagdi, Parbat, Syangja, Manang, Lamjung, Mustang, Gulmi, Pyuthan, Rolpa)
28	Mero Microfinance Bittiya Sanatha Ltd.	Battar, Nuwakot	2013/07/18	286.00	National Level
29	Samata Microfinance Bittiya Sanatha Ltd.	Pipra, Simara	2013/08/25	37.90	5 District Level (Bara, Rautahat, Sarlahi, Mahottari, Sindhuli)
30	RSDC Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2013/09/11	360.00	National Level (Thok Karja)
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, Sankhuwasabha)
32	National Microfinance Bittiya Sanstha Ltd.	Nilkantha, Dhading	2014/07/02	120.40	National Level
33	Nepal Grameen Bikas Bank Ltd.	Butwal, Rupandehi	2014/8/15*	655.00	National Level
34	Nepal Sewa Laghubitta Bittiya Sanstha Ltd.	Phataksila, Sindhupalchok	2014/10/26	60.00	1-3 District Level (Sindhupalchowk, Rasuwa, Nuwakot)
35	Unnati Microfinance Bittiya Sanstha Ltd.	Padsari, Rupandehi	2014/11/07	55.00	4-10 District Level (Rupandehi, Palpa, Pyuthan, Kapilvastu, Arghakhanchi, Gulmi, Parbat, Baglung, Myagdi, Mustang)
36	Swadeshi Lagubitta Bittiya Sanstha Ltd.	Itahari, Sunsari	2014/12/31	115.00	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	60.00	4-10 District Level (Sunsari, Terhathum, Dhankuta, Panchthar, Bhojpur, Udaypur, Khotang, Sindhuli, Ramechhap, Makwanpur)
39	Arambha Microfinance Bittiya Sanstha Ltd.	Ugratara, Kavrepalanchowk	2015/07/23	60.00	4-10 District Level (Sindhupalchok, Nuwakot, Dolakha, Ramechhap, Sindhuli, Okhaldhunga, Khotang, Bhojpur, Terhathum, Dhankuta)
40	Janasewi Laghubitta Bittiya Sanstha Ltd.	Kushma, Parbat	2015/09/29	50.80	4-10 District Level (Parbat, Baglung, Myagdi, Gulmi, Rukum, Rolpa, Kaski, Tanahun, Lamjung, Gorkha)
41	Chautari Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2016/01/03	126.00	10+5 District Level (Nawalparasi, Rupandehi, Kapilvastu, Gulmi, Arghakhanchi, Palpa, Rolpa, Dang, Salyan, East Rukum, West Rukum, Jajarkot, Surkhet, Syangja)
42	Ghodighoda Laghubitta Bittiya Sanstha Ltd.	Sripur Belauri, Kanchanpur	2016/06/12	11.10	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Surkhet, Doti, Dadeldhura, Baitadi, Darchula)

43	Asha Lagubitta Bittiya Sashta Ltd.	Madanpur Nuwakot	2016/08/29	70.00	National Level
44	Nepal Agro Microfinance Bittiya Sashta 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 Sashta 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 Sashta Ltd.	Pratappur, Kailali	2016/09/25	14.00	4-10 District Level (Kailali, Kanchanpur, Bardiya, Surkhet, Doti, Achham, Kalikot, Bajura, Darchula, Bajhang)
47	Gurans Laghubitta Bittiya Sashta Ltd.	Dhankutabazaar, Dhankuta	2016/11/16	42.00	4-10 District Level (Taplejung, Paanchthar, Ilam, Terhathum, Dhankuta, Sankhuwasabha, Bhojpur, Morang, Sunsari, Okhaldhunga)
48	Ganapati Microfinance Bittiya Sashta 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, Arghakhanchi, Gulmi, Kapilvastu)
51	Swabhiman Microfinance Bittiya Sanstha Ltd.	Tilottama, Rupandehi	2017/05/22	38.50	4-10 District Level (Rupandehi, Gulmi, Rolpa, Salyan, Syangja, Palpa, Arghakhanchi, Nawalparasi, Kapilvastu, Pyuthan)
52	Sparsha Laghubitta Bittiya Sanstha Ltd.	Pokhara Lekhnath, Kaski	2017/07/13	56.00	4-10 District Level (Kaski, Baglung, Myagdi, Lamjung, Tanahun, Nawalparasi, Parbat, Gulmi, Arghakhanchi, Gorkha)
53	Sabaiko Laghubitta Bittiya Sanstha Ltd.	Bandipur, Tanahu	2017/07/14	112.00	National Level
54	Arthik Samridhi Laghubitta Bittiya Sanstha Ltd.	Bhanu, Tanahun	2017/09/13	24.50	4-10 District Level (Tanahun, Kaski, Syangja, Gorkha, Rupandehi, Palpa, Nawalparasi, Parbat, Gulmi and Manang)
55	Sadhana Laghubitta Bittiya Sanstha Ltd.	Gorkha, Gorkha	2017/10/30	24.50	4-10 District Level (Gorkha, Lanjung, Tanahun, Dhading, Manang, Makwanpur, Kaski, Myagdi, Baglung, Parbat)
56	NIC Asia Laghubitta Bittiya Sanstha Ltd.	Verimalika, Jajarkot	2017/11/21	70.00	National Level
57	Sarathi Laghubitta Bittiya Sanstha Ltd.	Byas, Tanahun	2017/11/21	70.00	4-10 District Level (Tanahun, Dhading, Makwanpur, Parbat, Bara, Parsa, Nawalparasi, Rupandehi, Gorkha and Lamjung)
58	Nagrik Laghubittiya Bittiya Sanstha Ltd.	Banepa, Kavre	2017/10/14	17.50	4-10 District Level (Kavrepalanchowk, Sindhupalchowk, Nuwakot, Dolakha, Ramechhap, Sindhuli, Gorkha, Dhading, Lamjung, Tanahun)
59	Trilok Laghubitta Bittiya Sanstha Ltd.	Sunawal, Nawalparasi	2018/01/25	30.10	4-10 District Level (Gorkha, Lamjung, Gulmi, Arghakhanchi, Palpa, Tanahun, Syangja, Kaski, Kapilvastu, Nawalparasi)
60	Manakamana Laghubitta Bittiya Sanstha Ltd.	Hariwan, Sarlahi	2018/02/18	14.00	4-10 District Level (Sarlahi, Rautahat, Mahottari, Udaypur, Sindhuli, Ramechhap, Dolakha, Okhaldhunga, Khotang, Solukhumbu)

61	Sahakarya Laghubitta Bittiya Sanstha Ltd.	Hariwan, Sarlahi	2018/02/01	45.50	4-10 District Level (Sarlahi, Rautahat, Mahottari, Udaypur, Sindhuli, Ramechhap, Dolakha, Okhaldhunga, Khotang, Solukhumbu)
62	Sajilo Laghubitta Bittiya Sanstha Ltd.	Gorkha, Gorkha	2018/02/07	140.00	National Level
63	Satyawati Laghubitta Bittiya Sanstha Ltd.	Buddhabhumi, Kapilvastu	2018/03/23	15.80	4-10 District Level (Nawalparasi, Runapdehi, Kapilvastu, Arghakhanchi, Gulmi, Palpa, Rolpa, Salyan, Pyuthan, Jajarkot)
64	Buddha Jyoti Laghubitta Bittiya Sanstha Ltd.	Lumbini sanskritik, Rupandehi		12.00	4-10 District Level (Palpa, Arghakhanchi, Gulmi, Baglung, Rupandehi, Nawalparasi, Kapilvastu, Mustang, Myagdi, Rukum)
65	Samaj Laghubitta Bittiya Sanstha Ltd.	Malangawa, Sarlahi	2018/05/15	11.40	1-3 District Level (Dhanusha, Sarlahi, Mahottari)

* Joint operation date after merger

Note: Dibya Laghubitta Sanstha Ltd., Namobuddha, Kavrepalanchok is process in banking transaction.

Paid-up capital as in mid-June 2018.

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	11.70
3	Nepal Sahakari Bittiya Sanstha Ltd.	Newbaneshwor, Kathamandu	1994/12/30	29.50
4	The Sahara Loan Saving Co-operative Society Ltd.	Malangawa, Sarlahi	1995/4/15	145.80
5	Bindabasini Saving & Credit Sahakari Sanstha Ltd.	Khopasi, Kavre	1995/6/21	220.30
6	Mahila Sahakari Sanstha Ltd.	Kuleshwor, Kathmandu	1995/9/27	28.40
7	Sahakari Bittiya Bikash Sanstha Ltd.	Nepalgunj, Banke	1996/6/16	20.00
8	Shree Manakamana Sahakari Sanstha Ltd.	Banepa, Kavre	1997/2/18	57.10
9	Bheri Sahakari Bittiya Sanstha Ltd.	Nepalgunj, Banke	1997/3/5	18.10
10	Viccu Saving & Credit Sahakari Sanstha Ltd.	Gaidakot, Nawalparasi	1997/8/11	177.60
11	Kisan Multipurpose Sahakari Sanstha Ltd.	Lamki, Kailali	1997/12/29	80.50
12	Star Multipurpose Saving & Credit Sahakari Sanstha Ltd.	Biratnagar, Morang	1998/4/14	32.40
13	Himalaya Sahakari Sanstha Ltd.	Purano Baneshwor, Kathmandu	1998/4/29	55.80
14	Upakar Saving & Credit Sahakari Sanstha Ltd.	Walling, Syangja	2000/3/21	54.00

Note: NRB cancelled the license of limit banking transaction and also defrag the regulatory and Supervisory sector since July 17, 2018.

Paid-up capital as in mid-June 2018.

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, Sindhupalshowk, 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 Buisness and Professional Women	Pulchowk, Lalitpur	2002/07/02	Lalitpur
11	Creative Women Environment Development Association.	Maharajgunj, Kathmandu	2002/07/24	Kathmandu
12	Shreejana Development Center	Pokhara, Kaski	2002/08/22	Kaski
13	Cottage & Small Industries Organization	Chabahil, Kathmandu	2002/09/02	Kathmandu
14	Social Upgrade in Progress of Education Region (SUPER)	Tulsipur, Dang	2002/10/29	Dang
15	Nepal Women Community Service Center	Tribhuvan Municipality, Dang	2002/10/30	Dang, Pyuthan, Salyan, Rolpa
16	Gramin Mahila Bikash Sanstha	Tribhuvan Municipality, Dang	2003/04/23	Dang
17	Gramin Mahila Utthan Kendra	Tribhuvan Municipality, Dang	2003/06/18	Dang, Banke, Pyuthan, Salyan, Rolpa
18	Gramin Sewa Nepal	Bhajani, Kailali	2003/09/18	Kailali
19	Mahila Upakar Manch	Kohalpur, Banke	2003/10/29	Banke
20	Gramin Swayam Sewak Samaj	Hariwon, Sarlahi	2005/11/20	Sarlahi, Mahottari
21	Srijana Community Development Center	Choharwa, Siraha	2012/11/18	Siraha, Udaypur, Sindhuli
22	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	Kusma, Parbat	2012/11/18	Myagdi, Parbat, Kaski, Syangja, Palpa, Tanahun, Lamjung, Gorkha, Baglung, Nawalparasi, Chitwan
23	Nepal Grameen Bikas Sanstha	Hadigaun, Kathmandu	2012/12/13	Kathmandu, Makwanpur, Bara, Parsa
24	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

• Monetary Policy for Fiscal Year 2017/18	67
• Public Debt Management	70
• Financial Sector Reform, Expansion of Financial Access and Regulation	74
• Rural Self-Reliance Fund and Other Projects Related to Microfinance	82
• Supervision of Banks and Financial Institutions	85
• Foreign Exchange Management	89
• Currency Management	91
• Human Resource Management	93
• Miscellaneous	95
• Tables	105
• Appendices	113

PART – TWO

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2017/18

- 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. In addition, the monetary policy has been encouraging credit expansion for the priority sector and attaining inclusive economic development through the expansion of financial access and extension of financial literacy. In this context, the NRB announced the monetary policy for FY2016/17 on July 9, 2017 with the main objective of maintaining macroeconomic stability as well as facilitating the attainment of targeted growth by making the policy 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 the demand side, conducting appropriate monetary management for stability of external sector and interest rate, mobilizing financial resources towards priority sector, and enhancing financial inclusion through expansion of financial access and financial literacy.
- 2.3 The monetary policy for FY2017/18 set the target of containing annual average consumer price inflation at 7.0 percent. Besides, the monetary policy targeted to maintain foreign exchange reserve at a level sufficient enough to cover the import of goods and services for at least 8.0 months and to manage necessary monetary liquidity to facilitate achieving 7.2 percent growth.
- 2.4 The first quarterly review of the monetary policy for FY2017/18 came out on December 8, 2017 followed by the mid-term review on February 12, 2018, and the subsequent quarterly review on May 24, 2018.
- 2.5 During FY2017/18, agricultural growth was limited to 2.8 percent on account of flooding and sub-merging in the Terai. Despite this, industry and services grew by 8.8 percent and 6.6 percent respectively. As a result, it is estimated that the overall growth (at basic prices) in FY2017/18 remained 5.9 percent. As for prices, the annual average inflation was contained at 4.2 percent which was attributed to reform in supply management as well as low inflation in India. As for the external sector, the BOP in the

review year stood at a surplus of Rs. 960 million which resulted in the foreign exchange reserve level sufficient to cover imports of goods and services for 9.4 months.

Table 2.1
Inflation and Balance of Payments Surplus

Particulars	2015/16	2016/17	2017/18	
			Target	Actual
Annual Average Inflation (in percent)	9.9	4.5	7.0	4.2
Balance of Payments Surplus (Rs. billion)	188.95	82.11	36.0	0.96

Intermediate and Operating Targets of Monetary Policy

- 2.6 The monetary policy for FY2017/18 adopted price stability as the primary target, with the fixed exchange rate system with the Indian currency as the nominal anchor of monetary policy. Inflation was targeted to be contained at 7.0 percent on the basis of considerations like international trends of inflation, exchange rate, supply-related conditions, etc. For this purpose, this monetary policy continued the growth rate of broad money supply as the intermediate target and excess liquidity of the BFIs as the operating target of monetary policy.
- 2.7 In FY2017/18, broad money supply growth was targeted at 18.0 percent for ensuring adequate liquidity to achieve the target for economic growth. Likewise, for the review year, the domestic credit growth was projected at 27.8 percent and the private sector credit growth was projected at 20.0 percent.
- 2.8 In FY2017/18, broad money supply grew by 19.4 percent, higher than the projected 18.0 percent, for the reasons of higher credit growth for the private sector in conjunction with the expansion of overall economic activities. Similarly, in the review year, domestic credit and private sector credit grew by 24.9 percent and 22.3 percent respectively (Table 2.2).

Table 2.2
Money Supply and Domestic Credit

Particulars	2015/16	2016/17	2017/18	
			Target	Actual
Growth rate of broad money supply (in percent)	19.5	15.5	18.0	19.4
Growth rate of narrow money supply (in percent)	18.5	13.1	15.9	17.6
Growth rate of domestic credit (in percent)	18.2	20.6	27.8	24.9
Growth rate of credit to private sector (in percent)	23.2	18.0	20.0	22.3

Instruments of Monetary Policy

- 2.9 The operating target and instruments of monetary policy were chosen to be consistent with the stance of monetary policy for FY2017/18 and the economic and monetary objectives. The NRB had implemented the revised interest rate corridor system since November 2017 with the objective of maintaining interest rate stability by reducing the

fluctuations in banking system liquidity as well as modernizing the monetary management. The lower and upper limit of the corridor was fixed at 3 percent and 7 percent respectively while the two-week period repo rate of 5 percent was designated as the policy rate. Following the adoption of such revised interest rate corridor, the short-term interest rates for the remaining period of the fiscal year were anchored around the policy rate of 5 percent.

- 2.10 The cash reserve ratio (CRR) to be maintained by the BFIs was continued at 6 percent for the “A”-class, 5 percent for the “B”-class, and 4 percent for the “C”-class institutions. For the computation of CRR, continuity was provided to the existing provision of two weeks’ time period and the requirement of maintaining daily balance at 70 percent. Likewise, continuity was also given to the existing provision concerning statutory liquidity ratio (SLR). The existing bank rate at 7 percent, which was applied for the purpose of the 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	2015/16	2016/17	2017/18
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

Note: The SLR to be maintained by development banks and finance companies not collecting demand and call deposits is 6 percent.

- 2.11 The arrangement whereby BFIs would have to extend credit at 2 percent interest rate to the earthquake victims for building house and the NRB would refinance such BFIs at zero percent interest rate has been continued.
- 2.12 While providing to BFIs the standing liquidity facility (SLF) against the collateral of specified securities, the duration for such facility was raised to 7 working days from the existing duration of 5 working days. For providing the facility, the ratio of credit to the value of collateral was limited to 90 percent. Likewise, the existing provision of providing SLF at the bank rate has been continued.
- 2.13 Sectors like hydro-power, agriculture, tourism, export, small and medium-scale industries, medicine production, cement, garment, etc., were defined as the prioritized sector and the commercial banks were directed to compulsorily extend at least 25 percent of their total lending by mid-July 2018 comprising minimum 10 percent in agriculture, 5 percent in hydro-power, 5 percent in tourism, and the rest in other

prioritized sectors. Likewise, continuity has been given to the prevailing provision of requiring development banks and finance companies to extend credit for the specified prioritized sector at 15 percent and 10 percent respectively.

- 2.14 Continuing the existing requirement of extending 5.0 percent, 4.5 percent, and 4.0 percent of the total lending to the deprived sector by the commercial banks, development banks, and finance companies respectively, the existing 2.0 percentage point requirement of minimum direct lending to the deprived sector by the commercial banks has been made optional.
- 2.15 The deprived sector credit facility being hitherto extended by the “A”, “B”, and “C”-class BFIs to the rickshaw puller for the purpose of purchasing the rickshaw in ones own name and running it by the self has also been extended to the purchase and running of electronic rickshaw.

Public Debt Management

Issue and Management

- 2.16 The NRB, Public Debt Management Department, is undertaking the function of raising and managing debt on behalf of the GON as well as conducting functions related to implementation of monetary policy through managing banking system’s liquidity by using various monetary instruments. Likewise, for short-term liquidity management, the SLF has been provided against the collateral of specified securities like development bonds, treasury bills, and NRB Bonds. The NRB is conducting the GON’s domestic debt management as well as performing the liquidity management function 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 Transactions Bylaw, 2014 as well as other bylaws and manuals.
- 2.17 After the enactment of the Public Debt Act, 2002, the function of raising domestic debt as planned in the annual budget of the GON has been performed in accordance with annual domestic debt issue calendar and the auction calendar.
- 2.18 For the purpose of raising domestic debt on behalf of the GON, the NRB has been presently issuing treasury bills, development bonds, citizen saving bonds, national saving bonds, and foreign employment saving bonds.

Treasury Bills

- 2.19 During FY2017/18, the treasury bills issued amounted to Rs. 71.96 billion comprising Rs. 11.0 billion of 28 days, Rs. 12.52 billion of 91 days, Rs. 14.09 billion of 182 days, and Rs. 34.35 billion of 364 days. Similarly, treasury bills already issued in the past which matured for repayment within the FY2017/18 amounting to Rs. 325.76 billion

were renewed from time to time based on their repayment period. Besides, during the review year, treasury bills amounting to Rs. 37.52 billion were redeemed by the GON.

Development Bonds

2.20 In FY2017/18, development bonds amounting to Rs. 72.0 billion were issued as per the interest rate determined through the Dutch auction method. The details of the development bonds issued comprised the following: (a) for 5-year period, Rs. 10.0 billion (issued two times), interest rates 2.99 percent and 5.45 percent respectively, (b) for 7-year period, Rs. 8.14 billion (issued two times), interest rates 5.0 percent and 5.88 percent respectively, (c) for 8-year period, Rs. 13.86 billion (issued two times), interest rates 6.0 percent and 6.20 percent respectively, (d) for 10-year period, Rs. 10.0 billion (issued two times), interest rates 3.83 percent and 5.15 percent respectively, (e) for 11-year period, Rs. 10.0 billion (issued two times), interest rates 5.18 percent and 6.48 percent respectively, (f) for 12-year period, Rs. 10.0 billion (issued two times), interest rates 4.32 percent and 4.99 percent respectively, and (g) for 13-year period and 15-year period each amounting to Rs. 5.0 billion and each issued once, interest rates 5.12 percent and 4.99 percent respectively. The outstanding amount of development bonds as in mid-July 2018 was Rs. 235.9 billion. The maturity period of outstanding development bonds ranged between 5 years and 15 years.

Citizen/National/Foreign Employment Saving Bonds

2.21 As per the domestic debt issue calendar for FY2017/18, citizen saving bonds amounting to Rs. 751.07 million was sold out of the two invitations for subscription amounting to Rs. 6.0 billion. The outstanding citizen saving bonds as in mid-July 2018 stood at Rs. 8.72 billion.

2.22 There was no fresh issue of national saving bonds during FY2017/18. The outstanding national saving bonds as in mid-July 2018 amounted to Rs. 906.5 million.

2.23 As per the issue calendar for FY2017/18, 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 in response of which total subscription on three occasions amounted to Rs. 41.18 million. At the end of the review year, foreign employment saving bonds amounting to Rs. 528.0 million remained outstanding. During the review year, principal repaid by GON on foreign employment saving bonds amounted to Rs. 42.88 million.

Net Domestic Debt Issue

2.24 In FY2017/18, gross domestic debt amounting to Rs. 144.75 billion was raised through various instruments while the redemption amounted to Rs. 37.56 billion. As the amount of redemption was less than the amount raised, the net domestic debt issued resulted in a positive sum of Rs. 107.19 billion during the FY2017/18.

Table 2.4
Net Domestic Debt Issue

(Rs in Million)

Description	2015/16	2016/17	2017/18	Ratio with GDP (%)		
				2014/15	2015/16	2016/17
(A) Total Issue	87,774.5	88,337.8	144,750.9	3.90	3.40	4.81
Treasury Bill	20,500.0	33,000.0	71,958.7	0.91	1.27	2.39
Development Bond	62,000.0	55,000.0	72,000.0	2.76	2.12	2.39
National Saving Bond	-	-	-	0.00	0.00	0.00
Citizen Saving Bond	5,000.0	285.7	751.1	0.22	0.01	0.02
Foreign Employment Bond	274.5	52.1	41.2	0.01	0.00	0.00
Special Bond	-	-	-	0.00	0.00	0.00
(B) Payment	50,402.4	38,785.1	37,562.9	2.24	1.49	1.25
Treasury Bill	24,299.0	38,649.9	37,520.0	1.08	1.49	1.25
Development Bond	10,170.0	0.0	-	0.45	0.00	0.00
National Saving Bond	15,680.0	0.0	-	0.70	0.00	0.00
Citizen Saving Bond	250.0	126.6	-	0.01	0.00	0.00
Foreign Employment Bond	3.4	8.7	42.9	0.00	0.00	0.00
Special Bond	-	0.0	-	0.00	0.00	0.00
(C) Net Domestic Debt	37,372.1	49,552.7	107,188.1	1.66	1.91	3.56
Treasury Bill	-3,799.0	-5,649.9	34,438.7	-0.17	-0.22	1.15
Development Bond	51,830.0	55,000.0	72,000.0	2.30	2.12	2.39
National Saving Bond	-15,680.0	-	-	-0.70	0.00	0.00
Citizen Saving Bond	4,750.0	159.1	751.1	0.21	0.01	0.02
Foreign Employment Bond	271.1	43.4	1.7	0.01	0.00	0.00
Special Bond	-	-	-	0.00	0.00	0.00
(D) Total Outstanding Domestic Debt	234,157.9	283,710.6	390,898.7	10.41	10.92	13.00
Gross Domestic Product	2,248,691.0	2,599,234.0	3,007,246.0			

Total Outstanding Domestic Debt Liability of the Government of Nepal

2.25 The domestic debt liability of the GON reached Rs. 390.90 billion as in mid-July 2018 from Rs. 283.71 billion as in mid-July 2017. The total amount of treasury bills, development bonds, citizen saving bonds, and foreign employment saving bonds increased as in mid-July 2018 compared to that as in mid-July 2017 due to the higher amount of debt raised compared to the amount of debt redeemed during the review year. The outstanding national saving bonds as in mid-July 2018 remained the same (Rs. 906.5 million) as in mid-July 2017 for the reason of nil redemption of this bond during the year under review.

Table 2.5**Domestic Debt Liabilities of GON**

(Rs in Million)

S. N.	Type of Bill/Bond	2015/16		2016/17		2017/18		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2015/16	2016/17
1.	Treasury Bill	116059.1	49.6	110,409.3	38.9	144,847.9	37.1	-4.9	31.2
2.	Development Bond	108900.0	46.5	163,900.0	57.8	235,900.0	60.4	50.5	43.9
3.	National Saving Bond	906.5	0.4	906.5	0.3	906.5	0.2	0.0	0.0
4.	Citizen Saving Bond	7806.2	3.3	7,965.3	2.8	8,716.3	2.2	2.0	9.4
5.	Foreign Employment Bond	486.2	0.2	529.6	0.2	528.0	0.1	8.9	-0.3
6.	Special Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total		234,158.0	100.0	283,710.6	100.0	390,898.7	100.0		

Government Securities in the Ownership of Nepal Rastra Bank

2.26 The 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 the sale of /request to sell the securities owned by the market makers to the NRB. Among the government securities held in the ownership of the NRB, the share of development bonds remained the highest (60.72 percent) as in mid-July 2018.

Table 2.6**Details of Government Securities in the Ownership of NRB**

(Rs. in Million)

S. N.	Type of Security	2015/16		2016/17		2017/18		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2015/16	2016/17
1.	Treasury Bill	16,099.9	98.1	30,457.4	72.8	26,119.9	35.02	89.2	-14.2
2.	Development Bond	-	-	8,942.0	21.4	45,287.0	60.72	894.2	406.5
3.	National Saving Bond	1.3	0.0	182.4	0.4	262.2	0.35	13,930.8	43.8
4.	Citizen Saving Bond	307.6	1.9	2,274.7	5.4	2,907.5	3.9	639.5	27.8
5.	Foreign Employment Bond	0.0	-	10.0	0.0	10.9	0.01	99,900.0	9.0
Total		16,408.8	100.00	41,866.5	100.00	74,587.5	100.00		

Promotional Programme Related to Government Securities

- 2.27 With the purpose of making transactions in government securities more effective, an interaction programme participated by the staff at the head office and branch offices of the market makers located in the Kathmandu valley was held on the subject of primary and secondary market transactions of government securities.
- 2.28 With the purpose of expanding transactions of government securities outside the Valley, the Public Debt Management Department of NRB organized two one-day instruction seminars on the topic of Public Debt and Monetary Management Instruments and Online Auction System in Pokhara and Biratnagar participated by the staff of BFIs with their head offices located outside the Valley.
- 2.29 Though foreign employment saving bonds have been issued over the years with the purpose of encouraging investment out of the earnings of the Nepalese citizens engaged in foreign employment and the non-residential Nepalese along with ensuring the flow of foreign earnings through official channels, the bonds have met sluggish response. Accordingly, a report has been prepared encompassing the reasons for such low response to the bond issue in addition to suggesting measures for promoting the bond subscription.

Financial Sector Reform, Enhancing Financial Access, and Regulation

Implementation of Financial Sector Development Strategy

- 2.30 The NRB has been continuing the implementation of its share of activities as enshrined in the five-year Financial Sector Development Strategy (FY2016/17-FY2020/21) which was approved by the Government of Nepal, Council of Ministers, on January 6, 2016.

Capital Enhancement in the Banks and Financial Institutions

- 2.31 Consequent to the provision of raising the paid-up capital of BFIs as prescribed in the monetary policy for FY2015/16, the process for increasing their capital through modalities like the merger/acquisition, bonus, rights, and other shares has proceeded. Accordingly, the paid-up capital of banks and financial institutions increased from Rs. 140.79 billion in mid-July 2015 to Rs. 282.51 billion in mid-July 2018.
- 2.32 As in mid-July 2018, the ratio of primary capital to risk-adjusted assets of commercial banks remained at 13.32 percent while such ratio in development banks and finance companies stood at 17.93 percent and 19.78 percent respectively. As in mid-July 2017, the ratio of primary capital to risk-adjusted assets of commercial banks, development banks,

and finance companies had been 13.35 percent, 19.43 percent, and 20.21 percent respectively.

