

Annual Report

Fiscal Year 2015/16



Nepal Rastra Bank

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Governor

Foreword

1. During the fiscal year 2015/16, economic growth remained marginal notwithstanding the stable conditions unfolded by the macroeconomic indicators. Contrary to the expectation that the economy would gather momentum following promulgation of the new Constitution by the constituent assembly elected by the people, economic growth was limited to 0.6 percent. This slowdown in the growth is attributed to adverse weather, disruption in the southern border points, interruption in the supply management, and interval effects of the earthquake. There was unfavorable impact on the economic activities due to supply disturbance alongwith a slower than anticipated pace of extension of the credit to the private sector and also the low level of government's capital expenditure during the first seven months of the fiscal year.
2. Inflation, which had reached double digits at around the middle of the fiscal year, gradually declined following the end of the disruption along the border points. Despite higher than expected inflation on account of disruption in supply situation, annual inflation remained at a single average digit of 9.9 percent with the implementation of monetary measures by the NRB for the liquidity management.
3. External sector stability was maintained despite pressure exerted by inflation. Current account remained surplus owing to consistent inflows of remittance and marginal contraction in import growth. As a consequence, there was remarkably high balance of payments surplus as well as foreign exchange reserve level.
4. NRB was cautious to avoid any possibility of discontinuing of the credit flow in the economy arising out of disruption in border points and interval effects of the earthquake. In this context, the NRB exempted various regulatory provisions for the BFIs. Similarly, NRB brought into implementation a provision of zero refinance rate for BFIs to provide housing loan at a maximum interest rate of 2 percent for the households affected by the earthquake. The scope of refinance has been further broadened with the objectives of controlling prices through fostering economic activities and consolidating supply management, contributing to poverty reduction, and involving the low-income people in the income-oriented activities.
5. NRB has been playing an important role for enhancing economic growth through financial development and inclusion. Financial indicators like financial intensity, access, and awareness remained positive during the year. The objectives of inclusive finance have been supported by the extension of the BFIs' branch network, expansion of the deprived sector lending, and effective implementation of financial literacy programs. Similarly, provisions with respect to the legal reforms, merger and acquisition,

prudential regulations, Basel-III, and similar regulatory matters have been effectively implemented with the view to promoting stability and strengthening the financial sector.

6. NRB has been implementing appropriate monetary and financial sector policies for promoting macroeconomic stability and facilitating inclusive economic development through fostering price stability, external and financial sector stability, and financial development along with financial inclusion. NRB has adopted instruments like deposit auction, open market operation, NRB bond issue, and interest corridor for making monetary policy more effective. This has contributed to the effective management of liquidity. Similarly, the NRB has been undertaking policy measures for foreign exchange management, effective regulation and supervision of the financial sector, development of the payments system, and currency management.
7. NRB is cautious for fostering monetary and financial stability through implementing monetary and financial sector policies in consistence with the public policy and programs prescribed as per the budget statement of the Government of Nepal as well as in the perspective of national and international economic outlook. Finally, thanks are due to the concerned officials of the Research Department along with all others engaged in preparing the Annual Report for fiscal year 2016/17.

Dr. Chiranjibi Nepal

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Acronyms

ACU	Asian Clearing Unit
ADB	Asian Development Bank
ADBL	Agricultural Development Bank Limited
AFI	Alliance for Financial Inclusion
AM	Ante Meridiem (Before Noon)
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLC	Anti-Money Laundering Council
APEC	Asia-Pacific Economic Cooperation
APG	Asia/Pacific Group on Money Laundering
APRACA	Asia-Pacific Rural and Agricultural Credit Association
A2F	Access to Finance
BAFIA	Banks and Financial Institutions Act
BFIs	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
DSL	Deprived Sector Lending
DTCO	District Treasury Controller Office
ECC	Electronic Cheque Clearing
e-GDDs	Enhanced General Data Dissemination System
e.g.	exempli gratia (for example)
EOI	Expression of Interest
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EPF	Employees Provident Fund

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

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

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

Executive Summary

1. It is estimated that the growth of the world economy in 2016 will be somewhat slower amidst factors like the decision by the UK through referendum to exit the European Union, weak aggregate demand in the advanced economies, and China's slower growth than in the previous years.
2. According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2016, world growth in 2016 is projected at 3.1 percent compared to the growth of 3.2 percent in 2015. According to the IMF, the growth of advanced economies is projected at 1.6 percent in 2016 compared to their growth of 2.1 percent in 2015. The emerging market and developing economies are projected to grow by 4.2 percent in 2016 compared to their 4.0 percent growth in 2015. Nepal's neighbors, India and China, are projected to record growth similar to that in the previous year.
3. In fiscal year (FY) 2015/16, as per the estimates of the Central Bureau of Statistics (CBS), Nepal's real gross domestic product (GDP) at basic prices and producers' prices grew by 0.8 percent and 0.6 percent respectively. Such growth in the previous year was 2.3 percent and 2.7 percent respectively. Growth contracted during the review year due to insufficient rainfall, border obstruction, closure, and strike for a considerable length of time.
4. In the review year, agriculture, industry, and service sectors respectively comprised 31.7 percent, 14.0 percent, and 54.3 percent of the real GDP. The corresponding ratios last year were 31.8 percent, 14.9 percent, and 53.3 percent.
5. In FY2015/16, the ratio of total consumption to GDP was 94.7 percent, leaving gross domestic saving at 5.3 percent of GDP. However, due to higher inflow of remittance, the national saving ratio was larger at 42.9 percent.
6. The average annual consumer inflation in FY2015/16 was 9.9 percent. The inflation in the previous year had averaged 7.2 percent. During the year, some pressure on prices was felt on account of adverse circumstances like obstruction along the border points and supply constraints.
7. With respect to updating on a decadal basis the national consumer price indices being published by the NRB, the Fifth Household Budget Survey conducted for the purpose of determining the revised weights on the basis of collected details of the consumed goods and services by the Nepalese households has been completed and its Report published. NRB has prepared and, with effect from mid-July 2016, published new consumer price index based on new commodity basket and revised weights as determined by the Fifth Household Budget Survey.

8. Regarding foreign trade during FY2015/16, trade deficit rose as merchandise exports declined sharply while imports declined only marginally. Foreign trade in the review year showed slowdown due to disruption along the border points. Current account balance and overall balance of payments (BOP) remained in substantial surplus in comparison to the previous year due to rise in foreign grants and remittances despite some increment in the trade deficit.
9. In FY2015/16, total foreign exchange reserve as compared to the previous reserve rose by 26.1 percent to Rs. 1,039.21 billion in mid-July 2016. During the previous year, such reserve had increased by 23.8 percent to Rs. 824.06 billion. In terms of US dollars, total reserve of the banking system increased by 19.5 percent to Rs. 9.74 billion. Such reserve in the previous year had increased by 17.4 percent.
10. In FY2015/16, the exchange rate of Nepalese rupee against Indian rupee has remained unchanged. During the year, Nepalese rupee depreciated against US dollar, euro, and Japanese yen while it appreciated against the pound sterling. In mid-July 2016 compared to mid-July 2015, Nepalese rupee appreciated by 5.2 percent against US dollar, 19.2 percent against Japanese yen and 6.0 percent against euro while the rate of appreciation against the pound sterling was 11.8 percent.
11. During the fiscal year, total government expenditure on cash basis accounted for 69.5 percent of the budget estimates. During the review year, expenditure on recurrent, capital, and financial provision as a share of total expenditure represented 62.6 percent, 19.6 percent and 17.8 percent respectively. During FY2015/16, expenditure on recurrent, capital, and financial provision on cash basis as a share of GDP showed 15.9 percent, 5.0 percent, and 4.5 percent respectively, which were somewhat higher than the previous year's percentages at 15.8 percent, 3.8 percent and 4.4 percent respectively.
12. Broad money showed an increment of 19.5 percent during the review year. Such money supply during the previous year had recorded a growth of 19.9 percent. During the review year, net foreign assets (with adjustment of foreign exchange valuation gain/loss) showed an increment of 25.3 percent to Rs. 188.95 billion. Such assets in the previous year had increased by 24.2 percent to Rs. 145.04 billion. During the review year, net foreign assets (NFA) increased substantially on account of contraction in imports and some expansion in remittance inflows.
13. In the review year, net claims of monetary sector on Government of Nepal (GON) declined by 40.7 percent (Rs. 51.81 billion). Such claims had declined by 10.4 percent in the previous year. Net claims on GON declined mainly due to the substantial surplus in the treasury account maintained at NRB on account of lower expenditure compared to the resource mobilization by the GON. GON's cash surplus at NRB amounted to Rs. 127.38 billion at the end of the fiscal year.

14. During the review year, claims of monetary sector on the private sector expanded by 23.2 percent (Rs. 318.32 billion). Such claims had increased by 19.4 percent in the previous year. Claims of monetary sector on the private sector rose because of comfortable liquidity situation followed by additional improvement in economic activities mainly since the second half of the fiscal year.
15. During FY2015/16, liquidity amounting to Rs. 591.63 billion (on turnover basis) was absorbed through reverse repo, outright sale, and deposit auctions. Instrument-wise, the frequencies of outright sale auction, reverse repo auction, and deposit auction were 5, 48, and 35 respectively. The amounts of these auctions totalled Rs. 9.10 billion, Rs. 235.95 billion, and Rs. 297.50 billion respectively. During the review year, NRB bond with maturity period of one year was issued on auction basis for a total of six times amounting to Rs. 49.08 billion. While absorbing liquidity through this instrument, the NRB incurred an interest burden amounting to Rs. 718.30 million.
16. In FY2015/16, NRB provided various banks statutory liquidity facility (SLF) totalling Rs. 14.03 billion (on the basis of turnover) for a total of 13 frequencies at 7.0 percent rate of interest (bank rate). NRB obtained interest income amounting to Rs. 5.2 million for providing such facility.
17. The share of NRB in total assets/liabilities of banks and financial institutions (BFIs) including NRB has been 23.6 percent as in mid-July 2016. Similarly, the respective share percentages of total assets/liabilities were 51.5 in commercial banks, 8.0 in development banks, 2.4 in finance companies, 5.4 in Employees Provident Fund (EPF), 2.0 in Citizen Investment Trust (CIT), and 3.8 percent in insurance companies.
18. The number of BFIs licensed by NRB (including cooperatives and non-government organisations conducting limited banking activities) as in mid-July 2016 was reduced to 219 from 235 in mid-July 2015. The number of BFIs came down from previous year's level on account of merger/acquisition among BFIs following the introduction of BFI Merger/Acquisition Bylaw, 2011. As in mid-July 2016, the number of commercial banks, development banks, finance companies, and microfinance development banks was 28, 67, 42, and 42 respectively. Despite reduction in the number of BFIs, the branch network of BFIs has expanded. The number of branches of the BFIs reached 4,272 in mid-July 2016.
19. In this fiscal year also, continuity has been given to the NRB's policy provision of encouraging BFIs for mutual merger/acquisition. Up to FY2015/16, 113 licensed BFIs have been mutually merged to arrive at 41 BFIs. In FY2015/16 alone, 28 institutions under 'A', 'B' and 'C' categories participated in the merger/acquisition to arrive at 11 BFIs.

20. There is a provision of providing credit for the deprived sector at the rate of 5.0 percent, 4.5 percent, and 4.0 percent of total credit for commercial banks, development banks, and finance companies respectively. As in mid-July 2016, the ratio of deprived sector lending to total credit reached 5.52 percent in commercial banks, 6.67 percent in development banks, and 4.57 percent in finance companies.
21. There has been a substantial increment both in securities market index and transactions during the review year. The NEPSE index on annual point-wise basis increased by 78.7 percent to 1718.2 points in mid-July 2016. In the previous year, the index had declined by 7.2 percent to 961.2 points in mid-July 2015. The NEPSE sensitive index widened by 80.3 percent to 369.1 points in mid-July 2016 from 204.7 points in mid-July 2015. Similarly, even the NEPSE float index marked a rise of 83.2 percent to 125.4 points in mid-July 2016.
22. As regards the cooperative institutions established under the Cooperative Act, 1991 and licensed by NRB for conducting limited banking transactions, they have been engaged in such limited banking transactions under the directive issued by NRB. As in mid-July 2016, the number of such institutions was 16, comprising 15 cooperatives and one National Cooperative Development Bank. Total assets/liabilities of these institutions as in mid-July 2016 amounted to Rs. 27.74 billion.
23. NRB has so far declared 16 BFIs as problematic out of which five institutions (Nepal Development Bank, Samjhana Finance Limited, Gorkha Development Bank, United Development Bank, and Himalayan Finance Limited) were resolved or have been undergoing resolution through processes like liquidation/merger/acquisition.
24. During the period between mid-July 2015 and mid-July 2016, stock notes of various denominations amounting to Rs. 98.68 billion were issued for circulation. Compared to the currency in circulation amounting to Rs. 319.80 billion in mid-July 2015, there was 20.75 percent increment to reach Rs. 386.16 billion in mid-July 2016.
25. The number of staff working in NRB in mid-July 2016 was 1,229, comprising 1,097 administrative posts and 132 technical posts. Category-wise, the number of officers, assistants, and class-less office assistants was 716, 359, and 154 respectively. The ratio of the number of officers to the total number of assistants and class-less office assistants reached 1:0.72 from 1:0.69 in the previous year. Similarly, the number of those serving on contract basis totaled 123 in mid-July 2016, comprising 92 in security, 10 in health, 2 in engineering, 2 in sub-engineering, and 17 in others (employees retired from NRB).
26. For carrying out the NRB functions in a systematic framework, the third Strategic Plan, 2017-2022, has been in the process of formulation.

27. Annual work plan for FY2016/17 has been formulated in accordance with ‘NRB Plan Formulation and Evaluation Directive, 2015’.
28. NRB Act, 2002 (second amendment Act, 2016) and Banking Offence and Punishment Act, 2008 (first amendment Act, 2016) are in the process of certification following their approval from the Parliament. Similarly, the draft amendment to the Banks and Financial Institutions Act (BAFIA), 2006 has been under deliberation in the Finance Committee of the Parliament. Discussion with the various stakeholders has been ongoing on the draft amendments to the Negotiable Instruments Act, 1978 with a view to making timely improvement in the Act.
29. Among the internal audit functions regularly carried out by the Internal Audit Department of the NRB during FY2015/16, risk-based audit has been completed in Banking Office, Currency Management Department, Financial Management Department, General Services Department, and all the seven offices outside the Kathmandu valley.
30. Construction work of the Office of the Governor, Governor’s Chamber, Board Room and Secretariat located in the fourth floor of Block ‘A’ complex in Baluwatar premises has been completed. Similarly, the work of transferring some departments by completing construction of work places according to pre-fabricated model as per the requirement has also been completed. The work of constructing two-storey building for office purpose in the vacant land located in the north-east direction of the Baluwatar premises has been in the final stage. Also, immediate priority has been accorded to arranging the work place by way of modern and appropriate fixture and furnishing in the building. Payment counters have been arranged by constructing one-storey building in the Thapathali premises. For managing cash vaults, the construction work of seven vaults (Nepalese currency vault, deposit vault, foreign currency/Indian rupee vault) in the ground floor on the western side of the Bankers’ Club building has been completed.
31. In accordance with the increase in office time for banking transactions since September 18, 2015, the banking transaction time has been fixed from 10:00 am to 15:00 pm during the months of November to January and from 10:00 am to 16:00 pm during the rest of the months.
32. According to the NRB’s balance sheet as in mid-July 2016 as compared to the mid-July 2015 figures, the assets or liabilities of the NRB increased by 24.9 percent to Rs. 985.51 billion. During the period from mid-July 2014 to mid-July 2015, total assets or liabilities had increased by 19.4 percent to Rs. 789.25 billion. Of the total assets as in mid-July 2016, foreign currency assets comprised 93.3 percent while domestic currency assets constituted 6.7 percent.

PART – 1

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PART – ONE

MACROECONOMIC AND FINANCIAL SITUATION

World Economic Situation and Outlook

- 1.1 It is estimated that the growth rate of the world economy in 2016 will be somewhat slower amidst factors like the decision by the UK through referendum to exit the European Union, weak aggregate demand in the advanced economies, and China's slower growth rate than in the previous year.

Output

- 1.2 According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2016, world growth in 2016 is projected at 3.1 percent compared to the growth of 3.2 percent in 2015. According to the IMF, the growth of advanced economies is projected at 1.6 percent in 2016 compared to the growth of 2.1 percent in 2015. The emerging market and developing economies are projected to grow at 4.2 percent in 2016 compared to their growth of 4.0 percent in 2015. India and China are respectively projected to record growth of 7.6 percent and 6.6 percent in 2016 in comparision to their growth of 7.6 percent and 6.9 percent in 2015.

Inflation

- 1.3 In 2016, projected inflation is 0.8 percent in advanced economies and 4.5 percent in emerging market and developing economies. In 2015, inflation recorded in advanced economies was 0.3 percent while the inflation in emerging market and developing economies was 4.7 percent.

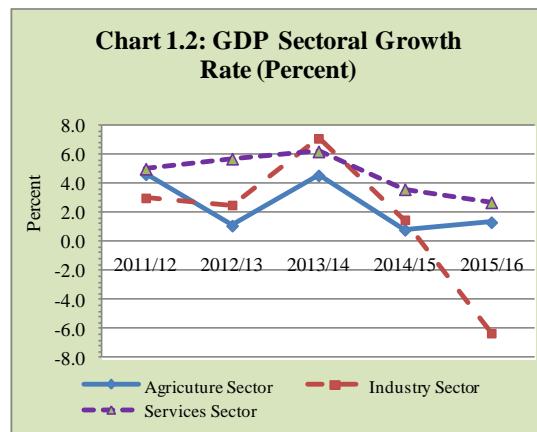
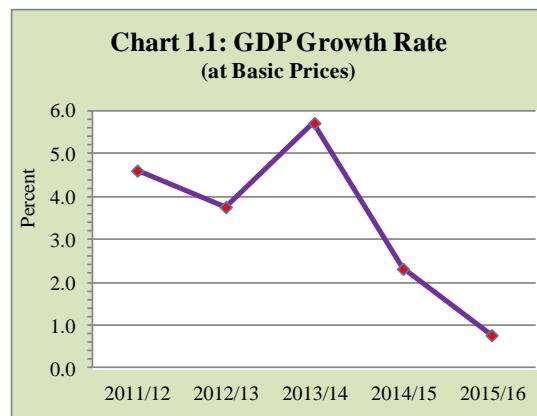
Trade

- 1.4 World trade in merchandise and services is projected to grow by 2.3 percent in 2016 in comparision to the growth of 2.6 percent in 2015. Exports and imports in advanced economies in 2016 are projected at 1.8 percent and 2.4 percent respectively in comparision to their growth of 3.6 percent and 4.2 percent respectively in 2015. Similarly, exports and imports of developing and emerging market economies are projected to increase by 2.9 percent and 2.3 percent respectively in 2016 in comparision to the growth of exports at 1.3 percent and decline in imports at 0.6 percent in 2015.

Macroeconomic and Financial Situation of Nepal

Gross Domestic Product

- 1.5 According to the Central Bureau of Statistics (CBS), Nepal's real gross domestic product (GDP) in FY2015/16 grew by 0.8 percent at basic prices and 0.6 percent at producers' prices. In FY2014/15, such growth was 2.3 percent at basic prices and 2.7 percent at producers' prices. In the review year, the growth subsided as insufficient rainfall resulted in contraction in output of major agricultural crops. Also, the disruption of border points together with closures and strikes for a considerable period of time impacted unfavorably the overall sectors of the economy in the review year.
- 1.6 In FY2015/16, agriculture and non-agriculture sectors grew by 1.3 percent and 0.6 percent respectively. In FY2014/15, agriculture and non-agriculture sectors had grown by 0.8 percent and 3.1 percent respectively. In the review year, under non-agriculture, industry shrank by 6.3 percent while the services sector grew by 2.7 percent. In the previous year, these sectors had increased by 1.5 percent and 3.6 percent respectively.



Sectoral Composition of GDP

- 1.7 In FY2015/16, as percent of GDP at constant prices, the agriculture, industry, and services sectors comprised 31.7 percent, 14.0 percent, and 54.3 percent respectively. Such share percentages in FY2014/15 were 31.8, 14.9, and 53.3 respectively. Thus, the decline in the share of agriculture and industry was made good by the increase in the share of services.
- 1.8 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 at constant prices were 32.3 percent, 13.4 percent, and 54.3 percent

respectively. Such shares in the previous year were 32.4 percent, 14.3 percent, and 53.3 percent respectively.

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

Sectors	As Percent of GDP ¹			Change in Percentage Points	
	2013/14	2014/15	2015/16	2014/15	2015/16
Primary ²	33.2	32.4	32.3	-2.6	-0.3
Secondary ³	14.3	14.3	13.4	-0.3	-5.8
Tertiary ⁴	52.5	53.3	54.3	1.7	1.8

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

- 1.9 Due to insufficient rainfall in FY2015/16, there was shortfall in the output of main crops like paddy, wheat, and millet while there was marginal increment in the output of maize. In the review year, the growth of overall agricultural output witnessed a modest rise of 1.3 percent on account of contraction in the output of main crops. Agricultural output had increased by 0.8 percent in the previous year.

Industry

- 1.10 Industrial sector contracted by 6.3 percent in the review year in contrast to the 1.5 percent rise in the previous year. This sector contracted on account of closures and strikes in the Terai region for a considerable period of time as well as shortage of inputs like raw materials, fuels, electricity, and labor due to disruption along border points adjoining India. Reduction in the output of industrial goods following the earthquake was also the cause for contraction of industrial output.
- 1.11 As a component of the industrial sector, manufacturing output decreased by 9.9 percent in the review year as compared to the growth of 0.4 percent in the previous year. Electricity, gas and water decreased by 1.7 percent in the review year as compared to its growth by 1.0 percent in the previous year. Likewise, construction sector declined by 4.0 percent in the review year as compared to its growth at 2.9 percent in the previous year.
- 1.12 During FY2015/16, the commitment amount of foreign direct investment (FDI) showed a massive decline of 77.5 percent. Likewise, there was 7.3 percent decline in the number of projects under FDI. During the year, the Department of Industry (DOI) approved a total of 341 foreign and joint-investment projects with foreign investment commitments

amounting to Rs. 15.14 billion. In the previous year, the DOI had approved 368 projects with foreign investment commitments amounting to Rs. 67.42 billion.

- 1.13 Among the 341 projects registered in the review year, the number of service-related projects was 143, that of tourism-related 122, production-related 50, agriculture and forestry-related 22, energy-related 3, and construction-related 1. In the review year as compared to the previous year, the commitment amount in respect of production-related projects increased despite the reduction in the number of such projects. Regarding the service-related projects, both the number of projects and commitment amount recorded increments. In respect of other sectors, there has been a reduction both in the number of projects and the commitment amount.
- 1.14 Among the 341 projects approved in FY2015/16, the highest number of projects approved was from China at 125 followed by 55 from South Korea, 40 from the USA, 23 from India, 18 from Japan, 11 from the UK, and 69 from other countries. The projects approved were estimated to generate direct employment for 11,426 people. In the review year, no commitment could be received in the mining-related industries.

Services

- 1.15 Services sector is estimated to have grown by 2.7 percent in the review year. In the previous year, the sector had expanded by 3.6 percent. The growth of overall services sector decelerated in the review year due to contraction faced by wholesale and retail trade along with hotels and restaurants as an impact of devastating earthquake that occurred on April 25, 2015 followed by long period of closures and strikes in the Terai region.
- 1.16 The wholesale and retail trade under the services sector contracted by 1.1 percent in the review year as compared to its growth at 2.1 percent in the previous year. The hotels and restaurants in the review year reduced by 4.8 percent compared to its growth at 3.3 percent in the previous year. Similarly, transport, storage, and communications recorded a growth of 2.6 percent in the review year as compared to its growth at 6.2 percent in the previous year. Financial intermediation and real estate, renting, and business activities increased by 3.3 percent and 3.7 percent respectively in the review year. In the previous year, these sectors had registered growth of 2.9 percent and 0.8 percent respectively.

Saving and Gross National Disposable Income

- 1.17 In FY2015/16, total consumption as percent of GDP remained at 94.7 percent, leaving 5.3 percent as gross domestic saving ratio. However, due to high remittance inflow, the gross national saving to GDP ratio remained at 42.9 percent.

- 1.18 In FY2015/16, gross national disposable income (GNDI) rose by 8.1 percent as compared to the rise of 18.1 percent in the previous year. This income had recorded a growth of 9.0 percent in the previous year. The ratio of GNDI to GDP was maintained at 137.7 percent in the review year as compared to its ratio at 135.1 percent in the previous year.

Table 1.2
Gross National Disposable Income
(at Current Prices)

Particulars	Rs. in Billion			Percent Change	
	2013/14	2014/15	2015/16	2014/15 ¹	2015/16 ²
Gross Domestic Product (at Producers' Prices)	1964.54	2120.47	2248.69	7.9	6.0
Factor Income, Net	32.75	34.24	43.96	4.6	28.4
Current Transfer, Net	631.50	709.96	803.57	12.4	13.2
Gross National Disposable Income	2628.79	2864.67	3096.23	9.0	8.1

1 Revised Estimates

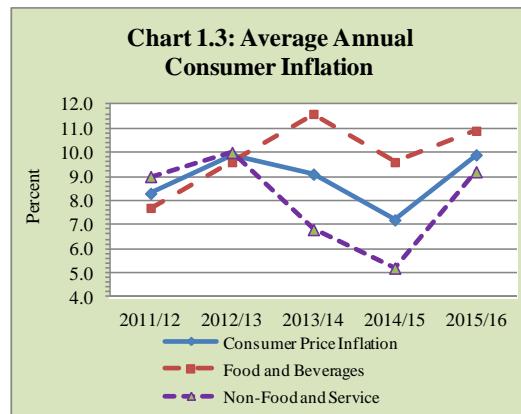
2 Preliminary Estimates

Source: Central Bureau of Statistics

Inflation and Salary and Wage Rate Index

Consumer Price Inflation

- 1.19 Average annual inflation in FY2015/16 was 9.9 percent as compared to the inflation of 7.2 percent in the previous year. Price pressure was observed in the review year attributed to adverse circumstances like Terai movement, disruption in border points and supply disorderliness.
- 1.20 There was pressure on overall consumer inflation during the review year on account of higher rate of price rise in pulses and legumes, ghee and oil, clothing and footwear, spices, and housing and utilities.
- 1.21 During the review year, the prices of food and beverages group increased by 10.9 percent while the prices of non-food and services group increased by 9.2 percent. In the previous year, the prices of food and non-food items had increased by 9.6 percent 5.2 percent respectively.
- 1.22 In the review year, average annual inflation of the food and beverages group reached double-digits as the average price of pulses and legumes sub-group recorded the highest rise (32.7 percent) followed by that of ghee and oil (19.5 percent) and spices (13.5



percent). In the previous year, the average annual rise of price index of pulses and legumes sub-groups had increased by 17.6 percent while ghee and oil sub-group and spices sub-group saw their average annual price indices rising by 0.2 percent and 10.0 percent respectively. In the review year, the average annual rise of price indices of alcoholic drinks sub-group and vegetables sub-group was 12.9 percent and 10.3 percent respectively. In the previous year, these sub-groups had witnessed average annual price rises at 20.1 percent and 6.0 percent respectively.

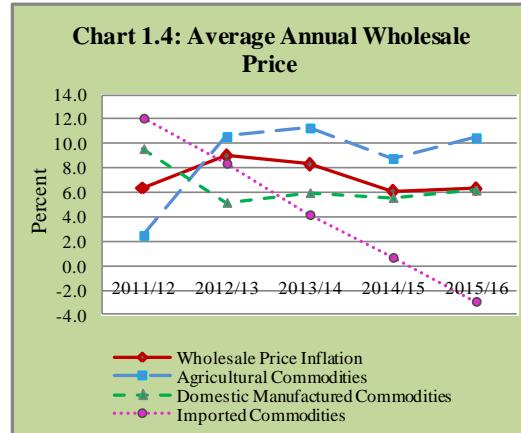
- 1.23 Among the products falling under the non-food and services group, the average annual price index of clothing and footwear sub-group registered the highest rise (14.2 percent) in the review year as compared to its rise at 9.9 percent in the previous year. Likewise, the average annual rise of price indices of housing and utilities sub-group and education sub-group in the review year was 12.7 percent and 10.1 percent respectively. In the previous year, the price indices of these sub-groups had increased by 1.6 percent and 5.6 percent respectively. Similarly, the average annual price indices of furnishing and household equipment sub-group and communication sub-group in the review year increased by 6.3 percent and 5.1 percent respectively as compared to the average increase of the indices of these sub-groups at 8.2 percent and 0.1 percent respectively in the previous year.
- 1.24 Region-wise analysis showed that the average annual consumer price index in the review year rose by 11.6 percent in the Kathmandu valley, 10.4 percent in the hills, 8.8 percent in the mountains, and 8.6 percent in the Terai. Such rise in the previous year was 7.2 percent in the Kathmandu valley, 7.3 percent in the hills and 7.1 percent in the Terai.

Spread of Consumer Inflation between Nepal and India

- 1.25 In FY 2015/16, as the average annual consumer inflation in Nepal was 9.9 percent as compared to 5.2 percent in India, there was spread of 4.7 percentage points between these two inflation rates. In the previous year, such inflation rate in Nepal was 7.2 percent as compared to 5.3 percent in India, with consumer inflation spread between these two countries averaging at 1.9 percent. The spread between inflation in Nepal and India rose as there was pressure on Nepalese prices on account of the disturbed supply situation due to the interval effect of the devastating earthquake that Nepal suffered on April 25, 2015 as well as the long period of closures and strikes that occurred in the Terai along with the disruption in the southern border points during the first six months of the review year.

Wholesale Price Inflation

1.26 The average annual wholesale price index increased by 6.3 percent during FY2015/16 as compared to the rise of 6.1 percent in the previous year. The average wholesale price index in the review year increased by 10.5 percent in agricultural commodities and 6.2 percent in domestic manufactured commodities whereas such price index of imported goods decreased by 2.9 percent. In the previous year, the respective indices had increased by 8.8 percent, 5.6 percent, and 0.7 percent.



National Salary and Wage Rate Index

1.27 The national average salary and wage rate index increased by 5.8 percent in FY2015/16 as compared to its rise at 8.4 percent in the previous year. In the review year, the salary index rose by 0.8 percent while the wage rate index witnessed a rise of 7.0 percent as compared to the rise of 8.4 percent in the case of salary index and wage rate index each in the previous year. In the review year, the average annual index of wage rate increased by 9.7 percent in the case of construction laborer, 8.3 percent in the case of agricultural laborer, and 3.6 percent in the case of industrial laborer.

Household Budget Survey Program

1.28 With respect to updating on a decadal basis the national consumer price indices being published by the NRB, the Fifth Household Budget Survey conducted for the purpose of determining the revised weights on the basis of collected details of the consumed goods and services by the Nepalese households has been completed and its Report published. In the Survey Report also uploaded in the NRB website are included the Main Findings of the Survey along with five chapters categorized as Survey Introduction, Survey Methodology, Characteristics of Households, Income of Households, and Expenditures of Households. NRB has prepared and, with effect from mid-July 2016, published new consumer price index based on new commodity basket and revised weights as determined by the Fifth Household Budget Survey.

External Sector

Overall External Sector Situation

1.29 Regarding foreign trade during FY2015/16, trade deficit rose as merchandise exports declined sharply while imports declined only marginally. Foreign trade in the review

year showed slowdown due to disruption along the border points. Current account balance and overall balance of payments (BOP) remained in substantial surplus in comparison to the previous year due to rise in foreign grants and remittances despite some increment in the trade deficit

Foreign Trade Situation

- 1.30 In the review year, merchandise exports contracted by 17.8 percent (Rs. 15.20 billion) to Rs. 70.12 billion. In the previous year, such exports had declined by 7.3 percent to Rs. 85.32 billion. In the review year, exports to India and China declined while there is increase in exports to other countries. Merchandise exports as percent of GDP declined in the review year to 3.1 percent from 4.0 percent in the previous year.
- 1.31 Out of the total merchandise exports, exports to India in the review year contracted by 29.3 percent (Rs. 16.37 billion) to Rs. 39.49 billion compared to the decline of 6.3 percent in the previous year. Exports to India declined due to contraction in the exports of items like zinc sheet, G.I. pipe, polyester yarn, clothing, etc.
- 1.32 Merchandise exports to China in the review year contracted by 24.6 percent (Rs. 548.0 million) to Rs. 1.68 billion compared to the decline of 21.5 percent in the previous year. In terms of US dollar, exports in the review year shrank by 30.2 percent to US\$ 15.7 million as against the fall of 22.4 percent in the previous year. Commodity-wise, exports to China declined due to contraction in the export of tanned skin, noodles, readymade garments, etc.
- 1.33 Merchandise exports to other countries in the review year increased by 6.3 percent (Rs. 1.72 billion) to Rs. 28.94 billion as compared to a contraction of 7.8 percent in the previous year. In terms of US dollars, exports in the review year further shrank by 0.7 percent to US\$ 272.2 million in comparision to the contraction by 9.0 percent in the previous year. Exports to other countries declined due to contraction in the exports of items like woolen carpets, readymade garments, Pashmina, etc.
- 1.34 In the review year, total merchandise imports decreased by 0.1 percent (Rs. 1.09 billion) to Rs. 773.60 billion. In the previous year, such imports had risen by 8.4 percent to Rs. 774.68 billion. Merchandise imports as percent of GDP marginally declined to 34.4 percent in the review year from 36.5 percent in the previous year. During the review year, imports of petroleum products declined by 38.7 percent (Rs. 43.37 billion) to Rs. 68.73 billion due to the disruption in the border points while imports other than POL increased by 6.4 percent.
- 1.35 Imports from India in the review year declined by 2.9 percent (Rs. 14.44 billion) to Rs. 477.21 billion as against the increase by 2.9 percent in the previous year. Imports from India shrank as import items like POL, chemical fertilizers, M. S. billet, paddy, rice, etc., showed declines.

- 1.36 In the review year, merchandise imports from China increased by 15.5 percent (Rs. 15.53 billion) to Rs. 115.69 billion. In the previous year, such imports had risen by 36.6 percent. In terms of US dollars, imports in the review year rose by 7.7 percent to US\$ 1.08 billion as against the spectacular rise of 34.9 percent in the previous year. Imports from China increased due to rise in items like chemical fertilizers, telecommunication equipment and parts, etc.
- 1.37 In the review year, merchandise imports from other countries decreased by 1.2 percent (Rs. 2.17 billion) to Rs. 180.69 billion. In the previous year, such imports had risen by 12.1 percent. In terms of US dollars, imports in the review year declined by 7.8 percent to US\$ 1.69 billion in comparision to the growth of 10.5 percent in the previous year. Imports from other countries contracted in the review year due to reduction in the imports of silver, aircraft spare parts, bettlenuts, raw palm oil, etc.
- 1.38 Total merchandise trade deficit in the review year widened by 2.0 percent (Rs. 14.12 billion) to Rs. 703.48 billion. Such trade deficit in the previous year had increased by 10.8 percent. Trade deficit as percent of GDP declined to 31.3 percent in the review year from 32.5 percent in the previous year. Of the total trade deficit, trade deficit with India increased by 0.4 percent (Rs. 1.93 billion) to Rs. 437.72 billion. Likewise, trade deficit with China rose by 16.4 percent (Rs. 16.08 billion) to Rs. 114.01 billion. Trade deficit with other countries decreased by 2.5 percent (Rs. 3.89 billion) to Rs. 151.75 billion.
- 1.39 Total merchandise trade in the review year decreased by 1.9 percent (Rs. 16.29 billion) to Rs. 843.72 billion. Such trade in the previous year had increased by 6.7 percent. Total trade as percent of GDP declined to 37.5 percent in the review year from 40.6 percent in the previous year. Of the total trade, trade with India decreased by 5.6 percent (Rs. 30.81 billion) to Rs. 516.71 billion. Total trade with India in the previous year had increased by 1.9 percent. Likewise, total trade with China rose by 14.6 percent (Rs. 14.98 billion) to Rs. 117.38 billion. Total trade with China in the previous year had spectacularly risen by 34.5 percent. Likewise, total trade with other countries marginally declined by 0.2 percent (Rs. 452.0 million) to Rs. 209.63 billion. In the previous year, total trade with other countries had increased by 9.1 percent.
- 1.40 Exports to imports ratio during the review year fell to 9.1 percent from previous year's 11.0 percent. In the review year, India's share in total exports fell to 56.3 percent from 65.5 percent in the previous year, that of total imports declined to 61.7 percent from 63.5 percent in the previous year, that of total merchandise trade deficit reduced to 62.2 percent from 63.2 percent in the previous year, and that of total trade fell to 61.2 percent from 63.7 percent in the previous year.

Services Account

- 1.41 As services credit decreased while services debit increased during the review year, net services account (surplus) shrank by 64.3 percent (Rs. 17.77 billion) to Rs. 9.85 billion. In the previous year, the surplus in the services account had amounted to Rs. 27.62 billion.
- 1.42 Services credit in the review year declined by 7.2 percent (Rs. 10.82 billion) to Rs. 138.47 billion. Services credit in the previous year had increased by 19.4 percent. Under this account, travel credit decreased by 21.8 percent (Rs. 11.66 billion) to Rs. 41.76 billion, government services credit expanded by 18.0 percent (Rs. 5.85 billion) to Rs. 38.33 billion, and other services credit declined by 7.9 percent (Rs. 5.0 billion) to Rs. 58.37 billion.
- 1.43 Services debit in the review year increased by 5.7 percent (Rs. 6.95 billion) to Rs. 128.62 billion. Services debit in the previous year had risen by 16.8 percent. Under this account, travel debit increased by 6.1 percent (Rs. 3.23 billion) to Rs. 56.42 billion, transportation debit increased by 0.1 percent (Rs. 30.0 million) to Rs. 44.03 billion, government services debit expanded by 6.4 percent (Rs. 130.0 million) to Rs. 2.10 billion, and other services debit widened by 15.8 percent (Rs. 3.56 billion) to Rs. 26.07 billion in the review year.

Transfer

- 1.44 Transfer credit (net) in the review year increased by 9.6 percent (Rs. 68.23 billion) to Rs. 778.19 billion (Table 15). Transfer credit (net) in the previous year had widened by 12.4 percent. Under the transfer account, foreign grants increased by 33.2 percent to Rs. 70.41 billion in the review year. Such grants received in the previous year had amounted to Rs. 52.86 billion.
- 1.45 Under transfer account, remittance inflow increased by 7.7 percent (Rs. 47.79 billion) to Rs. 665.06 billion in the review year. The remittance in the previous year had gone up by 13.6 percent. In terms of US dollars, remittance inflow increased by 1.0 percent and amounted to US\$ 6.25 billion in the review year. Such remittance in the previous year had recorded an increase of 11.9 percent.
- 1.46 In the review year, pension received showed an increment of 9.7 percent (Rs. 4.13 billion) to Rs. 46.51 billion. The pension in the previous year had amounted to Rs. 42.39 billion.

Current Account and Overall Balance of Payments

- 1.47 In the review year, there was current account surplus which amounted to Rs. 140.42 billion. Such surplus in the previous year had amounted to Rs. 108.32 billion. Current

account surplus as percent of GDP increased to 6.2 percent in the review year from 5.1 percent in the previous year. Current account surplus widened on account of increase in inflows of remittances and foreign grants.

- 1.48 In the review year, BOP surplus amounted to Rs. 188.95, the largest BOP surplus recorded so far. In the previous year, the BOP surplus had amounted to Rs. 145.40 billion. BOP surplus as percent of GDP in the review year increased to 8.4 percent from 6.8 percent in the previous year. BOP recorded at the highest surplus because of current account remaining at a high surplus as well as capital and financial account recording favourable balance.
- 1.49 In the review year, transfer under the capital account decreased by 14.7 percent (Rs. 2.18 billion) to a surplus of Rs. 16.99 billion. Foreign direct investment (FDI) under financial account rose by 35.1 percent (Rs. 1.54 billion) to Rs. 5.92 billion in the review year. FDI had increased by 37.2 percent in the previous year.
- 1.50 In the review year, foreign loan inflows expanded by 24.1 percent (Rs. 6.99 billion) to Rs. 35.95 billion. In the previous year, such loan inflows had risen massively by 37.0 percent. Principal repayment in the review year increased by 4.4 percent (Rs. 750.0 million) to Rs. 17.80 billion. In the previous year, principal repayment had increased by 1.9 percent.

Foreign Exchange Reserve

- 1.51 During the review year, total foreign exchange reserve rose by 26.1 percent to Rs. 1039.21 billion in mid-July 2016. Such reserve had expanded by 23.8 percent to Rs. 824.06 billion in mid-July 2015. In terms of US dollars, total reserve of the banking system in the review year widened by 19.5 percent to US\$ 9.74 billion. Such reserve in the previous year had augmented by 17.4 percent. Foreign exchange reserve with NRB amounted to Rs. 887.01 billion as at mid-July 2016 from Rs. 703.06 billion as at mid-July 2015, reflecting increase at 26.2 percent during the review year. Of the total foreign exchange reserve in the banking system in mid-July 2016, the share of NRB represented 85.4 percent. Likewise, the Indian currency reserve as percent of total reserve comprised 21.4 percent.

Reserve Adequacy Indicator

1.52 Reserve adequacy indicators showed favorable position during the review year. Based on total imports for FY2015/16, the foreign exchange reserve as at mid-July 2016 was sufficient to finance merchandise imports for 16.5 months and merchandise and service imports for 14.1 months.

	2013/14	2014/15	2015/16
1. Foreign Exchange Reserve Sufficient for Financing Imports of Equivalent Months			
a. Merchandise	11.5	13.0	16.5
b. Merchandise and Services	10.0	11.2	14.1
2. Gross Foreign Exchange Reserve/GDP (%)	33.9	38.9	46.2
3. Gross Foreign Exchange Reserve/Imports* (%)	83.1	93.3	117.2
4. Gross Foreign Exchange Reserve/Broad Money Supply (%)	42.5	43.9	46.2
5. Gross Foreign Exchange Reserve/Reserve Money	152.4	157.6	190.0

* Merchandise and Service Imports

1.53 In the review year, the ratios of foreign exchange reserve to GDP, total imports, broad money, and reserve money were 46.2 percent, 117.2 percent, 46.2 percent, and 190.0 percent respectively. Such ratios in the previous year were 38.9 percent, 93.3 percent, 43.9 percent, and 157.6 percent respectively.

International Investment Position

1.54 As at mid-July 2016, Nepal's foreign assets and liabilities amounted to Rs. 1054.01 billion and Rs. 564.55 billion respectively. As a result, the net International Investment Position (IIP) remained positive at Rs. 489.46 billion in mid-July 2016 as compared to the net IIP at Rs. 316.78 billion in mid-July 2015.

S.N.	Items	As in Mid-July (Rs. in Million)		
		2014	2015	2016
A	Assets	681,315.1	837,789.0	1,054,012.0
1	Direct Investment	0.0	0.0	0.0
2	Portfolio Investment	0.0	0.0	0.0
3	Other Investments	87,562.1	111,105.0	136,381.2
	Other equity	2,502.8	5,476.1	6,883.7
	Currency and deposits	29,912.6	44,169.5	41,796.9
	Loans	1,228.9	64.1	47.6
	Trade credit & advances	1,620.0	2,234.3	338.9
	Other account receivable	52,297.8	59,161.0	87,304.1
4	Official Reserve Assets	593,752.9	726,684.0	917,630.9
B	Liabilities	495,392.1	521,010.1	564,549.7
1	Direct Investment	75,373.0	96,824.0	106,964.9
2	Portfolio Investment	0	0	0
3	Other Investments	420,019.1	424,186.1	457,584.8
	Other equity	0	0	0
	Currency and deposits	29,370.5	39,870.3	40,664.7
	Borrowings	356,787.1	351,697.1	389,976.9
	Trade credit & advances	23,686.1	22,912.3	16,397.4
	Other account payable	41.7	38.2	362.5
	Special drawing rights	10,133.8	9,668.1	10,183.3
	Net IIP	185,923.0	316,778.9	489,462.4

Exchange Rate Movement

- 1.55 The exchange rate of the Nepalese rupee vis-à-vis the Indian rupee has been kept fixed in FY2015/16 also. During the review year, Nepalese rupee depreciated against US dollar, euro and Japanese yen and appreciated against pound sterling. The Nepalese rupee depreciated against US dollar by 5.2 percent, against euro by 6.0 percent, and against Japanese yen by 19.1 percent whereas it appreciated against pound sterling by 11.8 percent.

**Table 1.5
Exchange Rate Movement**

Foreign Currency	Buying Rate (in Rs.)			Appreciation (+)/Depreciation (-)	
	Mid-July		Percent		
	2014	2015	2016	2015	2016
1 US dollar	95.90	101.14	106.73	-5.2	-5.2
1 Pound sterling	164.61	158.01	141.28	4.2	11.8
1 Euro	130.50	111.48	118.60	17.1	-6.0
10 Japanese yen	9.44	8.18	10.11	15.4	-19.1

Export and Import Price Index

- 1.56 The average annual unit value price index of exports based on customs data increased by 14.5 percent in the review year. In contrast, the average annual unit value price index of customs-based imports data declined by 6.4 percent. As a result, the ratio of export/import price index (terms of trade) in the review year improved by 22.2 percent. The unit value price index in the previous year had increased by 12.8 percent. Increase in prices of export items like cardamom, betelnuts, tea, and yarshagumba pushed the unit value price index in the review year. The decline in the POL prices and wheels of vehicles reduced the import price index in the review year.

Chart 1.5: Export and Import Unit Value Price Index



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

Government Finance

- 1.57 In the review year, total government expenditure incurred on cash basis as percent of budget estimate comprised 69.5 percent only. Expenditure-wise, the recurrent, capital, and financing expenditure as ratios of the total expenditure was computed as 62.6 percent, 19.6 percent, and 17.8 percent respectively. These expenditures as respective ratios of GDP represented 15.9 percent, 5.0 percent, and 4.5 percent in the review year,

higher than the previous year's similar ratios at 15.8 percent, 3.8 percent, and 4.4 percent respectively.

Government Revenue

1.58 In FY2015/16, the government revenue increased by 18.9 percent to Rs. 482.75 billion, which represented 101.6 percent of the annual target of Rs. 475.01 billion. The revenue had risen by 13.8 percent to Rs. 405.85 billion in FY2014/15. Revenue as ratio of the GDP stood at 21.5 percent in the review year. Such ratio in FY2014/15 had been 19.1 percent.

Particulars	Table 1.6 Major Government Finance Indicators (Percent of GDP)		
	2013/14	2014/15	2015/16
Total Expenditure	21.3	24.0	25.3
Recurrent Expenditure	15.1	15.8	15.9
Capital Expenditure	3.1	3.8	5.0
Revenue	18.2	19.1	21.5
Tax Revenue	15.3	16.1	16.8
Fiscal Deficit	-0.7	-2.2	-1.7

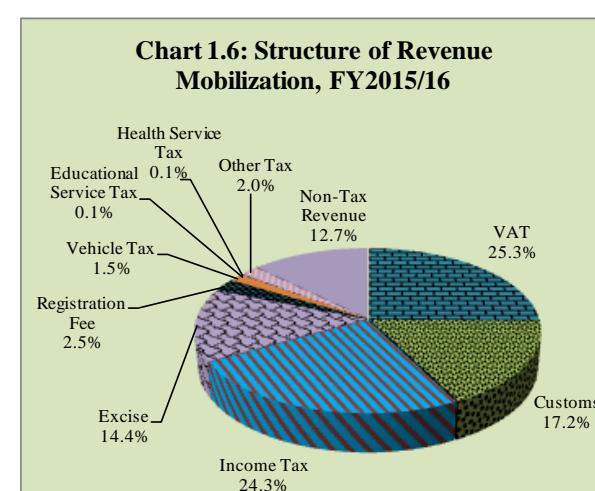
1.59 Among the headings of revenue, value added tax (VAT) grew by 8.6 percent to Rs. 122.07 billion in the review year. The VAT had increased by 11.3 percent to Rs 112.38 billion in the previous year.

1.60 Income tax increased by 32.4 percent to Rs. 117.13 billion in the review year compared to an increase of 30.3 percent to Rs. 88.46 billion in the previous year.

1.61 In the review year, customs revenue improved by 10.9 percent to Rs. 82.81 billion compared to an increase of 4.2 percent to Rs. 74.67 billion in the previous year.

1.62 During the review year, excise duty increased by 29.8 percent to Rs. 69.45 billion compared to the increase of 17.9 percent to Rs. 53.53 billion in the previous year.

1.63 Of the total revenue mobilized in the review year, the share of the VAT was the highest at 25.3 percent followed by income tax (24.3 percent), customs duty (17.2 percent), and excise duty (14.4 percent). These ratios in the previous year had been VAT (27.7 percent), income tax (21.8 percent), customs duty (18.4 percent), and excise duty (13.2 percent).



1.64 In the review year, mobilization of non-tax revenue increased by 22.9 percent to Rs. 61.31 billion compared to an increase of 10.8 percent to Rs. 49.90 billion in the previous year.

1.65 Of the total revenue, the share of tax and non-tax revenue stood at 87.3 percent and 12.7 percent respectively in the review year. Likewise, the share of direct and indirect tax revenue in the total tax revenue comprised 34.9 percent and 65.1 percent respectively. In the previous year, the share of tax and non-tax revenue in the total revenue had remained 87.7 percent and 12.3 percent respectively. In the previous year, the share of direct and indirect tax revenue in the total tax revenue comprised 32.4 percent and 67.6 percent respectively.

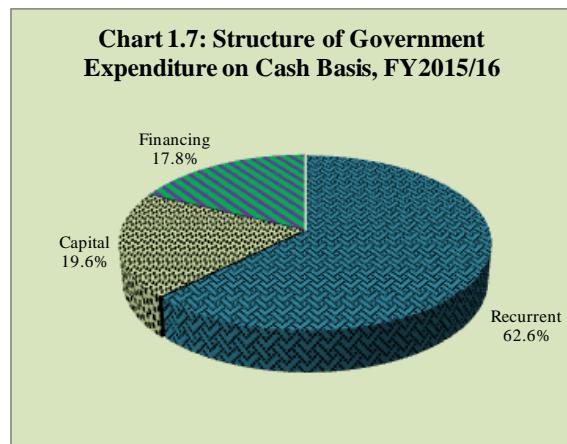
Government Expenditure

1.66 In the review year, total government expenditure on cash basis rose by 11.9 percent to Rs. 569.57 billion. This constituted 57.2 percent of annual budget estimate amounting to Rs. 819.47 billion. In the previous year, total expenditure on cash basis had increased by 22.0 percent to Rs. 509.21 billion.

1.67 In the review year, recurrent expenditure on cash basis increased by 6.5 percent to Rs. 356.50 billion. This constituted 73.6 percent of recurrent budget estimate amounting to Rs. 484.27 billion. Recurrent expenditure in the previous year had risen by 12.9 percent.

1.68 In the review year, capital expenditure on cash flow basis expanded by 37.9 percent to Rs. 111.70 billion, representing 53.5 percent of capital budget estimate amounting to Rs. 208.88. Capital expenditure had risen by 32.1 percent in the previous year.

1.69 Cash flow-based financing item in the review year increased by 8.6 percent to Rs. 101.37 billion. The financing item had spurted by 57.0 percent in the previous year.



Budget Deficit

1.70 In the review year, government budget on cash flow basis remained at a deficit of Rs. 37.49 billion. Such budget deficit in the previous year had amounted to Rs. 48.88 billion.

Sources of Financing Budget Deficit

1.71 During the review year, mobilization of total domestic borrowing amounted to Rs. 87.77 billion which as a ratio of the GDP remained at 3.9 percent. Such borrowing in the previous year had amounted to Rs. 42.42 billion.

1.72 During the review year, the principal repayment on domestic debt amounted to Rs. 85.40 billion. GON maintained with NRB a cash surplus of Rs. 127.38 billion at the end of the review year. Such surplus at the end of previous fiscal year had amounted to Rs. 33.81 billion.

Government Debt

1.73 As in mid-July 2016, the total outstanding foreign debt of the GON stood at Rs. 381.74 billion. Likewise, the outstanding domestic debt of the GON in mid-July 2016 amounted to Rs. 234.16 billion. The outstanding domestic debt in mid-July 2015 had amounted to Rs. 196.79 billion. Total combined outstanding debt of the GON at the end of the review year amounted to 615.90 billion, recording 27.4 percent of GDP.

