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Nepal Rastra Bank

Annual Report

Fiscal Year 2022/23



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Executive Summary

1. The world economy is expected to be weaker in 2023 and 2024 than in 2022. According to the World Economic Outlook, July 2023 of the International Monetary Fund (IMF), world economic growth stood at 6.3 percent in 2021 and 3.5 percent in 2022. Such a growth rate is projected to remain at 3.0 percent in 2023 and 2024. According to the Fund, the economic growth rate of developed countries in 2023 is projected to be 1.5 percent, that of emerging and developing countries is 4.0 percent, and the economic growth rate of emerging and developing Asian countries is projected to be 5.3 percent. The fund forecasted that the economies of neighboring countries India and China would expand by 6.1 percent and 5.2 percent respectively in 2023.
2. In 2023, consumer inflation is estimated to be 4.7 percent in developed countries and 8.3 percent in emerging and developing countries. In 2022, consumer inflation was 7.3 percent in developed countries and 9.8 percent in emerging and developing countries.
3. According to the National Statistics Office, Nepal's Gross Domestic Product (GDP) in 2022/23 is estimated to increase by 2.16 percent in base prices. In the review year, it is estimated that the agricultural sector's production has increased by 2.73 percent and the production of the non-agricultural sector has increased by 1.92 percent in producer price.
4. Even in Nepal, inflation has remained high in the review year. In 2022/23, the average consumer inflation remained 7.74 percent. In the previous year, such inflation was 6.32 percent. In the review year, the average inflation of the food and beverages and non-food and services groups remained 6.62 percent and 8.62 percent respectively.
5. In 2022/23, the total export of goods decreased by 21.4 percent to Rs. 157.14 billion and the total import of goods decreased by 16.1 percent and remained at Rs. 1611.73 billion. In the review year, the total merchandise trade deficit declined by 15.5 percent to Rs. 1454.59 billion, which is 27 percent of GDP.
6. In 2022/23, the current account remained in deficit of Rs. 72.16 billion and the BOP in surplus of Rs. 290.52 billion. At the end of mid-July 2023, the total foreign exchange reserve amounted Rs. 1539.36 billion. Foreign exchange reserves in US dollars remained 11.74 billion. Foreign exchange reserves maintained at the end of mid-July 2023 is sufficient to cover merchandise imports of 11.7 months, and merchandise and services imports of 10 months.
7. In 2022/23, the government mobilized Rs. 1010.39 billion revenue including other receipts. The total government expenditure stood at Rs. 1429.56 billion.
8. In 2022/23, the broad money supply increased by 11.4 percent while the narrow money supply decreased by 0.1 percent. Total domestic credit increased by 8.7 percent and the monetary sector's claims on the private sector increased by 4.6 percent. Further, deposits of Banks and Financial Institutions (BFIs) increased by 12.3 percent, and credit to the private sector from BFIs increased by 3.8 percent.

9. In 2022/23, liquidity amounting to Rs.108.20 billion was mopped up while liquidity amounting to Rs. 504.17 billion was injected through various instruments of open market operations. Standing Liquidity Facility (SLF) worth Rs. 2727.11 billion was utilized during the review year.
10. The weighted average inter-bank rate among commercial banks, development banks, and finance companies stood at 3.14 percent as of mid-July 2023, which is lower than 7.01 percent of last fiscal year.
11. In 2022/23, the total assets/liabilities of commercial banks increased by 7.5 percent to Rs. 6403.31 billion, development banks by 10.9 percent to Rs. 566.17 billion, and finance companies by 0.5 percent to Rs. 152.60 billion. Similarly, the total assets/liabilities of microfinance financial institutions (MFIs) decreased by 2.3 percent to Rs. 507.78 billion during the review year.
12. The number of BFIs licensed by NRB as of mid-July 2023 remained at 112 including 20 commercial banks, 17 development banks, 17 finance companies, 57 Microfinance Financial Institutions, and 1 Infrastructure Development Bank.
13. As of mid-July 2023, the Deposit and Credit Guarantee Fund (DCGF) has guaranteed total credit of Rs. 216.44 billion and total deposits of Rs. 1232.95 billion.
14. In 2022/23, 20 commercial banks, 17 development banks, 17 finance companies, and 57 microfinance financial institutions sought information of 4 million 623 thousand 631 loans from the Credit Information Center. The number of blacklisted borrowers reached 56,598 in mid-July 2023.
15. As of mid-July 2023, the NEPSE index reached 2097.1 points while market capitalization stood at Rs. 3082.52 billion, which is 57.3 percent of the GDP.
16. The monetary policy for 2022/23 was announced on July 22, 2022, with the main objectives of maintaining macroeconomic stability and facilitating the achievement of targeted economic growth set by the Government of Nepal in line with the policy and program mentioned in the Government's budget.
17. In 2022/23, the target of the Monetary Policy was to keep the annual average consumer price inflation within 7 percent. Additionally, maintaining foreign exchange reserves sufficient to cover the prospective imports of goods and services for at least 7 months, and conducting monetary management and liquidity to facilitate the economic growth of 8 percent as targeted by the Government of Nepal were the objectives of monetary policy.
18. The cash reserve ratio (CRR) to be maintained by BFIs was set at 4 percent. Likewise, the Statutory Liquidity Ratio of 12 percent for commercial banks, 10 percent for development banks, and 10 percent for finance companies was continued. Arrangements were made to provide the overnight liquidity facility at the policy rate of 7.0 percent under the intra-day liquidity facility which was provided at the bank rate before.

19. To maintain macroeconomic stability, given the pressure on prices and foreign exchange reserves, the rates under the interest rate corridor were increased as bank rate to 8.5 percent, policy rate 7.0 percent, and deposit collection rate 5.5 percent. In the third quarter review of monetary policy, the existing bank rate was reduced by 1 percent point to 7.5 percent.
20. Under the monetary policy for 2022/23, a strategy was adopted to gradually remove the unconventional monetary and financial instruments introduced during the COVID-19 pandemic. Accordingly, a policy was adopted to gradually reduce the refinance facility in other areas while continuing the facility to the productive sectors including agriculture, small enterprises, exports, and the heavily affected areas yet to recover from the COVID-19 pandemic.
21. In 2022/23, treasury bills of Rs. 153.61 billion were issued, including Rs. 20 billion of 28 days, Rs. 43.61 billion of 91 days, 40 billion of 182 days, and Rs. 50 billion of 364 days. Likewise, Development Bond equivalent to Rs. 100 billion, Citizens Saving Bond equivalent to Rs. 2.36 billion, and Foreign Employment Bond equivalent to Rs. 26.4 million were issued.
22. In 2022/23, a total of 28 BFIs were involved in the merger and acquisition process resulting in a total of 112 BFIs. During the review year, out of 14 mergers/acquisition processes, 9 were related to merger whereas 5 were related to acquisition.
23. The number of branches of BFIs increased by 0.53 percent and reached 11,589 by the end of mid-July 2023. Centers providing branchless banking service reached 1,319 by the end of mid-July 2023. Looking at this, the number of population getting banking and financial services per branch decreased by 0.59 percent to 2,517 per branch from last year's 2,532 per branch. Due to mergers and acquisitions, the number of microfinance financial institutions is in decreasing trend and the number of branches remained at 5,128 by the end of mid-July 2023.
24. A total of 466.25 million of various denomination bank notes equivalent to Rs. 42.23 billion were issued for circulation in 2022/23. Currency in circulation of various denomination bank notes remained at Rs. 640.08 billion in mid-July 2023.
25. The total number of staff in Nepal Rastra Bank stood at 1,157 in mid-July 2023, comprising 1,092 in administration and 65 technical. Of the total human resources, 631 are officer level, 450 are assistant level and 76 are of office subordinate level staff.
26. Regarding the construction of the office building at Thapathali as per the agreement between the Government of Nepal, Ministry of Urban Development, the Department of Urban Development and Building Construction, Central Project Implementation Unit (Building and Housing) and the builder BILIL-Contech JV, Naxal, Kathmandu, physical progress of 93.05 percent and financial progress of 77.62 percent recorded as of the mid-July 2023. Similarly, under the agreement between the Government of Nepal Ministry of Urban Development, the Department of Urban Development and Building Construction,

Central Project Implementation Unit (Building and Housing) with builder CICO-Samanantar JV Old Baneshwar, the progress of the ongoing construction of the office building at Baluwatar recorded as 93 percent in physical and 76.44 percent in financial terms as of mid-July 2023.

27. In 2022/23, a total of 8,15,180 transactions equivalent to Rs. 34135.41 billion of Nepali currency have been cleared through the RTGS system.
28. Approval for FDI inflows equivalent to Rs.7.22 billion and foreign loans equivalent to Rs.49.70 billion was granted in 2022/23.
29. The SIS Implementation Action Plan 2022 has been approved to implement the Supervisory Information System (SIS) prepared to receive data and information from all banks and financial institutions through a single portal and is being implemented in a phased-wise manner accordingly.
30. As per the financial statements of mid-July 2023, the assets/liabilities of the bank increased by 3.99 percent as compared to the previous year to Rs. 1,588.12 billion.
31. The net income from foreign exchange and other asset revaluation before gain/loss adjustment for 2022/23 increased by 112.81 percent compared to the previous year and remained at Rs.60 billion 482 million 401 thousand. A meeting of the board of directors on 8 December 2023 decided to allocate the amount to be separated from the bank's net profit to various necessary funds and provide the remaining surplus amount of Rs.25 billion to the Government of Nepal.