Non-Performing Assets and Credit/Capital and Deposit Ratio

2.33 The ratio of non-performing assets (NPA) of BFIs has declined in the review year from the level in the previous year. The ratio of NPA to total loans and advances of the commercial banks as in mid-July 2018 stood at 1.41 percent compared to the ratio of 1.54 percent as in mid-July 2017. Likewise, as in mid-July 2018, the ratio of NPA to total loans and advances of the development banks and finance companies remained at 1.09 percent and 10.83 percent respectively in comparison to the previous year's ratios at 1.36 percent and 13.37 percent respectively. The credit/capital and deposit (CCD) ratio of commercial banks as in mid-July 2018 was 77.07 percent in comparison to such ratio at 79.57 percent as in mid-July 2017.

Financial Access Enhancement Programme

2.34 Financial access has been widening with expansion of BFI network. As in mid-July 2017, there were commercial bank branches only in 296 local levels out of the 753 local levels. In accordance with the GON's objective of establishing at least one commercial bank branch in each of the 753 local levels, the NRB issued directive to the commercial banks to expand the branch network accordingly. Since then, the process of establishing branch network accelerated, resulting in housing at least one commercial branch by each of the 631 local levels by mid-July 2018.

2.35 With the objective of expanding the process of financial inclusion by encouraging the establishment of BFI branches in the geographical regions having low access of financial services, the facility of providing loan for branch operation up to Rs. 3 million per branch at zero percent interest rate has been raised to 4 million if the "D"-class financial institutions in the specified 22 districts having low financial access open branches and conduct programmes of financial service.

Table 2.7
Commercial Bank Branches at Local Level
(Mid-July 2018)

State	No. of Local Level	No. of Local Level having at least One Commercial Bank Branch
One	137	112
Two	136	122
Three	119	107
Gandaki	85	74
Five	109	99
Karnali	79	54
Seven	88	63
Total	753	631

Branchless Banking Service

2.36 With a view to enhancing financial access, the NRB has been continuing the prioritization of branchless banking service. Permission has been granted for providing branchless banking services in a total of 277 places as in mid-July 2018 through the Point of Transaction (POT) machine and mobile banking in rural areas by also monitoring the technical and practical aspects of the banks. The BFIs have been providing such service in a total of 1,285 places as in mid-July 2018.

Numerical Presence of BFIs

2.37 The number of BFIs has come down with the rise in the process of merger and acquisition. Notwithstanding this, the branch network of BFIs expanded and improved the financial access. As in mid-July 2018, the commercial banks numbered 28. The number of development banks and finance companies in the review year contracted by 7 and 3 to 33 and 25 respectively while the number of MFIs rose by 12 to 65.

Expansion of Branch Network

2.38 In the review year, there has been a sharp rise in the number of BFI branches, reaching 6,651 in mid-July 2018. The number comprised 3,023 branches of commercial banks, 993 branches of development banks, 186 branches of finance companies, and 2,449 branches of MFIs. Thus, on average, 4,334 people have been served by a BFI branch. In 'A', 'B' and 'C'-class institutions, the deposit accounts numbered 23.55 million while the number of creditors remained 1.31 million as in mid-July 2018.

Table 2.8
Branches of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July			
	2015	2016	2017	2018
Branches of Commercial Banks	1,672	1,869	2,274	3,023
Branches of Development Banks	808	852	769	993
Branches of Finance Companies	242	175	130	186
Branches of MFIs	1,116	1,376	1,895	2,449
Total	3,838	4,272	5,068	6,651
No. of Deposit Account ('000)	14,935	16,836	19,754	23,545
No. of Borrowers ('000)	1,033	1,097	1,216	1,301
No. of Branchless Banking Centres		812	1,008	1,285

Merger/Acquisition of BFIs

2.39 In the review year, 19 BFIs were involved in the absorption/merger/acquisition process, which led to the cancellation of licenses of 10, resulting in their net count at 9. Among the 19 BFIs, 6 licensed institutions were merged into 3 institutions. Likewise, 13 BFIs were involved in the acquisition process, resulting in their net count at 6. Among the 10 licenses cancelled during the review year, 3 were on account of merger and 7 were on account of acquisition.

Table 2.9
Merged/Acquired Banks and Financial Institutions

BFIs	Up to 2011	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Commercial Banks	2	2	3	4	2	8	12	3
Development Banks	1	6	12	6	12	13	37	13
Finance Companies	6	7	12	8	6	7	14	3
Microfinance Institutions		-	-	-	5	0	0	0
Merged/Acquired BFIs	9	15	27	18	25	28	63	19
BFIs Created after Merger/Acquisition	4	7	11	8	9	11	24	9

License to Conduct Financial Operation

2.40 In the review year, 13 MFIs were licensed to conduct financial operation. Among the 13 MFIs, 1 each was from Jajarkot and Nawalparasi while 2 each were from Tanahun, Gorkha, Kavrepalanchok, Sarlahi, and Rupandehi.

Table 2.10
Licensed Institutions

S. N.	Name of Institution	Address
1.	Arthik Samridhi Micro-Finance Financial Institution Limited	Tanahun
2.	Sadhana Micro-Finance Financial Institution Limited	Gorkha
3.	Sarathi Micro-Finance Financial Institution Limited	Tanahun
4.	NIC Asia Micro-Finance Financial Institution Limited	Jajarkot
5.	Nagarik Micro-Finance Financial Institution Limited	Kavrepalanchok
6.	Trilok Micro-Finance Financial Institution Limited	Nawalparasi
7.	Sahakarya Micro-Finance Financial Institution Limited	Sarlahi
8.	Mankamana Micro-Finance Financial Institution Limited	Rupandehi
9.	Sajilo Micro-Finance Financial Institution Limited	Gorkha
10.	Satyawati Micro-Finance Financial Institution Limited	Kapilvastu
11.	Buddhajyoti Micro-Finance Financial Institution Limited	Rupandehi
12.	Samaj Micro-Finance Financial Institution Limited	Sarlahi
13.	Divya Micro-Finance Financial Institution Limited	Kavrepalanchok

NGOs' Conversion into MFIs

2.41 In accordance with the NRB's policy provision that the NGOs licensed by the NRB for conducting limited banking operation need to be converted into "D"-class MFIs following the fulfillment of necessary procedures, 24 NGOs (license of 1 institution revoked) are in the process of receiving MFI licenses. Among them, 13 NGOs have obtained the letter of intent in the review year.

Table 2.11
Institutions Granted Letter of Intent

S. N.	Name of Institution	Address
1.	Neshdo Samriddha Micro-Finance Financial Institution Limited	Parwat
2.	Salva Micro-Finance Financial Institution Limited	Dhankuta
3.	Gramin Swayamsewak Micro-Finance Financial Institution Limited	Sarlahi
4.	Adarsha Micro-Finance Financial Institution Limited	Mahottari
5.	Sweda Micro-Finance Financial Institution Limited	Dhading
6.	Mahila Micro-Finance Financial Institution Limited	Kavrepalanchok
7.	BPW Micro-Finance Financial Institution Limited	Kavrepalanchok
8.	Manushi Micro-Finance Financial Institution Limited	Kavrepalanchok
9.	Win Micro-Finance Financial Institution Limited	Dhading
10.	Smart Micro-Finance Financial Institution Limited	Dang
11.	CYC Micro-Finance Financial Institution Limited	Baglung
12.	Mahila Samudayik Micro-Finance Financial Institution Limited	Dang
13.	Dhaulagiri Micro-Finance Financial Institution Limited	Baglung

Zero-Interest Credit

2.42 If the "D"-class financial institutions conduct the financial service programme by opening branches in the specified 22 districts having low financial access, up to Rs. 4 million per branch at zero interest rate shall be provided for operating the branch. Under such arrangement, the following MFIs have been provided credit facility at the zero interest rate:

Table 2.12
MFIs Receiving Credit Facility at Zero Interest Rate

S.N.	Name of the Institution	Branch Office	Amount (Rs. Million)
1.	Chautari Micro-Finance Financial Institution Limited	Madichaur branch office at ward No. 7 of Rolpa Municipality and Ghartigaun branch office at ward No. 2 of Madi village body in Rolpa district.	8.0
2.	Kisan Micro-Finance Financial Institution Limited	Aireni branch office at ward No. 5 of Tatopani village body in Jumla district, RCT bazaar branch office at ward No. 5 of Raskot Municipality, Pastibazar branch office at ward No. 8 of Malikarjun village body in Darchula district, Khalbazar Santada branch office at ward No. 4 of Ramaroshan village body in Achham district, and Bijgadha branch office at ward No. 8 of Bungal municipality in Bajhang district	20.0
3.	Janasewi Micro-Finance Financial Institution Limited	Rukumkot branch office at ward No. 6 of Sisne village body in Rukum district and Khungri branch office at ward No. 2 of Suvarnawati village body in Rolpa district	8.0
4.	Support Micro-Finance Financial Institution Limited	Rukumkot branch office at ward No. 6 of Sisne village body in Rukum district and Khungri branch office at ward No. 2 of Suvarnawati village body in Rolpa district	8.0
5.	NMB Micro-Finance Financial Institution Limited	Kholagaun and Jhulneta branch offices in Rukum district and Muktinath branch office in Mustang branch office	12.0

Refinance Facility

2.43 The use of refinance facility provided by the NRB has remarkably gone up with the expansion of the refinance amount and simplification of the refinance procedures. In the review year, general refinance amounting to Rs. 20.91 billion was provided to 18 commercial banks, two development banks, and two finance companies. In FY2016/17, general refinance amounting to Rs. 7.60 billion was provided to 13 commercial banks, 2 development banks, and 8 finance companies against the collateral of good loan provided to the production-oriented sector.

2.44 In the review year, export refinance facility amounting to Rs. 1.27 billion was provided to 7 commercial banks. In the previous year, export refinance facility amounting to Rs. 828.70 million had been provided to 5 commercial banks.

Refinance for the Reconstruction of Earthquake-Affected Residential Houses

2.45 In accordance with the Refinance Procedures for Reconstructing Residential Houses for the Households Affected by the Earthquake, 2015, 27 BFIs were provided refinance facility amounting to Rs. 1.79 billion. Till mid-July 2017, refinance under this heading for 17 BFIs had amounted to Rs. 799.0 million.

Refinance-Related Grievances

2.46 The monetary policy for FY2015/16 mentioned that an arrangement would be made whereby the clients who could not receive the facility relating to refinance as provided by the NRB could lodge complaints thereof to the NRB. Accordingly, the Refinance Unit of the Banks and Financial Institutions Regulation Department has been designated as the unit overseeing the complaints concerning refinance.

Proceedings of Grievance Management Committee

2.47 The 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 the 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.

2.48 Among the 92 grievances and complaints received in the review year, hearing by the Grievance Management Committee has been undertaken in the case of 20. Regarding the remaining complaints, necessary correspondence has been made with the concerned BFIs and attempts have been underway for their solutions by coordinating between the applicants and the concerned parties. Likewise, about 350 complaints received on informal basis (other than those received by written means) have been addressed in the review year.

Blocking of Account and Confiscation of Passports

2.49 In the review year, altogether 848 accounts have been released/blocked at the request of various investigation offices of Nepal Police, Internal Revenue Offices, Tax-payer Service Centres, and Commission for the Investigation of Abuse of Authority (CIAA).

Refinance for Sick Industries

2.50 In order to provide assistance 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 1 percent annual interest rate with the condition that the concerned borrowers shall not be charged annual interest rate in excess of the 4.5 percent has been continued.

Deprived Sector Credit

2.51 In FY2017/18, 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 2018, the credit extended to the deprived sector as the percent of total credit comprised 5.94 percent in the commercial banks, 9.47 percent in the development banks, and 5.46 percent in the finance companies.

Implementation of NFRS

2.52 A policy provision has been made whereby the commercial banks are required to prepare the financial statements for 2017/18 in accordance with the Nepal Financial Reporting Standards (NFRS). Accordingly, the format of the financial statements as contained in the Unified Directive being issued by the NRB has been revised by also specifying the format of the financial statements to be prepared under the NFRS. To submit recommendations to the Board of Directors for making necessary arrangements by furnishing appropriate suggestions based on study, a high-level NFRS Implementation Committee has been formed for eradicating any confusion or implementation problem, or making additional policy provisions, or undertaking timely changes in financial statements while preparing the NFRS-based financial statements by the commercial banks. In addition, such study and recommendations shall pertain to addressing influences on banking sector following the revisions/changes/practices in accounting standards brought about by the regulatory agencies like the Accounting Standards Board, Nepal and the Institute of Chartered Accountants of Nepal.

Financial Stability Report

2.53 The NRB has been publishing the Financial Stability Report on a regular basis. In the process, the ninth issue of the Financial Stability Report based on statistics as in mid-July 2017 has been published.

Publication of Statistics

2.54 According to the Unified Directive, 2018 issued to the “A”-class, “B”-class, and “C”-class BFIs by the NRB, the monthly and yearly bulletin has been regularly prepared and published based on statistics sent by BFIs to the NRB on daily, monthly, and quarterly basis.

Rural Self-Reliance Fund and Other Projects Related to Microfinance

Rural Self-Reliance Fund

- 2.55 The Rural Self-Reliance Fund (RSRF) was established in 1991 with the GON's seed fund amounting to Rs 10 million aiming at improving the social/economic conditions of the economically weak and deprived sections of population mainly residing in rural areas through the supply of wholesale credit to the cooperatives and other institutions which in turn provide micro-finance financial services at a relatively lower rate. Total seed fund in RSRF reached Rs.793.4 million, with the contribution of Rs. 540.0 million from the GON and Rs. 253.4 million from the NRB.
- 2.56 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, 2017 has come into implementation since April 23, 2018. Since its establishment, the NRB has been designated as the implementing agency for the RSRF.
- 2.57 The RSRF has been providing loan to its affiliate institutions in first, second, and third installments based on their core capital (viz., share capital, general reserve, and profit) to the extent of 10 times the core capital not exceeding Rs. 3.0 million for the first time, Rs. 3.5 million for the second time, and Rs. 4 million for the third time. With a view to raising the economic and social conditions of the deprived section, the RSRF has arranged for extending micro-credit to the extent of Rs. 125,000 for each member. The RSRF, since FY2002/03, has been providing wholesale credit to the Agriculture Development Bank for re-lending to the enterprises requiring long-term capital, especially the tea, cardamom, and cold storage.

Table 2.13
Transaction Details of Rural Self-Reliance Fund

Description	Mid-July			
	2015	2016	2017	2018
No. of Districts with Access of the Loan	68	70	70	70
No. of Institutions with Loan Disbursement	1,024	1,104	1,165	1,189
Number of Beneficiary Families	49,245	55,304	58,830	61,167
Loan Disbursed (Rs. million)	1,700.6	1,990.29	2,262.29	2,383.71
Principal Repaid (Rs. million)	1,165.0	1,439.68	1,660.68	1,916.98
Outstanding Loan (Rs. million)	535.6	550.58	601.61	466.73
Overdue Loan / Loan to be Repaid (percent)	5.38	5.39	10.27	20.39
Loan Recovery (in percent)	94.62	94.61	89.73	79.61

- 2.58 As in mid-July 2018, the RSRF disbursed loan amounting to Rs. 2,383.79 million to a total of 1,188 institutions comprising 1,135 cooperatives and 53 NGOs. Of the total disbursed

amount, Rs. 1,916.98 million was repaid and Rs. 466.73 million remained outstanding. As in that date, out of the total disbursement of ADBL's long-term loan which amounted to Rs. 159.20 million, Rs. 141.04 million was repaid, leaving Rs. 18.16 million as outstanding.

Table 2.14
Lending Position of Rural Self-Reliance Fund
(As in mid-July 2018)

Description	NGOs	Cooperatives	Agriculture Development Bank	Total
Loan Disbursement				
a) No. of Institutions	53	1,135	1	1,189
b) Loan Amount (Rs. in million)	25.1	2,317.8	159.2	2,502.0
c) No. of Benefited Families	4,004	57,163	-	61,167
Loan Recovery				
a) Principal Amount (Rs. in million)	20.5	1,755.5	141.0	1,917.0
b) Interest Amount (Rs. in million)	2.8	32.8	1.0	36.2
Outstanding Loan				
a) No. of Institutions	15	347	1	363
b) Principal Amount (Rs. in million)	2.0	446.6	18.2	466.7
Overdue Loan				
a) No. of Institutions	15	113	-	128
b) Principal Amount (Rs. in million)	2.0	93.1	-	95.1

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

Sources and Uses of Microfinance Financial Institutions

2.60 During FY2017/18, total assets/liabilities of the class-“D” financial institutions that deal in transactions relating to microfinance rose by 34.45 percent to Rs. 172.10 billion as in mid-July 2018, as per unaudited financial statements. As in mid-July 2018, total deposits and borrowings of these institutions amounted to Rs. 49.55 billion and Rs. 87.80 billion respectively while total loans and investments stood at Rs. 145.95 billion and Rs. 2.61 billion respectively.

Table 15
Sources and Uses of Funds of Microfinance Institutions

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2016	2017	2018 ¹	2016/17	2017/18
Sources					
Capital Funds	8,673.70	12,763.60	17,443.60	47.2	36.7
Deposits	24,095.30	34,401.20	49,548.80	42.8	44
Borrowings	52,431.40	66,953.00	87,683.70	27.7	31
Others	7,200.00	10,172.10	16,904.60	41.3	66.2
P/L Account	3,306.20	3,718.90	4,029.30	12.5	8.3
Sources=Uses	95,706.60	128,008.80	175,610.00	33.8	37.2
Uses					
Liquid Funds	11,073.20	12,741.00	16,383.10	15.1	28.6
Investment	2,843.50	2,753.10	2,495.50	-3.2	-9.4
Loans & Advances	77,233.00	106,515.20	145,951.50	37.9	37
Others	4,546.20	5,929.90	10,718.50	30.4	80.8
P/L Account	10.80	69.60	61.40	544.8	-11.8

1 Unaudited

Prompt Corrective Action for Microfinance Financial Institutions

2.61 In the review year, prompt corrective action has been initiated against 4 MFIs not meeting the capital fund as specified.

Projects relating to Microfinance

2.62 With the objective of raising the income level of small and medium farmers in 5 districts each of the then Mid-Western and Far-Western Development Regions (total 10 districts) under the grants assistance of the Asian Development Bank (ADB), Raising Income of Small and Medium Farmers Project (RISMFP) has been under implementation by the Government of Nepal, Ministry of Agricultural Development. As per the provision that the grants component of the Project would be implemented by the NRB, one officer-level employee of the Bank has been deputed to work in the Project Monitoring Unit (PMU) at Nepalgunj.

2.63 By way of implementation of the Project, it is expected to contribute to financial inclusiveness and give continuity to the programme of utilizing the Project grants in various activities like technical assistance, cold storage, market management, supply network, etc. so as to produce high-value crops benefitting the smaller farmer groups, cooperatives, and private entrepreneurs. Under the Project, Rs. 932.97 million has been received from ADB/Manila till mid-July 2018 out of which Rs. 930.6 million grant has been provided to 184 farmer groups, 174 cooperatives, 131 private entrepreneurs, and 3 market committees.

- 2.64 As per the bilateral development cooperation agreement for 9 million euro between Nepal and Germany (German Financial Cooperation with Nepal-KFW), 2 million euro shall be utilized for non-repayable grant to pay for expert services of consultants and 7 million euro loan shall be utilized for on-lending to partner banks to refinance eligible sub-loan. Accordingly, it was agreed that the NRB shall act as the on-line agent. For the implementation of the said programme, 2 partner banks have been selected—Global IME Bank for extending loan of 4 million euro and Om Development Bank for extending loan of 3 million euro.
- 2.65 As per the subsidiary loan agreement between the GON and the NRB, various projects with time-bound repayment features were implemented by the NRB's Microfinance Promotion and Supervision Department. At present, investment activities have come to an end following the operation of various programmes with the investment of Rs. 949.03 million received at various dates from the GON. Such major projects now being completed are the Community Underground Water Irrigation Sector Project (36-year), Third Livestock Project (27-year), Western Terai Poverty Alleviation Project (36-year), Micro-Credit for Women (25-year), Production Credit for Rural Women (20-year), etc. Out of the amount invested in the programmes, Rs. 916.2 million was repaid by mid-July 2018, with Rs. 32.82 million remaining as outstanding by the year-end.

Supervision of Banks and Financial Institutions

Supervision of Commercial Banks

- 2.66 In FY2017/18, by adopting risk-based supervision approach, full scope onsite inspection of 18 commercial banks has been undertaken. Continuity has been given to the process of correcting defects and weaknesses and evaluating commercial banks on the basis of details received following the conduct of onsite inspection.
- 2.67 In addition to the risk-based full scope onsite inspection, the targeted inspection has been initiated since FY2017/18 with a view to making the optimal use of supervisory resources. In the review year, targeted inspection has been conducted in a total of 10 commercial banks.
- 2.68 Besides the full scope online inspection and the targeted inspection, a total of 22 special onsite inspections based on complaints, grievances, etc.
- 2.69 As per the provision that the BFIs needed to obtain NRB clearance for the publication of financial statements prior to the holding of the annual general meeting, approval has been granted to all the 28 commercial banks for the publication of the financial statements ending FY2016/17. 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 inspection and off-site supervision carried out by the NRB as well as to act on the

qualifications and comments received from the external auditors. In addition, commercial banks have been instructed to make necessary arrangements so that such weaknesses and qualifications do not get repeated.

- 2.70 With reference to the inspection and supervision reports prepared on the basis of full scope onsite inspection, targeted inspection, special onsite inspection, and regularly conducted off-site supervision, regular monitoring has been conducted regarding the responses to the qualifications and comments as well as the compliance or otherwise with the directive issued in regard thereto. Likewise, monitoring report covering all the commercial banks has been prepared on a semi-annual basis.
- 2.71 CAMELS ratings have been prepared based on the analysis of information obtained from off-site supervision. Continuity has been given to the task of timely cautioning the concerned BFIs by identifying the early warning signals.
- 2.72 With a view to timely identifying the risk relating to liquidity, which has been regarded as crucially significant for the banking sector, and, consequently, to facilitate making appropriate policy-level decision, the task of monitoring banking sector liquidity on daily and regular basis in new format through setting up one Monitoring Desk under the Off-site Cell is increasingly being made more systematic.
- 2.73 The CRR and SLR to be statutorily maintained by the banks would be monitored for their compliance. There has been the provision of charging the banks penalties for not maintaining the stipulated level of CRR and SLR. Accordingly, two commercial banks were charged such penalties for not maintaining CRR during the second trimester of FY2017/18.

Table 2.16
Details Regarding Penalties (for non compliance of required CRR and SLR)

BFIs	2015/16		2016/17		2017/18	
	No.	Rs.	No.	Rs.	No.	Rs.
"A"	1	165,667.12	-	-	2	767,203.10
"B"	3	1,285,363.10	-	-	-	-
"C"	1	7,045.77	1	32,747.88		
Total Amount	5	1,458,075.99	1	32,747.88	2	767,203.10

- 2.74 Monthly report has been prepared by regularly monitoring the details as to the deprived sector credit, purpose-wise credit, and spread rate.
- 2.75 Annual bank supervision report for 2016/17 incorporating commercial banks' full scope supervisory findings and analysis of financial situation along with discussion of timely issues has been published.
- 2.76 In 2017/18, under Bank Supervision Advisor's technical assistance, a preliminary draft of Offsite Manual has been prepared. Following consultation with IMF Consultant, work has proceeded for its finalization.

- 2.77 Under the financial assistance of DFID, procurement work of Supervisory Information System (SIS) is moving ahead. In the review year, the selected vendor for the job, namely, IRIS Business Services Ltd., India, has performed work relating to Requirement Analysis. 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.

Supervision of Development Banks

- 2.78 With effect from 2017/18, the 'B'-class national level financial institutions have been monitored by applying the BASEL II Framework.
- 2.79 In the context of applying the concept of base rate first in the 'A'-class banks then in other financial institutions also, the base rate in the 'B'-class financial institutions has been regularly monitored. Besides, special onsite inspection of some institutions with reference to the existing procedure and system of base rate computation has been completed in the review year.
- 2.80 In the context of gradually adopting risk-based supervision system, on-site supervision of one 'B'-class national level financial institution has been completed following the adoption of risk-based supervision system by this institution in the review year.
- 2.81 Based on the stress testing guidelines issued by the NRB, stress testing performed by the 'B'-class national level financial institutions has been regularly monitored. Further, in the context of implementing the liquidity monitoring framework, separate desk concerning this has been established and monitoring work has been speeded up.
- 2.82 Planned programme for conducting the on-site inspection of 'B'-class financial institutions at least once a year has come into operation. In FY2017/18, full scope onsite inspection of 26 institutions and follow-up inspection of 7 institutions have been completed. Similarly, special inspection has been conducted in 11 institutions and follow-up inspection has been carried out in 2 institutions.
- 2.83 Prior to approving the 'B'-class financial institution's proposal relating to cash dividend and bonus share, a policy to verify the proposal by adopting the prudential mechanism has been in place with a view to consolidate the financial situation of the institution.
- 2.84 Among the 35 development banks that submitted their audited financial statements for FY2016/17 to NRB for its approval, financial statements were accepted and approval was given for their publication in the case of 13 development banks of national level, 2 development banks of 10-district level, 15 development banks of 3-district level, and 5 development banks of 1-district level. Moreover, 7 development banks have been permitted to distribute cash dividend while 28 development banks have been permitted to distribute stock dividend.

- 2.85 The Board of Directors and Chief Executive Officers of 13 development banks were warned at the time when permission was granted for publication of the annual financial statements for the reason of their not complying with the provision of the NRB directive that the average interest rate spread between the interest rate fixed for deposits and that charged on loans and advances shall not exceed 5 percentage point.
- 2.86 Off-site supervision reports for the fourth quarter of FY2016/17 and for the first, second and third quarters of FY2017/18 were prepared. Likewise, annual supervision report for FY2016/17 and key financial indicators of development banks were prepared and uploaded in the NRB website.
- Supervision of Finance Companies**
- 2.87 In FY2017/18, on-site inspection of 20 finance companies has been conducted.
- 2.88 During the review year, approval was granted to 16 finance companies for publication of the annual financial statements as a part of AGM clearance following the preparation of annual off-site supervision report.
- 2.89 During the review year, 4 finance companies have been declared problematic. In the case of one company, the NRB initiated proceedings for its dissolution against which case was lodged in the Supreme Court, so the matter is pending in the Court. Thus, as in mid-July 2018, 19 finance companies have remained in regular operation.

Table 2.17
Key Highlights of Finance Companies
(Mid-July 2018)

Description	Amount (Rs. Billion)/Percent (%)
Total Paid-up Capital	Rs. 11.18 billion
Total Deposits	Rs. 61.98 billion
Total Loan	Rs. 52.63 billion
Productive Sector Loan	Rs. 7.32 billion (10.68 Percent)
Deprived Sector Loan	Rs. 2.86 billion (6.11 Percent)
Total Real Sector Loan	Rs. 5.30 billion (10.07 percent)
Non-Performing Loan	Rs. 1.53 billion
Total Loan/Total Deposits and Primary Capital	69.80 Percent
Loan/Deposits Ratio	84.92 Percent
Liquid Assets/Total Deposits	37.01 Percent

Supervision of Microfinance Financial Institutions

- 2.90 In the review year, the NRB conducted on-site inspection of 46 MFIs, 3 cooperatives engaged in limited banking operations, and 3 NGOs involved in operation of financial intermediation.