Table 1.7 Government Debt Situation (Ratio in Percent)				
	Government Debt Indicators	2013/14	2014/15	2015/16
1.	Total Debt/Gross Domestic Product	27.9	25.5	27.4
2.	External Debt/Gross Domestic Product	17.7	16.2	17.0
3.	Domestic Debt/Gross Domestic Product	10.3	9.3	10.4
4.	External Debt/Exports	153.4	138.5	178.9
5.	External Debt Service/Exports	8.9	8.1	12.2
6.	Total Debt Service/Revenue	15.1	18.2	17.6
7.	Domestic Debt Service/Revenue	9.5	13.2	11.9
8.	External Debt Service/Revenue	5.6	4.9	5.7

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

Source: FCGO and NRB

Policy Provisions Concerning Revenue

1.74 The GON's budget for FY 2015/16 adopted following revenue mobilization policies by keeping tax rates unchanged, by actively involving private sector in a self-motivated way, and by fully implementing the tax laws:

- Enhancing economic activities by making investment environment favourable
- Regenerating economy and businesses suffered from the earthquake
- Promoting voluntary tax participation
- Promiting exports and substituting imports
- Stopping unauthorized trade and foreign exchange embezzlement
- Eradicating money laundering

1.75 For bringing into implementation the announcements in revenue policy, following strategies and programs were declared:

Reform in Tax System and Expansion of Tax Base

- Designing tax code by unifying the provisions contained in various Acts and rules with respect to revenue
- Implementing, on a priority basis, the tax reform measures as recommended by high-level Commission for Tax System Review
- Increasing the threshold amount for registering VAT from two million rupees to five million rupees. In addition, imposing transaction-based tax for tax payers remaining below the limit of transactions

- With effect from FY2015/16, requirement of compulsory submission of income statement by natural persons earning income above four million rupees
- Conducting study relating to formation of dispute resolution mechanism of permanent nature for managing unpaid tax by speedy resolution of disputes related to taxation
- Simplifying procedures, promoting tax participation, and reducing tax collection cost through the mechanism of unified electronic tax system
Economic offences and revenue leakages to be controlled by preparing sectoral indicators of revenue risks
- Implementing system of voluntary issuance in cigarette production
- There has been a modest rise in the excise duty imposed on some excisable goods including cigarette, beer, and liquor.
- Necessary arrangement made for declaration of goods, their valuation, etc., through electronic means for the purpose of customs checks.
- Timely reform in the customs law has been made for making effective the customs control system by incorporating trade facilitation, harmonization and coordination, etc.
- A separate manual has been prepared and brought into implementation for simplification of customs checking procedures in the event of disaster management.
- Timely revision to be made in law in relation to revenue leakages
- Effective implementation of domestic laws relating to anti-money laundering along with gradual implementation of commitments made in regional and international fora

Tax Exemptions, Concession, and Private Sector Promotion

- Provision for not levying dividend tax on capitalization of profit out of the retained profit has been made for expansion of industrial capacity by utilizing in the case special industries and industries relating to tourism
- Provision has been made to exempt additional 30 percent income tax for special industries and tourism industries that provide employment for more than 100 Nepalese citizens
- Provision has been made for refund of VAT on purchases for exports to export house and special economic zone (SEZ)
- Provision has been made to waive excise duty and road maintenance and improvement fee by levying customs duty at five percent of imports of vehicles with seat capacity of 40 and more being imported by cooperatives and companies registered with the purpose of conducting public transport.
- Provision has been made to exempt 50 percent of the registration fee on the registration of land in the name of production-oriented industries other than the tobacco and alcohol for their establishment and operation
- Provision has been made for providing 50 percent customs exemption on imports of transport vehicles installed with oxygen plants for transporting fish and fish fries by fishery farmers who have constructed ponds in plots exceeding one hectare

- Provision has been made to levy import duty at one percent only for improved varieties of fruit plants as well as animals imported for breed improvement. Provision has been made for exemption of customs duty on import of tray used for paddy germination and plantation. Similarly, provision has been made to exempt VAT for agro, horticulture and floriculture farms on the imports of irrigation equipment.
- VAT exempted on premium paid for insurance of crops and cattle
- The existing provision of taxing the life insurance payments and the compensation received by family of deceased person has been discontinued.
- In order to increase the effectiveness of mass media, offset printers have been provided additional concession.
- Arrangement made to exempt the social security tax on payments of pension from the government treasury
- Arrangement made for deducting for tax purpose the amount contributed to the National Reconstruction Fund and the Prime Minister's Disaster Relief Fund established by the GON.

Reforms in Revenue Administration

- Law will be drafted to establish Central Revenue Board and its organizational study will be carried out.
- In order to prepare the skilled manpower for revenue administration and financial management, Revenue Administration Training Centre will be restructured. The capacity of this Centre will be enhanced to address overall aspects of revenue and financial management.
- Tax payers will be classified on the basis of turnover and Inland Revenue Offices and Tax Payers Service Centres will be upgraded and expanded on the basis of expansion in economic activities.
- In order to develop customs administration as a modern, technologically sound, and comparable to international standard, Customs Department and all Customs Offices will be upgraded.
- The structure of Revenue Investigation Department will be reformed for its smooth functioning and making it more effective for investigation of revenue leakage and evasion.
- In the coming fiscal year, Revenue Management Information System, currently being implemented in the Kathmandu valley, will be extended to other districts outside the valley including the Nepalese missions abroad.

Tax Rates

1.76 For FY2015/16, there has been no change in the six import tariff rates applicable for FY2014/15, namely, 5, 10, 15, 20, 30, and 80 percent. Likewise, for FY2015/16, there has been no change in the nine excise rates applicable for FY2014/15, namely, 5, 10, 15, 30, 35, 40, 50, 55 and 60 percent.

Table 1.8**Tax Rates**

Description	FY2014/15	FY2015/16
1. Import Duties (Percent)	5, 10, 15, 20, 30, 80	1, 5, 10, 15, 20, 30, 80
2. Export Duties (Percent)	10, 200	10, 200
3. Excise (Percent)	5, 10, 15, 30, 35, 40, 50, 55, 60	5, 10, 15, 30, 35, 40, 50, 55, 60
4. VAT (Percent)	13 Percent	13 Percent
5. <u>Income Tax</u>		
(a) Exemption Threshold		
(i) Individual	Rs. 250,000	Rs. 250,000
(ii) Couple or Family	Rs. 300,000	Rs. 300,000
(b) Tax Rates (Percent)		
(i) Upto exemption threshold of taxable income from employment	1 Percent	1 Percent
(ii) First Rs. 100,000 after Exemption Limit	15 Percent	15 Percent
(iii) On residual amount	25 Percent	25 Percent
(iv) On additional 25 percent tax amount after Rs. 25 lakh	40 Percent	40 Percent
<u>Corporate Tax</u>		
(a) Flat Rate on Corporate Net Income		
(i) Banks and Financial Institutions	30 Percent	30 Percent
(ii) Others	25 Percent	25 Percent
(b) Partnership Firm	25 Percent	25 Percent
House Rent Tax	10 Percent	10 Percent
Meeting Allowance	15 Percent	15 Percent
Commission	15 Percent	15 Percent
Lottery, Gift, Prize	25 Percent	25 Percent
Interest Tax	5 Percent	5 Percent
Provident Fund and Pension	5 Percent	5 Percent
Government Securities	5 Percent	5 Percent
Dividend Tax	5 Percent	5 Percent

Situation of Public Enterprises

1.77 While making overall financial analysis of 37 public enterprises (PEs) that have been in operation under full or majority\ ownership of the GON, 20 PEs earned net profit while 14 PEs incurred net loss during FY2014/15.

1.78 PEs recorded net profit of Rs. 33.92 billion in FY2014/15 compared to the net profit amounting to Rs. 5.05 billion in FY2013/14. Net profit of PEs rose on account of net profit earned by enterprises like Nepal

Table 1.9
Financial Condition of Public Enterprises

	Rs. in Billion			Growth Rate (%)	
	2014	2015	2016	2015	2016
Government Investment	214.17	227.50	256.12	6.22	12.58
Share Investment	107.66	115.81	126.16	7.57	8.93
Loan Investment	106.50	111.68	129.96	4.86	16.37
Shareholders' Fund	97.84	105.99	173.38	8.33	63.58
Unfunded Liabilities	26.97	27.02	25.81	0.18	-4.49
Operating Income	223.26	257.82	270.48	15.48	4.91
Net Profit/Loss	11.40	5.05	33.92	-55.70	571.70
Retained Profit/Loss	-20.62	-26.92	13.22	-30.57	149.10

Source: Annual Performance Review of Public Enterprises, 2016, 2015, and 2014, Ministry of Finance, Government of Nepal.

Oil Corporation (Rs. 15.04 billion), Nepal Telecommunications Company Ltd. (Rs. 14.56 billion), Rastriya Banijya Bank (Rs. 4.64 billion), Agriculture Development Bank (Rs. 4.32 billion), etc.

- 1.79 GON's total shareholders' fund as well as GON's total investment in share and debt in PEs increased in FY2014/15. Total investment of GON in PEs increased by 12.6 percent over the previous year.
- 1.80 In FY2014/15, dividend received by the GON from PEs totaled Rs. 6.46 billion which was 5.12 percent of total share investment of the GON. Such dividend in the previous year had amounted to Rs. 6.61 billion. In the review year, GON received dividend from Nepal Telecommunications Company Ltd., National Housing Company Ltd., Industrial District Management Ltd., and so forth.
- 1.81 Net accumulated profit of PEs as in mid-July 2015 amounted to Rs. 13.22 billion. Last year, the PEs had accumulated loss of Rs. 26.92 billion.
- 1.82 Financial condition, capacity utilization, and staff productivity in majority of profit earning PEs has also not remained satisfactory. Some PEs are incurring loss while some others have also encountered negative net worth. The current challenges facing the PEs have been (a) marginal return on government's investment in PEs, (b) lack of updated audit, (c) excessive number of human resource, (d) creation by PEs large unfunded liability in respect of gratuity, pension, employees provident fund, etc., (e) increasing reliance of loss-making PEs on government, and (f) lack of clear policy and mechanism for monetizing and inspection of PEs. etc.
- 1.83 In each of the PEs, the share of unfunded liability has been substantially high on retirement of employees on account of facility provided under various headings like gratuity, pension, medical care, insurance, cash in lieu of leave, etc. Such unfunded liability amounted to Rs. 25.81 billion as in FY2014/15.

Monetary and Financial Situation

Monetary Situation

- 1.84 Broad money supply increased by 19.5 percent in the review year compared to an increase of 19.9 percent in the previous year. In the review year, net foreign assets (NFA) with adjustment of gain/loss in the foreign exchange valuation increased by Rs 188.95 billion (25.3 percent) compared to an increase of Rs. 145.04 billion (24.2 percent) in the previous year. NFA significantly increased in the review year on account of contraction of imports along with expansion in remittance inflows.
- 1.85 In the review year, domestic credit expanded by 17.4 percent in the review year compared to a growth of 16.2 percent in the previous year. Increase in claims on the

private sector resulted in a slightly higher growth of domestic credit compared to the previous year.

- 1.86 In the review year, net claims on GON shrank by 40.7 percent (Rs. 51.81 billion) while such claims in the previous year had declined by 10.4 percent. Especially, net claims on GON witnessed greater reduction in the review year because of substantially higher surplus in the government treasury on account of slower pace of government expenditure compared with the pace of resource mobilization by the GON. The GON's cash surplus with NRB as at the end of the review year amounted to Rs. 127.38 billion.
- 1.87 In the review year, monetary sector's claim on private sector expanded by 23.2 percent (Rs. 318.32 billion) compared to the growth of 19.4 percent in the previous year. In the review year, comfortable liquidity position and, especially, greater improvement in the economic activities since the second half of the year resulted in expansion in the claims of the monetary sector on the private sector.
- 1.88 In the review year, reserve money decelerated by 4.6 percent compared to the growth of 19.8 percent in the previous year. Deceleration of the reserve money in the review year was attributed to a slower rate of deposits of commercial banks in the NRB because of issuance of NRB bonds.

Inter-Bank Transactions and Use of Standing Liquidity Facility

- 1.89 In FY2015/16, inter-bank transactions of commercial banks amounted to Rs. 961.72 billion and those of other financial institutions (excluding transactions among commercial banks) stood at Rs. 129.06 billion. These respective transactions in the previous year had aggregated Rs. 374.70 billion and Rs. 226.91 billion respectively. In the review year, the BFIs obtained standing liquidity facility (SLF) amounting to Rs. 14.03 billion compared with the SLF amount of Rs. 10.31 billion in the previous year.

Table 1.10
Inter-Bank Transactions and Use of Standing Liquidity Facility

Particulars	2013/14	2014/15	2015/16
Inter-bank Transactions of Commercial Banks (Rs. in billion)	200.76	374.70	961.72
Inter-bank Transaction Rate of Commercial Banks (In Percent) ¹	0.16	1.01	0.69
Inter-bank Transaction of Other Financial Institutions except among Commercial Banks (Rs. in billion)	171.06	226.91	129.06
Inter-bank Transaction Rate of Other Financial Institutions (In Percent) ¹	2.40	3.89	3.25
Use of Standing Liquidity Facility (Rs. in billion)	0.00	10.31	14.03

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

Liquidity Management

- 1.90 Liquidity management of the banking system has been conducted by the use of required instruments (repo, reverse repo, outright sale, outright purchase, deposit auction, and NRB bond) in accordance with the decision of the open market operation committee as per the NRB Open Market Operation Bylaw, 2014.
- 1.91 Only the liquidity absorbing instruments (reverse repo, outright sale, deposit auction, and NRB bond) were deployed in the review year because of excess liquidity in the banking system.
- 1.92 During FY2015/16, liquidity amounting to Rs. 591.63 billion (on turnover basis) was absorbed through reverse repo, outright sale, and deposit auctions. Instrument-wise, the frequencies of outright sale auction, reverse repo auction, and deposit auction were 5, 48, and 35 respectively. The amounts of these auctions totalled Rs. 9.10 billion, Rs. 235.95 billion, and Rs. 297.50 billion respectively. During the review year, NRB bond with maturity period of one year was issued on auction basis for a total of six times amounting to Rs. 49.08 billion. While absorbing liquidity through this instrument, the NRB incurred an interest burden amounting to Rs.718.30 million.
- 1.93 With the purpose of managing short-period liquidity, the NRB has been providing the BFIs at their request standing liquidity facility (SLF) against the collateral of treasury bills and development bonds for a maximum of five working days.
- 1.94 In FY2015/16, NRB provided various banks with SLF totalling Rs. 14.03 billion (on the basis of turnover) for a total of 13 frequencies at 7.0 percent rate of interest (bank rate). NRB obtained interest income amounting to Rs. 5.2 million for providing such facility.

Short-Term Interest Rates

- 1.95 Both the weighted average of 91-day Treasury Bill rate and inter-bank transaction rate decreased during the last month of 2015/16 compared to the same month in 2014/15. The weighted average 91-day Treasury Bill rate decreased to 0.0456 percent in the review month from 0.1739 percent a year ago. The weighted average inter-bank transaction rate among commercial banks declined to 0.69 percent in the review month compared to such a rate of 1.01 percent a year ago. Likewise, the weighted average inter-bank rate among other financial institutions increased to 3.25 percent from 3.89 percent a year ago.
- 1.96 Weighted interest rate spread between credit and deposits in commercial banks averaged at 4.85 percent in the last month of 2015/16 from its rate at 4.61 percent in the same month of 2014/15. Similarly, the average base rate came down to 6.54 percent in the last month of 2015/16 from its rate at 7.88 percent in the same month of 2014/15.

Table 1.11
Interest Rate Spread and Base Rate of Commercial Banks

Particulars	(In Percent)		
	2013/14	2014/15	2015/16
Weighted Average Interest Rate Spread ¹	5.21	4.61	4.85
Average Base Rate	8.36	7.88	6.54

¹ Computed by applying the modified method since mid-July 2014

Foreign Exchange Transaction

- 1.97 In FY2015/16, NRB injected net liquidity amounting to Rs. 471.35 billion through the net purchase of US\$ 4.45 billion from foreign exchange market (commercial banks). In the previous year, net liquidity amounting to Rs. 396.72 billion was injected through the net purchase of US\$ 4.03 billion. In the review year, the NRB purchased Indian currency (IC) equivalent to Rs. 385.47 billion by selling US\$ 3.40 billion and euro 210.0 million. In the previous year, IC equivalent to Rs. 348.09 billion was purchased by selling US\$ 3.50 billion.

Table 1.12
Overall Situation of Foreign Exchange Transactions

Particulars	(Rs. in billion)		
	2013/14	2014/15	2015/16
1. US\$ Purchase	345.83	397.86	471.35
2. US\$ Sale	2.36	1.14	-
3. Net Liquidity Injection	343.46	396.72	471.35
4. Purchase of Indian Currency by Selling US\$	307.98	348.09	360.39
5. Purchase of Indian Currency by Selling Euro	-	-	25.08

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

Commercial Banks

- 1.98 Total assets/liabilities of commercial banks increased by 22.1 percent (Rs. 387.49 billion) in 2015/16 compared to the growth of 19.5 percent (Rs. 286.57 billion) in the previous year.
- 1.99 In the review year, total deposits mobilized by commercial banks increased by 20.7 percent (Rs. 300.68 billion) to Rs. 1,753.43 billion in mid-July 2016 compared to the growth of 21.4 percent (Rs 256.27 billion) in the previous year. In the review year, the current, saving, and fixed deposits of commercial banks rose by 16.4 percent, 24.9 percent, and 25.4 percent respectively while such growth in the previous year had been 22.8 percent, 24.1 percent, and 14.2 percent respectively.
- 1.100 Regarding the use of financial resources, the loans and advances of commercial banks in the review year increased by 25.9 percent (Rs. 327.92 billion) to Rs. 1,594.93 billion in

mid-July 2016. The loans and advances of commercial banks had increased by 18.8 percent in the previous year. In the review year, claims on private sector increased by 26.5 percent (Rs. 286.74 billion) which had increased by 22.0 percent (Rs. 194.74 billion) in the previous year. Besides, the ratio of claims on private sector to GDP in 2015/16 stood at 60.8 percent.

1.101 Commercial banks' investment in government securities increased by 29.8 percent to Rs. 176.96 billion in FY2015/16. Such investment had contracted by Rs. 4.0 million in the previous year.

1.102 As in mid-July 2016, the liquid assets of commercial banks (including investment in government securities) amounted to Rs. 505.30 billion that represented 28.8 percent of the total deposits. In the previous year, the ratio of liquid assets to deposits had stood at 32.0 percent.

Development Banks

1.103 Total assets/liabilities of development banks increased by 14.9 percent (Rs. 42.96 billion) to Rs. 331.69 billion in FY2015/16. The major source of resource mobilization, namely, total deposits, expanded by 16.5 percent (Rs. 38.17 billion) to Rs. 268.90 billion in FY2015/16. Likewise, liquid assets of development banks (including investment in government securities) in mid-July 2016 amounted to Rs. 27.48 billion, representing 10.2 percent of total deposits as compared to such ratio remaining at 9.4 percent in mid-July 2015. In the review year, liquid funds increased by 17.3 percent to Rs. 21.92 billion.

1.104 In the review year, loans and advances of development banks increased by 16.2 percent (Rs. 41.11 billion) to Rs. 294.70 billion compared to the growth of 13.5 percent in the previous year. Among the components of loans and advances, claims on the private sector expanded by 20.3 percent to Rs. 232.70 billion, representing 10.3 percent of GDP in mid-July 2016.

Finance Companies

1.105 In the review year, total assets/liabilities of finance companies decreased by 5.8 percent (Rs. 6.08 billion) to Rs. 98.96 billion in contrast to the 0.5 percent decline to Rs. 105.04 billion in the previous year. The major source of resource mobilization, namely, total deposits, declined in the review year by 12.0 percent (Rs. 8.61 billion) to Rs. 63.03 billion compared to the 0.6 percent decline in the previous year. In mid-July 2016, liquid assets of the finance companies (including investment in government securities) amounted to Rs. 10.46 billion, which stood at 16.6 percent of total deposits compared to such ratio at 13.8 percent in mid-July 2015. Among the components of liquid assets, liquid funds declined in the review year by 3.1 percent to Rs. 6.62 billion.

1.106 In the review year, loans and advances of finance companies decreased by 5.8 percent (Rs. 5.45 billion) to Rs. 88.26 billion. Such loans and advances in the previous year had risen marginally by 0.3 percent. Among the components of loans and advances, claims on private sector declined by 12.5 percent to Rs. 56.86 billion, representing 2.5 percent of GDP, in FY2015/16,. During the review year, there was reduction in finance companies' assets/liabilities, deposits, and loans and advances due to increasing trend of their merger/acquisition in commercial banks as well as development banks.

Microfinance Institutions

1.107 Among the 42 MFIs engaged in operations relating to microfinance as 'D'-class financial institutions as in mid-July 2016, 38 are working as replicators of Grameen banking system while four are carrying out wholesale microfinance lending transactions.

1.108 In the review year, total assets/liabilities of 'D'-class MFIs expanded by 39.35 percent to Rs. 95.70 billion in FY2015/16, with the total deposits and total borrowings amounting to Rs. 24.10 billion and 52.43 billion respectively and total credit and total investment reaching Rs. 77.23 billion and 2.84 billion respectively.

Cooperatives Licensed for Carrying out Limited Banking Transactions

1.109 The cooperatives established under the Cooperatives Act, 1992 and licensed by the NRB to carry out limited banking transactions have been performing such transactions in accordance with the directives issued by the NRB. As in mid-July 2016, such cooperatives numbered 16 including the National Cooperatives Developmnt Bank. Total assets/liabilities of cooperatives licensed by NRB for performing limited banking transactions increased by 11.1 percent to Rs. 27.74 billion in FY2015/16. Likewise, the deposits mobilized amounted to Rs. 20.92 billion and loans and advances stood at Rs. 17.62 billion in mid-July 2016.

Non-Government Organizations Licensed for Carrying out Financial Intermediary Transactions

1.110 Established under Societies Registration Act, 1977 and operating in accordance with the provisions of Financial Intermediary Institutions Act, 1999, the non-government organizations (NGOs) licensed by NRB for carrying out financial intermediary transactions numbered 25 as in mid-April 2016, with the sources/uses of funds of these institutions amounting to Rs. 12.69 billion as on that date.

Insurance Companies

1.111 Based on data obtained from Insurance Board, total assets/liabilities of insurance companies increased by 22.2 percent to Rs. 158.24 billion in FY2015/16 from Rs. 129.44 billion in mid-July 2015.

Employees Provident Fund

1.112 Total assets/liabilities of the Employees Provident Fund (EPF) as in FY2015/16 increased by 15.6 percent to Rs. 224.85 billion from Rs. 194.44 billion in mid-July 2015. Provident funds of the employees expanded by 16.2 percent to Rs. 217.94 billion in FY2015/16 as compared to Rs. 187.57 billion in FY2014/15.

Citizen Investment Trust

1.113 Based on data obtained from Citizen Investment Trust (CIT), total assets/liabilities of CIT in FY2015/16 rose by 17.8 percent to Rs. 83.01 billion as compared to Rs. 70.49 billion in mid-July 2015. Fund collection, a major component in the liabilities side of CIT, widened by 19.2 percent to reach Rs. 80.16 billion in mid-July 2016 compared to the amount of Rs. 67.23 billion in the previous year. On the assets side, loans and advances in the review year decreased by 21.7 percent to Rs. 13.61 billion from its level of Rs. 17.37 billion in mid-July 2015.

Postal Saving Bank

1.114 Among the 117 offices authorized for collecting deposits under Postal Services Department of GON, only 68 offices are presently involved in mobilizing deposits. As in mid-July 2016, total deposits of Postal Saving Bank amounted to Rs. 2.93 billion while the loans and advances reached Rs. 328.6 million.

Table 1.13
Transaction Details of Postal Saving Bank

Particulars	Mid-July		
	2014	2015	2016
Number of Offices Licensed to accept Deposits	117	117	117
Number of Offices accepting Deposits	68	68	68
Number of Offices doing Investment	59	59	59
Number of Accounts	62,642	63,661	63,963
Total Deposits (Rs. in million)	1,581.0	1,785.0	2,930.0
Total Investment Outstanding (Rs. in million)	462.7	490.2	328.6

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 enterprise. The

DCGF guaranteed total credit amounting to Rs. 2.94 billion and total deposit amounting to Rs. 318.36 billion as in mid-July 2016.

Table 1.14
Transaction Details of Deposit and Credit Guarantee Fund

Particulars	Mid-July		Percent Change	
	2015	2016		
Total Deposit Guaranteed (Rs. in billion)	252.76	284.25	318.36	12.5 12.0
Total Credit Guaranteed (Rs. in million)	0.88	1.40	2.94	59.1 110.0

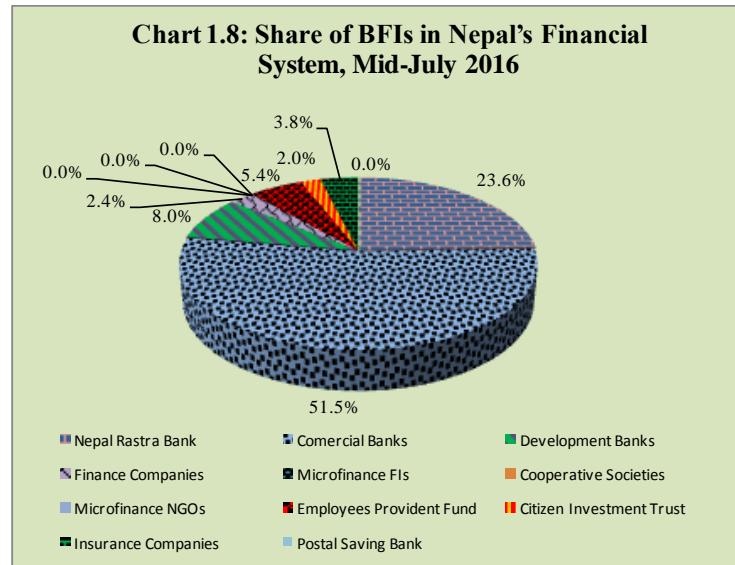
Source: Deposit and Credit Guarantee Fund

Credit Information Centre Limited

1.116 According to information available from Credit Information Centre Limited, the number of blacklisted borrowers as in mid-July 2016 reached 4,790. The blacklisted borrowers had numbered 4,260 as in mid-July 2015.

Financial Structure

1.117 The share of NRB in total assets/liabilities of BFIs in mid-July 2016 comprised 23.6 percent. Likewise, in the total assets/liabilities of BFIs in mid-July 2016, the share of commercial banks was 51.5 percent, development banks 8.0 percent, finance companies 2.4 percent, Employees Provident Fund 5.4 percent, Citizen Investment Trust 2.0 percent, and insurance companies 3.8 percent.



1.118 As in mid-July 2016, the combined assets/liabilities of the banking system and contractual saving institutions reached 184.9 percent of the GDP.

Financial Expansion

1.119 The number of BFIs (including the cooperatives and NGOs performing limited banking transactions) licensed by NRB declined to 219 in mid-July 2016 from 235 in mid-July 2015. The merger/acquisition of BFIs with the promulgation of the related Bylaw reduced the number of BFIs from that prevailing in the previous year. Institution-wise, as in mid-July 2016, there were 28 commercial banks, 67 development banks, 42 finance companies, and 42 micro-finance development banks (MFDBs).

1.120 In the 'A', 'B', and 'C' - class BFIs, the total number of deposit accounts and borrowers in mid-July 2016 reached 16.84 million and 1.10 million respectively. Such number in mid-July 2015 had been 14.94 million and 1.03 million respectively. Similarly, the number of depositors and borrowers in MFIs in mid-July 2016 reached 1.87 million and 1.30 million respectively.

1.121 The number of NGOs licensed by NRB for carrying out limited banking transactions remained 25 in mid-July 2016. The number of such NGOs in mid-July 2015 had been 27. Likewise, the number of cooperatives licensed by NRB remained 15 in mid-July 2016, the same as in mid-July 2015.

1.122 The total number of BFIs in operation in mid-July 2016 remained 256 (NRB-licensed 219 and 8 others, 26 insurance companies, and one each of Employees Provident Fund, Citizen Investment Trust, and Postal Saving Bank). Such number in the previous year had totaled 272.

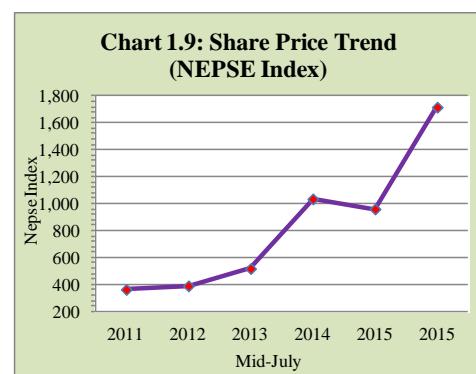
**Table 1.15
Number of Banks and Financial Institutions**

Banks and Financial Institutions	Mid-July 2014	Mid-July 2015	Mid-July 2016
Commercial Banks	30	30	28
Development Banks	84	76	67
Finance Companies	53	48	42
Microfinance Development Banks	37	39	42
Cooperatives Licensed by the NRB (performing limited banking transactions)	15	15	15
NGOs Licensed by the NRB (performing limited banking transactions)	29	27	25
Institutions Licensed by NRB to conduct banking transactions	248	235	219
Other Institutions ¹	3	8	8
Insurance Companies	25	26	26
Employees Provident Fund	1	1	1
Citizen Investment Trust	1	1	1
Postal Saving Bank	1	1	1
Total	279	272	256

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

Securities Market

1.123 There has been a substantial increment in the NEPSE index as well as transactions during 2015/16. On annual point-wise basis, the NEPSE index posted 78.7 percent growth to 1,718.2 points in mid-July 2016. The NEPSE index had experienced 7.2 percent decline to 961.2 points in mid-July 2015. Similarly, the NEPSE sensitive



index surged by 80.3 percent to 369.1 points in mid-July 2016 over its level of 204.7 points in mid-July 2015. Similarly, the NEPSE float index recorded a sharp rise of 83.2 percent to 125.4 points in mid-July 2016.

1.124 There has been a substantial rise in the total amount of securities market transactions in FY2015/16. Total share transactions accelerated by 151.0 percent to Rs. 163.96 billion in the review year compared to the transactions that amounted to Rs. 65.33 billion in the previous year.

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

	2014	2015	Projection	
			2016	2017
World Output	3.4	3.2	3.1	3.4
Advanced Economies	1.9	2.1	1.6	1.8
United States	2.4	2.6	1.6	2.2
Euro Area	1.1	2.0	1.7	1.5
Japan	0.0	0.5	0.5	0.6
Emerging and Developing Economies	4.6	4.0	4.2	4.6
Emerging and Developing Asia	6.8	6.6	6.5	6.3
China	7.3	6.9	6.6	6.2
India	7.2	7.6	7.6	7.6
Goods Price				
Fuel	-7.5	-47.2	-15.4	17.9
Non-fuel	-4.0	-17.5	-2.7	0.9
Consumer Price				
Advanced Economies	1.4	0.3	0.8	1.7
Emerging and Developing Economies	4.7	4.7	4.5	4.4
World Trade (Merchandise and Services)	3.9	2.6	2.3	3.8
Imports				
Advanced Economies	3.8	3.6	1.8	3.5
Emerging and Developing Economies	3.8	4.2	2.4	3.9
Exports				
Advanced Economies	3.5	1.3	2.9	3.6
Emerging and Developing Economies	4.5	-0.6	2.3	4.1

Source: International Monetary Fund, *World Economic Outlook*, October 2016

Table 2
Macroeconomic Indicators

S.N.	Description	Percent Change		
		2013/14	2014/15	2015/16
1	Producers' Prices:			
	1.1 GDP at constant (2000/01) prices	6.0	2.7	0.6
	1.2 GDP at current prices	15.9	7.9	6.0
2	Basic Prices:			
	2.1 GDP at constant (2000/01) prices	5.7	2.3	0.8
	2.2 GDP at current prices	15.3	7.4	6.2
3	GNI at Current Prices	16.9	7.9	6.4
4	Total Consumption	14.13	11.77	10.16
5	Total Investment	27.8	1.7	-7.1
6	Gross National Saving	30.3	3.6	3.8
7	Gross Fixed Capital Formation	20.6	27.3	-4.4
8	Gross Domestic Saving	30.9	-20.4	-36.6
9	Gross National Disposable Income	19.2	9.0	8.1
10	Money Supply (M1)	17.7	19.7	18.5
11	Broad Money Supply (M2)	19.1	19.9	19.5
12	Domestic Credit	12.7	16.2	17.4
13	Fixed Deposits	11.8	15.1	21.6
14	Total Exports	19.6	-7.3	-17.8
15	Total Imports	28.3	8.4	-0.1
16	Gross Foreign Exchange Reserve	24.8	23.8	26.1
17	Government Revenue	20.5	13.8	18.9
18	Government Expenditure*	16.3	22.0	11.9
19	National Consumer Price Index	9.1	7.2	9.9
20	Wholesale Price Index	8.3	6.1	6.3
As Percent of Nominal GDP at Producers' Prices				
1	Total Consumption	88.1	91.2	94.7
2	Total Investment	11.92	8.79	5.26
3	Gross National Saving	45.73	43.89	42.95
4	Gross Fixed Capital Formation	41.2	38.8	34.0
5	Gross Domestic Saving	23.52	27.75	25.01
6	Gross National Disposable Income	133.8	135.1	137.7
7	Money Supply (M1)	18.1	20.0	22.4
8	Broad Money Supply (M2)	79.7	88.6	99.8
9	Domestic Credit	67.9	72.0	79.8
10	Fixed Deposits	22.2	23.7	27.1
11	Total Exports	4.7	4.0	3.1
12	Total Imports	36.4	36.5	34.4
13	Foreign Exchange Reserve	33.9	38.9	46.2
14	Government Revenue	18.2	19.1	21.5
15	Government Expenditure*	21.3	24.0	25.3
16	Government Budget Surplus/Deficit*	-0.7	-2.2	-1.7
17	Domestic Borrowings	1.0	2.0	3.9
18	Trade Balance (-Deficit)	-31.7	-32.5	-31.3
19	Current Account Balance (-Deficit)	4.6	5.1	6.2
20	Total Outstanding External Debt	17.7	16.2	17.0

* On cash basis

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

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

(In Percent)

Particulars	Growth Rate		
	2013/14	2014/15 ^R	2015/16 ^P
1. Agriculture	4.5	0.8	1.3
Agriculture and Forestry	4.5	0.7	1.1
Fishery	4.9	7.1	11.8
2. Non-agriculture	6.4	3.1	0.6
Industry	7.1	1.5	-6.3
Mining and Quarrying	11.9	2.3	-6.5
Manufacturing	6.3	0.4	-9.9
Electricity, Gas & Water	3.3	1.0	-1.7
Construction	9.1	2.9	-4.0
Service	6.2	3.6	2.7
Wholesale & Retail Trade	10.9	2.1	-1.1
Hotels & Restaurants	6.8	3.3	-4.8
Transport, Storage & Communication	5.2	6.2	2.6
Financial Intermediation	3.7	2.9	3.3
Real Estate, Renting & Business Activities	3.6	0.8	3.7
Public Administration & Defence	5.0	5.4	5.8
Education	4.8	3.7	6.7
Health & Social Work	4.5	10.5	8.9
Other Community, Social & Personal Service Activities	4.8	4.4	5.6
GDP at basic prices	5.7	2.3	0.8
GDP at producers' prices	6.0	2.7	0.6

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 %	2013/14	2014/15	2015/16	Percent Change	
					2014/15	2015/16
Overall Index	100.00	93.3	100.0	109.9	7.2	9.9
1. Food & Beverage	43.91	91.2	100.0	110.9	9.6	10.9
Cereal Grains & their Products	11.33	90.4	100.0	109.2	10.6	9.2
Legume Varieties	1.84	85.0	100.0	132.7	17.6	32.7
Vegetables	5.52	94.3	100.0	110.3	6.0	10.3
Meat & Fish	6.75	93.9	100.0	109.8	6.5	9.8
Milk Products & Eggs	5.24	88.6	100.0	110.0	12.8	10.0
Ghee & Oil	2.95	99.7	100.0	119.5	0.2	19.5
Fruits	2.08	87.9	100.0	106.5	13.7	6.5
Sugar & Sweets	1.74	100.0	100.0	107.3	0.0	7.3
Spices	1.21	90.9	100.0	113.5	10.0	13.5
Soft Drinks	1.24	96.4	100.0	104.7	3.7	4.7
Hard Drinks	0.68	83.3	100.0	112.9	20.1	12.9
Tobacco Products	0.41	79.6	100.0	107.6	25.6	7.6
Restaurant Food	2.92	90.2	100.0	109.3	10.9	9.3
2. Non-Food & Services	56.09	95.1	100.0	109.2	5.2	9.2
Clothing & Footwear	7.19	91.0	100.0	114.2	9.9	14.2
Housing & Utilities	20.3	98.5	100.0	112.7	1.6	12.7
Furnishing & Household Equipment	4.3	92.4	100.0	106.3	8.2	6.3
Health	3.47	94.8	100.0	102.6	5.4	2.6
Transport	5.34	98.7	100.0	102.0	1.3	2.0
Communication	2.82	99.9	100.0	105.1	0.1	5.1
Recreation & Culture	2.46	94.1	100.0	104.3	6.2	4.3
Education	7.41	94.7	100.0	110.1	5.6	10.1
Miscellaneous Goods & Services	2.81	92.6	100.0	104.5	8.0	4.5
Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	93.2	100.0	111.6	7.2	11.6
1. Food & Beverage	39.77	90.5	100.0	113.3	10.5	13.3
2. Non-Food & Services	60.23	95.9	100.0	110.5	4.3	10.5
Consumer Price Index - Terai						
Overall Index	100.00	93.4	100.0	108.6	7.1	8.6
1. Food & Beverage	44.14	90.8	100.0	109.7	10.2	9.7
2. Non-Food & Services	55.86	95.4	100.0	107.8	4.9	7.8
Consumer Price Index - Hills						
Overall Index	100.00	93.2	100.0	110.4	7.3	10.4
1. Food & Beverage	46.88	92.8	100.0	110.8	7.8	10.8
2. Non-Food & Services	53.12	93.6	100.0	110.1	6.8	10.1
Consumer Price Index - Mountain						
Overall Index	100.00		100.0	108.8		8.8
1. Food & Beverage	59.53		100.0	108.5		8.5
2. Non-Food & Services	40.47		100.0	109.1		9.1

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

Groups/Sub-Groups	Weight %	2012/13	2013/14	2014/15	Percent Change	
					2013/14	2014/15
1. Overall Index	100.0	279.7	296.6	315.3	6.1	6.3
1.1 Agricultural Commodities	49.6	311.1	338.7	374.2	8.8	10.5
Foodgrains	16.6	244.5	266.9	273.1	9.2	2.3
Cash Crops	6.1	353.4	393.0	411.1	11.2	4.6
Pulses	3.8	291.6	343.5	477.7	17.8	39.1
Fruits & Vegetables	11.2	285.7	321.8	376.6	12.7	17.0
Spices	1.9	307.5	307.2	375.4	-0.1	22.2
Livestock Production	10.0	432.1	447.5	477.4	3.6	6.7
1.2 Domestic Manufactured Commodities	20.4	238.4	251.8	267.5	5.6	6.2
Food-Related Products	6.1	230.5	235.5	243.3	2.2	3.3
Beverages & Tobacco	5.7	258.9	284.3	312.6	9.8	9.9
Construction Materials	4.5	276.3	288.6	296.2	4.5	2.7
Others	4.1	179.6	189.8	208.9	5.7	10.1
1.3 Imported Commodities	30.0	255.9	257.7	250.3	0.7	-2.9
Petroleum Products & Coal	5.4	557.9	522.3	448.3	-6.4	-14.2
Chemical Fertilizers & Chemical Goods	2.5	232.4	246.5	251.7	6.1	2.1
Transport Vehicles & Machinery Goods	7.0	188.2	190.8	202.4	1.4	6.1
Electric & Electronic Goods	1.9	120.3	124.3	125.1	3.3	0.6
Drugs & Medicine	2.7	144.0	154.1	154.1	7.0	-0.1
Textile-related Products	3.1	176.5	187.4	194.3	6.2	3.7
Others	7.4	216.5	233.0	241.0	7.6	3.4

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

	Groups/Sub-Groups	Weight %	2011/12	2012/13	2013/14	2014/15	Percent Change	
							2013/14	2014/15
	Overall Index	100.00	277.9	316.0	342.5	362.3	8.4	5.8
1.	Salary Index	26.97	187.3	234.8	254.6	256.7	8.4	0.8
	Officers	9.80	177.7	215.4	234.2	236.5	8.7	1.0
	Non-Officers	17.17	192.8	246.0	266.2	268.2	8.2	0.7
1.1	Civil Service	2.82	236.5	309.6	340.7	340.7	10.0	0.0
	Officers	0.31	215.4	262.2	281.4	281.4	7.3	0.0
	Non-Officers	2.51	239.1	315.3	347.9	347.9	10.3	0.0
1.2	Public Corporations	1.14	210.0	263.4	287.3	290.1	9.1	1.0
	Officers	0.19	187.3	214.3	230.8	233.0	7.7	0.9
	Non-Officers	0.95	214.5	273.2	298.5	301.6	9.3	1.0
1.3	Bank & Financial Institutions	0.55	290.6	417.6	446.2	457.7	6.8	2.6
	Officers	0.10	250.0	324.3	341.2	352.3	5.2	3.2
	Non-Officers	0.45	299.9	439.0	470.2	481.8	7.1	2.5
1.4	Army & Police Forces	4.01	227.9	304.9	332.4	332.4	9.0	0.0
	Officers	0.17	194.8	237.4	259.2	259.3	9.2	0.0
	Non-Officers	3.84	229.4	308.0	335.7	335.7	9.0	0.0
1.5	Education	10.55	207.8	268.1	295.8	300.2	10.3	1.5
	Officers	6.80	194.7	243.9	268.9	272.1	10.3	1.2
	Non-Officers	3.75	231.6	312.0	344.6	351.2	10.4	1.9
1.6	Private Institutions	7.90	111.3	111.3	111.3	111.3	0.0	0.0
	Officers	2.24	115.3	115.3	115.3	115.3	0.0	0.0
	Non-Officers	5.66	109.7	109.7	109.7	109.7	0.0	0.0
2.	Wage Rate Index	73.03	311.4	345.9	374.9	401.3	8.4	7.0
2.1	Agricultural Labourer	39.49	360.9	392.4	422.7	457.5	7.7	8.3
	Male	20.49	354.5	377.8	416.1	451.0	10.1	8.4
	Female	19.00	367.6	408.1	429.8	464.6	5.3	8.1
2.2	Industrial Labourer	25.25	248.2	293.1	317.4	329.0	8.3	3.6
	Highly Skilled	6.31	233.8	272.6	300.4	319.8	10.2	6.5
	Skilled	6.31	242.2	290.0	314.3	326.9	8.4	4.0
	Semi-Skilled	6.31	246.9	290.1	315.8	323.3	8.9	2.4
	Unskilled	6.32	269.8	319.7	339.3	345.8	6.1	1.9
2.3	Construction Labourer	8.29	268.2	285.9	322.9	354.1	12.9	9.7
	Mason	2.76	248.9	264.1	300.9	329.6	13.9	9.5
	Skilled	1.38	240.6	255.7	291.1	318.4	13.8	9.4
	Unskilled	1.38	257.1	272.6	310.8	340.9	14.0	9.7
	Carpenter	2.76	243.6	252.6	284.3	316.8	12.6	11.4
	Skilled	1.38	235.0	244.2	276.7	310.9	13.3	12.4
	Unskilled	1.38	252.2	261.0	291.9	322.8	11.8	10.6
	Worker	2.77	312.0	340.7	383.3	415.7	12.5	8.5
	Male	1.38	315.3	345.6	392.5	422.0	13.6	7.5
	Female	1.39	308.7	335.8	374.1	409.5	11.4	9.5

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

Months	2013/14			2014/15			2015/16P		
	Nepal	India	Deviation	Nepal	India	Deviation	Nepal	India	Deviation
August	7.9	9.5	-1.6	7.5	7.7	-0.2	6.9	3.7	3.2
September	8.0	9.8	-1.8	7.6	6.5	1.1	7.2	4.4	2.8
October	8.4	10.2	-1.8	7.5	5.5	2.0	8.2	5.0	3.3
November	10.0	11.2	-1.2	7.2	4.4	2.8	10.4	5.4	5.0
December	10.3	9.9	0.4	7.0	4.9	2.1	11.6	5.6	6.0
January	9.7	8.8	0.9	6.8	5.2	1.6	12.1	5.7	6.4
February	8.8	8.0	0.8	7.0	5.4	1.6	11.3	5.2	6.1
March	8.9	8.3	0.6	7.0	5.3	1.7	10.2	4.8	5.4
April	9.4	8.6	0.8	6.9	4.9	2.0	9.7	5.4	4.3
May	9.7	8.3	1.4	7.1	5.0	2.1	10.0	5.8	4.2
June	9.5	7.5	2.0	7.4	5.4	2.0	11.1	5.8	5.3
July	8.1	8.0	0.1	7.6	3.7	3.9	10.4	6.1	4.3
Average	9.1	9.0	0.1	7.2	5.3	1.9	9.9	5.2	4.7

Table 8
Direction of Foreign Trade*

	2013/14	2014/15	2015/16 ^P	(Rs. in Million)	
				Percent Change	2014/15
TOTAL EXPORTS	91,991.3	85,319.1	70,117.1	-7.3	-17.8
To India	59,613.7	55,864.6	39,493.7	-6.3	-29.3
To China	2,840.7	2,229.9	1,681.5	-21.5	-24.6
To Other Countries	29,536.9	27,224.6	28,941.9	-7.8	6.3
TOTAL IMPORTS	714,365.9	774,684.2	773,599.1	8.4	-0.1
From India	477,947.0	491,655.9	477,212.6	2.9	-2.9
From China	73,318.6	100,166.4	115,694.3	36.6	15.5
From Other Countries	163,100.2	182,861.9	180,692.2	12.1	-1.2
TOTAL TRADE BALANCE	-622,374.6	-689,365.1	-703,482.0	10.8	2.0
With India	-418,333.3	-435,791.3	-437,718.9	4.2	0.4
with China	-70,477.9	-97,936.5	-114,012.8	39.0	16.4
With Other Countries	-133,563.3	-155,637.3	-151,750.3	16.5	-2.5
TOTAL FOREIGN TRADE	806,357.2	860,003.3	843,716.3	6.7	-1.9
With India	537,560.7	547,520.5	516,706.3	1.9	-5.6
With China	76,159.3	102,396.3	117,375.8	34.5	14.6
With Other Countries	192,637.1	210,086.5	209,634.1	9.1	-0.2

(In Percent)

1. Ratio of Exports to Imports	12.9	11.0	9.1
India	12.5	11.4	8.3
China	3.9	2.2	1.5
Other Countries	18.1	14.9	16.0
2. Share in Total Exports			
India	64.8	65.5	56.3
China	3.1	2.6	2.4
Other Countries	32.1	31.9	41.3
3. Share in Total Imports			
India	66.9	63.5	61.7
China	10.3	12.9	14.9
Other Countries	22.8	23.6	23.4
4. Share in Trade Balance			
India	67.2	63.2	62.2
China	11.3	14.2	16.2
Other Countries	21.5	22.6	21.6
5. Share in Total Trade			
India	66.7	63.7	61.2
China	9.4	11.9	13.9
Other Countries	23.9	24.4	24.9
6. Share of Exports & Imports in Total Trade			
Export	11.4	9.9	8.3
Import	88.6	90.1	91.7

* Based on customs data

P = Provisional

Table 9
Exports of Major Commodities to India*

(Rs. in Million)

		Fiscal Year			Percent Change	
		2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A.	Major Commodities	49,467.6	46,267.4	34,320.4	-6.5	-25.8
1	Aluminium Section	376.9	472.2	191.4	25.3	-59.5
2	Biscuits	1.5	2.1	0.0	40.8	-100.0
3	Brans	182.4	180.4	143.4	-1.1	-20.5
4	Brooms	1.2	1.1	0.5	-6.7	-59.8
5	Cardamom	4,267.2	3,839.7	4,633.3	-10.0	20.7
6	Catechue	0.0	0.0	0.0	-	-
7	Cattlefeed	267.0	617.1	383.0	131.1	-37.9
8	Chemicals	0.0	16.6	6.7	-	-59.6
9	Cinnamon	64.5	82.4	95.3	27.7	15.6
10	Copper Wire Rod	1,426.9	1,260.6	892.1	-11.7	-29.2
11	Fruits	18.0	9.3	21.3	-48.2	128.0
12	G.I. pipe	3,031.0	2,993.7	938.9	-1.2	-68.6
13	Ghee (Vegetable)	0.0	0.0	0.0	-	-
14	Ghee (Clarified)	156.0	154.7	138.1	-0.8	-10.7
15	Ginger	469.3	461.4	521.9	-1.7	13.1
16	Handicraft Goods	23.1	27.2	25.2	17.7	-7.5
17	Herbs	244.8	500.3	372.7	104.4	-25.5
18	Juice	4,431.5	4,773.3	3,247.6	7.7	-32.0
19	Jute Goods	4,302.2	4,273.1	4,245.9	-0.7	-0.6
	(a) Hessian	5.6	10.7	85.6	90.3	697.6
	(b) Sackings	3,578.6	3,746.5	3,787.5	4.7	1.1
	(c) Twines	718.0	515.9	372.8	-28.1	-27.7
20	Live Animals	234.2	204.6	104.7	-12.6	-48.8
21	M.S. Pipe	213.0	173.5	51.7	-18.5	-70.2
22	Marble Slab	23.3	0.0	0.0	-100.0	-
23	Medicine (Ayurvedic)	894.7	907.2	730.6	1.4	-19.5
24	Mustard & Linseed	17.5	47.3	64.3	170.4	36.0
25	Noodles	522.4	621.2	456.2	18.9	-26.6
26	Oil Cakes	706.2	613.1	1,001.1	-13.2	63.3
27	Paper	0.3	1.4	0.9	339.5	-39.9
28	Particle Board	158.4	109.2	29.4	-31.1	-73.0
29	Pashmina	68.0	49.5	72.3	-27.2	46.1
30	Plastic Utensils	357.6	343.9	211.6	-3.8	-38.5
31	Polyester Yarn	5,153.3	5,018.2	3,252.8	-2.6	-35.2
32	Pulses	4.4	127.1	279.3	-	119.8
33	Raw Jute	43.7	1.7	12.5	-96.1	631.8
34	Readymade Garments	310.6	260.8	166.8	-16.1	-36.1
35	Ricebran Oil	195.4	72.5	62.8	-62.9	-13.4
36	Rosin	1,392.5	1,842.6	1,688.8	32.3	-8.3
37	Shampoos and Hair Oils	0.0	0.0	0.0	-	-
38	Shoes and Sandals	1,962.0	2,360.4	1,607.9	20.3	-31.9
39	Skin	264.4	315.6	123.8	19.4	-60.8
40	Soap	25.6	21.8	10.5	-14.9	-51.9
41	Stone and Sand	1,917.8	54.7	0.0	-97.1	-100.0
42	Turpentine	267.6	310.5	260.7	16.0	-16.0
43	Textiles**	5,779.2	5,129.2	3,438.5	-11.2	-33.0
44	Thread	180.2	180.4	50.2	0.1	-72.2
45	Tooth Paste	1,133.2	984.8	1,012.5	-13.1	2.8
46	Turmeric	4.4	0.5	9.0	-89.0	-
47	Vegetables	126.8	250.1	281.7	97.2	12.6
48	Wire	2,070.2	2,212.8	1,547.0	6.9	-30.1
49	Zinc Sheet	6,177.0	4,387.5	1,935.7	-29.0	-55.9
B.	Others	10,146.1	9,597.2	5,173.3	-5.4	-46.1
	Total (A+B)	59,613.7	55,864.6	39,493.7	-6.3	-29.3

* Based on customs data

** Includes PP fabric

P = Provisional

Table 10
Imports of Major Commodities from India*

		Fiscal Year			(Rs. in Million)	
		2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A.	Major Commodities	377,011.3	381,740.9	371,598.1	1.3	-2.7
1	Agri. Equip.& Parts	8,582.5	9,407.1	9,493.6	9.6	0.9
2	Almunium Bars, Rods, Profiles, Foil, etc.	1,960.0	3,197.6	3,173.9	63.1	-0.7
3	Baby Food & Milk Products	4,832.6	4,659.8	4,685.7	-3.6	0.6
4	Bitumen	1,000.1	649.2	456.5	-35.1	-29.7
5	Books and Magazines	1,414.3	1,650.4	1,961.3	16.7	18.8
6	Cement	9,718.3	10,125.5	11,689.5	4.2	15.4
7	Chemical Fertilizer	8,035.2	5,954.7	1,599.0	-25.9	-73.1
8	Chemicals	3,023.1	3,095.1	3,338.9	2.4	7.9
9	Coal	8,798.7	6,208.2	9,155.4	-29.4	47.5
10	Cold-rolled Sheet in Coil	6,524.6	7,153.0	6,964.8	9.6	-2.6
11	Cooking Stoves	245.9	245.3	306.8	-0.3	25.1
12	Cosmetics	1,605.6	1,866.0	2,189.0	16.2	17.3
13	Cuminseeds and Peppers	1,275.3	1,188.3	1,167.4	-6.8	-1.8
14	Dry Cell Battery	3,450.1	3,738.1	4,330.6	8.3	15.8
15	Electrical Equipment	7,665.6	10,720.3	12,213.7	39.8	13.9
16	Enamel & Other Paints	1,869.8	1,901.7	2,027.7	1.7	6.6
17	Fruits	2,453.3	3,706.1	5,016.8	51.1	35.4
18	Glass Sheet and Glasswares	3,084.3	3,152.1	3,696.2	2.2	17.3
19	Hotrolled Sheet in Coil	11,681.8	13,259.2	13,421.0	13.5	1.2
20	Incense Sticks	673.3	705.7	613.6	4.8	-13.1
21	Insecticides	1,568.3	1,767.3	1,784.6	12.7	1.0
22	Live Animals	1,618.8	1,952.4	2,689.7	20.6	37.8
23	M.S. Billet	24,674.8	26,335.6	22,657.3	6.7	-14.0
24	M.S. Wires, Rods, Coils, Bars	6,480.3	5,392.0	7,888.9	-16.8	46.3
25	Medicine	15,296.3	17,846.6	19,163.9	16.7	7.4
26	Molasses Sugar	61.5	29.9	22.7	-51.3	-24.2
27	Other Machinery & Parts	15,966.8	18,892.9	19,323.3	18.3	2.3
28	Other Stationery Goods	354.8	546.3	576.8	54.0	5.6
29	Paper	4,817.5	5,140.4	5,542.0	6.7	7.8
30	Petroleum Products	131,736.5	110,057.8	65,607.9	-16.5	-40.4
31	Pipe and Pipe Fittings	1,006.1	1,342.4	1,421.0	33.4	5.9
32	Plastic Utensils	2,211.7	2,069.3	2,512.8	-6.4	21.4
33	Radio, TV, Deck & Parts	1,038.2	1,178.4	1,514.8	13.5	28.5
34	Raw Cotton	275.5	132.5	198.9	-51.9	50.1
35	Readymade Garments	4,133.2	4,605.9	4,458.8	11.4	-3.2
36	Rice and paddy	17,263.2	24,758.8	21,863.2	43.4	-11.7
37	Salt	1,228.4	1,162.9	1,282.7	-5.3	10.3
38	Sanitaryware	2,819.6	3,369.2	4,236.1	19.5	25.7
39	Shoes & Sandals	611.7	786.7	888.0	28.6	12.9
40	Steel Sheet	45.2	52.8	317.0	16.9	500.1
41	Sugar	62.3	19.3	356.4	-69.1	-
42	Tea	46.0	68.5	61.1	49.0	-10.8
43	Textiles	3,809.6	3,816.7	4,166.7	0.2	9.2
44	Thread	9,594.2	7,210.5	6,654.7	-24.8	-7.7
45	Tobacco	2,134.2	2,037.7	2,765.7	-4.5	35.7
46	Tyre, Tubes & Flapes	3,642.8	4,326.5	4,081.1	18.8	-5.7
47	Vegetables	6,969.4	7,988.7	7,725.6	14.6	-3.3
48	Vehicles & Spare Parts	32,983.1	44,126.3	62,940.2	33.8	42.6
49	Wire Products	1,165.2	1,289.5	1,394.7	10.7	8.2
B.	Others	96,437.3	100,768.7	105,614.5	8.9	-3.9
	Total (A+B)	477,947.0	491,655.9	477,212.6	2.9	-2.9