Acronyms

ACU	Asian Clearing Unit
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BFI	Banks and Financial Institutions
BOK-KPP	Bank of Korea-Knowledge Partnership Program
BOP	Balance of Payments
BSBS	Banknote Shredding and Briquetting System
CD	Credit to Deposit
CEO	Chief Executive Officer
CIT	Citizen Investment Trust
CRR	Cash Reserve Ratio
CSP	Customer Security Programme
CVPS	Currency Verification and Processing System
DCGF	Deposit and Credit Guarantee Fund
DFID	British Government's Department for International Development
DTCO	District Treasury Controller Office
ECC	Electronic Cheque Clearing
ECF	Extended Credit Facility
EPF	Employees Provident Fund
FCGO	Financial Comptroller General Office
FDI	Foreign Direct Investment
FIU	Financial Information Unit
FXOL	Foreign Exchange Online Reporting System
FY	Fiscal Year
GDP	Gross Domestic Product
GL	General Ledger
GoN	Government of Nepal
IBS	Individual Bank Supervisor
IC	Indian Currency
ICAAP	Internal Capital Adequacy Assessment Process
IIP	International Investment Position
ILF	Intraday Liquidity Facility
IMF	International Monetary Fund
IPS	Interbank Payment System
IT	Information Technology
KFW	Kshetrama Bittiya Pahunch Karyakram
Ltd.	Limited
MBS	Mint Billing System

MFIs	Microfinance Financial Institutions
MOF	Ministry of Finance
MSMEs	Micro, Small and Medium Enterprises
n.i.e.	not included elsewhere
NBI	National Banking Institute
NCTS	Note Chest Transaction System
NEPSE	Nepal Stock Exchange
NFRS	Nepal Financial Reporting Standards
NGO	Non-Government Organization
NRA	National Risk Assessment
NRB	Nepal Rastra Bank
NSO	National Statistics Office
OCI	Other Comprehensive Income
ODCs	Other Depository Corporations
OECD	Organization for Economic Co-operation and Development
OMOs	Open Market Operations
RMA	Relationship Management Application
RMDC	Rural Microfinance Development Centre Limited
RMS	Record Management Software
RSRF	Rural Self Reliance Fund
RTGS	Real Time Gross Settlement
SAARC	South Asian Association for Regional Cooperation
SARFII	South Asia Region Financial Inclusion Initiative
SDRs	Special Drawing Rights
SEACEN	South East Asian Central Banks
SIEM	Security Information and Event Management
SIS	Supervisory Information System
SLF	Standing Liquidity Facility
SLR	Statutory Liquidity Ratio
SREP	Supervisory Review and Evaluation Process
TBML	Trade-Based Money Laundering
ToT	Terms of Trade
VAT	Value Added Tax

PART - 1

MACROECONOMIC AND FINANCIAL SITUATION

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PART – ONE

MACROECONOMIC AND FINANCIAL SITUATION

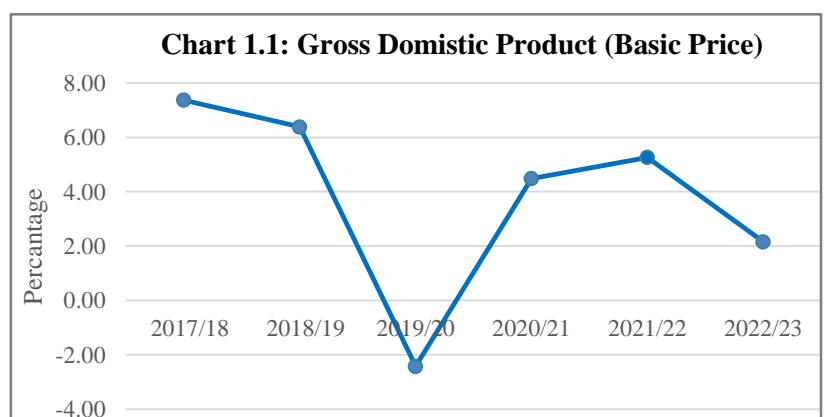
World Economic Situation and Outlook

- 1.1 The world economy is expected to witness an additional decline in growth in 2023 and 2024 on the basis of the assumption of contraction in the growth of advanced economies due to geopolitical conflict and high interest rates in the advanced countries. According to the World Economic Outlook, July 2023 of the International Monetary Fund (IMF), world economic growth stood at 6.3 percent in 2021 and 3.5 percent in 2022. Such a growth rate is projected to remain at 3.0 percent in both 2023 and 2024.
- 1.2 The overall economic growth rate of advanced economies is projected to decline from 2.7 percent in 2022 to 1.5 percent in 2023. Emerging and developing economies expanded by 4.0 percent in 2022, and are also projected to grow by the same rate in 2023. The growth rate of Asian emerging and developing economies is projected to be 5.3 percent in 2023 compared to 4.5 percent in 2022. India's growth rate is projected to be 6.1 percent in 2023, which was 7.2 percent in 2022. Likewise, the economic growth rate of China is projected to be 5.2 percent in 2023 compared to 3.0 percent in 2022. The world trade in goods and services is projected to expand by 2.0 percent in 2023 compared to 5.2 percent in 2022.
- 1.3 Inflation has improved slightly but still high. In 2022, inflation remained at 7.3 percent in advanced economies and 9.8 percent in emerging and developing economies. In 2023, inflation is projected to remain at 4.7 percent for advanced economies and 8.3 percent for emerging and developing economies.

Macroeconomic and Financial Situation of Nepal

Gross Domestic Product

- 1.4 In 2022/23, the real gross domestic product (GDP) of the country is estimated to increase by 2.16 percent in basic prices and 1.86 percent in producer prices. In the previous year, such growth rates were 5.26 percent and 5.61 percent respectively. It seems that the economic growth rate of

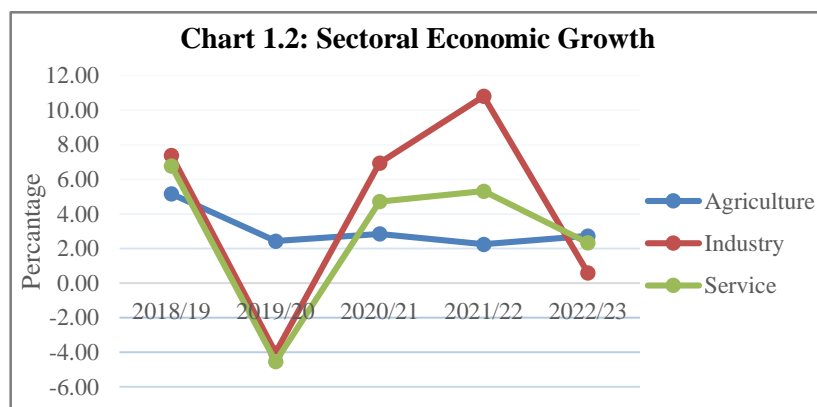


the current fiscal year will be lower than the previous fiscal year. The economic growth rate has remained low because of decreased domestic demand due to a slowdown in the construction sector, increased interest rates, reduced credit disbursement, not able to realize the targeted capital expenditures on time, and a significant number of people going abroad for employment and studies.

- 1.5 It is estimated that the agricultural sector's production increased by 2.73 percent and the production of the non-agricultural sector increased by 1.92 percent in the review year. In the previous year, the agricultural sector's production had increased by 2.24 percent and the production of the non-agricultural sector had increased by 6.56 percent. It is estimated that the production of the industrial sector increased by 0.59 percent and the production of the service sector increased by 2.33 percent under the non-agricultural sector (Chart 1.2). In the previous year, the industry sector grew by 10.80 percent and the growth rate of the service sector was 5.32 percent.

Sectoral Composition of GDP

- 1.6 In the review year, the share of agriculture, industry, and service sectors in the GDP was 24.12 percent, 13.45 percent, and 62.43 percent respectively. In the previous year, the share of these sectors was 24.67 percent, 14.09 percent, and 61.24 percent respectively. Comparing the economic growth by province, it is estimated that in 2022/23, Bagmati province has the highest share of 36.86 percent and Karnali province has the lowest share of 4.1 percent of the country's GDP.



- 1.7 Based on board industrial classification, the share of the primary sector (agriculture and forestry, fisheries and mining and quarrying), secondary sector (manufacturing industry, electricity, gas, and water and construction), and tertiary sector (services) in the GDP in the review year is estimated to be 24.63 percent, 12.94 percent, and 62.43 percent respectively (Table 1.1). In the previous year, the share of these sectors in the gross domestic product was 25.22 percent, 13.54 percent, and 61.24 percent respectively.

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

(In %)

Sectors	As a Percent of GDP				
	2018/19	2019/20	2020/21	2021/22 ^R	2022/23 ^P
Primary ¹	25.58	25.75	26.35	25.22	24.63
Secondary ²	14.36	13.07	13.27	13.54	12.94
Tertiary ³	60.06	61.18	60.38	61.24	62.43

1 Agriculture, forestry and fishery, and mining and quarrying

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

3 Services

R Revised Estimates

P Preliminary Estimates

Source: National Statistics Office

Agriculture

- 1.8 It is estimated that agricultural production has increased by 2.73 percent in 2022/23. In the previous year, the agricultural sector's production increased by 2.24 percent.

Industry

- 1.9 The industrial sector is estimated to grow by 0.59 percent in the review year. Last year, such a growth rate was 10.80 percent.
- 1.10 In the review year, the production of electricity, gas, steam, and air conditioning sectors, water supply, sewage disposal, waste management and treatment activity sectors, and mining and quarrying sectors is estimated to increase by 19.36 percent, 2.16 percent, and 1.11 percent respectively. It is estimated that the output of the construction sector and manufacturing industry to decrease by 2.62 percent and 2.04 percent respectively. In the previous year, the production of these areas increased by 53.35 percent, 2.02 percent, 8.84 percent, 7.08 percent, and 6.74 percent respectively. It is estimated that the growth rate of the construction and manufacturing sector to remain negative due to delays in capital expenditure, slowdown in construction and real estate business, and low domestic demand.

Service

- 1.11 The service sector is estimated to grow by 2.33 percent in the review year. Last year, the growth rate of this sector was 5.32 percent.
- 1.12 In the review year, under the service sector, the accommodation and food service activity sector is estimated to grow by 18.56 percent, the financial and insurance sector by 7.29 percent, the human health and social work sector by 6.51 percent, public administration, and the defense sector; compulsory social security sector by 5.30 percent, arts, and entertainment, other service activities sector by 5.21 percent, administrative and support services sector by 5.01 percent, professional, scientific and technical sector by 4.30 percent, information and communication sector by 4.07 percent, education sector by 4.07 percent, real estate sector by 2.17 percent and transport and storage sector by 1.14 percent. In the previous year, these sectors grew by 12.61 percent, 6.88 percent, 6.99 percent, 4.08 percent, 4.48 percent, 2.19 percent, 3.50 percent, 4.13 percent, 4.66 percent, 1.63 percent, and 4.61 percent respectively. In the review year, the production of wholesale & retail trade and the motor & motorcycle repair sector is estimated to decrease by 2.96 percent. Last year, this sector had increased by 7.46 percent. It is estimated that the growth rate of the wholesale and retail trade sector to be negative due to a decrease in domestic demand.

Saving and Gross National Disposable Income

- 1.13 The share of gross consumption in the GDP is estimated to be 93.59 percent in the review year compared to 94.23 percent in 2021/22.
- 1.14 In 2022/23, the gross national disposable income at current prices increased by 10.85 percent (Table 1.2). In the previous year, such income had increased by 11.63 percent. In the review year, the ratio of gross national disposable income to GDP recorded 125.25 percent. Last year, such a ratio was 123.24 percent.