Foreign Exchange Management

- 2.91 In view of the existing arrangement that licensed hotels could provide exchange facility only for the sale of their services, exchange facility of convertible foreign exchange could be provided at one time for one period of stay to a maximum of US\$300 equivalent for each client if such facility becomes necessary for the client staying in the hotel.
- 2.92 During the validity period of labor permit and agreement in the case of foreign citizens working in the airlines companies of Nepal, an arrangement has been made to provide, as per the existing law, convertible foreign exchange facility for the foreign citizens (Indian currency in the case of Indian citizens) equivalent to a maximum one-year's remuneration on submission of necessary documents as specified.
- 2.93 While investing the licensed banks' foreign exchange balance abroad, the maximum period of such investment has been raised from 2 years to 5 years provided the investment is made in fully liquid government securities.
- 2.94 If the spare parts of airplanes, telecommunication, and medical equipment are required to be imported urgently for an amount up to USD 10,000 provided that the vendor agrees to permit the credit for the amount, the same could be imported through the Tribhuvan International Airport customs point and the payment could be made on the basis of documents within 90 days since the day of legitimate customs clearance.
- 2.95 While issuing electronic payment card, internationally acceptable and prevailing security measures and characteristics should be mandatorily included in place of the existing requirement that the term denoting "NEPAL" would appear in the bottom left corner in the front side of the card while the card holder's photograph would be affixed in the bottom left corner in the back side of the card.
- 2.96 Arrangement has been made whereby the licensed money changers under agreement with the BFIs could provide the foreign tourists the foreign exchange facility through the point of sale (POS) by means of international cards (like the Visa International, Master Card International, Union Pay International, etc.) by obtaining specified documents and fulfilling specified criteria.
- 2.97 Casinos licensed by the NRB could receive from the casino player for the casino purpose foreign exchange amounting to US\$5,000 or its equivalent convertible currency in cash by opening account in any Nepalese BFI. If the amount exceeds this limit, then duly verified customs declaration would be required or the casinos could receive the amount through the banking channel. Alternatively, the casinos could receive the amount from the casino player through the point of sale (POS). The amount the player deposits in cash for casino in addition to the amount won by the player could be paid in cash up to US\$5,000. In the case the player wins the bets, payment could be made through the

- banking channel after the payment of lawful tax to the GON by using the same account. Likewise, clear provision has also been made with respect to casino's transaction, reporting, account operation, and fund transfer.
- 2.98 Commercial banks could borrow from foreign banks and financial institutions in convertible foreign exchange to the extent of 25 percent of their core capital.
- 2.99 If infrastructure development and construction projects operating in Nepal require short-term advances in the process of construction of projects, they are allowed to make such borrowings from abroad.
- 2.100 Transaction in relation to bitcoin is completely illegal in Nepal. Accordingly, public notice has been issued not to transact or not to get transacted in matters pertaining to bitcoin.
- 2.101 Remittance and money changer companies were required to raise capital as specified by mid-July 2018. Through a public notice, the deadline was last extended to mid-January 2018.
- 2.102 Conveyance from Nepal to other countries and to Nepal from other countries by own self or through cargo, courier, postal service or other channel for the amount up to Rs. 5,000 or US\$5,000 or other equivalent foreign exchange or equivalent bearer bills of exchange is allowed. For conveyance from Nepal to other countries and to Nepal from other countries the amount exceeding US\$5,000 or other equivalent foreign exchange or the amount exceeding Rs. 5,000 in cash or equivalent bearer bills of exchange, the particulars of such currency or bearer bills of exchange should be declared before the customs officer. If conveyance from/to Nepal is made through cargo, courier, postal service or other channel, the same should be declared before the concerned cargo, courier, postal service, etc.
- 2.103 Among the firms, companies or institutions licensed to deal in foreign exchange (other than the BFIs), during FY2017/18, inspection of 223 of them comprising 168 money changers, 29 hotels, 16 trekking agencies, 6 airlines, and 2 each of travel and remittance companies was conducted. Among 168 money changers and 29 hotels inspected, 118 money changers were from inside the Valley and 50 money changers from outside the Valley while 28 hotels were from inside the Valley and 1 hotel from outside the Valley. Following the inspection, 6 institutions were warned, 11 institutions were imposed fine in cash, and 2 institutions faced dissolution proceedings.
- 2.104 As in mid-July 2018, institutions licensed to deal in foreign exchange numbered 3,034, comprising 175 hotels, 1,425 trekking agencies, 841 travel agencies, 379 money changers, 28 commercial banks, 20 development banks, 2 finance companies, 1 Nepal Clearing House Limited (NCHL), 72 GSAs/PSAs of domestic/foreign airlines, 57 cargo/couriers, and 34 other various entities. Various branch offices of 28 commercial banks, 20 development banks, and 2 finance companies, as noted above, have obtained

licenses to deal in foreign exchange and, accordingly, conducted foreign exchange transactions. Among the institutions that deal in foreign exchange, 2,698 are in Kathmandu valley while 336 institutions are outside the Valley. As in mid-July 2018, 79 institutions comprising 49 remittance companies, 24 commercial banks, and 6 finance companies have obtained licenses to conduct remittance business.

- 2.105 Nepal Rastra Bank Remittance Bylaw, 2010, Nepal Rastra Bank Moneychanger Bylaw, 2010, and Nepal Rastra Bank Foreign Exchange Dealing License and Inspection Bylaw, 2011 are in the process of amendment.
- 2.106 With a view to make improvements in import and distribution system of gold, timely review has been made in the Gold Import and Distribution Procedures, 2011.

Currency Management

- 2.107 In FY2017/18, 100 million pieces of Rs. 500 denomination notes, 90 million pieces of Rs. 50 denomination notes, 58 million pieces of Rs. 20 denomination notes, 240 million pieces of Rs. 10 denomination notes, and 260 million pieces of Rs. 5 denomination notes were printed and being deposited in the NRB vault.
- 2.108 As provided in the Public Procurement Act, 2007 and Nepal Rastra Bank Note Printing and Coin Minting Directive, 2009, the Note Printing (Procurement) Master Plan, 2017 and Coin Printing Master Plan, 2017 have been implemented.
- 2.109 In the review year, 506.65 million pieces of various denomination notes amounting to Rs. 124.60 billion, as detailed in the table below, were issued from stock into circulation. In the review year, the note printing expenses amounted to Rs. 947.40 million.

Table 2.18
Details of Currency Notes Issued from Note Stock in FY2017/18

Denomination (Rs.)	Notes in Circulation (Pieces in Million)	Amount (Rs. in Million)
5	90.75	453.8
10	78.55	785.5
20	69.75	1,395.0
50	70.65	3,532.5
100	65.55	6,555.0
500	39.05	19,525.0
1000	92.35	92,350.0
Total Amount	506.65	124,596.8

- 2.110 Notes in circulation as in mid-July 2018 amounted to Rs. 494.39 billion, registering an increase of 14.71 percent over the notes in circulation amounting to Rs. 430.99 billion as in mid-July 2017. Notes issued have been secured by foreign currency and foreign securities. The details of currency in circulation as in mid-July 2018 have been as follows:

Table 2.19
Details of Currency Notes in Circulation (Mid-July 2018)

Denomination (Rs.)	Notes in Circulation	Amount (Rs. in Million)
1	161,068	161.1
2	92,757	185.5
5	480,763	2,403.8
10	367,312	3,673.1
20	226,195	4,523.9
25	2,294	57.4
50	171,009	8,550.4
100	172,061	17,206.1
250	350	87.4
500	202,772	101,386.0
1000	356,155	356,154.8
Total	2,232,734	494,389.5

- 2.111 In order to make the supply system of the Nepalese currency effective and to 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 77 currency chests across the nation, comprising NRB's one chest in the Valley and seven outside the Valley, RBBL's 45, and NBL's 24. 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 promptly replenish the required amount if funds are in high demand. 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 in participation of staff engaged in currency chest transactions. Likewise, weaknesses/findings seen in the course of inspection and follow-up of the currency chests are being duly addressed.
- 2.112 With the objective of making stakeholders and general public aware of the need to bring the currency notes into secured use and withdraw the soiled currency notes from circulation, the relevant information is placed in the NRB website.
- 2.113 During the review year, soiled, torn, and non-usable currency notes in various denominations in the possession of BFIs and the general public amounting to Rs. 56.36 billion were collected and the same consigned to ashes.

Table 2.20
Details of Consigned Notes Ineligible for Circulation in FY2017/18

Denominations (Rs.)	Consigned to Ashes (in Thousand)	Amount (Rs. Million)
1	82.0	0.1
2	173.0	0.3
5	43,493.0	217.5
10	46,407.0	464.1
20	40,938.0	818.8
25	7.0	0.2
50	42,774.0	2,138.7
100	41,272.0	4,127.2
250	0.1	0.03
500	33,402.0	16,701.1
1000	31,895.0	31,894.9
Total	280,443.1	56,362.7

2.114 In the country, the amount of currency note in circulation is rising every year. Currency note in circulation amounted to Rs. 386.16 billion in FY2015/16, Rs. 430.99 billion in FY2016/17 and Rs. 494.38 billion in FY2017/18.

2.115 As in mid-July 2018, Rs. 1 coin and Rs. 2 coin in stock amounted to Rs. 69,681,000 and Rs. 67,166,000 respectively compared to such stock at Rs. 115,294,000 and Rs. 90,198,000 as in mid-July 2017 respectively. In FY2017/18, the sale of Re. 1 coin and Rs. 2 coin amounted to Rs. 41,716,000 and Rs. 21,989,000 respectively. Also, gold and silver coins as well as medals and medallions from other metals were regularly minted and sold to the public through the Mint Department during the review year.

Human Resource Management

2.116 Total number of NRB staff at 951 in mid-July 2018 comprised 863 from administration stream and 88 from technical stream. The level-wise composition of the total staff strength showed 527 at officer-level, 297 at assistant-level, and 127 at office assistant (class-less) level. The ratio of the officers to assistants (including class-less level) as at the end of the review year was 1:0.80. Such ratio in the previous year had been 1:0.70. As per the arrangement to appoint in the ancillary vacancies on the contractual basis, a total of 123 staff (security 81, health 12, engineer 2, sub-engineer 1, driver 6, and others, i.e., among the retired employees of NRB, 21) were working under contractual basis as in mid-July 2018.

Table 2.21
Details of Existing Staff

Level	Staff Composition as in mid-July 2018		
	Administration	Technical	Total
Officer Special	17	–	17
Officer First	31	1	32
Officer Second	115	14	129
Officer Third	325	24	349
Total	488	39	527
Assistant First	51	8	59
Assistant Second	161	34	195
Assistant Third	36	7	43
Assistant Fourth	–	–	–
Assistant Fifth	–	–	–
Total	248	49	297
Office Assistant (Class-less) First	30	–	30
Office Assistant (Class-less) Second	35	–	35
Office Assistant (Class-less) Third	1	–	1
Office Assistant (Class-less) Fourth	61	–	61
Total	127	–	127
Grand Total	863	88	951

- 2.117 During FY2017/18, 10 assistant directors entered into the NRB service (3 from inside the NRB and 7 from outside) while a total of 86 employees left the NRB service for various reasons. Among the employees who left the NRB service, 117 employees left according to the regular provision of compulsory retirement, 4 employees resigned, 2 met untimely death, and 3 were removed from service with a provision that they would not be disqualified from entering into the NRB service in the days to come.
- 2.118 During the review year, altogether 78 vacancies were filled in various posts. Among them, 10 were filled through open competition and 68 filled through internal performance appraisal. Likewise, 6 drivers, 1 dispensary worker, and 4 mechanics were recruited on contractual basis.

Table 2.22
Details of Fulfillment of Vacancy during FY2017/18

S.N.	Level	Service Type	Open Competition	Performance Appraisal	Internal Competition
1	Officer Special	Administration	-	13	-
2	Officer First	Administration	-	8	-
3	Officer First	Technical	-	-	-
4	Officer Second	Administration	-	23	-
5	Officer Second	Technical	-	-	-
6	Officer Third	Administration	10	-	-
7	Officer Third	Technical	-	-	-
8	Assistant First	Administration	-	12	-
9	Assistant First	Technical	-	-	-
10	Assistant Second	Administration	-	12	-
11	Assistant Second	Technical	-	-	-
12	Assistant Third	Administration	-	-	-
13	Office Assist. 4th	Administration	-	-	-
Total			29	68	-

Miscellaneous

Budget Management, Corporate Risk Mitigation, and Strategic Plan

Budgetary Management

- 2.119 As per the provision made in Section 43 of the Nepal Rastra Bank Act, 2002 and as per point number 6 (3) of the Nepal Rastra Bank Budget Formulation, Implementation, and Monitoring Directive, 2015, the Board of Directors has approved the NRB's income and expenditure (budget) for FY2018/19.
- 2.120 All the departments/offices/divisions/units have been informed for implementation and compliance of the 15-point directive being issued by the Board of Directors at the time of the budget approval as well as the Nepal Rastra Bank Budget Formulation, Implementation, and Monitoring Directive, 2015 with the view of making the implementation of the annual income and expenditure (budget) for FY2018/19 more effective, economical, and outcome-oriented.
- 2.121 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 after the

evaluation of the budget review report as deemed appropriate by the budget review committee and enclosing recommendation for issuing further directive towards making the budget implementation effective.

- 2.122 With a view to making NRB's day to day activities more effective by coordinating the functioning of various departments/offices/divisions, Management Consultations Seminar is held every year for discussing annual work plan and the related budgeting. Accordingly, such seminar was organized in the review year also. Further, with the purpose of discussing and resolving problems witnessed in connection with the budget formulation and implementation, the "Seminar on Budget Implementation and Monitoring" has been organized.

Implementation of Risk Management

- 2.123 Risk Management Report for the period till the third quarter of FY2017/18 has been prepared on the basis of details received from various departments.
- 2.124 In the context of formulating NRB's business continuity plan (BCP) followed by its implementation, an international seminar entitled Risk Management and Business Continuity Planning in Central Bank was organized during February 9-10, 2018. As a preliminary stage in formulating the business continuity plan, the work of identifying the Mission Critical Activities by compiling Business Impact Analysis of each department/office has proceeded ahead.

Implementation of Strategic Plan

- 2.125 In order to systematically move forward the NRB activities in a planned framework, the third strategic plan of NRB (2017-2020) has come under implementation since February 10, 2018. As in mid-July 2018, 165 activities have been started as part of the strategic plan. Standard Bidding Documents as specified by the GON's Public Procurement Monitoring Office have been prepared and implemented. Procurement activities have been proceeding based on these bidding documents.

Information Technology and Activities Related to Financial Awareness

- 2.126 The old Dispensary Management System being used in the dispensary located at the central office of the NRB has been substituted by the newly prepared Web-based System. Similarly, the old Staff Retirement Fund System that had been in use in the Financial Management Department at the NRB central office has been replaced by preparing new Web-based System.
- 2.127 The work of installing Secondary Back-up Line in the WAN connection installed at the central office and all the departments and offices of the NRB by receiving Back-up Link from different vendor has been completed.

- 2.128 Under the work of establishing NRB's Disaster Recovery Site (DR Site), the construction work of DR Site has been completed and the same has come into full operation.
- 2.129 Physical infrastructure related to information technology prepared by BFIs which are in the process of new establishment and which have their offices transferred has been inspected. Moreover, physical infrastructure related to information technology prepared by payment system providers has been inspected. Similarly, by visiting various BFIs, their information technology infrastructure has been inspected.
- 2.130 goAML, a specialized IT software developed by the United Nations Office on Drugs and Crime, which could be useful for discharging in a prompt and effective way the major functions of the Financial Information Unit (FIU), namely, (a) receiving financial information from the reporting institutions, (b) effectively analyzing the information received, (c) transmitting the analytical conclusions to various institutions investigating the crime, etc., has been installed. To encompass the necessary information and details in the software, a Schema was developed and sent to the "A"-class banks which, in turn, have been sending the details on an experimental basis. Thus, necessary homework is now ongoing for making the online reporting effective.
- 2.131 In the process of receiving from the reporting institutions the details of threshold as well as suspicious transactions, the information received in FY2017/18 could be depicted as below:

Table 2.23: Details of Threshold Transactions in 2017/18

<i>Reporting Institution</i>	<i>No. of Threshold Transactions</i>
<i>Commercial Bank</i>	4,185,846
<i>Development Bank</i>	225,438
<i>Finance Company</i>	41,301
<i>Cooperative</i>	8,885
<i>Government Institution</i>	711
<i>Insurance Company</i>	89,966
<i>Company Dealing in Securities</i>	34,783
<i>Others</i>	6,887
<i>Total</i>	4,593,817

Table 2.24: Details of Suspicious Transactions in 2017/18

<i>Condition of Suspicious Transaction</i>	<i>No. of Suspicious Transactions</i>
<i>Suspicious Transactions Reported</i>	887
<i>Suspend Transaction Analyzed</i>	816
<i>Suspicious Transactions sent to Law Enforcement Agency for Necessary Action</i>	312
<i>Suspicious Transactions Filed</i>	504

2.132 Internalizing the importance of cross-border exchange of information for prevention of money laundering, the Prevention of Money Laundering Act, 2008 authorized the Financial Information Unit (FIU) to build necessary understanding with foreign counterparts for exchanging the required information. Accordingly, till mid-July 2017/18, memorandum of understanding (MOU) for exchange of information has been signed with 14 countries.

Preparation of Draft Bill and Pleading of Legal Suits

2.133 Among the laws that have been mentioned in the Financial Sector Development Strategy (2016/17-2020/21), amendment drafts for amending and timely reform in the Negotiable Instruments Act, 1978, Insolvency-related Act, 2006, Bank and Financial Institution Debt Recovery Act, 2002 have been prepared.

2.134 Following have been the legal suits comprising writ petition following dissatisfaction with the NRB decision against BFIs and their officials for the reason of violation of the NRB directive as well as the suits lodged in various courts by also making NRB a defendant:

Table 25: Details of Legal Suits

<i>S. No.</i>	<i>Status of Legal Suits</i>	<i>Number</i>
1	<i>Current Suits</i>	82
2	<i>Decided Suits</i>	23
3	<i>Suits relating to Insolvency</i>	3

Internal Audit

2.135 In 2017/18, the NRB's Internal Audit Department conducted its regular audit of Banking Office, Currency Management Department, Financial Management Department, General Services Department, and all NRB Offices outside the Kathmandu valley. Further, monitoring whether there is the compliance or otherwise of the directive issued by the Audit Committee has also been conducted.

2.136 Report to the Audit Committee has been submitted following carrying out the audit in the areas of (a) condition of activities of the Rural Self-Reliance Fund (RSRF), (b) condition of activities with respect to granting of licenses to deal in foreign exchange transactions as well as their inspection, (c) situation unfolding in the process of the payment system development, (d) condition as to the activities of Information Technology (IT) Department as well as to safety measures adopted in the NRB's computer network.

- 2.137 Report has been submitted following the expert's verification of the software being used by the NRB like the General Ledger (GL), HRMISS, SWIFT, etc. along with the verification of the entire IT system.
- 2.138 For the implementation of risk-based internal auditing system, work plan for infrastructure as needed has been prepared.
- 2.139 Necessary revisions have been made in the Nepal Rastra Bank Internal Audit and Inspection Bylaw, 2002 and the Nepal Rastra Bank Audit Committee (Procedures) Directive, 2002.
- 2.140 The work of preparing the report after the verification of the FY2017/18, attendance and leave records of the NRB staff from the departments and offices inside the Kathmandu valley has been concluded.
- 2.141 The audit committee's annual report for FY2016/17 has been prepared and the same submitted to the Board of Directors while necessary directive has been issued to the departments and offices for undertaking corrective actions in response to the queries and qualifications as well as implementing the related suggestions.

General Services

- 2.142 Standard Bidding Documents as specified by the GON's Public Procurement Monitoring Office have been prepared and implemented. Procurement activities have been proceeding based on these bidding documents.
- 2.143 For reconstructing the NRB buildings, located at Baluwatar and Thapathali, that were damaged by the devastating earthquake that struck Nepal on May 25, 2015, tenders were invited as per the approved master plan, drawing, and design prepared by the consultants selected in accordance with the memorandum of understanding (MOU) reached between the NRB and the GON's Central Project Implementation Unit in the Ministry of Urban Development.
- 2.144 The consultants named Fuji International Design Associates, Shankhamul, selected for preparing necessary drawing, design, cost estimate, and tender document for constructing residence of Governor and Deputy Governor, residential training centre, and mini mint in NRB land of 42 Ropanis (2.14 hectare) located at Sano Thimi in Bhaktapur district along with supervising the construction of the aforesaid components, prepared the drawing, design, etc. which was approved and the blue print of which is in the process of getting registered.
- 2.145 For constructing compound wall in the NRB-owned land located at Kohalpur in Banke district, work including detailed engineering drawing/design, cost estimation, bid documentation, etc. has been completed. For these functions, tender has been invited at

the national level through electronic procurement system established at the Public Procurement Monitoring Office.

- 2.146 It was agreed with Protocal International Consultation Pvt. Ltd. to avail the consultancy service for substituting the unworkable lift that was installed at block “A” building at the central office premises of the NRB. Moreover, the tender was invited as per the technical specification prepared by this company and the selected tenderer, Shri Global Alfatech Service Pvt. Ltd., has been proceeding with the work of substituting the lift.
- 2.147 As there was some damage to the “D” block forming part of the NRB’s Baluwatar premises and housing the General Services Department, Corporate Planning Department, and Internal Audit Department, the work of retrofitting in accordance with the need has been completed.
- 2.148 Construction of the wall, store, parking, and sentry post to the west side of Baluwatar premises has been completed.

Payment System

- 2.149 Among the BFIs that have requested permission to act as payment system provider (PSP), 4 each of development banks and finance companies were permitted to act as PSPs in FY2017/18. Similarly, among the non-bank and financial institutions that have requested permission to act as payment system operator (PSO), 2 of them were permitted to act as PSOs in FY2017/18.
- 2.150 Among the various bank/non-bank and financial institutions that have requested permission to establish institution/structure for acting as PSP/PSO, 23 institutions/structures have been issued letters of intent for establishing institutions performing payment-related work.
- 2.151 NRB’s management committee has discussed concept paper relating to national payment switch/gateway following which the work relating to preparation of detailed study report on the subject has moved on.
- 2.152 With respect to payment for electronic transactions, directive has been issued in relation to settlement bank and limit for transaction to be conducted electronically.
- 2.153 The meeting of high-level IT steering committee finalized with revisions the draft terms of reference prepared by the Payments Systems Department in connection with establishing and implementing the real time gross settlement (RTGS). To enter into memorandum of understanding (MOU) based on terms of reference (TOR) and proper procedures for establishing RTGS, the work relating to expression of interest (EOI) and request for proposal (RFP) in accordance with TOR has been completed by UK Aid Sakchyam.

- 2.154 The draft payment and settlement bill, 2017 prepared with the objective of development and expansion of secured, healthy, and capable payment system in the country along with the regulation, supervision, and monitoring of the related work has been submitted to the GON.
- 2.155 The payment system oversight framework prepared with the objective of systematizing the functioning of those involved in payment system like the payment system provider (PSP), payment system operator (PSO), and other stakeholders through regulation, supervision, and monitoring has been publicly disseminated.
- 2.156 Approval has been granted as per the request of the Nepal Clearing House Limited to add Connect IPS e-payment module to the e-payment followed by its Soft launch. Through the Connect IPS, it has become possible to make payments to the government electronically.
- 2.157 An interaction programme on modern payment system between the Korean delegates visiting Nepal under the Bank of Korea Knowledge Partnership Programme (BOK-KPP) and the NRB staff was held with a view to the consolidation and development of payment system. In this respect, to modernize the payment system, a MOU has been signed for preparing a study report with the cooperation of the Bank of Korea.

Banking Transactions

- 2.158 During FY2017/18, government transactions of 20 commercial bank branches performing government transactions were inspected.
- 2.159 During FY2017/18, an additional 12 commercial banks (viz., Janata Bank Nepal Ltd., Sanima Bank Ltd., Prabhu Bank Ltd., Machhapuchchhre Bank Ltd., Mega Bank Nepal Ltd., Civil Bank Ltd., Citizens Bank International Ltd., Sunrise Bank Ltd., Luxmi Bank Ltd., Siddhartha Bank Ltd., Kumari Bank Ltd., and Nabil Bank Ltd.) were granted permission for conducting government transactions. This raises the number of commercial banks permitted to carry out government transactions to 24.
- 2.160 By mid-July 2018, commercial bank branches in 488 local levels from all 7 States were permitted to carry out government transactions. In the case of remaining local levels, the work of granting permission will move ahead if request as per rule is being received.
- 2.161 At the request of various government offices, 143 new letters of credit (L/C) amounting to Rs. 1,175,965,935.72 were opened during FY2017/18. While payments for all the opened L/C were duly made, 24 old L/C were closed.
- 2.162 In NRB offices outside the Kathmandu valley, namely, Biratnagar, Janakpur, Pokhara, and Dhangadhi, monitoring was conducted with respect to implementing the electronic cheque clearing (ECC) and the inter-bank payment system (IPS). The limit for cheque clearing through the ECC has been kept constant at Rs. 3.0 million.

- 2.163 Various foreign currencies being deposited in the NRB's Banking Office were sent as cargo for depositing in agency bank accounts to the CIMB (Commerce International Merchant Bankers) Bank, Singapore, for a total of 36 times for an amount totaling US\$151.69 million and to the United Overseas Bank (UOB), Singapore, for a total of 13 times for an amount totaling US\$51.02 million.
- 2.164 In order to make the supply management of cash IC easier and systematic, IC 4 billion was brought from the Reserve Bank of India, Kolkata, on a total of 4 occasions. Similarly, total of 9 IC currency chests from NRB Offices and various commercial bank branches were inspected while the monitoring of supply management of IC was completed.
- 2.165 Among the 31 IC chests in operation, 15 chests were closed during the review year, resulting in 16 IC chests in operation at the end of the review year. Further, construction work of IC chests in central offices of RBBL and NBL with the balance remaining at IC 500 million each has moved ahead.

Meeting of Board of Directors

- 2.166 The Board of Directors held 60 meetings during FY2017/18. The number of such meetings in the previous year had totalled 75.

Training, Workshop, Seminar, Travel, and Interaction

- 2.167 With the objective of promoting the subscription of foreign employment saving bond, one-day interaction programme on primary transactions of foreign employment saving bond was organized with participation of representatives of the sales agents located inside the Valley.
- 2.168 With the objective of making effective the work of receiving correct statistics in time from the BFIs, two statistical seminars (one inside the Valley and one outside the Valley) were held during the review year with the participation of BFI staff involved in NRB reporting.
- 2.169 One-day workshop on Risk Management in Banks with commercial bank officials involved in risk management committee was held. Also, one-day interaction programme with participation of commercial bank CEOs was organized on the subject of resolving qualifications in connection with the inspections carried out by the NRB.
- 2.170 One-day interaction programme on IT-related risks in respect of BFI transactions and their mitigation measures participated by commercial bank board chairmen, CEOs, and heads of IT departments was organized.
- 2.171 One-day interaction programme participated by chairmen and members of the board of directors from various development banks on the subjects relating to corporate governance, risk management situation, and internal control system was held. Similarly,

- one-day interaction programme with CEOs of development banks on the subjects of credit and operation risks as well as the internal control system was organized.
- 2.172 One-day interaction programme at Biratnagar, Nepalgunj, and Dhangadhi each with participation of representatives from BFIs, money changers, and travels and hotels that deal in convertible and inconvertible foreign exchange was organized.
- 2.173 An interaction programme was conducted with hotels licensed to deal in foreign exchange to make them aware of the weekly reporting of foreign exchange reserve.
- 2.174 As per the objective of bringing into circulation the cleaner currency notes, continuity has been given to the process of implementing the clean note policy also in FY2017/18. To make the public aware of such policy and practice, interaction in 4 places outside the Valley was organized.
- 2.175 Among the 16 training programmes that the Bankers Training Centre hosted during the review year, 12 were from inside the Valley and the remaining 4 outside the Valley. The training participants numbered 393, comprising 330 from NRB and 63 from other institutions.
- 2.176 The director of CIMB Bank, Singapore, one of the agency banks dealing in foreign exchange, was invited as an expert who shared his expertise on counterfeit foreign currency in the one-day interaction programme held in Kathmandu with the participation of various banks/financial institutions inside the Valley along with representation from NRB offices outside the Valley.
- 2.177 One-day interaction programme, participated also by the NRB's higher level of management, entitled as "Problems encountered in the course of defending the legal suits in the court of law in reference to the policy and direction issued by the NRB and the process adopted for NRB's actions, etc., along with the precautions to be adopted for their solutions" was held. Similarly, separate interactions on the banking law were held by the National Legal Foundation.
- 2.178 In the context of problems witnessed in controlling the offenses under the Banking Offense and Punishment Act, applicable banking-related law, and other insolvency-related law along with the need for effective implementation of the measures for their solution, half-day interaction programme for Rt. Hon. Chief Justice and Hon. Justices of Supreme Court, Hon. Chief Justices of High Court, and Hon. Justice related to Commercial Bench was organized through the National Legal Foundation.
- 2.179 One-day instruction programme on "Government Transactions Directive, 2015 and Revenue Management Information System (RMIS) was conducted at NRB offices outside the Valley located at Biratnagar, Janakpur, Siddharthanagar, and Dhangadhi.