* Based on customs data

P = Provisional

Table 11
Exports of Major Commodities to China*

		Fiscal Year			Percent Change	
		2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A.	Major Commodities	947.5	916.9	1,002.7	-3.2	9.4
1	Incense Sticks	43.4	14.0	5.6	-67.7	-60.0
2	Aluminium, Copper and Brass Utensils	0.0	0.0	0.0	-	-
3	Handicraft (Metal and Woolen)	260.9	202.0	429.3	-22.6	112.5
4	Herbs	0.0	0.0	0.0	-	-
5	Human Hair	10.8	17.2	13.3	-	-22.8
6	Musical Instruments, Parts and Accessories	0.0	0.1	0.0	-	-
7	Nepalese Paper & Paper Products	0.0	0.0	0.0	-	-
8	Noodles	49.1	47.3	12.9	-3.7	-
9	Other Handicraft Goods	20.1	57.4	52.0	186.0	-
10	Pashmina	39.8	28.1	50.3	-29.2	78.6
11	Readymade Garments	28.1	43.9	17.0	56.5	-
12	Readymade Leather Goods	2.1	0.4	0.2	-81.7	-
13	<i>Rudrakshya</i> Beads	0.0	10.1	0.0	-	-
14	Silverware and Jewelleries	7.1	4.3	1.0	-39.2	-
15	Tanned Skin	247.9	306.9	171.4	23.8	-44.1
16	Tea	8.3	13.4	11.9	62.3	-11.6
17	Vegetables	0.0	0.0	0.0	-	-
18	Wheat Flour	110.1	22.3	5.7	-79.7	-
19	Woolen Carpet	119.7	149.3	232.1	24.7	55.5
B.	Other	1,893.2	1,313.1	678.9	-30.6	-48.3
	Total (A+B)	2,840.7	2,229.9	1,681.5	-21.5	-24.6

* Based on customs data

P = Provisional

Table 12
Imports of Major Commodities from China*

		Fiscal Year			Percent Change	
		2013/14	2014/15	2015/16^P	2014/15	2015/16
A.	Major Commodities	53,983.6	69,539.5	81,535.1	28.8	17.2
1	Aluminium Scrap, Flake, Foil, Bars & Rods	1,076.3	1,437.7	1,705.0	33.6	18.6
2	Bags	476.8	540.2	569.9	13.3	5.5
3	Camera	256.3	469.6	255.6	83.3	-45.6
4	Chemical	1,008.3	1,187.3	1,367.3	17.8	15.2
5	Chemical Fertilizer	4,700.0	7,620.0	16,119.6	-	-
6	Cosmetic Goods	287.2	281.7	345.5	-1.9	22.7
7	Dry Cell Battery	149.1	196.1	198.1	31.5	1.0
8	Electrical Goods	6,548.0	9,091.3	8,960.5	38.8	-1.4
9	Fastener	200.2	214.1	231.9	6.9	8.3
10	Garlic	372.5	451.1	508.6	21.1	12.7
11	Ginger	0.0	0.0	0.0	-	-
12	Glasswares	513.6	908.2	1,196.7	76.8	31.8
13	Medical Equipment & Tools	795.3	1,598.4	1,281.8	101.0	-19.8
14	Medicine	410.7	475.5	562.1	15.8	18.2
15	Metal & Wooden Furniture	650.8	703.6	834.9	8.1	18.7
16	Office Equipment & Stationery	644.1	750.7	648.1	16.6	-13.7
17	Other Machinery and Parts	5,040.3	8,323.4	7,917.7	65.1	-4.9
18	Other Stationeries	294.4	457.1	636.2	55.3	39.2
19	Paraffin Wax	208.1	256.2	250.6	23.1	-2.2
20	Pipe and Pipe Fittings	153.6	492.6	270.1	220.7	-45.2
21	Plywood & Particle Board	249.0	355.0	295.5	42.6	-16.8
22	Polyethylene Terephthalate (Plastic pet chips/Pet Resin)	134.8	50.3	0.0	-62.7	-100.0
23	Raw Silk	1,485.7	1,537.9	1,337.5	3.5	-13.0
24	Raw Wool	544.0	517.6	750.8	-4.8	45.0
25	Readymade Garments	6,088.2	4,080.4	5,617.9	-33.0	37.7
26	Seasoning Powder & Flavour for Instant Noodles	57.6	50.9	49.3	-11.7	-3.0
27	Shoes and Sandals	2,220.3	1,685.7	2,409.3	-24.1	42.9
28	Smart Cards	244.9	225.2	201.8	-8.0	-10.4
29	Solar Pannel	825.5	709.1	820.0	-14.1	15.6
30	Steel Rod & Sheet	34.8	548.3	173.3	1,475.6	-68.4
31	Storage Battery	565.6	1,047.0	458.5	85.1	-56.2
32	Telecommunication Equipments and Parts	11,204.8	15,397.4	17,989.8	37.4	16.8
33	Threads - Polyester	282.5	348.9	313.8	23.5	-10.1
34	Toys	437.7	510.7	617.2	16.7	20.9
35	Transport Equipment & Parts	1,193.5	1,322.4	1,583.4	10.8	19.7
36	Tyre, Tubes and Flapes	166.9	198.0	136.0	18.7	-31.3
37	Video Television & Parts	3,269.6	4,440.6	3,684.6	35.8	-17.0
38	Welding Rods	490.7	258.9	486.5	-47.2	87.9
39	Wheat Products	173.4	158.8	206.1	-8.4	29.7
40	Writing & Printing Paper	528.5	641.3	543.7	21.3	-15.2
B.	Other Commodities	19,335.0	30,626.9	34,159.3	58.4	11.5
	Total (A + B)	73,318.6	100,166.4	115,694.3	36.6	15.5

* Based on customs data

P = Provisional

Table 13
Exports of Major Commodities to Other Countries*

		Fiscal Year			Percent Change	
		2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A.	A. Major Commodities	18,289.7	15,563.4	17,929.0	-14.9	15.2
1	Handicraft (Metal and Wooden)	110.4	84.8	97.5	-23.2	15.0
2	Herbs	197.2	60.6	219.8	-69.3	262.9
3	Nepalese Paper & Paper Products	289.2	217.8	324.2	-24.7	48.8
4	Nigerseed	0.0	0.0	0.0	-	-
5	Pashmina	2,724.4	2,117.7	2,635.6	-22.3	24.5
6	Pulses	2,043.9	1,131.6	882.8	-44.6	-22.0
7	Readymade Garments	4,222.9	3,959.7	4,481.9	-6.2	13.2
8	Readymade Leather Goods	204.0	261.1	225.0	28.0	-13.8
9	Silverware and Jewelleries	270.1	102.5	214.6	-62.0	109.3
10	Tanned Skin	752.4	646.6	424.0	-14.1	-34.4
11	Tea	195.4	221.1	575.2	13.2	160.2
12	Woolen Carpet	7,280.0	6,760.1	7,848.4	-7.1	16.1
B.	B. Others	11,247.2	11,661.1	11,012.9	3.7	-5.6
	Total (A+B)	29,536.9	27,224.6	28,941.9	-7.8	6.3

* Based on customs data

P = Provisional

Table 14
Imports of Major Commodities from Other Countries*

		Fiscal Year			Percent Change	
		2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A.	A. Major Commodities	126,072.8	133,585.0	123,472.8	6.0	-7.6
1	Aircraft Spareparts	2,179.0	16,984.4	7,679.2	679.5	-54.8
2	Bags	20.1	31.3	52.1	56.1	66.4
3	Betelnut	7,382.6	4,377.3	2,097.8	-40.7	-52.1
4	Button	3.9	2.2	2.3	-42.9	1.7
5	Camera	859.7	591.4	245.1	-31.2	-58.6
6	Chemical Fertilizer	1,382.7	956.8	1,686.6	-30.8	76.3
7	Cigarette Paper	29.5	31.2	37.1	5.9	18.7
8	Clove	62.9	75.0	49.3	19.3	-34.3
9	Coconut Oil	9.3	30.0	22.9	221.5	-23.5
10	Computer and Parts	1,343.6	1,360.4	1,345.9	1.2	-1.1
11	Copper Wire Rod, Scraps & Sheets	2,993.3	2,531.4	1,717.7	-15.4	-32.1
12	Cosmetic Goods	885.9	1,093.2	1,112.5	23.4	1.8
13	Crude Coconut Oil	8.2	13.8	9.7	67.6	-29.5
14	Crude Palm Oil	4,133.6	5,104.2	3,119.0	23.5	-38.9
15	Crude Soyabean Oil	14,778.5	12,843.9	12,719.7	-13.1	-1.0
16	Cuminseed	0.7	0.0	4.1	-100.0	-
17	Door Locks	3.2	3.3	7.3	2.5	120.9
18	Drycell Battery	54.9	22.5	214.6	-58.9	852.3
19	Edible Oil	2,352.0	3,039.2	2,661.3	29.2	-12.4
20	Electrical Goods	1,556.2	1,913.3	1,770.6	22.9	-7.5
21	Fastener	16.8	13.0	11.7	-22.5	-10.6
22	Flash Light	11.1	9.6	8.8	-13.0	-9.0
23	G.I.Wire	3.3	2.6	2.5	-21.3	-4.5
24	Glasswares	187.9	240.4	188.9	28.0	-21.4
25	Gold	24,794.1	6,389.6	16,074.3	-74.2	151.6
26	Insecticides	64.3	100.1	107.6	55.8	7.4
27	M.S. Billet	0.0	0.0	11.6	-	-
28	M.S.Wire Rod	0.0	41.1	51.9	-	26.3
29	Medical Equipment & Tools	3,821.5	4,217.3	5,316.8	10.4	26.1
30	Medicine	2,811.7	5,312.9	9,030.0	89.0	70.0
31	Office Equipment & Stationery	382.0	421.6	627.9	10.4	48.9
32	Other Machinary & Parts	5,729.5	5,955.6	6,670.2	3.9	12.0
33	Other Stationerries	2,683.5	938.2	564.5	-65.0	-39.8
34	P.V.C.Compound	1,669.5	2,262.4	1,724.1	35.5	-23.8
35	Palm Oil	429.1	465.5	744.3	8.5	59.9
36	Paraffin Wax	76.9	122.1	68.5	58.7	-43.8
37	Petroleum Products	1,827.9	2,035.5	3,116.2	11.4	53.1
38	Pipe & Pipe Fittings	52.7	351.6	215.6	566.7	-38.7
39	Polythene Granules	7,791.4	6,579.6	9,122.3	-15.6	38.6
40	Powder Milk	116.0	555.5	221.2	379.1	-60.2
41	Raw Silk	7.3	17.1	2.0	135.1	-88.1
42	Raw Wool	1,004.1	940.8	908.9	-6.3	-3.4
43	Readymade Garments	679.9	959.3	1,504.6	41.1	56.8
44	Shoes and Sandals	123.1	165.8	225.2	34.6	35.8
45	Silver	12,711.2	24,699.3	7,242.8	94.3	-70.7
46	Small Cardamom	724.7	424.3	342.8	-41.4	-19.2
47	Steel Rod & Sheet	2.0	6.8	61.3	235.3	803.4
48	Storage Battery	799.4	950.7	768.8	18.9	-19.1
49	Synthetic & Natural Rubber	161.1	159.9	158.6	-0.7	-0.8
50	Synthetic Carpet	380.6	495.0	553.5	30.1	11.8
51	Telecommunication Equipment & Parts	3,384.1	3,856.2	5,488.2	14.0	42.3
52	Tello	174.0	290.9	120.4	67.2	-58.6
53	Textile Dyes	150.5	117.5	112.1	-21.9	-4.6
54	Textiles	902.1	869.0	709.7	-3.7	-18.3
55	Threads	2,609.2	2,641.3	2,941.1	1.2	11.4
56	Toys	81.1	107.5	85.2	32.5	-20.7
57	Transport Equipment & Parts	4,966.9	4,772.3	5,876.9	-3.9	23.1
58	Tyre,Tube & Flaps	355.4	409.0	463.1	15.1	13.2
59	Umbrella and Parts	0.3	0.7	1.4	135.1	96.4
60	Video Television & Parts	1,777.7	1,792.4	1,364.3	0.8	-23.9
61	Watches & Bands	375.3	383.8	487.4	2.3	27.0
62	Writing & Printing Paper	1,726.2	1,877.1	1,854.8	8.7	-1.2
63	X-Ray Film	367.4	413.1	349.7	12.4	-15.4
64	Zinc Ingot	100.3	216.0	1,416.4	115.4	555.8
B.	B. Others	37,027.4	49,276.9	57,219.4	33.1	16.1
	Total (A+B)	163,100.2	182,861.9	180,692.2	12.1	-1.2

* Based on customs data

P Provisional

Table 15
Summary of Balance of Payments

(Rs. in Million)

Particulars	Annual			Percent Change	
	2013/14	2014/15	2015/16 ^P	2014/15	2015/16
A. Current Account	89,721.5	108,319.8	140,418.5	20.7	29.6
Goods: Exports f.o.b.	100,960.6	98,276.3	74,866.1	-2.7	-23.8
<i>Oil</i>	0.0	0.0	0.0	-	-
<i>Other</i>	100,960.6	98,276.3	74,866.1	-2.7	-23.8
Goods: Imports f.o.b.	-696,373.3	-761,773.0	-756,487.8	9.4	-0.7
<i>Oil</i>	-132,976.4	-112,044.6	-68,724.4	-15.7	-38.7
<i>Other</i>	-563,396.9	-649,728.4	-687,763.4	15.3	5.9
Balance on Goods	-595,412.7	-663,496.7	-681,621.7	11.4	2.7
Services: Net	20,882.2	27,617.5	9,849.3	32.3	-64.3
Services: Credit	125,061.2	149,288.4	138,471.8	19.4	-7.2
<i>Travel</i>	46,374.9	53,428.6	41,765.3	15.2	-21.8
<i>Government n.i.e.</i>	24,352.8	32,481.1	38,330.8	33.4	18.0
<i>Other</i>	54,333.5	63,378.7	58,375.7	16.6	-7.9
Services: Debit	-104,179.0	-121,670.9	-128,622.5	16.8	5.7
<i>Transportation</i>	-39,822.0	-43,996.3	-44,030.3	10.5	0.1
<i>Travel</i>	-42,175.6	-53,190.2	-56,417.8	26.1	6.1
<i>O/W Education</i>	-15,121.3	-17,065.4	-20,139.0	12.9	18.0
<i>Government Services:Debit</i>	-1,625.7	-1,974.8	-2,100.3	21.5	6.4
<i>Other</i>	-20,555.7	-22,509.6	-26,074.1	9.5	15.8
Balance on Goods & Services	-574,530.5	-635,879.2	-671,772.4	10.7	5.6
Income: Net	32,751.7	34,242.5	34,004.3	4.6	-0.7
Income: Credit	39,539.8	42,831.5	43,085.1	8.3	0.6
Income: Debit	-6,788.1	-8,589.0	-9,080.8	26.5	5.7
Balance on Goods,Services & Income	-541,778.8	-601,636.7	-637,768.1	11.0	6.0
Transfers: Net	631,500.3	709,956.5	778,186.6	12.4	9.6
Current Transfers: Credit	634,854.8	712,522.2	781,989.3	12.2	9.7
<i>Grants</i>	48,519.8	52,855.4	70,411.6	8.9	33.2
<i>Workers' Remittances</i>	543,294.1	617,278.8	665,064.1	13.6	7.7
<i>Pensions</i>	41,373.1	42,388.0	46,513.5	2.5	9.7
<i>Other (Indian Excise Refund)</i>	1,667.8	0.0	0.0	-100.0	-
Current Transfers: Debit	-3,354.5	-2,565.7	-3,802.6	-23.5	48.2
B. Capital Account (Capital Transfer)	17,063.5	14,811.4	16,987.3	-13.2	14.7
Total (Group A plus B)	106,785.0	123,131.2	157,405.9	15.3	27.8
C. Financial Account (Excluding Group E)	11,148.0	17,720.7	21,813.1	59.0	23.1
Direct Investment in Nepal	3,194.6	4,382.6	5,920.9	37.2	35.1
Portfolio Investment	0.0	0.0	0.0	-	-
Other Investment: Assets	-21,331.6	-34,584.5	-30,936.2	62.1	-10.5
<i>Trade Credits</i>	-1,620.0	-2,234.3	-338.9	37.9	-84.8
<i>Other</i>	-19,711.6	-32,350.2	-30,597.3	64.1	-5.4
Other Investment: Liabilities	29,285.0	47,922.6	46,828.4	63.6	-2.3
<i>Trade Credits</i>	23,686.1	22,912.3	16,397.4	-3.3	-28.4
<i>Loans</i>	4,192.4	11,857.3	19,516.4	182.8	64.6
General Government	4,407.8	11,919.4	18,153.5	170.4	52.3
<i>Drawings</i>	21,132.4	28,961.2	35,948.6	37.0	24.1
<i>Repayments</i>	-16,724.6	-17,041.8	-17,795.1	1.9	4.4
Other Sectors	-215.4	-62.1	1,362.9	-71.2	-
<i>Currency & Deposits</i>	2,733.4	14,318.6	14,982.3	423.8	4.6
Nepal Rastra Bank	-36.7	-20.2	-5.6	-45.0	-72.3
Deposit Money Banks	2,770.1	14,338.8	14,987.9	417.6	4.5
<i>Other Liabilities</i>	-1,326.9	-1,165.7	-4,067.7	-12.2	249.0
Total (Group A through C)	117,933.0	140,851.9	179,219.0	19.4	27.2
D. Miscellaneous Items, Net	11,927.6	18,502.7	24,716.5	55.1	33.6
Total (Group A through D)	129,860.5	159,354.6	203,935.5	22.7	28.0
E. Reserves & Related Items	-129,860.5	-159,354.6	-203,935.5	22.7	28.0
Reserve Assets	-128,536.3	-158,192.0	-203,935.5	23.1	28.9
<i>National Rastra Bank</i>	-115,992.2	-130,353.0	-172,887.0	12.4	32.6
<i>Deposit Money Banks</i>	-12,544.1	-27,839.0	-31,048.5	121.9	11.5
Use of Fund Credit and Loans	-1,324.2	-1,162.6	0.0	-12.2	-
Changes in Reserve Net (- increase)	-127,127.1	-145,036.0	-188,953.2	14.1	30.3

P Provisional

Table 16
Gross Foreign Exchange Reserve

	Mid-July			Percent Change	
	2014	2015	2016	2014/15	2015/16
	Rs. in Million				
Nepal Rastra Bank	572,400.9	703,060.9	887,010.8	22.8	26.2
Convertible	426,132.9	517,456.7	672,458.2	21.4	30.0
Inconvertible	146,268.0	185,604.2	214,552.6	26.9	15.6
Commercial Banks	93,006.1	120,995.1	152,199.8	30.1	25.8
Convertible	87,372.3	114,843.4	144,005.6	31.4	25.4
Inconvertible	5,633.8	6,151.7	8,194.2	9.2	33.2
Total Reserve	665,407.0	824,056.0	1039,210.6	23.8	26.1
Convertible	513,505.2	632,300.1	816,463.8	23.1	29.1
Inconvertible	151,901.8	191,756.0	222,746.9	26.2	16.2
	US dollars in Million				
Nepal Rastra Bank	5,968.7	6,951.4	8,310.8	16.5	19.6
Convertible	4,443.5	5,116.2	6,300.6	15.1	23.1
Inconvertible	1,525.2	1,835.1	2,010.2	20.3	9.5
Commercial Banks	969.8	1,196.3	1,426.0	23.4	19.2
Convertible	911.1	1,135.5	1,349.3	24.6	18.8
Inconvertible	58.7	60.8	76.8	3.5	26.2
Total Reserve	6,938.6	8,147.7	9,736.8	17.4	19.5
Convertible	5,354.6	6,251.7	7,649.8	16.8	22.4
Inconvertible	1,584.0	1,895.9	2,087.0	19.7	10.1

Table 17
Government Budgetary Operation¹
(On Cash Basis)

Heads	Amount			Percent Change	
	2013/14	2014/15	2015/16 ²	2014/15	2015/16
Expenditure of Budget	417327.5	509213.9	569571.4	22.0	11.9
Recurrent	296552.2	334881.5	356499.3	12.9	6.5
a. Domestic Resources	268110.5	309169.3	325036.1	15.3	5.1
b. Foreign Loans	4209.6	3625.7	9664.9	-13.9	166.6
c. Foreign Grants	24232.1	22086.5	21798.3	-8.9	-1.3
Capital	61360.0	81030.3	111700.9	32.1	37.9
a. Domestic Resources	48804.0	68626.0	98032.6	40.6	42.9
b. Foreign Loans	5446.8	7646.2	7164.2	40.4	-6.3
c. Foreign Grants	7109.2	4758.1	6504.1	-33.1	36.7
Financial	59415.3	93302.1	101371.2	57.0	8.6
a. Domestic Resources	57937.4	87750.5	93239.1	51.5	6.3
b. Foreign Loans	319.3	4051.6	7745.4	1168.9	91.2
c. Foreign Grants	1158.6	1500.0	386.7	29.5	-74.2
Expenditure from Freeze Accounts	138.4	0.0	0.0	-	-
Freeze-1 Recurrent	9.2	0.0	0.0	-	-
Freeze-2 Capital	129.2	0.0	0.0	-	-
Freeze-3 Financial	0.0	0.0	0.0	-	-
Total Expenditure	417465.9	509213.9	569571.4	22.0	11.9
Total Resources	403715.0	463333.4	532082.5	14.8	14.8
Revenue and Grants	393560.3	434795.2	522525.5	10.5	20.2
Revenue	356619.6	405846.6	482750.1	13.8	18.9
Foreign Grants	36940.7	28948.6	39775.4	-21.6	37.4
Non-Budgetary Receipts, net	8084.4	11104.8	5658.9	37.4	-49.0
Others	-63.4	-26.5	1096.6	-58.2	-4238.1
V. A. T. Fund Account	-44.7	1129.6	-174.7	-2627.1	-115.5
Customs Fund Account	136.6	832.9	184.1	509.7	-77.9
Reconstruction Fund Account	0.0	10000.0	0.0	-	-100.0
Local Authorities' Accounts (LAA) ³	2041.8	5497.4	2792.1	169.2	-49.2
Deficits(-) Surplus(+)	-13750.9	-45880.5	-37488.9	-233.7	18.3
Sources of Financing	13750.9	45880.5	37488.9	233.7	-18.3
Internal Loans	-1901.8	32055.3	-5978.6	-1785.5	-118.7
Domestic Borrowings	19982.8	42423.1	87774.5	112.3	106.9
Treasury Bills	10000.0	10000.0	20500.0	0.0	105.0
Development Bonds	9000.0	30000.0	62000.0	233.3	106.7
National Savings Certificates	906.4	0.0	0.0	-	-
Citizen Saving Certificates	0.0	2339.4	5000.0	-	113.7
Foreign Employment Bonds	76.4	83.7	274.5	9.5	228.0
Overdraft ⁴	-23316.3	-10312.3	-93566.7	-55.8	807.3
Others ⁵	1431.7	-55.5	-186.4	-103.9	235.9
Principal Refund and Share Divestment	569.8	11224.0	13694.0	1869.8	22.0
Foreign Borrowings	15082.9	2601.2	29773.5	-82.8	1044.6

1 Based on data reported by 8 offices of NRB, 66 branches of Rastriya Banijya Bank Limited, 46 branches of Nepal Bank Limited, 9 branches of Everest Bank Limited, 4 branches of Global IME Bank Limited and 1 branch each of Nepal Bangladesh Bank, NMB Bank Limited and Bank of Kathmandu Lumbini Limited. Likewise, based on release statement received from 79 District Treasury Controller Offices (DTCOs) and Paying Offices located in 75 districts.

2 Unaudited

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

4 Minus (-) indicates surplus

5 Other income earned from transactions in GON securities.

Table 18
Outstanding Domestic Debt of Government of Nepal

S. N.	Bonds/Ownership	Amount			Amount Change		Percent Change	
		2013/14	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
1	Treasury Bills	136468.1	119858.1	116059.1	-16610.0	-3799.0	-12.2	-3.2
	a. Nepal Rastra Bank	22048.9	17968.9	16099.9	-4080.0	-1869.0	-18.5	-10.4
	b. Commercial Banks	113360.3	100729.2	97899.5	-12631.1	-2829.6	-11.1	-2.8
	c. Development Banks	721.4	907.0	444.4	185.5	-462.6	25.7	-51.0
	d. Finance Companies	337.5	253.1	111.5	-84.4	-141.6	-25.0	-55.9
2	Development Bonds	47110.9	57070.0	108900.0	9959.1	51830.0	21.1	90.8
	a. Nepal Rastra Bank	0.0	28.7	0.0	28.7	-28.7	-	-
	b. Commercial Banks	23006.8	35633.9	79063.5	12627.2	43429.6	54.9	121.9
	c. Development Banks	2022.9	2180.9	5116.7	158.0	2935.8	7.8	134.6
	d. Finance Companies	2702.5	2793.9	3733.5	91.4	939.7	3.4	33.6
3	National Saving Certificates	16586.5	16586.5	906.5	0.0	-15680.0	0.0	-94.5
	a. Nepal Rastra Bank	18.7	21.4	1.3	2.7	-20.1	14.5	-93.9
	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	-	-
4	Citizen Saving Bonds	1516.7	3056.2	7806.2	1539.4	4750.0	101.5	155.4
	a. Nepal Rastra Bank (Secondary Market)	1265.4	507.6	307.6	-757.8	-200.1	-59.9	-39.4
	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	6.3	0.0	0.0	-6.3	0.0	-100.0	-
5	Foreign Employment Bonds	135.3	215.0	486.2	79.7	271.1	58.9	126.1
	a. Nepal Rastra Bank	0.04	0.02	0.01	-0.03	-0.01	-62.5	-33.3
	b. Others	135.3	215.0	486.2	79.7	271.1	58.9	126.1
6	Total Domestic Debt	201817.5	196785.8	234157.9	-5031.8	37372.1	-2.5	19.0
	a. Nepal Rastra Bank	23333.0	18526.6	16408.8	-4806.4	-2117.8	-20.6	-11.4
	b. Commercial Banks	136367.0	136363.1	176963.0	-3.9	40600.0	0.0	29.8
	c. Development Banks	2744.4	3087.8	5561.1	343.5	2473.2	12.5	80.1
	d. Finance Companies	3046.3	3047.0	3845.0	0.6	798.1	0.0	26.2
7	Balance at NRB (Overdraft(+)/Surplus(-)	-23500.8	-33813.1	-127379.8	-10312.3	-93566.7	43.9	276.7

Note:

- (a) IMF Provisory Note 4871.1 4871.1 4871.1
- (b) Foreign Debt 346819.1 342964.8 381743.9
- (c) Total Public Debt (except IMF Promissory Note) 548636.6 539750.6 615901.8

Table 19
Monetary Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2014/15		2015/16	
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	599219.7	747287.4	956022.1	145036.0¹	24.2	188953.2²	25.3
1.1 Foreign Assets	686759.0	847679.0	1069830.7	160920.0	23.4	222151.7	26.2
1.2 Foreign Currency Deposits	87539.3	100391.6	113808.7	12852.3	14.7	13417.1	13.4
(a) <i>Deposits</i>	80052.7	94395.6	109383.4	14342.9	17.9	14987.8	15.9
(b) <i>Other</i>	7486.6	5996.0	4425.2	-1490.7	-19.9	-1570.7	-26.2
2. Net Domestic Assets	966747.4	1130514.1	1288556.5	166798.4¹	17.3	177823.8²	15.7
2.1 Domestic Credit	1314305.0	1527345.6	1793333.5	213040.7	16.2	265987.9	17.4
(a) Net Claims on Government	141989.5	127211.4	75398.1	-14778.1	-10.4	-51813.4	-40.7
<i>Claims on Government</i>	165490.3	161024.5	202777.8	-4465.8	-2.7	41753.3	25.9
<i>Government Deposits</i>	23500.8	33813.1	127379.8	10312.3	43.9	93566.7	276.7
(b) Claims on Non-Financial Govt Enterprises	10417.3	10100.8	8227.0	-316.6	-3.0	-1873.8	-18.6
(c) Claims on Financial Enterprises	11073.5	16088.6	17443.6	5015.0	45.3	1355.0	8.4
<i>Government</i>	1487.6	3260.7	3414.3	1773.1	119.2	153.6	4.7
<i>Non-Government.</i>	9585.9	12827.9	14029.3	3242.0	33.8	1201.4	9.4
(D) Claims on Private Sector	1150824.6	1373944.9	1692264.9	223120.3	19.4	318320.0	23.2
2.2 Net Non-Monetary Liabilities	347557.5	396831.5	504777.0	46242.3¹	13.3	88164.0²	22.2
3. Broad Money Supply (M2)	1565967.2	1877801.5	2244578.6	311834.4	19.9	366777.0	19.5
3.1 Money Supply (M1+)	1130173.7	1376048.6	1634481.7	245874.9	21.8	258433.2	18.8
(a) Money Supply (M1)	354830.0	424744.6	503287.1	69914.6	19.7	78542.5	18.5
<i>Currency</i>	227537.4	270080.4	327482.7	42543.0	18.7	57402.3	21.3
<i>Demand Deposits</i>	127292.6	154664.2	175804.4	27371.6	21.5	21140.2	13.7
(b) Saving & Call Deposits	775343.7	951303.9	1131194.6	175960.3	22.7	179890.7	18.9
3.2 Time Deposits	435793.5	501753.0	610096.8	65959.5	15.1	108343.9	21.6
4. Broad Money Liquidity (M3)	1646019.8	1972197.2	2353962.0	326177.3	19.8	381764.8	19.4

P = Provisional

1 Adjusting exchange valuation gain of Rs. 3,031.72 million

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

Table 20
Central Bank Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2014/15		2015/16	
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets	593752.9	726683.9	917630.9	132931.0	22.4	190947.0	26.3
1.1 Gold Investment	15882.8	19527.1	28206.2	3644.3	22.9	8679.1	44.4
1.2 SDR Holdings	5469.3	4095.9	29.8	-1373.4	-25.1	-4066.0	-99.3
1.3 IMF Reserve Position	0.0	0.0	2384.1	0.0		2384.1	0.0
1.4 Foreign Exchange	572400.9	703060.9	887010.8	130660.1	22.8	183949.9	26.2
2. Claims on Government	23332.6	18526.6	16408.7	-4806.0	-20.6	-2117.9	-11.4
2.1 Treasury Bills	22048.6	17968.9	16099.9	-4079.7	-18.5	-1869.1	-10.4
2.2 Development Bonds	0.0	28.7	0.0	28.7		-28.7	-100.0
2.3 Other Government Securities	1284.1	529.0	308.9	-755.1	-58.8	-220.2	-41.6
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	507.0	2423.8	2423.8	1916.8	378.1	0.0	0.0
4.1 Government Institutions	491.0	2407.8	2407.8	1916.8	390.4	0.0	0.0
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	1933.0	3261.5	6710.2	1328.5	68.7	3448.6	105.7
5.1 Refinance	1933.0	3261.5	5910.2	1328.5	68.7	2648.6	81.2
5.2 Repo Lending and SLF	0.0	0.0	800.0	0.0		800.0	
6. Claims on Private Sector	4125.4	4695.8	4449.8	570.4	13.8	-246.0	-5.2
7. Other Assets	31598.6	31359.3	33875.4	-239.3	-0.8	2516.1	8.0
Assets = Liabilities	655280.6	786981.9	981529.7	131701.3	20.1	194547.8	24.7
8. Reserve Money	436594.2	522898.4	547053.0	86304.3	19.8	24154.5	4.6
8.1 Currency Outside ODCs	227537.4	270080.4	327482.7	42543.0	18.7	57402.3	21.3
8.2 Currency Held by ODCs	41129.9	47292.0	55901.1	6162.2	15.0	8609.0	18.2
8.3 Deposits of Commercial Banks	143481.4	174939.8	134715.9	31458.4	21.9	-40224.0	-23.0
8.4 Deposits of Development Banks	8221.4	11483.8	13738.9	3262.4	39.7	2255.0	19.6
8.5 Deposits of Finance Companies	4511.1	5815.5	5551.4	1304.4	28.9	-264.1	-4.5
8.6 Other Deposits	11713.0	13286.9	9663.1	1573.9	13.4	-3623.8	-27.3
9. Govt. Deposits	23500.8	33813.1	127379.8	10312.3	43.9	93566.7	276.7
10. Deposit Auction	0.0	60000.0	0.0	60000.0		-60000.0	-100.0
11. Reverse Repo	20000.0	5000.0	0.0	-15000.0	-75.0	-5000.0	-100.0
12. NRB Bond	0.0	0.0	49080.0	0.0		49080.0	
13. Foreign Liabilities	7482.5	5996.0	4425.2	-1486.5	-19.9	-1570.7	-26.2
14. Capital and Reserve	110775.1	118248.2	139195.6	7473.1	6.7	20947.4	17.7
15. Other Liabilities	56927.9	41026.1	114396.1	-15901.8	-27.9	73370.0	178.8

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<i>Net Foreign Assets</i>	586270.4	720687.9	913205.7	131535.8 ^{1/}	22.4	172892.6 ^{2/}	24.0
<i>Net Domestic Assets</i>	-149676.3	-197789.5	-366152.7	-45231.5 ^{1/}	30.2	-148738.1 ^{2/}	75.2
<i>Other Items, Net</i>	156104.4	192915.0	268796.3	33928.9 ^{1/}	21.7	56256.2 ^{2/}	29.2

1 Adjusting exchange valuation gain of Rs. 2,881.7 million

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

Table 21
Condensed Assets and Liabilities of Banks and Financial Institutions

(Rs. in Million)

	Mid-July			Annual Change			
				2014/15		2015/16	
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	1406769.5	1688829.9	2016816.2	282060.4	20.1	327986.3	19.4
1.1 Demand Deposits	129689.2	159290.0	183460.3	29600.8	22.8	24170.3	15.2
(a) Domestic Deposits	115579.7	141377.3	166141.3	25797.7	22.3	24764.0	17.5
(b) Foreign Deposits	14109.5	17912.6	17319.0	3803.1	27.0	-593.6	-3.3
1.2 Saving Deposits	589705.9	712471.2	873679.6	122765.3	20.8	161208.4	22.6
(a) Domestic Deposits	580319.7	702459.4	858549.9	122139.6	21.0	156090.6	22.2
(b) Foreign Deposits	9386.2	10011.8	15129.6	625.6	6.7	5117.8	51.1
1.3 Fixed Deposits	452941.9	509201.1	615861.4	56259.2	12.4	106660.3	20.9
(a) Domestic Deposits	424742.4	489602.8	594160.0	64860.4	15.3	104557.3	21.4
(b) Foreign Deposits	28199.6	19598.4	21701.4	-8601.2	-30.5	2103.0	10.7
1.4 Call Deposits	223381.4	295717.4	327878.1	72336.0	32.4	32160.7	10.9
(a) Domestic Deposits	195023.9	248844.5	272644.7	53820.6	27.6	23800.1	9.6
(b) Foreign Deposits	28357.4	46872.8	55233.4	18515.4	65.3	8360.6	17.8
1.5 Margin Deposits	11051.1	12150.2	15936.8	1099.1	9.9	3786.6	31.2
2. Borrowings from NRB	1933.0	3261.5	6710.2	1328.5	68.7	3448.6	105.7
3. Foreign Liabilities	4.1	0.0	0.0	-4.1		0.0	
4. Other Liabilities	348672.1	383714.9	473139.0	35042.8	10.1	89424.0	23.3
4.1 Paid-up Capital	129485.0	141598.6	164981.4	12113.5	9.4	23382.8	16.5
4.2 General Reserves	68466.5	80937.5	107709.1	12471.0	18.2	26771.7	33.1
4.3 Other Liabilities	150720.6	161178.9	200448.5	10458.3	6.9	39269.6	24.4
Assets=Liabilities	1757378.7	2075806.3	2496665.3	318427.6	18.1	420859.0	20.3
5. Liquid Funds	286916.4	353447.0	356855.5	66530.6	23.2	3408.6	1.0
5.1 Cash in Hand	41129.9	47292.0	55901.1	6162.2	15.0	8609.0	18.2
5.2 Balance with NRB	156214.0	192239.2	154006.1	36025.2	23.1	-38233.0	-19.9
5.3 Foreign Currency in Hand	788.7	1336.9	999.9	548.2	69.5	-337.0	-25.2
5.4 Balance Held Abroad	88693.8	112504.8	145881.6	23811.0	26.8	33376.9	29.7
5.5 Cash in Transit	90.1	74.1	66.8	-16.0	-17.7	-7.3	-9.8
6. Loans and Advances	1313333.4	1542634.9	1902718.2	229301.6	17.5	360083.3	23.3
6.1 Claims on Government	142157.7	142497.9	186369.1	340.2	0.2	43871.2	30.8
6.2 Claims on Non-Financial Government Enterprises	10386.3	10069.8	8196.0	-316.6	-3.0	-1873.8	-18.6
6.3 Claims on Financial Enterprises	10566.5	13664.8	15019.8	3098.3	29.3	1355.0	9.9
<i>Government</i>	996.6	852.9	1006.6	-143.7	-14.4	153.6	18.0
<i>Non-Government</i>	9569.9	12811.9	14013.3	3242.0	33.9	1201.4	9.4
6.4 Claims on Private Sector	1146699.2	1369249.1	1687815.1	222549.9	19.4	318566.0	23.3
<i>Principal</i>	1117321.0	1338931.6	1656838.8	221610.6	19.8	317907.2	23.7
<i>Interest Accrued</i>	29378.2	30317.5	30976.3	939.3	3.2	658.8	2.2
6.5 Foreign Bills Purchased & Discounted	3523.6	7153.4	5318.3	3629.8	103.0	-1835.1	-25.7
7. NRB Bond	0.0	0.0	49080.0	0.0		49080.0	
8. Other Assets	157129.0	179724.4	188011.5	22595.4	14.4	8287.1	4.6

P = Provisional

Table 22
Condensed Assets and Liabilities of Commercial Banks

	Mid-July			Annual Change			
				2014/15		2015/16	
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	1196479.4	1452748.8	1753430.6	256269.4	21.4	300681.9	20.7
1.1 Demand Deposits	122544.8	150442.9	175087.2	27898.2	22.8	24644.3	16.4
(a) Domestic Deposits	108467.3	132566.9	157821.0	24099.6	22.2	25254.1	19.1
(b) Foreign Deposits	14077.5	17876.0	17266.2	3798.5	27.0	-609.9	-3.4
1.2 Saving Deposits	450769.1	559351.0	698691.2	108581.8	24.1	139340.2	24.9
(a) Domestic Deposits	441456.0	549436.3	683588.7	107980.3	24.5	134152.4	24.4
(b) Foreign Deposits	9313.2	9914.7	15102.5	601.5	6.5	5187.9	52.3
1.3 Fixed Deposits	365549.7	417355.1	523230.7	51805.4	14.2	105875.6	25.4
(a) Domestic Deposits	337378.4	397787.4	501530.4	60408.9	17.9	103743.0	26.1
(b) Foreign Deposits	28171.3	19567.7	21700.3	-8603.6	-30.5	2132.6	10.9
1.4 Call Deposits	246884.4	313798.9	340707.8	66914.5	27.1	26908.9	8.6
(a) Domestic Deposits	218529.8	266863.4	285473.9	48333.6	22.1	18610.5	7.0
(b) Foreign Deposits	28354.7	46935.5	55233.9	18580.8	65.5	8298.5	17.7
1.5 Margin Deposits	10731.3	11800.9	15713.7	1069.5	10.0	3912.8	33.2
2. Borrowings from NRB	1933.0	3261.5	6516.3	1328.5	68.7	3254.7	99.8
3. Foreign Liabilities	4.1	0.0	0.0	-4.1		0.0	
4. Other Liabilities	268735.4	297716.1	381269.4	28980.7	10.8	83553.2	28.1
4.1 Paid-up Capital	87334.0	98300.1	122538.9	10966.0	12.6	24238.9	24.7
4.2 General Reserves	53749.9	63635.7	88058.1	9885.8	18.4	24422.4	38.4
4.3 Other Liabilities	127651.4	135780.3	170672.3	8128.9	6.4	34892.0	25.7
Assets=Liabilities	1467151.9	1753726.4	2141216.3	286574.5	19.5	387489.9	22.1
5. Liquid Funds	267110.4	327932.5	328337.0	60822.1	22.8	404.5	0.1
5.1 Cash in Hand	33942.2	39383.4	47060.6	5441.2	16.0	7677.1	19.5
5.2 Balance with NRB	143481.4	174939.8	134715.9	31458.4	21.9	-40224.0	-23.0
5.3 Foreign Currency in Hand	699.9	1252.1	928.1	552.1	78.9	-323.9	-25.9
5.4 Balance Held Abroad	88901.1	112283.6	145568.3	23382.6	26.3	33284.7	29.6
5.5 Cash in Transit	85.8	73.5	64.1	-12.2	-14.3	-9.4	-12.8
6. Loans and Advances	1066926.5	1267006.8	1594927.5	200080.3	18.8	327920.6	25.9
6.1 Claims on Government	136367.1	136363.1	176963.0	-4.0	0.0	40599.9	29.8
6.2 Claims on Non-Financial Government Enterprises	10047.3	9774.5	7875.8	-272.8	-2.7	-1898.6	-19.4
6.3 Claims on Financial Enterprises	10136.6	11901.2	15311.2	1764.6	17.4	3410.0	28.7
Government	996.6	852.9	1006.6	-143.7	-14.4	153.6	18.0
Non-Government	9140.0	11048.3	14304.6	1908.3	20.9	3256.3	29.5
6.4 Claims on Private Sector	906851.9	1101814.7	1389459.2	194962.8	21.5	287644.5	26.1
(a) Principal	885806.0	1080542.1	1367279.8	194736.1	22.0	286737.7	26.5
(b) Interest Accrued	21045.9	21272.6	22179.5	226.7	1.1	906.9	4.3
6.5 Foreign Bills Purchased & Discounted	3523.6	7153.4	5318.3	3629.8	103.0	-1835.1	-25.7
7. NRB Bond	0.0	0.0	49020.0	0.0		49020.0	
8. Other Assets	133115.0	158787.1	168931.8	25672.1	19.3	10144.7	6.4

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Table 23
Condensed Assets and Liabilities of Development Banks

	(Rs. in Million)							
	Mid-July			Annual Change				
				2014/15		2015/16		
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent	
1. Total Deposits	200328.9	230725.3	268895.4	30396.4	15.2	38170.1	16.5	
1.1 Demand Deposits	4228.3	5539.4	7238.3	1311.1	31.0	1699.0	30.7	
(a) Domestic Deposits	4196.3	5502.8	7185.5	1306.5	31.1	1682.7	30.6	
(b) Foreign Deposits	32.0	36.6	52.8	4.6	14.4	16.2	44.4	
1.2 Saving Deposits	108357.5	120640.8	143419.3	12283.4	11.3	22778.4	18.9	
(a) Domestic Deposits	108284.5	120543.7	143392.2	12259.2	11.3	22848.5	19.0	
(b) Foreign Deposits	73.0	97.2	27.1	24.1	33.1	-70.1	-72.1	
1.3 Fixed Deposits	55395.1	62212.7	68222.1	6817.5	12.3	6009.4	9.7	
(a) Domestic Deposits	54980.1	62182.0	68221.0	7202.0	13.1	6039.0	9.7	
(b) Foreign Deposits	415.1	30.6	1.1	-384.5	-92.6	-29.5	-96.5	
1.4 Call Deposits	32040.5	41997.0	49807.4	9956.6	31.1	7810.3	18.6	
(a) Domestic Deposits	32002.9	41472.6	49586.5	9469.7	29.6	8113.9	19.6	
(b) Foreign Deposits	37.5	524.4	220.9	486.9		-303.6		
1.5 Margin Deposits	307.5	335.4	208.3	27.9	9.1	-127.1	-37.9	
2. Borrowings from NRB	0.0	0.0	5.0	0.0		5.0		
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0		
4. Other Liabilities	55044.5	57998.1	62786.1	2953.6	5.4	4788.0	8.3	
4.1 Paid-up Capital	26219.5	27534.7	29278.2	1315.2	5.0	1743.5	6.3	
4.2 General Reserves	9026.5	11783.2	12137.7	2756.7	30.5	354.5	3.0	
4.3 Other Liabilities	19798.5	18680.1	21370.1	-1118.4	-5.6	2690.0	14.4	
Assets=Liabilities	255373.4	288723.4	331686.5	33350.0	13.1	42963.1	14.9	
5. Liquid Funds	14644.2	18683.7	21923.1	4039.5	27.6	3239.4	17.3	
5.1 Cash in Hand	6125.7	6894.1	7819.7	768.4	12.5	925.6	13.4	
5.2 Balance with NRB	8221.4	11483.8	13738.9	3262.4	39.7	2255.0	19.6	
5.3 Foreign Currency in Hand	88.4	84.5	71.7	-3.9	-4.4	-12.8	-15.2	
5.4 Balance Held Abroad	206.1	220.9	292.6	14.7	7.2	71.7	32.5	
5.5 Cash in Transit	2.5	0.4	0.3	-2.1	-83.4	-0.2	-36.7	
6. Loans and Advances	223339.7	253591.8	294700.0	30252.1	13.5	41108.2	16.2	
6.1 Claims on Government	2744.3	3087.8	5561.1	343.5	12.5	2473.3	80.1	
6.2 Claims on Non-Financial Government Enterprises	273.7	195.9	188.2	-77.8	-28.4	-7.7	-3.9	
6.3 Claims on Financial Enterprises	50514.5	54041.7	54167.3	3527.2	7.0	125.6	0.2	
Government	0.0	0.0	0.0	0.0		0.0		
Non-Government	50514.5	54041.7	54167.3	3527.2	7.0	125.6	0.2	
6.4 Claims on Private Sector	169807.1	196266.3	234783.3	26459.2	15.6	38517.0	19.6	
(a) Principal	166791.4	193415.8	232698.8	26624.4	16.0	39283.0	20.3	
(b) Interest Accrued	3015.8	2850.5	2084.5	-165.2	-5.5	-766.0	-26.9	
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0		
7. NRB Bond	0.0	0.0	60.0	0.0		60.0		
8. Other Assets	17389.6	16447.9	15003.4	-941.7	-5.4	-1444.5	-8.8	

P = Provisional

Table 24
Condensed Assets and Liabilities of Finance Companies

	Mid-July			Annual Change			
				2014/15		2015/16	
	2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	72080.8	71636.2	63027.9	-444.6	-0.6	-8608.3	-12.0
1.1 Demand Deposits	5824.9	5426.4	4542.4	-398.4	-6.8	-884.0	-16.3
(a) Domestic Deposits	5824.9	5426.4	4542.4	-398.4	-6.8	-884.0	-16.3
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Saving Deposits	31184.7	33755.0	32046.9	2570.3	8.2	-1708.1	-5.1
(a) Domestic Deposits	31184.7	33755.0	32046.9	2570.3	8.2	-1708.1	-5.1
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Fixed Deposits	33952.7	31550.0	24985.8	-2402.6	-7.1	-6564.2	-20.8
(a) Domestic Deposits	33952.7	31550.0	24985.8	-2402.6	-7.1	-6564.2	-20.8
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Call Deposits	1106.3	890.8	1437.9	-215.5	-19.5	547.2	61.4
(a) Domestic Deposits	1106.3	890.8	1437.9	-215.5	-19.5	547.2	61.4
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Margin Deposits	12.3	13.9	14.8	1.7	13.7	0.8	5.9
2. Borrowings from NRB	0.0	0.0	188.9	0.0		188.9	
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	33511.8	33399.7	35739.5	-112.1	-0.3	2339.8	7.0
4.1 Paid-up Capital	15931.5	15763.8	13164.2	-167.8	-1.1	-2599.5	-16.5
4.2 General Reserves	5690.1	5518.5	7513.3	-171.6	-3.0	1994.8	36.1
4.3 Other Liabilities	11890.2	12117.5	15062.0	227.2	1.9	2944.5	24.3
Assets=Liabilities	105592.6	105035.9	98956.3	-556.7	-0.5	-6079.6	-5.8
5. Liquid Funds	5575.5	6830.8	6616.0	1255.3	22.5	-214.8	-3.1
5.1 Cash in Hand	1061.9	1014.5	1020.8	-47.4	-4.5	6.3	0.6
5.2 Balance with NRB	4511.1	5815.5	5551.4	1304.4	28.9	-264.1	-4.5
5.3 Foreign Currency in Hand	0.4	0.4	0.1	0.0	6.9	-0.3	-67.2
5.4 Balance Held Abroad	0.3	0.3	41.2	0.0	0.0	40.9	15623.7
5.5 Cash in Transit	1.8	0.1	2.4	-1.7	-92.6	2.3	1727.9
6. Loans and Advances	93392.7	93715.7	88264.1	323.0	0.3	-5451.7	-5.8
6.1 Claims on Government	3046.3	3047.0	3845.0	0.7	0.0	798.0	26.2
6.2 Claims on Non-Financial Government Enterprises	65.3	99.4	131.9	34.0	52.1	32.5	32.7
6.3 Claims on Financial Enterprises	20240.9	19401.3	20714.6	-839.6	-4.1	1313.4	6.8
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Government	20240.9	19401.3	20714.6	-839.6	-4.1	1313.4	6.8
6.4 Claims on Private Sector	70040.2	71168.1	63572.5	1127.9	1.6	-7595.5	-10.7
(a) Principal	64723.6	64973.7	56860.2	250.1	0.4	-8113.5	-12.5
(b) Interest Accrued	5316.5	6194.4	6712.3	877.9	16.5	518.0	8.4
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	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	6624.4	4489.4	4076.3	-2135.0	-32.2	-413.1	-9.2

P = Provisional

Table 25
Sectorwise Outstanding Loan of Commercial Banks

(Rs. in Million)

		Mid-July			Annual Change			
					2014/15		2015/16	
		2014	2015	2016 ^P	Amount	Percent	Amount	Percent
1.	Agriculture	40,270.0	50,706.0	61,125.0	10,436.0	25.9	10,419.0	20.5
2.	Mining	3,255.0	3,064.0	2,971.0	-191.0	-5.9	-93.0	-3.0
3.	Production Sector	207,428.0	239,723.0	278,304.0	32,295.0	15.6	38,581.0	16.1
4.	Construction	88,741.0	115,176.0	142,303.0	26,435.0	29.8	27,128.0	23.6
5.	Metal Production, Machinery & Electrical Tools and Fitting	10,929.0	12,402.0	16,328.0	1,473.0	13.5	3,925.0	31.6
6.	Transportation, Equipment Production and Fitting	15,489.0	14,377.0	21,520.0	-1,111.0	-7.2	7,143.0	49.7
7.	Transportation, Communication and Public Service	31,411.0	41,289.0	63,828.0	9,878.0	31.4	22,539.0	54.6
8.	Wholesalers and Retailers	205,415.0	256,253.0	330,887.0	50,838.0	24.7	74,634.0	29.1
9.	Finance, Insurance and Fixed Assets	72,814.0	89,220.0	114,518.0	16,406.0	22.5	25,298.0	28.4
10.	Service Industry	68,630.0	88,438.0	103,954.0	19,808.0	28.9	15,516.0	17.5
11.	Consumption Loan	39,366.0	43,036.0	50,324.0	3,669.0	9.3	7,289.0	16.9
12.	Local Government	1,096.0	1,622.0	1,576.0	526.0	48.0	-46.0	-2.8
13.	Other	116,165.0	147,837.0	204,864.0	31,672.0	27.3	57,027.0	38.6
	Total	901,009.0	1103,143.0	1392,503.0	202,134.0	22.4	289,360.0	26.2

P = Provisional

Table 26
Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to Banks and Financial Institutions

(Rs. in Million)

S.N.	Institutions	2013/14	2014/15	2015/16
1.	Commercial Banks	7,710.0	8,910.0	8,882.0
2.	Agriculture Development Bank	0.0	0.0	0.0
3.	Nepal Industrial Development Corporation	0.0	0.0	0.0
4.	Rural Development Banks	10.0	0.0	0.0
5.	Other Development Banks	570.0	0.0	0.0
	Total	8,290.0	8,910.0	8,882.0

Table 27
Sources and Uses of Funds of Microfinance Institutions

Particulars	Mid-July			Percent Change	
	2014	2015	2016¹	2014/15	2015/16
Sources					
Capital Funds	5,809.7	6,142.7	8,673.7	5.7	41.2
Deposits	11,199.9	15,996.8	24,095.3	42.8	50.6
Borrowings	28,581.3	38,596.9	52,431.4	35.0	35.8
Others	3,853.6	5,389.7	7,200.0	39.9	33.6
P/L Account	1,140.0	2,556.1	3,306.2	124.2	29.3
Sources=Uses	50,584.5	68,682.3	95,706.6	35.8	39.3
Uses					
Liquid Funds	9,793.8	6,979.8	11,073.2	-28.7	58.6
Investment	470.3	2,466.3	2,843.5	424.4	15.3
Loans & Advances	36,426.0	55,066.9	77,233.0	51.2	40.3
Others	3,749.2	4,123.1	4,546.2	10.0	10.3
P/L Account	145.2	46.2	10.8	-68.2	-76.6

1 Unaudited

Table 28
Sources and Uses of Funds of NRB Licensed Cooperatives

Particulars	Mid-July			Percent Change	
	2014	2015	2016¹	2014/15	2015/16
Sources					
Capital Funds	1,396.2	1,666.4	2,576.3	19.3	54.6
Deposits	15,873.5	18,712.8	20,917.2	17.9	11.8
Borrowings	1,355.6	1,441.2	1,620.1	6.3	12.4
Others	2,319.7	2,423.8	2,359.2	4.5	-2.7
P/L Account	373.4	737.2	269.4	97.5	-63.5
Sources=Uses	21,318.5	24,981.5	27,742.2	17.2	11.1
Uses					
Liquid Funds	6,587.0	6,575.2	6,283.1	-0.2	-4.4
Investment	1,259.2	2,181.6	2,063.9	73.3	-5.4
Loans & Advances	11,823.8	14,407.9	17,620.4	21.9	22.3
Others	1,548.3	1,627.2	1,592.2	5.1	-2.2
P/L Account	100.2	189.6	182.6	89.3	-3.7