Table 1.2
Gross National Disposable Income
(At Current Prices)

Particulars	Rs. in Billion			Percent Change	
	2020/21	2021/22 ^R	2022/23 ^P	2021/22	2022/23
Gross Domestic Product (at Producers' Prices)¹	4,352.6	4,933.7	5,381.3	13.35	9.07
Factor Income, Net ²	23.3	28.8	62.4	23.9	116.3
Current Transfer, Net ²	1071.4	1117.9	1348.5	4.3	20.6
Gross National Disposable Income	5,447.2	6,080.5	6,739.9	11.63	10.85

R = Revised Estimates

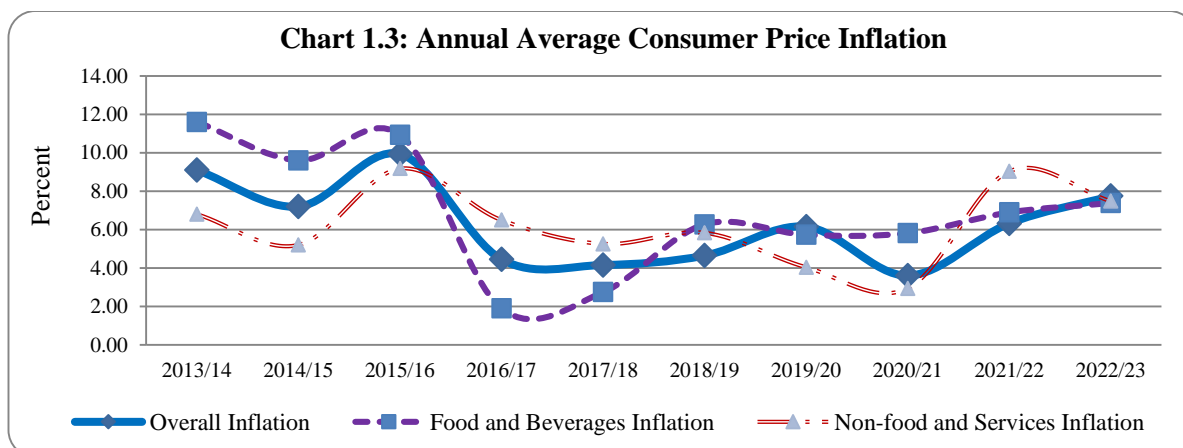
P = Preliminary Estimates

Source: 1. National Statistics Office, 2. Nepal Rastra Bank

Inflation, and Salary and Wage Rate Index

Consumer Price Inflation

- 1.15 The economy remained under inflationary pressure in 2022/23. Disruptions in the global supply chain caused mainly by the Russia-Ukraine war, increase in aggregate demand after the effective COVID-19 control measures, rise in the prices of transportation cost and food items, high global inflation including that in India, and depreciation of Nepalese currency against the US dollar were the reasons behind the rise in domestic inflation in the review year. The annual average consumer price inflation remained 7.74 percent in the review year (Chart 1.3) compared to 6.32 percent in the previous year.



- 1.16 In the review year, the annual average inflation of the food and beverage group and non-food and services group remained at 6.62 percent and 8.62 percent respectively. In the previous year, the annual average inflation of these groups was 5.69 percent and 6.83 percent respectively.
- 1.17 In the review year, the inflation of restaurant and hotel, spices and cereal grains & their products subgroups under the food and beverages group and transportation, recreation & culture, and health subgroups under the non-food and service group increased in double digits compared to the previous year.
- 1.18 In the review year, the annual average consumer price inflation was 7.55 percent in the Kathmandu Valley, 8 percent in the Terai, 7.56 percent in the hills, and 7.12 percent in the Mountain. In the previous year, such inflation was 5.73 percent in Kathmandu Valley, 6.41 percent in Terai, 6.87 percent in the hills, and 6.07 percent in the mountains.

Consumer Price Inflation in Nepal and India

- 1.19 In the review year, the annual average consumer price inflation in Nepal was 7.74 percent, and that in India was 6.06 percent. In the previous year, such inflation for Nepal and India was 6.32 percent and 6.02 percent respectively.

Wholesale Price Inflation

- 1.20 In the review year, the annual average wholesale price inflation was 8.47 percent. In the previous year, such inflation stood at 9.51 percent. In the review year, the annual average inflation of primary goods, fuel and energy, and manufactured goods under wholesale price recorded at 5.42 percent, 22.80 percent, and 8.04 percent respectively. In the previous year, the annual average price inflation of these groups had stood at 3.92 percent, 19.49 percent, and 11.67 percent respectively.
- 1.21 Based on the broad economic classification, the annual average wholesale price inflation of consumption goods, intermediate goods, and capital goods stood at 4.68 percent, 11.23 percent, and 5.12 percent respectively in the review year.

National Salary and Wage Rate Index

- 1.22 In the review year, the National Salary and Wage Rate Index increased by 9.90 percent. The index had increased by 6.65 percent in the previous year. In the review year, the salary index and wage rate index increased by 12.39 percent and 9.17 percent respectively. In the previous year, these indices had increased by 9.44 percent and 5.87 percent respectively. In the review year, wage rate indices of agricultural labor, industrial labor, and construction labor increased by 6.41 percent, 15.31 percent, and 8.24 percent respectively. Following the Government of Nepal's decision of a 15 percent salary increment, other organizations also increased their salaries, resulting in an overall increase in the wage and salary index increase in the review year.

External Sector

- 1.23 In 2022/23, the trade deficit decreased by 15.5 percent to Rs. 1454.59 billion due to a decrease in merchandise imports and exports. In 2021/22, such a deficit had increased by 23.0 percent. In the review year, the overall balance of payments remained in surplus due to a sharp decrease in imports and an increase in remittance inflow, among others.

International Trade

- 1.24 In 2022/23, total merchandise exports decreased by 21.4 percent to Rs.157.14 billion. Such exports had increased by 41.7 percent in the previous year. The ratio of total merchandise exports to GDP remained at 2.9 percent in the review year compared to 4.1 percent in the previous year.
- 1.25 Out of total merchandise exports, exports to India decreased by 31.3 percent to Rs.106.69 billion in 2022/23 against an increase of 45.9 percent in the previous year. On a commodity-wise basis, the exports of mainly soybean oil, palm oil, and jute goods – sackings, oil cakes, textiles, and thread, among others to India decreased in the review year.

- 1.26 Exports to China increased by 118.3 percent to Rs.1.77 billion in 2022/23 against a decline of 20.4 percent in the previous year. On a commodity-wise basis, exports of mainly noodles, readymade garments, and handicrafts, among others to China increased in the review year.
- 1.27 Exports to other countries increased by 10.7 percent to Rs.48.69 billion in 2022/23 compared to an increase of 30.4 percent in the previous year. During the review year, exports of mainly readymade garments, pashmina, noodles, and tanned skin, among others increased to other countries.
- 1.28 In 2022/23, total merchandise imports decreased by 16.1 percent to Rs.1611.73 billion. Such imports had increased by 24.7 percent in the previous year. The ratio of imports to GDP remained at 30.0 percent in the review year compared to 38.9 percent in the previous year.
- 1.29 In 2022/23, imports from India decreased by 14.4 percent to Rs.1027.85 billion. Such imports had increased by 23.5 percent in the previous year. During the review year, imports of vehicles and spare parts, M.S. billet, petroleum products, other machinery and parts, and rice/paddy, among others decreased from India.
- 1.30 In 2022/23, imports from China decreased by 15.9 percent to Rs.222.72 billion against an increase of 13.2 percent in the previous year. During the review year, imports of telecommunication equipment and parts, medicine, other machinery and parts, computers and parts, and readymade garments, among others decreased from China.
- 1.31 In 2022/23, imports from other countries decreased by 20.7 percent to Rs.361.17 billion against an increase of 36.3 percent in the previous year. During the review year, imports of crude soybean oil, medicine, crude palm oil, gold, coal, and silver, among others decreased from other countries.
- 1.32 In 2022/23, the total trade deficit decreased by 15.5 percent to Rs.1454.59 billion. Such a deficit had increased by 23.0 percent in the previous year. The ratio of trade deficit to GDP stood at 27.0 percent in 2022/23 compared to 34.9 percent in the previous year. In the review year, the trade deficit with India decreased by 11.8 percent to Rs.921.16 billion, the trade deficit with China decreased by 16.3 percent to Rs. 220.95 billion and the trade deficit with other countries decreased by 24.1 percent to Rs.312.48 billion.
- 1.33 In 2022/23, total merchandise trade decreased by 16.6 percent to Rs.1768.87 billion against an increase of 26.1 percent in the previous year. The ratio of total trade to GDP stood at 32.9 percent in 2022/23 compared to 43.0 percent in the previous year. Total trade with India decreased by 16.3 percent to Rs.1134.53 billion in 2022/23 against an increase of 25.7 percent in the previous year. Total trade with China contracted by 15.5 percent to Rs.224.48 billion in 2022/23 against an increase of 13.0 percent in the previous year. Similarly, total trade with other countries contracted by 17.9 percent to Rs.409.86 billion in 2022/23 against an increase of 35.7 percent in the previous year.
- 1.34 In 2022/23, the export-import ratio stood at 9.7 percent. Such a ratio was 10.4 percent in the previous year. In the review year, India's share in total exports, total imports, total trade deficit, and total trade stood at 67.9 percent, 63.8 percent, 63.3 percent, and 64.1 percent respectively. Such ratios were 77.6 percent, 62.5 percent, 60.7 percent, and 63.9 percent respectively in the previous year.

Service Sector

- 1.35 In 2022/23, the service account recorded a deficit of Rs.83.85 billion. This deficit was Rs. 108.12 billion in the previous year.
- 1.36 In 2022/23, service income increased by 54.3 percent to Rs.188.36 billion. Such income had increased by 54.4 percent in the previous year. Under service income, travel income increased by 89.6 percent to Rs.61.52 billion in the review period. Such income had increased by 346.5 percent in the previous year.
- 1.37 In 2022/23, gross service payments saw an 18.2 percent increase, reaching Rs.272.21 billion. Such payments had increased by 51.5 percent in the previous year. Under service payment, travel expenditure increased by 48.4 percent to Rs.144.46 billion. Such expenditure had increased by 196.7 percent in the previous year.

Transfers

- 1.38 In 2022/23, net income transfer increased by 20.6 percent to Rs.1348.48 billion. Such income had increased by 4.3 percent in the previous year.
- 1.39 Transfer income increased by 20.5 percent to Rs.1356.27 billion in the review year. Such income had increased by 4.5 percent in the previous year. Similarly, transfer payments increased by 0.8 percent to Rs.7.78 billion in the review year. Such payments had increased by 27.3 percent in the previous year.
- 1.40 Workers' remittance inflows increased by 21.2 percent to Rs.1220.56 billion in the review year. Such inflows had increased by 4.8 percent in the previous year. The ratio of remittance inflows to GDP stood at 20.4 percent in the previous year compared to 22.7 percent in the review year.
- 1.41 Pension income increased by 21.4 percent to Rs.75.24 billion in the review year. Such income had increased by 5.7 percent in the previous year.

Current Account and Balance of Payments (BOP)

- 1.42 In 2022/23, the current account deficit stood at Rs.72.16 billion. Such a deficit was Rs.623.38 billion in the previous year. In the review year, the ratio of current account deficit to GDP stood at 1.3 percent. Such a ratio was 12.6 percent the previous year.
- 1.43 In the review year, the BOP remained at a surplus of Rs.290.52 billion. BOP remained at a deficit of Rs. 255.26 billion in the previous year.
- 1.44 In the review year, the capital transfer witnessed a decrease of 24.5 percent to Rs.7.54 billion. Under the financial account, net foreign direct investment decreased by 67.9 percent to Rs.5.96 billion in the review year compared to Rs.18.56 billion in the previous year.
- 1.45 Government foreign loan inflows decreased by 1.8 percent to Rs.119.86 billion in the review year. Such loan inflows decreased by 4.1 percent in the previous year. Similarly, Government principal repayment increased by 17.0 percent to Rs.34.41 billion in the review year compared to an increase of 26.4 percent in the previous year.