- 2.180 For the employees working in BFIs, one-day instruction programme with respect to implementing the electronic cheque clearing (ECC) and inter-bank payment system (IPS) was organized at NRB's Birgunj and Siddharthanagar offices each. Similarly, in respect of cash in transit operations in foreign exchange being conducted by the NRB, account reconciliation problems occurred to address which one-day instruction programme each at Biratnagar and Nepalgunj offices was held.
- 2.181 Interactions have been conducted in various places of the country including Kathmandu in the process of preparation of the pre-budget review report which the NRB statutorily needs to submit to the GON for assisting in the formulation of the annual budget. Similarly, in the process of formulation of the monetary policy, interaction with all the stakeholders has been held in Kathmandu.

Study and Research Activities

2.182 In FY2017/18, the Research Department of the NRB conducted the following studies:

- Access and structure of microfinance in federal structure
- Evolution of shadow banking in Nepal and present status
- Application of financial technology in Nepal : current situation, prospects, and challenges
- Developing analytical and forecasting model, and
- Third wholesale price survey report.

2.183 Special studies conducted by the NRB Offices outside the Kathmandu valley in the review year were as follows:

- Biratnagar Office: Situation and prospect of trade with China through Kimathanka pass
- Birgunj Office: Commercial vegetable farming in Makwanpur district : condition and possibilities
- Siddharthanagar Office: Tourism scenario, challenges, and prospects in Lumbini area
- Dhangadhi Office: Access to financial services in State No. 7.

Table 1
Denomination-wise Currency Notes in Circulation

(Rs. in Million)

Denomination	Mid July					
	2016		2017		2018	
	Amount	Percent	Amount	Percent	Amount	Percent
1	161.2	0.0	161.1	0.0	161.1	0.0
2	186.1	0.1	185.7	0.0	185.5	0.0
5	2,003.7	0.5	2,184.1	0.5	2,403.8	0.5
10	3,025.0	0.8	3,344.3	0.8	3,673.1	0.7
20	3,756.2	1.0	3,961.3	1.0	4,523.9	0.9
25	57.7	0.0	57.5	0.0	57.4	0.0
50	6,622.3	1.7	7,396.2	1.7	8,550.4	1.7
100	11,734.6	3.0	15,254.5	3.5	17,206.1	3.5
250	87.5	0.0	87.5	0.0	87.4	0.0
500	91,896.8	23.8	95,113.5	22.1	101,386.0	20.5
1000	266,629.0	69.1	303,244.3	70.4	356,154.8	72.0
Total	386,160.1	100.0	430,990.0	100.0	494,389.5	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
2018	-	-	494,389.5	494,389.5	-	494,389.5	100.0

Table 3
Training Programs Conducted by Bankers Training Centre

S. No.	Subject	Level	Date	No. of Participants
1	Planning and Budgeting in NRB	Officer/Non-Officer	2074/04/32-05/01	29
2	Procurement Management & Tax Laws	Officer/Non Officer	2074/05/21-05/23	24
3	Risk Based Supervision (Intermediate Level)	Officer	2074/05/25-05/30	25
4	Retail Payment System: Opportunities and Challenges (Intermediate Level)	Officer	2074/07/19-07/21	23
5	Risk Based Internal Auditing	Officer	2074/07/26-07/29	25
6	Pre-service	Officer	2074/09/05-09/16	10
7	Macroeconomic Management	Officer	2074/09/17-09/21	25
8	Management Development Programme	Officer	2074/09/23-09/28	25
9	Credit & Accounting System of Rural Banking	Officer/Non-Officer	2074/10/09-10/12	30
10	Fixed Assets & Inventory Management	Officer/Non Officer	2074/11/13-11/15	25
11	Credit & Accounting System of Rural Banking	Officer/Non-Officer	2074/12/05-12/08	29
12	Issues on AML/CFT	Officer/Non Officer	2074/12/14-12/15	25
13	Central Banking	Non Officer	2075/02/06-02/11	25
14	Risk Management in BFIs	Officer	2075/02/27-02/30	24
15	NFRS-Concept & Issues	Officer	2075/03/11-03/15	25
16	Forecasting and Modeling Techniques with E-Views	Officer	2075/03/25-03/27	24
	Total			393

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

S.No.	Subject	No. of Participants	Host Institution	Place
1	Study Visit	1	Nepal Government	Seoul, Korea
2	7th annual coin management training	2	The Royal Mint/UK	London, UK
3	Managing Capital Flows: Macroeconomics analysis Policies (MCF)	1	IMF	USA
4	Macroprudential Policies and analysis	2	SEACEN	Cambodia
5	BNM Monetary Policy Conference & BNM-IMF Summer Conference	2	BNM-AFI	Malaysia
6	External Sector Statistics	1	IMF-SARTTAC	India
7	Cooperative Governance for the BOD of Rural FI and Cooperatives	1	CICTAB	Sri Lanka
8	Cybersecurity: Safeguarding the Future for Innovative Financial Inclusion	1	BNM-AFI	Malaysia
9	Special Training Program	20	SCB-Mumbai	India
10	Anti Money Laundering for Nepal 2017	2	China Govt.	China
11	19th SEACEN-FSI Conference of the Directors of Supervision of Asia Pacific Economies & Meeting of Directors of Supervision of SEACEN	2	SEACEN	Hong Kong
12	Enterprises Risk Management	2	SEACEN	Sri Lanka
13	1st SEACEN Strategic Human Resources Conference-The Strategic Role of HR in Central Banks	1	SEACEN	Philippines
14	Seminar and in Depth Discussion Meeting at DeLaRue International Limited	2	DeLaRue	UK
15	Enterprises Risk Management	2	SEACEN	Sri Lanka
16	Banking Supervision within the Basel Framework Level II	1	DBB	Germany
17	12th SEACEN-BOJ Expert Group Seminar/Meeting on Capital Flows	1	SEACEN	Malaysia
18	17th ECB Seminar on Payment. Clearing and Settlement for Central Banks	1	European Central Bank	Germany
19	Financial Cycles and Crisis	4	SEACEN	Korea
20	SAARC Finance Coordinators Meeting	1	Bangladesh Bank	Bangladesh
21	Central Bank Seminar	3	The Zurer Kantonalbank	Switzerland
22	Managing World of virtual Finance-Fintech Regulation	3	RBI	India
23	Woman's Development through Micro-Finance	4	CICTAB	India
24	Interim Seminar	5	Bank of Korea	Korea
25	Financial Stability & Macroprudential Policies of Central Banks	1	IBFI	France
26	Annual Meeting of World Federation of Exchange	1	Nepse	Thailand
27	SEACEN High-Level Seminar & Meeting for Deputy Governors & SEACEN Policy Summit	2	SEACEN	Malaysia
28	Advanced Capital Planning & Stress Testing	4	SEACEN	Malaysia
29	Workshop on Implementing Monetary Policy	1	Bank of Indonesia	Indonesia
30	Reserve and Assets Management	1	BIS	Switzerland
31	Transforming a Central Banking	2	IBFI	France
32	Emerging Capital Flows: Macroeconomics Analysis and Policies	3	IMF-SARTTAC	India
33	WHD.USA-Technology Conference	2	WHD.Global	USA
34	AFI-Global Policy Forum	4	BNM-AFI	Egypt
35	Destruction Process of Rupee 1000	2	China Banknote	China
36	Management of Rural Financing Institutions & Cooperative for Rural Development	2	CICTAB	India
37	Financial Sector Surveillance	4	IMF-SARTTAC	India
38	Supervisory Policy Implementation	2	BIS	Switzerland
39	Banknote Managers Seminar	2	Others	France
40	Seminar on Global Symposium on Development Financial Institutions	2	BNM	Malaysia
41	Government Finance & Public Sector Debt Statistics	2	IMF-SARTTAC	India

S.No.	Subject	No. of Participants	Host Institution	Place
42	10th annual National Asset-Liability Management Asia Conference	3	National Asset-Liability Management Asia	Singapore
43	Dealing with Problem & Near Problem Banks Including Bank Off-Site analysis and Monitoring-Early Warning Indicators	4	SEACEN	Brunei
44	Joint Learning Event on Sustainable Finance Initiative	5	IFC	Bangladesh
45	Exposure Visit	2	Denmark Govt.	Denmark
46	SEACEN Executive Committee Meeting	1	SEACEN	Myanmar
47	SEACEN-BOJ Intermediate course on Econometric Modeling & Forecasting	4	SEACEN	Mongolia
48	Portfolio Management: Current Trends in Dollar Asset Markets Course	1	Federal Reserve Bank	USA
49	Central Bank Seminar	1	„	USA
50	2017 Annual Meeting of IMF	3	IMF	USA
51	Advanced Course for Bank Examiners	4	SEACEN	Malaysia
52	Foreign Exchange Reserve & Risk Management	2	ISBC	Turkey
53	5th Annual Meeting of the IFC-LED Sustainable Banking Network	1	IFC	USA
54	Central Bank Governance	1	DBB	Germany
55	Central Bank Policy Mix: Issues, Challenges and Policy response	2	ISBC	Turkey
56	Seminar on Central Bank	1	Federal Reserve Bank	USA
57	Balance of Payment Measurement	4	SEACEN	Malaysia
58	Financial Markets and Instruments	2	ISBC	Turkey
59	Reserve Management	1	BIS	Switzerland
60	Technology Risk in Banks Including Cyber Security	4	SEACEN	Philippines
61	Financial Stability	4	BOK	Korea
62	Macro-Stress Testing II	2	IMF-STI	Singapore
63	Plenary & Working Group Meeting	2	FATF	Argentina
64	Agriculture & Rural Development through Cooperative Business Models	4	CICTAB	India
65	Exposure Visit	4	China Banknote	China
66	Inauguration and Interaction Program of GME	1	GME	Korea
67	Inauguration and Interaction Program & 20th anniversary Events of Japan IMF	2	Japan IMF/GME	Japan/Korea
68	Financial Consumer Protection	1	DBB	Germany
69	Controlling at Central Bank	1	DBB	Germany
70	Payment & Settlement	4	BOK	Korea
71	SEACEN Research Seminar on Macro-prudential Policies	1	SEACEN	Malaysia
72	Asia Forum on Reserve Management	2	Bank of Thailand	Thailand
73	22th Annual International Institute for Securities enforcement & Market Oversight	1	Nepse	USA
74	2017 APG Typologies Workshop	2	BOK	Korea
75	SARTTAC Steering Committee Meeting	2	IMF-SARTTAC	India
76	Monetary & Fiscal Policy analysis with DSGE Models	1	IMF-STI	Singapore
77	Implementation Monetary Policy-Course Level II	1	DBB	Germany
78	Observation Visit to Reserve Bank	1	RBI	India
79	Cyber Risk Workshop: Regulatory Approaches	2	IMF	USA
80	General Central Banking	30	Bank of Philippines	Philippines
81	Countering the Financing of Terrorism & the Proliferation of Weapons of Mass Destruction through Effective Asset Freezing	1	UN Office on Drugs & Crime	Sri Lanka
82	Visit to UOB Cash Processing Centre	3	UOB Bank Singapore	Singapore
83	Japanese ODA Loan Seminar for South Asian Region	1	Jaica	Japan
84	Banking Regulation-Changing Contours	2	RBI	India
85	CGF Policies, Processes and Procedures	1	AIT	Thailand
86	53rd SEACEN Governors Conference	3	SEACEN	Thailand
87	69th APRACA Executive Committee Meeting	2	APRACA	India

S.No.	Subject	No. of Participants	Host Institution	Place
88	Islamic Banking	1	ISCB	Turkey
89	Die Destruction Process of Rs 50	2	Perum Peruri	Indonesia
90	Observation Visit	2	Monetary Authority of Bhutan	Bhutan
91	CIT's Product Launching Event	1	Access Advisory	Korea
92	Currency Verification & Processing System	3	RBI	India
93	Credit Guarantee Fund Trust for Micro & Small Enterprises	1	CGF	India
94	Stress Tests-Methods & areas of application	1	DBB	Germany
95	Study Visit	2	SICPA	Switzerland
96	Banking Supervision	1	DBB	Germany
97	Visit to IMF-SARTTAC and SBI Training Centre	1	IMF-SARTTAC	India
98	Banking Supervision	30	Bank of Philippines	Philippines
99	Collective Investment opportunities & the role of NRN people	1	NRNA	UK
100	Bank Resolution, Crisis Management and Deposit Insurance	2	BIS	Switzerland
101	Printing Process of Rs 500	5	Perum Peruri	Indonesia
102	General Central Banking	30	Bank of Philippines	Philippines
103	On-Site Banking Supervision	1	DBB	Germany
104	Ceremony & Remittance Service with Corresponding Partner NNP Korea	2	Others	Korea
105	6th Advance Programme for Central Bankers & Regulation	2	The Chinese University of Hong Kong	Hong Kong
106	Financing Small Enterprises for Rural Development	2	CICTAB	India
107	Legal Skills in Private Sector Financing	1	World Bank	Sri Lanka
108	Destruction of Origination Materials	2	Giescke & Devrient	Germany
109	FATF-Plenary & Working Group Meeting	1	FATF	France
110	High Level International Conference on New Growth Models in a Changing Global Landscape	1	IMF	Indonesia
111	7th BBVA Seminar for Public Sector Issues and Investors	2	BBVA Corporate & Investment Banking	Spain
112	Agriculture Financing and Rural Development	1	CICTAB	Bangladesh
113	International Commercial Banking	1	State Bank of Pakistan	Pakistan
114	Anti Money Laundering and Combating the Financing of Terrorism	4	SEACEN	Malaysia
115	Macroeconomic Diagnostics	2	IMF-STI	Singapore
116	CPMI-Bank of Korea Regional Outreach	2	BOK	Korea
117	Asia Pacific High Level Meeting Supervision	1	BIS	Singapore
118	SEACEN Intermediate Course for Bank Examiners	4	SEACEN	Malaysia
119	15th Consumer Empowerment & Market Conduct Working Group Meeting	1	AFI	Mexico
120	17th Financial Inclusion Data Working Group Meeting	1	AFI	Mexico
121	Central Bank Governance 2018	1	IMF	UAE
122	SEACEN Leadership Master class	5	SEACEN	Indonesia
123	Conference on Deepening Financial Inclusion in South Asia	1	South Asia Micro-Entrepreneurs	Sri Lanka
124	Foreign Reserve Management	3	BOK	Korea
125	Monetary Policy, Exchange Rates and Capital Flows	1	Study Centre Gerzensee	Switzerland
126	Cloud Fest	1	Cloud Fest	Germany
127	Fin-Tech: Understanding the Technologies and their Application in the Financial Sector	4	SEACEN	Singapore
128	Egmont Group Meeting	1	Egmont Group	Argentina
129	FX, Money Markets and Commodities	5	Bloomberg Data Services	India
130	Cybercrime and Cyber security for BIMSTEC Member Countries	2	Bangladesh Bank	Bangladesh
131	SAARCFINANCE Seminar on Digital Financial Services	3	State Bank of Pakistan	Pakistan

S.No.	Subject	No. of Participants	Host Institution	Place
132	Joint Learning Program-Enhanced Market Conduct Regulation & Supervision	2	AFI	Armenia
133	Women's Development through income Generating Activities	2	CICTAB	India
134	1st Steering Committee Meeting	2	APRACA	Thailand
135	SAARC FINANCE Database Seminar	3	SAARC FINANCE	India
136	SEACEN Foundation Course on Payment Systems Operations	4	SEACEN	Malaysia
137	SEACEN-BOJ Course on International Macro economics: Theories, Issues and Application	4	SEACEN	Malaysia
138	Understanding Derivatives Better Beyond Basics	2	RBI	India
139	Derivatives and Implications for Emerging Market Central Banks	1	ISCB	Turkey
140	National Strategies for Financial Inclusion	1	AFI	Nigeria
141	3rd Dissemination Workshop	1	APRACA	China
142	SEACEN-SARTTAC Course on Monetary Policy Strategies and Operations	4	SEACEN	Sri Lanka
143	17th Digital Financial Services Working Group Meeting	2	AFI	Jordan
144	Central Bank Accounting & Budget Management	1	Int'l Banking & Finance Institute	France
145	Forecasting Budgeting and Financial Management	5	CBSL	Sri Lanka
146	Core Elements of Banking Supervision	5	IMF-SARTTAC	India
147	Workshop & Seminar on Central Bank Policy Mix	2	Bank Indonesia	Indonesia
148	Mitigating Organizational Fraud and Forensic Auditing	5	CBSL	Sri Lanka
149	Seminar on Sectorial Financial Accounts	2	ISCB	Turkey
150	Seminar on the Construction of Cross-Border Economic Corporation	1	China Government	China
151	Resilience	1	IBFI	France
152	Wholesale Banknotes Operations & Counterfeit Detection	2	CIMB Bank	Singapore
153	Expert Panel on Big Data and Central Banking	1	DBB	Germany
154	Financial Programming and Policies	4	IMF-SARTTAC	India
155	G-24/AFI Meeting and 2018 IMF Spring Meeting	1	IMF	USA
156	Monetary Policy Framework Level I	1	DBB	Germany
157	Seminar on Internal Audit Practices at Central Banks	1	ISCB	Turkey
158	Undertaking Effective Supervisory Review & Evaluation Process	4	SEACEN	Philippines
159	Monetary Policy	4	BOK	Korea
160	8th Global Standards Proportionally(GSP) Working Group Meeting	2	AFI	Cambodia
161	12th Financial Inclusion Strategy Peer Learning Group Meeting	3	AFI	Cambodia
162	Public Procurement	1	DBB	Germany
163	SEACEN Course on Information and Communication Technology	5	SEACEN	Brunei
164	Program on Auditing Internal Services and Support Functions at a Central Bank	1	DBB	Germany
165	Interaction with UAE Exchange Dubai and Mashreq Bank	2	Mashreq Bank	UAE
166	Standing Technical Committee Meeting	2	CBSL	Sri Lanka
167	2018 SEACEN Policy Summit	2	SEACEN	Malaysia
168	Discussion and Meeting with the Senior Management	1	CIMB Bank	Singapore
169	SEACEN Springboard Leadership Course	1	SEACEN	India
170	Global Forum on Remittances, Investment and Development	2	Int'l Fund for Agri. Dev.	Malaysia
171	Cross-Boarder Position Statistics	1	IMF	USA
172	Monetary Policy and Theory	1	Study Centre Gerzensee	Switzerland
173	Technology Operations and Risk Management	3	APEC/FRTI	Philippines
174	Risk Management and Internal Audit	1	Federal Reserve Bank	USA
175	International Trade in Goods and Services	1	IMF-SARTTAC	India

S.No.	Subject	No. of Participants	Host Institution	Place
176	Supervision	1	Federal Reserve Bank	USA
177	SAARCFINANCE Coordinators Meeting	1	SAARC Finance	UAE
178	2018 BOK-KPP Preliminary Meeting	3	BOK	Korea
179	The 2018 Banknote Conference	1	Currency Research	USA
180	Global Green Finance Leadership Program	3	IFC	China
181	Agri Value Chain Financing	2	CICTAB	India
182	SARTTAC Steering Committee Meeting	1	IMF-SARTTAC	Sri Lanka
183	Monetary and Financial Statistics	1	FCOFL,France	France
184	Legal Design of Taxation Frameworks Relevant to the Asia-Pacific Region	1	IMF-STI	Singapore
185	BOG-AAI Joint Learning Program on Financial Inclusion Data	2	AFI	Ghana
186	Implementing the International AML/CFT Standards-Enhancing Entity Transparency	1	IMF-STI	Singapore
187	18th annual International Conference on Policy Challenges for the Financial Sector	1	The World Bank Group	USA
188	SEACEN Conference of Directors of Payment and Settlement Systems	1	SEACEN	Indonesia
189	2018 Asian Regional Public Debt Management	1	ADB	Thailand
190	Financial Sector Issues	1	The World Bank Group	USA
191	Monetary Theory and Policy	2	RBI	India
192	Financial Sector Surveillance	1	IMF-STI	Singapore
193	Developing a Digital Government Payments Digitization	1	AFI	Rwanda
194	Theoretical and Practical Observation of CBPMs Mint and Coin Training	5	China Banknote	China
195	2018 AGM of BIS	1	BIS	Switzerland
196	26th MAS Banking Supervisors Training	2	MAS	Singapore
197	Micro-Financial History and Micro-Prudential Policy	2	BOK	Korea
198	Advanced Banknote Managers Course 2018	1	DeLaRue	UK
199	Portfolio analysis	1	BIS	Switzerland
200	Financial Development and Financial Inclusion	2	China-IMF	China
201	Global Meeting on Making Access Possible	2	UNCDF	USA
202	Risk Based Supervision	4	APEC/FRTI	Vietnam
203	20th SEACEN-FSI Conference of the Directors of Supervision of Asia Pacific Economies	1	SEACEN	Hong Kong
204	The Inclusion Imperative: Advancing Policies, Targets and Planes	2	FDC	Japan
205	Intermediate Modeling and Forecasting Techniques	3	SEACEN	Cambodia
206	Seminar on Central Bank Governance	2	SEACEN	Sri Lanka
207	IFRS Training	1	China Accounting Standard Committee	China
208	Central Bank Policy Mix: Issues, Challenges and Policy response	1	ISCB	Turkey
209	Training on Technological Innovations and Strengthening Resilience of Payment System to Cybercrimes	4	SEACEN	Indonesia
210	Asia Reserve Managers Exchange	3	Standard Chartered Bank	Singapore
211	Seminar on Formulation and Implementation of monetary Policy in Euro Area	2	European Central Bank	Germany
212	40th Meeting of SEACEN Directors of Research & Monetary Policy & High Level Seminar	1	SEACEN	Malaysia
213	Advanced Course for Bank Examiners	4	SEACEN	Mongolia
214	Value Chain Development	1	MoAD Nepal	Indonesia
215	2018 Seminar on Anti-Money Laundering Measures and Practices for Nepal	1	China Government	China
	Total	538		

Table 5

Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in FY2017/18

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	12	103	33,930.0	16	1,309.4	14	328.0	-	-	263.1	103.5	-	880.0	1,437.9
2	Janakpur	5	51	13,200.0	2	50.5	2	9.6	-	-	266.7	54.8	-	261.2	913.6
3	Birgunj	4	25	9,291.8	8	4,353.9	2	3.2	-	-	63.6	39.2	0.2	253.2	1,887.2
4	Pokhara	8	74	22,320.0	7	122.9	-	-	-	-	2,408.0	48.5	1.9	258.9	549.5
5	Siddharthanagar	7	76	22,650.0	10	142.7	-	-	2	1,440.0	692.1	58.0	25.6	385.6	1,448.0
6	Nepalgunj	13	61	14,087.5	18	5,906.7	-	-	1	480.0	44.3	61.5	1.7	236.1 ⁵	801.5
7	Dhangadhi	9	55	13,670.0	14	5,249.8	-	-	-	-	57.2	11.4	10.0	345.2	638.6
	Total	58	445	129,149.3	75	17,135.9	18	340.8	3	1,920.0	3,795.0	376.9	39.4	2,628.2	7,676.3

1 Number of currency chests under the Office

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

3 Only amount sold to clients by Office

4 Balance in mid-July 2018 following transfers to other offices

5 IC deposit means IC collected on different days from NRB Banking Office.

Appendix 2.1

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

1. The corporate governance aspect in the BFI licensed by the NRB could be compromised if the representatives elected to local, state, and federal level as per the federal structure hold the directorship in such institution. Hence, as long as such representatives hold their post, they will not be eligible to become a member of the board of directors in the BFI.
2. As per the provision in the Bank and Financial Institution Act, 2017, the BFI was required to clearly specify in the Notes to Accounts the details relating to minimum paid-up capital as specified by the NRB till the date the statements of accounts have been published following the external audit of statements of accounts for FY2016/17. Provision has been made to punish the BFI incapable of mentioning in the Notes to Accounts, forming part of the published financial statements for FY2016/17 after they are externally audited, that the specified minimum paid-up capital has been reached. Also, in the case of BFI that failed to maintain the specified minimum paid-up capital, the NRB may direct such BFI to opt for forced merger/acquisition.
3. If a person other than the account holder deposits a sum exceeding Rs. 100,000 in cash, document evidencing the depositor’s identity needs to be submitted and the reason for depositing in cash needs to be disclosed.
4. Following policy-level provision has been made with respect to matters like the time period within which the specified minimum paid-up capital needs to be maintained in the case of BFIs freed from problematic situation as well as the BFIs that are in the process of resolution:
 - (a) BFIs that have been freed from problematic situation by mid-July 2017 should maintain the specified minimum paid-up capital by mid-July 2019,
 - (b) BFIs that have been declared problematic and have undergone the process of resolution should maintain the specified minimum paid-up capital within 2 years since the date the BFI was freed from its earlier status of problematic provided the BFI maintained the minimum capital fund ratio following the fulfillment of minimum 25 percent (including call in advance) of specified minimum paid-up capital,
 - (c) Among the various directives issued by the NRB, rebate could be granted on the basis of necessity and justification with respect to credit to core capital and deposit (CCD) ratio, specified minimum priority sector credit ratio, and specified minimum deprived sector credit ratio.
5. BFIs have been issued directive for implementation of “Providing Interest-free Loan as a Collective Investment to the Earthquake Victims for Constructing the Residential House Procedures, 2017” as approved by the GON.
6. In relation to risk management, new directive numbered 5/017 has been implemented by incorporating the provisions of the Risk Management Guidelines issued by the NRB by repealing directive numbered as 5/017 as part of the Consolidated Directive, 2017 issued for licensed ‘A’, ‘B’ and ‘C’-class BFIs.

7. Policy-level provision has been made requiring ‘A’-class commercial banks to prepare their financial statements in accordance with the Nepal Financial Reporting Standards (NFRS) with effect from 2017/18.
8. Following policy-level provision has been made in relation to raising of capital in financial institutions licensed to carry out operations by limiting to one district only under special arrangement in the past:
 - (a) Specified minimum paid-up capital requirement to be complied by mid-January 2020 in the case of ‘B’ and ‘C’-class BFIs that were established by limiting their operations to one district according to special arrangement concerning establishment as contained in the “Policy-level and Procedural System relating to Licensing for Establishment and Financial Operations of BFIs, 2006”.
 - (b) BFIs unable to attain minimum paid-up capital within the time limit as stated shall be liable to action as specified.
9. Provision has been made whereby the licensed institution shall not be permitted to receive award or decoration from any foreign agency only as a return to direct or indirect economic assistance, donation or any kind of fee or financial contribution. Prior approval of the NRB is required while receiving award or decoration from foreign agency. Also, the travel and other expenses incurred by officials of the licensed institution for their visit abroad with the intention of accepting award or decoration shall have to be economical.
10. With respect to the foreign visit of chairman and member of the Board of Directors as well as the CEO, there should be decision by the Board of Directors of the concerned institution as to the subjects like travel objective, its usefulness, etc. While going abroad in connection with the subjects concerning the function of the institution, analysis should be made covering details like country of visit, name of visiting official, duration of visit, subject of visit, expenditure for visit, and the benefits that the concerned institution would derive from the visit, etc. It is provided that the foreign visit programme needs be completed on the economical basis.
11. In order to maintain good governance in the institution licensed by the NRB, after the retirement of the CEO for whatever reason, at least 6 months should elapse before becoming CEO in another institution licensed by the NRB. Similarly, if the CEO in any licensed institution is unseated from the post for any reason before the completion of the tenure, then such individual is neither allowed to join the same tenure of the CEO nor allowed, before the expiry of 6 months, to join the same licensed institution in the capacity of board member. Likewise, if the board member in a licensed institution is unseated from the post for any reason, then such individual is prevented from becoming a board member in any licensed institution before the expiry of 6 months. However, such provision shall not be applicable for the independent board member. Moreover, if the board member in a licensed institution is unseated from the post for any reason before the expiry of the tenure, then such individual cannot be elected or nominated as the board member in the same licensed institution during the same tenure.
12. BFIs have been issued directive for implementation of “Providing Refinance for Residential House Reconstruction and Business Restarting to the Victims of Fire, Flood, and Submerging Procedures, 2017” as approved by the GON.