1 Unaudited

Table 29
Sources and Uses of Funds of Insurance Companies

Particulars	Mid-July			2014/15		2015/16	
	2014	2015	2016 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	7,412.2	9,509.7	10,995.2	2,097.5	28.3	1,485.5	15.6
Reserve Funds	75,705.1	111,812.0	135,416.9	36,106.9	47.7	23,604.9	21.1
Other Liabilities	5,004.4	8,123.0	11,829.5	3,118.6	62.3	3,706.5	45.6
Sources=Uses	88,121.7	129,444.7	158,241.6	41,323.0	46.9	28,796.9	22.2
Uses							
Bank & Cash Balances	1,683.2	4,682.2	5,517.3	2,999.0	178.2	835.1	17.8
Investment	75,781.4	110,078.9	133,296.5	34,297.5	45.3	23,217.6	21.1
Fixed Assets	2,352.6	2,713.5	2,737.0	360.9	15.3	23.5	0.9
Other Assets	8,304.5	11,970.1	16,690.8	3,665.6	44.1	4,720.7	39.4

1 Unaudited

Source: *Insurance Board Nepal*

Table 30
Sources and Uses of Funds of Employees Provident Fund

Particulars	Mid-July			2014/15		2015/16	
	2014	2015	2016 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	163,548.6	187,565.3	217,936.6	2,4016.7	14.7	30,371.3	16.2
Reserve Funds	4,202.9	4,628.0	4,439.2	425.1	10.1	-188.8	-4.1
Other Liabilities	1,938.9	2,249.9	2,479.0	311.0	16.0	229.1	10.2
Sources=Uses	169,690.4	194,443.2	224,854.8	24,752.8	14.6	30,411.6	15.6
Uses							
Bank & Cash Balance	7,380.8	8,014.8	7,881.1	634.0	8.6	-133.7	-1.7
Investment	43,010.6	54,316.9	69,457.7	11,306.3	26.3	15,140.8	27.9
<i>Fixed Deposits</i>	26,660.0	36,870.0	51,372.0	10,210.0	38.3	14,502.0	39.3
<i>GON Securities</i>	14,130.1	15,226.4	15,865.2	1,096.3	7.8	638.8	4.2
<i>Housing Plan</i>	0	0	0	0	0	0	0
<i>Share Investment</i>	2,220.5	2,220.5	2,220.5	0	0	0	0
<i>Other Investment</i>	0	0	0	0	0	0	0
Loans and Advances	116,438.6	128,935.6	144,105.0	12,497.0	10.7	15,169.4	11.8
<i>Project Loan</i>	24,862.3	24,819.6	24,749.6	-42.7	-0.2	-70.0	-0.3
<i>Depositor Loan</i>	91,576.3	104,116.0	119,355.4	12,539.7	13.7	15,239.4	14.6
Fixed Assets	328.9	320.3	400.0	-8.6	-2.6	79.7	24.9
Other Assets	2,531.5	2,855.7	3,011.0	324.2	12.8	155.3	5.4

1 Unaudited

Source: *Employees Provident Fund*

Table 31
Sources and Uses of Funds of Citizen Investment Trust

Particulars	Mid-July			2014/15		2015/16	
	2014	2015	2016 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
1. Paid-up Capital	450.0	450.0	607.5	0.0	0.0	157.5	35.0
2. Reserve Funds	1,684.7	1,845.7	1,514.1	161.0	9.6	-331.6	-18.0
3. Fund Collection	51,784.1	67,225.4	80,156.4	1,544.1	29.8	12,931.0	19.2
4. Other Liabilities	702.5	972.3	735.4	27.0	38.4	-236.9	-24.4
Sources=Uses	54,621.3	70,493.4	83,013.4	1,587.2	29.1	12,520.0	17.8
Uses							
1. Liquid Assets	7,562.3	9,313.6	600.0	175.1	23.2	-8,713.6	-93.6
2. Investment	26,314.1	41,723.4	62,875.8	1,540.9	58.6	21,152.4	50.7
3. Loans & Advances	17,905.1	17,373.7	13,608.3	-53.1	-3.0	-3,765.4	-21.7
4. Other Assets	2,839.8	2,082.7	5,929.3	-75.7	-26.7	3,846.6	184.7

1 Unaudited

Source: *Citizen Investment Trust*

Table 32
Structure of Nepalese Financial System

Particulars	2013/14			2014/15			2015/16		
	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)
Financial Institutions									
Nepal Rastra Bank	2565,101.4	89.1	130.6	3047,071.3	88.5	143.7	3689,525.4	88.7	164.1
Commercial Banks	655,280.6	22.8	33.4	786,981.9	22.9	37.1	981,529.7	23.6	43.6
Development Banks	1467,151.9	51.0	74.7	1753,726.4	50.9	82.7	2141,216.3	51.5	95.2
Finance Companies	255,373.4	8.9	13.0	288,723.4	8.4	13.6	331,686.5	8.0	14.8
Microfinance FIs	105,592.6	3.7	5.4	105,035.9	3.1	5.0	98,956.3	2.4	4.4
Cooperatives	50,584.5	1.8	2.6	68,682.3	2.0	3.2	95,706.6	2.3	4.3
Microfinance NGOs	21,318.5	0.7	1.1	24,981.5	0.7	1.2	27,742.2	0.7	1.2
	9,800.0	0.3	0.5	18,940.0	0.6	0.9	12,687.9	0.3	0.6
Contractual Saving Institutions									
Provident Fund	312,433.4	10.9	15.9	394,381.3	11.5	18.6	466,109.8	11.2	20.7
Citizen Investment Trust	54,621.3	1.9	2.8	70,493.4	2.0	3.3	83,013.4	2.0	3.7
Insurance Companies	88,121.7	3.1	4.5	129,444.7	3.8	6.1	158,241.6	3.8	7.0
Postal Saving Bank									
	1,580.0	0.1	0.1	1,784.9	0.1	0.1	2,191.7	0.1	0.1
Total	2879,114.8	100.0	146.6	3443,237.5	100.0	162.4	4157,827.0	100.0	184.9
GDP (Rs. in billion)			1,964.5			2,120.5			2,248.7
Market Capitalization of Securities Market (Rs. in billion)			1,057.2			989.4			
Ratio of Market Capitalization to GDP (%)			53.8			46.7			

Table 33
Stock Market Indicators

Particulars	Mid-July			Percent Change	
	2014	2015	2016	2014/15	2015/16
1 Number of Listed Companies	237	232	229	-2.1	
2 Paid-up Capital of the Listed Companies (Rs. in million)	150,245.9	179,690	*	19.6	
3 Total Market Capitalization (Rs. in million)	1057,165.8	989,404	*	-6.4	
4 Annual Turnover (Rs. in million)	77,291.6	65,333.6	*	-15.5	
5 Market Days	230	216	*	-6.1	
6 Number of Companies Traded	269	276	*	2.6	
7 Number of Transactions	566,371	477,287	*	-15.7	
8 Number of Listed Shares (in '000)	1653,827	2218,265	*	34.1	
9 Number of Shares Traded (in '000)	214,055	159,722	*	-25.4	
10 Ratio of Paid-up Capital to GDP (%)	7.74	8.46	*	9.3	
11 Ratio of Turnover to Paid-up Capital (%)	3.98	3.08	*	-22.8	
12 Ratio of Turnover to Market Capitalization (%)	7.31	6.60	*	-9.7	
13 Ratio of Market Capitalization to GDP (%)	54.45	46.57	*	-14.5	
14 NEPSE Index (closing)	1,036.10	961.23	1,718.20	-7.2	
15 NEPSE Sensitive Index (closing)	222.50	204.67	*	-8.0	
16 NEPSE Float Index (closing)	64.10	68.47	*	6.8	

* Not Available

Source: Nepal Stock Exchange Limited

Table 34
Securities Listed at Nepal Stock Exchange Limited

	2014/15			2015/16 ¹		
	No. of Shares ('000)	Amount (Rs. in Million)	Share %	No. of Shares ('000)	Amount (Rs. in Million)	Share %
Institutionwise						
Commercial Banks	80,800.4	8,080.0	33.0			
Development Banks	36,476.5	3,648.0	14.9			
Insurance Companies	18,314.2	1,831.0	7.5			
Finance Companies	10,504.0	1,050.0	4.3			
Productive and Processing Companies	540.0	54.0	0.2			
Hotels	12,034.7	120.0	0.5			
Trading Organizations	696.0	70.0	0.3			
Hydropower Companies	4,842.7	484.0	2.0			
Others	236,500.0	9,115.0	37.3			
Total	400,708.6	24,453.0	100.0			
Securitywise						
Ordinary Shares	243,400.1	9,940.0	40.6			
Right Shares	15,397.1	1,540.0	6.3			
Bonus Shares	141,911.4	12,973.0	53.1			
Government Bonds	0.0	-	0.0			
Convertible Preference Shares	0.0	-	0.0			
Debentures Issued by Banks	0.0	-	0.0			
Others	0.0	-	0.0			
Total	400,708.6	24,453.0	100.0			

¹ Not Available

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 2014	Mid-July 2015	Mid-July 2016	Mid-July 2014		Mid-July 2015		Mid-July 2016*		Percent Change	
				Price	Share %	Price	Share %	Price	Share %	2014/15	2015/16
Financial Institutions	204	198	192	820,648.0	77.6	769,057.0	77.7			-6.3	
<i>Commercial Banks</i>	30	29	29	555,609.0	52.6	496,242.0	50.2			-10.7	
<i>Development Banks</i>	93	96	95	82,160.0	7.8	96,920.0	9.8			18.0	
<i>Finance Companies</i>	59	51	46	42,239.0	4	42,218.0	4.3			0.0	
<i>Insurance Companies</i>	22	22	22	140,643.0	13.3	133,677.0	13.5			-5.0	
Construction and Processing Companies	18	18	18	20,196.0	1.9	29,681.0	3.0			47.0	
Hotels	4	4	4	24,983.0	2.4	24,856.0	2.5			-0.5	
Trading Organizations	4	4	4	1,097.0	0.1	1,178.0	0.1			7.4	
Hydropower Companies	5	6	8	91,825.0	8.7	69,212.0	7.0			-24.6	
Others	2	2	3	98,417.0	9.3	95,420.0	9.6			-3.0	
Total	237	232	229	1057,166.0	100	989,404.0	100			-6.4	

* Not Available

Source: Nepal Stock Exchange Limited

Appendix 1.1
Lists of Banks and Financial Institutions Licensed for
Performing Financial Transactions
(As in mid-July 2016)

1. Commercial Banks

S.No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital ¹ (Rs. in Million)
1	Nepal Bank Ltd.	Dharmapath,Kathmandu	1937/11/15	6465.00
2	Rastriya Banijya Bank Ltd.	Singhadurbarplaza,Kathmandu	1966/01/23	8588.97
3	Agriculture Development Bank Ltd.	Ramshahpath, Kathmandu	1968/01/21	10374.40
4	Nabil Bank Ltd.	Beena Marg, Kathmandu	1984/07/12	4756.57
5	Nepal Investment Bank Ltd.	Durbarmarg, Kathmandu	1986/03/09	7255.51
6	Standard Chartered Bank Nepal Ltd.	Nayabaneshwor, Kathmandu	1987/02/28	2248.16
7	Himalayan Bank Ltd.	Kamaladi, Kathmandu	1993/01/18	4499.15
8	Nepal SBI Bank Ltd.	Kesharmahal, Kathmandu	1993/07/07	3883.74
9	Nepal Bangladesh Bank Ltd.	Kamaladi, Kathmandu	1994/06/06	3037.13
10	Everest Bank Ltd.	Lazimpat , Kathmandu	1994/10/18	2742.60
11	Nepal Credit and Commerce Bank Ltd.	Siddharthanagar, Rupandehi	1996/10/14	2353.18
12	Kumari Bank Ltd.	Durbarmarg, Kathmandu	2001/04/03	2699.17
13	Laxmi Bank Ltd.	Hattisar, Kathmandu	2002/04/03	3039.23
14	Citizens Bank International Ltd. ²	Kamaladi, Kathmandu	2007/04/20	3492.93
15	Prime Commercial Bank Ltd.	Newroad, Kathmandu	2007/09/24	3705.26
16	Sunrise Bank Ltd. ³	Gairidhara, Kathmandu	2007/10/12	3976.05
17	Janata Bank Nepal Ltd.	Nayabaneshwor, Kathmandu	2010/04/05	2060.00
18	Mega Bank Nepal Ltd.	Kantipath, Kathmandu	2010/07/23	3240.73
19	Century Commercial Bank Ltd.	Putalisadak , Kathmandu	2011/03/10	2840.80
20	Sanima Bank Ltd.	Nagpokhari, Kathmandu	2012/02/15	3060.29
21	Machhapuchhre Bank Ltd.	Newroad, Pokhara, Kaski	2012/7/9 ⁴	3864.54
22	NIC Asia Bank Ltd.	Thapathali, Kathmandu	2013/6/30 ⁴	3695.02
23	Global IME Bank Ltd.	Panipokhari, Kathmandu	2014/4/9 ⁴	6164.27
24	Civil Bank Ltd.	Kamaladi, Kathmandu	2014/4/14 ⁴	3082.78
25	NMB Bank Ltd.	Babarmahal, Kathmandu	2015/10/18 ⁴	4486.92
26	Prabhu Bank Ltd.	Babarmahal, Kathmandu	2016/2/12 ⁴	5847.21
27	Siddhartha Bank Ltd. ⁵	Hattisar, Kathmandu	2016/7/21 ⁴	3022.07
28	Bank of Kathmandu Lumbini Ltd. ⁶	Kamaladi, Kathmandu	2016/7/14 ⁴	4576.89

1 Paid-up Capital is based as in mid-June 2015.

2 Approval for conducting unified transactions with effect from 2016/7/17 granted following the acquisition of Premier Finance Ltd. by Citizens Bank International Ltd.

3 After acquisition of Narayani National Finance Ltd. by Sunrise Bank Ltd., the unified transactions commenced since July 14, 2016. Paid-up capital is after the merger.

4 Commencement date as per the license provided after the merger

5 After merger between Siddhartha Bank Ltd. and Business Universal Development Bank Ltd. Paid-up capital is after the merger.

6 After merger between Bank of Kathmandu Ltd. and Lumbini Bank Ltd. Paid-up capital is after the merger.

2. Development Banks

No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital ⁷ (Rs. in Million)	Working Area
1	NIDC Development Bank Ltd.	Durbarmarg, Kathmandu	1959/06/15	415.82	National Level
2	Malika Bikash Bank Ltd.	Dhangadhi, Kailali	1999/11/11	242.55	4-10 District level (Achham, Doti, Dadeldhura, Kanchanpur, Kailali, Bardiya, Banke, Dang, Kapilbastu, Rupandehi)
3	Narayani Development Bank Ltd.	Ratnanagar, Chitwan	2001/10/17	55.57	1-3 District Level (Nawalparasi, Chitwan, Makawanpur)
4	Sahayogi Vikas Bank Ltd.	Janakpurdham, Dhanusha	2003/10/23	257.88	1-3 District Level (Dhanusha, Mahottari, Sindhuli)
5	Karnali Bikash Bank Ltd.	Nepalgunj, Banke	2004/02/18	100.00	1-3 District Level (Banke, Bardiya, Dang)
6	Shubhechchha Bikas Bank Ltd.	Narayangadh, Chitwan	2004/09/26	227.31	1-3 District Level (Makawanpur, Chitwan, Nawalparasi)
7	Gandaki Development Bank Ltd.	Pokhara, Kaski	2005/01/25	538.56	4-10 District Level (Chitwan, Syngja, Kaski, Lamjung, Parbat, Tanahu, Gorkha, Rupandehi, Nawalparasi, Baglung)
8	Excel Development Bank Ltd.	Birtamod, Jhapa	2005/07/21	307.65	1-3 District Level (Ilam, Jhapa, Morang)
9	Western Development Bank Ltd.	Ghorahi, Dang	2005/09/15	156.96	1-3 District Level (Dang, Banke, Kapilbastu)
10	Miteri Development Bank Ltd.	Dharan, Sunsari	2006/10/13	211.27	1-3 District Level (Jhapa, Morang, Sunsari)
11	Tinau Bikas Bank Ltd.	Butwal, Rupandehi	2006/11/01	270.91	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
12	Muktinath Bikas Bank Ltd.	Pokhara, Kaski	2007/01/03	838.43	National Level
13	Sewa Bikas Bank Ltd.	Butwal, Rupandehi	2007/02/25	425.56	4-10 District level (Rupandehi, Nawalparasi, Kapilbastu, Palpa, Syangja, Chitwan, Gulmi, Arghakhachi, Dang, Banke)
14	Kankai Bikas Bank Ltd.	Damak, Jhapa	2007/05/03	125.00	1-3 District Level (Jhapa, Ilam, Morang)
15	Ace Development Bank Ltd.	Narayanchaur, Naxal, Kathmandu	2007/08/15	1000.40	National Level
16	Mahakali Bikas Bank Ltd.	Mahendranagar, Kanchanpur	2007/08/18	127.20	1-3 District Level (Kanchanpur, Kailali, Dadeldhura)
17	Bhargab Bikas Bank Ltd.	Nepalgunj, Banke	2007/08/30	100.00	1-3 District Level (Banke, Dang, Bardiya)
18	Country Development Bank Ltd.	Banepa, Kavre	2007/10/4	332.80	4-10 District Level (Kavrepalanchowk, Sindhupalchowk, Sindhuli, Bara, Parsa, Makawanpur, Chitwan, Nawalparasi, Rupandehi, Kapilvastu)
19	Alpine Development Bank Ltd.	Hetauda, Makawanpur	2007/10/05	118.00	1-3 District Level (Makawanpur, Chitwan, Kavrepalanchowk)
20	Corporate Development Bank Ltd.	Birgunj, Parsa	2007/11/07	200.00	1-3 District Level (Parsa, Makawanpur, Kavrepalanchowk)
21	Kabeli Bikas Bank Ltd.	Dhankutabazaar, Dhankuta	2007/12/16	58.48	1 District Level (Dhankuta)
22	Purnima Bikas Bank Ltd.	Siddharthanagar, Rupandehi	2008/05/20	201.71	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
23	Jyoti Bikas Bank Ltd.	Kamaladi, Kathmandu	2008/07/24	923.48	National Level
24	Bagmati Development Bank Ltd.	Hariwon, Sarlahi	2009/03/23	57.50	1 District Level (Sarlahi)
25	Hamro Bikas Bank Ltd.	Battar, Nuwakot	2009/04/19	122.33	1 District Level (Nuwakot)
26	Kakre Bihar Bikas Bank Ltd.	Birendranagar, Surkhet	2009/05/15	59.16	1 District Level (Surkhet)
27	Pacific Development Bank Ltd.	Beshisahar, Lamjung	2009/07/26	108.92	1 District Level (Lamjung)

28	International Development Bank Ltd.	Teku, Kathmandu	2009/09/04	770.88	National Level
29	Kanchan Development Bank Ltd.	Mahendranagar, Kanchanpur	2009/09/19	198.00	1-3 District Level (Kailali, Kanchanpur, Dadeldhura)
30	Matribhumi Bikas Bank Ltd.	Sindhulimadi, Sindhuli	2009/10/09	55.66	1 District Level (Sindhuli)
31	Innovative Development Bank Ltd.	Siddharthanagar, Rupandehi	2009/11/13	290.50	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
32	Jhimruk Bikas Bank Ltd.	Bagdula, Pyuthan	2009/12/14	48.50	1 District Level (Pyuthan)
33	Raptibheri Bikas Bank Ltd.	Nepalgunj, Banke	2010/01/15	143.77	1-3 District Level (Banke, Bardiya, Dang)
34	Tourism Development Bank Ltd.	Newbaneshwor, Kathmandu	2010/03/18	786.94	National Level
35	Mission Development Bank Ltd.	Butwal, Rupandehi	2010/06/15	194.93	1-3 District Level (Rupandehi, Nawalparasi, Kapilvastu)
36	Mount Makalu Development Bank Ltd.	Basantapur, Terhathum	2010/07/21	26.00	1 District Level (Terhathum)
37	Sindhu Bikas Bank Ltd.	Barhabise, Sindhupalchowk	2010/09/09	120.94	1-3 District Level (Sindhupalchowk, Kavre, Dolakha)
38	Sahara Bikas Bank Ltd.	Malangawa, Sarlahi	2010/10/27	23.60	1 District Level (Sarlahi)
39	Nepal Community Development Bank Ltd.	Butwal, Rupandehi	2010/11/03	109.50	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
40	Cosmos Development Bank Ltd.	Harmaatarichowk, Gorkha	2010/11/17	50.31	1 District Level (Gorkha)
41	Manaslu Bikash Bank Ltd.	Buspark, Gorkha	2010/12/14	183.53	1-3 District Level (Gorkha, Tanahu, Chitwan)
42	Society Development Bank Ltd.	Kamaladi, Kathmandu	2011/6/15 ^s	897.93	National Level
43	Kalinchowk Development Bank Ltd.	Charikot, Dolkha	2011/11/21	106.00	1-3 District Level (Dolakha, Ramechhap, Sindhuli)
44	Kasthamandap Development Bank Ltd.	Newroad, Kathmandu	2012/4/13 ^s	679.90	National Level
45	Infrastructure Development Bank Ltd.	Ghantaghari, Kathmandu	2012/7/10 ^s	940.91	National Level
46	Supreme Development Bank Ltd.	Tinkune, Kathmandu	2012/7/13 ^s	811.62	National Level
47	Salapa Bikash Bank Ltd.	Diktel, Khotang	2012/07/16	14.00	1 District Level (Khotang)
48	Vibor Bikas Bank Ltd.	Triputeshwor, Kathmandu	2012/9/2 ^s	917.07	National Level
49	Saptakoshi Development Bank Ltd.	Tankisunuwari, Morang	2012/10/02	100.00	1-3 District Level (Morang, Ilam, Panchthar)
50	Sajha Bikash Bank Ltd.	Dhangadhi, Kailali	2013/4/30	100.00	1-3 District Level (Kailali, Kanchanpur, Doti)
51	Professional Diyalo Bikas Bank Ltd.	Banepa, Kavre	2013/6/30 ^s	220.00	4-10 District Level (Kavrepalanchowk, Sindhupalchowk, Dolakha, Sindhuli, Makwanpur, Nawalparasi, Chitwan, Rupandehi, Tanahu, Kaski)
52	Arniko Development Bank Ltd.	Dhulikhel, Kavre	2013/7/14 ^s	257.83	4-10 District Level (Kavrepalanchowk, Sindhuli, Dhanusha, Dolakha, Mahottari, Udaypur, Sunsari, Makwanpur, Parsa, Morang)
53	Yeti Development Bank Ltd.	Durbarmarg, Kathmandu	2013/7/15 ^s	1386.23	National Level
54	Apex Development Bank Ltd.	Hattisar, Kathmandu	2013/7/15 ^s	666.56	National Level
55	Green Development Bank Ltd.	Baglung Bazar, Baglung	2013/8/25	57.25	1-3 District Level (Baglung, Myagdi, Kaski)
56	Reliable Development Bank Ltd.	Gyaneshwor, Kathmandu	2014/4/16 ^s	716.89	National Level
57	Biratlaxmi Bikas Bank Ltd.	Biratnagar, Morang	2014/5/17 ^s	425.36	4-10 District level (Morang, Sunsari, Jhapa, Sankhuwasabha, Dhankuta, Terhathum, Bhojpur, Ilam, Taplejung, Panchthar)
58	Sangrila Development Bank Ltd.	Baluwatar, Kathmandu	2014/7/13 ^s	976.70	National Level
59	Triveni Bikas Bank Ltd.	Bharatpur, Chitwan	2015/6/1 ^s	820.02	National Level
60	Deva Development Bank Ltd.	Laldurbarmarga, Kathmandu	2015/7/10 ^s	818.09	National Level
61	Fewa Bikas Bank Ltd.	Pokhara, Kaski	2015/7/13 ^s	995.00	National Level

62	Garima Bikas Bank Ltd.	Pokhara, Kaski	2015/7/14 ⁸	853.20	National Level
63	Om Development Bank Ltd.	Pokhara, Kaski	2016/4/4 ⁸	1052.85	National Level
64	Kailash Bikash Bank Ltd. ⁹	Putalisadak, Kathmandu	2016/4/4 ⁸	1580.34	National Level
65	Siddhartha Development Bank Ltd. ¹⁰	Tinkune, Kathmandu	2000/06/26	1144.49	National Level
66	Shine Resunga Development Bank Ltd. ¹¹	Tamghas, Gulmi	2013/3/17 ⁸	868.42	4-10 District level (Rupandehi, Nawalparasi, Arghakhanchi, Gulmi, Palpa, Dang, Pyuthan, Kapilvastu, Baglung, Chitwan)
67	Kamana Bikas Bank Ltd. ¹²	Srijanachowk, Pokhara, Kaski	2007/10/29	661.60	National Level

7 Paid-up Capital is based as in mid-June 2015.

8 Comencement date after the merger

9 After merger among Kailash Bikas Bank Ltd., Metro Development Bank Ltd. and Nepal Express Finance Ltd.

10 After merger among Siddhartha Development Bank Ltd., Ekata Bikas Bank Ltd. and Nepal Awas Finance Ltd.

11 After merger between Shine Resunga Development Bank Ltd. and Gaumukhee Bikas Bank Ltd.

12 After merger between Kamana Bikas Bank Ltd. and Kaski Finance Ltd. Paid-up capital is after the merger.

3. Finance Companies

S.No.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital ¹³ (Rs. in Million)	Working Area
1	Nepal Finance Ltd.	Kamaladi, Kathmandu	1993/01/06	135.80	National Level
2	NIDC Capital Markets Ltd.	Kamalpokhari, Kathmandu	1993/03/11	233.56	National Level
3	Nepal Share Markets and Finance Ltd.	Ramshahapath, Kathmandu	1993/10/19	233.33	National Level
4	Himalaya Finance Ltd. ¹⁴	Sundhara, Kathmandu	1994/11/11		National Level
5	Union Finance Ltd.	Narayanchaur, Naxal	1994/12/12	176.59	National Level
6	Paschimanchal Finance Co. Ltd.	Butwal, Rupandehi	1995/04/09	303.51	National Level
7	Samjhana Finance Co. Ltd. ¹⁴	Banepa, Kavre	1995/05/03		National Level
8	Goodwill Finance Ltd.	Hattisar, Kathmandu	1995/5/15	363.00	National Level
9	Shree Investment & Finance Co. Ltd.	Dillibazar, Kathmandu	1995/06/01	220.00	National Level
10	Lumbini Finance & Leasing Co. Ltd.	Thamel, Kathmandu	1995/06/26	412.50	National Level
11	International Leasing & Finance Co. Ltd.	Nayabaneswor, Kathmandu	1995/10/31	2008.80	National Level
12	Mahalaxmi Finance Ltd.	Putalisadak, Kathmandu	1995/12/01	483.00	National Level
13	Lalitpur Finance Co. Ltd.	Lagankhel, Lalitpur	1995/12/14	187.95	National Level
14	United Finance Co. Ltd.	Durbarmarg, Kathmandu	1996/01/26	463.93	National Level
15	General Finance Ltd.	Chabahil, Kathmandu	1996/2/1	132.23	National Level
16	Progressive Finance Co. Ltd.	Newroad, Kathmandu	1996/02/26	200.16	National Level
17	Janaki Finance Co. Ltd.	Janakpurdham, Dhanusha	1997/03/07	310.78	1-3 District Level (Dhanusha, Mahottari, Siraha)
18	Pokhara Finance Ltd.	Pokhara, Kaski	1997/03/16	491.12	National Level
19	Central Finance Ltd.	Kupondole, Lalitpur	1997/04/14	246.76	National Level
20	Premier Finance Co. Ltd. ¹⁵	Kumaripati, Lalitpur	1997/6/8	127.01	National Level
21	Arun Finance Ltd.	Dharan, Sunsari	1997/08/17	150.00	National Level
22	Multipurpose Finance Co. Ltd.	Rajbiraj, Saptari	1998/04/15	32.20	1 District Level (Saptari)
23	Shrijana Finance Ltd.	Biratnagar, Morang	1999/12/14	195.48	1-3 District Level (Morang, Sunsari, Saptari)
24	World Merchant Banking & Finance Ltd.	Hetauda, Makawanpur	2001/08/10	181.98	National Level
25	Capital Merchant Banking & Finance Co. Ltd.	Battisputali, Kathmandu	2002/02/01	935.07	National Level
26	Crystal Finance Ltd.	Thapathali, Kathmandu	2002/3/13	70.00	National Level
27	Guheshwori Merchant Banking & Finance Ltd.	Pulchowk, Lalitpur	2002/06/13	293.74	National Level
28	Everest Finance Ltd.	Siddharthanagar, Rupandehi	2003/07/02	137.52	1-3 District Level (Kapilvastu, Rupandehi, Nawalparasi)

29	ICFC Finance Ltd.	Bhatbhateni, Kathmandu	2004/07/15	685.29	National Level
30	Kuber Merchant Finance Ltd.	Kamalpokhari, Kathmandu	2006/03/24	150.00	National Level
31	Seti Finance Ltd.	Tikapur, Kailali	2006/05/18	55.66	1 District Level (Kailali)
32	Hama Merchant & Finance Ltd.	Tripureshwor, Kathmandu	2006/06/16	200.00	National Level
33	Namaste Bitiya Sanstha Ltd.	Ghorahi, Dang	2007/07/09	37.50	1 District Level (Dang)
34	Unique Financial Institution Ltd.	Putalisadak, Kathmandu	2007/10/12	238.61	National Level
35	Manjushree Financial Institution Ltd.	Nayabaneshwor, Kathmandu	2007/10/17	250.65	National Level
36	Jebil's Finance Ltd.	Newroad, Kathmandu	2009/10/28	256.85	National Level
37	Bhaktapur Finance Ltd.	Chyamasing, Bhaktapur	2011/02/08	200.00	National Level
38	Synergy Finance Ltd.	Butwal, Rupandehi	2012/12/6 ¹⁶	474.41	National Level
39	Siddhartha Finance Ltd.	Siddharthanagar, Rupandehi	2014/5/2 ¹⁶	359.99	National Level
40	Reliance Lotus Finance Ltd.	Pradarsanimarg, Kathmandu	2014/05/08 ¹⁶	371.43	National Level
41	Sagarmatha Finance Ltd.	Manbhawan, Lalitpur	2015/7/16 ¹⁶	369.30	National Level
42	Gorkhas Finance Ltd.	Dillibazar, Kathmandu	2016/4/10 ¹⁶	578.70	National Level

13 Paid-up Capital is based as in mid-June 2015.

14 In the process of liquidation

15 Approval for conducting unified transactions with effect from 2016/7/17 granted following the acquisition of Premier Finance Ltd. by Citizens Bank International Ltd.

16 Commencement date after the merger

4. Microfinance Development Banks

S.No	Name	Head Office	Operation Date (A.D.)	Paid-up Capital ¹⁷ (Rs. in Million)	Working Area
1	Nirdhan Utthan Bank Ltd.	Naxal, Kathmandu	1999/07/17	500.00	National Level
2	Rural Microfinance Development Centre Ltd.	Putalisadak, Kathmandu	1999/12/06	629.20	National Level
3	Deprosc Microfinance Development Bank Ltd.	Bharatpur, Chitwan	2001/07/03	257.92	National Level
4	Chhimuk Microfinance Development Banks Ltd.	Old Baneshwor, Kathmandu	2001/12/10	595.75	National Level
5	Shawalamban Laghu Bitta Bikas Banks Ltd.	La colony Marg, Kathmandu	2002/02/22	312.38	National Level
6	Sana Kisan Bikas Bank Ltd.	Subidhanagar, Kathmandu	2002/03/11	344.78	National Level
7	Nerude Laghu Bitta Bikas Bank Ltd.	Biratnagar, Morang	2007/06/15	180.00	National Level
8	Naya Nepal Laghu Bitta Bikas Bank Ltd.	Dhulikhel, Kavre	2009/03/20	20.00	4-10 District Level (Kavre, Ramechhap, Sindhuli, Mahottari, Dhanusha, Siraha, Saptari, Sunsari, Morang, Jhapa)
9	Mithila Laghu Bitta Bikas Bank Ltd.	Dhalkebar, Dhanusha	2009/04/29	33.95	4-10 District Level (Sindhuli, Mahottari, Dhanusha, Siraha, Sarlahi, Saptari, Rautahat, Udayapur, Bara, Ramechhap)
10	Summit Microfinance Development Bank Ltd.	Birtamod, Jhapa	2009/05/20	50.00	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	53.68	4-10 District Level (Kavre, Chitwan, Makawanpur, Nawalparasi, Rautahat, Bara, Parsa, Tanahu, Gorkha, Lamjung)
12	First Microfinance Development Bank Ltd.	Gyaneshwor, Kathmandu	2009/12/28	230.00	National Level
13	Nagbeli Microfinance Development Bank Ltd.	Birtamod, Jhapa	2010/02/04	25.00	1-3 District Level (Jhapa, Morang, Ilam)

14	Kalika Microcredit Development Bank Ltd.	Waling, Syangja	2010/07/21	50.00	4-10 District Level (Syangja, Kaski, Parbat, Palpa, Nawalparasi, Rupandehi, Tanahu, Dhading, Gorkha, Makwanpur)
15	Mirmire Microfinance Development Bank Ltd.	Banepa, Kavre	2010/09/23@	20.00	10+5 District (Rasuwa, Nuwakot, Dhading, Dolka, Gulmi, Kavrepalanchowk, Makwanpur, Chitwan, Nawalparasi, Palpa, Rukum, Rolpa, Salyan, Arghakhachi, Pyuthan)
16	Janautthan Samudayik Microfinance Dev. Bank Ltd.	Butwal, Rupandehi	2010/11/09	20.00	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Kapilvastu, Rupandehi, Nawalparasi, Chitwan, Parsa)
17	Womi Microfinance Bittiya Sanstha Ltd.	Khanikhola, Dhading	2012/03/08	36.00	10+5 District (Dhading, Makwanpur, Chitwan, Nawalparasi, Tanahu, Lamjung, Kavrepalanchowk, Kaski, Syangja, Palpa, Sindhuli, Okhaldhunga, Udaypur, Dhankuta, Gorkha)
18	Laxmi Microfinance Bittiya Sanstha Ltd.	Maharajgunj, Kathmandu	2012/06/04	110.00	National Level
19	ILFCO Microfinance Bittiya Sanstha Ltd.	Chuchchepati, Kathmandu	2012/07/05	100.00	National Level
20	Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	Chitlang, Makwanpur	2012/12/25	110.00	National Level
21	Kisan Microfinance Bittiya Sanstha Ltd.	Lamkichuha, Kailali	2013/01/16	20.00	10+5 District (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	140.00	National Level
23	NMB Microfinance Bittiya Sanstha Ltd.	Pokhara-Hemja, Kaski	2013/03/31	46.00	10+15 District (Mustang, Manang, Myagdi, Kaski, Lamjung, Gorkha, Rasuwa, Sindupalchowk, Dolakha, Solukhumbu, Sankhuwasabha, Taplejung, Ramechhap, Parbat, Nuwakot, Okhaldhunga, Bhojpur, Khotang, Dhankuta, Terhathum, Ilam, Panchthar, Rukum, Dhading and Tanahun)
24	FORWARD Community Microfinance Bittiya Sanstha Ltd.	Duhabi Bhaluwa, Sunsari	2013/05/17	140.00	National Level
25	Reliable Microfinance Bittiya Sanstha Ltd.	Beshisahar, Lamjung	2013/05/19	56.50	4-10 District Level (Lamjung, Manang, Mustang, Dolpa, Ramechhap, Sindupalchowk, Dhading, Nuwakot, Rasuwa, Gorkha)
26	Mahuli Samudyik Laghubitta Bittiya Sanstha Ltd.	Bakdhuwa, Saptari	2013/06/15	14.00	4-10 District Level (Saptari, Siraha, Udaypur, Khotang, Sunsari, Bhojpur, Okhaldhunga, Sindhuli, Dhankuta, Ramechhap)
27	Suryodaya Laghubitta Bittiya Sanstha Ltd.	Putalibazar, Syangja	2013/07/16	28.00	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	200.00	National Level
29	Samata Microfinance Bittiya Sanatha Ltd.	Pipra, Simara	2013/08/25	11.06	1 District Level (Bara)
30	RSDC Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2013/09/11	60.00	National Level
31	Samudayik Laghubitta Bittiya Sanstha Ltd.	Panchkhal, Kavre	2014/04/13	14.00	4-10 District Level (Panchkhal, Kavrepalanchowk, Dolakha, Ramechhap, Solukhumbu, Okhaldhunga, Nuwakot, Khotang, Bhojpur, Sankhuwasabha)

32	National Microfinance Bittiya Sanstha Ltd.	Nilkantha, Dhading	2014/07/02	70.00	National Level
33	Nepal Grameen Bikas Bank Ltd.	Butwal, Rupandehi	2014/8/15 ¹⁸	557.50	National Level
34	Nepal Sewa Laghubitta Bittiya Sanstha Ltd.	Phataksila, Sindhupalchowk	2014/10/26	10.50	1-3 District Level (Sindhupalchowk, Rasuwa, Nuwakot)
35	Unnati Microfinance Bittiya Sanstha Ltd.	Padsari, Rupandehi	2014/11/07	15.40	4-10 District Level (Rupandehi, Palpa, Pyuthan, Kapilvastu, Arghakhanchi, Gulmi, Parbat, Baglung, Myagdi, Mustang)
36	Swadeshi Laghubitta Bittiya Sanstha Ltd.	Itahari, Sunsari	2014/12/31	70.00	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	14.00	4-10 District Level (Sunsari, Terhathum, Dhankuta, Panchthar, Bhojpur, Udayapur, Khotang, Sindhuli, Ramechhap, Makwanpur)
39	Arambha Microfinance Bittiya Sanstha Ltd.	Melamchi, Sindhupalchowk	2015/07/23	10.20	4-10 District Level (Sindhupalchowk, Nuwakot, Dolakha, Ramechhap, Sindhuli, Okhaldhunga, Khotang, Bhojpur, Terhathum, Dhankuta)
40	Janasewi Laghubitta Bittiya Sanstha Ltd.	Kushma, Parbat	2015/09/29	24.50	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	21.00	4-10 District Level (Nawalparasi, Rupandehi, Kapilvastu, Gulmi, Arghakhanchi, Palpa, Rolpa, Dang, Salyan)
42	Ghodighoda Laghubitta Bittiya Sanstha Ltd.	Sripur Belouri, Kanchanpur	2016/06/12	11.00	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Surkhet, Doti, Dadeldhura, Baitadi, Darchula)

17 Paid-up Capital is based as in mid-June 2015.

18 Comencement date after the merger

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

S.No	Name	Head Office	Operation Date (A.D.)	Paid up Capital ¹⁹ (Rs. in Million)
1	Shree Nabajivan Cooperative Ltd.	Dhangadhi, Kailali	1993/12/15	101.36
2	Sagun Sahakari Sanstha Ltd.	Chhetrapati, Kathmandu	1994/10/9	11.96
3	Nepal Sahakari Bittiya Sanstha Ltd.	Nayabaneswor, Kathmandu	1994/12/30	30.77
4	The Sahara Loan Saving Cooperative Society Ltd.	Malangawa, Sarlahi	1995/4/15	111.26
5	Bindabasini Saving & Credit Sahakari Sanstha Ltd.	Khopasi, Kavre	1995/6/21	138.56
6	Mahila Sahakari Sanstha Ltd.	Kuleshwor, Kathmandu	1995/9/27	25.61
7	Nepal Multipurpose Sahakari Sanstha Ltd.	Mechinagar, Jhapa	1995/12/25	272.85
8	Sahakari Bittiya Bikash Sanstha Ltd.	Nepalgunj, Banke	1996/6/16	34.76
9	Shree Manakamana Sahakari Sanstha Ltd.	Banepa, Kabhre	1997/2/18	51.71
10	Bheri Sahakari Bittiya Sanstha Ltd.	Nepalgunj, Banke	1997/3/5	15.12
11	Viccu Saving & Credit Sahakari Sanstha Ltd.	Gaidakot, Nawalparasi	1997/8/11	103.87
12	Kisan Multipurpose Sahakari Sanstha Ltd.	Lamki, Kailali	1997/12/29	53.45
13	Star Multipurpose Saving & Credit Sahakari Sanstha Ltd.	Biratnagar, Morang	1998/4/14	30.05
14	Himalaya Sahakari Sanstha Ltd.	Puranobaneswor, Kathmandu	1998/4/29	57.76
15	Upakar Saving & Credit Sahakari Sanstha Ltd.	Waling, Syangja	2000/3/21	46.29

19 Paid-up Capital is based as in mid-June 2015.

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	Nayagaun, Bardiya	2000/06/29	Banke, Bardiya, Kailali, Kanchanpur, Dadeldhura
3	Samudayik Mahila Bikas Kendra	Rajbiraj, Saptari	2000/07/14	Saptari
4	Dhaulagiri Community Resource 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, Sindhupalshokw, Nuwakot, Dolakha
8	Jeevan Bikash Samaj	Bariyati, Morang	2002/06/18	Morang, Sunsari, Jhapa, Dhankuta, Sindhuli, Udaypur
9	Mahila Adarsha Sewa Kendra	Nayabaneshwor, Kathmandu	2002/07/02	Kathmandu
10	Patan Buisiness and Professional Women	Pulchowk, Lalitpur	2002/07/02	Lalitpur
11	Womens Self-Relient Society	Bharatpur, Chitwan	2002/07/14	Chitwan
12	Creative Women Environment Development Association.	Maharajgunj, Kathmandu	2002/07/24	Kathmandu
13	Shreejana Development Center	Pokhara, Kaski	2002/08/22	Kaski
14	Cottage & Small Industries Organization	Chabahil, Kathmandu	2002/09/02	Kathmandu
15	Social Upgrade in Progress of Education Region (SUPER)	Tulsipur, Dang	2002/10/29	Dang
16	Nepal Women Community Service Center	Tribhuwan Municipality, Dang	2002/10/30	Dang, Pyuthan, Salyan, Rolpa
17	Gramin Mahila Bikash Sanstha	Tribhuwan Municipality, Dang	2003/04/23	Dang
18	Gramin Mahila Utthan Kendra	Tribhuwan Municipality, Dang	2003/06/18	Dang, Banke, Pyuthan, Salyan, Rolpa
19	Gramin Sewa Nepal	Bhajani, Kailali	2003/09/18	Kailali
20	Mahila Upakar Manch	Kohalpur, Banke	2003/10/29	Banke
21	Gramin Swayam Sewak Samaj	Hariwon, Sarlahi	2005/11/20	Sarlahi, Mahottari
22	Srijana Community Development Center	Choharwa, Siraha	2012/11/18	Siraha, Udaypur, Sindhuli
23	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	Kusma, Parbat	2012/11/18	Myagdi, Parbat, Kaski, Syangja, Palpa, Tanahun, Lamjung, Gorkha, Baglung, Nawalparasi, Chitwan
24	Nepal Grameen Bikas Sanstha	Hadigaun, Kathmandu	2012/12/13	Kathmandu, Makwanpur, Bara, Parsa
25	Women Enterprises Association of Nepal	Putalisadak, Kathmandu	2013/01/04	Kathmandu

7. Other Institutions

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

20 For the purpose of hire purchase

PART – 2

ACTIVITIES OF NEPAL RASTRA BANK

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PART – TWO

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2015/16

- 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 external sector and financial sector stability through maintenance of price stability. Besides, the monetary policy has been contributing toward the promotion of productive sector credit and attaining inclusive economic development through expansion of financial access and extension of financial literacy. In this context, the NRB brought into implementation the monetary policy for FY2015/16 through its public announcement on July 23, 2015 with the objective of maintaining macroeconomic stability, reconstructing the economy devastated by the earthquake that struck on April 25, 2015, and facilitating the achievement of targeted economic growth by making it consistent with the GON's policies and programs.

Objectives and Targets

- 2.2 The primary objective of monetary policy was managing required liquidity so as to facilitate the reconstruction work in the economy while minimizing the adverse effect on price and external sector stability attributed to pressure exerted on aggregate demand of the economy due to expansion of reconstruction-focused government budget and private sector investment. For accomplishing the above objective, the stance of the monetary policy was made cautious and balanced.
- 2.3 The monetary policy for FY2015/16 set the target of containing average annual consumer inflation at 8.5 percent. Besides, the monetary policy targeted for managing necessary monetary liquidity to maintain foreign exchange reserve level sufficient to cover the import of goods and services for at least 8.0 months and to facilitate the attainment of 6.0 percent economic growth.
- 2.4 The mid-term review of the monetary policy for FY2015/16 was published on February 28, 2016 by revising the projection of certain major economic and financial indicators based on the existing real situation of financial and economic sectors during the first six months as well as the outlook for the remaining six months.
- 2.5 Country's overall economic activity for FY2015/16 could not become satisfactory though the macroeconomic indicators were within control. Agricultural growth rate squeezed due to unfavorable climatic conditions as well as inadequate supply of

agricultural inputs. Non-agricultural economic activities were also affected on account of disruption in southern border points as well as inconvenience in supply management. Consequently, the real GDP at basic prices and producers' prices grew by 0.8 percent and 0.6 percent respectively, according to the preliminary estimates of the Central Bureau of Statistics (CBS). In the review year, BOP surplus amounted to Rs. 188.95 billion and foreign exchange reserve level in mid-July 2016 was sufficient to cover equivalent import of goods and services for 14.1 months while annual consumer inflation averaged at 9.9 percent.

Table 2.1
Inflation and Balance of Payments Surplus

Particulars	2012/13	2013/14	2014/15	2015/16		
				Target	Revised Estimates as per Mid-Term Review of Monetary Policy	Actual
Annual Average Inflation (in percent)	9.9	9.1	7.2	8.5	9.5	9.9
Balance of Payments Surplus (Rs. billion)	68.94	127.13	145.04	35.00	155.00	188.95

Intermediate and Operating Targets of Monetary Policy

- 2.6 The monetary policy adopted strategy of conducting monetary management on the basis of actual conditions of major economic targets and indicators like the inflation, BOP, economic growth, etc., with the fixed exchange rate vis-à-vis the Indian currency assuming as the nominal anchor of monetary policy. For this purpose, continuity was given to the practice of designating the growth rate of broad money supply as the intermediate target and excess reserve of the BFIs as the operating target of the monetary policy.
- 2.7 Broad money supply as the intermediate target of monetary policy was projected to rise by 18.0 percent in FY2015/16 for managing adequate liquidity toward maintaining the price and macroeconomic stability as well as achieving the targeted economic growth. Likewise, for the review year, domestic credit growth was projected at 23.4 percent and claims on private sector was projected at 20.0 percent on the basis of the inflation and economic growth targets for the year. The mid-term review of the monetary policy stipulated the revised estimate of the domestic credit growth at 20.7 percent and that of the claims on private sector at 17.5 percent based on the actual situations during the first six month and outlook for the remaining period associated with the implementation of the monetary policy.

2.8 Despite impact on overall economic activity due to the interval effect of the earthquake and disruption in the southern border points in the review year, growth rate of broad money supply remained at 19.5 percent (exceeding the target at 18.0 percent) attributed to substantial increase in the foreign assets of the banking system resulting from the expansion in the remittance inflows and slowdown in the imports. Similarly, in the review year, domestic credit grew by 17.4 percent and claims on private sector rose by 23.2 percent.

Table 2.2
Money Supply and Domestic Credit

Particulars	2012/13	2013/14	2014/15	2015/16		
	Target	Revised Estimates as per Mid-Term Review of Monetary Policy	Actual			
Growth rate of broad money supply (in percent)	16.4	19.1	19.9	18.0	21.5	19.5
Growth rate of narrow money supply (in percent)	14.4	17.7	19.7	16.5	20.5	18.5
Growth rate of domestic credit (in percent)	17.2	12.7	16.2	23.4	20.7	17.4
Growth rate of credit to private sector (in percent)	20.2	18.3	19.4	20.0	17.5	23.2

Instruments of Monetary Policy

- 2.9 Instruments of monetary policy operation were selected by taking into consideration the monetary policy objective, economic and monetary targets, and post-earthquake reconstruction needs. Among them, provisions like arrangement of refinance facility for financial relief, issuance of NRB bond for absorbing excess liquidity, reduction of bank rate, etc., were made.
- 2.10 The bank rate has been reduced by 1.0 percentage point to 7.0 percent to be applicable for the lender of the last resort facility as well as for discounting securities in consideration of the conditions of the post-earthquake economy along with the targets as envisaged by the monetary policy. The arrangement of providing standing liquidity facility (SLF) to BFIs for managing short-term liquidity at the bank rate was continued.

- 2.11 The CRR for the BFIs was kept constant at 6.0 percent for "A"-class, 5.0 percent for "B"-class, and 4.0 percent for "C"-class financial institutions. Similarly, the provision with respect to the statutory liquidity ratio (SLR) was kept unchanged.
- 2.12 With the objective of providing financial relief following the destructive earthquake in April 2015, the NRB arranged refinance facility to BFIs at zero percent interest rate for the reconstruction of residential houses by the earthquake victim for an amount up to Rs. 2.5 million inside the Kathmandu valley and up to Rs. 1.5 million outside the Kathmandu valley. Under this facility, up to Rs. 3 lakh each extended for earthquake victims by MFIs on group guarantee basis was also included. On such loan, the maximum interest rate charged by the MFIs was fixed at 2 percent.
- 2.13 The regular refinance rate for agriculture, hydropower, livestock, fishery, and other specified productive sectors was kept constant at 4.0 percent. Other prevailing refinance rates were kept unchanged. Likewise, continuity was given for the special refinance which the NRB provided at 1.0 percent interest rate. Similarly, refinance in foreign exchange at Libor plus 0.25 percentage points had been continued with a view to encourage exports.
- 2.14 With a view to encourage income-oriented activities based on agriculture and small business in poverty stricken areas, a provision of special refinance facility for BFIs at 1 percent interest rate has been made. Such high-poverty districts have been identified as Bajura, Kalikot, Bajhang, Humla, Darchula, Jumla, Doti, Achham, Mugu, and Baitadi. This facility has also been extended to 114 Village Development Committees and 4 Municipalities located along the southern border in districts having relatively higher incidence of poverty, namely, Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari, as mentioned in the budget statement of the GON.

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

Headings	2013/14	2014/15	2015/16
Cash Reserve Ratio			
“A” Class Institutions	5.0	6.0	6.0
“B” Class Institutions	4.5	5.0	5.0
“C” Class Institutions	4.0	4.0	4.0
Statutory Liquidity Ratio			
“A” Class Institutions	12.0	12.0	12.0
“B” Class Institutions	9.0	9.0	9.0
“C” Class Institutions	8.0	8.0	8.0

- 2.15 There is a provision that the OMOs will be conducted in treasury bills and development bonds of GON as well as other specified securities. In the recent period, the stock of government securities in the ownership of the NRB has been insufficient for absorbing the prevailing excess liquidity. Accordingly, the Nepal Rastra Bank bonds were issued

in FY2015/16 to make monetary management more effective by absorbing liquidity of medium-term nature.

- 2.16 As the excess liquidity of the banking sector serves as the operating target of the monetary policy, the existing Liquidity Monitoring and Forecasting Framework (LMFF) has been timely updated with the view of making the task of measuring and forecasting liquidity more realistic.

Public Debt Management

Issue and Management

- 2.17 The Public Debt Management Department (PDMD) of the NRB is undertaking the domestic debt management as well as monetary management (liquidity management) functions. Likewise, in the course of short-term liquidity management, the SLF has been provided against the collateral of the government securities (development bonds and treasury bills). The legal framework for management of domestic debt of the GON as well as liquidity is provided by the Public Debt Act, 2002, Public Debt Rules, 2003 (Second Amendment), and Management of Primary and Secondary Market of Securities Rules, 2005 supplemented by other Bylaws and Manuals.
- 2.18 The function of raising domestic debt has been performed in accordance with the GON-approved annual domestic debt issue calendar and auction calendar after the annual enactment of the Raising of Public Debt Act for raising domestic debt as provided in the annual budgets of the GON.
- 2.19 The NRB is conducting domestic debt management by presently issuing treasury bills, development bonds, citizen saving bonds, national saving bonds, and foreign employment saving bonds.

Treasury Bills

- 2.20 Of the total domestic borrowing that was projected to be raised at Rs. 88.0 billion during FY2015/16, the treasury bills issued amounted to Rs. 20.50 billion out of which Rs. 11.0 billion was of 91 days, Rs. 5.0 billion was of 182 days, and Rs. 4.50 billion was of 364 days. Similarly, treasury bills issued in the past and outstanding as in mid-July 2016 for an amount of Rs. 116.06 billion were issued from time to time as per their repayment period. During the review year, treasury bills amounting to Rs. 24.30 billion were redeemed by the GON.

Development Bonds

2.21 Development bonds amounting to Rs. 62.0 billion were issued in FY2015/16. During the year, development bonds were issued as per the interest rate determined through the Dutch auction method. Accordingly, the development bonds were issued for five times which comprised Rs. 12.0 billion of 8-year maturity, Rs. 13.0 billion of 11 years, Rs. 13.0 billion of 12 years, Rs. 13 billion of 13 years, and Rs. 11.0 billion of 15 years. The interest rates determined on those development bonds were, 3.97 percent for maturity of 8 years, 4.44 percent for 11 years, 4.74 percent for 12 years, and 4.94 percent for each of 13 years and 15 years. The outstanding amount of development bonds as in mid-July 2016 was Rs. 108.90 billion. The maturity period of outstanding development bonds ranged from 5 years to 15 years. During the review year, development bonds amounting to Rs. 10.17 billion were redeemed by the GON.

Citizen/National/Foreign Employment Saving Bonds

- 2.22 As per the domestic debt issue calendar for 2015/16, citizen saving bond amounting to Rs. 5.0 billion was issued. The interest rate (coupon) on the 5-year citizen saving bonds was fixed at 8.0 percent. The outstanding amount of citizen saving bonds as in mid-July 2016 reached Rs. 7.81 billion. During FY2015/16, the amount of citizen saving bonds redeemed by the GON amounted to Rs. 250.0 million.
- 2.23 There was no fresh issue of national saving bonds during FY2015/16. The outstanding national saving bonds as in mid-July 2016 amounted to Rs. 910.0 million. During the review year, national saving bonds amounting to Rs. 15.68 billion were redeemed by the GON.
- 2.24 As per the issue calendar for FY2015/16, foreign employment saving bonds with maturity period of 5 years and interest rate (coupon rate) at 9.0 percent amounting to Rs. 500.0 million was offered for subscription, total subscription on three occasions amounted to Rs. 274.52 million only. During the review year, foreign employment saving bonds amounting to Rs. 30.80 million was redeemed by the GON.