Foreign Exchange Reserves

- 1.46 Gross foreign exchange reserves increased by 26.6 percent to Rs.1539.36 billion in mid-July 2023 compared to mid-July 2022. Such reserves had decreased by 13.1 percent to Rs.1215.80 billion in the previous year. In the US dollar term, the total foreign exchange reserves increased by 23.1 percent to 11.74 billion. Such reserves had decreased by 18.9 percent in the previous year.
- 1.47 Foreign exchange reserves held by the NRB increased by 27.4 percent to Rs.1345.78 billion in mid-July 2023 from Rs.1056.39 billion in mid-July 2022. Out of the total foreign exchange reserves, the share of reserves held by the NRB stood at 87.4 percent. The share of Indian currency in the total foreign exchange reserves stood at 22.5 percent.

Reserve Adequacy Indicators

- 1.48 Based on the imports of 2022/23, the foreign exchange reserves of the banking sector remained sufficient to cover the prospective merchandise imports for 11.7 months, and merchandise and services imports for 10 months in mid-July 2023.
- 1.49 In the review year, the ratio of foreign exchange reserves-to-GDP, reserves-to-import, and reserves-to-broad money stood at 28.6 percent, 83.0 percent, and 25.1 percent respectively. Such ratios were 24.6 percent, 57.8 percent, and 22.1 percent respectively a year ago (Table 1.3).

Table 1.3
Reserve Adequacy Indicators

Description	2020/21	2021/22	2022/23
1. Foreign Exchange Reserve Sufficient for Financing Imports of Equivalent Months			
a. Merchandise	11.2	7.8	11.7
b. Merchandise and Services	10.2	6.9	10.0
2. Gross Foreign Exchange Reserve/GDP (%)	32.1	24.6	28.6
3. Gross Foreign Exchange Reserve/Imports* (%)	84.7	57.8	83.0
4. Gross Foreign Exchange Reserve/Broad Money Supply (%)	27.1	22.1	25.1
5. Gross Foreign Exchange Reserve/Reserve Money (%)	150.2	147.2	168.9

* Merchandise and Service Imports

Foreign Assets and Liabilities Position

- 1.50 The foreign assets and liabilities of the country stood at Rs.1654.50 billion and Rs.1729.39 billion respectively in mid-July 2023, As a result, the net international investment position (IIP) remained at negative of Rs. 74.90 billion in mid-July 2023. Net IIP remained at negative of Rs.271.34 billion in mid-July 2022.

Trend of Foreign Exchange Rate

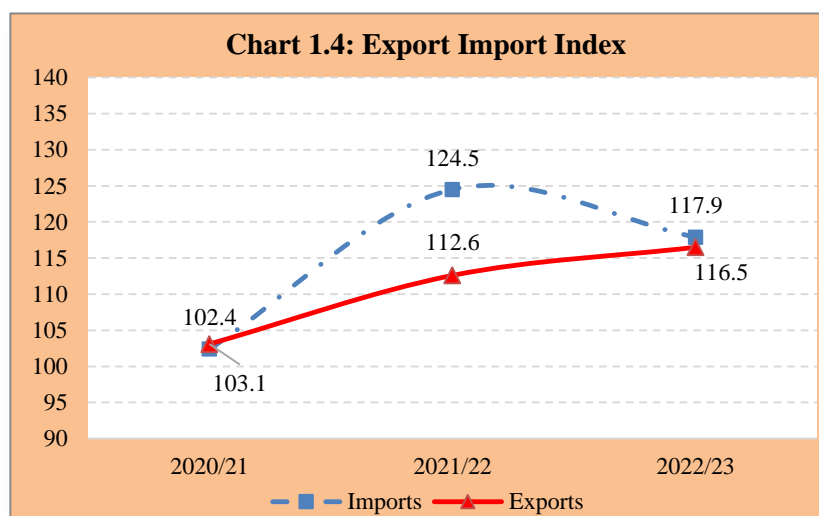
- 1.51 The exchange rate of the Nepalese rupee vis-à-vis the Indian rupee remained fixed in 2022/23 as well. Nepalese rupee depreciated by 2.79 percent against the US dollar, 12.27 percent against the Pound sterling, 12.91 percent against the Euro, and 2.75 percent against the Japanese yen in mid-July 2023 compared to mid-July 2022 (Table 1.4).

Table 1.4
The trend of the Exchange Rate of the Nepalese Rupee

Foreign Currency	Buying Rate in NPR			Appreciation (+)	
				Depreciation (-)	
	Mid-July			Percentage	
	2021	2022	2023	2022	2023
1 US Dollar	119.04	127.51	131.17	-6.64	-2.79
1 Pound Sterling	164.83	150.86	171.95	+9.26	-12.27
1 Euro	140.39	128.19	147.19	+9.52	-12.91
10 Japanese Yen	10.77	9.19	9.45	+17.19	-2.75

Export Import Price Index

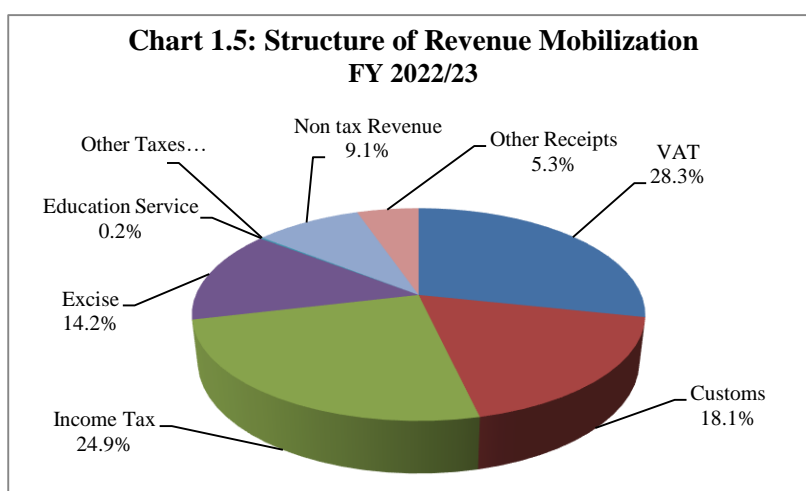
1.52 The y-o-y unit value export price index, based on customs data, increased 3.4 percent whereas the unit value import price index decreased 5.3 percent in the mid-July 2023. The terms of trade (ToT) index increased 9.2 percent in mid-July 2023 against decrease of 10.1 percent in mid-July 2022.



Fiscal Situation

Government Revenue

1.53 In 2022/23, government revenue (including other receipts) decreased by 9.3 percent to Rs.1010.39 billion. In the previous year, government revenue had increased by 14.1 percent to Rs.1113.85 billion. In the review year, the ratio of revenue to GDP stood at 18.8 percent compared to 22.6 percent in the previous year.

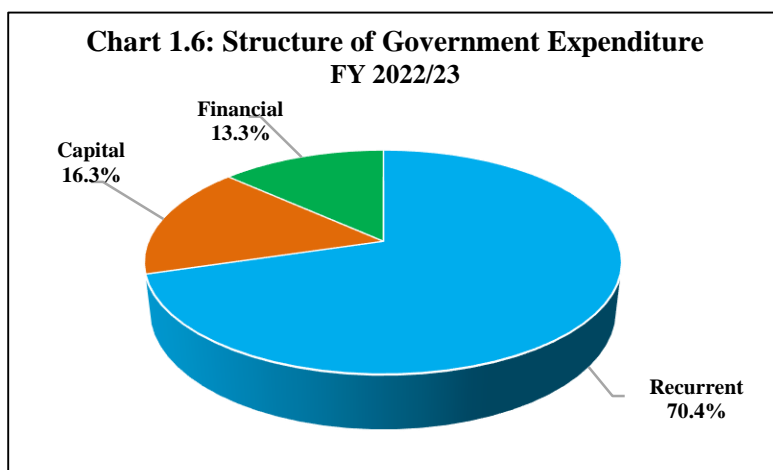


1.54 Value-added tax (VAT) decreased by 8.9 percent to Rs.286.20 billion in the review year compared to an increase of 11.4 percent to Rs.314.28 billion in the previous year.

- 1.55 Income tax decreased by 3.1 percent to Rs.251.82 billion in the review year compared to an increase of 13.0 percent to Rs.260 billion in the previous year.
- 1.56 In the review year, customs revenue decreased by 24.6 percent to Rs. 182.53 billion. Such revenue had increased by 8.1 percent to Rs. 242.03 billion in the previous year.
- 1.57 In the review year, excise duty decreased by 14.2 percent to Rs. 143.07 billion. Such revenue had increased by 24.7 percent to Rs 166.79 billion in the previous year.
- 1.58 Of the total revenue mobilized (including other receipts) in the review year, the share of VAT was 28.3 percent, income tax 24.9 percent, customs duty 18.1 percent and excise duty 14.2 percent (Chart1.5). These ratios were 28.2 percent, 23.3 percent, 21.7 percent, and 15.0 percent respectively in the previous year.
- 1.59 In the review year, mobilization of non-tax revenue increased by 13.0 percent to Rs.91.53 billion. Such revenue had increased 18.8 percent to Rs.81.01 billion in the previous year.
- 1.60 Of the total revenue, the share of tax revenue, non-tax revenue, and other receipts stood at 85.7 percent, 9.1 percent, and 5.3 percent respectively in the review year. Likewise, the share of direct and indirect tax revenue in the total revenue stood at 29.3 percent and 70.7 percent respectively. In the previous year, the share of tax revenue, non-tax revenue, and other receipts in the total revenue remained at 88.4 percent, 7.3 percent, and 4.4 percent respectively. Likewise, in the previous year, the share of direct and indirect tax revenue in the total tax revenue stood at 26.5 and 73.5 percent respectively.

Government Expenditure

- 1.61 In 2022/23, total government expenditure increased by 9.1 percent to Rs.1429.56 billion. In the previous year, such expenditure was Rs.1310 billion.



- 1.62 In 2022/23, recurrent expenditure increased by 5.4 percent to Rs.1005.76 billion. Recurrent expenditure in the previous year was Rs.954.32 billion.

- 1.63 In the review year, capital expenditure increased by 8.1 percent to Rs. 233.70 billion. Capital expenditure was Rs. 216.21 billion in the previous year.

- 1.64 In 2022/23, financing expenditure increased by 36.3 percent to Rs.190.11 billion. Such expenditure was Rs.139.47 billion in the previous year.

- 1.65 In 2022/23, total government expenditure, based on banking transactions increased by 9.2 percent to Rs. 1377.89 billion. In the previous year, such expenditure was Rs.1262.35 billion.

