Dear Sir:

NEPAL: Financial Sector Technical Assistance Project (Credit No. 3727-NEP)
Amendments to the Development Credit Agreement

We refer to the Development Credit Agreement for the Financial Sector Technical Assistance Project (the "Project") between the Government of Nepal (the "Borrower") and the International Development Association (the "Association") dated April 30, 2003, as amended (the "Development Credit Agreement"). We also refer to your letter dated March 27, 2011 requesting the Association to restructure the Project.

After due consideration, the Association has agreed to your request. Accordingly, the Development Credit Agreement is hereby amended as follows:

1. Section 2.01 is amended to read in its entirety as follows:

   "Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million seven hundred eighty five thousand Special Drawing Rights (SDR 7,785,000).

2. The table in Schedule 1 of the Development Credit Agreement is replaced by the table set forth in Attachment 1 to this letter.

3. Schedule 2 of the Development Credit Agreement is amended and restated as set forth in Attachment 2 to this letter.

Except as specifically amended by this letter, all other provisions of the Development Credit Agreement shall remain in full force and effect.

Please confirm your agreement with the foregoing by signing two originals of this letter and returning one fully executed original to the Association. Please retain the other original for your records. The amendments shall become effective upon signature by both parties hereto.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Christine E. Kimes
Christine E. Kimes
Acting Country Director for Nepal
South Asia Region

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.
AGREED AND CONFIRMED:

NEPAL

By

Name: L. S. Shanker
Title: Joint Secretary
Date: 20th May, 2011
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR)</th>
<th>Amount of the Pooled Funds Allocated (Expressed in Pounds Sterling)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>1,617,000</td>
<td>525,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>5,475,000</td>
<td>2,925,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training, workshops and study tours</td>
<td>0</td>
<td>1,440,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>30,000</td>
<td>6,000</td>
<td>60%</td>
</tr>
<tr>
<td>(5) Refunding of Project Preparation Advance</td>
<td>655,000</td>
<td>Not Applicable</td>
<td>Amount due pursuant to Section 2.02 (b) of this Agreement</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>8,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>7,785,000</td>
<td>4,896,000</td>
<td></td>
</tr>
<tr>
<td>Canceled as of May 31, 2008</td>
<td>4,000,000</td>
<td>Not Applicable</td>
<td></td>
</tr>
<tr>
<td>Cancellation as of</td>
<td>615,000</td>
<td>1,964,000</td>
<td></td>
</tr>
<tr>
<td><strong>Original Amount</strong></td>
<td><strong>SDR 12,400,000</strong></td>
<td><strong>£6,860,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) developing capacity of Nepal Rastra Bank staff to effectively perform key central banking functions; (ii) implementing restructuring program of Ra striya Banijya Bank and carrying out diagnostic review of Nepal Bank Limited, to prepare these state-owned commercial banks for the next steps of restructuring; and (iii) creating an enabling environment for financial sector development, specifically in the area of credit information bureau, secured transaction registry and financial news reporting.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Restructuring of the Nepal Rastra Bank

1. Conducting a training program for professional development of the staff of Nepal Rastra Bank and that of member banks of Nepal Bankers' Association including in-house training and attendance at external seminars and conferences.

Part B: Restructuring Ra striya Banijya Bank and Nepal Bank Limited

1. Implementing a restructuring program for Ra striya Banijya Bank with a view to:
   (a) controlling bank day-to-day operations;
   (b) stabilizing their operational and financial position;
   (c) strengthening the accounts of these institutions and improving their accounting systems;
   (d) designing a human resources program that will include, among other things, a training program, a retrenchment program, and a revised remuneration package for bank staff; and
   (e) preparing these institutions for divestiture from the public sector.

2. Carrying out of a fast track detailed diagnostic assessment of Nepal Bank Limited with a view to assist the Borrower to make decisions regarding appropriate next steps in restructuring the bank.

Part C: Other Financial Sector Assistance

1. Strengthening the Credit Information Bureau and the means through which credit information is disseminated.

2. Supporting training and capacity building among local journalists to assist them in conveying financial and business news and issues to the public.

3. Supporting the Coordination Support Team in implementing and supervising the Project, especially in relation to financial management, procurement and coordination capabilities.
4. Supporting the establishment of a secured transaction registry for registering movable collateral.

* * *