Net Domestic Debt Issue

- 2.25 In FY2015/16, gross domestic debt amounting to Rs. 87.77 billion was raised through various instruments while redemption amounted to Rs. 50.40 billion. As the amount of redemption was less than the amount raised, the net domestic debt issued resulted in a positive sum of Rs. 37.37 billion during the FY2015/16.

Table 2.4
Net Domestic Debt Issue

(Rs in Million)

Description	2013/14	2014/15	2015/16	Ratio with GDP (%)		
				2013/14	2014/15	2015/16
(A) Total Issue	19,982.90	42,423.14	87,774.51	1.04	1.99	3.90
Treasury Bill	10,000.00	10,000.00	20,500.00	0.52	0.47	0.91
Development Bond	9,000.00	30,000.00	62,000.00	0.47	1.41	2.76
National Saving Bond	906.50	0.00	0.00	0.05	0.00	0.00
Citizen Saving Bond	0.00	2,339.43	5,000.00	0.00	0.11	0.22
Foreign Employment Bond	76.40	83.71	274.51	0.00	0.00	0.01
Special Bond	0.00	0.00	0.00	0.00	0.00	0.00
(B) Payment	25,167.10	47,454.90	50,402.30	1.30	2.23	2.24
Treasury Bill	10,000.00	26,610.00	24,299.00	0.52	1.25	1.08
Development Bond	13,500.00	20,040.90	10,170.00	0.70	0.94	0.45
National Saving Bond	0.00	0.00	15,680.00	0.00	0.00	0.70
Citizen Saving Bond	1,667.10	800.00	250.00	0.09	0.04	0.01
Foreign Employment Bond	0.00	4.00	3,38	0.00	0.00	0.00
Special Bond	0.00	0.00	0.00	0.00	0.00	0.00
(C) Net Domestic Debt	-5,184.20	-5,031.80	37,372.13	-0.27	-0.24	1.66
Treasury Bill	0.00	-16,610.00	-3,799.00	0.00	-0.78	-0.17
Development Bond	-4,500.00	9,959.10	51,830.00	-0.23	0.47	2.30
National Saving Bond	906.50	0.00	0.00	0.05	0.00	-0.70
Citizen Saving Bond	-1,667.10	1,539.40	4,750.00	-0.09	0.07	0.21
Foreign Employment Bond	76.40	79.70	271.13	0.00	0.00	0.01
Special Bond	0.00	0.00	0.00	0.00	0.00	0.00
(D) Total Outstanding Domestic Debt	201,817.53	196,785.70	234,157.90	10.46	9.26	10.41
Gross Domestic Product	1928,517.00	2124,650.00	2248,691.00			

Total Outstanding Domestic Debt Liability of Government of Nepal

2.26 The domestic debt liability of the GON totaled Rs. 234.16 billion as in mid-July 2016. Of the government debt instruments, the volume of treasury bills declined to Rs. 116.06 billion in mid-July 2016 from Rs. 119.86 billion in mid-July 2015 due to the higher redemption amounting to Rs. 24.30 billion compared to the raising of Rs. 20.50 billion during the review year. Domestic debt raised through the development bonds in the review year amounted to Rs. 62.0 billion compared to the amount of redemption that totaled Rs. 10.17 billion, which raised the amount of outstanding development bonds. Likewise, in comparison to the previous year, the outstanding amount of citizen saving bonds and foreign employment saving bonds witnessed some increment as domestic debt was only raised by issuing these bonds in the review year. There was no issue of national saving bonds during the review year while there was redemption of the bonds amounting to Rs. 15.68 billion, decreasing the amount of outstanding national saving bonds to Rs. 90.65 billion.

Table 2.5
GON's Total Outstanding Domestic Debt

(Rs in Million)

S. N.	Type of Bill/Bond	2013/14		2014/15		2015/16		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2014/15	2015/16
1.	Treasury Bill	136,468.1	67.6	119,858.1	60.9	116,059.1	49.6	-12.2	--3.17
2.	Development Bond	47,110.9	23.3	57,070.0	29.0	108,900.0	46.5	21.1	90.82
3.	National Saving Bond	16,586.5	8.2	16,586.5	8.4	906.5	0.4	0.0	-94.53
4.	Citizen Saving Bond	1,516.8	0.8	3,056.1	1.6	7,806.2	3.3	101.5	155.43
5.	Foreign Employment Bond	135.3	0.1	215.0	0.1	486.2	0.2	58.9	126.14
6.	Special Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total		201,817.6	100.0	196,785.7	100.0	234,158.0	100.0		

Government Securities in the Ownership of Nepal Rastra Bank

2.27 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 of securities from the secondary market by the NRB if BFIs fail to repay the amount of SLF, and sale/request to sell to NRB by market makers the securities in their ownership. Similarly, securities are also transferred to the ownership of the NRB under the provision of direct purchase of treasury bills and development bonds from the secondary market for the monetary policy management. Among the government securities held in the ownership of the NRB, the share of treasury bills has remained the highest in FY2015/16 as in the previous years.

Table 2.6
Details of Government Securities in the Ownership of NRB

(Rs. in Million)

S. N.	Type of Security	2013/14		2014/15		2015/16		Percent Change	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	2014/15	2015/16
1.	Treasury Bill	22,048.9	94.5	15,468.9	96.7	16,099.93	98.12	-29.8	4.08
2.	Development Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.	National Saving Bond	18.7	0.1	21.4	0.1	1.30	0.01	14.5	-93.93
4.	Citizen Saving Bond	1,265.4	5.4	507.6	3.2	307.55	1.87	-59.9	-39.41
5.	Foreign Employment Bond	0.0	0.0	0.0	0.0	0.01	0.0	0.0	0.0
Total		23,333.0	100.0	15,997.9	100.0	16,408.79	100.0		

Infrastructure Related to Public Debt Management

- 2.28 The registry, transfer, and payment system of the government securities has been modernized in accordance with the GL software system of accounting adopted by NRB since April 14, 2013. Likewise, accounting records have been maintained on the basis of the same system.
- 2.29 The online auction through the Online Bidding System Software (OBSS) started since June 29, 2015 by replacing the old auction system employed for issuing the instruments of public debt management (treasury bills and development bonds) and conducting the liquidity management instruments (repo, reverse repo, direct purchase/sale, deposit auction) has improved the effectiveness of auction process.
- 2.30 In the review year also, continuity has been given to the work of disseminating knowledge on OBSS and the procedures of auction through the OBSS to officials from all the BFIs located inside and outside the Valley.

Licensing and Inspection of Market Makers and Sales Agents

- 2.31 In FY2015/16, altogether 51 BFIs were granted license for three years with effect from FY2016/17 to handle primary issue and secondary market transactions of government bonds (citizen saving bonds and national saving bonds) issued for the general public as well as the secondary market transactions of foreign employment bonds. In addition, for primary sale of foreign employment bonds, 13 BFIs and remittance companies were licensed to act as sales agents for three years with effect from FY2016/17. Among the licensed market makers, some were inspected and advice provided in the review year. Among the 51 market makers, institutions belonging to ‘A’-class were 19, ‘B’-class 22, ‘C’-class 9, and other institution 1 while 9 market makers were located outside the Valley.

Awareness Oriented Program Relating to Government Securities

- 2.32 In order to promote awareness about government securities, monetary instruments, and online auction system as well as enhance the access of the securities in the rural areas, a leaflet incorporating information on government securities, monetary instruments, and online auction system has been prepared and uploaded in the website of the NRB. Likewise, the leaflet has been sent to the offices of all the market makers both outside and inside the Valley and, through them, arrangement has been made to reach the general public.

Financial Sector Reform, Expansion of Financial Access, and Regulation

Financial Condition of Nepal Bank Limited and Rastriya Banijya Bank

- 2.33 Most of the functions mentioned in the capital plan of the Nepal Bank Limited (NBL) have been completed. In the process of reversing the negative capital fund of the NBL to a positive one and raising the ratio to the level as fixed by NRB, various attempts were undertaken, resulting in capital fund ratio at 11.41 percent as in mid-July 2016, higher than the minimum ratio as fixed by the NRB.
- 2.34 With the target of raising the capital of Rastriya Banijya Bank (RBB) as per direction of the NRB, most of the activities mentioned in the approved capital plan have been completed. Accordingly, capital fund has been positive and the ratio reached 11.20 percent as in mid-July 2016.
- 2.35 The overall financial condition of both these banks remained satisfactory as witnessed from capital fund of both these banks exceeding the minimum ratio as fixed by the NRB, impressive rise in the paid-up capital of both these banks, substantial increase in their deposits, gradual decrease in the non-performing loans, and success of these banks in earning high profit in the review year.

Capital Enhancement in BFIs

- 2.36 As provided in the monetary policy for FY2015/16, BFIs are required to maintain following paid-up capital as in mid-July 2017:

Table 2.7
Minimum Paid-up Capital to be Maintained by BFIs

Class	Before release of Monetary Policy for 2016/17				As per new provision mentioned in Monetary Policy for 2016/17		
	National	Regional ¹	4-10 Districts ¹	1-3 District ¹	National	4-10 Districts	1-3 District
"A"	Rs. 2,000 Million				Rs. 8,000 Million		
"B"	Rs. 640 Million		Rs. 300 Million ² Rs. 200 Million	Rs. 300 Million ² Rs. 100 Million	Rs. 2,500 Million	Rs. 1,200 Million	Rs. 500 Million
"C"	Rs. 300 Million ² Rs. 200 Million			Rs. 300 Million ² Rs. 100 Million	Rs. 800 Million	Rs. 800 Million	Rs. 400 Million
"D"	Rs. 100 Million	Rs. 60 Million ³	Rs. 20 Million ⁴	Rs. 10 Million ⁴			

1 Excepting Kathmandu valley. The area of operation/ project of such financial institutions to be limited to specified districts.

2 Applicable only for financial institutions undertaking leasing transactions

3 Operating within the development region

4 Covering additional five districts in the hilly region

Program for Enhancing Financial Access

- 2.37 Financial access has been increasing with the expansion in BFI network. In accordance with the objective of expanding financial access through encouragement of the opening of BFI branches in the geographical regions having low access of financial services, the NRB policy of extending loan to the BFIs for opening branches of NRB-licensed "A", "B", and "C" category BFIs for the specified period at zero percent rate of interest up to Rs. 5.0 million per branch in the headquarters of the specified 14 districts (Bhojpur, Okhaldhunga, Manang, Rukum, Salyan, Jumla, Mugu, Humla, Kalikot, Dolpa, Jajarkot, Bajhang, Bajura, and Darchula) and up to Rs. 10.0 million per branch outside the headquarters of these districts is continued.
- 2.38 While opening branches and conducting programs of financial service by "D"-class financial institutions in the specified 22 districts (Manang, Humla, Dolpa, Kalikot, Bhojpur, Mugu, Jajarkot, Bajhang, Bajura, Darchula, Okhaldhunga, Jumla, Achham, Baitadi, Rukum, Salyan, Bhojpur, Mustang, Rolpa, Taplejung, Khotang, Rasuwa, and Solukhumbu) having low financial access, there has been a provision of providing loan up to Rs. 3.0 million per branch at zero percent interest rate for operating the branch.

Incorporation/Licensing of BFIs

- 2.39 During the review year, licensing has been granted to three microfinance institutions (MFIs) for commencing financial operations. These institutions are: (a) Janasewi Microfinance Financial Institution Ltd., Kushma, Parbat, (b) Chautari Microfinance Financial Institution Ltd., Butwal, Rupandehi, and (c) Ghodighoda Microfinance Financial Institution Ltd., Kailali. Similarly, Syakar Investment Pvt. Ltd., Kantipath, Kathmandu, has been licensed to conduct hire-purchase transactions during the review year.

Issue of Letter of Consent

- 2.40 In the review year, letter of consent has been issued for commencement of financial transactions to proposed nine institutions, namely, (a) Rama Roshan Microfinance Financial Institution Ltd., Mujabagar, Achham, (b) Creative Microfinance Financial Institution Ltd., Kailali, (c) Nepal Agro Microfinance Financial Institution Ltd., Kaski, (d) Aasha Microfinance Financial Institution Ltd., Nuwakot, (e) Gurans Microfinance Financial Institution Ltd., Dhankuta, (f) Infinity Microfinance Ltd., Nawalparasi, (g) Swabhiman Microfinance Financial Institution Ltd., Rupendehi, (h) Andhikhola Microfinance Financial Institution Ltd., Syanja, and (i) Ganapati Microfinance Financial Institution Ltd., Tanahu.

Submission of Application by NGOs engaged in Financial Intermediation

2.41 NGOs numbering 25 have submitted application for conversion into microfinance financial institutions (MFFIs) as per the provision made by the monetary policy for FY2014/15 that the NGOs need to be converted into "D"-class MFFI by mid-July 2016 by fulfilling necessary procedures.

Branchless Banking Service

2.42 NRB has been giving priority for branchless banking services with a view to enhancing financial inclusion. For conducting branchless banking services through Point of Transaction (POT) equipment in rural areas, this service has currently been provided through 812 spots of 15 commercial banks by monitoring the technical and practical aspects of the banks.

Branch Expansion

2.43 Expansion of branches of BFIs has been proceeding in an impressive way in the review year. An average of 6,562 population has obtained services from each of the BFI branch. The numbers of deposits and borrowers in 'A', 'B' and 'C'-class institutions have been 16.8 million and 1.1 million respectively.

Table 2.8
Branches of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July		
	2014	2015	2016
Branches of Commercial Banks	1,547	1,672	1,869
Branches of Development Banks	818	808	852
Branches of Finance Companies	239	242	175
Branches of Microfinance Institutions	826	1,116	1,376
Total	3,430	3,838	4,272

Merger/Acquisition of BFIs

2.44 In the review year also, continuity has been given to the NRB policy of promoting merger/acquisition of BFIs on mutual basis. Up to FY2015/16, 113 licensed BFIs have been mutually merged into 41 BFIs. As a result, the number of BFIs has shrunk following their merger/acquisition.

Table 2.9
Merged/Acquired Banks and Financial Institutions

(Rs in Million)

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

- 2.45 In FY2015/16 alone, 11 'A', 'B' and 'C'-class BFIs have been created by the process of merger/acquisition among 21 BFIs.

Zero-Interest Credit

- 2.46 As per the NRB policy provision of providing zero-interest credit to "A", "B", and "C" category BFIs for specified period up to Rs. 5.0 million per branch in the headquarters of the specified 14 districts and up to Rs. 10.0 million per branch outside the headquarters of these districts, a total of Rs. 15.0 million zero-interest credit has been provided in the review year to Citizen's Bank International Ltd. for opening branch offices at Khalanga Bazar of Jumla, Khalanga of Jajarkot, and Dunai of Dolpa. In the review year, no zero-interest credit has been provided to "B" and "C"-class BFIs.
- 2.47 While opening branches and conducting programs of financial service by "D"-class financial institutions in the specified 22 districts having low financial inclusion, there has been a provision of providing loan up to Rs. 3.0 million per branch at zero percent interest rate for operating the branch. Under this facility, Rs. 6.0 million was provided to Swabhalamban Microfinance Development Bank Ltd. on May 4, 2016 for opening altogether two branches at Chandannath of Jumla and Musikot Municipality. Similarly, a total of Rs. 18.0 million was provided to Mirmire Microfinance Development Bank Ltd. on April 22, 2016 and June 6, 2016 for opening altogether six branches in Rukum, Rolpa and Salyan. Likewise, Rs. 12.0 million was provided to Kisan Microfinance Development Bank Ltd. on March 10, 2016 for opening altogether four branches at Dasharathchand Municipality of Baitadi, Bhairavnath VDC of Bajhang, Simikot VDC of Humla, and Otdanda VDC of Mugu. Rolpa and Salyan. Similarly, Rs. 6.0 million was provided to Mahila Sahayatra Microfinance Financial Institution Ltd. on May 11, 2016 for opening altogether two branches in Salyan and Rukum. In addition, Rs. 3.0 million was provided to Womi Microfinance Financial Institution Ltd. on June 3, 2016 for opening a branch in Okhaldhunga district.

Refinance Facility

- 2.48 The use of refinance facility provided by the NRB has remarkably gone up due to the reduction in the refinance rates and simplification in procedures. In the review year, general refinance amounting to Rs. 7.60 billion (including Rs. 2.28 billion in hydropower projects and Rs. 0.75 billion in tourism sector) was provided to three commercial banks and one finance company against the collateral of good loan provided for production-oriented sector. In the previous fiscal year, general refinance amounting to Rs. 5.99 billion was provided to four commercial banks and one finance company against the collateral of good loan provided for production-oriented sector. Export refinance facility amounting to Rs. 1.30 billion was provided to seven commercial banks in the review year. Export refinance provided to eight BFIs in the previous fiscal year had amounted to Rs. 2.93 billion.
- 2.49 Altogether eight (seven ‘A’-class and one ‘C’-class) BFIs were provided refinance amounting to Rs. 59.0 million in accordance with refinance procedures for providing credit with the purpose of reconstructing residential houses for households affected by the earthquake.

Provisions relating to Hearing of Refinance Grievances

- 2.50 As per the provision made by the monetary policy for the review year for lodging complaints in the NRB by the clients deprived of the refinance facility, the Refinance Cell stationed in the Banks and Financial Institutions Regulation Department has been specified for hearing the grievances relating to the refinance. No grievance relating to refinance was received during the review year.

Formation and Functions of Grievance Management Committee

- 2.51 As per the decision of the Council of Ministers on December 15, 2006, Grievance Management Committee was formed under the convenorship of Deputy Governor comprising representatives from MOF and President of Nepal Bankers Association as members and Federation of Nepalese Chambers of Commerce and Industry (FNCCI) as observer for hearing grievances if any party feels aggrieved in connection with transactions between the BFI and the borrower.
- 2.52 The activities pertaining to the grievance management have assisted in solving problems created between the bank and the borrower. In the review year, among the 113 grievances and complaints received, hearing by the Grievance Management Committee has been undertaken in the case of 41 while necessary correspondence has been made with concerned BFIs in the case of 15. Regarding the remaining 72 grievances, efforts are ongoing for bringing about understanding between the applicants and the concerned parties through coordinating them. Likewise, necessary efforts have been underway for

clearing of over 300 complaints received on informal basis (other than the written means) in the review year.

- 2.53 The complaints received by the Grievance Management Committee especially pertain to the subjects like extending the maturity period of the loan, discontinuing the auctioning of the property pledged as collateral as the auction being not in accordance with the procedures followed, releasing the collateral as the third party failed to release it on account of misutilization of the credit, blacklisting, removal from the black list, etc. Regarding such complaints, both the borrower and the bank are invited at the Committee meeting where efforts are made to bring to the mutual understanding besides communicating Committee decisions on the matters and getting them implemented.
- 2.54 The function of the committee formed in the NRB has helped in solving the problems arising between the BFI and the client. Besides, the function of the committee has also helped in minimizing the sorts of problems relating to credit being witnessed in the banking and the financial sector.

Confiscation of Passports

- 2.55 Among the 362 borrowers who faced prosecution including the confiscation of their passports, 62 borrowers were released from such action as in mid-July 2016.

Refinance for Sick Industries

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

Deprived Sector Credit

- 2.57 There has been a provision to extend 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 2016, the ratios of deprived sector credit extended by commercial banks, development banks, and finance companies comprised 5.52 percent, 6.67 percent, and 4.57 percent respectively.

Publication of the List of Professional Experts

- 2.58 With respect to maintaining the list of professional experts in accordance with section 13 of the Banks and Financial Institutions Act, 2006, an additional 19 individuals meeting the

qualifications and other requirements as specified have been included in the list in the review year, with the list totaling 177 professional experts.

Publication of the List of Auditors/Audit Firms

- 2.59 With reference to maintaining the list of approved auditors as per sub-section (2) of section 60 of the Banks and Financial Institutions Act, 2006, the NRB has maintained auditors' roster of 722 individuals/firms comprising 298 chartered accountants and 424 registered auditors in accordance with the understanding reached between the NRB and the regulating body for auditors conducting audit, namely, the Institute of Chartered Accountants of Nepal (ICAN).
- 2.60 A high-level committee of Nepal Financial Reporting Standards (NFRS) Oversight has been constituted under the convenorship of NRB board member to discharge necessary coordinating functions for implementation of NFRS in BFIs in an easier and economical way. Moreover, work has been moving ahead with the formation of one task force having representation of Nepal Bankers Association and ICAN to prepare draft of directive containing necessary subject matters to be revised in the existing directive with a view to ensure harmonization between NRB's directive to the BFIs and the NFRS.

Publication of Statistics

- 2.61 Monthly and annual bulletin has been prepared and published regularly on the basis of daily, monthly, and quarterly statistics received by NRB from BFIs as per Consolidated Directive.

Implementation of Basel-III Provisions

- 2.62 In accordance with the NRB policy of gradually implementing the Basel-III provisions on the basis of need and justification, Capital Adequacy Framework 2015 based on Basel-III has been implemented in Nepalese commercial banks. The Capital Adequacy Framework 2015 has been implemented to be run in parallel in NRB-licensed 'A'-class commercial banks since mid-January 2015 and fully run since FY2015/16. Among the Basel-III provisions, it has been provided that the liquidity coverage ratio, net stable funding ratio, and SIFI (systemically important financial institution) measures will be implemented beginning 2019.

Financial Sector Assessment Program

- 2.63 Among the tasks identified by the Financial Sector Assessment Program (FSAP) report which was completed in 2014 under the assistance of IMF and World Bank, a task force has been constituted and activities commenced to reform legal and regulatory aspects in financial sector, arrange necessary resource for managing eventuality of financial crisis,

develop crisis preventing system, and gradually adopt and complete the international best practices adopted in the banking system.

Rural Self-Reliance Fund and Other Projects Related to Microfinance

Rural Self-Reliance Fund

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

Table 2.10
Transaction Details of Rural Self-Reliance Fund

Description	Mid-July		
	2014	2015	2016
Loan Disbursement:			
Number of Districts	68	68	70
Number of Institutions	940	1,024	1,104
Number of Benefited Families	46,081	49,245	55,304
Loan Disbursed (Rs. in million)	1,523.3	1,700.6	2,000.5
Principal Repaid (Rs. in million)	913.0	1,165.0	1,444.0
Outstanding Loan (Rs. in million)	610.4	535.6	556.4
Overdue Loan (as percentage of loan to be repaid)	3.67	5.38	4.68
Loan Recovery (in percent)	96.33	94.62	96.33

2.66 As in mid-July 2016, the RSRF disbursed loan amounting to Rs. 2,000.05 million to a total of 1,104 institutions comprising 1,050 cooperatives and 53 NGOs. Of the total disbursed amount, Rs. 1,444.02 million was repaid and Rs. 556.45 million remained outstanding. As at that date, out of the total long-term loan disbursed amounting to Rs. 159.2 million, Rs. 116.24 million was repaid, leaving Rs. 42.96 million as outstanding. At the present, the long-term loan amount has been invested in ADBL only.

Table 2.11
Lending Position of Rural Self-Reliance Fund
(As in mid-July 2016)

Description	NGOs	Cooperatives	Long Term Loan	Total
Loan Disbursement				
a) No. of Institutions	53	1050	1	1104
b) Loan Amount (Rs. in million)	22.5	1,818.8	159.2	2,000.5
c) No. of Benefited Families	4,004	51,300	-	44,304
Loan Recovery				
a) Principal Amount (Rs. in million)	20.5	1,307.3	116.2	1,444.0
b) Interest Amount (Rs. in million)	2.8	158.4	-	161.2
Outstanding Loan				
a) No. of Institutions	15	518	1	534
b) Principal Amount (Rs. in million)	2.0	511.5	43.0	556.4
Overdue Loan				
a) No. of Institutions	15	56	-	71
b) Principal Amount (Rs. in million)	2.0	68.8	-	70.8

2.67 Continuity has been given in this year also for publicity and promotion by organizing various seminars and programs with the objective of reaching the access of cooperatives and NGOs working in rural areas of the country to the RSRF.

Projects Related to Microfinance

2.68 As per the subsidiary loan agreement entered into between the GON and NRB, various projects with time-bound repayment features were implemented by the NRB. Various projects that were under implementation and investment activities of which have now been completed are the Production Credit for Rural Women (20-year), Micro-Credit for Women (16-year), Third Livestock Project (30-year), Western Terai Poverty Alleviation Project (18-year), and Community Underground Water Irrigation Sector Project. Out of the total sum invested in these projects, Rs. 63.1 million has so far remained outstanding. The due amount has been repaid to the GON by realizing the sum from the concerned participating financial institutions in accordance with the repayment schedule. Similarly, out of the sum of Rs. 301.47 million received till mid-July 2016 from the project entitled Raising Income of Small and Medium Farmers Project (RISMFP) that has been in operation under the grants assistance of the Asian Development Bank (ADB), Rs. 243.70

million was invested among the cooperatives which have been in operation in 10 districts of the Mid-Western and Far-Western Development Regions of the country.

- 2.69 For promoting sustainable economic development through financial access in the rural areas, financial agreement for euro 7.0 million was made on June 30, 2016 for program entitled Sustainable Economic Development in Rural Areas under German Financial Cooperation with Nepal (KFW). For implementation and coordination of the program under the MOF, it is arranged that NRB will act as the on-lending agent.
- 2.70 Various projects and programs have been implemented by NRB and the same continued over the years for the promotion of financial access, financial literacy, financial inclusion, rural finance, agricultural development, micro-enterprise, etc. in association with international agencies and fora like Centre for International Cooperation in Agricultural Banking (CICTAB), Asia-Pacific Rural and Agricultural Credit Association (APRACA), Alliance for Financial Inclusion (AFI), Child and Youth Finance International (CYFI), World Bank, Asian Development Bank (ADB), United Nations Development Program (UNDP), United Nations Capital Development Fund (UNCDF), United Nations Children's Fund (UNICEF), Save the Children, Danish International Development Agency (Danida), DFID (British Government's Department for International Development), etc.
- 2.71 As per the bilateral agreement between GON and Government of Denmark in connection with bringing into implementation the UNNATI-Inclusive Growth Program in assistance of UNCDF in partnership with NRB, the Access to Finance-A2F Program has been brought into operation for the period 2014 to 18. As part of UNNATI-A2F, Making Access to Financial Services Possible (MAP) Program has come into operation. Study relating to demand side survey based on financial inclusion in Nepal was completed in the previous fiscal year. Likewise, study has been completed relating to supply side in the review year. Accordingly, work has presently been moving ahead for preparation of Road Map for Financial Inclusion and its action plan.
- 2.72 Presently, work relating to implementation of new Reporting Format for BFIs through the BFI Regulation Department by identifying Financial Inclusion Indicators under Mobile Money for the Poor (MMYP) Program relating to digital financial service currently in operation in Nepal. Likewise, work on e-mapping has been going on for seeking updated information about presence of BFIs throughout the country. Work has also proceeded ahead to make regulatory work sound with respect to retail payments through payment and settlement under MMYP Project. Likewise, the work of studying the role of NRB under federalism has been moving ahead under the Corporate Planning Department of NRB under MMYP. With a view to contributing to value chain activities of 150,000 small farmers mainly engaged in dairy, ginger, and orthodox tea in the seven hilly districts of eastern region, namely, Ilam, Panchthar, Tehrathum, Bhojpur, Dhankuta, Taplejun, Sankhuwasabha, financial services will be made available through BFIs working in that

region. Besides, the Project aims at providing branchless banking services and mobile financial services to 100,000 clients. The total assistance of the Project amounts to US\$ 9.4 million.

- 2.73 In order to address the policy-related issue relating to financial literacy, NRB has formulated National Financial Literacy Policy, 2015 and has forwarded to the GON for its approval.

Supervision of Banks and Financial Institutions

Supervision of Commercial Banks

- 2.74 The work of performing corporate level on-site inspection of commercial banks on an annual basis has been continued in FY2015/16 also. In pursuit of application of supervisory system in accordance with international standards, the supervision of all the 22 banks has been conducted on risk-based model from this fiscal year. Continuity has been given to the work of improving the weaknesses and defects as witnessed in the banks following the on-site inspection as well as evaluating the banks on the basis of details received
- 2.75 Besides the corporate level on-site inspection, altogether 50 special on-site inspection has been accomplished on matters concerning complaints and grievances.
- 2.76 As per the provision that clearance need to be obtained from NRB for the publication of financial statements prior to the holding of annual general meeting by the BFIs, approval was granted to 29 commercial banks for publication of the financial statements for FY2014/15. While authorizing the publication of the financial statements, banks have been instructed to correct the comments and qualifications expressed also by external auditors while conducting on-site inspection and off-site supervision of the banks. In addition, commercial banks have been instructed to make arrangements not to repeat such qualifications.
- 2.77 Regular monitoring has been done specifying the compliance in response to the qualifications and comments expressed in the reports prepared on the basis of corporate level on-site inspection, special inspection, and targeted on-site inspection as well as off-site monitoring along with directions issued thereof.
- 2.78 Continuity has been given to the work of timely cautioning the concerned BFIs by preparing the early warning signals besides performing the CAMELS rating based on the analysis of information obtained from off-site supervision.
- 2.79 The work of monitoring liquidity in the banking system daily and on regular interval as per new format has been increasingly systematized by establishing one monitoring desk under Off-site Cell with the view of timely identifying the risk relating to liquidity as an

important aspect of banking system as well as assisting in the making of policy decisions accordingly.

- 2.80 BFIs have been monitored for CRR compliance on weekly basis and the SLR on a monthly basis besides charging them penalties for not complying with the CRR and SLR requirements.

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

BFIs	2013/14		2014/15		2015/16	
	No.	Rs.	No.	Rs.	No.	Rs.
"A"	-	-	-	-	1	165,667.12
"B"	7	2,585,553.67	3	9,464.54	3	1,285,363.10
"C"	-	-	-	-	1	7,045.77
Total Amount	7	2,585,553.67	3	9,464.54	5	1,458,075.99

- 2.81 With the purpose of accessing the deprived sector credit to specified people, work has been continued to monitor the compliance with respect to the deprived sector credit and charging the BFIs penalties for not extending the required credit.

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

BFIs	2013/14		2014/15		2015/16	
	No.	Rs.	No.	Rs.	No.	Rs.
"A"	1	677,920.79	1	1,752,101.43	1	11,526,661.28
"B"	5	3,006,949.25	4	2,750,085.25	2	189,921.80
"C"	-	-	4	5,688,613.56	5	1,126,445.00
Total Amount	6	3,684,870.04	9	10,190,800.24	8	12,843,028.08

- 2.82 Continuity has been given to the work of monitoring the risk concentration in the credit extended by the BFIs in one sector and purpose of the economy.
- 2.83 Bank supervision report has been published for FY2014/15 by incorporating the analysis of corporate level inspection and financial condition of the commercial banks.
- 2.84 Regarding the correspondence made with the central banks of various countries with respect to exchange of mutual cooperation and information for the purpose of supervising banks which are in operation or likely to be in operation in the country, memorandum of understanding has been signed with Reserve Bank of India (RBI) on September 14, 2015 and with China Banking Regulatory Commission, regulatory body of China, on March 21, 2016. Likewise, continuity has been provided to the work of establishing understanding with central banks/supervisory bodies in different countries for reasons of likely increasing trend of establishing foreign banks in Nepal as well as Nepalese banks setting up branches and correspondent offices in foreign countries.

Supervision of Development Banks

- 2.85 As a preparation for bringing the national level “B”-class financial institutions within the framework of Basel II, the same has been implemented on a parallel basis since FY2010/11 and has regularly been monitored. As per the monetary policy for FY2016/17, national level ‘B’-class development banks have been brought within the framework of Basel II.
- 2.86 With the objective of applying the concept of base rate to other financial institutions in addition to the ‘A’-class banks on a gradual basis, regular monitoring of base rate in ‘B’-class financial institutions has been conducted.
- 2.87 Regular monitoring has been made for implementing the work plan submitted to NRB with reference to the requirement of ‘B’-class financial institutions to extend 15 percent of their total loan portfolio in productive sector by mid-July 2015.
- 2.88 For discouraging multiple banking transactions, continuity has been provided for monitoring the ‘B’-class financial institutions in the process of their on-site supervision in accordance with the directive issued by the NRB.
- 2.89 During mid-July 2015 to mid-July 2016, corporate level on-site inspection of 46 ‘B’-class financial institutions has been completed. Similarly, among the ‘B’-class financial institutions, special and urgent inspection has been conducted in 13 institutions while follow up monitoring has been conducted in three institutions.
- 2.90 In order to improve the financial health of ‘B’-class financial institutions, the policy of prior assessing the proposal relating to cash dividend and bonus share on the basis of prudential mechanism has been adopted. In FY2015/16, concurrence has been given for publishing financial statements to a total of 73 ‘B’-class financial institutions (23 national level, 13 ten-district level, 25 three-district level, and 12 one-district level). Likewise, 58 institutions have been permitted to distribute stock dividend in the review year.

Supervision of Finance Companies

- 2.91 In the review year, there was annual work plan of conducting on-site inspection of 38 finance companies out of which 34 finance companies (including six by KPMG) were inspected on-site. Likewise, special inspection was conducted in 8 finance companies while follow-up inspection was conducted in 12 finance companies.
- 2.92 Regular follow-up has been done with respect to the provision on CRR, SLR, and deprived sector credit. In the case of non-compliance of the directive, penalty/fine has been imposed in accordance with the NRB Act, 2002. Similarly, the credit/core capital

and deposit (CCD) ratio as well as condition of credit, deposit, and liquidity has also been regularly monitored.

- 2.93 As stipulated by NRB directive for maintaining minimum paid up capital as in mid-July 2017, among the finance companies within the supervisory purview of Finance Company Supervision Department, 11 institutions have planned to meet required capital by issuing right and bonus shares while nine institutions have decided to meet the required capital through merger or acquisition among themselves. Rest of the finance companies are in the process of meeting the required capital as per their capital plan.

Supervision of Microfinance Institutions

- 2.94 In the review year, the Microfinance Promotion and Supervision Department has conducted on-site inspection in 36 microfinance development banks, 8 cooperatives engaged in limited banking operations, and 16 NGOs involved in operation of financial intermediation. In the review year, special inspection has been conducted in one each of microfinance, development bank, and cooperative institutions.

Resolution of Problem Banks and Financial Institutions

- 2.95 So far, NRB has declared 16 BFIs as problematic. Five of them (Nepal Development Bank, Samjhana Finance Limited, Gorkha Development Bank, United Development Bank, and Himalayan Finance Limited) were resolved/have been in the process of resolution through liquidation/merger/acquisition, etc.
- 2.96 Among the 11 institutions which became problematic as in mid-July 2016, two were ‘B’-class development banks and nine were ‘C’-class finance companies.
- 2.97 According to unprocessed financial statements of 11 problematic institutions as in mid-July 2016, deposits totaled Rs. 3.04 billion while credit amounted to Rs. 6.42 billion. Total deposits comprised Rs. 11.20 billion and total credit summed up Rs. 14.04 billion at the time when these institutions were declared problematic.
- 2.98 Quarterly financial indicators of these problematic institutions have been prepared and updated in the website of NRB for information to related stakeholders and public at large.
- 2.99 All the problematic institutions have been regularly supervised and monitored in the context of regularly monitoring the problematic institutions besides steadfastly carrying out the activity of reforming the institutions.

Foreign Exchange Management

- 2.100 The one-time maximum limit of US\$ 35,000 for the payment of imports of goods from third countries except India through draft and TT has been increased to US\$ 40,000.

- 2.101 For making payment of commercial and card transactions, arrangement has been made to provide exchange facility for Indian rupee required by commercial banks for a week on an average basis based on their monthly transactions for the purpose of maintaining the stock of Indian currency.
- 2.102 The purchase/sale of the US dollar and the market intervention process conducted by the NRB has been automated by the Reuters service.
- 2.103 The limit of the exchange facility of Indian currency to the Indian transport companies, which transport goods from India to Nepal or from Nepal to India and third countries, has been increased to IRs. 75,000 from the prevailing amount of IRs. 50,000.
- 2.104 In order to make the process of transferring remittance from India simpler and easier by addressing the existing difficulties, a proposal was sent to Reserve Bank of India (RBI) for formation of Joint Technical Coordination Committee (JTCC) for formulating a bilateral coordination mechanism with RBI. Accordingly, the Committee was formed and the first meeting of the Committee was held on New Delhi on May 13, 2016.
- 2.105 Work has been continuously going on with respect to the high-level mechanism established at the end of the previous fiscal year at the initiative of the NRB for making discussion on contemporary subjects toward identifying measures for controlling the illegal transactions in foreign exchange and gold/silver.
- 2.106 This provision is applicable for Indian tourist group travelling through Nepalese tour operators to Mansarovar Kailash and being housed in hotels in Nepal. Arrangement has been made for providing exchange facility up to US\$ 500 per Indian tourist if the tour operators request exchange facility for their payments in Tibet, by enclosing the VAT invoice of the hotel expense evidencing that 50 percent of the amount remitted by the tourist has been incurred in the hotel and also evidencing that a minimum of IRs. 1 lakh has been received by the banking system.
- 2.107 A separate FDI Section has been established for making foreign investment systematic. Accordingly, approval and recording arrangements of foreign investment (loan and share capital) as well as the repatriation (dividend and interest payment) have been made. Necessary format has been developed so that required data in excel sheet can be updated pertaining to foreign debt and investment, inflows and investment, dividend, repatriation of principal/interest, etc.
- 2.108 Public notice has been issued on November 20, 2015 by revising policy-related and procedural provisions to be applicable for repatriation of foreign investment by including additional provision of borrowing in foreign currency by Nepalese firm, company, industry or other entities from foreign individual investors of these firms/companies.

- 2.109 Limit has been fixed for Nepalese rupee, US dollar or other equivalent convertible foreign exchange that could be brought and carried in person by Nepalese or foreign citizen while departing for other countries or coming to Nepal from other countries. Accordingly, notice has been published to this effect on various days during the month of mid-November to mid-December 2015 regarding the provision requiring declaration for customs purpose the amount of foreign exchange exceeding the specified limit.
- 2.110 Existing provision of licensing foreign exchange transactions for hotel and travel/tour operators desirous of transacting in foreign exchange has been further simplified. Accordingly, necessary revision has been made in the ‘Nepal Rastra Bank License and Inspection Bylaw, 2010’ to simplify licensing process through the meeting of Board of Directors held on October 30, 2015
- 2.111 Requirement of recommendation by GON, Ministry of Science, Technology, and Environment, is waived, for opening letter of credit through commercial banks for import of non-ODS refrigerant gas.
- 2.112 Arrangement has been made for implementation of ACU decision that transactions among ACU countries would be compulsory for amount of US dollar/euro 500 or above as per the technical committee meeting of the ACU as well as the 44th meeting of Board of Directors.
- 2.113 Half-yearly analysis of the portfolio has been conducted with the objective of receiving maximum return from existing foreign exchange reserve. Accordingly, annual report for FY2014/15 and half-yearly report for mid-January 2016 have been prepared.
- 2.114 Foreign Exchange Investment Guidelines has been revised. Work on further revising the Guidelines in consistence with the arrangements made in other SAARC countries has been ongoing. Portfolio has been diversified with adequate management of security, liquidity, and return.
- 2.115 Among the licensed firm, company or institutions (excluding BFIs), altogether 282 entities were inspected in FY2015/16 comprising 171 money changers, 64 hotels, and 16 trekking agencies inside the Valley and 31 money changers outside the Valley. Regular inspection of 282 institutions and special inspection of three commercial banks has been completed. Among them, 12 money changers and 11 hotels have been fined in cash, generating Rs. 470,000.
- 2.116 Firms and companies engaged in remittance numbered 49 as in mid-July 2016. Approval for conducting remittance transactions has also been obtained by 25 banks. As in mid-July 2016, the number of money changers was 403, comprising 164 inside the Valley and 239 outside the Valley. In the review year, there has been a substantial reduction in the number of hotel, trekking, travel agency, and cargo/courier licensed to deal in foreign exchange.

- 2.117 In order to update the risk management system in foreign exchange investment and gradually diversify the investment, portfolio diversification (IC, Yuan), instruments (policy bond, long-term US securities), and counterparties have been added.
- 2.118 Software has been installed and work has been commenced for automating the purchase/sale of US dollar in foreign exchange market and market intervention process.

Table 2.14
Firm, Company or Institutions Licensed to Deal in Foreign Exchange
(Other than BFIs)

Description	Mid-July		
	2014	2015	2016
Firm or company dealing in remittance	47	49	49
Money Changer	336	431	403
Hotel	320	329	162
Trekking	1,511	1,660	1,113
Travel Agency	1,670	1,744	819
Foreign Airlines	54	59	32
Cargo Courier	301	305	57
Other Organizations	73	79	43
Total	4,312	4,656	2,678

Currency Management

- 2.119 Agreement was made in FY2015/16 with Perum Peruri, Indonesia, for printing 180 million pieces of Rs. 500 denomination notes. Out of 200 million pieces of Rs. 100 denomination notes being printed by China Banknotes Printing and Minting Corporation, 80 million pieces were deposited in the NRB vault in the review year while the rest of the notes are in the process of being received. Likewise, 240 million pieces of Rs. 50 denomination notes and 210 million pieces of Rs. 20 denomination notes have been in the process of being printed by Perum Peruri, Indonesia. During FY2015/16, Rs. 403.4 million has been spent for note printing.
- 2.120 NRB has issued from stock into circulation notes of various denominations amounting to Rs. 98.68 billion during the period of mid-July 2015 through mid-July 2016.

Table 2.15
Details of Currency Notes Issued from Note Stock in FY2015/16

Denomination (Rs.)	Notes in Circulation (Pieces in Million)	Amount (Rs. in Million)
5	56.75	283.7
10	49.55	495.5
20	38.20	764.0
50	34.85	1,742.5
100	48.90	4,890.0
500	25.70	12,850.0
1000	77.65	77,650.0
Total Amount	331.60	98,675.7

2.121 Notes in circulation as in mid-July 2016 amounted to Rs. 386.16 billion recording an increment of 20.75 percent over the notes in circulation amounting to Rs. 319.08 billion as in mid-July 2015. Notes issued have been currently secured by foreign currency and foreign securities. The details of currency in circulation as in mid-July 2016 have been as follows:

Table 2.16
Details of Currency Notes in Circulation (Mid-July 2016)

Denomination (Rs.)	Notes in Circulation (Pieces in Thousand)	Amount (Rs. in Million)
1	161,224	161.2
2	93,070	186.1
5	400,736	2,003.7
10	302,501	3,025.0
20	187,808	3,756.1
25	2,307	57.7
50	132,447	6,622.3
100	117,346	11,734.6
250	350	87.5
500	183,794	91,896.8
1000	266,629	266,629.0
Total	1,848,212	386,160.0

- 2.122 The volume of notes in circulation has seen an increasing trend in Nepal every year. The notes in circulation amounted to Rs. 273.25 billion in FY2013/14, which rose to Rs. 319.08 billion in FY2014/15, and Rs. 386.16 billion in FY2015/16.
- 2.123 In order to make the supply management system of the Nepalese currency throughout the country simple, convenient, and effective, NRB has been supplying Nepalese notes and seizing the soiled notes through the 75 currency chests across the nation, comprising NRB's one chest in the Valley and one each in seven offices outside the Valley, RBB's 43 and NBL's 24. 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 whereas arrangement has been made to immediately replenish the required amount through fund transfer if funds are needed. During the recent years, besides commercial banks, national level development banks and finance companies have also been involved in currency chest transactions. Further, in order to enhance effectiveness of the existing operational procedures for resolving problems observed in currency chest transactions, seminars have been conducted through participation of bank staff engaged in currency chest transactions. Besides, suggestions collected/received from inspection and follow-up of currency chests from time to time have been forwarded for improvements.

- 2.124 In accordance with the objective of bringing into circulation only the clean notes, the process of implementing clean note policy has been continued. Besides, in order to bring awareness among the public about clean notes, seminars were conducted in three places outside the Valley. In order to enhance effectiveness of clean note policy since the implementation of the Clean Note Policy since FY2010/11, new circular was issued on April 14, 2016 which instructed forbidding stitching the note packets, crossing out, and tearing/getting torn carelessly. Necessary direction has been given by conducting regular inspection for assessing the compliance of this circular in the course of BFIs' work relating to deposit and payment. Information is being uploaded in the NRB website to impart awareness among the stakeholders and the general public about the need to bring into secure circulation and discontinue the soiled notes from circulation.
- 2.125 Soiled, torn, and non-usuable notes in the possession of BFIs and the general public amounting to Rs. 26.28 billion in various denominations were collected and were consigned to ashes during mid-July 2015 to mid-July 2016. The total amount of such soiled and non-usuable notes consigned to ashes since the starting date to mid-July 2016 amounted Rs. 335.65 billion as in mid-July 2016.

Table 2.17
Details of Consigned Notes Ineligible for Circulation in FY2015/16

Denominations (Rs.)	Consigned to Ashes (in Thousand)	Amount (Rs. Million)
1	194	0.2
2	364	0.7
5	40,088	200.4
10	39,178	391.8
20	29,453	589.0
25	33	0.8
50	24,573	1,228.6
100	41,273	4,127.3
250	0.004	0.001
500	12,844	6422.0
1000	13,317	13,316.9
Total	201,317	26,277.7

Human Resource Management

2.126 Of the total number of NRB staff at 1,229 in mid-July 2016, 1,097 were from administration stream and 132 were from technical stream. The level-wise composition of the total staff strength showed 716 at officer-level, 359 at assistant-level, and 154 at office assistant-level (class-less). The ratio of the officers to assistants (including assistant-level (class-less) as at the end of the review year was 1:0.72. Such ratio in the previous year had been 1:0.69. Similarly, at the end of the review year, a total of 123 staff (security 92, health 10, engineer 2, sub-engineer 2, and others, i.e., among the retired employees of NRB, 17) were under contract basis.

Table 2.18
Details of Current Staff

Level	Staff Composition as in mid-July 2016		
	Administration	Technical	Total
Officer Special	12	—	12
Officer First	41	—	41
Officer Second	138	20	158
Officer Third	469	36	505
Total	660	56	716
Assistant First	43	15	58
Assistant Second	172	47	219
Assistant Third	68	14	82
Assistant Fourth	—	—	—
Assistant Fifth	—	—	—
Total	283	76	359
Office Assistant (Class-less) First	53	—	53
Office Assistant (Class-less) Second	31	—	31
Office Assistant (Class-less) Third	8	—	8
Office Assistant (Class-less) Fourth	62	—	62
Total	154	—	154
Grand Total	1,097	132	1,229

2.127 During FY2015/16, only one staff of assistant II level joined the NRB service. The number of staff discontinuing from the NRB service due to various reasons was 99. Among them, 91 staff left due to the provision of compulsory retirement, 6 staff resigned, and 2 met untimely death. Similarly, altogether 16 personnel under surveillance (security) group were hired on contract including 2 *Pipas*.

Table 2.19
Details of Fulfillment of Vacancy during FY2015/16

S.N.	Level	Service Type	External Competition	Performance Appraisal	Internal Competition
1	Officer Special	Administration	-	6	-
2	Officer First	Administration	-	6	-
3	Officer Second	Administration	-	13	-
4	Officer Second	Technical	-	-	-
5	Officer Third	Administration	-	13	-
6	Officer Third	Technical	-	-	-
7	Assistant First	Administration	-	8	-
8	Assistant Second	Administration	-	-	6
9	Assistant Second	Technical	-	-	-
10	Assistant Third	Administration	-	-	-
11	Office Assist. 4th	Administration	-	-	-
Total			-	46	6

- 2.128 In the review year, the second amendment was made in the Nepal Rastra Bank Personnel Service Bylaw, 2011. The banking hours of all the BFIs has been increased to provide fast and effective service to the stakeholders by making existing banking service more efficient. While the electronic attendance system and manual attendance system were implemented in parallel since mid-April 2016. Financial relief was provided to 13 NRB employees who suffered damages in physical properties due to destructive earthquake on April 25, 2015 and its after-shocks.
- 2.129 As the activities of the Fifth Household Budget Survey Project have been completed, the regional offices established under the Project have been closed. Allowance and facilities of the NRB staff have been reviewed for implementation since mid-July 2016. Organization and Management Survey Report has been prepared and submitted by the Nepal Administrative Staff College to the NRB as per the agreement made with the Staff College for studying NRB's organizational restructuring and manpower requirements. The Study and Recommendation Committee constituted under the convenorship of a member of the NRB Board of Directors has studied the Report and submitted to the Board enclosing the necessary recommendations.
- 2.130 The Human Resource Management System Software (HRMISS) Project, adopted for making effective the functions and processes of Human Resource Management Department, has reached its final stage of implementation. The work of making concurrent improvements by comparing NRB's real statistics with HRMISS-generated statistics through operation of various modules of this software has proceeded ahead.

Miscellaneous

Budget Management, Corporate Risk Mitigation, and Strategic Plan

Budgetary Management

- 2.131 As per the provision made in Section 111 of Nepal Rastra Bank Act, 2002, in order to make Nepal Rastra Bank Budget Manual, 2004 timely and more effective, Nepal Rastra Bank Budget Formulation, Implementation, and Monitoring Directive, 2015 has been approved by the Board of Directors and brought into implementation following the necessary revision and amendment in the draft proposal presented by the Sub-committee constituted under the convenorship of a member of the NRB Board.
- 2.132 The Board of Directors approved and released quarterly for implementation of the NRB's income-expenditure (budget) for FY2016/17 as per the provision made in Section 43 of Nepal Rastra Bank Act, 2002 and the Nepal Rastra Bank Budget Formulation, Implementation, and Monitoring Directive, 2015.
- 2.133 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 Budget Review Committee by enclosing necessary remarks/suggestions. There is a provision for submitting the Budget Review Report to the Board of Directors and finally approving it following the evaluation of the Report as per necessity by the Budget Review Committee and enclosing recommendation for issuing necessary directions for making budget implementation effective.
- 2.134 For making NRB's day to day activities more effective by mutually coordinating various departments/offices/divisions, Management Consultations Seminar is arranged every year for discussing annual work plan and related budget. Accordingly, such seminar was organized in the review year also. Such consultation has resulted in effective coordination in the function of departments/divisions/offices of the NRB. Further, the seminar has also been fruitful in resolving problems encountered in day-to-day activities. As a result, there has been a qualitative improvement in the work performance as an outcome of effectiveness in work operations.
- 2.135 Budget implementation and monitoring seminar has been organized with the purpose of discussing and resolving problems witnessed in connection with budget formulation and implementation in NRB's various departments, divisions, cells, and offices which are directly related with budget formulation and expenditure system. The organization of such seminar has helped in discussing the relevant aspects that have to be considered for practical and objective formulation of budget in consistence with the NRB's vision and

mission as well as approved annual work plans. Likewise, program for instructing GL System for staff involved in budgeting has been organized.

Implementation of Risk Management

- 2.136 The NRB Board of Directors approved the integrated risk management framework on January 5, 2015 and has been brought into implementation for making the work of risk management in the NRB more systematic and effective by incorporating existing policy-related provisions as well as empirical aspects.

Implementation of Strategic Plan

- 2.137 In order to carry forward the activities of NRB in a planned and systematic way, the second Strategic Plan (2012-2016) of the NRB has now been in the final stage of implementation.
- 2.138 Out of 204 functions envisaged to be attained as per the strategic plan (2012-2016), 201 functions remained by omitting three functions. As per the decision of the Strategic Plan Review and Monitoring Committee dated May 18, 2016, seven functions were omitted while it was decided to include eight functions in the third strategic plan, thereby reducing the number of functions to 189. According to the unprocessed details, 118 functions were already performed while 56 functions continued to be implemented.
- 2.139 To conduct activities of the NRB in a planned way, the formulation process of the third strategic plan (2017-2022) has proceeded ahead by collecting feedback from departments and offices of the NRB.

Information Technology and Activities Related to Financial Information Unit

- 2.140 In the process of acquiring and developing new software and making necessary changes in the software already developed, software procured and brought into use comprised the Inventory Management System for computerization of the Store and Distribution Section of General Services Department, On-line Bidding System Software (OBSS) for simplifying and modernization of auctions in the NRB, Price Index System Software (PISS) necessary for the Fifth Household Budget Survey Project, and Human Resource Management Information System Software (HRMISS) for making human resource management of the NRB efficient and transparent.
- 2.141 As per the plan to operate and manage internet service on a central basis, the capacity of the bandwidth has been increased from 5 mbps to 15 mbps. According to this plan, in the first stage, internet service for NRB's Nepalganj, Pokhara, and Biratnagar Offices has been provided through the Central Office itself. Likewise, necessary process has proceeded for developing the Backup Link of NRB Wide Area Network (WAN) for

establishing secured and reliable communication/network mechanism among NRB Offices.

- 2.142 Necessary improvement has been ongoing for the modernization of website and internet in NRB.
- 2.143 In accordance with the objective of transferring NRB's Data Center (DC), Disaster Recovery Site (DRS), and Data Center of Financial Information Unit to the Government Integrated Data Center (GIDC) operated by National Information Technology Centre of the GON and bringing it into operation in the near future, necessary agreement has been made for establishing the NRB's Disaster Recovery Site (DRS) and Data Center of Financial Information Unit in the GIDC for the present. Further, necessary process has proceeded for establishing DRS in Biratnagar Office of NRB with technical and financial assistance of DFID.
- 2.144 Inspection of physical infrastructure related with information technology has been undertaken by visiting the newly established BFIs. Similarly, risk-based supervision has been conducted by visiting different banks.
- 2.145 A three-day residential program has been completed for deliberating on draft report for national risk evaluation concerning identification of Nepal's actual position regarding financial investment in money laundering and terrorist activities followed by preparation of final report which has been submitted to National Coordination Committee and approved along with the Committee's suggestions.
- 2.146 In order to submit report by identifying Nepal's actual position regarding financial investment in money laundering and terrorist activities, National Coordination Committee constituted a Self-evaluation Committee under which sixteen sectoral Sub-committees have been constituted and their work has now been ongoing. The secretariat function of the Self-evaluation Committee has been carried out by the Financial Information Unit which is being stationed in the NRB.

Law Drafting/Amendment

Legal Drafting/Amendment

- 2.147 Nepal Rastra Bank Act, 2002 (Second Amendment Act, 2016) and Banking Offence and Punishment Act, 2008 (First Amendment Act, 2016) were approved by the Parliament and have been in the process of ratification. Similarly, the Banks and Financial Institutions Act, 2006 has been in the process of deliberation in the Finance Committee of the Parliament. The Negotiable Instruments Act, 1978 has also been in the process of deliberation among stakeholders for its necessary amendment.