1.66 In the review year, in the total expenditure, the share of recurrent, capital, and financing expenditure remained at 70.4 percent, 16.3 percent, and 13.3 percent respectively (Chart 1.6). The ratio of recurrent, capital, and financing expenditure to GDP stood at 18.7 percent, 4.3 percent, and 3.5 percent respectively in the review year compared to 19.3 percent, 4.4 percent, and 2.8 percent in the previous year (Table 1.5).

Particulars	2020/21	2021/22	2022/23
Total Expenditure	27.5	26.6	26.6
Recurrent Expenditure	19.4	19.3	18.7
Capital Expenditure	5.3	4.4	4.3
Financial Management	2.8	2.8	3.5
Revenue	22.4	22.6	18.8
Tax Revenue	20.0	20.0	16.1
Budget Deficit*	-6.0	-5.3	-9.0

**Budget deficit is based on banking transactions.*

Budget Deficit

1.67 In 2022/23, the government budget, based on banking transactions, remained at a deficit of Rs.486.89 billion. Such a budget deficit had amounted to Rs.263.67 billion in 2021/22.

Sources of Financing the Budget Deficit

1.68 In 2022/23, the mobilization of total domestic borrowings amounted to Rs.256 billion and net domestic borrowing stood at Rs.140.90 billion. The ratio of total domestic borrowings and net domestic borrowing to GDP stood at 4.8 percent and 2.6 percent respectively. In the previous year, the total domestic borrowing of Rs.231.30 billion and net domestic borrowing of Rs.183.97 billion were mobilized. In the review year, the domestic debt of Rs.115.09 billion was paid.

1.69 The government of Nepal maintained a cash balance of Rs.71.98 billion with NRB (including the cash balance of provincial and local level government) at the end of 2022/23. Such a balance had remained at Rs.225.80 billion at the end of the previous fiscal year.

Government Debt

1.70 As of mid-July 2023, total outstanding government debt reached Rs.2295.44 billion including external debt of Rs.1170.25 billion and domestic debt of Rs.1125.19 billion. Such outstanding government debt as of mid-July of the previous year was Rs.2010.13 billion. The total debt to GDP ratio reached

Table 1.6
Government Debt Situation

S.N.	Government Debt Indicators	2020/21	2021/22	2022/23
1.	Total Debt/Gross Domestic Product	39.9	40.7	42.7
2.	External Debt/Gross Domestic Product	21.5	20.8	21.7
3.	Domestic Debt/Gross Domestic Product	18.4	20.0	20.9
4.	External Debt/Exports	662.3	512.8	744.7
5.	External Debt Service/Exports	16.5	14.7	22.0
6.	Domestic Debt Service/ Revenue	3.8	4.2	11.4
7.	Total Debt Service/Revenue	6.2	6.9	14.8
8.	External Debt Service/Revenue	2.4	2.6	3.4

Source: FCGO and NRB

42.7 percent in the review year compared to 40.7 percent a year ago. Other indicators relating to government debt are given in Table 1.6.

Provincial Government Fiscal Situation

- 1.71 In 2022/23, the total expenditure of the provincial governments based on banking transactions recorded Rs.204.18 billion. Resource mobilization of provincial governments was Rs.199.55 billion. Similarly, in the review year, the federal government transferred Rs.148.67 billion as grants and revenue from divisible funds to provincial governments. Similarly, in the review year, provincial governments mobilized Rs.50.88 billion in terms of province revenue and other receipts.

Policy Provisions Related to Revenue

- 1.72 In the budget for 2022/23, the government of Nepal has adopted the following revenue policy to change the import-based revenue structure into internal production and to develop a sustainable, reliable, and systematic tax system to meet the growing public expenditure.

- Develop a prosperous, self-sufficient, and strong economy through sustainable and effective revenue mobilization,
- Encourage domestic industries,
- Expand the tax base and control the revenue leakages while preserving tax base,
- Make the revenue system more progressive, simple, transparent, and predictable,
- Enhance tax compliance and participation through making tax administration professional, fair, and taxpayer-friendly,
- Make revenue administration tech-friendly.

- 1.73 Major policies and programs for implementing revenue policy and improving the existing tax system as stated in the budget are:

Broadening Tax Base

- A provision of submitting withholding tax returns electronically will be made mandatory for all government agencies at the federal, provincial, and local levels by obtaining a permanent account number.
- An arrangement of providing a permanent account number at the time of issuing citizenship and a National Identification Card will be implemented. Arrangements will be made to provide a permanent account number to minors, if involved in investment and business based on their birth certificate, minor identity card, and guardian's identity card.
- A provision will be made to submit a permanent account number and tax clearance certificate mandatorily for foreign citizens with work permits in Nepal while renewing their work permit and visa, to bring them into the tax net including remuneration tax.
- A provision will be made to submit permanent account numbers and tax clearance certificates mandatorily while renewing individuals' professional certificates for those involved in a professional business. An arrangement will be made to submit permanent account numbers compulsorily at the time of purchasing four-wheeler vehicles.

Reform of Revenue System and Tax Administration

- To make international trade more objective and realistic, the seventh edition of the Harmonized Commodity Description and Coding System, 2022, as revised by the World Customs Organization, will be brought into implementation.
- Necessary structural and legal arrangements will be made to address opportunities and challenges as observed recently along with the development of information technology in the tax system.

- Necessary arrangements will be made by studying the administration and collection of taxes under the jurisdiction of the federal, provincial, and local levels to prevent duplication.
- A monitoring and regulating system, also by using digital means will be developed for those enterprises under physical control producing excisable items..
- Services including vehicle scanning will be commenced in major customs offices using non-interfering inspection equipment.
- A necessary arrangement will be made to motivate business communities and to contribute to resource mobilization through the facilitation of international trade by amending the existing legal provisions requiring export or import code number "Exim Code".
- A system will be developed by next income year that will enable all types of taxpayers, having submitted tax returns and paid taxes, to print their tax clearance certificate by themselves.

Direct Tax

- In the context of the increasing trend of operating economic activities within Nepal by using digital networks from outside Nepal, those businesses and transactions will be brought into the tax net.
- Considering the basic living cost of individuals and families, the exemption limit for income-tax for individuals and couples as provided by the Income Tax Act, of 2058 has been increased to Rs.500 thousand for individuals and Rs.600 thousand for couples.
- If a new industry of four-wheel electrical passenger vehicles is established for production or assembly, an arrangement will be made to exempt 40 percent income tax for 5 years from the starting date of the transaction of the industry.
- A provision will be made of levying only a one-percent tax on income to a person who receives foreign currency by providing software, digital services, business process outsourcing, or information technology-based services of a similar nature out of Nepal.
- To provide relief to small businesses affected by the COVID-19 pandemic, a provision of waiving a 75 percent income tax to taxpayers with an annual turnover of up to Rs. 3 million and a 50 percent income tax to a taxpayer with an annual turnover of between Rs. 3 million and Rs. 10 million in 2021/22 has been made.
- A provision of exempting 50 percent tax on taxable income on tourism industry businesses such as hotels, travel, trekking, and film businesses that were most affected by the COVID-19 pandemic in alignment with the objective of 2021/22 will be made.
- To encourage the establishment of agricultural tools factories in Nepal that produce machinery, equipment, or accessories required for agricultural work, an arrangement of providing full exemption of income tax for 5 years from the date of business operation will be made if such types of industries are established.
- If a special industry is set up to provide direct employment to more than 100 citizens in Karnali Province and the mountainous districts of Far Western Province, an arrangement to fully exempt the income tax for 15 years from the date of transaction of the industry has been made.
- An arrangement will be made to deduct only 1.5 percent withholding advance tax on the authorship received as royalty for literary articles or creations.

Indirect Tax

- Minor amendments have been made on customs duty levied for raw materials imported by manufacturing industries in line with the policy of reducing the customs duty on raw materials at least one level down than that of manufactured goods. And, the rate of customs

duties, excise duties, and other taxes on import will be hiked to discourage the import of luxury goods.

- An arrangement has been made to exempt 50 percent excise duty including 25 percent customs duty on the import of spare parts or raw materials required for vehicle production if a four-wheeler manufacturing or assembling industry is established in Nepal.
- An arrangement has been made to levy only a 1 percent customs duty on the raw materials or spare parts used by the industries manufacturing electric rickshaws and electric motorcycles or scooters.
- An arrangement will be made to provide a 90 percent exemption on customs duties that have been levied on the import of sanitary pads. An arrangement has been made to provide a significant exemption on the customs duty by levying only 1 percent customs duty on the import of raw materials required for the industry producing sanitary pads in Nepal.
- To assist in the transportation and marketing of agricultural products, an arrangement will be made to fully exempt customs duties on the import of an agricultural ambulance or means of transportation by the local levels. And an arrangement has been made to provide a 50 percent exemption in the customs duty on the import of one unit of transport vehicle purchased by an agriculture cooperative for the transportation of agricultural products.
- A 75 percent tax exemption on customs duties will be provided on the import of a maximum of two school buses purchased by community or public schools.
- An arrangement will be made to fully exempt the customs duty on raw materials required by the industry producing auxiliary materials used by persons with disabilities on the recommendation of the Department of Industry.

Non-Tax

- An arrangement will be made to provide a 50 percent exemption on the fee and tariff to be charged for the renewal of passports, consular services, and renewal of labor permits to Nepali citizens in foreign employment who send remittances through formal channels.
- In case of the purchase of more than one house or apartment by the same person, the necessary arrangement will be made to charge an additional cent percent registration fee for each additional house.
- Non-tax rates will be revised promptly to make it cost-effective.

Revenue Leakage Control

- To control revenue leakage through intensive and effective monitoring and to increase tax participation by facilitating the taxpayers, the fiscal year 2022/23 will be observed as the market monitoring year.
- There is also a trend of tax evasion by registering a business in the name of another person and to discourage such activities, the related details of business persons will be updated in the biometric system.
- An arrangement will be implemented gradually to issue electronic invoices by petrol pumps on a real-time basis in coordination with Nepal Oil Corporation.
- An arrangement will be made to install flowmeters in wine and liquor industries where only beer-producing industries presently have provision of flowmeters.

Tax Rates

1.74 In 2021/22, the total number of import tariff rates remained at eight namely 1, 5, 10, 15, 20, 30, 40 and 80 percent while in 2022/23, import tariff rates have remained ten namely 1, 5, 10, 15, 20, 30, 40, 45, 60 and 80 percent. Similarly, the total number of export tariff rates for 2022/23 have remained the same as in 2021/22. Also, the number of excise rates applicable

for 2021/22 has remained at seventeen namely 2.5, 5, 7, 10, 15, 30, 35, 40, 50, 55, 60, 65, 70, 80, 85, 90, and 100 percent while in 2022/23; 20, 45, 75, 95 and 105 percents have been added and 21 rates have been maintained. The threshold of non-taxable income and payable rates for natural persons has been changed. Corporate tax threshold and rates and nontaxable income threshold, other taxes threshold and rates have also been changed in 2022/23.