13. In the case of corporate fixed deposits mobilized on the basis of bidding, there is the provision that the published interest rate would not be changed for a period of three months.
14. With the view to making the banking service and transactions simpler and easier, while making payment to client's own BFI account and account of the service provider institution by depositing cash in any BFI branch convenient to the customer, BFIs licensed to deposit the amount through Nepal Clearing House Limited-Interbank Payment System (NCHL-IPS) need to implement this arrangement by adopting internal procedural arrangements by including at least the matters specified by the NRB,
15. The provision of 10 percent interest rate as per the "Provision of Grants for Commercial Agriculture and Livestock Loan Procedures, 2016" has been amended so that BFIs could provide such loans at the interest rate determined by the BFI on the basis of the prevailing base rate.
16. The existing situation where the computation of credit/core capital and deposit (CCD) ratio and its monitoring is done on daily basis with the fine levied accordingly is replaced by the fine levied on the excess of the specified ratio calculated on the average monthly basis.
17. As promised by the commercial banks before the NRB to open branches in the designated local levels, such branches shall have to be set up in the current fiscal year itself in the places where minimum infrastructure is available. Among the local levels without the reach of commercial bank service as well as the local levels where commercial banks have not expressed commitment by mid-January 2018 to establish bank branch, permission to establish one branch in Kathmandu Metropolitan City or Lalitpur Metropolitan City is allowed only when the concerned commercial bank establishes branches in two of such unaccessed local levels.
18. Provision has been made to take all the following actions against the 'A', 'B', and 'C'-class licensed BFIs where the average interest rate spread exceeds 5 percent at any time during the fiscal year after mid-October 2018 :
 - (a) preventing the establishment of branches in places other than the local levels where there are no branch offices of commercial banks,
 - (b) discontinuing the refinance facility other than those available for earthquake victims,
 - (c) stopping the declaration of cash dividend and its distribution except for tax purpose of the bonus share for the fiscal year.
19. In place of the previous arrangement that the geographical business area and the minimum paid-up capital of 'B' and 'C'-class financial institutions is fixed on a district-wise basis, the same has been changed to state-wise basis.
20. While providing by BFIs credit of margin lending nature, credit equivalent up to 40 percent of the core capital could be provided. Besides, in the case of shares of a listed company, the existing ceiling of 25 percent of core capital has been downscaled to 10 percent of core capital.
21. Co-financing will not be required if the BFIs extend credit to the institutions licensed to provide hire purchase credit up to 50 percent of the purchase price of the mortgaged

- properties like vehicles, machinery, etc. provided the full value of the properties is being insured.
22. With respect to the loan amount that could be extended against the collateral of house and real estate, the existing loan ceiling of 50 percent of the value of house and real estate (loan to value ratio) has been downscaled to 40 percent for the Kathmandu valley. Similarly, in the case of residential real estate in the Kathmandu valley, the loan to value ratio has been revised to 50 percent.
 23. The loan limit for individual residential house loan has been raised from Rs. 10 million to Rs. 15 million.
 24. As to the provision of loan to the natural person for purchasing vehicles for personal use, the loan limit has been raised to 65 percent of the value of vehicle from the existing ceiling of loan to value ratio at 50 percent.
 25. The provision that up to 2 percentage point of the directly extended deprived sector credit, additional credit extended in accordance with the 'Interest Subsidy to be Made Available to the Youth for Commercial Agricultural Credit Procedures, 2014', productive sector (agriculture, energy, tourism, and cottage and small enterprise) credit, and maximum 50 percent of the borrowings could be deducted from credit in the process of computing the credit/core capital and deposit (CCD) ratio has been repealed.
 26. In order to assist in the GON campaign to open bank accounts of all Nepalese by providing social security allowance through bank accounts, interest-free loan calculated on the basis of Rs. 2,500 for each account amounting up to Rs. 10 million shall be made available to the BFIs if branches are established in the hitherto unbanked Village Bodies and accounts of Nepalese citizens who so far have had no bank accounts are opened by FY2017/18.
 27. As a part of the federal structure, there are 753 local levels. There is the provision that the commercial banks should compulsorily establish commercial bank branches in the local levels without such branches as in mid-July 2017 and these newly-opened branches should come into operation by mid-July 2018. Further, for each of 5 commercial bank branches opened according to this arrangement, the bank would be permitted to open one branch in any place of the Kathmandu valley.
 28. It has been provided that the licensed institution should inform the client opening the fixed deposit account about the percentage point of interest rate to be added above the interest rate applicable for the fixed deposit in arriving at the interest rate on credit extended against the fixed deposit receipt. If the interest rate on credit against the fixed deposit receipt is determined based on base rate, the client should be informed about the premium to be added for arriving at the applicable credit rate. Written consent of the client as to the aforesaid details should be obtained at the time of opening the fixed deposit account itself. Provision has been made not to determine the interest rate on such credit by any other criteria other than that agreed by the client.
 29. The share of corporate deposits in the total deposits of the licensed institution has been lowered to 45 percent from the existing ratio at 50 percent.
 30. The specified arrangements with respect to the productive sector credit have been renamed as the priority sector. The 20 percent minimum ceiling of priority sector credit for 'A'-class commercial banks has been raised to 25 percent. Besides, export-oriented

industry, medicine production, cement, and garment industry have also been included in the priority sector

31. In order to make banking service conveniently available by giving special priority to individuals not becoming capable and literate in a different way, BFIs need to serve such individuals designating special counters for them. BFIs need to make arrangements to provide the ATM service to the differently able individuals in the possibly convenient manner by coordinating among themselves.
32. BFIs should designate an official at least ranking senior manager or above as the grievance hearing official and the information of such arrangement should be furnished publicly.
33. Licensed institutions should submit, on an annual basis, the quantitative details of their client grievances and the hearings made thereof to the NRB's BFI Regulation Department and the concerned Supervision Department within 15 days of the expiry of the fiscal year and the same should also be published in their Annual Reports.
34. Loan against gold and silver fully backed by security for a maximum sum of Rs. 1 million for each client could be categorized as a pass loan.
35. Definition of tourism sector has been amended as defined in the new Industrial Enterprises Act, 2016. The cable car has been included in the tourism sector.
36. The Uniform Chart of Accounts to be implemented from the beginning of FY2019/20 in the BFIs has been issued.
37. The Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions as specified by the NRB for the BFIs have been issued.
38. For preparing the financial statements by the commercial banks ('A'-class) in accordance with the Nepal Financial Reporting Standards (NFRSs), existing formats of financial statements have been cancelled and the ones designed in conformity with NFRS have been issued.

Appendix 2.2

Commercial Bank Branches Inspected On-Site in FY2017/18

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	Century Commercial Bank Ltd.
9	Siddhartha Bank Ltd.
10	Citizens Bank International Ltd.
11	Global IMF Bank Ltd.
12	Everest Bank Ltd.
13	Prabhu Bank Ltd.
14	Himalayan Bank Ltd.
15	Standard Chartered Bank Ltd.
16	NCC Bank Ltd.
17	Sanima Bank Ltd.
18	Nepal Bangladesh Bank Ltd.

Appendix 2.3

Development Banks Inspected at Corporate Level in FY2017/18

(A) On-Site Inspection

Gandaki Development Bank Ltd.	Kanchan Development Bank Ltd.
Garima Bikas Bank Ltd.	Mission Development Bank Ltd.
Kailash Bikash Bank Ltd.	Miteri Development Bank Ltd.
Kamana Sewa Bikas Bank Ltd.	Nepal Community Development Bank Ltd.
Mahalaxmi Bikas Bank Ltd.	Purnima Bikas Bank Ltd.
Om Development Bank Ltd.	Sahayogi Bikas Bank Ltd.
Tourism Development Bank Ltd.	Saptakoshi Development Bank Ltd.
Lumbini Development Bank Ltd.	Sindhu Bikas Bank Ltd.
Bhargav Bikas Bank Ltd.	Tinau Development Bank Ltd.
Shine Resunga Development Bank Ltd.	Western Development Bank Ltd.
Green Development Bank Ltd.	Hamro Bikas Bank Ltd.
Excel Development Bank Ltd.	Salapa Development Bank Ltd.
Kankai Development Bank Ltd.	
Risk-based Inspection	
Jyoti Bikas Bank Ltd.	
Follow-up Inspection	
Deva Bikas Bank Ltd.	Kabeli Bikas Bank Ltd.
Sangrila Development Bank Ltd.	Sahara Bikas Bank Ltd.
Muktinath Bikas Bank Ltd.	Karnali Development Bank Ltd.
Corporate Development Bank Ltd.	

(B) Special Inspection

Kamana Sewa Bikas Bank Ltd.	Sahara Bikas Bank Ltd.
Om Development Bank Ltd.	Shine Resunga Development Bank Ltd.
Gandaki Development Bank Ltd.	Mission Development Bank Ltd.
Green Development Bank Ltd.	Kailash Bikash Bank Ltd.
Mission Development Bank Ltd.	Sindhu Bikas Bank Ltd.
Shine Resunga Development Bank Ltd.	

(C) Follow-up Inspection

Kamana Sewa Bikas Bank Ltd.	Om Development Bank Ltd.
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Appendix 2.4

Banks and Financial Institutions Licensed as Market Makers

S.N.	Name	S.N.	Name
1	Mega Bank Nepal Ltd., Kantipath, Kathmandu	19	Global IME Bank Ltd., Panipokhari, Ktm.
2	Laxmi Bank Ltd., Hattisar, Kathmandu	20	Prime Commercial Bank Ltd.
3	Civil Bank Ltd., Kamaladi, Kathmandu	21	Kumari Bank Ltd.
4	Nabil Bank Ltd., Durbarmarg, Kathmandu	22	Excel Development Bank Ltd.
5	Citizens Bank International Ltd., Kamaladi, Ktm.	23	Sahayogi Bikas Bank Ltd., Dhanusha
6	Siddhartha Bank Ltd., Hattisar, Kathmandu	24	Kailash Bikas Bank Ltd.
7	Bank of Kathmandu, Kathmandu	25	Deva Bikas Bank Ltd., Laldurbar, Kathmandu
8	Prabhu Bank Ltd., Babarmahal, Kathmandu	26	Sangrila Development Bank Ltd., Kathmandu
9	Sunrise Bank Ltd., Gairhidhara, Kathmandu	27	Om Development Bank Limited, Pokhara
10	Century Commercial Bank Ltd., Putalisadak, Ktm.	28	Bhargav Bikas Bank Ltd., Nepalgunj
11	Nepal Bangladesh Bank Ltd., Kathmandu	29	Mahalaxmi Bikas Bank Ltd.
12	NMB Bank Limited, Babarmahal, Kathmandu	30	Central Finance Ltd., Kupondol, Lalitpur
13	Sanima Bank Ltd., Naxal, Kathmandu	31	Guheshwori Merchant and Finance Ltd., Lalitpur
14	Janata Bank Ltd., Naya Baneshwor, Kathmandu	32	ICFC Finance Ltd., Bhatbhateni, Kathmandu
15	Agriculture Development Bank Ltd., Kathmandu	33	Jebils Finance Ltd., New Road, Kathmandu
16	Machhapuchchhre Bank Ltd., Lazimpat, Ktm.	34	Goodwill Finance Ltd., Hattisar, Kathmandu
17	NIC Asia Bank Ltd., Thapathali, Kathmandu	35	Shree Investment and Finance Co. Ltd., Ktm.
18	Nepal Investment Bank Ltd., Durbarmarg, Ktm.	36	Citizen Investment Trust, Kathmandu

Appendix 2.5

Banks and Remittance Companies Licensed as Sales Agents for Foreign Employment Saving Bonds

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 2.6

Board of Directors

(In mid-July 2018)

Dr. Chiranjibi Nepal, Governor	Chairman
Dr. Rajan Khanal, 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 2.7

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, Micro-Finance Promotion and Supervision Dept.
4	Mr. Bhishma Raj Dhungana	Executive Director, Foreign Exchange Management Dept.
5	Mr. Laxmi Prapanna Niraula	Executive Director, Currency Management Dept.
6	Dr. Shankar Prasad Acharya	Executive Director, Payment Systems Department
7	Mr. Maheswor Lal Shrestha	Executive Director, Bank Supervision Department
8	Mr. Bhuban Kandel	Executive Director, Development Bank Supervision Dept.
9	Dr. Nephil Matangi Maskay	Executive Director, Office of the Governor
10	Mr. Upendra Kumar Paudel	Executive Director, Human Resource Management Dept.
11	Dr. Bhubanesh Prasad Pant	Executive Director, Public Debt Management Department
12	Mrs. Neelam Dhungana (Timsina)	Executive Director, Internal Audit Department
13	Mr. Jhalak Sharma Acharya	Executive Director, Banking Office, Kathmandu
14	Mr. Dev Kumar Dhakal	Executive Director, Finance Company Supervision Department
15	Mr. Mukunda Kumar Chhetri	Executive Director, General Services Department
16	Mr. Pitambar Bhandari	Executive Director, Corporate Planning Department
17	Mr. Sunil Udash	Executive Director, Financial Management Department
First Class Officers		
18	Mr. Rishikesh Bhatta	Director, Bank Supervision Department
19	Mr. Pradeep Raj Poudyal	Director, Research Department
20	Dr. Gunakar Bhatta	Director, Research Department
21	Mr. Naresh Shakya	Director, Nepal Rastra Bank, Janakpur Office
22	Mr. Suman Kumar Adhikari	Director, Corporate Planning Department
23	Dr. Prakash Kumar Shrestha	Director, Research Department
24	Mr. Bam Bahadur Mishra	Director, Banks & Financial Institutions Regulation Dept.
25	Mrs. Sarita Bhatta (Adhikari)	Director, Banking Office, Kathmandu

26	Mr. Revati Prasad Nepal	Director, Payment Systems Department
27	Mr. Ramu Paudel	Director, Financial Information Unit
28	Mr. Vishrut Thapa	Director, Finance Company Supervision Department
29	Mr. Ram Bahadur Manandhar	Director, Development Bank Supervision Department
30	Mr. Tej Bahadur Rana Magar	Director, Financial Management Department
31	Mr. Ramhari Neupane	Director, Legal Division
32	Mr. Daya Ram Sharma	Director, Micro-Finance Promotion and Supervision Dept.
33	Mr. Tulashi Prasad Ghimire	Director, Human Resource Management Department
34	Mr. Guru Prasad Paudel	Director, Human Resource Management Department
35	Mr. Ashok Kumar Paudel	Director, Nepal Rastra Bank, Siddharthanagar Office
36	Mr. Rabindra Maharjan	Director, Nepal Rastra Bank, Birgunj Office
37	Mr. Bimal Raj Khanal	Director, Nepal Rastra Bank, Nepalgunj Office
38	Mr. Binod Raj Acharya	Director, Nepal Rastra Bank, Biratnagar Office
39	Mr. Pom Nath Gautam	Director, Nepal Rastra Bank, Pokhara Office
40	Mr. Ram Prasad Gautam	Director, Banking Office, Kathmandu
41	Mr. Kiran Pandit	Director, Nepal Rastra Bank, Dhangadhi Office
42	Mr. Satyendra Timilsina	Director, Human Resource Management Department
43	Mr. Pralhad Thapa	Director, Currency Management Department
44	Mr. Chet Prasad Uprety	Director, Financial Management Department
45	Mr. Ishwori Prasad Neupane	Director, Foreign Exchange Management Department
46	Mr. Roshan Kumar Shigdel	Director, Bank Supervision Department
47	Dr. Ram Sharan Kharel	Ministry of Finance
48	Dr. Dilli Ram Pokhrel	Director, Research Department
49	Mr. Shiva Ram Dawadi	Director (I.T.), Information Technology Department
50	Mrs. Binita Bista	Act. Director, Banking Office, Kathmandu
51	Mr. Prem Prasad Neupane	Act. Director, Currency Management Department
52	Mr. Ananda Paudyal	Act. Director, General Services Department
53	Mr. Shyam Krishna Dahal	Act. Director, Currency Management Department
54	Mrs. Sushma Regmi (Rijal)	Act. Director, Public Debt Management Department
55	Mr. Rudra Bahadur Ghimire	Act. Director, General Services Department
56	Mr. Rajan Bikram Thapa	Act. Director, Bank Supervision Department
57	Mr. Rajendra Bhattarai	Act. Director, Development Bank Supervision Department
58	Mr. Hem Prasad Neupane	Act. Director, Research Department
59	Mr. Prakash Chandra Bhattarai	Act. Director, Foreign Exchange Management Department
60	Mr. Bhuwan Basnet	Act. Director, Finance Company Supervision Department
61	Mr. Narendra Singh Bista	Act. Director, Banks & Financial Institutions Regulation Dept.
62	Mr. Mukti Nath Sapkota	Act. Director, Bankers Training Centre
63	Mrs. Meena Pandey	Act. Director, Internal Audit Department
64	Mr. Govinda Prasad Nagila	Act. Director, Office of the Governor
65	Mr. Keshab Bahadur K.C.	Act. Director, Foreign Exchange Management Department
66	Mr. Shailendra Regmi	Act. Director, Micro-Finance Promotion and Supervision Dept.

PART – THREE

ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

- **Assets and Liabilities** 125
- **Income Statement** 126
- **Annual Financial Statements of Nepal Rastra Bank** 128

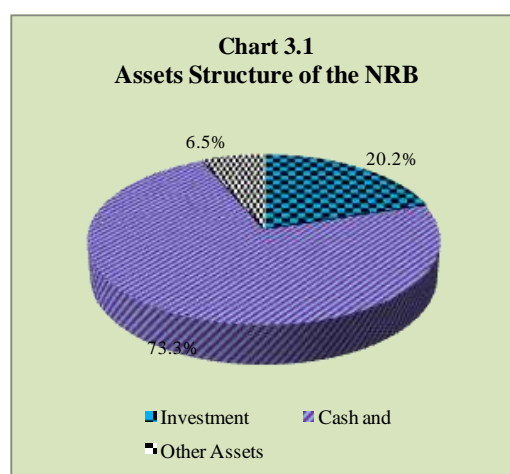
PART – THREE

ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

Assets and Liabilities

3.1 As per the NRB's balance sheet as in mid-July 2018, the assets/liabilities of the Bank compared to the corresponding amount in mid-July 2017 increased by 9.28 percent to Rs. 1,155.10 billion. The assets/liabilities had grown by 7.21 percent to Rs. 1,057.04 billion in mid-July 2017.

3.2 Of the total assets in mid-July 2018, the share of investment securities was 20.17 percent, that of cash and cash equivalents at 73.34 percent and that of other assets at 6.49 percent. The corresponding shares in mid-July 2017 were 18.88 percent, 74.92 percent and 6.19 percent respectively.

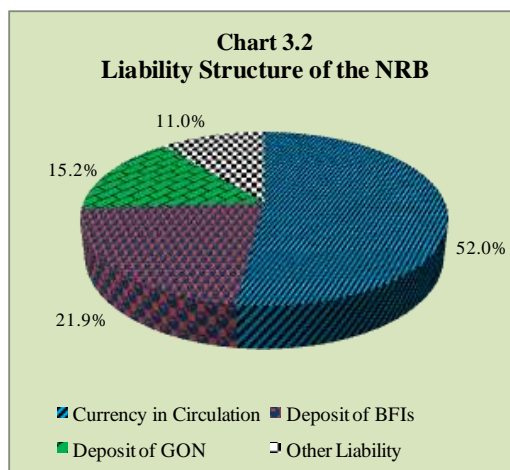


3.3 The amount of NRB's investment securities in mid-July 2018 as compared to that in mid-July 2017 increased by 16.73 percent to Rs. 232.98 billion. In mid-July 2017, the total investment securities had amounted to Rs. 199.59 billion.

3.4 As in mid-July 2018 as compared to that in mid-July 2017, the amount of NRB's cash and cash equivalents grew by 6.97 percent to Rs. 847.17 billion. In mid-July 2017, cash and cash equivalents had amounted to Rs. 791.97 billion.

3.5 Of the total liabilities and equity as in mid-July 2018, the share of liabilities remained 82.31 percent and that of equity 17.69 percent. In mid-July 2017, these shares comprised 86.47 percent and 13.53 percent respectively.

3.6 As share of total liabilities as in mid-July 2018, currency in circulation, deposits from banks and financial institutions, deposits from Government of Nepal and other liabilities comprised 52.0 percent, 21.89 percent, 15.16 percent and 10.95 percent respectively. These shares in mid-July 2017 constituted 47.15 percent, 23.15 percent, 21.20 percent and 8.50 percent respectively.



3.7 The currency in circulation as in mid-July 2018 over the amount as in mid-July 2017 witnessed a growth of 14.71 percent to Rs. 494.39 billion. As in mid-July 2017, the currency in circulation had amounted to Rs. 430.99 billion.

3.8 The deposits from banks and financial institutions in NRB as in mid-July 2018 in comparison to the amount as in mid-July 2017 decreased by 1.64 percent to Rs. 208.12 billion. Such deposits as in mid-July 2017 had amounted to Rs. 211.58 billion.

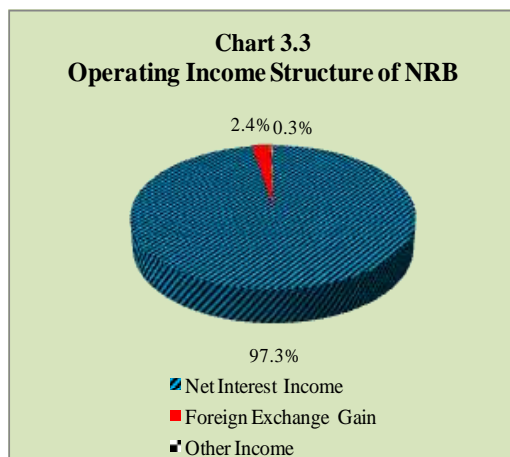
3.9 The GON deposits in NRB as in mid-July 2018 in comparison to the amount as in mid-July 2017 declined by 25.59 percent to Rs. 144.17 billion. Such deposits as in mid-July 2017 had stood at Rs. 193.75 billion.

3.10 Total equity as in mid-July 2018 in comparison to the level as in mid-July 2017 expanded by 42.88 percent, of which reserves and surplus went up by 44.43 percent to Rs. 199.30 billion in comparison to its level at Rs. 137.99 billion as in mid-July 2017.

3.11 In mid-July 2018, the share capital stood at Rs. 5.0 billion, the same amount as in mid-July 2017.

Income Statement

3.12 As per the income statement for FY2017/18 (July 15, 2017 through July 16, 2018), the total net operating income of NRB during the review year in comparison to the previous year expanded by 28.41 percent to Rs. 33.16 billion. The net operating interest, the foreign exchange gain realized and the net other income as the share of net operating income represented 97.32 percent, 2.38 percent and 0.30 percent respectively.



- 3.13 In the review year as compared to the previous year, the net interest income increased by 30.33 percent to Rs. 32.27 billion while the foreign exchange gain realized decreased by 14.24 percent to Rs. 789.68 million. Similarly, while the other income spurted by 112.77 percent to Rs. 429.72 million, the net fee and commission income drastically reduced by 125.66 percent to Rs. 415.97 million.
- 3.14 In the review year, net income before revaluation of gain/loss from foreign exchange and other assets increased by 41.66 percent to Rs. 27.89 billion as compared to its level at Rs. 19.69 billion in the previous year.
- 3.15 In the review year, net income after adjusting foreign exchange revaluation gain amounting to Rs. 38.27 billion and gold and silver revaluation gain amounting to Rs. 3.62 billion stood as Rs. 69.78 billion. In the previous year, instead of net income, there was net expenditure amounting to Rs. 10.82 billion.
- 3.16 In the review year, the total comprehensive income after adjusting other comprehensive income/expenditure amounted to Rs. 70.31 billion in contrast to the total comprehensive expenditure amounting to Rs. 13.52 billion incurred in the previous year.

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
As on 32nd Asar, 2075 (July 16, 2018)

Figures in NRs.

Particulars	Notes	As on July 16, 2018	As on July 15, 2017
ASSETS			
Cash and Cash Equivalents	4.1	847,168,622,674	791,970,600,508
Trading Assets		-	-
Derivative Assets Held for Risk Management		-	-
Loans and Advances to Bank and Financial Institutions	4.2	12,220,303,401	6,927,270,915
Loans and Advances to Others	4.3	12,338,565,901	12,033,861,094
Overdraft to Government of Nepal		-	-
Gold and Silver at Fair Value	4.4	45,467,467,808	42,265,102,190
Investment Securities	4.5	232,984,574,153	199,586,267,101
Inventories	4.6	3,835,795,333	3,085,499,454
Investment Properties		-	-
Property, Plant and Equipment	4.7	948,998,394	970,144,052
Intangible Assets	4.8	114,014,904	137,245,966
Other Assets	4.9	17,312,233	63,015,365
TOTAL ASSETS		1,155,095,654,801	1,057,039,006,645
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities held for Trading		-	-
Derivative Liabilities Held for Risk Management		-	-
Bills Payable		115,622,742	233,602,320
Deposits from Bank and Financial Institutions	4.10	208,116,242,256	211,579,363,272
Deposit from Government of Nepal		144,165,917,368	193,752,687,231
Deposits from Others	4.11	25,479,607,975	27,004,456,317
Short Term Borrowings	4.12	44,550,000,000	14,400,000,000
IMF Related Liabilities	4.13	21,674,958,091	21,559,685,462
Staff Liabilities	4.14	2,095,039,220	5,791,597,601
Subordinated Liabilities		-	-
Provisions		-	-
Other Liabilities	4.15	1,209,553,211	1,241,464,281
Currency in Circulation	4.16	494,389,500,000	430,990,000,000
Surplus Payable to Government of Nepal	4.17 (a)	9,000,000,000	7,500,000,000
Total Liabilities		950,796,440,863	914,052,856,484
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves & Surplus	4.17 (b)	199,299,213,938	137,986,150,161
Non-controlling Interest		-	-
TOTAL EQUITY		204,299,213,938	142,986,150,161
TOTAL LIABILITIES AND EQUITY		1,155,095,654,801	1,057,039,006,645

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

As per our report of even date

Rishikesh Bhatta, CPA

Executive Director-Financial Management Dept.

Mr. Iswar 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-----
Dr. Rajan Khanal
Secretary MOF/Board Member-----
Mr. Chinta Mani Siwakoti
Deputy Governor-----
Mr. Shiba Raj Shrestha
Deputy Governor-----
Dr. Sri Ram Poudyal
Board Member-----
Mr. Ramjee Regmi
Board Member-----
CA. Dr. Suvod Kumar Karn
Board MemberDate: Jan. 4, 2019
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME
For the Year ended on 32nd Asar, 2075 (JULY 16, 2018)

Figures in NRs.

Particulars	Notes	For the Year Ended July 16, 2018	For the Year Ended July 15, 2017
Interest Income	4.18	32,431,135,623	25,241,258,635
Interest Expense	4.19	(156,622,766)	(478,464,921)
Net interest Income		32,274,512,857	24,762,793,714
Fee and Commission Income	4.20	100,152,190	66,995,017
Fee and Commission Expense	4.21	(516,125,642)	(251,329,717)
Net Fee and Commission Income		(415,973,452)	(184,334,700)
Net Trading Income		-	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		789,682,272	920,815,808
Other Income	4.22	429,723,304	201,967,577
Total Operating Income		33,077,944,981	25,701,242,399
Impairment Allowance on Financial Assets Written back		84,899,543	124,225,097
Net Operating Income		33,162,844,524	25,825,467,496
Personnel Expenses	4.23	(3,298,549,296)	(4,282,990,897)
Depreciation, Amortisation and Impairment of Non-Financial Assets	4.24	(134,751,851)	(112,652,248)
Operating Expenses	4.25	(1,839,298,902)	(1,741,360,826)
Distributable Net Income/(Expenditure)		27,890,244,475	19,688,463,525
Foreign Exchange Gain/(Loss) - Unrealised		38,272,111,979	(23,752,795,700)
Gold and Silver Revaluation Gain/(Loss)		3,618,022,578	(6,767,810,405)
Securities Revaluation Gain/(Loss)		-	9,952,836
Net Income/(Expenditure) for the year		69,780,379,032	(10,822,189,744)
Other Comprehensive Income			
Actuarial gain (Loss) in defined benefit Retirement Schemes		1,483,371,084	(1,898,003,065)
Net gain (loss) on hedges of net investments		-	-
Net Change in fair value of Cash flow hedges		-	-
Net Change in Fair value of Equity Instruments		(955,264,382)	(797,324,711)
Other Comprehensive income		528,106,702	(2,695,327,776)
Total Comprehensive income		70,308,485,734	(13,517,517,520)

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

As per our report of even date

Rishikesh Bhatta, CPA

Executive Director-Financial Management Dept.