Functions relating to Company Liquidation

2.148 The liquidation process of problematic Nepal Development Bank has already been completed while the process of liquidation has already started in Samjhana Finance Company and United Development Bank with the appointment of liquidator by the Appeals Court. Besides, the insolvency proceedings of Himalaya Finance Limited and Crystal Finance are in the consideration of the appellate Court.

Internal Audit

2.149 Among the activities relating to internal audit regularly conducted by Internal Audit Department of NRB during FY2015/16, risk-based audit of Banking Office, Currency Management Department, Financial Management Department, General Services Department, and seven Offices outside the Kathmandu valley have been completed.

2.150 During FY2015/16, special audit of Financial Management Department has been conducted to verify details regarding staff salary, allowances, and facilities. Preparation of report on special audit of performance of activities by Bank Supervision Department, Development Bank Supervision Department, Finance Company Supervision Department, and Microfinance Promotion and Supervision Department in accordance with the Nepal Rastra Bank Inspection and Supervision Bylaw followed by suggesting measures to rectify the observed discrepancies has been undertaken.

2.151 With respect to the Currency Management Department, an additional special study has been conducted on position of stock of notes and the process of printing of notes, with the report thereof already submitted to the NRB Board of Directors.

2.152 In order to make the internal audit work more effective and to link the internal audit with the NRB's statistical system, arrangement has been made to regularly monitor the daily transactions inside the NRB through the General Ledger System. Likewise, half-yearly report has been prepared by regularizing the work of off-site inspection.

2.153 By unifying and updating the circulars, policies, and bylaws issued by various departments and offices of NRB up to the period ending in mid-October 2015, the 'Collection of Internal Circulars' has been prepared and uploaded in the NRB website (www.nrb.org.np).

General Services

2.154 In accordance with the master plan, the work of selecting consultants for building necessary infrastructure like making the detailed engineering design, cost estimation, soil test, environmental impact study, bid documentation, etc. is underway at NRB land located at Sano Thimi, Bhaktapur. Accordingly, the work of technical and financial evaluation of proposals received from consultants is in the process of moving ahead.

- 2.155 Based on report received following physical verification, assets and stores not being written off for a considerable length of time have been written off following the required procedures. This has helped in making the NRB's asset accounts accurate and up-to-date. Likewise, the task of record keeping of fixed assets and other miscellaneous items as per the Fixed Assets and Inventory System Software in central office as well as offices outside the Valley has already commenced.
- 2.156 Construction work of the Office of the Governor, Governor's Chamber, Board Room and Secretariat located in the fourth floor of Block 'A' complex in Baluwatar premises has been completed. Similarly, the work of transferring some departments by completing construction of work places according to pre-fabricated model as per the requirement has also been completed.
- 2.157 The work of constructing two-storey building for office purpose in the vacant land located in the north-east direction of the Baluwatar premises has been in the final stage. Also, immediate priority has been accorded to arranging the work place by way of modern and appropriate fixture and furnishing in the building.
- 2.158 Payment counters have been arranged by constructing one-storey building in the Thapathali premises. For managing cash vaults, the construction work of seven vaults (Nepalese currency vault, deposit vault, foreign currency/Indian rupee vault) in the ground floor on the western side of the Bankers' Club building has been completed. Similarly, the work relating to arranging the necessary office rooms for Banking Office has also been done following the completion of the works on aluminum cubical cabin/partition in the building housing the Bankers Training Centre. Banking services being conducted through the Baluwatar complex following the devastating earthquake have been transferred to the Thapathali complex as before.
- 2.159 For Bankers Training Centre, training hall and office rooms with required logistics is being arranged in the second floor of the building which houses the Currency Management Department at Thapathali. Likewise, construction works of necessary office building for security guards and one-storey building/truss for their residence in Thapathali complex has finished.

Payments System

- 2.160 A Memorandum of Understanding (MOU) was signed between NRB and UKAid Sakchyam on December 14, 2015 mentioning the partnership between NRB and UKAid Sakchyam on subjects like developing interrelationships among operators of payments system, developing payments system as per the international standards, providing assistance by Sakchyam to NRB on legal, regulatory, corporate development, and technical issues, and assisting in establishment of real time gross settlement (RTGS), central securities depository (CSD), and National Payments Switch.

2.161 NRB Board of Directors in its meeting held on June 12, 2016 passed the first amendment proposal on Payments and Settlements Bylaw, 2015. The same meeting approved the Licensing Policy for Institutions/Mechanisms Conducting Payments, 2016.

2.162 The list of documents which the institution seeking expression of interest/licensing for carrying out transactions relating to payments needs to be submitted to the NRB and the list of documents required by the NRB prior to providing such expression of interest/licensing has been specified. Also prepared is the flow chart specifying procedures applicable for issuing expression of interest and license.

Banking Transactions

2.163 During FY2015/16, the number of bank branches engaged in government transactions reached 168. During the review year, 20 such branches were monitored and inspected.

2.164 During the review year, IRs. 3.75 billion was purchased from the Reserve Bank of India (RBI), Indian Currency (IC) Chests were operationalized, and the work of transferring funds into various branches carried on. Amount was transferred to IC Nostro Account of the banks located in India. Throughout the country, there were 31 banks which operated the IC Chests and the work of inspecting the IC Chests in the offices lying in the districts was completed as per the work plan.

2.165 During the review year, the Electronic Cheque Clearing (ECC) transactions amounted to a daily average of Rs. 15.54 billion through number of cheques around 32,000. Around 7.42 percent were dishonored for the different reasons.

2.166 For the purpose of cheque clearing, compulsory use of Magnetic Ink Character Recognition (MICR) Cheque commenced on September 18, 2015.

2.167 The provision of printless clearing has been made in the review year itself for all the inward cheques received by the NRB as per the ECC system.

2.168 During FY2015/16, 82 new letters of credit were opened by entities under the GON and the payment of these letters of credit was made on regular basis on the basis of documents.

2.169 Since September 18, 2015, the banking hour has been increased, with 10:00 AM to 3:00 PM from beginning of November to December-end while the banking hour for the rest of the period of the year has been set at 10:00 AM to 4:00 PM.

Training, Workshop, Seminar, Travel, and Interaction Programs

2.170 An interaction program was held for departmental exchange of information on progress made by the Research Department in the context of capacity enhancement

required for preparation of the Dynamic Stochastic General Equilibrium (DSGE) Model.

- 2.171 With the objective of making effective the timely availability of correct statistics from the BFIs, four statistical seminars were held with the representation of BFI staff involved in NRB reporting.
- 2.172 In the review year, Bankers Training Center organized training programs that numbered 19, comprising 12 officer level and 7 non-officer/assistant level. The training participants numbered 457, comprising 314 from NRB and 143 from other institutions. Likewise, the male and female participants numbered 392 and 65 respectively.
- 2.173 A seminar on contemporary issues being participated by representatives of institutions concerned with economic, banking, and financial sector was held in Hetauda.
- 2.174 Qualitative statements will be obtained from related institutions only when the reporting institutions exercise adequate caution and possess sufficient information about anti-money laundering and combating the financing of terrorism. Accordingly, one-day training program was organized in Birgunj for implementing officers of reporting institutions.
- 2.175 By inviting resource person from Reserve Bank of India (RBI), a six-day residential training program was organized. Likewise, a two-day residential interaction program on contemporary issues was held among supervisors in the Supervision Department.
- 2.176 Interaction program on payments system was held among stakeholders at Siddharthanagar, Rupandehi, on February 18, 2016 and March 6, 2016 at Dhangadhi, Kailali, with the cooperation of UKaid Sakchyam. The chief guest in these programs was the NRB Governor Dr. Chiranjivi Nepal. Prior to this, seminars were held on payments and settlements at Kathmandu, Biratnagar, and Pokhara.
- 2.177 Interaction was held on the Formation of Mechanism for Financial Sector Coordination at Regional Level. Likewise, interaction program on foreign exchange with the participation of Foreign Exchange Management Department was held in Chitwan District.
- 2.178 Two one-day familiarization seminars were organized outside the Kathmandu valley with the participation of BFIs and representatives of industry and commerce with the objective of providing awareness about the government securities being issued by the NRB on behalf of the GON and also about the instruments of liquidity management, ultimately leading to the increased participation in auctions of such instruments.
- 2.179 The findings of the fifth household budget survey report being prepared to update the national consumer price statistics were disseminated to the public at a ceremony during

the review year. Likewise, to assist the GON in formulation of the budget, pre-budget survey report was presented to the GON by incorporating necessary suggestions following interactions with stakeholders in various places including Kathmandu. Besides, for formulating monetary policy, suggestions were also collected by holding necessary interactions.

Study and Research

- 2.180 In the review year, concept paper relating to raising of capital in BFIs was prepared and uploaded in the NRB's website. Likewise, following study reports were published in the review year: (a) impact of *yarsagumba* (*ophiocordyceps sinensis*) on the economy of Nepal, (b) concept paper relating to legal and supervisory structure of entities engaged in financial activities outside the purview of NRB, (c) study on condition of post-merger BFIs and effectiveness of merger, and (d) saving and investment trends among households receiving remittances. Moreover, study on impact of POL prices on inflation has been completed in the review year.
- 2.181 Nepal Macroeconomic Model (NMEM) was designed by the NRB with the objective of making appropriate and timely policy corrections by forecasting and projecting the relevant variables of the economy. In order for updating and revising the NMEM along with projecting the sectoral variables, necessary sectoral models encompassing real, monetary, government finance, and external sectors of the economy have been constructed and their departmental presentation completed during the review year.
- 2.182 A regional-level financial sector coordination mechanism has been set up in each NRB office located outside the Valley with the purpose of ensuring coordinative, promoting, and facilitative role among the beneficiaries of various directed credit programs that have been implemented by the GON and NRB. It has been expected that the mechanism set up under the convenorship of the director of the NRB offices located outside the Valley would make the directed credit programs much more effective.
- 2.183 The Biratnagar Office of NRB has completed two special studies, namely, Prospects of Commercial Farming of *Chiraito* in Eastern Hilly Region and Its Impact on the Economy as well as Condition of Tea Industries in Eastern Region and their Contribution to the Economy. Likewise, the Biratnagar Office of NRB has completed special study on Effects of Strike on Industries of Bara and Parsa.

Meeting of Board of Directors

- 2.184 The Board of Directors held 97 meetings in FY2015/16. Such meetings in the previous year had numbered 65.

Table 1
Denomination-wise Currency Notes in Circulation

(Rs. in Million)

Denomination	Mid July					
	2014		2015		2016	
	Amount	Percent	Amount	Percent	Amount	Percent
1	161.6	0.1	161.4	0.1	161.2	0.0
2	187.1	0.1	186.6	0.1	186.1	0.1
5	1,683.9	0.6	1,859.0	0.6	2,003.7	0.5
10	2,526.8	0.9	2,794.4	0.9	3,025.0	0.8
20	2,999.0	1.0	3,418.6	1.1	3,756.2	1.0
25	58.6	0.0	58.2	0.0	57.7	0.0
50	4,752.3	1.7	5,693.2	1.8	6,622.3	1.7
100	11,064.4	4.1	11,554.3	3.6	11,734.6	3.0
250	87.6	0.0	87.5	0.0	87.5	0.0
500	77,757.7	28.5	88,489.6	27.7	91,896.8	23.8
1000	171,971.0	62.9	204,777.2	64.2	266,629.0	69.1
Total	273,250.0	100.0	319,080.0	100.0	386,160.1	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

Table 3
Training Programs Conducted by Bankers Training Centre

S. No.	Subject	Level	Date	No. of Participants
1	Suspected Identification of Foreign Currency	Officer/ Non-officer	Sep. 11, 2015	25
2	Monetary and Fiscal Management	Officer	Oct. 4 - 9, 2015	19
3	Stress Testing	Officer	Oct. 14 - 16, 2015	20
4	Public Debt & Liquidity Management Function of NRB, Instrument, Procedure and Settlement	Officer	Nov. 4 - 6, 2015	15
5	Supervision & Assessment Process of MFDBs	Officer	Dec. 2 - 4, 2015	20
6	Public Procurement Act, Laws, Auction, NRB Bylaw and Process	Officer	Dec. 9 - 11, 2015	19
7	Risk Based Supervision	Officer	Jan. 3 - 8, 2016	22
8	Management Development Program	Officer	Jan. 17 - 28, 2016	22
9	Government Account & Its Reconciliation	Officer/ Non-officer	Jan. 31 - Feb. 1, 2016	23
10	HRMISS	Officer/ Non-officer	Feb. 2, 2016	21
11	Identification of Counterfeit Banknotes	Officer/ Non-officer	Feb. 3, 2016	22
12	Olympic Banking System (G.L.)	Officer/ Non-officer	Feb. 4, 2016	19
13	HRMISS	Officer/ Non-officer	Feb. 22, 2016	21
14	Olympic Banking System (G.L.)	Officer/ Non-officer	Feb. 23, 2016	22
15	Workshop on AML/CFT Issues	Officer	Apr. 12, 2016	19
16	Stress Management	ED	May 13 - 15, 2016	26
17	Workshop on Forecasting & Modeling with E-views	Officer	Jun. 7 - 10, 2016	24
18	Procurement Management	Officer	Jun. 19 - 21, 2016	22
19	Contemporary Issues	Officer	Jun. 24, 2016	76
	Total			457

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

S.No.	Program	No. of Participants	Host Institution	Place
1	Regional Seminar on Enforcement Including Cross Border	4	ADB	Shanghai, China
2	Euroclear Workshop	2	Euroclear Bank	Singapore
3	Access to Financial Services for Macro, Small and Medium Enterprises Program	1	BNM/AFI	Kuala Lumpur, Malaysia
4	17th SEACEN Conference of Directors of Supervision of Asia Pacific Economies Conference Theme: Promoting Banking System Stability in a Changing Environment 28th Meeting of Directors of Supervision	1	The SEACEN Centre	Bangkok, Thailand
5	Forecasting, Budgeting and Financial Management	3	CBS-CBSL	Colombo, Sri Lanka
6	Program on Database Management for Cooperatives and Rural Financing Institutions	4	CICTAB	VAMNICOM, Pune, India
7	Workshop on Developing & Strengthening Consulting Capacities of NPOs	1	Asian Productivity Organization	Taipei, Taiwan
8	22nd SAARCFINANCE Coordinators' Meeting and 1st Meeting of Researchers under SAARCFINANCE Collaborative Arrangements	2	State Bank of Pakistan	National Institute of Banking and Finance (NIBAF), Islamabad, Pakistan
9	Advanced Topics in Monetary Economics	1	Swiss National Bank, Study Centre Gerzensee	Gerzensee, Switzerland
10	High Level Seminars for Directors of Research and Training Theme: Globalization: Impact on Central Bank Strategies of Emerging Economies, 37th SEACEN Directors of Research	2	The SEACEN	Nadi, Fiji
11	Waste Destruction of Rs.10 denomination Nepalese Banknotes	2	De La Rue International Ltd., United Kingdom	Colombo, Sri Lanka
12	Macroeconomic and Monetary Policy Management Theme: The Changing Nature of the Monetary Transmission Mechanism since the Global Financial Crisis	3	The SEACEN	Bali, Indonesia
13	FIBAC 2015- Annual Global Banking Conference	1	Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks' Association (IBA)	Mumbai, India
14	Program on Fixed Income Securities	4	CBS-CBSL	Colombo, Sri Lanka
15	Strategic Asset Allocation	1	FSI/BIS	Beatenberg, Switzerland
16	FSI-SEANZA Regional Seminar on the Regulation and Supervision of Systemically Important Banks	6	FSI-SEANZA / RBI	Mumbai, India
17	Partnership Enhancement Workshop & Mutual Evaluation / National Risk Assessment Workshop	2	Asia Pacific Group on Money Laundering (APG) & South Korean FIU	Seoul, Republic of Korea
18	EXCO Task Force Meeting-Review of SEACEN Funding Model -1st Task Force Meeting	1	The SEACEN Centre	Kuala Lumpur, Malaysia
19	Consultative Meeting with UNCDF and various Donor Agencies	3	United Nations Capital Development Fund (UNCDF)	Brussels, Belgium
20	Course on Central Banking and Financial Sector Legal Frameworks	2	IMF-STI	Singapore
21	Computer Information System Audit and Security Training (CISA, ISO 27001 & ISO 22301)	4	Layers-7 Seguro Consultoria Pvt. Ltd.	Colombo, Sri Lanka
22	SEACEN Research Seminar on Monetary Policy Transmission in SEACEN Economies	2	The SEACEN Centre	Sasana Kijang, Kuala Lumpur, Malaysia
23	Conference on Future of Asia's Finance: Financing for Development 2015	1	IMF & Bank Indonesia	Jakarta, Indonesia
24	The 2015 AFI Global Policy Forum	3	Alliance for Financial Inclusion (AFI)	Maputo, Mozambique
25	Program on Stress Testing Techniques for Risk Management	3	CBSL	Colombo, Sri Lanka
26	Reserve Management	1	Bank for International Settlements	Feusisberg, Switzerland
27	2015 SEACEN Policy Summit Macroprudential Policies: Practical Implementation	2	The SEACEN Centre	Sasana Kijang, Kuala Lumpur, Malaysia
28	Conference on Bank Resolution, Crisis Management and Deposit Insurance Issues	2	BIS	Basel, Switzerland
29	11th SEACEN-BOJ SEACEN Expert Group (SEG) Meeting/Seminar on Capital Flows	1	The SEACEN Centre	Kuala Lumpur, Malaysia

S.No.	Program	No. of Participants	Host Institution	Place
30	6th Meeting of Deputy Governors in Charge of Financial Stability and Banking Supervision (Back-to-Back with High-Level Seminar on Financial Stability)	3	The SEACEN Centre	Kuala Lumpur Malaysia
31	Signing Ceremony of Cross Border Supervision Memorandum of Understanding (MOU) with RBI	2	RBI	Mumbai, India
32	Asia Regional Conference on Banking Supervision and Regulation	2	IMF	Tokyo, Japan
33	Program on Human Resource & Legal Aspects of Business for Cooperatives and Rural Financing Institutions	5	CICTAB	VAMNICOM, Pune, India
34	IT Training on Exchange Server & Sharepoint 2013	4	Core Mind Technology	Chennai, India
35	Inflation Targeting after the Crisis: Foundations, Results and Policy Challenges	1	Istanbul School of Central Banking	Istanbul, Turkey
36	Central Bank Communication in a Changing World	1	Bank of England	London, UK
37	Workshop on Human Resources Management	1	Deutsche Bundesbank	Frankfurt, Germany
38	Seminar on Applied Risk Management-Credit Risk and Asset Securitisation	1	FSI-BIS	Beatenberg, Switzerland
39	Feasibility Study of Labour Bank	1	The Secretariate of Foreign Employment Promotion Board	Dhaka, Bangladesh
40	SEACEN Signature Course on Systemic Risk & Macroprudential Policy Implementation	4	The SEACEN Centre	Seoul, Republic of Korea
41	Basel II & Risk Management	3	CBSL	Colombo, Sri Lanka
42	Fifth Regional Forum on Investment Management of Foreign Exchange Reserve	2	Asian Development Bank (ADB)	Bangkok, Thailand
43	The SEACEN-BIS High-Level Seminar and 14th SEACEN Executive Committee Meeting	3	The SEACEN Centre	Port Moresby, Papua New Guinea
44	56th SEACEN-Federal Reserve Course on Risk-Focused Supervision and Risk Assessment	3	The SEACEN Centre	Kuala Lumpur, Malaysia
45	De La Rue Regional Conference (Asia)	2	De La Rue International, England	Maldives
46	66th APRACA Executive Committee Meeting and International Forum on Formulation of Women Financial Empowerment and Development Framework Toward Sustainable Development in Asia-Pacific	3	APRACA	Babolsar, Iran
47	IMF/ The World Bank Annual Meeting	3	IMF/ The World Bank	Lima, Peru
48	Developing Managerial Decision Making Skills for Marketing Cooperatives	4	CICTAB	Bhubaneswar, Odisha, India
49	Regional Seminar on Crisis Management/ Dealing With Problem Banks	3	ADB / Bank of Thailand	Bangkok, Thailand
50	FSI-BSP Regional Policy and Implementation Forum on Current Issues in Banking Supervision	2	FSI, BIS/Bangko Sentral ng Pilipinas	Manila, Philippines
51	Regional Seminar on Regulation and Supervision of Investment Funds	4	ADB-APEC Financial Regulators Training Initiative (FRTI)	Male, Maldives
52	Workshop on Implementing the Revised International AML/CFT Standards	1	IMF-STI	Singapore
53	Workshop on Financial Stability Diagnostic in Emerging Market	1	Bank Indonesia/ Deutsche Bundesbank	Bali, Indonesia
54	Seminar for Senior Bank Supervisors from Emerging Economies	1	World Bank / Federal Reserve Board / IMF	Washington, D.C., USA
55	Program on Payment and Settlement	4	Bank of Korea	Seoul, Republic of Korea
56	Corporate Governance for Financial Institutions	6	CBS-CBSL	Colombo, Sri Lanka
57	Developments in Pension Law and Supervision	1	DeNederlandscheBank	Amsterdam, Netherlands
58	Financial Inclusion Strategy & Data Program	2	Bank Negara Malaysia (BNM) & AFI	Sasana Kijang, Kuala Lumpur, Malaysia
59	Executive International Program	2	United Overseas Bank	Tokyo, Japan
60	Workshop on Mobilizing Investment for Low Emission Development in Asia's Agriculture Sector-Crop Production and Processing	1	Asia LEDS / Government of Vietnam	Ho Chi Minh City, Vietnam
61	Capacity Building Seminar on Financial Sector Stability	2	IMF/State Bank of Vietnam	Da Nang, Vietnam
62	SEACEN Seminar on Liquidity Risk Management and Supervision	4	The SEACEN Centre	Taipei, Taiwan
63	Workshop on Combating Money Laundering	1	Deutsche Bundesbank	Frankfurt, Germany
64	South Asia Transactional Banking Regional Conference for Banks 2015	1	Standard Chartered Bank	Frankfurt, Germany
65	Program on Fundamentals of Portfolio at Risk and Bank Failures	5	CBS-CBSL	Colombo, Sri Lanka

S.No.	Program	No. of Participants	Host Institution	Place
67	As Organizer to Typology Workshop 2015	3	Nepal & Asia Pacific Group on Money Laundering (APG)	Kathmandu, Nepal
68	Seminar on Short-term Forecasting at Central Bank	1	Istanbul School of Central Banking	Istanbul, Turkey
69	Regional Conference on Income Inequality and Inclusive Finance in Asia: Constraints, Challenges and Policy Options	1	ADB and Indonesia Ministry of Finance	Jakarta, Indonesia
70	Shadow Banking Conference	1	Central Bank of Russian Federation / AFI	Moscow, Russia
71	Interaction of Monetary and Financial Stability	1	Bank Indonesia/ Bank of England	Bali, Indonesia
72	Seminar on Macro-Stress Testing	1	IMF-STI	Singapore
73	IMF Initiatives in External Position Statistics (EPS)	1	IMF-STI	Singapore
74	Seminar on Central Bank Governance	1	Deutsche Bundesbank	Frankfurt, Germany
75	MAS Information Supervision Workshop 2015	1	MAS	Singapore
76	SAARCFINANCE Seminar on Internal Audit in Central Bank: Methodologies & Practices	4	State Bank of Pakistan	Islamabad, Pakistan
77	International Program on Agriculture & Rural Development through Cooperative Business Model	3	CICTAB	Gurgaon, Haryana, India
78	Regional Seminar on Financial Reporting and Disclosure	4	APEC FRTI	Seoul, Republic of Korea
79	Typology Workshop 2015	15	ADB-APEC Financial Regulators Training Initiative (FRTI)	Male, Maldives
80	SEACEN High-Level Seminar on Harmonizing Micro-prudential Policies with Macro-prudential Supervision	4	The SEACEN Centre	Yogyakarta, Indonesia
81	Financial Stability	4	The Bank of Korea	Seoul, Korea
82	Seminar on Trading Book Issues and Market Infrastructure	1	FSI-BIS, IOSCO	Basel, Switzerland,
83	De La Rue-South Asia Users' Group Conference	2	De La Rue Cash Processing Solutions India Private Limited	Bengaluru, India
84	Conference on Money Service Business (MSB) for the Regulator	2	Bank Negara Malaysia	Sasana Kijang, Kuala Lumpur, Malaysia
85	The Basel III International Capital and Liquidity Framework	1	DenederlandscheBannk	Amsterdam, Netherlands
86	51st SEACEN Governors' Conference / High-level Seminar and 35th Meeting of the SEACEN Board of Governors	3	The SEACEN Centre	Manila, Philippines
87	Regional Dissemination Forum on Green Financing	1	APRACA	Dhaka, Bangladesh,
88	SEACEN Intermediate Course on Bank Examiner	4	The SEACEN Centre	Kuala Lumpur, Malaysia
89	SEACEN-IMF Course on External Sector Issues	4	The SEACEN Centre	Negombo, Sri Lanka
90	SEACEN Signature Course on Central Bank Risk Management	4	The SEACEN Centre	Kuala Lumpur, Malaysia
91	Sovereign Asset and Reserve Management-A Framework for Strategic Asset Allocation	1	IMF-STI & Monetary and Capital Markets(MCM)	Singapore
92	Mobile Money & Digital Payments Global 2015	2	Progress Soft Corporation	Istanbul, Turkey
93	17th SAARC Payments Council (SPC) Meeting and 3rd SPC Seminar	3	Bangladesh Bank	Bangladesh
94	21st MAS Banking Supervisors' Training Program	2	Monetary Authority of Singapore (MAS)	Singapore
95	Exposure Visit Program on Co-operative Business Model in Sri Lanka	6	CICTAB	NICD, Polgolla, Sri Lanka
96	Legal Aspects of International Financial Institutions	1	IMF-STI	Singapore
97	Regional Seminar on Investor and Market Intermediary Education	6	ADB / Securities and Exchange Commission of Sri Lanka	Colombo, Sri Lanka
98	Seminar on SAARCFINANCE Database	1	RBI	Mumbai, India
99	First Meeting of the Working Group to Formulate the New Rotation Scheme for the Southeast Asia Voting Group Office at the IMF (SEAVG Working Group)	1	Southeast Asia Voting Group Office at the IMF (SEAVG Working Group) & Bank Indonesia	Indonesia
100	International Program on Application of Information Technology for Development of Agricultural Cooperatives and Rural Financing Institutions (Focused on Trainers Training)	4	CICTAB	VAMNICOM, Pune, India
101	Closing Workshop on External Sector Statistics	1	IMF	Bangkok, Thailand
102	SEANZA Advisors' Meeting	4	NRB	Kathmandu, Nepal
103	International Program on Financial Inclusion, KIIT School of Rural Management	3	CICTAB	Bhubaneswar, Odisha, India

S.No.	Program	No. of Participants	Host Institution	Place
104	Selected Issues in the Evolving Financial Regulatory Framework	1	IMF-STI	Singapore
105	International Study Visit Program on Financing MSMEs in Bangladesh	2	APRACA	Dhaka, Bangladesh
106	International Program on Training Techniques for Trainers of Cooperative and Rural Financing Institutions	4	CICTAB	NCUI, New Delhi, India
107	Seminar on Integrated Macroeconomic Statistics and the Balance Sheet Approach for Better Economic Decision Making	2	IMF / National Bank of Cambodia	Siam Reap, Cambodia
108	5th Economics & Finance Conference	1	International Institute of Social & Economic Sciences	Miami, USA
109	Plenary & Working Group Meeting	3	FATF	Paris, France
110	2nd Meeting of the SEAVG Working Group (South East Asia Voting Group)	1	Bank of Thailand	Bangkok, Thailand
111	Standing Technical Committee (STC) Meeting	2	Bangladesh Bank	Dhaka, Bangladesh
112	High Level Meeting at SCB	1	Standard Chartered Bank	New York, USA
113	4th Advance Program for Central Bankers and Regulators	2	The Chinese University of Hong Kong	Hong Kong
114	SEACEN-BOJ Intermediate Course on Analytics of Macroeconomic and Monetary Policy Management	4	The SEACEN Centre	Sri Lanka
115	SEACEN Foundational Course for Bank Examiners	10	The SEACEN Centre	Nepal
116	Japan-IMF Macroeconomic Seminar For Asia (JIMS)	2	National Graduate Institute for Policy Studies (GRIPS)	Tokyo, Japan
117	Financial Programming and Policies	2	IMF-Singapore Regional Training Institute	Singapore
118	China Inter-Bank Bond and FX Market Seminar	2	Standard Chartered Bank	Beijing, China
119	Course on Fundamentals of Central Banking	1	Department of Foreign Affairs of the Republic of the Philippines and Bangko Sentral ng Pilipinas - Foreign Service Institute (BSP-FSI)	Manila, Philippines
120	Monetary Policy, Exchange Rates and Capital Flows	1	Swiss National Bank, Study Centre Gerzensee	Gerzensee, Switzerland
121	Seminar on Remittance and Secured Investment	1	Embassy of Nepal, Seoul, Republic of Korea	Seoul, Republic of Korea
122	Invitation for Forex Cash Management, Cargo Shipment & Counterfeit Bank Note Detection	3	CIMB Bank	Singapore
123	Women's Development through Income Generating Activities	4	CICTAB	NIBM, Pune, India
124	46th International Central Banking Course	2	National Institute of Banking & Finance, State Bank of Pakistan	Islamabad, Pakistan
125	Foreign Reserve Management	4	Bank of Korea	Seoul, Republic of Korea
126	Good Governance for the Women Board of Directors of Cooperatives & Rural Financing Institutions	2	CICTAB	VAMNICOM, Pune, India
127	Implementing Targeted Financial Sanction against Proliferation of Weapons of Mass Destruction	2	APG / Bank Negara Malaysia	Kuala Lumpur, Malaysia
128	High-Level Conference The Theme Advancing Asia: Investing for the Future	2	IMF/Govt. of India	Delhi, India
129	Central Bank Cooperation and Mandates	1	Bank Negara Malaysia (BNM)	Kuala Lumpur, Malaysia
130	18th Microcredit Summit Frontier Innovations in Financial Inclusion	1	Microcredit Summit Campaign / Arab Gulf Program for Development (AGFUND)	Abu Dhabi, UAE
131	Study Visit to the AMLC and relevant Philippine Government Agencies	4	Bangko Sentral ng Pilipinas	Manila, Philippines
132	Invitation for Interaction Program	2	CIMB Bank	Singapore
133	The 11th Consumer Empowerment & Market Conduct Working Group (CEMCWG) Meeting	1	Central Bank of Armenia/ Alliance for Financial Inclusion (AFI)	Dilijan, Armenia
134	Workshop on Human Resources Management at Central Banks	1	Istanbul School of Central Banking, Turkey	Istanbul, Turkey
135	Central Banking Training	25	Bank Indonesia	Jakarta, Indonesia
136	Workshop on Compilation and Use of Financial Soundness Indicators (FSIs)	3	IMF	Bangkok, Thailand
137	First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific	2	United Nation ESCAP / Government of the Republic of Korea	Incheon, Republic of Korea

S.No.	Program	No. of Participants	Host Institution	Place
138	RFI Responsible Finance Summit 2016 Theme: Unlocking Finance, Expanding Impact	1	RFI Responsible Finance /BNM	Kuala Lumpur, Malaysia
139	Expert Panel on IT Auditing	1	Deutsche Bundesbank	Frankfurt, Germany
140	BASEL Principles & International Good Practices on Central Regulatory & Supervisory Banking Procedures	1	World Bank & IFID	Manila, Philippines
141	1st SEACEN Foundation Course on Payment and Settlement System	4	The SEACEN Centre	Siam Reap, Cambodia
142	Capital Market Infrastructure Capacity Support Project	1	ADB	Dhaka, Bangladesh
143	Seminar on Banking Supervision within the Basel Framework-Advanced	1	Deutsche Bundesbank	Frankfurt, Germany
144	Seminar on Internal Audit Practices at Central Banks	1	Istanbul School of Central Banking, Turkey	Istanbul, Turkey
145	SEACEN-Toronto Centre Course on Crisis Management and Resolution	4	The SEACEN Centre	Sasana Kijang, Kuala Lumpur
146	SEACEN Advanced Leadership Course Theme: Integrative Leadership in Central Banking	4	The SEACEN Centre	Kuala Lumpur, Malaysia
147	Human Resource Information System for NRB Delegates (First Batch)	20	Bangko Sentral ng Pilipinas	Manila, Philippines
148	9th Seminar on Currency Management for SAARC Countries	5	RBI	Chennai, India
149	Workshop on Monetary Policy and the Financial System	1	Deutsche Bundesbank	Hachenburg and Frankfurt, Germany
150	(A) Joint Governors' Meeting of IMF-World Bank South East Asia Constituency (B) 2016 Spring IMFC Meetings	2	IMF	Washington, D.C., USA
151	SEACEN-BOJ Intermediate Course on Econometric Modeling and Forecasting	3	The SEACEN Centre	Bali, Indonesia
152	Regional Seminar on Bank Analysis and Supervision	4	ADB/ Bangko Sentral ng Pilipinas(BSP)	Manila, Philippines
153	Executive Forum for Policy-Makers and Senior Officials	1	World Bank	Washington, D.C., USA
154	Workshop on Macro-Financial Linkages and Diagnostics	2	IMF	Colombo, Sri Lanka
155	Monetary Policy	4	Bank of Korea	Seoul, Republic of Korea
156	Netherlands-OECD High Level Global Symposium on Financial Resilience throughout Life	1	Ministry of Finance of the Netherlands	Amsterdam, Netherlands
157	Inauguration of Liaison Office of Global IME Bank Ltd. In New Delhi	1	Global IME Bank Ltd.	New Delhi, India
158	SEACEN-FSI Regional Seminar on the Regulation and Supervision of Liquidity Risk	4	The SEACEN Centre	Manila, Philippines,
159	Expert Panel on Cash-related Processes at Central Bank-Risk Coverage by the Internal Audit Function	1	Deutsche Bundesbank	Frankfurt, Germany
160	Enhanced General Data Dissemination System (e-GDDS)	1	IMF	Colombo, Sri Lanka
161	APD Field Offices Retreat for Economists, Economists Analysts & Research Associates in Bangkok	1	IMF	Bangkok, Thailand
162	23rd SAARCFINANCE Coordinators' Meeting	2	Central Bank of Sri Lanka	Colombo, Sri Lanka
163	2nd Meetings of Researchers under SAARCFINANCE Collaborative Research Studies	1	Central Bank of Sri Lanka	Colombo, Sri Lanka
164	Seminar on Financial Stability, Financial Crises and Monetary Policy	1	Istanbul School of Central Banking	Istanbul, Turkey
165	SEACEN Intermediate Course for Bank Examiners	4	The SEACEN Centre	Brunei Darussalam
166	Regional Seminar on Technology Risk Supervision	4	Asian Development Bank (ADB) & Financial Supervisory Service	Seoul, Republic of Korea
167	International Program on Women's Development through Income Generation Activities	4	CICTAB	NIBM, Pune, India
168	Course on Cross-Border Position Statistics (CBPS)	1	IMF	Washington, D.C., USA
169	Natixis Central Banks, Supranationals, Agencies and Sovereign Wealth Funds Seminar	2	NATIXIS	Paris, France
170	Study Visit to China Banknote Printing and Minting Corporation	5	China Banknote Printing and Minting Corporation	Beijing, China
171	SAARCFINANCE, Joint Technical Coordination Committee (JTCC) Meeting	4	Reserve Bank of India	Mumbai, India
172	11th SEACEN Intermediate Course on Payment and Settlement Systems	3	The SEACEN Centre	Taipei, Taiwan
173	22nd MAS Banking Supervisors' Training Program	2	Monetary Authority of Singapore (MAS)	Singapore
174	High Level Seminar on Law and Financial Stability	1	IMF	Washington, D.C., USA
175	SAARCFINANCE Seminar on Payment Systems and Correspondent Banking in the SAARC Region	2	State Bank of Pakistan	Islamabad, Pakistan
176	Monetary Policy in Developing Countries	1	Swiss National Bank, Study Centre Gerzensee	Gerzensee, Switzerland

S.No.	Program	No. of Participants	Host Institution	Place
177	Seminar on Asset Management	1	Bank for International Settlements (BIS)	Lucerne, Switzerland
178	Expert Panel on Recovery and Resolution with a Focus on Credit Institutions	1	Deutsche Bundesbank	Frankfurt, Germany
179	Workshop on Asia Reserve Managers Exchange	2	Deutsche Bundesbank	Singapore
180	APG Assessor Training Workshop	3	Asia/Pacific Group on Money Laundering (APG)	Macao, China
181	Financial Inclusion Strategy & Data Program	4	Bank Negara Malaysia (BNM) & Alliance for Financial Inclusion (AFI)	Sasana Kijang, Kuala Lumpur, Malaysia
182	Human Resource Information System for NRB Delegates (Second Batch)	20	Bangko Sentral ng Pilipinas	Manila, Philippines
183	Executive Level Meeting at SCB	1	SCB	SCB, New York, USA
184	Financial Inclusion Strategy & Data Program	1	UNCDF	Kuala Lumpur, Malaysia
185	Financial Inclusion in the Digital Economy	1	ADB	Manila, Philippines
186	FSI-EMEAP Regional Seminar on the Regulation and Supervision of Market Risk and Interest Rate Risk in the Banking Book	3	FSI-EMEAP	Hong Kong
187	(A) 32nd SAARCFINANCE Group Meeting and the SAARCFINANCE Governors' Symposium (B) SAARC Central Banks' Chief Economists Meeting and Governors' Panel Discussions	2	Reserve Bank of India	Mumbai, India
188	Monetary Policy Workshop	1	Istanbul School of Central Banking	Izmir, Turkey
189	Working Visit to Autoriti Monetari Brunei Darussalam (AMBD) to Review Payment Systems	5	Autoriti Monetari Brunei Darussalam (AMBD)	Brunei Darussalam
190	FSI Seminar on Financial Stability and Stress Testing	1	FSI-BIS	Basel, Switzerland
191	High Level Regional Seminar on Empowering MSMEs through Financial Literacy and Inclusion	1	Indonesia Financial Services Authority (FSA) and Organization for Economic Cooperation and Development (OECD)	Jakarta, Indonesia
192	(A) 45th ACU Board of Directors Meeting (B) Meeting of Standing Technical Committee	4	Central Bank of Myanmar	Nay Pyi Taw, Myanmar
193	SEACEN-Toronto Centre Course on Risk Based Supervision	4	The SEACEN Centre	Sasana Kijang, Kuala Lumpur, Malaysia,
194	Course on Macroprudential Policies (MPP)	1	IMF	Washington, D.C., USA
195	International Program on Good Governance for the Board of Directors of Cooperative and Rural Financing	2	CICTAB	VAMNICOM, Pune, India
196	Course on Government Finance Statistics (GFS)	1	IMF	Washington, D.C., USA
197	Preparation and Submission of Statutory Returns for Banks	4	CBS-CBSL	Colombo, Sri Lanka
198	SEACEN Intermediate Leadership Course Theme: Integrative Leadership in Central Banking	4	The SEACEN Centre	Ulaan Baatar, Mongolia
199	Workshop on Financial Stability, Systemic Risk and Macroprudential Policy	1	Deutsche Bundesbank	Frankfurt, Germany
200	14th Program for the Secretariat of Banking Ombudsman	4	Reserve Bank Staff College, Reserve Bank of India	Chennai, India
201	Fiscal and Debt Management Workshop	2	The World Bank Group	Kuala Lumpur, Malaysia
202	Huawei ICT Finance Forum	1	Huawei Technologies Co., Ltd	Cancun, Mexico
203	Training Program for the Nepalese Financial Journalists	7	RBI	College of Agriculture Banking, Pune, India
204	Plenary and Working Group Meeting	3	FATF	Busan, Republic of Korea
205	Regional Seminar on Electronic Banking and Mobile Financial Services	3	ADB / APEC FRTI	Bangkok, Thailand
206	Workshop on Implementing Monetary Policy	1	Deutsche Bundesbank	Frankfurt, Germany
207	FSI Seminar on International Accounting and Auditing Standards for Banks	1	FSI-BIS	Basel, Switzerland
208	Economic Statistics	4	Bank of Korea	Seoul, Republic of Korea
209	The 2016 Annual General Meeting of the Bank for International Settlements	2	Bank For International Settlement	Basel, Switzerland
210	SEACEN-IMF Course on External Sector Issues	4	The SEACEN Centre	Kuala Lumpur, Malaysia
211	Asia Low Emission Development Strategies (LEDS) Forum 2016	1	Asia LEDS Partnership	Hanoi, Vietnam
212	Seminar on Payment and Securities Settlement System	1	Deutsche Bundesbank	Frankfurt, Germany
213	Nepal-India Commerce Secretary Level Inter-Governmental Committee (IGC) Meeting	1	IGC	New Delhi, India

S.No.	Program	No. of Participants	Host Institution	Place
214	Risk-Based IT Auditing	3	CBS-CBSL	Colombo, Sri Lanka
215	Program on Restructuring and Strengthening Agricultural/Rural Financing Institutions (Focused on Trainers Training)	4	CICTAB	CAB, Pune, India
216	Regional Seminar on Risk-Focused Supervision and Risk Assessment	4	ADB / APEC-FRTI	Hong Kong
217	Monetary Policy Analysis (MPA)	1	IMF	Washington, D.C., USA
218	9th Annual National Asset-Liability Management Asia	1	Central Banking Publication	Singapore
219	3rd Meeting of the SEAVG Working Group	1	BSP	Manila, Philippines
	Total	579		

Table 5
Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in FY2015/16

S.No	Office	Fund Transfers and Deposits								Purchase and Sale of Foreign Currencies					
		Amount (Rs. Million)				IC (Rs. Million)				Other Foreign Currencies		IC			
		Fund Transfer		Fund In ²		Fund Transfer		Fund In		Rs. Million		Rs. Million			
		No. of Currency Chests ¹	Frequ-ency	Amount	Frequ-ency	Amount	Frequ-ency	Amount	Frequ-ency	Amount	Purchase	Balance ³	Purchase	Sale ⁴	Balance ³
1	Biratnagar	10	92	27,055.0	10	769.9	35	443.2	-	-	91.2	47.7	33.6	455.8	1,102.8
2	Janakpur	8	48	13,570.0	2	16.3	5	25.6	1	800.0	161.4	6.2	0	384.3	1,021.5
3	Birgunj	4	26	8,921.0	8	1,305.6	9	48.7	-	-	59.2	15.7	-	387.6	786.2
4	Pokhara	8	75	17,310.0	7	67.7	-	-	-	-	901.3	3,522.2	5.7	170.2	267.3
5	Siddharthanagar	7	90	19,550.0	6	88.6	18	121.6	1	1.2	416.8	57.8	20.2	515.8	370.7
6	Nepalgunj	13	62	13,147.0	15	2,915.4	4	331.2	2	640.0	40.5	8.6	6.7	360.5	374.1
7	Dhangadhi	9	52	7,873.5	21	3,803.9	3	16.0	2	16.0	76.0	31.4	1,924.3	2,028.2	1,886.8
Total		59	445	107,426.5	69	8,967.4	74	986.3	6	1,457.2	1,746.4	3,689.6	1,990.5	4,302.4	5,809.4

1 Number of currency chests under the Office

2 Deposits by Offices having currency chests only

3 Balance in mid-July 2014 following transfers to other Offices

4 Note sale to the clients by Offices only

Appendix 2.1

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

Circular No.	Date	Subject																
1	July 29, 2015	<p>By exercising the power conferred by Section 79 of the Nepal Rastra Bank Act, 2002, the NRB-licensed “A”, “B”, and “C”-class BFIs are directed for implementing/get implemented with effect from July 29, 2015 the attached Unified Directive, 2015 which has been prepared by consolidating the Unified Directive, 2014 and, thereafter, circulars and revisions issued in FY2014/15. Moreover, in the process of unifying the Directive, provisions which have been further added/amended/revised have been enclosed herewith.</p>																
2	August 6, 2015	<ol style="list-style-type: none"> Point No. 8 of Directive No. 23 in Unified Directive, 2015 issued by NRB has been revised as follows: <i>‘8. Regarding Bank Rate: The rate of interest on credit to be made available by NRB to the NRB-licensed institutions in accordance with the provision made in the prevailing Act (bank rate) has been fixed at 7.0 percent.’</i> Point No. 4 of Directive No. 23 in Unified Directive, 2015 issued by NRB has been changed as follows: <i>‘4. Regarding Capital Increase: Provision as follows has been made in connection with minimum capital that the BFIs which have been in operation shall have to meet in order to mobilize resources needed for long-term development and promote financial stability by strengthening the capital base of the BFIs, as mentioned in the monetary policy for 2015/16:</i> <p>(1) Classification of BFIs and Provision for Minimum Paid-up Capital</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Class</th> <th>National Level</th> <th>4-10 Districts*</th> <th>1-3 Districts*</th> </tr> </thead> <tbody> <tr> <td>“A”</td> <td>Rs. 8 billion</td> <td>-</td> <td>-</td> </tr> <tr> <td>“B”</td> <td>Rs. 2.50 billion</td> <td>Rs. 1.20 billion</td> <td>Rs. 500 million</td> </tr> <tr> <td>“C”</td> <td>Rs. 800 million</td> <td>Rs. 800 million</td> <td>Rs. 400 million</td> </tr> </tbody> </table> <p>* Except Kathmandu valley. The area of operation/project of these financial institutions to be limited to specified districts.</p> <p>(2) BFIs which are in operation as above shall have to submit business plan/capital plan along with clear time table to proportionately raise the paid-up capital by mid-July 2017. Accordingly, the concerned BFI shall have to submit to NRB’s Bank and Financial Institution Regulation Department and concerned supervision department the capital plan on raising the minimum paid-up capital by mid-September 2015. The proposed bonus share in accordance with financial statements for FY2016/17 may be used for the purpose of computation of paid-up capital.</p> <p>(3) BFIs unable to maintain minimum paid-up capital as mentioned in paragraph 1 above within mid-July 2017 shall have to face actions as follows:</p> <ol style="list-style-type: none"> Barring declaration and distribution of cash dividend or bonus share Barring collection of deposits Barring extension of credit, and Barring expansion of branches <p>3. Directive has been issued to licensed BFIs as follows: <i>‘In order to encourage commercial agriculture and horticulture, small and medium business, and income-generating activities in earthquake-affected areas, BFIs may accept as collateral arable land without the access of motorable road while extending credit on the basis of repayment capacity up to Rs. 1 million.’</i></p> <p>4. Point No. 1 of Directive No. 17 in Unified Directive, 2015 has been revised as follows: <i>‘Licensed “A”, “B”, and “C”-class BFIs shall have to respectively maintain minimum portfolio at 5.0 percent, 4.5 percent, and 4.0 percent of total credit (including bills purchased and discounted).’</i></p> <p>5. Part (a) and (c) of point No. 3 of Directive No. 17 of Unified Directive, 2015 has been revised as follows: “(a) Micro-credit up to Rs. 1 lakh extended on group/individual guarantee to the deprived or individual having low income for each group member/individual</p>	Class	National Level	4-10 Districts*	1-3 Districts*	“A”	Rs. 8 billion	-	-	“B”	Rs. 2.50 billion	Rs. 1.20 billion	Rs. 500 million	“C”	Rs. 800 million	Rs. 800 million	Rs. 400 million
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		<p>in order to carry out micro-enterprise or business. Limit of Rs. 3 lakh has been maintained in the case of group member/individual who have been utilizing credit for the last two years and placed in the pass category.</p> <p>“(c) Micro-credit up to Rs. 3 lakh per business extended to group member on the basis of acceptable collateral/group guarantee to carry out micro-enterprise or business for the deprived or individual having low income. For group member utilizing credit for the last two years and falling in the pass category, the limit has been raised to Rs. 7 lakh.</p>
3	August 18, 2015	<ol style="list-style-type: none"> Following proviso has been added to sub-point No. (1) of point No. 3 under Directive No. 6 in Unified Directive, 2015: <i>“However, in the situation where the letter of consent has been granted by NRB on merger or acquisition among banks or financial institutions which are undergoing mutual process of merger or acquisition, tenure of chief executive officer may be added on the approval of NRB.”</i> Part (h) of point No. 1 of Directive No. 14 in Unified Directive, 2015 has been revised as follows: <i>“(h) If a licensed bank or financial institution procures bank or financial institution which is declared as problematic by NRB, both institutions may buy and sell by complying with the prevailing law and their financial administration bylaws. The provision of aforementioned part (g) shall not become compulsory for the BFI procuring and running the problematic BFI’s branch office located in Kathmandu valley or any other place.</i> <i>However, the procurement/sale of branch office of bank or financial institution not declared by NRB as problematic but remained under its special vigilance may be materialized with the prior approval of NRB.”</i> Following sub-point (4a) has been added to sub-point (4) under point No. 30 of Directive No. 23 in Unified Directive, 2015 has been revised as follows: <i>“(4a) BFIs shall be provided special refinance facility at 1 percent rate of interest by NRB up to the credit extension of Rs. 5 lakh for encouraging income-generating activities in agriculture and small business in high-poverty ten districts, namely, Bajura, Kalikot, Bajhang, Humla, Darchula, Jumla, Doti, Achham, Mugu and Baitadi as well as village development committees and municipalities, with relatively higher intensity of poverty, adjoining the southern border in Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari districts as mentioned in the budget statement of GON (list enclosed).”</i> NRB directive form No. 13.2 has been revised and attached herewith by adding part (f) in point No. 3 of Directive No. 13 in Unified Directive, 2015. <i>“(f) Investment in securities issued in Nepalese rupee by international financial institution.”</i> Following has been added with respect to opening of branch/office: <i>“Prior approval of the NRB shall not be required for opening branches in the village development committees and municipalities with relatively higher intensity of poverty and adjoining the southern border in Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha, and Saptari districts as mentioned in the budget statement of GON as well as in village development committees and market centres in specified ten districts with higher poverty where there are no other BFIs.</i> <i>While opening such branches, the decision of the Board of Directors of the BFI shall be communicated to NRB’s Banks and Financial Institutions Regulation Department and the concerned supervision department within 15 days of such decision. Branch office shall have to be opened within three months of the date of decision of the Board of Directors of the BFI.</i> Explanation (3) and form No. 17.1 under sub-point No. (2) under point No. 17 of Directive No. 17 in Unified Directive, 2015 has been revised as follows: <i>“(3) ‘tourism sector’ signifies (a) trekking, travel agency, mountaineering, resort, rafting, camping, etc., (b) hotel, (c) entertainment, recreation, related to cinema (according to serial No. 12 of NRB Directive form No. 3.1) and (d) credit extended to organized entity running public urban transport service in Kathmandu valley, Biratnagar, Janakpur, Birgunj, Pokhara, Bhairahawa, Nepalganj, and Dhangadhi.</i> Following directive has been issued with respect to e-card transactions of licensed BFIs: <i>“Magnetic Strip Cards which are presently in use like debit, credit, prepaid, etc.,</i>

		<i>shall have to be replaced by Chip-based Card within October 17, 2015 in order to provide security assurance for banking service clients by reducing operational risk.”</i>																		
4	Sep. 24, 2015	As per the provision mentioned in point No. 2 of circular issued to BFIs on August 6, 2015, it has been arranged to upload in the website of the respective BFIs capital plan submitted to NRB for information of the general public.																		
5	Oct. 8, 2015	<p>Sub-point No. (1) under point No. 31 of Directive No. 23 in Unified Directive, 2015 has been revised as follows:</p> <p>“(1) Whatever is mentioned in ECC Rule Book for settlement after completion of ECC transactions, following five clearing sessions shall be conducted in relation to submission to Banking Office the net clearing position of BFIs’ expenditure or deposit amounts by Nepal Clearing House Limited through the electronic means:</p> <table border="1"> <thead> <tr> <th>Clearing Session</th> <th>Time of Receipt of Net Clearing Position</th> <th>Settlement Time</th> </tr> </thead> <tbody> <tr> <td>Regular Clearing Session</td> <td>3:00 PM</td> <td>3:10 PM</td> </tr> <tr> <td>Non-standard Standard Cheque/Draft Clearing Session*</td> <td>3:00 PM</td> <td>3:10 PM</td> </tr> <tr> <td>First Express Clearing Session</td> <td>11:30 AM</td> <td>11:40 AM</td> </tr> <tr> <td>Second Express Clearing Session*</td> <td>12:30 PM</td> <td>12:40 PM</td> </tr> <tr> <td>Third Express Clearing Session#</td> <td>1:30 PM</td> <td>1:40 PM</td> </tr> </tbody> </table> <p>* Cheques drawn prior to September 18, 2015 shall be cleared only on two days of the week (Monday and Thursday) till October 17, 2015 after which they shall not be cleared.</p> <p># Cleared at the request of the client only.</p>	Clearing Session	Time of Receipt of Net Clearing Position	Settlement Time	Regular Clearing Session	3:00 PM	3:10 PM	Non-standard Standard Cheque/Draft Clearing Session*	3:00 PM	3:10 PM	First Express Clearing Session	11:30 AM	11:40 AM	Second Express Clearing Session*	12:30 PM	12:40 PM	Third Express Clearing Session#	1:30 PM	1:40 PM
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6	Oct. 19, 2015	This directive has been issued for providing banking services during the public holidays of Vijaya Dashami, 2015, by operating the respective offices for opening bank counters/branches collecting revenue at the customs points adjoining India, keeping bank server uninterrupted, making available necessary documentation by banks which have opened import letters of credit for customs clearance, etc.																		
7	Oct. 27, 2015	<p>1. As sectors like industry, trade, tourism, and energy were affected following contraction in economic activities due to uncomfortable circumstances created in the country recently and debt paying capacity of BFI clients deteriorated, special provision has been made with respect to the following matters for clients remaining within the pass category in mid-April 2014 irrespective of the matters mentioned in unified directive, 2015 issued by the NRB, as requested by stakeholders representing various sectors of the economy for exemption in some provision of Directive issued by the NRB.</p> <p>(a) relating to loan-loss provisioning (b) relating to rescheduling or restructuring of credit (c) relating to accounting for income/expenditure (d) relating to grace period (e) relating to trust receipt credit</p> <p>2. During the public holidays on the occasion of Vijaya Dashami, a week has been assumed for the period since October 18, 2015 through October 31, 2015 for the computation of the CRR.</p>																		
8	Nov. 10, 2015	This directive has been issued for providing banking services during the public holidays of Tihar during November 11, 2015 to November 14, 2015 and of Chhat on November 17, 2015 by operating the respective offices for opening bank counters/branches collecting revenue at the customs points adjoining India, keeping bank server uninterrupted, making available necessary documentation by banks which have opened import letters of credit for customs clearance, etc.																		
9	Nov. 15, 2015	<p>1 In order to minimize adverse effect likely to be exerted on the business continuity of financial system due to events like natural disaster, the NRB-licensed institutions shall have to prepare Contingency Management Framework within mid-April 2015 and implement it.</p> <p>2 The licensed institutions which clients are using/likely to be using multiple banking credit amounting to Rs. 500 million or above shall have to change to co-financing credit within mid-July 2016.</p> <p>3 Part (f) under point No. 3 of Directive No. 17 in Unified Directive, 2015 has been</p>																		