Table 1.7
Tax Rates

Heading	FY 2021/22	FY 2022/23
1. Import Duties (Percent)	1,5,10,15,20,30,40,80	1,5,10,15,20,30,40,45, 60, 80
2. Export Duties (Percent)	200	200
3. Excise (Percent)	2.5,5,7,10,15,30,35,40,50,55,60,65,70,80,85, 90,100	2.5,5,7,10,15,20,30,35,40,45,50,55, 60,65,75, 80,85,90,95,100,105
4. VAT (Percent)	13	13
5. Income Tax		
In the case of a natural person		
(a) Non-Taxable Income Threshold		
(i) Individual	Rs.4,00,000/-	Rs.5,00,000/-
(ii) Couple or Family	Rs.4,50,000/-	Rs.6,00,000/-
(b) Income Tax Rates (Percent)		
(iii) Upto Non-Taxable Income Threshold	– First Rs.100,000: 10 percent –Additional Rs.200,000: 20 percent –On residual amount:30 percent –Above Rs.20 lakhs taxable income:36 percent	–First Rs.200,000: 10 percent –Additional Rs.300,000: 20 percent –On residual amount:30 percent –Above Rs.20 lakhs taxable income:36 percent
Corporate Tax		
(a) Flat Rate on Corporate Net Income		
(i) Banks, finance companies, and Financial Institutions	30 Percent	30 Percent
(ii) Telecommunication & Internet service provider, Remittance service provider, Securities business, Merchant Banking Business and Commodity Broker business	30 Percent	30 Percent
(iii) Businesses involved in Cigarettes, tobacco, cigars, alcoholic drinks, and beer-related transactions	30 Percent	30 Percent
(iv) Others	25 Percent	25 Percent
(b) Partnership Firm	25 Percent	25 Percent
House Land 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
In the case of gold First 50 grams, for each 10-gram In case of 50-100 grams, for each 10 gram In case of above 100 grams, for each 10-gram	Rs.9500/- Rs.10,500/- To be seized	Rs.9500/- Rs.10,500/- To be seized

Source: Arthik Bidheyak 2079/80, Inland Revenue Department.

Status of Public Enterprises

1.75 As of 2021/22, a total of 44 Public Enterprises (PEs) are in existence out of which 10 are in the industrial sector, 5 in the public utility sector, 4 in the trading sector, 9 in the financial sector, 5 in the social sector, and 11 are in services sector. Among these PEs, only 42 are in operation. In the previous year, only 35 PEs were in operation. While analyzing the financial performance of these PEs, 25 enterprises earned a profit, and 17 PEs were in a loss in 2021/22. The net profit of 25 PEs increased by 33.65 percent and the net loss of 17 PEs increased by 610.96 percent.

Table 1.8
Status of Public Enterprises

	Rs. In Ten Millions			Growth Rate (%)	
	2019/20	2020/21	2021/22	2020/21	2021/22
Government Investment	51955.4	56728.9	61816.5	9.2	9.0
Share Investment	28865.9	31465.1	32892.8	9.0	4.5
Loan Investment	23089.5	25263.8	28923.7	9.4	14.5
Shareholders' Fund	70390.3	75572.9	76133.3	7.4	0.7
Unfunded Liabilities	5770.9	5939.2	4736.0	2.9	-20.3
Operating Income	42871.3	42244.2	57543.6	-1.5	36.2
Net Profit/Loss Retained	4829.8	2635.9	154.2	-45.4	-94.1
Profit/Loss	7564.4	9177.9	5240.8	21.3	-42.9

Source: Annual Performance Review of Public Enterprises (2080), Ministry of Finance, Government of Nepal

1.76 Net profit recorded by PEs decreased 94.15 percent from Rs.26.36 billion to Rs.1.54 billion in 2021/22 (Table 1.8). Nepal Telecommunication Company (Rs.8.47 billion), Nepal Electricity Authority (Rs.13.37 billion), Agricultural Development Bank Limited (Rs.2.23 billion), Rastriya Banijya Bank Limited (Rs.4.29 billion), Nepal Bank Limited (Rs.2.92 billion), Citizen Investment Trust (Rs. 3.10 billion), Civil Aviation Authority of Nepal (Rs.1.31 billion) and some other PEs remained in profit.

1.77 In 2021/22, the total shareholders fund of PEs has increased as well as GoN's share and loan investment has also increased. The GoN's share and loan investment has increased by 9.0 percent in comparison to the previous year.

1.78 In 2021/22, GoN received a dividend of Rs.6.16 billion from PEs as compared to the divided receipt of Rs.6.72 billion in 2020/21. This amount of dividend is just 1.87 percent of the total share investment of the GoN. In the review year, GoN received the dividends of Rs.2.74 billion from Nepal Telecommunication Company Limited, Rs.360 million from Agricultural Development Bank Limited, Rs.270 million from Rastriya Banijya Bank Limited, Rs.730 million from Nepal Bank Limited, and Rs.580 million from Nepal Stock Exchange.

1.79 Net retained profit of PEs in 2021/22 decreased 42.90 percent to Rs.52.41 billion compared to Rs.91.78 billion in the previous year.

1.80 The share of unfunded liability in each of the PEs has remained substantial on account of the facility being provided to retiring PE staff under various headings such as gratuity, pension, medical care, insurance, and cash for leave. In 2021/22, the unfunded liability decreased by 20.26 percent to Rs.47.36 billion compared to Rs.59.39 billion in the previous year.

Monetary and Financial Situation

Monetary Situation

- 1.81 In 2022/23, broad money (M2) increased by 11.4 percent compared to an increase of 6.8 percent in the previous year. In the review year, narrow money (M1) decreased by 0.1 percent in comparison to a decrease of 9.7 percent in the previous year.
- 1.82 Currency in circulation increased by 1.7 percent in the review year in contrast to a decrease of 11.6 percent in the previous year. Demand deposits decreased by 2.2 percent in the review year compared to a decrease of 7.4 percent in the previous year.
- 1.83 In 2022/23, net foreign assets (foreign exchange valuation gain/loss adjusted) increased by Rs.290.52 billion (26.1 percent) in contrast to a decrease of Rs.255.26 billion (19.1 percent) in the previous year.
- 1.84 In the review year, domestic credit expanded by 8.7 percent, compared to an increase of 14.5 percent in the previous year.
- 1.85 In the review year, net claims of the monetary sector on the GoN increased by 34.8 percent (Rs.259.52 billion). Such claims had increased by 26.6 percent in the previous year. The cash balance of the GoN with NRB amounted to Rs.71.98 billion at the end of the review year.
- 1.86 In the review year, the monetary sector's claims on the private sector increased by 4.6 percent (Rs.214.35 billion) compared to an increase of 13.3 percent in the previous year.
- 1.87 In the review year, reserve money increased by 10.4 percent in contrast to a decrease of 11.4 percent in the previous year.
- 1.88 Deposits at BFIs increased by 12.3 percent in the review year, compared to an increase of 9 percent in the previous year. Similarly, credit to the private sector from BFIs increased by 3.8 percent in the review year, compared to an increase of 13.1 percent in the previous year.

Inter-Bank Transactions and Use of SLF

- 1.89 In 2022/23, inter-bank transactions of commercial banks amounted to Rs.3942.15 billion and those of other financial institutions (excluding transactions among commercial banks) stood at Rs.352.07 billion (Table 1.9). These respective transactions were Rs.2784.10 billion and Rs.316.25 billion respectively in the previous year.

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

Particulars	2020/21	2021/22	2022/23
Inter-bank transactions of commercial banks (Rs.in billion)	1782.96	2784.10	3942.15
Inter-bank rate of commercial banks (In Percent) ¹	4.12	6.99	2.98
Inter-bank transactions of other financial institutions except among commercial banks (Rs.in billion)	213.62	316.25	352.07
Inter-bank rate of other financial institutions (In Percent) ¹	4.30	7.20	4.70
Use of standing liquidity facility (Rs.in billion)	370.34	9170.11	2727.11

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

Liquidity Management

- 1.90 Liquidity of the banking system has been managed using the appropriate instruments (repo, reverse repo, outright sale, outright purchase, deposit collection, SLF, and NRB bonds) following the decision of the open market operation committee on the basis of existing liquidity in the banking system and weighted average interbank rate across BFIs as per the NRB Open Market Operation Bylaw, 2021 (second amendment 2022).
- 1.91 In 2022/23, liquidity amounting to Rs.108.20 billion was mopped up through open market operations. Out of the amount absorbed, Rs.88.20 billion was mopped up through reverse repo auctions and Rs.20 billion through deposit collection auctions. Similarly, total liquidity amounting to Rs.504.17 billion was injected in the review year. Out of which Rs.316.50 billion was injected through regular repo, Rs.97.97 billion through repo under interest rate corridor, and Rs.89.70 billion through direct purchase auction.
- 1.92 In 2022/23, BFIs were availed SLF of Rs.2727.11 billion (turnover basis) to manage their short-term liquidity need against the collateral of government securities (treasury bills and development bonds) for a maximum of 5 working days. Similarly, liquidity amounting to Rs.2286.90 billion (transaction-based) was provided through OLF.

Foreign Exchange Transaction

- 1.93 In 2022/23, NRB injected net liquidity amounting to Rs.712.50 billion through the net purchase of US\$ 5.45 billion from the foreign exchange market (commercial banks). In the previous year, net liquidity amounting to Rs.355.57 billion was injected through the net purchase of US\$ 2.91 billion (Table 1.10). In the review year, Indian Currency (IC) equivalent to Rs.596.37 billion was purchased by selling US\$ 4.56 billion. In the previous year, IC equivalent to Rs.595.23 billion was purchased by selling the US\$ 4.92 billion.

Table 1.10
Overall Situation of Foreign Exchange Transactions

Particulars	(Rs.in billion)		
	2020/21	2021/22	2022/23
1. US\$ purchase	431.47	369.94	712.50
2. US\$ sale	5.53	14.38	-
3. Net liquidity injection	425.94	355.57	712.50
4. Purchase of Indian currency by Selling US\$	535.23	595.23	596.37

Short-Term Interest Rates

- 1.94 The 91-day weighted average T-bill rate and weighted average inter-bank rate among commercial banks both decreased in July 2023 compared to the same period of 2022. The 91-day weighted average T-bill rate in July 2023 stood at 6.35 percent in comparison to the rate of 10.66 percent in the same month of the previous year (Table 1.11). Similarly, the weighted average interbank transaction rate among commercial banks stood at 2.98 percent in July 2023, compared to an average rate of 6.99 percent a year ago. Likewise, the weighted average interbank rate among other financial institutions (excluding transactions among commercial banks) stood at 4.70 percent in July 2023 in comparison to an average of 7.20 percent a year ago. The weighted average interbank rate among commercial banks, development banks, and finance companies as the operating target of monetary policy stood at 3.14 percent in July 2023.