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

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 Dr. Rajan Khanal
 Secretary MOF/Board Member

 Mr. Chinta Mani Siwakoti
 Deputy Governor

 Mr. Shiba Raj Shrestha
 Deputy Governor

 Dr. Sri Ram Poudyal
 Board Member

 Mr. Ramjee Regmi
 Board Member

 CA. Dr. Suvod Kumar Karn
 Board Member

Date: Jan. 4, 2019
 Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS

For the Year ended on 32nd Asar, 2075 (JULY 16, 2018)

PARTICULARS	Figures in NRs.	
	For the Year Ended July 16, 2018	For the Year Ended July 15, 2017
Cash Flow From Operating Activities:		
Net Income/(Expenditure) for the year	69,780,379,032	(10,822,189,744)
Adjustments:		
Depreciation & Amortisation	134,751,851	112,652,248
Dividend Income	(62,332,657)	(62,991,715)
Provisions no Longer Required Written Back	(84,899,543)	(124,225,097)
Grant Income	-	-
Profit from Sale of Assets/ Investments	(73,847,508)	(6,110,898)
Assets Written Off	-	-
Interest paid on IMF Liabilities	76,400,976	29,849,447
Surplus/(Deficit) Due to Restatement of Prior Period Errors	4,578,042	(23,278,046)
Foreign Exchange Gain/(Loss) - Unrealised	(38,272,111,979)	23,752,795,700
Net Gold and Silver Revaluation Gain/(Loss)	(3,618,022,578)	6,767,810,405
Securities Revaluation Gain/(Loss)	-	(9,952,836)
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,483,371,084	(1,892,816,383)
Cash Flow From Operation Before Inc / Dec in Operating Assets	29,368,266,720	17,721,543,081
(Increase)/Decrease in Operating Assets	(6,302,330,039)	(3,973,772,531)
Loans & Advances	(5,597,737,293)	(4,036,345,660)
Inventories	(750,295,878)	56,581,942
Other Assets	45,703,132	5,991,186
Increase/(Decrease) in Operating Liabilities	(28,008,350,532)	46,466,948,688
Government Deposit	(49,586,769,863)	59,920,530,979
Deposit Liabilities	(4,987,969,359)	20,695,880,929
Bills Payable	(117,979,578)	(888,616,035)
Short Term Borrowings	30,150,000,000	(34,680,000,000)
IMF Deposit	262,837,718	-
Staff Liabilities	(3,696,558,381)	3,960,743,819
Other Liabilities	(31,911,070)	(2,541,591,004)
Net Cash Flow From Operating Activities	Total (A)	(4,942,413,851)
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Investment Securities	(34,268,671,890)	(107,116,652,501)
Gold & Silver	415,656,960	(1,641,890,673)
Purchase of Property, Plant & Equipment	(121,579,044)	(299,900,789)
Sale of Property, Plant & Equipment	106,185,093	107,211,240
Purchase of Intangible Assets	(1,133,672)	(688,508)
Dividend Income	62,332,657	62,991,715
Net Cash Flow From Investing Activities	Total (B)	(33,807,209,897)
Cash Flow From Financing Activities:		
Bank Note Issued	63,399,500,000	44,830,000,000
Increase/Decrease in ECF/RCF Loan & SDR Allocation	(147,565,089)	(2,229,664,568)
Interest paid on IMF Liabilities	(76,400,976)	(29,849,447)
Surplus Paid to GON	(7,500,000,000)	(7,250,000,000)
Net Cash Flow From Financing Activities	Total (C)	55,675,533,934
Net Cash Flow for the Year (A+B+C)	16,925,910,187	(13,353,724,294)
Revaluation Gain or Loss on Foreign Exchange	38,272,111,979	(23,752,795,700)
Cash and Cash Equivalent at the Beginning of the Year	791,970,600,508	829,077,120,501
Cash and Cash Equivalent at the end of the Year	847,168,622,674	791,970,600,508

As per our report of even date

Rishikesh Bhatta, CPA
Executive Director-Financial Management Dept.

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

Dr. Rajan Khanal
Secretary MOF/Board Member

Mr. Chinta Mani Siwakoti
Deputy Governor

Mr. Shiba Raj Shrestha
Deputy Governor

Dr. Sri Ram Poudyal
Board Member

Mr. Ramjee Regmi
Board Member

CA. Dr. Suvod Kumar Karn
Board Member

Date: Jan. 4, 2019
Place: Kathmandu

NEPAL RASTRA BANK
Statement of Changes in Equity
For the Year ended on 32nd Asar, 2075 (JULY 16, 2018)

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 July 16, 2016	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		142,651,588,192
Adjustment for Prior Period Adjustment						19,178,623,301	1,510,323,332		672,613,118	(9,480,262)	21,352,079,489
Restated Balance	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	29,367,391,154	4,771,129,702	859,740,259	15,507,879,346	(9,480,262)	164,003,667,681
Net Income for the year										(10,822,189,744)	(10,822,189,744)
Other Comprehensive Income										(2,695,327,776)	(2,695,327,776)
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)	(0)
To Gold & Silver Equilisation Reserve						(6,767,810,406)				(6,767,810,406)	-
To Revaluation Reserve							9,952,836			(9,952,836)	-
To Fair Value Reserve							(797,324,711)			797,324,711	-
To Other Reserve									4,260,354,385	(4,260,354,385)	-
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											-
Other Reserve to Financial Stability Fund				1,000,000,000					(1,000,000,000)		-
Balance Surplus Transfer to Government										(7,500,000,000)	(7,500,000,000)
Balance as on July 16, 2017	5,000,000,000	25,974,792,905	5,086,563,008	1,889,049,010	58,821,697,898	22,599,580,748	3,973,804,991	869,693,096	18,770,968,505	0	142,986,150,161
Adjustment for Prior Period Income										4,578,041	4,578,041
Restated Balance	5,000,000,000	25,974,792,905	5,086,563,008	1,889,049,010	58,821,697,898	22,599,580,748	3,973,804,991	869,693,096	18,770,968,505	4,578,041	142,990,728,202
Net Income for the year										69,780,379,032	69,780,379,032
Other Comprehensive Income										528,106,702	528,106,702
Appropriation of Net Income:											
To General Reserve		6,794,952,019								(6,794,952,019)	-
To Monetary Liability Reserve			1,512,606,009							(1,512,606,009)	-
To Financial Stability Fund				1,512,606,009						(1,512,606,009)	-
To Exchange Equilisation Fund					38,272,111,979					(38,272,111,979)	-
To Gold & Silver Equilisation Reserve						3,618,022,578				(3,618,022,578)	-
To Revaluation Reserve										-	-
To Fair Value Reserve							(955,264,382)			955,264,382	-
To Other Reserve									11,334,345,337	(11,334,345,337)	-
To Net Cumulative Surplus Fund									97,610,812	(97,610,812)	-
Inter Fund Transfer:											
Gold & Silver to General Reserve											-
General Reserve to Share Capital											-
Other Reserve to Retained Earning								(869,693,096)	(4,233,491)	873,926,586	-
Other Reserve to General Reserve											-
Balance Surplus Transfer to Government										(9,000,000,000)	(9,000,000,000)
Balance as on July 16, 2018	5,000,000,000	32,769,744,924	6,599,169,017	3,401,655,019	97,093,809,877	26,217,603,326	3,018,540,609	0	30,198,691,163	0	204,299,213,938

Board of Directors:

As per our report of the even date.

.....
Dr. Chiranjibi Nepal
Governor

.....
Dr. Rajan Khanal
Secretary MOF/Board Member

.....
Rishikesh Bhatta, CPA
Executive Director-Financial Management Dept.

.....
Mr. Iswar Nepal
Deputy Auditor General

.....
Mr. Chinta Mani Siwakoti
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Board Member

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Mr. Ramjee Regmi
Board Member

.....
CA. Dr. Suvod Kumar Karn
Board Member

Date: Jan. 4, 2019
Place: Kathmandu

Nepal Rastra Bank

Notes Forming part of Financial Statements

Fiscal Year 2074/75 (2017/18 AD)

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 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 20th Poush 2075 (4th January 2019).

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 2074/75 i.e. 1st Sawan 2074 to 32nd Asar 2075 corresponding to Gregorian calendar 16th July 2017 to 16th July 2018. The previous year was 1st Sawan 2073 to 31st Asar 2074 (16th July 2016 to 15th July 2017).

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
Equity investments	Fair value
Gold & Silver Investment other than inventories	Fair value
Inventories (Including gold & silver kept for further processing)	Cost or Net Realisable 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 Sansthan 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.

3.2.1 Basis of Accounting for Investment in Associates

The Bank's investment in Nepal Stock Exchange Ltd. and National Productivity and Economic Development Ltd. is in excess of 20% 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 significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for being the associates of the bank does not meet, the equity accounting for such investment has not been 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 financial assets & financial liabilities through profit or loss.
- 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 Appropriation.

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) Amortized 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 financial instruments through other comprehensive income 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 or statement of other comprehensive income.

If, in a subsequent period, the fair value of an impaired financial instruments through other comprehensive income 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 financial instruments through other comprehensive income is recognized through OCI. Any subsequent recovery in the fair value of such instruments 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 amortised cost and difference amount between the principal and present value of the loan is charged as expenses under personnel expenses.

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 amortised const, fair value through profit or loss, or fair value through other comprehensive income.

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 non-refundable 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 at fair value

Gold & silver held as investment (paper gold as well as reserve gold/silver) 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 Appropriation.

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.

Gold and silver stock physically held for minting and processing purpose are also treated as inventories and 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).

3.20 Deposits 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 for 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 withdraw 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 are changes in Accountig Policies of the bank in the current fiscal year to comply with the requirements of Nepal Financial Reporting Standards.

The accounting policies that are changed and their impact in the financial statement has been shown below:

Particulars	Existing Policy	Revised Policy
Valuation of Gold & Silver at fair value	Cost	Fair Value
Valuation of unquoted equity instruments	Cost	Fair Value
Amortisation of staff loans	Cost	Amortised Cost
Amortisation of Investment in GON Zero Coupon Bond	Cost	Amortised Cost

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.

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

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	July 16, 2018	July 15, 2017
Foreign Currency:		
Cash in Hand & at Vault	32,276,351,028	17,603,729,594
Balances with Other Banks	98,142,809,995	55,539,228,832
GOI Treasury Bills	235,503,932,213	230,966,596,496
US Government Treasury Bills	16,354,309,087	15,406,025,705
Time Deposit	454,376,878,804	462,162,752,642
Investment in FIXBIS	2,174,478,354	1,999,800,000
Investment in Repurchase Agreements	-	-
IMF Related Assets: SDR Holdings	164,054,814	171,322,848
Total Foreign Currency	838,992,814,295	783,849,456,116
Local Currency:		
Cash in Hand & at Vault	8,155,854,685	8,086,615,706
Balances with Other Banks	19,953,694	34,528,686
Total Local Currency	8,175,808,379	8,121,144,392
Total	847,168,622,674	791,970,600,508

4.2 Loans and Advances to Bank & Financial Institutions

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

Particulars	July 16, 2018	July 15, 2017
Refinance/Loans:		
Commercial Banks	11,756,876,381	6,094,782,647
Development Banks	221,000,000	501,370,772
Finance Companies	210,427,020	277,117,496
Loan to Micro Finance Institutions	42,000,000	64,000,000
Less: Allowance for impairment	(10,000,000)	(10,000,000)
Total	12,220,303,401	6,927,270,915
Allowance for impairment		
Balance as on 01-04-2074	10,000,000	10,000,000
Charge for the year	-	-
Effect of foreign currency movements	-	-
Unwind of discount	-	-
Balance as on 31-03-2075	10,000,000	10,000,000

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

Details of type of refinance/loan provided to banks and financial institutions have been given below:

Particulars	Period	Refinance Rate	July 16, 2018	July 15, 2017
General Refinance	1 year	4%	9,993,957,858	5,909,405,146
Special/Export Refinance	1 year	1%	402,125,496	76,498,278
Zero Interest Loan	6 months	0%	1,824,220,046	941,367,491
Total			12,220,303,401	6,927,270,915

4.3 Loans and Advances to Others

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

Particulars	July 16, 2018	July 15, 2017
Receivable from GON against payment to IMF	-	2,431,416,400
Balance with Asian Clearing Union (ACU)	193,763,757	-
Gross Loans to Employees	4,783,283,731	4,076,871,800
Less: Amortisation Adjustment	(1,246,720,971)	(1,014,071,321)
Net Loans to Employees	3,536,562,760	3,062,800,479
Interest Receivable		
Australian Dollar	85,362,439	124,252,489
Canadian Dollar	15,723,868	6,525,459
Yuan Ren-Min-Bi (China)	1,121,904,696	879,959,238
Nepalese Rupee	3,070,689,979	2,338,921,183
Pound Sterling	9,824,167	14,111,143
United States Dollars	1,486,543,397	968,282,203
Interest Receivable	5,790,048,546	4,332,051,715
Advances Recoverable		
Advance to Staff	12,017,500	13,417,329
Sundry Debtors	403,752,167	295,903,370
Prepaid Expenses	945,099	329,301
Pension Advance Account	2,393,372,855	1,898,719,290
Staff Endowment Policy Advance	9,977,500	9,180,000
Other	461,548	373,087
Less: Impairment Allowance	(2,335,832)	(10,329,878)
Net Advances Recoverable	2,818,190,838	2,207,592,500
Total	12,338,565,901	12,033,861,094

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

4.4 Gold & Silver at Fair Value

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

Particulars	July 16, 2018	July 15, 2017
Investment in Paper Gold	28,078,523,145	25,929,438,227
Gold Held in Stock at Fair Value	9,514,334,427	8,877,440,582
Silver Held in Stock at Fair Value	7,874,610,236	7,458,223,381
Total	45,467,467,808	42,265,102,190

4.5 Investment Securities

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

Particulars	July 16, 2018	July 15, 2017
At Amortized Cost	229,454,754,044	195,401,196,610
At Fair Value through Other Comprehensive Income (OCI)	3,529,820,109	4,185,070,491
At Fair Value through Profit or Loss		
Total	232,984,574,153	199,586,267,101
a) Investment Securities at Amortized Cost	July 16, 2018	July 15, 2017
Government Treasury Notes/Bonds(USD)	65,546,403,362	71,944,021,840
Government Treasury Notes/Bonds (CNY)	58,989,291,902	57,002,585,312
Investment in Mid term Instruments (MTI)	8,387,708,224	8,082,347,421
Notice Deposit (JPY)	18,701,060,000	8,426,240,000
Government Bond (GON)	216,672,667	4,871,051,043
Fixed deposit with Bank & Financial Institutions	3,585,959,000	3,611,214,903
Government Treasury Bills (GON)	25,600,825,674	30,158,502,599
Saving Certificates (GON)	48,427,193,215	11,382,487,396
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Less individual allowance for impairment	(253,760,000)	(330,653,903)
Total	229,454,754,044	195,401,196,610
Impairment Loss on Available for Sale Investment Securities		
Balance as on 01-04-2014	330,653,903	414,829,000
Charge for the year	-	-
Reversal of Impairment	(76,893,903)	(84,175,097)
Balance as on 31-03-15	253,760,000	330,653,903

Interest amount of Rs.8,56,52,051.37 has been accrued on deposit amounting Rs.25,37,60,000.00 made in problematic financial institution and the same hasn't been booked as income.

b) Investment Securities at Fair Value through OCI	July 16, 2018	July 15, 2017
Quoted equity securities	1,448,320,962	2,575,028,961
Unquoted equity securities	2,088,999,147	1,617,541,530
Less: Allowance for impairment of equity securities	(7,500,000)	(7,500,000)
Total	3,529,820,109	4,185,070,491
Impairment Loss on Investment Securities		
Balance as on 01-04-2074	7,500,000	47,550,000
Charge for the year	-	-
Reversal of Impairment	-	(40,050,000)
Balance as on 32-03-75	7,500,000	7,500,000

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, whose financial condition is weak .

I) Investment in quoted equity securities includes the following:

Particulars	July 16, 2018	July 15, 2017
RMDC Laghubitta Bittiya Sanstha Ltd.	95,881,291	140,334,584
Citizen Investment Trust	1,298,216,945	2,341,151,989
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	54,222,726	93,542,387
Total	1,448,320,962	2,575,028,961

The shares investment in RMDC Laghubitta Bittiya Sanstha Ltd. has been revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC .

II) Investment in unquoted equity securities includes the following:

Particulars	July 16, 2018	July 15, 2017
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	2,500,000	2,500,000
Deposit & Credit Guarantee Fund	884,055,389	402,429,639
Nepal Clearing House	47,178,000	32,017,500
Credit Information Bureau	82,899,198	64,047,802
National Banking Institute	20,352,096	15,724,000
Total	2,088,999,147	1,617,541,530

Fair Value of the shares investment in unquoted equity securities has been arrived based on the latest available audited financial statement of respective entities. Further disclosure has been given in point 5.6.1.2 (i).

III) Selection of Presentation criteria

Investment Securities at fair value through other comprehensive income includes the investment in equity instruments which were made under specific directives or policies of the Government of Nepal and other relevant statutes and are not held for trading purpose. Accordingly, the bank has made an irrevocable election to present those in investment securities at fair value through other comprehensive income.

4.6 Inventories

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

Particulars	July 16, 2018	July 15, 2017
Gold Held in Stock at Cost	2,114,210,086	1,585,140,989
Silver Held in Stock at Cost	66,380,138	70,936,846
Security Note Stock	1,440,296,928	1,123,201,889
Coin Stock	203,718,006	295,282,162
Numismatic and Medallion Coins	22,906,167	22,909,158
Other Metal Stock	22,487,221	22,485,598
Dispensary Stock	753,838	499,863
Total Inventories	3,870,752,384	3,120,456,506
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	3,835,795,333	3,085,499,454

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 July 16, 2016	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	123,335,929	22,965,582	4,857,811	33,835,786	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 31st 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	19,199,920	1,740,400,040
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 July 15, 2017		193,834,552	444,832,416	99,146,812	128,252,138	9,402,240	48,594,986	26,567,058	313,929	19,199,920	970,144,052
Original Cost	Balance as on 1 st Sawan 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	19,199,920	1,740,400,040
	Addition during the Year		47,691,347	5,910,888	25,458,900	3,375,485	20,776,595	5,680,699	386,900	12,298,230	121,579,044
	Disposal/Write Off/Adjustment	-	-	(7,332,103)	(32,822,048)	(2,962,132)	(5,991,699)	(40,071)	-	(28,893,387)	(78,041,440)
	Balance as on 32 nd Asar 2074	193,834,552	775,481,668	219,232,429	269,852,044	110,912,442	157,419,612	49,327,740	5,272,395	2,604,763	1,783,937,644
Accumulated Depreciation	Balance as on 1 st Sawan 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
	Depreciation for the Year	-	22,088,573	28,724,334	37,436,064	2,807,682	15,819,511	3,413,180	97,773	-	110,387,117
	Disposal/Write Off/Adjustment	-	-	(5,582,765)	(31,568,583)	(2,962,128)	(5,550,313)	(40,068)	-	-	(45,703,855)
	Balance as on 32 nd Asar 2075	-	305,046,477	144,648,400	154,830,536	100,942,403	104,308,928	20,493,167	4,669,339	-	834,939,250
Net Book Value as on July 16, 2018		193,834,552	470,435,191	74,584,028	115,021,508	9,970,039	53,110,683	28,834,574	603,056	2,604,763	948,998,394

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

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 July 16, 2016	1,763,930	10,359,743	229,272,935	241,396,608	
	Addition during the Year		785,408		785,408	
	Disposal/Write Off/Adjustment				-	
	Balance as on July 15, 2017	1,763,930	11,145,151	229,272,935	-	242,182,016
Accumulated Amortisation	Balance as on July 16, 2016	980,838	7,061,222	72,603,096	-	80,645,156
	Depreciation for the Year	261,004	1,102,597	22,927,293		24,290,894
	Disposal/Write Off/Adjustment					-
	Balance as on July 15, 2017	1,241,842	8,163,818	95,530,390	-	104,936,050
Net Book Value as on July 15, 2017		522,088	2,981,332	133,742,545	-	137,245,966
Original Cost	Balance as on July 16, 2017	1,763,930	11,145,151	229,272,935	-	242,182,016
	Addition during the Year		1,133,672			1,133,672
	Disposal/Write Off/Adjustment					-
	Balance as on July 16, 2018	1,763,930	12,278,823	229,272,935	-	243,315,688
Accumulated Amortisation	Balance as on July 16, 2017	1,241,842	8,163,818	95,530,390	-	104,936,050
	Depreciation for the Year	258,420	1,179,021	22,927,292		24,364,734
	Disposal/Write Off/Adjustment					-
	Balance as on July 16, 2018	1,500,262	9,342,840	118,457,682	-	129,300,783
Net Book Value as on July 16, 2018		263,668	2,935,983	110,815,253	-	114,014,904

4.9 Other Assets

Particulars	July 16, 2018	July 15, 2017
Deposits	1,663,378	1,663,378
Project Assets	6,661,172	1,101,098
Other Receivables	8,987,683	60,250,889
Total	17,312,233	63,015,365

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

4.10 Deposits from banks and financial institutions

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

Particulars	July 16, 2018	July 15, 2017
Foreign Currency	3,114,280,834	3,460,173,528
Local Currency	205,001,961,421	208,119,189,745
Total	208,116,242,256	211,579,363,272

Deposit from bank and financial institutions include amount deposited by Bank & Financial Institutions 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	July 16, 2018	July 15, 2017
Foreign Currency:		
Public Enterprises	404,716,417	408,582,097
Other Organisations	540,140	621,156
Total Foreign Currency	405,256,557	409,203,253
Local Currency:		
Public Enterprises	12,495,870,285	15,839,648,424
Margin Deposit in LCs	11,877,413,870	6,316,051,238
Other Organisations	701,067,264	4,439,553,402
Total Local Currency	25,074,351,419	26,595,253,064
Total	25,479,607,975	27,004,456,317

All deposits are non interest bearing and current in nature.

4.12 Short Term Borrowings

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

Particulars	July 16, 2018	July 15, 2017
NRB Bonds	-	-
Deposit Collection-Auction	44,550,000,000	14,400,000,000
Reverse Repo Liabilities	-	-
Total	44,550,000,000	14,400,000,000

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	July 16, 2018	July 15, 2017
Foreign Currency:		
Special Drawing Right Allocation	10,475,488,916	9,769,636,572
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	1,754,847,008	2,454,904,632
Loan under Extended Credit Facility (ECF)	-	153,359,809
Total Foreign Currency	12,230,335,924	12,377,901,013
Local Currency:		
IMF Account No 1	9,443,743,425	9,180,925,768
IMF Account No 2	878,742	858,681
Total Local Currency	9,444,622,167	9,181,784,449
Total	21,674,958,091	21,559,685,462

4.14 Staff Liabilities

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

Particulars	July 16, 2018	July 15, 2017
Medical Fund (Includes Medical Earning Fund, Interest, etc)	593,320,954	669,763,754
Welfare Provident Fund	518,419,539	487,900,116
Liability for Staff Leave Encashment	981,879,599	972,344,883
Liability for Retired Staff	527,358,878	435,323,511
Gratuity and Pension Fund	18,710,462,476	18,451,547,560
Less: Plan Assets	(19,391,142,000)	(15,975,407,000)
	(680,679,524)	2,476,140,560
Staff Security Fund	2,168,339,774	2,673,590,776
Less: Plan Assets	(2,013,600,000)	(1,923,466,000)
	154,739,774	750,124,776
Total	2,095,039,220	5,791,597,601

4.15 Other liabilities

Particulars	July 16, 2018	July 15, 2017
Interest Payable	20,957,582	12,622,370
Asian Clearing Union	-	166,188,403
Earnest Money	-	-
Insurance Premium Collected from Staff	95,731,091	127,429,554
Other Payables of Project	30,501	1,455,464
Payable against GON Bonds	-	-
Unclaimed Account	84,855,262	37,382,275
General Account	6,978,943	47,278,943
Deferred Grant Income	123	123
Other Liabilities	1,000,999,709	849,107,150
Total	1,209,553,211	1,241,464,281

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	July 16, 2018	July 15, 2017
1	161,067,956	161,110,983
2	185,513,184	185,708,612
5	2,403,814,900	2,184,133,530
10	3,673,117,530	3,344,261,790
20	4,523,894,180	3,961,314,460
25	57,347,350	57,462,375
50	8,550,438,650	7,396,195,550
100	17,206,082,500	15,254,496,700
250	87,427,750	87,459,000
500	101,386,029,000	95,113,527,000
1000	356,154,767,000	303,244,330,000
Total	494,389,500,000	430,990,000,000

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 8,155,854,685 (P.Y. NRs. 8,086,615,706).

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 funds 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.