		<p>revised as follows and part (q) has been added after part (p):</p> <p>(f) Credit not exceeding Rs. 3 lakh per family (amounting to Rs. 4 lakh for clients placed in pass category after using deprived sector credit for the last two years) extended by BFIs against acceptable collateral for the purpose of sheep raising or arranging looms for weaving carpets for producing carpet wool individually or collectively by individual/community eligible for deprived sector credit.”</p> <p>(q) Similarly, credit not exceeding Rs. 3 lakh per family extended by BFIs against acceptable collateral for purposes like purchase of fertilizer and seeds, construction of cold storage for storing produce on community basis, marketing of products, arranging small irrigation and canal, and installing tube-well by marginalized community and small farmer or farming community eligible for deprived sector credit. Likewise, credit amounting to Rs. 4 lakh per family for businesses like vegetable farming, horticulture, livestock/bird raising, fishery, bee farming, medicinal herbs, and storage of agricultural produce as well as up to Rs. 4 lakh credit provided to farmers on the basis of evidence of vegetable and fruit storage.</p> <p>(r) Credit extended up to Rs. 7 lakh for agricultural businesses in accordance with “Working Procedure Relating to Subsidy to be Provided to Youth, 2014” which has been approved by GON and which is under implementation.</p>
10	Nov.18, 2015	<p>Following policy provision has been made for BFIs:</p> <p>During the public holidays on the occasion of Tihar, a week has been assumed for the period since November 8, 2015 through November 21, 2015 for the computation of the CRR.</p>
11	January 4, 2015	<p>1. “Capital Adequacy Framework, 2007 (Updated, July 2008)” which has been a part of Directive No. 1 of Unified Directive, 2015 has been revised and issued as “Capital Adequacy Framework, 2015”. NRB-licensed “A”-class commercial banks have to make parallel run of this Framework from December 14, 2015 and fully implement from July 16, 2016.</p> <p>2. Point No. 14 of Refinance for Reconstructing Residential House for the Earthquake-Affected Households Procedure, 2015 has been revised as follows:</p> <p>“(14) NRB shall provide refinance facility at zero percent rate of interest to “D”-class microfinance financial institutions for the loans extended by them to their members on group guarantee basis for an amount up to Rs. 3 lakh for the reconstruction of the residential house of the member whose house was completely damaged by the earthquake. Moreover, such refinance shall be provided for the loans amounting up to Rs. 3 lakh extended to the members of microfinance financial institutions by the “A”, “B”, and “C”-class BFIs on the recommendation of such institutions. In the case of group guarantee loans provided under this provision, other provisions except provision relating to National Building Code in point No. 7 of the Procedure shall be applicable as usual. Such loans extended by the “A”, “B”, and “C”-class BFIs shall be classified under deprived sector loans.</p>
12	January 14, 2016	<p>Point No. 1 of circular issued on October 27, 2015 has been revised as under:</p> <p>1. As sectors like industry, trade, tourism, and energy were affected following contraction in economic activities due to uncomfortable circumstances created in the country recently and debt paying capacity of BFI clients deteriorated, special provision has been made with respect to the following matters for clients remaining within the pass category on July 16, 2015 as requested by stakeholders representing various sectors of the economy for exemption in some provision of Directive issued by the NRB.</p> <p>(a) relating to loan-loss provisioning (b) relating to rescheduling or restructuring of credit (c) relating to accounting for income/expenditure (d) relating to grace period (e) relating to trust receipt loan</p>
13	January 24, 2016	<p>By exercising the power conferred by Section 79 of the Nepal Rastra Bank Act, 2002, this directive has been issued for the purpose of implementing the enclosed Procedure in connection with its implementation following the approval by the Government of Nepal (Council of Ministers) of the ‘Economic Revival Fund (Establishment and Operation) Procedure, 2015, as provided by the Budget Speech and Monetary Policy</p>

		for FY2015/16. Moreover, BFIs are advised to intimate the NRB within one month the commitment of the fund that can be deposited in the Fund as provided in sub-point No (8) of point No. 3 of the Procedure.
14	April 12, 2016	<p>Point No. 16 of Directive No. 23 in Unified Directive, 2015 has been revised as under:</p> <p>“(16) In Relation to Transfer of Funds through SWIFT Message</p> <p>Following provision has been made in connection with conducting transactions with NRB by BFIs that have installed SWIFT (Society for Worldwide Interbank Financial Telecommunications) technology through SWIFT message.</p> <ul style="list-style-type: none"> (a) Transfer shall be made on the same day if request is received for transfer of funds for such transactions within 3:00 PM from Sunday to Thursday. (b) Transfer shall be made on the next working day following such day if request is received for transfer of funds for such transactions after 3:00 PM. (c) Transfer shall be made on the same day if request is received for transfer of funds within 12:00 noon on Friday. (d) Transfer shall be made on the next working day following such day if request is received for transfer of funds after 12:00 noon on Friday.
15	June 17, 2016	<ol style="list-style-type: none"> 1. Point Nos. 2 and 8 of Refinance for Reconstructing Residential House for the Earthquake-Affected Households Procedure, 2015 has been revised as below and the same has been added as point No. 16: <ul style="list-style-type: none"> (2) This facility shall be made available only when there is no house among borrower and the family suitable for the residence. Refinance facility shall be made available for reconstructing the house damaged by the earthquake within the respective village development committee (VDC) or concerned ward of the municipality depending on the location of the damaged house. However, in the case where it is certified by the authorized body of the Government of Nepal that the damaged house is not suitable for residence, the refinance could also be provided for constructing the residential house in another place of the same district in accordance with this Procedure. (8) Bank or financial institution shall compulsorily obtain evidence of earthquake victim given by the concerned agency of the Government of Nepal or by local body (metropolis/sub-metropolis/municipality/VDC/ward office) stating that the individual is the earthquake victim, with the house of the victim being damaged by the earthquake. Moreover, the evidence that the victim's family has no other residential house or self-declaration by the borrower to this effect shall also be compulsorily obtained. (16) If the earthquake-victim family seeks loan for reconstruction of residential house at concessional rate of interest, the bank or financial institution shall extend loan by adopting simple and convenient ways in accordance with this Procedure. 2. Part (g) as below has been added after part (f) of serial No. 3 under Directive No. 13 in Unified Directive, 2015 and NRB directive form No. 13.2 has been revised as attached. <ul style="list-style-type: none"> (g) amount deposited in Economic Revival Fund 3. To be included under Directive No. 16 in Unified Directive, 2015, BFIs have been directed as follows: <p>Banks or financial institutions shall not be permitted to open more than one account of similar nature in the name of natural person. Likewise, issue of more than one card (debit/credit) of similar nature for the same individual shall not be permitted. Arrangement shall have to be made to maintain only one account and only one card of the same nature for the same individual in accordance with this Directive if the same bank or financial institution has opened more than one account of similar nature in the name of same individual or issued more than one card of similar nature for the same individual. However, this provision shall not be applicable in the case of fixed deposits.</p>

Directive Issued to “D”- Class Microfinance Financial Institutions

Circular No.	Date	Subject
1	July 29, 2015	By exercising the power conferred by Section 79 of the Nepal Rastra Bank Act, 2002, the NRB-licensed “D”-class financial institutions are directed for implementing/get implemented with effect from July 29, 2015 the attached Directive, 2015 which has been prepared by revising the earlier Directive, 2014 including the circulars/revisions/guidelines issued in FY2014/15.
2	August 6, 2015	<p>1. Point No. 22.7 of Directive, 2015 issued by NRB for microfinance financial institutions has been revised as follows: <i>“22.7 Regarding Bank Rate: The rate of interest on credit to be made available by NRB to the NRB-licensed microfinance financial institutions in accordance with the provision made in the prevailing Act (bank rate) has been fixed at 7.0 percent.”</i></p> <p>2. “Part (a) and (c) of point No. 3.2 under Directive, 2015 issued by NRB for microfinance financial institutions has been revised as follows: <i>“(a) micro-credit up to Rs. 100,000 shall be extended on group guarantee to the deprived and individuals having low income to carry out micro-enterprise/business. For group member utilizing credit for the last two years and falling in the good category, the limit has been raised to Rs. 300,000.</i></p> <p><i>(c) micro-credit up to Rs. 300,000 shall be extended on group guarantee to the deprived or individuals having low income for each group member to carry out micro-enterprise/business. For group member utilizing credit for the last two years and falling in the good category, the limit has been raised to Rs. 700,000. Loan up to Rs. 700,000 shall be extended by microfinance financial institutions for operating micro-enterprise for individuals either associated in group or not against acceptable collateral in VDCs without BFIs.”</i></p> <p>3. The following directive has been issued in connection with transforming NGOs licensed for conducting financial intermediary transactions into “D”-class microfinance financial institutions: <i>“Time period for changing into “D”-class microfinance financial institutions by NGOs licensed by NRB to conduct financial intermediary transactions has been extended up to January 14, 2015.”</i></p>
3	August 18, 2015	<p>1. Following directive has been issued for “D”-class microfinance financial institutions: <i>““D”-class institutions licensed by NRB are not permitted to invest in share securities or any other capital instruments issued by other similar “D”-class institutions. However, in the case of procurement of shares in any “D”-class institutions by any “D”-class institution in the past, the said shares shall have to be divested within July 15, 2017.”</i></p> <p>2. Following proviso has been added to point No. 6.3 (10) in Directive, 2015 issued for “D”-class microfinance financial institutions: <i>“However, in the situation where the letter of consent has been granted by NRB on merger or acquisition among banks or financial institutions which are undergoing mutual process of merger or acquisition, tenure of chief executive officer may be added on the approval of NRB.”</i></p>
4	October 27, 2015	<p>1. As sectors like industry, trade, tourism, and energy were affected following contraction in economic activities due to uncomfortable circumstances created in the country recently and debt paying capacity of BFI clients deteriorated, special provision has been made with respect to the following matters for clients remaining within the pass category in mid-April 2014 irrespective of the matters mentioned in Directive, 2015 issued by the NRB, as requested by stakeholders representing various sectors of the economy for exemption in some provision of Directive issued by the NRB.</p> <ul style="list-style-type: none"> (a) relating to loan-loss provisioning (b) relating to rescheduling or restructuring of credit (c) relating to grace period <p>2. During the public holidays on the occasion of Vijaya Dashami, a week has been assumed for the period since October 18, 2015 through October 31, 2015 for the computation of the CRR.</p>
5	November 10, 2015	Licensed “D”-class microfinance financial institutions shall open and maintain a separate Client Protection Fund for spending below-mentioned amounts in the interest of the client and the institutional development: <ul style="list-style-type: none"> - Amount at one percent of net profit, and - In case of declaration of annual dividend (cash or bonus) at a rate exceeding 20 percent, 25 percent of proposed dividend in excess of the 20 percent.

		<p>The amount of Client Protection Fund shall be spent for utilization in the activities for the promotion of community interest of the clients, for the security and rehabilitation of business of the clients in distress, and for the education and capacity enhancement of the clients. For this purpose, the concerned microfinance financial institution shall formulate a separate Procedure and implement it after approval of NRB. The amount lying in such Fund may be included in the supplementary capital for the purpose of computation of capital fund.</p> <p>This arrangement shall be applicable from the time of approval following the preparation of annual accounts for FY2015/16.</p>
6	November 18, 2015	<p>Following policy provision has been made for BFIs:</p> <p>During the public holidays on the occasion of Tihar, a week has been assumed for the period since November 8, 2015 through November 21, 2015 for the computation of the CRR.</p>
7	December 4, 2015	<p>Point No. 14 of Refinance for Reconstructing Residential House for the Earthquake Affected Households Procedure, 2015 has been revised as follows:</p> <p><i>"(14) NRB shall provide refinance facility at zero percent rate of interest to "D"-class microfinance financial institutions for the loans extended by them to their members on group guarantee basis for an amount up to Rs. 3 lakh for the reconstruction of the residential house of the member whose house was completely damaged by the earthquake. Moreover, such refinance shall be provided for the loans amounting up to Rs. 3 lakh extended to the members of microfinance financial institutions by the "A", "B", and "C"-class BFIs on the recommendation of such institutions.</i></p> <p><i>In the case of group guarantee loans provided under this provision, other provisions except provision relating to National Building Code in point No. 7 of the Procedure shall be applicable as usual.</i></p>
8	January 14, 2016	<p>Point No. 1 of circular issued on October 27, 2015 has been revised as under:</p> <ol style="list-style-type: none"> As sectors like industry, trade, tourism, and energy were affected following contraction in economic activities due to uncomfortable circumstances created in the country recently and debt paying capacity of BFI clients deteriorated, special provision has been made with respect to the following matters for clients remaining within the pass category on July 16, 2015 as requested by stakeholders representing various sectors of the economy for exemption in some provision of Directive issued by the NRB. <ul style="list-style-type: none"> (a) relating to loan-loss provisioning (b) relating to rescheduling or restructuring of credit (c) relating to accounting for income/expenditure (d) relating to grace period
9	June 20, 2016	<p>Point Nos. 2 and 8 of Refinance for Reconstructing Residential House for the Earthquake-Affected Households Procedure, 2015 has been revised as below and the same has been added as point No. 16:</p> <p><i>(2) This facility shall be made available only when there is no house among borrower and the family suitable for the residence. Refinance facility shall be made available for reconstructing the house damaged by the earthquake within the respective VDC or concerned ward of the municipality depending on the location of the damaged house. However, in the case where it is certified by the authorized body of the Government of Nepal that the damaged house is not suitable for residence, the refinance could also be provided for constructing the residential house in another place of the same district in accordance with this Procedure.</i></p> <p><i>(8) Bank or financial institution shall compulsorily obtain evidence of earthquake victim given by the concerned agency of the Government of Nepal or by local body (metropolis/sub-metropolis/municipality/VDC/ward office) stating that the individual is the earthquake victim, with the house of the victim being damaged by the earthquake. Moreover, the evidence that the victim's family has no other residential house or self-declaration by the borrower to this effect shall also be compulsorily obtained.</i></p> <p><i>(16) If the earthquake-victim family seeks loan for reconstruction of residential house at concessional rate of interest, the bank or financial institution shall extend loan by adopting simple and convenient ways in accordance with this Procedure.</i></p>

Appendix 2.2**Commercial Bank Branches Inspected On-Site in FY2015/16**

S.N.	Commercial Banks
1	Agriculture Development Bank Ltd.
2	Bank of Kathmandu Ltd.
3	Century Bank Ltd.
4	Citizens Bank International Ltd.
5	Civil Bank Ltd.
6	Everest Bank Ltd.
7	Global IME Bank Ltd.
8	Himalayan Bank Ltd.
9	Hydropower Investment and Development Company (sectoral company)
10	Janata Bank Nepal Ltd.
11	Laxmi Bank Ltd.
12	Machhapuchchhre Bank Ltd.
13	Mega Bank Ltd.
14	NCC Bank Ltd.
15	Nepal SBI Bank Ltd
16	NIC Asia Bank Ltd.
17	NMB Bank Ltd.
18	Prabhu Bank Ltd.
19	Prime Commercial Bank Ltd.
20	Sanima Bank Ltd.
21	Siddhartha Bank Ltd.
22	Standard Chartered Bank Ltd.
23	Sunrise Bank Ltd

Appendix 2.3

Development Banks Inspected at Corporate Level in FY2015/16

(A) On-Site Inspection

Deva Bikas Bank Ltd.	Kalinchowk Development Bank Ltd.
Fewa Bikas Bank Ltd.	Kanchan Development Bank Ltd.
Jyoti Bikas Bank Ltd.	Karnali Bikas Bank Ltd.
Kasthamandap Development Bank Ltd.	Kankai Bikas Bank Ltd.
Muktinath Bikas Bank Ltd.	Manaslu Bikas Bank Ltd.
Reliable Development Bank Ltd.	Metro Development Bank Ltd.
Sangrila Development Bank Ltd.	Miteri Development Bank Ltd.
Siddhartha Development Bank Ltd.	Sewa Bikas Bank Ltd.
Tourism Development Bank Ltd.	Raptibheri Bikas Bank Ltd.
Triveni Bikas Bank Ltd.	Sahayogi Bikas Bank Ltd.
Yeti Development Bank Ltd.	Sajha Bikash Bank Ltd.
Arniko Development Bank Ltd.	Saptakoshi Development Bank Ltd.
Biratlaxmi Bikas Bank Ltd.	Shubhechchha Bikas Bank Ltd.
Country Development Bank Ltd.	Sindhu Bikas Bank Ltd.
Gandaki Bikas Bank Ltd.	Tinau Bikas Bank Ltd.
Professional Diyalo Bikas Bank Ltd.	Western Development Bank Ltd.
Sewa Bikas Bank Ltd.	Mahakali Bikas Bank Ltd.
Shine Resunga Development Bank Ltd.	Bagmati Development Bank Ltd.
Alpine Development Bank Ltd.	Cosmos Development Bank Ltd.
Bhargav Bikas Bank Ltd.	Jhimruk Bikas Bank Ltd.
Green Development Bank Ltd.	Kabeli Bikas Bank Ltd.
Innovetive Development Bank Ltd.	Kakre Bihar Bikas Bank Ltd.
Salapa Development Bank Ltd.	Mount Makalu Development Bank Ltd.

(B) Special Inspection

Muktinath Bikas Bank Ltd.	NIDC Development Bank Ltd.
Vibor Bikas Bank Ltd.	Biratlaxmi Bikas Bank Ltd.
Jyoti Bikas Bank Ltd.	Reliable Development Bank Ltd.
Kailash Bikash Bank Ltd.	Deva Bikas Bank Ltd.
Kasthamandap Development Bank Ltd.	Apex Development Bank Ltd.
Supreme Development Bank Ltd.	Professional Diyalo Bikas Bank Ltd.
Infrastructure Development Bank Ltd.	

(C) Follow-up Inspection

Western Development Bank Ltd.	Triveni Bikas Bank Ltd.
Narayani Development Bank Ltd.	

Appendix 2.4

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

S.N.	Name	S.N.	Name
1	Mega Bank Nepal Ltd., Kantipath, Kathmandu	27	Ace Development Bank Ltd., Naxal, Kathmandu
2	Laxmi Bank Ltd., Hattisar, Kathmandu	28	Kasthamandap Development Bank Ltd., Ktm.
3	Civil Bank Ltd., Kamaladi, Kathmandu	29	International Development Bank Ltd., Ktm.
4	Nabil Bank Ltd., Durbarmarg, Kathmandu	30	Sangrila Development Bank Ltd., Kathmandu
5	Citizens Bank International Ltd., Kamaladi, Ktm.	31	Reliable Development Bank Ltd., Kathmandu
6	Siddhartha Bank Ltd., Hattisar, Kathmandu	32	Triveni Bikas Bank Ltd., Thapathali, Ktm.
7	Lumbini Bank Ltd., Naxal, Kathmandu	33	Om Development Bank Limited, Pokhara
8	Prabhu Bank Ltd., Babarmahal, Kathmandu	34	Bhargav Bikas Bank Ltd., Nepalgunj
9	Sunrise Bank Ltd., Gairhiddhara, Kathmandu	35	Malika Bikas Bank Ltd., Dhangadhi
10	Century Commercial Bank Ltd., Putalisadak, Ktm.	36	Sajha Bikas Bank Ltd., Dhangadhi
11	Nepal Bangladesh Bank Ltd., Kathmandu	37	Sagarmatha Merchant Bank and Finance Ltd., Lalitpur
12	NMB Bank Limited, Babarmahal, Kathmandu	38	Guheshwori Merchant and Finance Ltd., Lalitpur
13	Sanima Bank Ltd., Naxal, Kathmandu	39	ICFC Finance Ltd., Bhatbhateni, Kathmandu
14	Janata Bank Ltd., Naya Baneshwor, Kathmandu	40	Jebils Finance Ltd., New Road, Kathmandu
15	Agriculture Development Bank Ltd., Kathmandu	41	Goodwill Finance Ltd., Hattisar, Kathmandu
16	Machhapuchchhre Bank Ltd., Lazimpat, Ktm.	42	Unique Finance Ltd., Putalisadak, Kathmandu
17	NIC Asia Bank Ltd., Thapathali, Kathmandu	43	Citizen Investment Trust, Kathmandu
18	Biratlaxmi Bikas Bank Ltd., Biratnagar	44	Nepal Investment Bank Ltd., Durbarmarg, Ktm.
19	Sahayogi Bikas Bank Ltd., Dhanusha	45	Global IME Bank Ltd., Panipokhari, Ktm.
20	Bagmati Development Bank Ltd., Sarlahi	46	Excel Development Bank Ltd., Birtamod, Jhapa
21	Infrastructure Development Bank Ltd., Ghantaghitar	47	Araniko Development Bank Ltd., Dhulikhel, Kavre
22	NIDC Development Bank Ltd., Durbarmarg, Ktm	48	Yeti Developent Bank Ltd., Durbarmarg, Ktm.
23	Kailash Bikas Bank Ltd., Putalisadak, Kathmandu	49	Central Finance Ltd., Kupondol, Lalitpur
24	Supreme Development Bank Ltd., Tinkune, Ktm.	50	International Leasing and Finance Co. Ltd., Ktm
25	Apex Development Bank Ltd., Hattisar, Ktm.	51	Shree Investment and Finance Co. Ltd., Ktm.
26	Deva Bikas Bank Ltd., Laldurbar, Kathmandu		

Appendix 2.5

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

S.N.	Banks and Remittance Companies	Addrssss
1	Citizens Bank International Limited	Kamaladi, Kathmandu
2	NMB Bank Limited	Babarmahal, Kathmandu
3	Nabil Bank Limited	Durbarmarg, Kathmandu
4	Machhapuchchre Bank Limited	Lazimpat, Kathmandu
5	Prabhu Bank Limited	Babarmahal, Kathmandu
6	Sunrise Bank Limited	Gairhidihara, 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 2016)

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

Appendix 2.7**Special Class Officers and First Class Officers**

(In mid-July 2016)

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

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

PART – THREE

**ANNUAL FINANCIAL SITUATION OF
NEPAL RASTRA BANK**

- **Assets and Liabilities** 135
- **Income Statement** 136
- **Annual Financial Statements of Nepal Rastra Bank** 139

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 2016, the assets/liabilities of the NRB compared to the corresponding amount in mid-July 2015 widened by 24.9 percent to Rs. 985.98 billion. Total assets/liabilities had risen by 19.4 percent to Rs. 789.25 billion in mid-July 2015.
- 3.2 Of the total assets in mid-July 2016, the share of foreign currency assets was 93.3 percent while that of local currency assets stood at 6.7 percent. The corresponding shares in mid-July 2015 had been 92.3 percent and 7.7 percent respectively.
- 3.3 In mid-July 2016, the share of local currency liabilities, equity, and foreign currency liabilities in the total liabilities and equity comprised 83.6 percent, 14.5 percent, and 1.9 percent respectively. In mid-July 2015, such share of these corresponding liabilities stood at 83.5 percent, 14.1 percent, and 2.4 percent.
- 3.4 The foreign currency assets in mid-July 2016 as compared to mid-July 2015 rose by 26.2 percent to Rs. 919.79 billion. Of the total foreign currency assets in mid-July 2016, the share of investment reached 97.1 percent while the share of cash and bank balance, SDR holdings with IMF, and other receivables comprised 2.4 percent, 0.3 percent, and 0.2 percent respectively.

Chart 3.1
Structure of NRB Assets

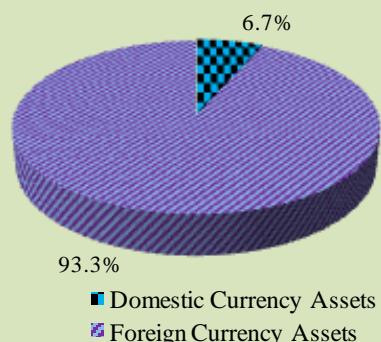
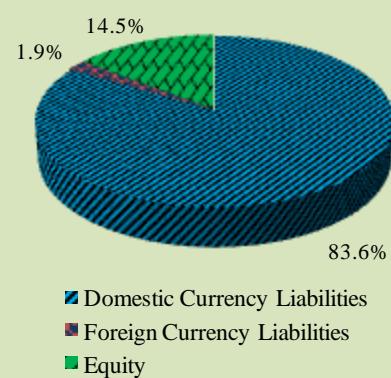


Chart 3.2
Structure of NRB Liabilities



- 3.5 In mid-July 2016, local currency assets as compared to that in mid-July 2015 increased by 9.3 percent to Rs. 66.19 billion. Of the total local currency assets in mid-July 2016, share of investment in government securities stood at 32.1 percent, other investments 26.6 percent, cash and bank balance 7.4 percent, and other assets including loans and refinance 33.9 percent.
- 3.6 In mid-July 2016, foreign currency liabilities as compared to that in mid-July 2015 decreased by 2.8 percent to Rs. 18.62 billion. Of the foreign currency liabilities in mid-July 2016, the share of IMF-related liabilities represented 78.4 percent while that of deposits from banks and other agencies including other liabilities comprised 21.6 percent.
- 3.7 In mid-July 2016 as compared to that in mid-July 2015, local currency liabilities widened by 25.1 percent to Rs. 824.70 billion. Among the local currency liabilities, currency in circulation expanded by 21.0 percent to Rs. 386.16 billion in mid-July 2016. Similarly, deposits payable to the GON surged by 287.6 percent, staff-related liabilities increased by 23.2 percent, local currency liabilities related to IMF rose by 9.8 percent, and liabilities for deposits and other balances increased by 3.7 percent.
- 3.8 Total equity in mid-July 2016 in comparison to the level in mid-July 2015 expanded by 28.4 percent, of which reserve funds increased by 29.2 percent to Rs. 139.65 billion while share capital amounted to Rs. 3.0 billion.

Income Statement

- 3.9 As per the income statement for FY2015/16 (July 17, 2015 through July 15, 2016), total net operating income of NRB during the review year in comparison to the previous year expanded by 14.3 percent to Rs. 21.09 billion. Of the net operating income, income from foreign currency financial assets amounted to Rs. 20.61 billion or 97.7 percent and other operating income amounted to Rs. 680.67 million or 3.2 percent while net loss from local currency financial assets amounted to Rs. 197.39 million or 0.9 percent.
- 3.10 In the review year as compared to the previous year, the income earned from foreign currency financial assets increased by 18.7 percent to Rs. 20.62 billion. Similarly, the expenditure on foreign currency financial liabilities stood at Rs. 12.91 million.
- 3.11 In the review year, the contribution of interest income from foreign currency financial assets remained significantly high while the share of commission income was negligible. Out of the expenditure on foreign currency financial liabilities, the share of interest expenditure stood at 53.4 percent while that of the agency and service charge constituted 46.6 percent.
- 3.12 In the review year as compared to the previous year, the income from local currency financial assets decreased by 34.1 percent to Rs. 677.81 million while expenditure on local currency financial liabilities surged by 190.2 percent to Rs. 875.20 million.

Consequently, the net income from local currency decreased by 127.1 to a minus of Rs. 197.39 million.

- 3.13 In the review year, the share of interest income in the income from local currency financial assets stood at 90.8 percent while the share of commission income constituted 9.2 percent only. Likewise, the share of interest expenditure in local currency financial liabilities comprised 78.0 percent while the share of agency and service charge comprised 22.0 percent.
- 3.14 The profit (before adjustment in foreign exchange and revaluation gain/loss) for the review year as compared to the previous year rose by 29.2 percent to Rs. 13.90 billion.
- 3.15 The net profit after adjustment of foreign exchange and revaluation gain stood at Rs. 37.76 billion for the review year. Similarly, other comprehensive income reached Rs. 12.07 billion.

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 31ST ASAR, 2073 (15TH JULY, 2016)

PARTICULARS	Note	As on 31-3-2073	As on 31-3-2072	
		NRs.	NRs.	
ASSETS				
Foreign Currency Financial Assets				
Cash and Bank Balances	1	22,345,320,713	36,536,975,471	
IMF Related Assets : Special Drawing Right Holdings		2,416,907,139	4,119,794,209	
Investments	2	893,090,109,317	686,405,859,194	
Other Receivables		1,936,113,293	1612794945	
Total Foreign Currency Assets		919,788,450,462	728,675,423,819	
Local Currency Financial Assets				
Cash and Bank Balances		4,867,227,429	3703331845	
Investments in Government Securities	3	21,279,362,917	23,393,930,517	
GON Overdraft		-	-	
Investments in Financial and Other Institutions	4	3,432,021,870	2,407,211,888	
Other Investments	5	17,581,096,923	15,096,487,000	
Loans & Receivables and Refinance	6	11,089,698,993	7,918,102,710	
Other Receivables	7	3,101,260,165	2,933,278,319	
Sub-Total		61,350,668,297	55,452,342,279	
Other Assets				
Gold and Silver Stock	8	1,662,294,680	1,713,541,745	
Other Inventories	9	1,486,003,561	2,101,384,476	
Property, Plant & Equipment	10	868,002,056	763,066,404	
Intangible Assets	11	161,594,152	184,936,117	
Other Assets		660,992,763	357,108,080	
Sub-Total		4,838,887,212	5,120,036,822	
Total Local Currency Assets		66,189,555,509	60,572,379,101	
Total Assets		985,978,005,971	789,247,802,920	
Contingent Assets	22c			
Notes 1 to 22 are integral parts of the Statement of Financial Position			As per our report of the even date.	

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

.....
(Mr. Mohadatta Timilsina)
Deputy Auditor General

..... Dr. Chiranjibi Nepal (Governor) Dr. Shanta Raj Subedi (Secretary MOF/Board Member) (CA. Sunir Kumar Dhungel) Chartered Accountant (CA. Mahesh Khanal) Chartered Accountant
..... Mr. Chinta Mani Siwakoti (Deputy Governor) Mr. Shiba Raj Shrestha (Deputy Governor)	Kathmandu	Kathmandu
..... Dr. Sri Ram Poudyal (Board Member) Dr. Ram Hari Aryal (Board Member) Mr. Bal Krishna Man Singh (Board Member)	Date: 2073/09/11 Place : Kathmandu

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

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
AS ON 3RD ASAR, 2073 (15TH JULY, 2016)

PARTICULARS	Note	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
<u>LIABILITIES</u>			
Foreign Currency Financial Liabilities			
Deposit from Banks and Other Agencies	12	3,815,158,637	3,119,269,500
IMF Related Liabilities	13	14,607,565,581	15,690,325,500
Other Liabilities	14	199,696,300	340,593,703
Total Foreign Currency Liabilities		18,622,420,518	19,150,188,703
Local Currency Financial Liabilities			
IMF Related Deposit Liabilities	15	9,181,784,449	8,361,984,449
GON Deposit		133,832,156,252	34,529,399,452
Deposit and Other Balances	16	211,553,839,667	203,998,489,372
Bills Payable		1,122,218,355	388,903,157
NRB Bond		49,080,000,000	-
Staff Liabilities	17	19,629,587,646	15,934,081,941
Other Payables	18	517,224,507	65,531,046,992
Sub-Total		424,916,810,876	328,743,905,363
Other Liabilities			
Currency in Circulation	19	386,160,000,000	319,080,000,000
Surplus Payable to GoN		7,250,000,000	7,000,000,000
Sundry Liabilities	20	6,377,186,385	4,155,986,285
Sub-Total		399,787,186,385	330,235,986,285
Total Local Currency Liabilities		824,703,997,261	658,979,891,648
EQUITY			
Capital		3,000,000,000	3,000,000,000
Reserves	21	139,651,588,192	108,117,722,569
Total Equity		142,651,588,192	111,117,722,569
Total Liabilities and Equity		985,978,005,971	789,247,802,920

Contingent Liabilities and Commitments

Notes 1 to 22 are Integral Parts of the Statement of Financial Position

22b

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

.....
(Mr. Mohadatta Timilsina)
Deputy Auditor General

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor) Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant

.....
(CA. Mahesh Khanal)
Chartered Accountant

.....
Mr. Chinta Mani Siwakoti
(Deputy Governor) Mr. Shiba Raj Shrestha
(Deputy Governor)

Kathmandu

Kathmandu

.....
Dr. Sri Ram Poudyal
(Board Member) Dr. Ram Hari Aryal
(Board Member)

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant

.....
(CA. Mahesh Khanal)
Chartered Accountant

.....
Mr. Bal Krishna Man Singh
(Board Member)

Date: 2073/09/11
Place : Kathmandu

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

NEPAL RASTRA BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st ASAR, 2073 (15th JULY, 2016)

PARTICULARS	Note	For the Year Ended	For the Year Ended	
		31-3-2073 NRs.	32-3-2072 NRs.	
Operating Income:				
Income from Foreign Currency Financial Assets				
Interest Income	23	20,622,652,065	17,359,935,344	
Commission Income	24	1,649,673	16,827,248	
Sub-Total		20,624,301,738	17,376,762,592	
Expenses on Foreign Currency Financial Liabilities				
Interest Expenses	25	6,896,728	5,895,791	
Agency and Service Charge	26	6,012,724	27,075,395	
Sub-Total		12,909,452	32,971,186	
Net Income from Foreign Currency		20,611,392,286	17,343,791,406	
Income from Local Currency Financial Assets				
Interest Income	23	615,595,198	974,441,197	
Commission Income	24	62,213,635	54,382,228	
Sub-Total		677,808,833	1,028,823,425	
Expenses on Local Currency Financial Liabilities				
Interest Expenses	25	682,802,929	143,576,270	
Agency and Service Charge	26	192,392,656	157,958,682	
Sub-Total		875,195,585	301,534,952	
Net Income from Local Currency Financial assets		(197,386,752)	727,288,473	
Other Operating Income	27	680,666,467	386,210,776	
Total Net Operating Income		21,094,672,001	18,457,290,655	
General, Administrative Expenses & Provisions	28	7,192,530,685	7,693,461,579	
Profit before Foreign Exchange and Revaluation Gain/(Loss)		13,902,141,316	10,763,829,076	
Net Foreign Exchange Gain		18,143,580,010	2,528,753,969	
Net Gold and Silver Revaluation Gain/(Loss)		5,708,576,716	(1,224,363,057)	
Securities Revaluation Gain/(Loss)		4,830,707	(858,021)	
NET PROFIT FOR THE YEAR		37,759,128,749	12,067,361,967	
Other Comprehensive Income				
Changes in Fair Value of Investment in Equity Instruments		1,024,809,982	878,301,218	
Actuary Gain on Defined Benefit Plan of Employee Benefit		-	-	
Other Comprehensive Income for the Year		1,024,809,982	878,301,218	
TOTAL COMPREHENSIVE INCOME		38,783,938,731	12,945,663,185	

Notes 23 to 28 are Integral Parts of the Statement of Comprehensive Income

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

.....
(Mr. Mohadatta Timilsina)
Deputy Auditor General

Board of Directors:-

.....
Dr. Chiranjibi Nepal
(Governor)

.....
Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

.....
(CA. Mahesh Khanal)
Chartered Accountant
Kathmandu

.....
Mr. Chinta Mani Siwakoti
(Deputy Governor)

.....
Mr. Shiba Raj Shrestha
(Deputy Governor)

.....
Dr. Sri Ram Poudyal
(Board Member)

.....
Dr. Ram Hari Aryal
(Board Member)

.....
(CA. Sunir Kumar Dhungel)
Chartered Accountant
Kathmandu

.....
(CA. Mahesh Khanal)
Chartered Accountant
Kathmandu

.....
Mr. Bal Krishna Man Singh
(Board Member)

Date: 2073/09/11
Place : Kathmandu

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

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st ASAR, 2073 (15th JULY, 2016)

PARTICULARS	For the Year Ended 31-3-2073 NRs.	For the Year Ended 32-3-2072 NRs.
Cash Flow From Operating Activities:		
Total Comprehensive Income for the Year	38,783,938,731	12,945,663,185
Adjustments:		
Gold and Silver Revaluation (gain)/loss (Net)	(5,708,576,716)	1,224,363,057
Revaluation (Gain) or Loss on Foreign Exchange	(17,929,777,630)	(2,290,312,874)
Securities Revaluation Gain	(1,029,640,689)	(877,443,197)
Depreciation & Amortisation	101,700,720	86,503,030
Note Printing Expenses	936,813,717	1,080,986,721
Dividend Income	(24,568,748)	(7,365,111)
Provisions no Longer Required Written Back	(532,816,000)	(255,301,310)
Grant Income	(115,825)	(115,825)
Profit from Sale of Assets/ Investments	(10,885,370)	(4,470,262)
Assets Written Off	16,126	191,212
Interest paid on ECF Loan & ACU	5,494,745	5,692,245
Cash Flow From Operation Before Inc / Dec in Operating Assets	14,591,583,062	11,908,390,872
(Increase)/Decrease in Operating Assets	(7,207,498,568)	(8,215,077,779)
Refinance & Loans	(3,171,596,283)	(1,982,166,497)
Gold & Silver	(2,919,284,605)	(5,881,063,815)
Inventories	(321,432,802)	(528,157,926)
Other Receivable	(795,184,877)	176,310,459
Increase/(Decrease) in Operating Liabilities	99,600,674,319	77,612,438,504
Government Deposit	99,302,756,800	11,194,817,680
SDR Allocation	515,173,466	(465,665,058)
Deposit Liabilities	9,071,039,432	20,488,390,601
Bills Payable	733,315,198	(617,056,500)
NRB Bond	49,080,000,000	-
Deferred Staff Liabilities	3,695,505,705	3,062,796,642
Other Liabilities	(65,018,316,383)	44,934,788,802
Sundry Liabilities	2,221,200,100	(985,633,662)
Net Cash Flow From Operating Activities	Total (A) 106,984,758,813	81,305,751,597
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Government Securities and Bank Deposits	(146,809,515,147)	(273,148,453,814)
Sale/Purchase of Investment in Financial Institutions	-	4,800,000
Purchase of Investments-Other	(1,951,793,923)	72,635,310
Purchase of Property, Plant & Equipment	(197,122,811)	(134,620,316)
Sale of Property, Plant & Equipment	25,861,029	4,789,058
Purchase of Intangible Assets	(1,047,550)	(3,892,049)
Dividend Income	24,568,748	7,365,111
Net Cash Flow From Investing Activities	Total (B) (148,909,049,655)	(273,197,376,701)
Cash Flow From Financing Activities:		
Bank Note Issued	67,080,000,000	45,830,000,000
Increase/Decrease in ECF Loan & ACU	(1,597,933,385)	(1,456,864,650)
Interest Paid on ECF Loan & ACU	(5,494,745)	(5,692,245)
Surplus Paid to GON	(7,000,000,000)	(7,000,000,000)
Net Cash Flow From Financing Activities	Total (C) 58,476,571,870	37,367,443,105
Net Cash Flow for the Year (A+B+C)	16,552,281,028	(154,524,181,999)
Revaluation Gain or Loss on Foreign Exchange	17,929,704,517	2,290,312,876
Cash and Cash Equivalent at the Beginning of the Year	339,083,278,732	491,317,147,855
Cash and Cash Equivalent at the end of the Year (Note - 29)	373,565,264,277	339,083,278,732

Note 29 is the Integral Part of the Statement of Cash Flows

As per our report of the even date.

.....
Dr. Bamdev Sigdel
(Act. Executive Director)

.....
(Mr. Mohadatta Timilsina)
Deputy Auditor General

Board of Directors:-

..... Dr. Chiranjibi Nepali (Governor) Dr. Shanta Raj Subedi (Secretary MOF/Board Member)
..... Mr. Chinta Mani Siwakoti (Deputy Governor) Mr. Shiba Raj Shrestha (Deputy Governor) (CA. Sunir Kumar Dhungel) Chartered Accountant Kathmandu
..... Dr. Sri Ram Poudyal (Board Member) Dr. Ram Hari Aryal (Board Member) (CA. Mahesh Khanal) Chartered Accountant Kathmandu
..... Mr. Bal Krishna Man Singh (Board Member)		

Date: 2073/09/11
Place : Kathmandu

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

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st ASAR, 2073 (15th JULY, 2016)

PARTICULARS	Capital	Statutory Reserve			Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Actuary Gain/Loss Reserve	Other Reserves	Retained Earning	NRs.
		General Reserve	Monetary Liability Reserve	Exchange Equilisation Fund							
Balance as on 1st Shrawan 2071	3,000,000,000	20,544,849,850	2,950,753,898	62,354,476,204 (73,109)	5,704,554,193	1,357,695,170	855,767,574	-	8,586,974,360	(218,160,552) 35,148,685 (183,011,867)	105,136,910,697 35,075,576 105,171,986,273
Adjustment for Prior Period Income											
Restated Balance	3,000,000,000	20,544,849,850	2,950,753,898	62,354,403,095	5,704,554,193	1,357,695,170	855,767,574	-	8,586,974,360	(183,011,867)	105,171,986,273
Net Profit for the year											
Other Comprehensive Income											
<i>Appropriation of Profit:</i>											
To General Reserve											
To Monetary Liability Reserve											
To Exchange Equilisation Fund											
To Gold & Silver Equilisation Reserve											
To Revaluation Reserve											
To Other Reserve											
<i>Inter Fund Transfer:</i>											
Gold & Silver to General Reserve											
Other Reserve to General Reserve											
Balance Profit Transfer to Government		76,605,926									
Balance as on 1st Shrawan 2072	3,000,000,000	21,745,438,676	3,489,959,379	64,644,715,969	4,480,191,136	2,235,996,388	854,909,553	-	10,631,289,672	35,148,685	111,117,649,457
Net Profit for the year											
Other Comprehensive Income											
<i>Appropriation of Profit:</i>											
To General Reserve											
To Monetary Liability Reserve											
To Exchange Equilisation Fund											
To Gold & Silver Equilisation Reserve											
To Revaluation Reserve											
To Other Reserve											
<i>Inter Fund Transfer:</i>											
Gold & Silver to General Reserve											
Other Reserve to General Reserve											
Balance Profit Transfer to Government		24,708,491									
Balance as on 31st Asadh 2073	3,000,000,000	23,734,999,885	4,197,513,998	82,574,493,598	10,188,767,852	3,260,806,370	859,740,259	-	14,835,266,225	0	142,651,588,183

Board of Directors:

As per our report of the even date.

Dr. Chiranjibi Nepal
(Governor)Dr. Shanta Raj Subedi
(Secretary MOF/Board Member)Dr. Bamdev Sigdel
(Act. Executive Director)(Mr. Mohadatta Timilsina)
Deputy Auditor GeneralMr. Chinta Mani Siwakoti
(Deputy Governor)Mr. Shiba Raj Shrestha
(Deputy Governor)Mr. Sunir Kumar Dhungel
Chartered Accountant
Kathmandu(CA. Mahesh Khanal)
Chartered Accountant
KathmanduDr. Sri Ram Poudyal
(Board Member)Dr. Ram Hari Aryal
(Board Member)Mr. Bal Krishna Man Singh
(Board Member)Date: 2073/09/11
Place : Kathmandu(Restricted as per the Interim Order of Supreme Court
vide letter dated 2073/08/24)

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 1: CASH AND BANK BALANCES		
Cash in Hand	16,919,382,218	14,303,231,270
Balance with Banks in Demand Deposits	5,425,938,496	22,233,744,201
Total	22,345,320,713	36,536,975,471

NOTE - 2: INVESTMENTS**i. Treasury Bills**

US Government Treasury Bills	5,338,216,112	15,170,924,651
GOI Treasury Bills	203,070,960,576	173,882,165,798
Other Treasury Bills	12,272,561,979	10,289,208,161
Sub-Total	220,681,738,667	199,342,298,611

ii. Other

US Government Treasury Notes/Bond	103,078,298,438	60,579,350,351
Other Government Notes/Bond	52,368,638,018	46,718,723,257
Investment in Mid Term Instrument	8,302,929,017	7,842,427,539
Investment in Fixbis	6,432,082,697	7,172,535,534
Investment in Repurchase Agreement (Repo)	48,038,622,167	58,125,602,000
Balance with Banks in Time Deposits	425,981,618,537	287,097,848,512
Gold	28,206,181,777	19,527,073,391
Sub-Total	672,408,370,650	487,063,560,584
Grand Total	893,090,109,317	686,405,859,194

Above Investments are Classified as Follows:

Loans and Receivables	-	-
Held-for-trading	76,244,803,944	77,652,675,391
Held-to-maturity	811,507,089,262	593,582,259,153
Available-for-sale	5,338,216,112	15,170,924,651
Total	893,090,109,317	686,405,859,194

NOTE - 3: INVESTMENTS IN GOVERNMENT SECURITIES

Government Treasury Bills	16,099,450,874	17,965,212,474
Saving Certificates	308,861,000	528,992,000
Government Bond	4,871,051,043	4,899,726,043
Total	21,279,362,917	23,393,930,517

Above Investments are Classified as Follows:

Loans and Receivables	4,871,051,043	4,871,051,043
Held-for-trading	-	-
Held-to-maturity	-	28,675,000
Available-for-sale	16,408,311,874	18,494,204,474
Total	21,279,362,917	23,393,930,517

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 4: INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS		
	% of holding	
(a) Investment in Shares of Subsidiaries		
Agricultural Project Services Centre	62.50	5,000,000
Rastriya Beema Santhan - Life Insurance	55.56	1,000,000
Sub-Total		6,000,000
		6,000,000
(b) Investment in Shares of Associates		
Nepal Stock Exchange Ltd.	34.60	12,080,500
National Productivity and Economic Development	31.52	2,500,000
Sub-Total		14,580,500
		14,580,500
(c) Other Investments		
Shares:		
Deposit & Credit Guarantee Corporation	10.00	107,580,000
Nepal Clearing House	10.00	15,000,000
Rural Microfinance Development Centre	4.05	21,045,000
Credit Information Bureau	10.25	3,500,000
Citizen Investment Trust	13.35	3,090,879,330
National Banking Training Centre	10.00	5,000,000
Nepal Grameen Bikas Bank Limited	3.05	215,987,040
Sub-Total		3,458,991,370
Total		3,479,571,870
Less: Provision for diminution in the value		47,550,000
Total		3,432,021,870
		2,434,181,388
		2,454,761,888
		47,550,000
		2,407,211,888

NOTE - 5: OTHER INVESTMENTS

Investment of Funds:		
Fixed Deposits with Commercial Banks and Financial Institutions	17,742,525,923	15,790,732,000
Less: Provision for doubtful Investment	414,829,000	947,645,000
Sub-Total	17,327,696,923	14,843,087,000
Other Investments:		
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Sub-Total	253,400,000	253,400,000
Grand Total	17,581,096,923	15,096,487,000

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 6: LOANS & RECEIVABLES AND REFINANCE		
LOANS AND RECEIVABLES		
Loans to Employees	4,389,546,115	4,666,599,428
Loan to Other Organisations	52,000,000	31,000,000
Sub-Total	4,441,546,115	4,697,599,428
REFINANCE		
Refinance to Commercial Banks	6,614,252,878	3,230,503,281
Refinance to Financial Institutions	43,900,000	-
	6,658,152,878	3,230,503,281
Less: Provision for Doubtful Loans	10,000,000	10,000,000
Sub-Total	6,648,152,878	3,220,503,281
Total	11,089,698,993	7,918,102,710

NOTE - 7: OTHER RECEIVABLE

Interest Accrued	2,048,243,233	2,034,187,919
Less: Interest Suspense	444,346,919	489,803,509
Net Interest Accrued	1,603,896,314	1,544,384,410
Advances Recoverable	1,407,707,525	1,314,005,129
Less: Provision for Doubtful Amounts	10,329,878	10,329,878
Net Advance Recoverable	1,397,377,646	1,303,675,251
Deposits	1,652,378	1,676,504
Project Income Recoverable	38,082,937	20,545,838
Bills Receivable	60,250,889	62,996,316
Total	3,101,260,165	2,933,278,319

NOTE - 8: GOLD & SILVER STOCK

Gold Held in Stock	1,566,791,538	1,610,653,876
Silver Held in Stock	95,503,142	102,887,870
Total Gold and Silver Stock	1,662,294,680	1,713,541,745

NOTE - 9: OTHER INVENTORIES

Security Note Stock	1,083,988,682	1,617,408,259
Coin Stock	390,974,691	472,476,420
Numismatic and Medallion Coins	22,931,719	23,366,886
Other Metal Stock	22,722,881	22,485,498
Dispensory Stock	342,639	604,465
Total Inventories	1,520,960,613	2,136,341,527
Less: Provisions For:		
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 Inventories Net of Provisions	1,486,003,561	2,101,384,476

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE- 10 : STATEMENT OF PROPERTY, PLANT & EQUIPMENT

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%	20%	20%	20%	20%	10%	20%		
Original Cost	Balance as on 1 st Shrawan 2071	193,834,552	599,146,925	182,114,398	188,952,807	111,678,127	102,543,313	22,134,663	4,650,766	14,018,597	1,419,074,149
	Addition during the Year	-	13,280,354	26,792,828	74,761,900	1,749,631	15,758,698	1,059,535	89,330	11,437,870	144,930,145
	Disposal/Write Off/Adjustment	-	-	(6,765,720)	(18,712,319)	(3,075,234)	(3,445,924)	(197,470)	-	(10,309,829)	(42,506,496)
	Balance as on 31 st Ashadh 2072	193,834,552	612,427,278	202,141,506	245,002,388	110,352,524	114,856,087	22,996,728	4,740,096	15,146,638	1,521,497,798
Accumulated Depreciation	Balance as on 1 st Shrawan 2071	-	234,375,874	133,123,155	154,093,389	102,006,670	81,300,441	18,188,632	4,478,183		727,566,345
	Depreciation for the Year	-	17,809,260	16,456,164	14,742,572	4,272,651	8,594,682	825,944	36,482		62,737,754
	Disposal/Write Off/Adjustment	-	-	(6,765,589)	(18,393,642)	(3,075,220)	(3,445,888)	(192,366)	-		(31,872,705)
	Balance as on 32 nd Ashadh 2072	-	252,185,134	142,813,730	150,442,319	103,204,102	86,449,235	18,822,210	4,514,666	-	758,431,394
Net Book Value as on 31st Ashadh 2072		193,834,552	360,242,144	59,327,777	94,560,069	7,148,422	28,406,851	4,174,518	225,431	15,146,638	763,066,404
Original Cost	Balance as on 1 st Shrawan 2072	193,834,552	612,427,278	202,141,506	245,002,388	110,352,524	114,856,087	22,996,728	4,740,096	15,146,638	1,521,497,798
	Addition during the Year	-	73,073,279	32,955,699	41,300,469	3,016,681	16,782,653	2,806,717	201,193	32,765,127	202,901,818
	Disposal/Write Off/Adjustment	-	(18,075,083)	(43,064,007)	(45,661,925)	(5,484,027)	(8,302,811)	(2,837,864)	(83,479)	(5,778,883)	(129,288,079)
	Balance as on 31 st Ashadh 2073	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	123,335,929	22,965,582	4,857,811	42,132,883	1,595,111,537
Accumulated Depreciation	Balance as on 1 st Shrawan 2072	-	252,185,134	142,813,730	150,442,319	103,204,102	86,449,235	18,822,210	4,514,666	-	758,431,395
	Depreciation for the Year	-	18,207,472	20,662,169	24,678,200	3,413,814	9,475,518	780,317	93,851		77,311,342
	Disposal/Write Off/Adjustment	-	(7,519,716)	(41,383,389)	(43,070,656)	(5,484,020)	(8,296,532)	(2,795,466)	(83,477)		(108,633,256)
	Balance as on 31 st Ashadh 2073	-	262,872,890	122,092,509	132,049,863	101,133,896	87,628,222	16,807,061	4,525,040	-	727,109,481
Net Book Value as on 31st Ashadh 2073		193,834,552	404,552,584	69,940,688	108,591,069	6,751,281	35,707,707	6,158,520	332,771	42,132,883	868,002,056

Allowances for obsolescences has been made for Rs. 3,352,949 on Building under Construction which is presented under Capital Work in Progress

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE- 11 : INTANGIBLE ASSETS

Particulars		Computer Software			Total Assets
		Useful Life Defined by Contractual Agreements	Other Useful Life		
Amortisation Rate			20%	10%	
Original Cost	Balance as on 1 st Shrawan 2071	2,795,895	9,008,087	229,272,935	203,400
	Addition during the Year	508,500	1,720,509		1,663,040
	Disposal/Write Off/Adjustment				-
	Balance as on 31 nd Ashadh 2072	3,304,395	10,728,596	229,272,935	1,866,440
Accumulated Amortisation	Balance as on 1 st Shrawan 2071	2,795,889	6,926,570	26,748,509	
	Depreciation for the Year	50,850	787,132	22,927,293	
	Disposal/Write Off/Adjustment				-
	Balance as on 32 nd Ashadh 2072	2,846,789	7,713,703	49,675,803	
Net Book Value as on 31st Ashadh 2072		457,656	3,014,893	179,597,132	1,866,440
Original Cost	Balance as on 1 st Shrawan 2072	3,304,395	10,728,596	229,272,935	1,866,440
	Addition during the Year	783,090	-		264,460
	Disposal/Write Off/Adjustment	(2,323,555)	(2,402,853)		(4,726,408)
	Balance as on 31 st Ashadh 2073	1,763,930	8,325,743	229,272,935	2,130,900
Accumulated Amortisation	Balance as on 1 st Shrawan 2072	2,846,789	7,713,703	49,675,803	
	Depreciation for the Year	457,599	1,004,568	22,927,293	
	Disposal/Write Off/Adjustment	(2,323,550)	(2,402,849)		(4,726,399)
	Balance as on 31 st Ashadh 2073	980,838	6,315,422	72,603,096	-
Net Book Value as on 31st Ashadh 2073		783,092	2,010,321	156,669,839	2,130,900
					161,594,152

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073	As on 31-3-2072
	NRs.	NRs.
NOTE - 12: DEPOSIT FROM BANKS AND OTHER AGENCIES		
Deposit from Banks and Financial Institutions	3,246,826,181	2,619,265,290
Foreign Diplomatic Missions and Other Agencies	568,332,456	500,004,210
Total	3,815,158,637	3,119,269,500
NOTE - 13: IMF RELATED LIABILITIES		
Special Drawing Right Allocation	10,183,273,536	9,668,100,070
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	3,838,264,380	4,048,984,400
Loan under Extended Credit Facility (ECF)	586,027,665	1,973,241,030
Total	14,607,565,581	15,690,325,500
NOTE - 14: OTHER LIABILITIES		
Interest Payable	1,074,901	1,033,950
Asian Clearing Union	218,456,120	354,859,626
Others	(19,834,721)	(15,299,872)
Total	199,696,300	340,593,703
NOTE -15: IMF Related Deposit Liabilities		
IMF Account No 1	9,180,925,768	8,361,125,768
IMF Account No 2	858,681	858,681
Total	9,181,784,449	8,361,984,449
NOTE -16: DEPOSIT AND OTHER BALANCES		
Deposits from Banks and Financial Institutions	201,536,597,913	189,641,903,978
Balances of Other Institutions	9,186,697,023	12,657,083,879
Earnest Money	7,784,489	7,071,373
Money Changer	11,405,836	10,756,000
Margin Against LCs	811,354,406	1,681,674,142
Total	211,553,839,667	203,998,489,372

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

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 17: STAFF LIABILITIES		
Medical Fund (Includes Medical Earning Fund, Interest, etc)	283,082,210	231,473,695
Welfare Provident Fund	436,853,982	73,064,262
Gratuity and Pension Fund	15,726,708,968	12,760,494,941
Staff Security Fund	2,089,956,721	1,875,701,464
Liability for Staff Leave Encashment	888,152,300	821,357,804
Liability for Retired Staff	204,833,466	171,989,774
Total	19,629,587,646	15,934,081,941

NOTE - 18: OTHER PAYABLES

Deposit Collection-Auction	-	60,000,000,000
Reverse Repo Liabilities	-	5,000,000,000
Insurance Premium Collected from Staff	143,636,627	161,554,981
Other Payables of Project	373,587,880	369,492,012
Total	517,224,507	65,531,046,992

NOTE-19: CURRENCY IN CIRCULATION

Currency in Circulation	386,160,000,000	319,080,000,000
-------------------------	-----------------	-----------------

The Currency in Circulation Liabilities are Supported by Following Securities :

Foreign Currency Balance Held Abroad	370,552,268,000	303,472,268,000
Foreign Securities	15,607,732,000	15,607,732,000
Total	386,160,000,000	319,080,000,000

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 20: SUNDY LIABILITIES		
Sundry Creditors	2,390,069,997	376,049,997
Unclaimed Account	33,840,399	3,480,540
Bills Collection	-	1,701,000
Less: Bills Lodged	-	<u>1,701,000</u>
Pension Payable to NRB Ex-Staff	100,139,135	73,908,545
General Account	48,078,943	186,608,845
Deferred Grant Income	123	115,948
Other Liabilities	<u>3,805,057,789</u>	<u>3,515,822,410</u>
Total	<u>6,377,186,385</u>	<u>4,155,986,285</u>

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073 NRs.	As on 31-3-2072 NRs.
NOTE - 21: RESERVES		
Capital Reserve:		
Gold and Silver Equalization Reserve	10,188,767,853	4,480,191,137
Statutory Reserve:		
General Reserve	23,734,999,885	21,745,438,676
Monetary Liabilities Reserve	4,197,513,998	3,489,959,379
Exchange Equalization Fund	82,574,493,598	64,644,789,078
Other Reserves and Funds:		
Development Fund	10,840,989,244	7,289,756,571
Banking Development Fund	861,941,806	831,941,806
Development Finance Project Mob. Fund	249,999,999	226,625,456
Liquidity Stabilization fund	1,000,000,000	600,000,000
Mechanisation Fund	991,316,414	791,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	24,077,829	24,708,491
Investment Revaluation Reserve	859,740,259	854,909,552
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	3,260,806,370	2,235,996,388
Project Split Interest Reserve Fund	4,233,489	4,233,489
Surplus/(Deficit) Due to Restatement of Prior Period Errors	-	35,148,685
Total Reserves and Funds	139,651,588,192	108,117,722,569

The Board of Directors of the Bank has Appropriated the Following Amount to Different Fund During the Year

Net Profit for the Year	37,759,128,749	12,067,361,967
Transfer (to)/from Exchange Equalisation Fund	(17,929,777,630)	(2,290,312,874)
Transfer (to)/from Gold & Silver Equalisation Reserve	(5,708,576,716)	1,224,363,057
Securities Revaluation Fund	(4,830,707)	858,021
Surplus/(Deficit) Due to Restatement of Prior Period Errors	35,148,685	(218,160,552)
Profit Available for Distribution	14,151,092,381	10,784,109,619
General Reserve	1,964,852,718	1,123,982,900
Monetary Liability Reserve	707,554,619	539,205,481
Development Fund	3,551,232,671	1,548,675,648
Development Finance Project Mobilisation Fund	23,374,544	17,537,099
Liquidity Stabilization Fund	400,000,000	500,000,000
Banking Development Fund	30,000,000	30,000,000
Mechanisation Fund	200,000,000	24,708,491
Gold Replacement Fund	24,077,829	24,708,491
Surplus to be Transferred to GON	7,250,000,000	7,000,000,000
Total	14,151,092,381	10,784,109,619

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

NOTE - 22a : Movement of Provisions.