Table 1.11
Interest Rate of Commercial Banks

Particulars	mid-Jun to mid-Jul 2021	Mid-Jun to mid-Jul 2022	Mid-Jun to mid-Jul 2023
91 days T-Bills	4.55	10.66	6.35
Weighted average inter-bank rate (BFIs)	4.14	7.01	3.14
Weighted average inter-bank rate (A Class)	4.12	6.99	2.98
Average base rate (A Class)	6.66	9.54	10.03
Weighted average lending rate (A Class)	8.46	11.62	12.30
Weighted average deposit rate (A Class)	4.65	7.41	7.86
Weighted average spread rate (A Class)	3.81	4.21	4.44

- 1.95 Weighted average lending and deposit interest rates of commercial banks stood at 12.3 percent and 7.83 percent respectively in mid-June to mid-July 2023 (Table 1.11). Such rates were 11.62 percent and 7.41 percent a year ago. Similarly, the average base rate (commercial banks) stood at 10.03 percent in mid-June to mid-July 2023 compared to the rate of 9.54 percent in the same period of the previous year.

Status of Sources and Uses of Funds of BFIs

Commercial Banks

- 1.96 In 2022/23, total assets/liabilities of commercial banks increased by 7.5 percent (Rs.447.23 billion) to Rs.643.31 billion. In the previous year, it had increased by 10.5 percent (Rs. 563.55 billion).
- 1.97 In 2022/23, total deposits mobilized by commercial banks increased by 12.1 percent (Rs.546.61 billion) to Rs.5072.23 billion in mid-July 2023 in comparison to an increase of 8.6 percent (Rs. 358.16 billion) a year ago. In the review year, the demand deposit of commercial banks decreased by 2.6 percent whereas the saving deposit and fixed deposit increased by 8.3 and 19 percent respectively. In the previous year, demand and saving deposits decreased by 6.8 and 11.5 percent respectively, whereas the fixed deposit liabilities increased by 28.6 percent.
- 1.98 The loans and advances of commercial banks in the review year increased by 5 percent (Rs.259.52 billion) to Rs.5451.26 billion in mid-July 2023. The loans and advances of commercial banks had increased by 14.4 percent (Rs.654.87 billion) in the previous year. In the review year, claims on the private sector of commercial banks increased by 3.5 percent (Rs.142.80 billion) compared to an increase of 12.7 percent (Rs.464.07 billion) in the previous year. The ratio of commercial bank's claims on the private sector to GDP stood at 78.96 percent in mid-July 2023.
- 1.99 In 2022/23, loans and advances in priority sectors by commercial banks have reached 29.71 percent (Rs.1270.54 billion) of the total loan disbursed. Out of total loans to the priority sector, loans disbursed to agriculture and non-agriculture sectors are 12.89 percent and 16.82 percent respectively.
- 1.100 In the review year, commercial banks' investment in government securities increased by 7.6 percent (Rs.62.68 billion) to Rs.891.51 billion in mid-July 2023. Such investment had increased by Rs. 177.19 billion in the previous year.

- 1.101 In mid-July 2023, the liquid assets of commercial banks (including investment in government securities) amounted to Rs.1434.79 billion. These liquid assets account for 28.3 percent of the total deposits in the review year as compared to 28 percent in the previous year. However, among the components of liquid assets, liquid funds increased by 23.7 percent in the review year. Commercial Banks' balance held in foreign banks increased by 22.2 percent (Rs.34.69 billion) to Rs.190.68 billion while the balance with NRB increased by 43.7 percent (Rs.79 billion) to Rs.259.73 billion in mid-July 2023.

Development Banks

- 1.102 In the review year, total assets/liabilities of development banks increased by 10.9 percent (Rs.65.49 billion) to Rs.665 billion in mid-July 2023 compared to an increase of 15.7 percent (Rs.81.18 billion) in the previous year.
- 1.103 Total deposits, the major source of resource mobilization, increased by 14.2 percent (Rs.70.20 billion) to Rs.566.17 billion in the review year. Likewise, liquid assets of development banks (including investment in government securities) in mid-July 2023 amounted to Rs.119.15 billion which is 21 percent of the total deposits. Such a ratio was 18.2 percent in the previous year. However, among the components of liquid assets, liquid funds expanded by 31 percent to Rs.27.60 billion in the review year.
- 1.104 In the review year, loans and advances of development banks increased by 9.4 percent (Rs.52.82 billion) to Rs.614.52 billion in mid-July 2023 compared to an increase of 16.7 percent (Rs.80.47 billion) in the previous year. Among the components of loans and advances, credit to the private sector increased by 7.6 percent to Rs.458.66 billion in mid-July 2023 which accounts for 8.52 percent of the GDP.
- 1.105 In mid-July 2023, the outstanding credit of development banks in agriculture, micro, cottage, and small enterprises/businesses, energy, and tourism sectors remained at 25.28 percent (Rs.116.21 billion) of their total credit.

Finance Companies

- 1.106 In the review year, total assets/liabilities of finance companies increased 0.5 percent (Rs.0.81 billion) to Rs. 152.60 billion in mid-July 2023. Such assets/liabilities had expanded by 20.4 percent to Rs.151.79 billion in the previous year. Deposit mobilization, the major source of resource mobilization, increased by 8.1 percent (Rs.8.32 billion) to Rs.111.16 billion in mid-July 2023 in comparison to an increase of 17.8 percent in the previous year.
- 1.107 Liquid assets of finance companies (including investment in government securities) in mid-July 2023 amounted to Rs.26.88 billion, which is 24.2 percent of total deposits. Such a ratio was 26.4 percent in the previous year. Among the components of liquid assets, liquid funds expanded 36.6 percent to Rs.6.85 billion in mid-July 2023.
- 1.108 In the review year, loans and advances of finance companies decreased by 1 percent (Rs.1.36 billion) to Rs.138.19 billion in mid-July 2023 in contrast to the increase of 20.3 percent in the previous year. Among the components of loans and advances, credit to the private sector increased 0.6 percent to Rs.89.16 billion in mid-July 2023, which accounts for 1.7 percent of the GDP.

- 1.109 In mid-July 2023, the outstanding credit of finance companies in agriculture, micro, cottage, and small enterprises/businesses, energy, and tourism sector remained at 22.16 percent (Rs.20.19 billion) of their total credit.

Microfinance Financial Institutions (MFIs)

- 1.110 In mid-July 2023, the total assets/liabilities of MFIs decreased by 2.3 percent to Rs.507.78 billion. Likewise, the total deposits and borrowings of MFIs reached Rs.167.09 billion and Rs.214.24 billion respectively while total loans and investments reached Rs.432.24 billion and Rs.9.34 billion respectively.

Infrastructure Development Bank

- 1.111 The assets/liabilities of Nepal Infrastructure Bank; established to invest in infrastructure, increased by 12.9 percent to Rs.29.15 billion in mid-July 2023. In mid-July 2023, the paid-up capital of the bank was maintained at Rs.21.60 billion whereas loans and investment were Rs.20.33 billion.

Insurance Companies

- 1.112 In mid-July 2023, there are 34 insurance companies in operation including 14 life insurance companies, 14 non-life insurance companies, 2 reinsurance companies, and 4 micro-insurance companies. Based on data received from the Insurance Board, the total assets/liabilities of insurance companies increased by 9.1 percent to Rs.680.90 billion in mid-July 2023, compared to the amount of Rs.624.13 billion in mid-July 2022.

Employees Provident Fund (EPF)

- 1.113 As per the data received from EPF, the total assets/liabilities of the EPF in mid-July 2023 increased by 11.5 percent to Rs.512.04 billion compared to an increase of 3.7 percent to Rs.459.21 billion in the previous year. The provident fund of the employees expanded by 10.9 percent to Rs.461.78 billion in mid-July 2023 compared to Rs. 416.36 billion in mid-July 2022.

Citizen Investment Trust (CIT)

- 1.114 Based on data obtained from CIT, the total assets/liabilities of the trust increased by 7.3 percent to Rs.265.56 billion in mid-July 2023, compared to Rs.247.52 billion in the previous year. Fund collection, a major component in the liabilities side of CIT, increased by 8.9 percent to Rs.204.14 billion in mid-July 2023 compared to the amount of Rs.187.45 billion in the previous year. Loans and advances increased by 14.2 percent to Rs.73.83 billion compared to the amount of Rs.64.64 billion in the previous year.

Social Security Fund

- 1.115 Based on data obtained from the Social Security Fund, total assets/liabilities of Social Security Fund have increased by 37 percent to Rs.74.97 billion in mid-July 2023 compared to a 41 percent increase to Rs.54.67 billion in the previous year. Total of 650,310 contributors of 18,022 firms /companies have been registered till mid-July 2023. Among these, Rs.38.53 billion was collected from 513,510 contributors of 4,499 firms/companies. The payment of Rs.5.10 billion has been made to 160,413 insurance claims received from the 89,839

contributors while the payment of Rs.4.34 billion has been made to 54,238 old age security claims received from the 51,210 contributors till mid-July 2023.

Postal Savings Bank

- 1.116 Among the 117 offices of the Postal Saving Bank authorized for collecting deposits under the Postal Services Department of the GoN, only 65 offices are currently involved in deposit collection. In mid-July 2023, total deposits of Postal Saving Bank amounted to Rs.1.25 billion while the loans amounted to Rs.318.6 million (Table 1.12).

Table 1.12
Transaction Details of Postal Savings Bank

Particulars	Mid-July		
	2021	2022	2023
Number of offices licensed to accept deposits	117	117	117
Number of offices accepting deposits	65	65	65
Number of offices doing investment	57	57	57
Number of accounts	59,428	57,532	60,508
Total deposits (Rs.in million)	1653.4	1454.3	1252.1
Total investment outstanding (Rs.in million)	473.2	287.0	318.6

Source: Department of Postal Services, GoN

Deposit and Credit Guarantee Fund (DCGF)

- 1.117 The DCGF has been providing credit guarantee services for priority sectors as well as livestock and vegetable farming sector loans, concessional loans, foreign employment loans, micro and deprived sector loans, and small and medium-scale enterprise loans. The DCGF guaranteed total credit amounting to Rs.216.44 billion and total deposits amounting to Rs.1232.95 billion as of mid-July 2023 (Table 1.13).

Table 1.13
Transaction Details of Deposit and Credit Guarantee Fund

Particulars	Mid-July			Percent Change	
	2021	2022	2023	2021/22	2022/23
Total deposit guaranteed (Rs.in billion)	811.62	879.22	1232.95	8.3	40.3
Total credit guaranteed (Rs.in billion)	125.15	197.64	216.44	57.9	9.5

Source: Deposit and Credit Guarantee Fund

Credit Information Centre Limited

- 1.118 According to information available from Credit Information Centre Limited, a total of 4,623,631 credit information was demanded by 20 commercial banks, 17 development banks, 17 finance companies, and 57 microfinance financial institutions. In the centre, the number of blacklisted borrowers reached 56,598 in mid-July 2023 compared to 29,780 in mid-July 2022.