Particulars	F.Y. 2017/18	F.Y. 2016/17
Net Income/(Expenditure) for the year	69,780,379,032	(10,822,189,744)
Foreign Exchange Gain/(Loss) - Unrealised	(38,272,111,979)	23,752,795,700
Net Gold and Silver Revaluation Gain/(Loss)	(3,618,022,578)	6,767,810,405
Securities Revaluation Gain/(Loss)	-	(9,952,836)
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,483,371,084	(1,898,003,065)
Surplus/(Deficit) Due to Restatement of Prior Period Errors	4,578,042	(23,278,046)
Reversal of Project Split Interest Reserve Fund	4,233,491	-
Reversal of Investment Revaluation Reserve	869,693,096	-
Reversal of Net Cumulative Surplus Fund	-	13,797,783
Surplus Available for Distribution	30,252,120,186	17,780,980,197
Less: Appropriations		
General Reserve	(6,794,952,019)	(4,239,793,019)
Monetary Liability Reserve	(1,512,606,009)	(889,049,010)
Financial Stability Fund	(1,512,606,009)	(889,049,010)
Development Fund	(11,000,000,000)	(4,160,000,000)
Development Finance Project Mobilisation Fund	(18,958,350)	-
Banking Development Fund	(110,000,000)	(30,000,000)
Mechanisation Fund	(150,000,000)	-
Gold Replacement Fund	(55,386,987)	(70,354,384)
Net Cumulative Surplus Fund	(97,610,812)	(2,734,774)
Balance Payable to Government of Nepal	9,000,000,000	7,500,000,000

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	July 16, 2018	31-03-2017
Capital Reserve:		
Gold and Silver Equalization Reserve	26,217,603,326	22,599,580,748
Statutory Reserve:		
General Reserve	32,769,744,924	25,974,792,905
Monetary Liabilities Reserve	6,599,169,017	5,086,563,008
Financial Stability Fund	3,401,655,019	1,889,049,010
Exchange Equalization Fund	97,093,809,877	58,821,697,898
Net Cumulative Surplus Fund	772,144,294	674,533,482
Other Reserves and Funds:		
Development Fund	26,000,989,244	15,000,989,244
Banking Development Fund	1,001,941,806	891,941,806
Development Finance Project Mob. Fund	269,772,761	250,814,411
Mechanisation Fund	1,141,316,414	991,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	149,819,200	94,432,213
Investment Revaluation Reserve	-	869,693,096
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	3,018,540,609	3,973,804,991
Project Split Interest Reserve Fund	-	4,233,489
Total Reserves and Funds	199,299,213,938	137,986,150,161

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

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

4.18 Interest Income

See accounting policy 3.3 . Interest income include the following:

Particulars	F.Y. 2017/18	F.Y. 2016/17
Foreign Currency Financial Assets		
Income on Bonds/Treasury Bills	17,779,430,091	16,654,739,704
Income from Fixed Term Deposit	9,789,862,243	6,504,367,502
Interest Income from Foreign Gold Deposit	365,128,103	386,386,367
Interest Income on Call Deposit	450,356,670	226,824,686
SDR Holding & Asian Clearing Union Income	-	-
Sub-total	28,384,777,107	23,772,318,259
Local Currency Financial Assets		
Government Securities	2,946,647,805	697,924,841
Investment in Financial and Other Institutions	515,394,605	377,951,007
Loans and Refinance	584,316,107	393,064,528
Sub-total	4,046,358,517	1,468,940,375
Total Interest Income from Financial Assets	32,431,135,623	25,241,258,635

4.19 Interest Expenses

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

Particulars	F.Y. 2017/18	F.Y. 2016/17
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	76,400,976	29,849,447
Others	9,641,494	4,431,536
Sub-total	86,042,470	34,280,983
Local Currency Financial Liabilities		
Deposit Collection	64,704,506	39,395,259
Reverse Repo	5,875,790	19,473,063
NRB Bond	-	385,315,616
Sub-total	70,580,296	444,183,938
Total Interest Expense on Financial Liabilities	156,622,766	478,464,921

4.20 Fee and commission income

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

Particulars	F.Y. 2017/18	F.Y. 2016/17
Foreign Currency Financial Assets		
On Currency Exchange	1,233,655	1,308,856
Sub-total	1,233,655	1,308,856
Local Currency Financial Assets		
Government Transaction & Other services	98,918,535	65,686,161
Sub-total	98,918,535	65,686,161
Total Commission Income from Financial Assets	100,152,190	66,995,017

4.21 Fee and commission expense

Particulars	F.Y. 2017/18	F.Y. 2016/17
Foreign Currency Liabilities		
Commission & Charges	24,473,751	26,725,375
Sub-total	24,473,751	26,725,375
Local Currency Liabilities		
Agency Expenses	491,651,891	224,604,342
Sub-total	491,651,891	224,604,342
Total Agency and Service Charge	516,125,642	251,329,717

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	7,500,000	1,875,000
Total	153,900,000	148,275,000

4.22 Other Income

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

Particulars	F.Y. 2017/18	F.Y. 2016/17
Income from Mint (Sale of Coin)	264,545	234,121
Gain from Sale of Precious Metals and Coins	62,539,138	79,630,308
Fine/Penalty Charge	114,285,634	6,267,929
Profit from Sale of Assets	73,847,508	6,110,898
Dividend Income	62,332,657	62,991,715
Project Income/(Loss)	18,958,350	(1,483,255)
Grant Income	-	-
Miscellaneous	97,495,472	48,215,861
Total	429,723,304	201,967,577

4.23 Personnel expenses

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

Particulars	F.Y. 2017/18	F.Y. 2016/17
Salary	599,390,594	668,050,312
Allowances	593,896,207	619,225,921
Provident Fund Contribution	59,939,060	66,805,031
Staff Welfare (Including Medical Fund Contribution)	178,867,499	610,462,316
Staff Welfare Provident Fund	446,500,000	405,955,000
Pension & Gratuity Fund	550,602,809	1,077,681,285
Staff Security Fund	190,052,952	425,663,159
Staff Leave Compensation	253,157,179	295,381,969
Finance Cost under NFRS on Staff Loan	403,369,767	94,659,093
Others	22,773,230	19,106,813
Total	3,298,549,296	4,282,990,897

4.24 Depreciation, amortisation and impairment of non financial assets

Particulars	F.Y. 2017/18	F.Y. 2016/17
Depreciation on Property & Equipment	110,387,117	88,361,354
Impairment of Property & Equipment	-	-
Amortisation of intangible assets	24,364,734	24,290,894
Impairment of intangible assets	-	-
Total	134,751,851	112,652,248

4.25 Operating expenses

Particulars	F.Y. 2017/18	F.Y. 2016/17
Directors Fees and Expenses	6,200,085	6,067,847
Note Printing Charges	947,474,424	938,702,726
Mint Expenses	1,102,497	382,261
Security charges	55,876,464	54,932,925
Remittance Charges	54,067,690	52,977,498
Travelling Expenses	242,822,895	245,131,878
Insurance Charges	97,153,904	86,868,095
Repair & Maintenance	79,089,740	62,052,440
Banking Promotion	55,506,586	51,982,154
Audit Fees and Expenses	2,941,611	2,120,983
Assets Written Off	481,848	352,037
Utilities Expenses	42,407,231	39,608,373
Postal and Communication Expenses	15,327,847	14,650,010
House Rent	2,774,094	12,048,603
Training Seminar and Membership	39,302,916	17,404,290
Expenses on Miscellaneous Assets	6,275,112	16,668,954
Consumable Expenses	19,715,989	23,134,887
Books and Periodicals	8,526,003	9,218,693
Finance Cost under NFRS on GON Bonds	46,804,273	-
Miscellaneous Expenses	115,447,691	107,056,172
Total	1,839,298,902	1,741,360,826

Nepal Rastra Bank
Notes Forming Part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

A. Significant Disclosures**5.1 Gold and Silver**

The bank has been holding gold and silver for reserve purpose as well as for minting purpose. The gold and silver held for reserve purpose, being the financial assets, has been measured at fair value and the gold and silver held for minting purpose, being the inventories of the bank, has been measured at lower of cost or net realizable value.

The gold and silver measured at fair value along with its quantity is as follows:

Particulars	As on July 16, 2018		As on July 15, 2017	
	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)
Investment in Paper Gold	5,863.058993	28,078,523,145	5,863.054272	25,929,438,227
Gold held in Stock	1,953.662100	9,514,334,427	1,953.662100	8,877,440,582
Silver held in Stock	122,466.722182	7,874,610,236	122,466.722182	7,458,223,381
Total		45,467,467,808		42,265,102,190

Fair value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Tejabi Gold has been considered for the purpose of fair value.

Minting Division of the bank has held gold and silver for minting purpose and is treated as inventories kept for further processing/minting. The inventories are measured at lower of cost or net realizable value. The gold and silver held by the bank as inventories is as follows:

Particulars	As on July 16, 2018		As on July 15, 2017	
	Weight (Kg, Gm, Mg)	Value (NRs.)	Weight (Kg, Gm, Mg)	Value (NRs.)
Gold held in Stock	781.311607	2,114,210,086	662.040551	1,585,140,989
Silver held in Stock	3614.048202	66,380,138	3,724.266768	70,936,846
Total		2,180,590,224		1,656,077,835

5.2 Yearend 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	109.34	102.86
2	UK Pound Sterling	144.71	133.32
3	Euro	127.77	117.40
4	Swiss Franc	109.15	106.22
5	Australian Dollar	81.21	79.80
6	Canadian Dollar	83.10	80.80
7	Singapore Dollar	80.06	74.83
8	Japanese Yen	0.973	0.908
9	Chinese Yuan	16.34	15.16
10	Saudi Arabian Riyal	29.16	27.43
11	Qatari Riyal	30.03	27.69
12	Thai Baht	3.28	3.04
13	UAE Dirham	29.77	28.01
14	Malaysian Ringgit	26.99	23.97
15	South Korean Won	0.0967	0.0907
16	Swedish Kroner	12.31	12.33
17	Danish Kroner	17.14	15.79
18	Hong Kong Dollar	13.93	13.17
19	Kuwait Dinar	361.34	339.36
20	Bahrain Dinar	290.03	272.69
21	SDR	153.826	143.461
22	Indian Rupees	1.60	1.60

5.3 Related Parties and Transactions with them

5.3.1 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 positions in the office during the year were as follows:

S.N.	NAME	POST	REMARKS	
1	Dr. Chiranjibi Nepal	Governor	Mar. 22, 2015	
2	Shanta Raj Subedi	Finance Secretary/Board	Sept. 8, 2016	retired w.e.f.Oct. 19, 2017
3	Shanker Prashad Adhikari	Finance Secretary/Board	Oct. 20, 2017	retired w.e.f. Apr. 8, 2018
4	Dr. Rajan Khanal	Finance Secretary/Board	Apr. 9, 2018	
5	Chinta Mani Siwakoti	Deputy Governor	Mar. 2, 2016	
6	Shiba Raj Shrestha	Deputy Governor	Mar. 2, 2016	
7	Dr. Sri Ram Poudyal	Board Member	Apr. 16, 2017	
8	Ramjee Regmi	Board Member	Apr. 16, 2017	
9	Bal Krishna Man Singh	Board Member	Sept. 9, 2012	retired w.e.f.Feb. 15, 2018
10	CA.Dr. Suvod Kumar Karn	Board Member	Apr. 24, 2018	
11	Narayan Prasad Paudel	Executive Director	Sept. 23, 2012	
12	Nara Bahadur Thapa	Executive Director	June 17, 2013	
13	Janak Bahadur Adhikari	Executive Director	Nov. 26, 2013	
14	Bhisma Raj Dhungana	Executive Director	Aug. 31, 2014	
15	Laxmi Prapanna Niroula	Executive Director	Aug. 31, 2014	
16	Shankar Prashad Acharya	Executive Director	Dec. 4, 2014	
17	Maheshwor Lal Shrestha	Executive Director	Nov. 2, 2015	
18	Bhuban Kadel	Executive Director	Mar. 16, 2016	
19	Dr.Nephil Matangi Maskay	Executive Director	Apr. 24,2016	
20	Upendra Kumar Paudel	Executive Director	Aug. 7, 2016	
21	Dr. Bhubanesh Prasad Pant	Executive Director	Sept. 17, 2016	
22	Neelam Dhungana(Timsina)	Executive Director	May 28, 2017	
23	Jhalak Sharma Acharya	Executive Director	Jan. 3, 2018	
24	Dev Kumar Dhakal	Executive Director	Mar. 28, 2018	
25	Mukunda Kumar Chhetri	Executive Director	Mar. 28, 2018	
26	Pitambar Bhandari	Executive Director	Mar. 28, 2018	
27	Sunil Udash	Executive Director	May 28, 2018	
28	Basudev Adhikari	Executive Director	Dec. 4, 2016	retired w.e.f.Mar. 21, 2018
29	Dr. Bamdev Sigdel	Executive Director	Nov. 25, 2016	retired w.e.f.Dec. 12, 2017
30	Dr. Gopal Prasad Bhatta	Executive Director	Dec. 26, 2016	retired w.e.f.Mar. 15, 2018
31	Harisharan K.C.	Executive Director	Mar. 28,2018	retired w.e.f.May 17, 2018
32	Ramesh Kumar Pokharel	Executive Director	Mar. 16, 2016	retired w.e.f.March 21, 2018
33	Yejendra Prasad Luitel	Executive Director	Aug. 7, 2016	retired w.e.f.March 21, 2018

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.

i. *Transactions with Key Management Personnel*

In addition to salaries, non- cash benefits (Vehicle Facility, Accommodation Facility to governor) were provided to special class officers and the executive 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 total compensation paid to key management personnel were as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	70,808,464	45,206,007
Post-employment benefits	35,767,108	49,759,710
Other long term benefits		
Total	106,575,571	94,965,717

Other transactions with the Key Management Personnel and the status of yearend balances with them were as per below.

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/ Incidental Expenses to Directors	6,200,085	6,067,847
Loan Facilities	89,937,115	58,609,118

ii. *Salary, Benefits and Other Facilities of Board Members*

Board Members are entitled for meeting allowance of Rs.5,000.00 per meeting. In addition, non executive board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, medicine& facilities). Details of such salary, benefits and other facilities provided to executive as well as non executive board members for FY 2074/75 are provided below:

Name	Post	Salary	Board Meeting Allowances	Other Allowances &Facilities
Dr. Chiranjibi Nepal	Governor	1,180,800	300,000	1,933,538
Shanta Raj Subedi	Finance Secretary/ Board Member		50,000	75,640
Shanker Prashad Adhikari	Finance Secretary /Board Member		140,000	107,973
Dr. Rajan Khanal	Finance Secretary/ Board Member		75,000	34,833
Chintamani Siwakoti	Deputy Governor	1,054,800	265,000	17,65,682
Shiba Raj Shrestha	Deputy Governor	1,054,800	245,000	17,65,682
Dr. Sri Ram Poudyal	Board Member		300,000	552,460
Ramjee Regmi	Board Member		255,000	552,460
Bal Krishna Man Singh	Board Member		20,000	316,785
CA.Dr. Suvod Kumar Karn	Board Member		55,000	126,760
	Total	3,290,400	1,705,000	7,231,814

5.3.2 Government of Nepal

The bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 and the Government of Nepal (GON) is the controlling body of the bank holding 100% of its capital.

i. *Transactions with Government of Nepal*

The transaction with GON and the status of yearend balances with GON is as follows:

	Current Year (NRs.)	Previous Year (NRs.)
Transactions during the year:		
Commission Income received from GON	98,918,534	65,686,160
Surplus paid to GON (As per Financial Statement of Previous Year)	7,500,000,000	7,250,000,000
Balances at the yearend:		
Deposit from GON	144,165,917,369	193,752,687,231
Interest Receivable from GON	1,010,339,989	1,010,339,989
Investment in Treasury Bills (GON)	25,600,825,674	30,158,502,599
Investment in Bonds (GON)	216,672,667	4,871,051,043
Investment in Saving Certificates (GON)	48,427,193,215	11,382,487,396

ii. *Government of Nepal Treasury Position*

Balance of Government of Nepal as of July 16, 2018 as per the records of the bank was a surplus balance of NRs. 144,165,917,368 (P.Y. NRs. 193,752,687,231). 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 July 15, 2017 was finalized at Mid- January 2018.

5.4 Inter-Office Transactions

The balance of inter-office transactions under reconciliation is Rs. 69,78,943.02 (PY Rs. 4,72,78,943.02) 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 yearend. 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

5.6.1 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.

5.6.1.1 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 July 16, 2018	As on July 15, 2017
Cash Equivalents	806,736,416,961	766,280,255,209
Loans and Advances to Bank and Financial Institutions	12,220,303,401	6,927,270,915
Loans and Advances to Others	12,338,565,901	12,033,861,094
Gold and Silver	45,467,467,808	42,265,102,190
Investment Securities	232,984,574,153	199,586,267,101
Other Assets	17,312,234	63,015,365
TOTAL ASSETS	1,109,764,640,457	1,027,155,771,874

b) By Geographical Region

Particulars	As on July 16, 2018	As on July 15, 2017
India	58,989,291,902	229,506,949,862
USA	126,162,164,066	111,027,381,856
Germany	192,077,300	420,674,346
Switzerland	54,016,971,573	45,901,930,321
United Kingdom	4,073,288,713	11,210,774,529
France	28,164,274,635	30,841,051,865
Japan	5,642,751,247	5,228,112,178
Bahrain	61,970,358,189	97,715,917,152
Singapore	68,670,617,918	122,658,987,589
Canada	79,169,937	76,477,616
Hong Kong	203,526,814,568	145,840,251,090
U.A.E	21,902,272,015	22,205,907,026
China	60,000,571,621	59,517,378,435
Bangladesh	28,630,894,020	18,208,055,816
Nepal	387,743,122,752	126,795,922,193
Total	1,109,764,640,457	1,027,155,771,874

c) By Nature of the Entity

Particulars	As on July 16, 2018	As on July 15, 2017
Central Banks	43,387,687,461	25,597,318,679
Bank for International Settlement	11,039,549,998	10,521,210,357
Foreign Government	363,505,143,562	365,629,859,915
International Monetary Fund	164,054,814	171,322,848
Foreign Commercial Banks	585,711,958,727	536,844,800,654
Domestic Banks and FIs	15,572,456,095	28,141,233,601
Government of Nepal	74,244,691,556	46,412,041,038
Equity Instruments	3,783,220,109	2,975,652,460
Other Parties	12,355,878,134	10,862,332,322
Total	1,109,764,640,457	1,027,155,771,874

d) By Credit Rating

Particulars	Rating	As on July 16, 2018		As on July 15, 2017	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets					
	AAA	34,823,423,050	3.14	33,700,220,912	3.28
	AA+	126,162,164,066	11.37	-	-
	AA-	38,127,522,188	3.44	20,195,221,372	1.97
	AA	4,073,288,713	0.37	-	-
	A+	67,926,813,980	6.12	82,866,404,694	8.07
	A	223,479,906,218	20.14	193,664,929,226	18.85
	A-	5,631,938,097	0.51	21,420,316,047	2.09
	BBB+	-	-	-	-
	BBB-	320,061,418,189	28.84	300,760,297,152	29.28
	Other*	183,521,920,063	16.54	286,157,123,050	27.86
Total		1,003,808,394,563	90.45	938,764,512,453	91.39
Local Currency Financial Assets	Other**	105,956,245,894	9.55	88,391,259,421	8.61
Total Financial Assets		1,109,764,640,457	100.00	1,027,155,771,874	100.00

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

f) **/***Rating not available or rating not required as per NRB's Investment Policy

5.6.1.2 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/Loan	Allowances for Doubtful Receivables
Balance as on 1stSawan 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 31stAsar 2074	7,500,000	330,653,903	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	76,893,903.00	-	7,994,046
Balance as on 32stAsar 2075	7,500,000	253,760,000	10,000,000	2,335,832

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.

i. Impairment for equity instruments

The investments of the bank in the following entities has been impaired and impairment loss has been provided for:

Name of Entity	As on July 16, 2018			As on July 15, 2017		
	Amount of Equity investment	Impairment Amount	Net Assets	Amount of Equity investment	Impairment Amount	Net Assets
Agricultural Project Services Centre	5,000,000	5,000,000	-	5,000,000	5,000,000	-
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	2,500,000	2,500,000	-
Total	7,500,000	7,500,000	-	7,500,000	7,500,000	-

ii. Impairment for investment in fixed deposit

Details relating to impaired investment in fixed deposit is as under:

Name of Entity	As on July 16, 2018			As on July 15, 2017		
	Amount of Fixed Deposit	Impairment Amount	Net Assets	Amount of Fixed Deposit	Impairment Amount	Net Assets
Capital Merchant Banking and Finance Ltd.	188,360,000	188,360,000	-	188,360,000	188,360,000	-
Crystal Finance Ltd.	23,800,000	23,800,000	-	23,800,000	23,800,000	-
Himalaya Finance Ltd	41,600,000	41,600,000	-	41,600,000	41,600,000	-
Kuber Merchant Bank & Finance Ltd.	-	-	-	76,893,903	76,893,903	-
Total	253,760,000	253,760,000	-	330,653,903	330,653,903	-

The above institutions have been declared problematic by the bank and the outstanding amount is overdue since long. We have been corresponding of regular basis for repayment of such amount along with interest accrued. During the FY 2017/18 Kuber Merchant Bank & Finance Ltd. had settled the due amount.

iii. Impairment for Refinance/Loans

The bank has provided loans at subsidized rate to one of the existing Grameen Bikas Bank (currently merged to Grameen Bikas Laghubitta Bittiya Sanstha Ltd.) and the loan has been matured since long. But it is yet to realize the amount and hence made provision for the impairment for full amount.

Name of Entity	As on July 16, 2018			As on July 15, 2017		
	Amount of Loan	Impairment Amount	Net Assets	Amount of Loan	Impairment Amount	Net Assets
Grameen Bikas Laghubitta Bittiya Sanstha Ltd	10,000,000	10,000,000	-	10,000,000	10,000,000	-
Total	10,000,000	10,000,000	-	10,000,000	10,000,000	-

iv. Impairment for Receivables

Impairment for receivables includes impairment of Rs.2,335,832 (P.Y. Rs.10,329,878) in respect to advances to staffs who have already left the bank.

5.6.1.3 Credit Quality

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 July 16, 2018	As on July 15, 2017
External Credit Rating at least AAA/BBB- from credit rating agency	413,393,643,476	261,380,210,809
Non Rated Counterparties	172,318,315,251	275,464,589,845
Central Banks	43,387,687,461	25,597,318,679
Bank for International Settlement	11,039,549,998	10,521,210,357
Foreign Government	363,505,143,562	365,629,859,915
International Monetary Fund	164,054,814	171,322,848
Government of Nepal	74,244,691,556	46,412,041,038
Financial Assets with Other Counterparties:	31,711,554,339	59,579,884,977
- Party with Normal Risk	31,437,958,507	41,620,734,602
- Party with High Risk	273,595,831	358,483,781
Total	1,109,764,640,457	1,027,155,771,874

5.6.2 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.

5.6.2.1 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.

5.6.2.2 Maturity Profile of Financial Assets

The followings are the remaining contractual maturities and other forms of financial assets at the end of the reporting period:

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	806,736,416,961	98,162,763,690	708,573,653,271			
Loans and Advances to Bank and Financial Institutions	12,220,303,401			12,220,303,401		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Balance with Asian Clearing Union (ACU)	193,763,757	193,763,757				
Gross Loans to Employees	3,536,562,760	176,828,138	176,828,138	353,656,276	530,484,414	2,298,765,794
Interest Receivable	5,790,048,546	579,004,855	579,004,855	4,632,038,836		
Advance to Staff	12,017,500	1,201,750	1,802,625	8,051,725	600,875	360,525
Sundry Debtors	401,416,335		240,849,801	120,424,901	40,141,634	
Prepaid Expenses	945,099	9,451	47,255	888,393		
Pension Advance Account	2,393,372,855	23,933,729	47,867,457	47,867,457	239,337,285	2,034,366,927
Staff Endowment Policy Advance	9,977,500					9,977,500
Other	461,548				461,548	
Investment Securities						
US Government Treasury Notes/Bonds	65,546,403,362			65,082,732	65,481,320,629	
Government Treasury Notes/Bonds (CNY)	58,989,291,902	3,945,862,286	1,652,829,679	29,470,327,359	23,920,272,579	
Investment in Mid term Instruments	8,387,708,224		10,841,335	5,676,959,224	2,699,907,665	
Notice Deposit (JPY)	18,701,060,000				5,610,318,000	13,090,742,000
Government Bond (GON)	216,672,667					216,672,667
Fixed deposit with Bank & Financial Institutions	3,332,199,000			3,332,199,000		
Government Treasury Bills (GON)	25,600,825,674		25,600,825,674			
Saving Certificates (GON)	48,427,193,215					48,427,193,215
Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	1,448,320,962					1,448,320,962
Unquoted equity securities	2,081,499,147					2,081,499,147
Other Assets	17,312,234					17,312,234
Total	1,064,297,172,649	103,083,367,654	736,884,550,090	55,927,799,305	98,522,844,630	69,878,610,970

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	766,280,255,209	98,162,763,690	668,117,491,519			
Loans and Advances to Bank and Financial Institutions	6,927,270,915			6,927,270,915		
Loans and Advances to Others				-		
Receivable from GON against payment to IMF	2,431,416,400		2,431,416,400			
Balance with Asian Clearing Union (ACU)	-					
Gross Loans to Employees	3,062,800,479	153,140,024	153,140,024	306,280,048	459,420,072	1,990,820,311
Interest Receivable	4,332,051,715	433,205,172	433,205,172	3,465,641,372		
Advance to Staff	13,417,329	1,341,733	2,012,599	8,989,611	670,866	402,520
Sundry Debtors	285,573,492		171,344,095	85,672,048	28,557,349	
Prepaid Expenses	329,301	3,293	16,465	309,543		
Pension Advance Account	1,898,719,290	18,987,193	37,974,386	37,974,386	189,871,929	1,613,911,397
Staff Endowment Policy Advance	9,180,000					9,180,000
Other	373,087				373,087	
Investment Securities						
US Government Treasury Notes/Bonds	71,944,021,840			20,554,522,183	30,805,550,966	20,583,948,691
Government Treasury Notes/Bonds (CNY)	57,002,585,312	6,344,751,218	1,197,604,829	30,257,366,894	19,202,862,370	
Investment in Mid term Instruments	8,082,347,421			8,082,347,421		
Notice Deposit (JPY)	8,426,240,000				2,527,872,000	5,898,368,000
Government Bond (GON)	4,871,051,043					4,871,051,043
Fixed deposit with Bank & Financial Institutions	3,280,561,000			3,280,561,000		
Government Treasury Bills (GON)	30,158,502,599		30,158,502,599			
Saving Certificates (GON)	11,382,487,396					11,382,487,396
Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	2,575,028,961					2,575,028,961
Unquoted equity securities	1,610,041,530					1,610,041,530
Other Assets	63,015,365					63,015,365
Total	984,890,669,684	105,114,192,322	702,702,708,088	73,006,935,421	53,215,178,640	50,851,655,213

5.6.2.3 Maturity Profile of 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 period:

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	115,622,742	115,622,742	-		-	-
Deposits from Bank and Financial Institutions	208,116,242,256	41,623,248,451	3,114,280,834	20,811,624,226	142,567,088,745	-
Deposit from Government of Nepal	144,165,917,368	57,666,366,947	64,874,662,816		21,624,887,605	-
Deposits from Others	25,479,607,975	5,095,921,595	20,383,686,380		-	-
Short Term Borrowings	44,550,000,000	44,550,000,000	-		-	-
IMF Related Liabilities	21,674,958,091	-	-		21,674,958,091	-
Staff Liabilities	2,095,039,220	1,045,778,416	419,007,844	211,245,116	209,503,922	209,503,922
Other Liabilities	1,209,553,210		1,209,553,210		-	-
Total	447,406,940,862	150,096,938,152	90,001,191,084	21,022,869,341	186,076,438,362	209,503,922

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 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	21,157,936,327	144,645,380,763	
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				21,559,685,462	
Staff Liabilities	5,791,597,601	923,223,627	1,158,319,520	2,551,734,933	579,159,760	579,159,760
Other Liabilities	1,241,464,281		1,241,464,281			
Total	475,562,856,485	140,774,664,758	143,715,134,721	23,709,671,260	166,784,225,985	579,159,760

5.6.3 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.

5.6.3.1 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.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
Particulars	54.79	3.62	0.45	1.77	10.45	0.80	0.02	1.93
Cash and Cash Equivalents	469,621,700,195	31,715,381,105	4,628,912,527	18,303,424,884	48,120,145,415	8,307,221,003	164,054,814	1,300,375,611
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	1,680,307,154	85,362,439		9,824,167	1,121,904,696	15,723,868		
Gold and Silver	28,078,523,145							
Investment Securities	68,253,577,277	5,680,534,309			58,989,291,902			18,701,060,000
Other Assets								
Total Financial Assets	567,634,107,771	37,481,277,852	4,628,912,527	18,313,249,051	108,231,342,013	8,322,944,871	164,054,814	20,001,435,611
Bills Payable								
Deposits from Bank and Financial Institutions	1,165,867,060	2,514,353	1,636,484,067	147,324,175				
Deposit from Government of Nepal								
Deposits from Others	540,140							
Short Term Borrowings								
IMF Related Liabilities							12,230,335,924	
Staff Liabilities								
Other Liabilities	4,920		54,251,461					
Total Financial Liabilities	1,166,412,120	2,514,353	1,690,735,528	147,324,175	0	0	12,230,335,924	0
Net Financial Position Exposure	566,467,695,651	37,478,763,499	2,938,176,999	18,165,924,876	108,231,342,013	8,322,944,871	-12,066,281,110	20,001,435,611

Previous Year Figures (NRs.)

	USD	AUD	EUR	GBP	CNY	CAD	SDR
Particulars	55.05	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)

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.44% (PY 24.61%) 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 1.75% (PY 1.68%) of the total foreign currency reserve.