Particulars	As on 31-3-2072	Addition	Withdrawn	Adjustment	As on 31-3-2073
Leave Encashment	821,357,804	209,643,007	(142,848,512)	-	888,152,300
Gratuity and Pension Fund	12,760,494,941	3,000,000,000	(33,785,973)	-	15,726,708,968
Staff Security Fund	1,875,701,464	500,000,000	(285,744,743)	-	2,089,956,721
Staff Medical Earning Fund	231,473,695	177,344,423	(125,735,908)	-	283,082,210
Diminution in Value of Investment in	47,550,000	-	-	-	47,550,000
Provision for Advance Recoverable	10,329,878	-	-	-	10,329,878
Provision for Doubtful Loans	10,000,000	-	-	-	10,000,000
Nuismatic and Medallion Coins	22,465,794	-	-	-	22,465,794
Provision for Non Moving Metal Stock	8,716,000	-	-	-	8,716,000
Provision for Unissuable Note Stock	3,775,258	-	-	-	3,775,258
Provision for Other Investments	947,645,000	-	(532,816,000)	-	414,829,000
Provision for Building in Construction	3,352,949	-	-	-	3,352,949
Total	16,742,862,784	3,886,987,430	(1,120,931,137)	-	19,508,919,078

NOTE - 22b: Contingent Liabilities and Commitments

PARTICULARS	As on 31-3-2073	As on 31-3-2072
	NRs.	NRs.
Letters of Credit	40,165,211,792	33,872,646,191
Guarantees Issued	-	-
Unclaimed Account Transfer to P/L Account	100,066,715	100,066,715
Capital Commitment (Construction of New Buildings and related Works at Baluwatar & Thapathali)	17,546,195	42,229,656
Total	40,282,824,702	34,014,942,562

1. Contingent liabilities in respect of Letter of Credit (L/C) are determined on the basis of LCs remaining unexpired at the Balance sheet date after adjusting therefrom the margin retained by the bank. In addition to above, Letter of Credit opened for various projects of Nepal Government for which grants is received from various donor agencies, liability of such letter of credit is met directly by the donor agencies, hence it is not shown as contingent liabilities of the bank.

NOTE - 22c: Contingent Assets

PARTICULARS	As on 31-3-2073	As on 31-3-2072
	NRs.	NRs.
Insurance claim lodged with Rastriya Beema Company against the loss of Property caused by Mega Earthquake 2072 Baisakh	-	11,322,000
Total	-	11,322,000

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2073	For the Year Ended 32-3-2072
	NRs.	NRs.
NOTE - 23: INTEREST INCOME		
Foreign Currency Financial Assets		
Treasury Bills & Deposits	20,620,916,206	17,359,935,344
SDR Holding & Asian Clearing Union	1,735,859	-
Sub-total	20,622,652,065	17,359,935,344
Local Currency Financial Assets		
Government Securities	168,148,327	442,231,376
Investment in Financial and Other Institutions	355,132,274	454,786,409
Loans and Refinance	92,314,596	77,423,413
Sub-total	615,595,198	974,441,197
Total Interest Income from Financial Assets	21,238,247,263	18,334,376,541

NOTE - 24: COMMISSION INCOME

Foreign Currency Financial Assets		
On Currency Exchange	1,649,673	16,827,248
Local Currency Financial Assets		
Government Transaction & Other services	62,213,635	54,382,228
Total Commission Income from Financial Assets	63,863,308	71,209,476

NOTE - 25: INTEREST EXPENSES

Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	5,494,745	5,692,245
Others	1,401,983	203,547
Sub-total	6,896,728	5,895,791
Local Currency Financial Liabilities		
Government Securities	682,802,929	143,576,270
Sub-total	682,802,929	143,576,270
Total Interest Expense on Financial Liabilities	689,699,657	149,472,062

NOTE - 26: AGENCY AND SERVICE CHARGE

Foreign Currency Liabilities		
Service Charge	-	-
Commission	6,012,724	27,075,395
Sub-total	6,012,724	27,075,395
Local Currency Liabilities		
Agency Expenses	192,392,656	157,958,682
Sub-total	192,392,656	157,958,682
Total Agency and Service Charge	198,405,380	185,034,077

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	92,100,000	92,100,000
Total	147,900,000	147,900,000

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	For the Year Ended 31-3-2073	For the Year Ended 32-3-2072
	NRs.	NRs.
NOTE - 27: OTHER OPERATING INCOME		
Income from Mint (Sale of Coin)	172,671	341,248
Gain from Sale of Precious Metals and Coins	24,077,829	24,708,491
Fine/Penalty Charge	29,893,480	24,538,938
Profit from Sale of Assets	10,885,370	4,470,262
Dividend Income	24,568,748	7,365,111
Provision on Investment Written Back (Net)	532,816,000	255,301,310
Project Income	9,610,825	17,537,099
Grant Income	115,825	115,825
Miscellaneous	48,525,719	51,832,492
Total	680,666,467	386,210,776

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME

PARTICULARS	Note	For the Year Ended	For the Year Ended	
		31-3-2073	32-3-2072	
NRs.				
NOTE - 28: GENERAL, ADMINISTRATIVE EXPENSES & PROVISIONS				
Staff Costs	28 a	5,451,313,632	5,707,985,227	
Depreciation and Amortization		101,700,720	86,503,030	
Directors Fees and Expenses		7,673,669	5,100,612	
Note Printing Charges		936,813,717	1,080,986,721	
Mint Expenses		493,494	263,424	
Security charges		49,508,346	38,502,214	
Remittance Charges		47,392,769	42,769,892	
Travelling Expenses		233,015,199	207,996,452	
Insurance Charges		65,440,061	83,812,263	
Repair & Maintenance		70,732,081	33,834,202	
Miscellaneous	28 b	228,446,997	405,707,543	
Total		7,192,530,685	7,693,461,579	
28 a Staff Costs				
Salary		565,799,351	606,857,549	
Allowances		556,493,593	545,212,304	
Provident Fund Contribution		56,552,475	62,287,668	
Staff Welfare (Including Medical Fund Contribution)		177,344,423	360,613,782	
Staff Welfare Provident Fund		369,050,000	335,500,000	
Pension & Gratuity Fund		3,000,000,000	3,000,000,000	
Staff Security Fund		500,000,000	600,000,000	
Staff Leave Compensations		209,643,007	194,567,614	
Others		16,430,783	2,946,309	
Total		5,451,313,632	5,707,985,227	
28 b Miscellaneous Expenses				
Banking Promotion		39,717,097	90,851,636	
Audit Fees and Expenses		2,381,180	1,305,569	
Assets Written Off		16,126	191,212	
Others		186,332,595	313,359,127	
Total		228,446,998	405,707,543	

NEPAL RASTRA BANK
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	As on 31-3-2073	As on 31-3-2072
	NRs.	NRs.
NOTE - 29: CASH AND CASH EQUIVALENT		
Foreign Currency Cash and Bank Balance	22,126,864,593	36,182,115,845
Foreign Currency Time Deposits	69,001,821,584	30,437,600,688
Local Currency in Hand	4,867,227,429	3,703,331,845
SDR Holdings	2,416,907,139	4,119,794,209
Investment in Treasury Bills/Notes	220,681,738,667	199,342,298,611
Investment in Fixbis	6,432,082,697	7,172,535,534
Investment in Repurchase Agreement (Repo)	48,038,622,167	58,125,602,000
Total	373,565,264,277	339,083,278,732

Nepal Rastra Bank

NFY 2072/73 (2015/16 AD)

NOTE 30: General Information, Significant Accounting Policies and Other Explanatory Disclosures

A. General Information and Significant Accounting Policies

1. Incorporation

Nepal Rastra Bank (NRB), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058. 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 of the Bank include:

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

2. Fiscal Year

The financial statements relate to the fiscal year 2072/73 i.e. 1st Sawan 2072 to 31st Asar 2073 corresponding to Gregorian calendar 17th July 2015 to 15th July 2016. The previous year was 1st Sawan 2071 to 31st Asar 2072 (16th July 2014 to 16th July 2015). The corresponding information presented in the financial statements for the previous year are rearranged and reclassified in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", wherever necessary.

3. Directors' Responsibility Statement

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 Board has approved the financial statements for the year ended 31st Asar 2073 on Poush 11, 2073 (December 26, 2016).

4. 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.

Transactions with the Government and state controlled enterprises/entities, outstanding balances and commitments are not disclosed in consonance with IAS 24.25.

5. Basis of Preparation

The significant accounting policies applied in the preparation of financial statements are set out below. These policies are consistently applied to all the years presented, except for the changes in accounting policies presented in point 7 below.

Financial statements components and presentation

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income shown in one single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

The financial statements are prepared, as far as possible, in accordance with the International Financial Reporting Standards (IFRS). The deviations, if any, from IFRS are noted wherever applicable. The standards that are not fully complied with includes IAS 39 – Financial Instruments Recognition and Measurement, IAS 28 – Investment in Associates, IAS 27 – Consolidated and Separate Financial statements, IAS 16 – Property, Plant and Equipment and IAS 19 – Employee Benefits.

Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

Cash flow information is prepared, on a cash basis, using the indirect method.

Basis of Recognition and Measurement

The financial statements are prepared on an accrual basis of accounting and interest income is recognized on effective interest rate method.

The financial statements are prepared on the historical cost measurement basis except for the following material items in the Statement of Financial Position.

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- ‘Available for Sale’ financial assets, except for equity investments whose fair value are not available, are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower.
- Gold investment assets other than Inventories are measured at fair value.
- Gratuity and Pension Fund and Staff Security Fund are measured at present value of Defined Benefits Obligation.

Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank's functional currency. The figures are rounded to nearest integer, except otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires the management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, liabilities, incomes and expenses. The actual result may differ from these estimates. Management believes that the underlying assumptions

are appropriate and that the financial statements present the financial position and results fairly.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year 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 of the intangible assets

6. Significant Accounting Policies

i. Revenue Recognition

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. Revenue is not recognized during the period in which its recoverability of income is not probable. Accordingly, 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. Interest incomes are recognized on effective interest rate method whereas other incomes are recognized on an accrual basis of accounting.

ii. Financial Instruments

The financial instruments, consisting of financial assets and financial liabilities, are segregated between foreign currency and local currency items. Financial assets and liabilities are generally not netted off until and unless, the Bank has a legal right to offset the amount and intends either to settle it on a net basis or to realize the asset and settle the liability simultaneously.

a. Financial Assets

All financial assets are recognized initially on trade date, which is the date when the Bank becomes a party to the contractual provisions of the instruments except for loans and Advances which is recognized on the date of origination. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flow in which all risk and rewards of the ownership of the financial assets is substantially transferred. Any interest in such transferred financial assets that are created or retained by the Bank is recognized as a separate asset or liability.

Financial assets (Non-derivative) are classified into the following categories: (a) Financial assets at fair value through profit or loss, (b) Held to maturity, (c) Loans and advances and (d) Available for sale.

Financial assets 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.

Held-to-Maturity Financial Assets

Held-to-maturity asset are financial assets with fixed or determinable payments and fixed maturity (e.g., debt securities) for which the Bank has intent and ability to hold till maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They typically arise when the Bank provides loans; makes investments in debt instruments and deposits held in other banks with no intention of trading or making short-term profit and comprises loans and advances including bonds purchased at original issuance. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables financial assets are measured at amortized cost using effective interest rate method less any impairment losses. Loans and receivables comprises of cash and cash equivalents, trade and other receivables, loans provided to the employees.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, available-for-sale 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 profit or loss. Available-for-sale financial assets comprises of investment in equity instruments.

b. 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.

c. Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows etc.

d. **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 in case there is an indication of such impairment.

iii. 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. However, currency circulation liability does not include the liability on account of coins in circulation.

iv. 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.

v. Foreign Currency Transactions and Balances Translations

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

vi. Gold Replacement Fund

Gold Replacement Fund is created for the purpose of replenishing the stock of gold and silver sold. An amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account.

vii. Gold and Silver (other than inventories)

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

viii. Gold and Silver Stock and Other Inventories

Gold and silver stock and other inventories are carried at cost or net realizable value whichever is less. Cost for gold and silver is determined on the basis of specific

identification of their individual cost (IAS 2.23). Cost for other 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 Comprehensive Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed through Statement of Comprehensive Income at the time of purchase.

ix. Property, Plant & Equipment

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

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.

Useful life of the various classes of assets is estimated as below.

<u>Class of Assets</u>	<u>Useful Life</u>
Buildings	Above 33 Years
Furniture and Fixture	10 Years
Vehicles	5 Years
Office and Computer Equipment	5 Years
Machinery Equipment	5 Years
Others	5 Years

x. 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. 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.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognized in profit or loss as incurred.

xi. 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.

xii. Employee Benefits

a. Short Term Employees Benefit

Short term employees' benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Defined Contribution Plan

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. The 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 profit or loss 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 profit and loss account as the related services are account.

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.

c. Defined Benefit 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 obligation is performed annually by a qualified actuary using 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 profit and loss account.

The 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 profit and loss account.

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 profit and loss account.

3) 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.

xiii. Taxation

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 and as such no provision in this respect has been made.

xiv. Cash and Cash Equivalents

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

xv. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is presented as General Account under Sundry Liabilities.

xvi. 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 Comprehensive Income.

xvii. Impairment

a. Impairment of 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.

The criteria used to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Breach of contract, such as default or delinquency in interest or principal payments
- It becomes probable that the borrower or issuer will enter bankruptcy or other financial reorganization;
- 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;
- Disappearance of an active market for that financial asset because of financial difficulties; etc.

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.

b. Impairment of 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 Comprehensive Income. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the statement of comprehensive income. Impairment loss for diminution in value of investment in shares has been recognized during the year.

xviii. 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 undisbursed 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.

xix. 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 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.

7. Changes in Accounting Policies

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

B. Significant Disclosures

8. Gold and Silver

A sum of NRs. 24,077,829 (P.Y. NRs 24,708,491) was appropriated out of net profit this year to the "Gold Replacement Fund". The amount of NRs. 24,708,491 (PY NRs. 76,605,926) was transferred from Gold Replacement Fund to General Reserve Account. The quantity and market value of gold and silver held as inventory at the yearend were as follows:

Particulars	As on 31 st Asar 2073		As on 31 st Asar 2072	
	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)	Weight (Kg, Gm, Mg)	Total Market Value (NRs.)
Gold (Investment)	6,121.578.590	28,206,181,776.74	5,188.474.290	19,527,073,390.61
Gold held in Stock	2,615.138.521	13,015,544,419	2,632.567.975	9,907,801,202
Silver held in Stock	126,172.309.750	9,790,971,237	126,202.478.081	6,192,755,599
Total		51,012,697,432		35,627,630,192

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

9. Year end Exchange Rates

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

S.N.	Currency	Current Year	Previous Year
1	US Dollar	106.73	101.14
2	Sterling Pound	141.28	158.01
3	Euro	118.6	111.48
4	Swiss Franc	108.87	106.78
5	Australian Dollar	81.58	75.46
6	Canadian Dollar	82.61	79.3
7	Japanese Yen	1.011	0.818
8	Singapore Dollar	79.36	74.22
9	SDR	149.535	141.97
10	Chinese Yuan	15.96	16.29
11	Indian Rupees	1.6	1.6

10. Investment in Shares

The investment in shares in some cases exceeded the statutory limit (ten percent of the paid up capital of respective company) as such investments were made before the enactment of the Nepal Rastra Bank Act 2058. The Bank is in the process of divesting the excess investments. Further disclosures relating to the investments in shares are as per below.

- The investment in shares of Citizen Investment Trust and Nepal Grameen Bikas Bank Ltd. was measured as fair value. As the market value of the other shares was not available, they were measured at cost. Impairment loss was recognized on the basis of objective evidence.

- Investment in Citizen's Investment Trust included 600,654 (PY 600,654) bonus shares out of total 600,754 (PY 600,754) shares with market value of Rs. 5,145 (PY Rs. 3,722) each.
- Investment in Deposit and Credit Guarantee Corporation included 924,060 (PY 924,060) bonus shares out of total 1,999,860 shares (P.Y. 1,999,860 shares).
- Investment in Credit Information Centre Limited included 68,680 bonus shares out of 103,680 shares (PY 103,680 shares).
- Agricultural Project Services Center was in liquidation.

Consolidation of Financials of Subsidiaries:

The Bank's investments in two entities as mentioned in Note 4 (a) are in excess of 50% of the capital of those entities. These investments were made under the specific directives or policies of the Government and other relevant statutes. With regard to consolidation of accounts, International Accounting Standard (IAS) 27 para 10 states that a parent is not required to present consolidated financial statements if and only if:

- the parent is itself a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- the parent's debt or equity instruments are not traded in a public market;
- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS.

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

The Bank did not exercise control or significant influence on the entities except for regulatory purposes.

11. Related Parties

i. Key Management Personnel

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

S.N.	Name of the Key Management Personnel	Post
1	Chiranjibi Nepal	Governor
2	Shanta Raj Subedi	Finance Secretary/Board Member
3	Gopal Prasad Kaphle (ret. wef 2072.09.11)	Deputy Governor
4	Maha Prasad Adhikari (ret. wef 2072.09.11)	Deputy Governor
5	Chintamani Siwakoti	Deputy Governor
6	Shiba Raj Shrestha	Deputy Governor
7	Dr. Sri Ram Poudyal	Board Member
8	Dr. Ram Hari Aryal	Board Member
9	Bal Krishna Man Singh	Board Member
10	Trilochan Pangeni	Executive Director
11	Narayan Prasad Paudel	Executive Director
12	Nara Bahadur Thapa	Executive Director
13	Janak Bahadur Adhikari	Executive Director
14	Bhisma Raj Dhungana	Executive Director
15	Laxmi Prapanna Niroula	Executive Director
16	Dr. Shankar Prashad Acharya	Executive Director
17	Shiva Nath Pandey	Executive Director
18	Maheshwor Lal Shrestha	Executive Director
19	Bhuban Kadel	Executive Director
20	Ramesh Kumar Pokharel	Executive Director
21	Dr. Nophil Matangi Maskey	Executive Director
22	Manmohan Kumar Shrestha (ret. wef 2072.07.10)	Executive Director
23	Dr. Min Bahadur Shrestha	Executive Director
24	Mahesh Bhattacharai (ret. wef 2073.01.09)	Executive Director
25	Hari Prasad Kaphle	Executive Director
26	Pradeep Raj Pandey (ret. wef 2072.11.07)	Executive Director
27	Dr. Binod Atreya	Executive Director
28	Rajan Bikram Shah	Executive Director
29	Khyam Narayan Dhakal	Executive Director

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	38,697,720	32,510,335
Post-employment benefits	12,872,054	11,374,679
Other long term benefits	26,862,783	21,609,384
Total	78,432,557	65,494,398

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

ii. *Transactions with Related Parties*

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

Particulars	Current Year (NRs.)			Previous Year (NRs.)		
	Subsidiaries	Associates	Key Management Personnel	Subsidiaries	Associates	Key Management Personnel
Employees Benefits	-	-	78,432,557	-	-	65,494,398
Meeting Fees/ Incidental Expenses to Directors	-	-	7,673,669	-	-	5,100,612
Insurance Premium paid	65,440,061	-	-	83,812,263	-	-
Balances as on Asar End	-	-	-	-	-	-
Staff Loan (net of premium collection)	-	-	4,389,546,115	-	-	4,666,599,428
Provision for Diminution in Value of Investment	5,000,000

12. Assets Received in Grant

The various assets in 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. 115,948) at the yearend. During the year no grant assets were received.

13. 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, to set appropriate risk limits and control, and to 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 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. Internal Audit 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

i. 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 risks in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

Exposure to Credit Risk

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

a) By Nature of Assets

	Current Year (NRs.)	Previous Year (NRs.)
US Government Treasury Notes	103,078,298,438	60,579,350,351
Investment in Mid Term Instruments (BIS)	8,302,929,017	7,842,427,539
Special Drawing Rights Holdings	2,416,907,139	4,119,794,209
Term Deposit Investments	409,566,891,090	303,733,830,707
Investment in Gold Instruments	28,206,181,777	19,527,073,391
Government of Nepal Securities	21,279,362,917	23,393,930,517
Investments in Equity Instruments	3,432,021,870	2,407,211,888
Other investments	17,581,096,923	15,096,487,000
Loans and Refinance	11,089,698,993	7,918,102,710
Other Receivables	5,037,373,458	4,546,073,264
Cash and Cash Equivalent	371,148,357,138	334,963,484,523
Total Financial Assets	981,139,118,759	784,127,766,098

b) By Geographical Region

	Current Year (NRs.)	Previous Year (NRs.)
India	367,094,533,101	336,933,221,219
USA	153,813,997,171	144,801,623,331
Germany	2,361,678,406	7,898,055,059
Switzerland	56,611,756,470	23,084,706,324
United Kingdom	35,644,816,509	30,518,541,156
France	40,938,755,068	34,320,659,908
Japan	75,766,341,607	21,802,409,687
Netherland	1,244,668,251	5,020,734,226
Australia	25,800,880,598	385,883,901
Singapore	14,390,893,215	2,173,823,268
Canada	19,557,446,939	4,635,771,698
Sweden	-	3,001,439,784
Hong Kong	38,779,168,352	36,240,614,670
U.A.E	22,795,785,326	18,881,747,780
China	62,936,991,242	55,799,698,768
Thailand	32,671,423	47,620,919
Nepal	63,368,735,080	58,581,214,400
Total	981,139,118,759	784,127,766,098

c) By Nature of the Entity

	Current Year (NRs.)	Previous Year (NRs.)
Central Banks	66,292,213,858	77,449,098,640
Bank for International Settlement	15,981,324,090	18,637,276,233
Foreign Government	332,157,391,432	282,035,360,188
International Monetary Fund	2,416,907,139	4,119,794,209
Foreign Commercial Banks	484,926,401,729	309,041,675,801
Domestic Banks and FIs	24,229,249,801	22,761,189,710
Government of Nepal	21,279,362,917	23,393,930,517
Equity Instruments	3,432,021,870	2,407,211,888
Cash in Hand	21,786,609,647	18,006,563,115
Other Parties	8,637,636,276	26,275,665,798
Total	981,139,118,759	784,127,766,098

d) By Credit Rating

Particulars	Rating	Current Year Amount (NRs.)	%	Previous Year Amount (NRs.)	%
Foreign Currency Financial Assets					
AAA		37,494,150,913	3.82	9,177,009,016	1.17
AA+		138,626,927,586	14.13	133,859,713,609	17.07
AA-		59,003,993,444	6.01	47,173,077,031	6.02
A+		19,012,030,930	1.94	76,765,638,139	9.79
A		214,636,043,096	21.88	48,583,435,291	6.20
A-		1,098,618,977	0.11	2,170,877,149	0.28
BBB+		1,973,434,789	0.20	810,180,019	0.10
BBB-		43,728,069,353	4.46	100,789,223,411	12.85
NR**		404,215,181,374	41.20	309,346,270,153	39.45
Total		919,788,450,462	93.75	728,675,423,819	92.93
Local Currency Financial Assets	NR **	61,350,668,297.00	6.25	55,452,342,279	7.07
Total Financial Assets		981,139,118,759	100.00	784,127,766,098	100.00

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

** Not rated

Government Securities

Investment in Government securities includes Nepal Government securities like treasury bills, saving certificates and bonds; and US Government treasury notes. These investments were around 33.86% (PY 34.82%) of the total financial assets and were considered risk free investments.

Cash and Cash Equivalents

Cash and cash equivalents comprised cash in hand, balance in demand deposit and call account of foreign banks; and treasury bills and term deposit with original maturity period of up to three months. Cash in hand and balance with bank in demand deposit and call account was classified as loans and receivables and treasury bills and term deposits were classified as held to maturity financial assets and measured at amortized cost. Cash and cash equivalents were around 37.83% (PY 42.71%) of the total financial assets. The cash and cash equivalents held with central banks of foreign countries; bank and financial institutions were rated A to AAA as based on credit rating.

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 in respect of financial assets during the year is as follows:

Particulars	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance	Allowances for Doubtful Receivables
Balance as on 1st Sawan 2071	63,550,000	1,198,146,310	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	(11,200,000)	-	-	-
Reversal of Impairment Loss	(4,800,000)	(250,501,310)	-	-
Balance as on 31st Asar 2072	47,550,000	947,645,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	(532,816,000)	-	-
Reversal of Impairment Loss	-	-	-	-
Balance as on 31st Asar 2073	47,550,000	414,829,000	10,000,000	10,329,878

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

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) formed by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the expectable standard. In case of domestic investment, investment is made in the counterparty who meets the minimum standard level set by the credit policy like nonperforming assets of the counter party should be within the limit of 5% of the total loans and advances made by the counterparty, not declared as problematic by the Bank etc. An analysis of credit quality of financial assets not impaired is as follows:

Counterparties	Current Year (NRs.)	Previous Year (NRs.)
External Credit Rating at least AAA/BBB- from credit rating agency	374,846,095,125	280,751,545,772
Non Rated Counterparties	130,511,425,956	69,803,321,621
Central Banks	66,292,213,858	77,449,098,640
Bank for International Settlement	15,981,324,090	18,637,276,233
Foreign Government	332,157,391,432	282,035,360,188
International Monetary Fund	2,416,907,139	4,119,794,209
Government of Nepal	21,279,362,917	23,393,930,517
Financial Assets with Other Counterparties:	37,654,398,241	27,937,438,918
- Party with Normal Risk	37,192,019,241	26,942,243,918
- Party with High Risk	462,379,000	995,195,000
Total	981,139,118,759	784,127,766,098

ii. 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; to provide finance to maintain liquidity in financial market and to provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with other central banks; demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation.

Further, the bank has credit arrangement for Rapid Credit Facilities (RCF) and Extended Credit Facilities (ECF) provided by International Monetary Fund in case of stressed

condition like deficit of Balance of Payment of the country. The Government of Nepal provides credit facility to the Bank in case of financial crisis.

Assets Held for Managing Liquidity Risk

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

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

Financial Liabilities

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

Current Year Figures (NRs.)

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

Previous Year Figures (NRs.)

Particulars	Carrying Amount	Contractual and Other Cash Flows			
		2 Months or Less	2 - 12 Months	2 - 5 Year	More than 5 Year
Deposit (Banks & Other Agencies)	207,117,758,872	15,783,449,753	1,692,430,142	189,641,903,978	
IMF Related Liabilities	15,690,325,500	-	556,522,400	4,704,885,800	10,428,917,300
IMF Related Deposit	8,361,984,449	-	-	-	8,361,984,449
GON Deposit	34,529,399,452	-	34,529,399,452	-	-
Bills Payable	388,903,157	388,903,157	-	-	-
Staff Liabilities	15,934,081,941	403,465,709	1,640,311,671	5,195,759,059	8,694,547,742
Other Payables	65,530,812,399	65,000,000,000	161,554,981	-	369,257,419
Other Liabilities	340,593,703	340,593,703	-	-	-
Total	347,893,859,473	81,916,412,322	38,580,218,646	199,542,548,837	27,854,706,909

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

i) Currency Risk:

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

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

Current Year Figures (NRs.)

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

Previous Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	48.56%	6.43%	5.93%	4.65%	7.16%	1.32%	0.92%
Cash Balances	2,450,729,206	188,641,322	384,233,657	195,804,412	83,741,514	15,699,814	-
Demand Deposits	66,461,432,485	1,722,610,426	2,213,591,877	5,231,133,148	10,578,800,864	498,454,074	-
Time Deposit	197,557,829,322	25,868,763,891	25,792,978,960	22,581,071,756	15,782,930,240	6,686,809,876	-
Govt. & Other Debt							
Securities	75,750,275,002	-	-	-	46,718,723,257	-	-
Other Investments	2,516,429,757	5,325,997,782	-	-	-	-	-
SDR Holdings	-	-	-	-	-	-	4,119,794,209
Bills Purchased	26,296	-	-	3,160	-	-	-
Other Receivables	445,952,340	123,647,671	21,109,611	12,186,415	1,000,087,351	7,366,356	-
Gold Investment	19,527,073,391	-	-	-	-	-	-
Total Financial Assets	364,709,747,800	33,229,661,092	28,411,914,105	28,020,198,892	74,164,283,227	7,208,330,119	4,119,794,209
Deposit of Banks & FIs	2,300,268,473	2,667,924	190,816,610	91,445,672	-	-	-
Deposit Others	405,169,252	-	-	-	-	-	-
SDR Allocation	-	-	-	-	-	-	9,668,100,070
Loan from IMF	-	-	-	-	-	-	6,022,225,430
Other Liabilities	-	-	-	-	-	-	-
Bills Payables	-	-	-	-	-	-	-
Total Financial Liabilities	2,705,437,725	2,667,924	190,816,610	91,445,672	-	-	15,690,325,500
Net Financial Position Exposure	362,004,310,074	33,226,993,168	28,221,097,494	27,928,753,220	74,164,283,227	7,208,330,119	11,570,531,291

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 23.31% (PY 25.45%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 0.68% (PY 0.51%) of the total foreign currency reserve.

Sensitivity Analysis of Currency Risk

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

	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2073		For the Year Ended 2072	
	Strengthening	Weakening	Strengthening	Weakening
USD	52,208,607,114	(52,208,607,114)	36,200,431,007	(36,200,431,007)
AUD	3,666,107,441	(3,666,107,441)	3,322,699,317	(3,322,699,317)
EUR	1,287,504,405	(1,287,504,405)	2,822,109,749	(2,822,109,749)
GBP	2,677,647,722	(2,677,647,722)	2,792,875,322	(2,792,875,322)
CNY	8,592,702,359	(8,592,702,359)	7,416,428,323	(7,416,428,323)
CAD	771,981,463	(771,981,463)	720,833,012	(720,833,012)
SDR	(1,048,777,137)	1,048,777,137	(1,157,053,129)	1,157,053,129
Total	68,155,773,366	(68,155,773,366)	52,118,323,601	(52,118,323,601)

ii) Interest Rate Risk:

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

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

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

Particulars	Weighted Average Interest Rate %	As on 31st Asar 2073	As on 31st Asar 2072
Interest Sensitive Financial Assets			
Bank Balance	0.25	5,425,938,496	22,233,744,201
Investment in Foreign Currency	2.47	569,330,072,212	426,484,210,233
IMF Related Assets	0.07	2,416,907,139	4,119,794,209
Government Securities	6.00	345,039,400,022	283,315,579,479
Other Investments	5.89	17,581,096,923	15,096,487,000
Refinance & Loans	0.83	11,089,698,993	7,918,102,710
Total Interest Sensitive Financial Assets		950,883,113,785	759,167,917,831
Interest Sensitive Financial Liabilities			
IMF Related Liabilities	0.06	9,181,784,449	8,361,984,449
Total Interest Sensitive Financial Liabilities		9,181,784,449	8,361,984,449
Net Interest Sensitive Financial Position		941,701,329,336	750,805,933,382

iii) Other Market Prices Risk

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

Classification and Fair Value of financial assets

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

Particulars	Fair Value through P/L	Available for Sale	Held to Maturity	Loans & Receivable	Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Bank Balance				27,212,548,142		27,212,548,142	27,212,548,142
SDR of IMF				2,416,907,139		2,416,907,139	2,416,907,139
Foreign Government Securities					323,760,037,105	323,760,037,105	323,760,037,105
GON Securities					21,279,362,917	21,279,362,917	21,279,362,917
Equity Instruments:						-	-
Measured at Fair Value		3,090,879,330				3,090,879,330	3,090,879,330
Measured at Cost		341,142,540				341,142,540	NA
Gold Investment	28,206,181,777					28,206,181,777	28,206,181,777
Other Investment:						-	-
Measured at Fair Value	48,038,622,167					48,038,622,167	48,038,622,167
Measured at Amortized Cost			510,412,965,192	253,400,000		510,666,365,192	NA
Loans and Refinance				11,089,698,993		11,089,698,993	NA
Other Receivables				5,037,373,458		5,037,373,458	NA
Total Financial Assets	76,244,803,944	3,432,021,870	510,412,965,192	46,009,927,732	-	981,139,118,759	
Bank & Other Agencies Deposit				214,538,453,572		214,538,453,572	214,538,453,572
Liability towards IMF				14,607,565,581		14,607,565,581	14,607,565,581
IMF Related Deposit				9,181,784,449		9,181,784,449	9,181,784,449
GON Deposit				133,832,156,252		133,832,156,252	133,832,156,252
Other Deposit				830,544,731		830,544,731	830,544,731
Staff Liabilities				19,629,587,646		19,629,587,646	19,629,587,646
Bills Payables				1,122,218,355		1,122,218,355	1,122,218,355
Other Liabilities				6,894,410,892		6,894,410,892	6,894,410,892
Total Financial Liabilities	-	-	-	-	400,636,721,479	400,636,721,479	
Net Financial Position	76,244,803,944	3,432,021,870	510,412,965,192	46,009,927,732	-400,636,721,479	580,502,397,281	

14. Employees Benefits

(I) Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and level 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; that benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under ‘Gratuity or Pension Plan’ and ‘Staff Security Plan’ is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

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

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

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

	Funded Plans (NRs.)		
	Gratuity & Pension Fund	Staff Security Fund	Total
Present value of obligation as per Actuarial Valuation	16,260,561,185	2,241,351,694	18,501,912,879
Liability balance in previous year	12,726,708,968	1,589,956,721	14,316,665,689
Actuarial (gain)/loss of previous year	-	-	-
Additional provision required	3,533,852,217	651,394,973	4,185,247,190

The management decided to amortize the obligation with the provision of NRs. 3,500,000,000 this year. The balance was deferred to be provided after considering the actuarial report in the next year. The deviations, if any, from IAS in this connection is recognized on practical grounds.

The management believes that the recognition of actuarial losses/gain over the period of two years shall be systematic and faster recognition of losses/gain than would be recognized in other comprehensive income. The details of the net liabilities recognized in balance sheet, unrecognized actuarial losses, changes in fair value of plan assets, changes in present value of obligation and the amount recognized in statement of comprehensive income and other comprehensive income are disclosed as below:

Amount Recognized in the statement of Financial Position

Particulars	As on 31 st Asar 2073			As on 31 st Asar 2072		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded	Unfunded		Funded	Unfunded	
Present Value of Obligations	16,260,561,185	2,241,351,694	888,152,300	15,430,681,540	2,410,870,990	821,357,804
Fair Value of Plan Assets/Current Balance of Provision Account	12,726,708,968	1,589,956,721	678509292.6	10,624,843,690	1,491,400,915	626820264.8
Net Liability (/ Asset)	3,533,852,217	651,394,973	209,643,007	4,805,837,850	919,470,075	194,537,539
Unrecognised Actuarial Losses	533,852,217	151,394,973	-	1,885,909,909	456,640,611	-
Net Liabilities/(Assets) Recognised in Statement of Financial Position	3,000,000,000	500,000,000	209,643,007	2,919,927,941	462,829,464	194,537,539

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 st Asar 2073			For the Year Ended 31st Asar 2072		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded	Unfunded		Funded	Unfunded	
Opening Obligation	15,430,681,540	2,410,870,990	821,357,804	13,085,433,882	2,329,755,284	781,755,545
Current Service Cost	336,533,057	124,068,215	138,590,823	336,790,511	128205569	128,858,990
Interest Cost	1,234,454,523	192,869,679	71,052,184	1,046,834,711	186380423	65,708,624
Actuarial Losses (Gains)	-86,787,295	-193,662,662		1,626,927,973	8,634,705	-
Losses (Gains) on Curtailments		-			114803380	-
Benefits Paid	-654,320,640	-292,794,528	-142,848,511	-665,305,537	-356908371	-154,965,355
Closing Obligation	16,260,561,185	2,241,351,694	888,152,300	15,430,681,540	2,410,870,990	821,357,804

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 31 st Asar 2073		For the Year Ended 31st Asar 2072	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Opening Fair Value	10,624,843,690	1,491,400,915	7,026,256,690	1,365,010,000
Expected Return	849,987,495	119,312,073	562,100,535	109,200,800
Actuarial Gains (Losses)	-1,259,747,685	-119,312,073	-104,015,156	-30,671,885
Distribution on Settlements			-	-
Contribution by Employer	3,000,000,000	600,000,000	3,805,807,158	404,770,371
Benefits Paid	-654,320,640	-292,794,528	-665,305,537	-356,908,371
Closing Fair Value	12,560,762,860	1,798,606,387	10,624,843,690	1,491,400,915

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 31 st Asar 2073			For the Year Ended 31st Asar 2072		
	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan	Pension or Gratuity Plan	Staff Security Fund	Leave Encashment Plan
	Funded	Unfunded		Funded	Unfunded	
Current Service Cost	336,533,057	124,068,215	138,590,823	336,790,511	128205569	128,858,990
Interest Cost	1,234,454,523	192,869,679	71,052,184	1,046,834,711	186380423	65,708,624
Expected Return on Plan Asset	-849,987,495	-119,312,073		-562,100,535	-109,200,800	-
Actuarial Losses Recognized in P/L	2,278,999,915	302,374,179		2,178,475,313	394,614,808	
Past Service Cost				-	-	-
Curtailments & Settlements				-	-	-
Total Employee Benefit Expense	3,000,000,000	500,000,000	209,643,007	3,000,000,000	600,000,000	194,567,614

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 31 st Asar 2073		For the Year Ended 31 st Asar 2072	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	100%	100%	100%	100%
Others	-	-	-	-
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 31 st Asar 2073		For the Year Ended 31 st Asar 2072	
	Pension or Gratuity Plan	Staff Security Fund	Pension or Gratuity Plan	Staff Security Fund
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.67%	6.67%	6.67%	6.67%
Withdrawal Rate	0.05%	0.05%	0.05%	0.05%

15. 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 profit. 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 Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10% and 5% of net profit to General Reserve and Monetary Liability Reserve respectively. However, the bank has departed with this provision of the Act and appropriated 10% and 5% of Balance of Net Profit available after appropriation of foreign exchange revaluation and other revaluation gain/loss to Foreign Exchange Equalisation and Revaluation Reserve respectively to the General Reserve and Monetary Liability Reserve respectively. 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 annually allocated by the Board of Directors out of the each year's profit to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of profit to these reserves and funds. The details of statutory and other reserve and funds are as follows:

I. Statutory Reserves:

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section an amount equal to five percent of the net profit of each year shall be allocated from the profit and kept in such reserve unless the amount kept reaches to five percent of the total monetary liability of the Bank shown in the balance sheet. Accordingly, an amount equal to five percent of net profit available for appropriation has been allocated to the reserve. The amount deposited in such reserve shall be used only for the purpose of fulfilling the financial liability of the Bank. This year NRs. 707,554,619 (P.Y. NRs. 539,205,481) was appropriated to this fund.

b) 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 profit 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, the Board of Directors has appropriated an amount equal to 10% of the net profit available for appropriation plus amount of capital budget of the Bank plus penalty income from Banks and Financial Institutions for the year which is NRs. 1,964,852,718 (P.Y. NRs. 1,123,982,900) was appropriated during the year. Also, an amount equivalent to the cost price of the gold or silver purchased is transferred from Gold Replacement Fund to General Reserve account. The management believed that the amount allocated to General Reserve was sufficient to cover the capital expenditures planned for next Fiscal Year. The amount allocated to this reserve shall be used only for the purpose of recovering the loss.

c) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (gha) 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. Represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs.17,929,777,630 (P.Y. NRs. 2,290,312,874) which is equivalent to net exchange gain was appropriated from/to net profit to this fund during the year.

d) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (gha) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net profit of the year. Accordingly an amount of Rs.5,708,576,716 (P.Y. revaluation loss of NRs. 1,224,363,057) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated to this fund.

II. Other Reserve and Funds

Board of Directors of the Bank is authorized by section 41 (2) of the NRB Act to appropriate the remaining profit 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 2065 of the Bank and the Board of Directors appropriate some part of the net profit 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 2065. 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 profit to this fund. Accordingly an amount of NRs.3,551,232,671 (P.Y. NRs. 1,548,675,678) 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 profit to this fund. Accordingly, an amount of NRs.30,000,000 (P.Y. NRs. 30,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund:

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net profit of the projects is allocated to this fund annually. Accordingly, an amount of NRs.23,374,544 (P.Y. NRs. 17,537,099) 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.200,000,000 (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. However, 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 equals 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. 24,077,829 (P.Y. NRs. 24,708,491) 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.

16. 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 year by NRs.35,148,685 than by the reported figure of the previous year. This resulted into increase in profit of previous year by the said amount and has been shown in

previous year reserve account as surplus due to restatement of prior period errors and has been adjusted with current year profit available for appropriation.

17. Currency in Circulation

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 4,652,557,463 (P.Y. NRs. 3,537,014,663). The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

Denomination	As on 31st Asar 2073	As on 31st Asar 2072
1	161,224,148	161,357,950
2	186,140,232	186,616,650
5	2,003,683,295	1,858,974,025
10	3,025,011,680	2,794,427,560
20	3,756,168,120	3,418,564,840
25	57,676,325	58,185,875
50	6,622,293,550	5,693,211,850
100	11,734,570,900	11,554,328,500
250	87,516,250	87,531,750
500	91,896,788,500	88,489,649,000
1000	266,628,927,000	204,777,152,000
Total	386,160,000,000	319,080,000,000

The above liability is backed by securities as mentioned in Note 19 of the financial statements.

18. 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:

Particulars	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	672.46	517.47
Non-Convertible Foreign Currency	214.55	185.42
Gold Reserve	28.21	19.53
Special Drawing Rights	0.03	4.12
Sub Total	915.25	726.54
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	144.01	113.97
Non-Convertible Foreign Currency	8.19	7.03
Sub Total	152.2	121.00
Total Foreign Exchange Reserve of Banking System	1067.45	847.54

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	1.65	1.79
Indian Treasury Bills	18.98	20.52
BIS FIXBIS	0.60	0.85
Bonds/Notes	14.53	13.87
Mid Term Instrument	0.78	0.93
Call Deposits	4.49	6.86
Time Deposit	39.81	33.87
Gold Deposit	2.64	2.30
Special Drawing Rights	0.23	0.49
Balance with NRB and BFIs	16.31	18.52
Total	100.00	100.00

19. Projects' Asset and Liability

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

For the Year ended 31st Asar 2073

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
Equity & Liabilities						
Reserve & Surplus	6,442,484	4,449,329	18,177,538	11,442,115	12,230,197	42,833,921
Loans	51,100,000	30,501,431	107,350,000	23,459,294	358,975,236	370,101,691
Accounts Payable	-	152,507	4,237,976	156,395	-	213,986
Total Equity & Liabilities	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	413,149,598
Assets						
Loan to PFIs	0	-	-	3,303,294	327,545,817	8,895,819
Investment	-	0	-	-	-	28,675,000
Other Receivables	-	0	0	503,520	0	697,759
Cash and Bank Balance	57,542,484	35,103,267	129,765,515	31,250,991	43,659,616	374,881,020
Total Assets	57,542,484	35,103,267	129,765,515	35,057,805	371,205,433	413,149,598

Statement of Comprehensive Income

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

Surplus (Deficit) (A-B)	(80,306)	482,076	1,360,675	664,439	7,183,941	9,610,825
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For the Year ended 31nd Asar 2072

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
<u>Equity & Liabilities</u>						
Reserve & Surplus	6,522,790	3,967,253	16,816,864	10,777,676	4,514,746	42,833,921
Loans	58,400,000	42,702,003	107,350,000	35,188,941	126,460,746	370,101,691
Accounts Payable	-	213,510	476	234,593	-	213,986
Total Equity & Liabilities	64,922,790	46,882,766	124,167,340	46,201,210	130,975,492	413,149,598
<u>Assets</u>						
Loan to PFIs	3,390,330	-	-	5,505,489	-	8,895,819
Investment	-	28,675,000	-	-	-	28,675,000
Other Receivables	-	697,758	1	-	-	697,759
Cash and Bank Balance	61,532,460	17,510,008	124,167,339	40,695,721	130,975,492	374,881,020
Total Assets	64,922,790	46,882,766	124,167,340	46,201,210	130,975,492	413,149,598

Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP	Total
A. Income						
Interest Income:						
From Loan to PFIs	4,266,513	3,178,783	7,706,906	1,444,880	-	16,597,083
On Investment	1,018,390			216,883		1,235,273
Loan Loss Prov. Written back	3,248,123	3,178,783	7,706,906	1,227,997		15,361,810
Other Income	6,460,311		-	22,244		6,482,555
Total Incomes	10,726,824	3,178,783	7,706,906	1,467,125	3,399,009	26,478,648
B. Expenditure						
Administrative Expenses					-	-
Interest Expenses	1,916,250	1,760,273	4,463,500	801,526		8,706,956
Provision for Service Charge					-	-
Loan Loss Provision					-	-
Depreciation					-	-
Total Expenses	1,916,250	1,760,273	4,463,500	801,526	-	8,706,956
Surplus (Deficit) (A-B)	8,810,574	1,418,511	3,243,406	665,599	3,399,009	17,771,692

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

Statement of Financial Position

Particulars	As on 31 st Asar 2073		As on 31 st Asar 2072	
	CGISP	RSRF	CGISP	RSRF
<u>Equity</u>				
Capital Contribution **	17,548,370	793,400,000	17,548,370	793,400,000
Surplus	116,009,020	131,909,195	106,958,116	128,520,348
Financial Risk Fund	5,200,000		5,200,000	
<u>Long- term Liabilities</u>				
Loan from ADB - Non-Current Portion	150,538,740		147,193,435	
<u>Current Liabilities and Provision</u>				
Loan from ADB - Current Portion	50,179,580		53,524,885	
Service Charge due on Loan from ADB	20,972,977		18,965,793	
Loan Loss Provision	648,834	45,083,353	843,385	44,194,075
Accounts Payable	320,684	72,735,083	320,684	72,144,308
Total Equity & Liabilities	361,418,204	1,043,127,631	350,554,668	1,038,258,731
<u>Assets</u>				
Non-Current Assets				
Fixed Assets	4	47,520	27,910	54,251
Loan to PFI- Non Current Portion	46,786,923	42,962,500	63,964,791	55,363,446
Investment				
Current Assets				
Interest Receivables	140,053		154,537	
Loan to PFI-current portion	18,096,457	507,619,144	22,140,278	473,717,967
Cash and cash equivalents	296,394,768	492,498,467	264,267,152	509,123,067
Total Assets	361,418,205	1,043,127,631	350,554,668	1,038,258,731

** Capital Contribution in case of RSRF includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'Other investment' under schedule 8 of the financial statements.

Statement of Comprehensive Income

Particulars	As on 31st Asar 2073		As on 31st Asar 2072	
	CGISP	RSRF	CGISP	RSRF
A. Income				
Interest Income:	10,928,800	28,882,427	16,169,677	38,041,233
From Loan to PFIs	4,103,649	27,015,645	4,910,395	29,502,440
On deposit with banks	6,825,152	559,603	11,259,282	6,922,225
On Investment		1,307,179		1,616,568
Other Income		133,387		91,472
Loan Loss Provision Written back	194,551	0	221,316	0
Total Incomes	11,123,351	29,015,814	16,390,993	38,132,706
B. Expenditure				
Administrative Expenses	37,358	24,677,848	87,692	23,969,817
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision	-	889,278	-	11,208,127
Depreciation	27,906	59,841	27,910	70,211
Total Expenses	2,072,447	25,626,967	2,122,785	35,248,155
Surplus (Deficit) (A-B)	9,050,905	3,388,847	14,268,208	2,884,551

20. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2073 as records of the bank was a surplus balance of NRs. 133,832,156,252 (P.Y. NRs. 34,529,399,452). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position. The surplus balance of Government Treasury position as of 31st Asar 2072 was finalized at Poush end 2072.

21. Transaction with the International Monetary Fund (IMF)

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

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

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

Financial Position in the Fund

Particulars	As on 31 st Asar 2073		As on 31 st Asar 2072	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
SPECIAL DRAWING RIGHT:				
Net cumulative allocation	10,183,273,536	68,099,599	9,668,100,070	68,099,599
Holdings	2,416,907,139	16,162,819	4,119,794,209	29,018,766
OUTSTANDING PURCHASES & LOANS:				
RCF Loans	3,838,264,380	25,668,000	4,048,984,400	28,520,000
ECF Arrangements	586,027,665	3,919,000	1,974,419,665	13,907,302
OTHER INFORMATION				
Quota	100	156,900,000	100	71,300,000

Currency Holding	89.82	140,923,637	99.98	71,283,862
Reserve Tranche Position	10.19	15,981,999	0.03	21,774

The SDR is converted into Nepalese rupees at conversion rate of NRs 149.535 (P.Y. NRs. 141.97) per SDR.

Financial position in the IMF as on April 30, 2016 and comparative position as on April 30, 2015 has not been presented. However, such information is available in IMF website (www.imf.org).

22. Number of Employees

The number of employees holding office at the yearend was 1,232 (PY 1,331).

23. 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. 1,527,483,010 (PY NRs. 14,098,439,369) 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 decrease in foreign currency financial assets (Gold), reserve (Gold and Silver Equalization Reserve) and net profit/(loss) for the period. The decrease is estimated to be NRs. 4,428,787,839.33 (PY NRs. 497,374,521) as of the date of issuing the financial statements.
- iii. The changes in market price of investment in equity shares of Citizen Investment Trust after the yearend resulted in decrease in value of investments in shares and decrease in the Fair value reserve. The decrease is estimated to be NRs. 836,249,568 (PY NRs. 286,559,658) as of the date of issuing the financial statements
- iv. The changes in market price of investment in equity shares of Nepal Grameen Bikas Bank after the yearend resulted in decrease in value of investments in shares and decrease in the Fair value reserve. The decrease is estimated to be NRs. 112,993,220 (PY NRs. 0) as of the date of issuing the financial statements
- v. 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.