5.6.3.2 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 FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Strengthening	Weakening	Strengthening	Weakening
USD	56,646,769,565	-56,646,769,565	53,289,111,832	-53,289,111,832
AUD	3,747,876,350	-3,747,876,350	3,637,339,424	-3,637,339,424
EUR	293,817,700	-293,817,700	-17,561,836	17,561,836
GBP	1,816,592,488	-1,816,592,488	2,752,833,166	-2,752,833,166
CNY	10,823,134,201	-10,823,134,201	9,193,981,050	-9,193,981,050
CAD	832,294,487	-832,294,487	774,791,282	-774,791,282
SDR	-1,206,628,111	1,206,628,111	-1,220,657,817	1,220,657,817
JPY	2,000,143,561	-2,000,143,561	864,917,549	-864,917,549
Total	74,954,000,241	-74,954,000,241	69,274,754,650	-69,274,754,650

5.6.3.3 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 July 16, 2018	As on July 15, 2017
<u>Interest Sensitive Financial Assets</u>			
Balances with Other Banks	0.23	98,142,809,995	55,539,228,832
GOI Treasury Bills	6.37	235,503,932,213	230,966,596,496
US Government Treasury Bills	1.91	16,354,309,087	15,406,025,705
Time Deposit	2.49	454,376,878,804	462,162,752,642
Investment in FIXBIS	0.29	2,174,478,354	1,999,800,000
IMF Related Assets: SDR Holdings	0.07	164,054,814	171,322,848
General Refinance	4.00	9,993,957,858	5,909,405,146
Special/Export Refinance	1.00	402,125,496	76,498,278
<u>Loans to Employees</u>			
House loan Uninsured	1.00	1,358,700	1,923,866
House Repair Loan Uninsured	1.00	783,105,532	176,993,619
Vehicle Loan Uninsured	3.00	45,247,931	85,132,471
Staff Loan Uninsured 2068	1.00	655,742,445	756,948,739
Investment in Paper Gold	0.47	28,078,523,145	25,929,438,227
US Government Treasury Notes/Bonds	1.71	65,546,403,362	71,944,021,840
Government Treasury Notes/Bonds (CNY)	3.34	58,989,291,902	57,002,585,312
Investment in Mid term Instruments	1.58	8,387,708,224	8,082,347,421
Notice Deposit (JPY)	0.01	18,701,060,000	8,426,240,000
Fixed deposit with Bank & Financial Institutions	10.14	3,332,199,000	3,280,561,000
Government Treasury Bills (GON)	3.53	25,600,825,674	30,158,502,599
Saving Certificates (GON)	3.68	48,427,193,215	11,382,487,396
Total Interest Sensitive Financial Assets		1,075,661,205,751	989,458,812,437
<u>Interest Sensitive Financial Liabilities</u>			
IMF Related Liabilities	0.06	21,674,958,091	21,559,685,462
Short Term Borrowings	3.11	44,550,000,000	14,400,000,000
Total Interest Sensitive Financial Liabilities		66,224,958,091	35,959,685,462
Net Interest Sensitive Financial Position		1,009,436,247,660	953,499,126,975

5.6.3.4 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 fair value.

5.6.4 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				847,168,622,674			847,168,622,674	847,168,622,674
Loans and Advances to Bank and Financial Institutions			12,220,303,401				12,220,303,401	12,220,303,401
Loans and Advances to Others			12,338,565,901				12,338,565,901	12,338,565,901
Gold and Silver	45,467,467,808						45,467,467,808	45,467,467,808
Investment Securities	3,529,820,109	229,454,754,044					232,984,574,153	232,984,574,153
Other Assets			17,312,234				17,312,234	17,312,234
Total Financial Assets	48,997,287,917	254,030,935,579	254,030,935,579	847,168,622,674	0	0	1,150,196,846,170	1,150,196,846,170
Bills Payable						115,622,742	115,622,742	115,622,742
Deposits from Bank and Financial Institutions						208,116,242,256	208,116,242,256	208,116,242,256
Deposit from Government of Nepal						144,165,917,368	144,165,917,368	144,165,917,368
Deposits from Others						25,479,607,975	25,479,607,975	25,479,607,975
Short Term Borrowings						44,550,000,000	44,550,000,000	44,550,000,000
IMF Related Liabilities						21,674,958,091	21,674,958,091	21,674,958,091
Staff Liabilities						2,095,039,220	2,095,039,220	2,095,039,220
Other Liabilities						1,209,553,210	1,209,553,210	1,209,553,210
Total Financial Liabilities	-	-	-	-	-	447,406,940,862	447,406,940,862	447,406,940,862
Net Financial Position	48,997,287,917	254,030,935,579	254,030,935,579	847,168,622,674	0	-447,406,940,862	702,789,905,309	702,789,905,309

5.6.5 Fair Value Hierarchy

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required), except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

Fair value measurements have been classified using a "fair value hierarchy" that categorizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy has three different levels and gives the highest priority to quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, quoted prices for similar assets or liabilities in active markets.

Level 3 inputs are unobservable inputs for the asset or liability.

The details showing the carrying amounts of financial assets and liabilities and segregating them to Amortised Cost and Fair Value and segregating Fair Value to Level 1 – 3 inputs are presented below:

As at July 16, 2018	Carrying value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets					
Financial assets carried at amortized cost					
<u>Cash Equivalents</u>	<u>806,736,416,961</u>				
Balance with Other Banks	98,162,763,690	98,162,763,690			-
Treasury Bills	251,858,241,300	251,858,241,300			-
Investments	2,338,533,167	2,338,533,167			-
Time Deposit	454,376,878,804	454,376,878,804			-
Loans & Advances to BFIs	12,220,303,401	12,220,303,401			-
<u>Loans & Advances to Others</u>	<u>12,338,565,901</u>				
Receivables from Government & International Agencies	193,763,757	193,763,757			-
Loans to Employees	3,536,562,760	3,536,562,760			-
Interest Receivables	5,790,048,546	5,790,048,546			-
Other Advances	2,818,190,838	2,818,190,838			-
					-
Gold & Silver at fair value	45,467,467,808		45,467,467,808		-
<u>Investment Securities</u>	<u>232,984,574,153</u>				
Investment Securities at Amortized Cost	229,454,754,044	229,454,754,044			-
At Fair Value through Other Comprehensive Income (OCI)	3,529,820,109			1,448,320,962	2,081,499,147
Other Assets	17,312,234				17,312,234
Total Financial Assets	1,109,764,640,457	1,036,191,171,005	45,467,467,808	1,448,320,962	2,098,811,381
Financial Liabilities					
Financial liabilities carried at amortized cost:					
Bills Payable	115,622,742	115,622,742			
Deposits from Bank and Financial Institutions	208,116,242,256	208,116,242,256			
Deposit from Government of Nepal	144,165,917,368	144,165,917,368			
Deposits from Others	25,479,607,975	25,479,607,975			
Short Term Borrowings	44,550,000,000	44,550,000,000			
IMF Related Liabilities	21,674,958,091	21,674,958,091			
Staff Liabilities	2,095,039,220				2,095,039,220
Other Liabilities	1,209,553,210	1,209,553,210			
Total Financial Liabilities	447,406,940,862	445,311,901,642	-	-	2,095,039,220

As at July 15, 2017	Carrying value		Level 1	Level 2	Level 3
Financial Assets					
Financial assets carried at amortized cost					
<u>Cash & Cash Equivalents</u>	<u>766,280,255,209</u>		=	=	
<i>Balance with Other Banks</i>	<i>55,573,757,518</i>	<i>55,573,757,518</i>			-
<i>Treasury Bills</i>	<i>246,372,622,201</i>	<i>246,372,622,201</i>			-
<i>Investments</i>	<i>2,171,122,848</i>	<i>2,171,122,848</i>			-
<i>Time Deposit</i>	<i>462,162,752,642</i>	<i>462,162,752,642</i>			
Loans & Advances to BFIs	6,927,270,915	6,927,270,915			-
<u>Loans & Advances to Others</u>	<u>12,033,861,094</u>				
<i>Receivables from Government & International Agencies</i>	<i>2,431,416,400</i>	<i>2,431,416,400</i>			-
<i>Loans to Employees</i>	<i>3,062,800,479</i>	<i>3,062,800,479</i>			-
<i>Interest Receivables</i>	<i>4,332,051,715</i>	<i>4,332,051,715</i>			-
<i>Other Advances</i>	<i>2,207,592,500</i>	<i>2,207,592,500</i>			-
Gold & Silver at fair value	42,265,102,190		42,265,102,190		-
<u>Investment Securities</u>	<u>199,586,267,101</u>				
<i>Investment Securities at Amortized Cost</i>	<i>195,401,196,610</i>	<i>195,401,196,610</i>			-
<i>At Fair Value through Other Comprehensive Income (OCI)</i>	<i>4,185,070,491</i>			2,575,028,961	1,610,041,530
Other Assets	63,015,365				63,015,365
Total Financial Assets	1,027,155,771,874	980,642,583,828	42,265,102,190	2,575,028,961	1,673,056,896
Financial Liabilities					
Financial liabilities carried at amortized cost:					
Bills Payable	233,602,320	233,602,320			
Deposits from Bank and Financial Institutions	211,579,363,272	211,579,363,272			
Deposit from Government of Nepal	193,752,687,231	193,752,687,231			
Deposits from Others	27,004,456,317	27,004,456,317			
Short Term Borrowings	14,400,000,000	14,400,000,000			
IMF Related Liabilities	21,559,685,462	21,559,685,462			
Staff Liabilities	5,791,597,601				5,791,597,601
Other Liabilities	1,241,464,281	1,241,464,281			
Total Financial Liabilities	475,562,856,485	469,771,258,884	-	-	5,791,597,601

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. Leave encashment is not a funded plan.

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

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

Amount Recognized in the statement of Financial Position

Particulars	As on July 16, 2018		As on July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Present Value of Obligations	18,710,462,476	2,168,339,774	18,451,547,560	2,673,590,776
Fair Value of Plan Assets/Current Balance of Provision Account	(19,391,142,000)	(2,013,600,000)	(15,975,407,000)	(1,923,466,000)
Net Liability /(Asset)	(680,679,524)	154,739,774	2,476,140,560	750,124,776

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Opening Obligation	18,451,547,560	2,673,590,776	16,260,561,185	2,241,351,694
Current Service Cost	454,812,717	149,789,143	393,426,811	111,878,496
Interest Cost	1,442,112,165	302,762,005	1,269,292,728	162,389,689
Actuarial Losses (Gains)	(787,718,964)	(285,841,981)	1,317,071,002	580,932,063
Losses (Gains) on Curtailments				
Benefits Paid	(850,291,002)	(671,960,169)	-788,804,166	-422,961,166
Closing Obligation	18,710,462,476	2,168,339,774	18,451,547,560	2,673,590,776

Closing obligation in FY 2017/18 as shown above includes the Pension or Gratuity liability of Rs.115,753,150 and staff security fund liability of Rs.4,208,848 against 30 retired staffs pending settlement who have filed cases against the bank.

Changes in Fair Value of Plan Assets

Particulars	For the FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Opening Fair Value	15,975,407,000	1,923,466,000	12,784,580,000	1,726,094,000
Expected Return	1,346,322,073	146,745,046	1,099,946,706	138,624,078
Actuarial Gains (Losses)	556,555,185	(146,745,046)	18,943,765	(138,624,078)
Distribution on Settlements				
Contribution by Employer	2,363,148,744	646,341,019	2,860,740,695	620,333,166
Benefits Paid	(850,291,002)	(556,207,019)	(788,804,166)	(422,961,166)
Closing Fair Value	19,391,142,000	2,013,600,000	15,975,407,000	1,923,466,000

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Charged to Statement of Income	190,052,952	550,602,809	1,077,681,285	425,663,158
Actuarial Losses Recognized in OCI	(139,096,935)	(1,344,274,149)	1,317,071,002	580,932,063
Total Employee Benefit Expense	50,956,017	(793,671,340)	2,394,752,287	1,006,595,221

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	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 FY Ended July 16, 2018		For the FY Ended July 15, 2017	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	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	6.70%	6.70%	6.67%	6.67%
Withdrawal Rate	0.50%	0.50%	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:

5.8.1 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 1,512,606,009 (P.Y.NRs. 889,049,010) 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.1,512,606,009 (P.Y. NRs. 889,049,010) was appropriated to this fund.

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.6,794,952,019 (P.Y.NRs.4,239,793,019) 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.97,610,812 (P.Y. NRs. 2,734,774) 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.38,272,111,979(P.Y. revaluation loss of NRs.23,752,795,700) which is equivalent to net exchange gain was appropriated from 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 this reserve out of net income of the year. Accordingly, an amount of NRs. 3,618,022,578 (P.Y. revaluation loss of NRs. 6,767,810,406) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated to this fund.

5.8.2 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.11,000,000,000 (P.Y. NRs.4,160,000,000) 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 Rs.110,000,000 (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. Accordingly, an amount of NRs.18,958,350 (P.Y. NRs. 0) 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. Accordingly, an amount of NRs.150,000,000 (P.Y. NRs. 0) 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.55,386,987 (P.Y. NRs. 70,354,384) 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 income for the previous years by NRs.671,798,709 (including deficit of Rs.13,797,783 in FY 2016/17) than by the reported figure of the previous years. This resulted into increase in net income of previous years by the said amount and has been shown in Net Cumulative Surplus Fund. In addition, additional income of Rs.4,578,042 has been discovered during the year because of the prior period errors and has been adjusted with current year surplus available for appropriation.

Particulars	Presented under	FY 2017/18	FY 2016/17	As on July 16, 2016
Investment in CNY Bond	Investment Securities		(28,027,362)	263,706,915
Investment in INR Treasury Bills	Investment Securities			1,459,646,635
Depreciation on computer software	Intangible Assets		(413,260)	(9,042,897)
Income from Amortisation of Staff Loan	Loan & Advances to Others		109,301,932	
Finance Cost under NFRS on Staff Loan	Loan & Advances to Others		(94,659,093)	(1,028,714,160)
Total Restatement of Net cumulative Surplus Fund			(13,797,783)	685,596,492
Restatement of Net cumulative Surplus Fund in FY 2016/17			671,798,709	
Surplus/(Deficit) Due to Prior Period Errors		4,578,042		-
Total effect on Equity of the bank at July 16, 2018		676,376,751		

5.10 Impact of Changes in Accounting Policies

There are changes in Accounting Policies of the bank in the current fiscal year to comply with the requirements of Nepal Financial Reporting Standards as referred in accounting policy note no. 3.28. The book value based on existing accounting policy and the revised value based on the new accounting policy have been shown below:

Particulars	Book Value			Revised Value		
	As on July 16, 2018	As on July 15, 2017	As on July 15, 2016	As on July 16, 2018	As on July 15, 2017	As on July 15, 2016
Valuation of Gold & Silver at fair value	48,170,612	48,170,612	48,170,612	17,388,944,663	16,335,663,963	19,226,793,913
Valuation of unquoted equity instruments	451,674,500	144,160,500	144,160,500	2,088,999,147	1,617,541,530	1,661,983,832
Amortisation of staff loans	4,783,283,731	4,076,871,800	4,389,546,115	3,536,562,760	3,062,800,479	3,360,831,955
Amortisation of Investment in GON Zero Coupon Bond	262,837,718			216,672,667		
Total	5,545,966,561	4,269,202,912	4,581,877,227	23,231,179,238	21,016,005,972	24,249,609,699

Note: For the calculation of amortised cost of staff loans and GON zero coupon bond, the discount rate of 4% p.a. has been considered.

Similarly, the impact in the financial statements due to changes in accounting policies has been shown below:

Particulars	As on July 16, 2018			As on July 15, 2017			As on July 16, 2016 (Opening Balance)	
	Assets Increase/ (Decrease)	Net Income Increase/ (Decrease)	Reserve Increase/ (Decrease)	Assets Increase/ (Decrease)	Net Income Increase/ (Decrease)	Reserve Increase/ (Decrease)	Assets Increase/ (Decrease)	Reserve Increase/ (Decrease)
Valuation of Gold & Silver at fair value	1,053,280,700		1,053,280,700	(2,891,129,950)		(2,891,129,950)	19,178,623,301	19,178,623,301
Valuation of unquoted equity instruments	171,443,617		171,443,617	(44,442,302)		(44,442,302)	1,510,323,332	1,510,323,332
Amortisation of staff loans	(232,649,650)	(232,649,650)	(232,649,650)	14,642,839	14,642,839		(1,028,714,160)	(1,028,714,160)
Amortisation of Investment in GON Zero Coupon Bond	(46,165,051)	(46,165,051)						
Total	945,909,617	(278,814,700)	992,074,667	(2,920,929,412)	14,642,839	(2,935,572,251)	19,660,232,472	19,660,232,472

5.11 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	721.33	666.97
Non-Convertible Foreign Currency	251.77	243.4
Gold Reserve	30.55	28.22
Special Drawing Rights	0.16	0.17
Sub Total	1003.81	938.76
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	102.00	141.51
Non-Convertible Foreign Currency	11.19	10.67
Sub Total	113.19	152.18
Total Foreign Exchange Reserve of Banking System	1117.00	1090.94

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	1.44	1.43
Indian Treasury Bills	19.73	20.29
BIS FIXBIS	0.19	0.18
Bonds/Notes	11.09	12.16
Mid Term Instrument	0.74	0.76
Call Deposits	4.64	2.83
Time Deposit	40.09	42.81
Gold Deposit	2.48	2.40
Special Drawing Rights	1.58	0.00
Balance with NRB and BFIs	18.01	17.14
Total	100.00	100.00

5.12 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. Out of these five projects Production Credit for Rural Women Project (PCRW) has already been closed and an amount of Rs.1,38,75,321.00 has been transferred to NRB account after the closure of the project. The Financial Position and Income statements of these projects are as below:

For the Fiscal Year ended July 16, 2018

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
Equity & Liabilities						
Reserve & Surplus	11,542,707	5,414,180	29,567,758	-	10,160,668	56,685,313
Loans	36,500,000	6,100,286	90,400,000	-	-	133,000,286
Accounts Payable	-	30,501	-	-	-	30,501
Total Equity & Liabilities	48,042,707	11,544,967	119,967,758	-	10,160,668	189,716,100
Assets						
Loan to PFIs	-	-	-	-	-	-
Investment	45,541,000	-	100,000,000	-	-	145,541,000
Other Receivables	792,975	-	1,374,657	-	6,661,172	8,828,805
Cash and Bank Balance	1,708,732	11,544,967	18,593,101	-	3,499,496	35,346,295
Total Assets	48,042,707	11,544,967	119,967,758	-	10,160,668	189,716,100

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
A. Income						
Interest Income:	5,806,660	1,550,891	13,636,000	1,467,436	-	22,460,987
From Loan to PFIs				16,683		16,683
On Investment	5,806,660	1,550,891	13,636,000	1,450,753		22,444,304
Foreign Exchange Gain					1,892,431	1,892,431
Loan Loss Prov. Written back				11,122		11,122
Other Income			476	93,250		93,726
Total Incomes	5,806,660	1,550,891	13,636,476	1,571,809	1,892,431	24,458,267
B. Expenditure						
Administrative Expenses						
Interest Expenses	1,259,250	396,519	3,785,500	58,648		5,499,917
Depreciation						-
Total Expenses	1,259,250	396,519	3,785,500	58,648		5,499,917
Surplus (Deficit) (A-B)	4,547,410	1,154,372	9,850,976	1,513,160	1,892,431	18,958,350

For the Fiscal Year ended July 15, 2017

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	35,595,507	205,476,013
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	43,519,880	258,189,884
Assets						
Loan to PFIs	-	-	-	1,101,098		1,101,098
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	43,519,880	258,189,884

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)

*Raising Incomes of Small & Medium Farmers Project (RISMFP) is a project aimed at increasing the production of high value commodities by small and medium sized farmers in mid-western and far-western development regions of Nepal. The project's estimated cost is US\$ 33.54 million of which Asian Development Bank's (ADB) contribution is US\$20.10 million.

A grant agreement was signed between Ministry of Agriculture Development , Nepal Government (GoN) and Asian Development Bank (ADB). Part A of the project for 'Agribusiness Grant Facility' (AGF) component with the grant proceed of US\$ 12,012,000 was to be implemented by Nepal Rastra Bank (NRB) under the project agreement between NRB and ADB dated 16 March 2011.

Till 16th July 2018 total amount of Rs. 1,088,306,808.37 has been received from ADB while the loan disbursed amounts to Rs. 1,094,967,981 and the difference amount of Rs. 6,661,172.63 has been shown under other receivables.

The three projects namely; Community Ground water Irrigation Sector Project (CGISP) ,Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) 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 July 16, 2018			As on July 15, 2017		
	CGISP	RSRF	KFW	CGISP	RSRF	KFW
Equity						
Capital Contribution **	17,548,370	793,400,000		17,548,370	793,400,000	
Surplus	169,843,182	143,570,785	17,369,321	130,172,524	128,379,628	
Financial Risk Fund	5,200,000			5,200,000		
Long- term Liabilities						
Loan from ADB - Non-Current Portion	123,776,297			140,502,824		
Current Liabilities and Provision						
Loan from ADB - Current Portion	76,942,023			60,215,496		
Service Charge due on Loan from ADB	22,980,161			20,972,977		
Loan From GON			389,249,226			
Loan Loss Provision	320,958	85,538,238		469,488	73,141,693	
Accounts Payable	326,141	81,646,401		326,141	70,197,425	
Total Equity & Liabilities	416,937,132	1,104,155,424	406,618,547	375,407,820	1,065,118,745	
Assets						
Non-Current Assets						
Fixed Assets	528,558	528,558		4	550,501	
Loan to PFI- Non Current Portion	18,619,035.00	18,162,500		32,095,787	30,562,500	
Investment	300,000,000.00	370,000,000		306,000,000		
Current Assets						
Interest Receivables	3,711,575.00	49,654,777	8,082,906	6,358,066	39,260,356	
Loan to PFI-current portion	13,476,752.00	448,562,248	389,249,226	14,852,985	571,049,748	
Cash and cash equivalents	81,129,766.00	217,110,340	9,286,415	16,100,978	423,695,641	
Sundry Debtors		37,000				
Total Assets	416,937,132.00	1,104,055,424	406,618,547	375,407,820	1,065,118,745	

** 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 July 16, 2018			As on July 15, 2017		
	CGISP	RSRF	KFW	CGISP	RSRF	KFW
A. Income						
Interest Income:	41,573,276	53,596,606	8,082,906	10,928,800	30,289,918	
From Loan to PFIs	2,157,568	32,762,771	8,082,906	4,103,649	27,279,900	0
On deposit with banks	39,415,708	20,147,272		6,825,152	2,013,454	
On Investment		686,563			996,564	
Other Income	10327	537,142			683,028	
Loan Loss Provision Written back	148,530	0		194,551	0	
Total Incomes	41,732,133	54,133,748	8,082,906	11,123,351	30,972,946	
B. Expenditure						
Administrative Expenses	43,963	26,546,046	0	37,358	6,428,372	
Provision for Service Charge	2,007,183	12396545.49	0	2,007,183		
Loan Loss Provision	-	-	-	-	28,058,340	
Depreciation	0			27,906	15,802	
Total Expenses	2,051,146	38,942,591	0	2,072,447	34,502,513	
Surplus (Deficit) (A-B)	39,680,987	15,191,157	8,082,906	9,050,905	-3,529,567	

5.13 Interest in other entities

The Bank has invested in quoted & unquoted equity securities of eleven different entities as presented below.

5.13.1 Investment in quoted securities

Investment in quoted equity securities includes the following. The bank holds promoter shares of such entities.

Particulars	% of holding	Investment at cost		Investment at Fair value	
		July 16, 2018	July 15, 2017	July 16, 2018	July 15, 2017
RMDC Laghubitta Bittiya Sanstha Ltd.	4.05	21,045,000	21,045,000	95,881,291	140,334,584
Citizen Investment Trust	13.00	13,350,000	13,350,000	1,298,216,945	2,341,151,989
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	3.05	19,999,800	19,999,800	54,222,726	93,542,387
Total		54,394,800	54,394,800	1,448,320,962	2,575,028,961

The fair value of shares in RMDC Laghubitta Bittiya Sanstha Ltd. has been considered on the basis of latest trading price of promoter share of the company in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC to get fair values of other entities.

5.13.2 Investment in unquoted securities

The bank has investment in unquoted equity securities of the following entities:

Particulars	% of holding	Investment at cost		Investment at Fair value	
		July 16, 2018	July 15, 2017	July 16, 2018	July 15, 2017
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	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	31.52	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10.00	35,00,000	35,00,000	884,055,389	402,429,639
Nepal Clearing House	10.00	5,000,000	5,000,000	47,178,000	32,017,500
Credit Information Bureau	10.03	407,594,000	107,580,000	82,899,198	64,047,802
National Banking Institute	15.29	15,000,000	15,000,000	20,352,096	15,724,000
Total		451,674,500	151,660,500	2,081,499,147	1,610,041,530

Fair Value of the shares investment in unquoted equity securities has been arrived based on the latest available audited financial statement of respective entities.

5.13.3 Significant Interest in entities

The bank has significant interest in the following entities. The details regarding interest in those entities are as under:

Name of Entity	Paid up capital	Investment at Face Value	%age of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Beema Sansthan - Life Insurance	181,000,000	100,566,700	55.56	Life insurance service	Ramshshpath, Kathmandu
Nepal Stock Exchange Ltd	300,000,000	103,799,370	34.60	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar plaza, Kathmandu
National Productivity and Eco.Dev ltd	7,931,472	2,500,000	31.52	Provides research and consultancy services offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services	Balaju, Kathmandu

Significant interest in above four entities is because of the investment in equity instruments (promoter shares) of such entities which were made under specific directives or policies of the Government of Nepal and other relevant statutes. The bank is in the process of divestment of such investment by selling the shares the bank holds. The cost and its carrying amounts of assets recognized in the financial statements on such entities are as follows:

Particulars	Investment at cost		Carrying Amounts (Investment at Fair value)	
	July 16, 2018	July 15, 2017	July 16, 2018	July 15, 2017
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	12,080,500	12,080,500	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
Total	20,580,500	20,580,500	2,081,499,147	1,610,041,530

In the absence of audited financial statements of Agricultural Project Services Centre, Rastriya Beema Sansthan and National Productivity & Economic Development Ltd., the bank is not able to estimate the fair value of investment in such entities. Therefore, the bank has made impairment by full amount for the investment in Agricultural Project Service Centre and National Productivity & Economic Development and is not expected for its recovery. In addition, Agricultural Project Service Centre is in the process of liquidation since long. In case of Rastriya Beema Sansthan, the bank has expected to recover its investment and hence the fair value is equal to its cost.

The carrying amount of Rs. 2,081,499,147 (PY Rs. 1,610,041,530) as shown in above table has been included under Investment securities in the Statement of Financial Position. Being, all the above entities as limited liability company, this is the maximum exposure to loss from its significant interest in such entities.

5.13.4 Transactions with Entities having Significant Interest

The bank has done some transactions with the entities having significant interest of the bank. Such transactions were occurred in the normal course of NRB's operations and conducted as arms length transactions. The details of such transactions were as follows:

Entity	Nature of Transaction	FY 2017/18	FY 2016/17	Remarks
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	97,153,904	86,868,095	
Nepal Stock Exchange Ltd	Dividend Income received by the bank	51,899,685	51,899,685	

5.14 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 July 16, 2018		As on July 15, 2017	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
SPECIAL DRAWING RIGHT				
Net cumulative allocation	10,475,488,916	68,099,599	9,769,636,572	68,099,599
Holdings	164,054,814	1,066,496	171,322,847	1,194,212
OUTSTANDING PURCHASES & LOANS				
RCF Loans	1,754,847,008	11,408,000	2,454,904,632	17,112,000
ECF Arrangements	0	0	153,359,809	1,069,000
OTHER INFORMATION				
	Per cent of Quota		Per cent of Quota	
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 153.826(P.Y. NRs. 143.461) per SDR.

5.15 Contingent Liabilities and Capital Commitments

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

PARTICULARS	July 16, 2018	July 15, 2017
	NRs.	NRs.
Letters of Credit	43,381,423,248	33,310,303,147
Unclaimed Account Transfer to P/L Account		100,066,715
Capital Commitment		6,268,199
Total	43,381,423,248	33,416,638,061

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

5.16 Claims against the bank

There are 74 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.

5.17 Number of Employees

The number of employees holding office at the yearend was 954 (PY 1,128).

5.18 Events occurred after Balance Sheet Date

- i. The change in exchange rates of various foreign currencies after the yearend resulted in increase as of date in net foreign currency assets, exchange equalization fund and net profit/ (loss) for the period. The increase is estimated to be NRs.9,283,688,946.43(PY NRs. 2,780,671,187.02 decrease) 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. 3,867,339,419.76 (PY NRs.2,026,506,674.58 increase) 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.