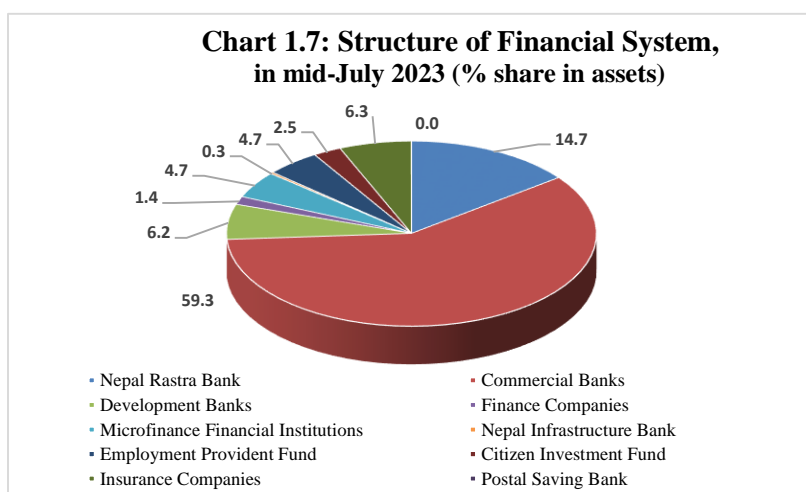
Financial Structure

- 1.119 In mid-July 2023, a total of 164 banks and non-bank financial institutions are in operation which includes 127 BFIs (NRB licensed 112 and 15 others), 34 insurance companies, EPF, CIT, and Postal Saving Bank. In the previous year, the number of such institutions in operation was 184.

Table 1.14
Number of Banks and Non-Bank Financial Institutions

Banks and Non-Bank Financial Institutions	Mid-July		
	2021	2022	2023
Commercial banks	27	26	20
Development banks	18	17	17
Finance companies	17	17	17
Microfinance financial institutions	70	65	57
Infrastructure development bank	1	1	1
Institutions licensed by NRB to conduct banking transactions	133	126	112
Other institutions	15	15	15
Insurance companies	41	40	34
Employees provident fund	1	1	1
Citizen investment trust	1	1	1
Postal saving bank	1	1	1
Total	192	184	164

1.120 In mid-July 2023, the share of NRB in total assets/liabilities of the financial system remained at 14.7 percent. Similarly, the share of commercial banks stood at 59.3 percent, development banks 6.2 percent, finance companies 1.4 percent, MFIs 4.6 percent, infrastructure development bank 0.3 percent, EPFs 4.7 percent, CITs 2.5 percent, insurance companies 6.3 percent and postal saving banks 0.01. The ratio of total assets/liabilities of the banking system and GDP stood at 173.3 percent in mid-July 2023.



Financial Expansion

1.121 The number of BFIs licensed by NRB declined to 112 in mid-July 2023 from 126 in mid-July 2022. As of mid-July 2023, there are 20 commercial banks, 17 development banks, 17 finance companies, 57 MFIs, and 1 infrastructure development bank.

1.122 The total number of deposit accounts and borrower accounts of commercial banks, development banks, and finance companies reached 51.18 million and 1.85 million respectively in mid-July 2023. Such numbers were 44.97 million and 1.83 million respectively in mid-July 2022. Similarly, the number of members and borrowers in MFIs reached 6.02 million and 2.98 million respectively in mid-July 2023. These MFIs have provided their services in all 77 districts.

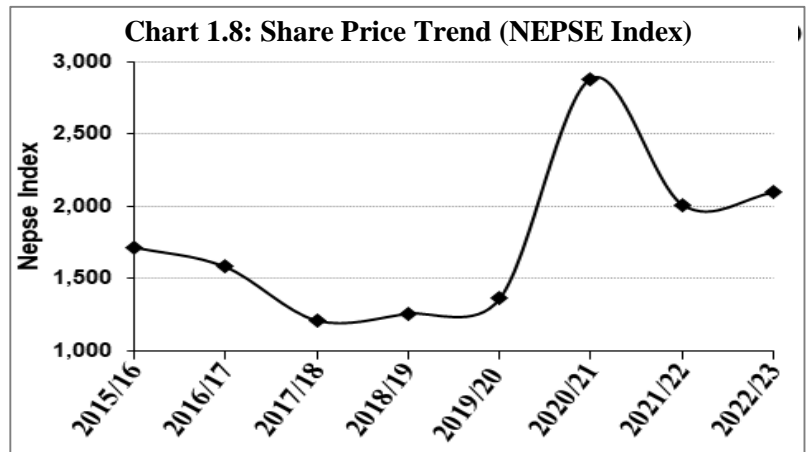
1.123 The number of institutions licensed by NRB to carry out limited banking operations remained constant at 15 in mid-July 2023.

Financial Access

- 1.124 The number of BFI branches reached 11,589 in mid-July 2023 compared to 10,528 in mid-July 2022.
- 1.125 Population per branch stood at 2,517 in mid-July 2023 compared to 2,532 in the previous year.
- 1.126 As of mid-July 2023, the number of BFIs branches remained 3,025 at in Bagmati province, the maximum, and 466 in Karnali province, the minimum, among all provinces. Such a number of Bagmati and Karnali provinces were 3,003 and 455 in the previous year.
- 1.127 In mid-July 2023, the number of BFIs' mobile banking users reached 21.40 million compared to 18.3 million in the previous year. Likewise, the number of A, B, and C class BFIs' ATM card/debit card users reached 12.2 million in mid-July 2023 compared to 10.8 million in mid-July 2022.

Securities Market

- 1.128 On a y-o-y basis, the NEPSE index increased by 4.4 percent to 2097.1 points in mid-July 2023. The index had decreased by 30.3 percent to 2009.5 in mid-July 2022.
- 1.129 The NEPSE sensitive index increased by 2.1 percent to 394.2 points in mid-July 2023 over 385.9 points in mid-July 2022. Similarly, the NEPSE float index also increased by 4 percent to 145.0 points in mid-July 2023 from 139.4 points in mid-July 2022.
- 1.130 Securities market transactions decreased in 2022/23 as compared to the previous year. The total volume of share transactions decreased by 61.15 percent to Rs.467.03 billion in the review year from Rs.1202.10 billion in the previous year.
- 1.131 In mid-July 2023, market capitalization on a y-o-y basis increased by 7.4 percent to Rs.3082.52 billion. The market capitalization to GDP ratio remained 57.3 percent in mid-July 2023 compared to 58.2 percent in mid-July 2022. In the review year, the share of BFIs (including insurance companies), hydropower, investment companies, manufacturing and processing, hotels, trading institutions, and others in stock market capitalization stood at 63 percent, 13.2 percent, 7.1 percent, 4.4 percent, 3.4 percent, 0.5 percent, and 8.4 percent respectively.
- 1.132 The paid-up value of listed shares in NEPSE increased by 9.2 percent to Rs.728.95 billion in mid-July 2023. Additional securities worth Rs.372.38 billion were listed at NEPSE during the twelve months of 2022/23. Such securities comprise ordinary shares of Rs.179.88 billion, government development bond Rs.105 billion, bonus shares Rs.40.59 billion, debenture



Rs.35.59 billion, mutual fund Rs.7.14 billion, right share Rs.4.13 billion, and FPO Rs.40 million.

- 1.133 The number of companies listed in Nepal Stock Exchange Limited reached 254 in mid-July 2023. Such a number was 234 in mid-July 2022. Among the listed companies, 136 are BFIs (including insurance companies), 79 hydropower companies, 19 manufacturing and processing industries, 7 hotels, 6 investment companies, 4 trading companies, and 3 others.

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

Description	2021	2022	Projection	
			2023	2024
World Output	6.3	3.5	3.0	3.0
Advanced Economies	5.4	2.7	1.5	1.4
United States	5.9	2.1	1.8	1.0
Euro Area	5.3	3.5	0.9	1.5
Japan	2.2	1.0	1.4	1.0
Emerging and Developing Economies	6.8	4.0	4.0	4.1
Emerging and Developing Asia	7.5	4.5	5.3	5.0
China	8.4	3.0	5.2	4.5
India	9.1	7.2	6.1	6.3
Goods Price				
Fuel	65.8	39.2	-20.7	-6.2
Non-fuel	26.7	7.9	-4.8	-1.4
Consumer Price	4.7	8.7	6.8	5.2
Advanced Economies	3.1	7.3	4.7	2.8
Emerging and Developing Economies	5.9	9.8	8.3	6.8
World Trade (Merchandise and Services)	10.7	5.2	2.0	3.7

Source: International Monetary Fund, World Economic Outlook, July 2023

Table 2
Macroeconomic Indicators

S.N.	Description	Percent Change		
		2020/21	2021/22	2022/23
1	Producers' Prices:			
	1.1 GDP at constant (2010/11) prices	4.84	5.61	1.86
	1.2 GDP at current prices	11.93	13.35	9.07
2	Basic Prices:			
	2.1 GDP at constant (2010/11) prices	4.49	5.26	2.16
	2.2 GDP at current prices	8.35	13.38	11.50
3	GNI at current prices	11.21	13.41	9.30
4	Total Consumption	11.15	14.08	8.33
5	Gross Domestic Savings	24.72	2.67	21.21
6	Gross National Savings	9.71	4.34	19.02
7	Total Investment	29.30	20.61	-4.98
8	Gross Fixed Capital Formation	7.76	9.94	-3.37
9	Gross National Disposable Income	10.79	11.63	10.85
10	Money Supply (M1)	22.56	-9.65	-0.12
11	Broad Money Supply (M2)	21.84	6.80	11.35
12	Total Domestic Credit	27.14	14.45	8.73
13	Fixed Deposits	21.43	9.01	12.34
14	Total Exports	44.43	41.74	-21.44
15	Total Imports	28.66	24.72	-16.08
16	Gross Foreign Exchange Reserve	-0.20	-13.10	26.61
17	Government Revenue	16.05	14.09	-9.29
18	Government Expenditure	9.65	9.47	9.13
19	Annual Average Consumer Price Inflation	3.60	6.32	7.74
20	Annual Average Wholesale Price Inflation	7.61	9.51	8.47
As Percent of Nominal GDP at Producers' Prices				
1	Total Consumption	93.63	94.23	93.59
2	Gross Domestic Saving	6.37	5.77	6.41
3	Gross National Saving	31.52	29.02	31.66
4	Total Investment	35.16	37.42	32.60
5	Gross Fixed Capital Formation	29.34	28.45	25.21
6	Gross National Disposable Income	125.15	123.24	125.25
7	Money Supply (M1)	24.11	19.22	17.60
8	Broad Money Supply (M2)	118.43	111.59	113.92
9	Total Domestic Credit	113.85	114.96	114.64
10	Fixed Deposits	107.13	103.02	106.11
11	Total Exports	3.24	4.05	2.92
12	Total Imports	35.38	38.93	29.95
13	Foreign Exchange Reserve	32.14	24.64	28.61
14	Government Revenue	22.43	22.58	18.78
15	Government Expenditure	27.49	26.55	26.57
16	Government Budget Surplus/Deficit*	-6.0	-5.3	-9.0
17	Trade Balance (-Deficit)	-32.82	-35.88	-27.56
18	Current Account Balance (-Deficit)	-7.67	-12.63	-1.34
19	Total Outstanding External Debt	18.39	19.95	20.91
20	Total Outstanding Domestic Debt	21.47	20.79	20.32

* Based on Banking Transactions.

Source: Economic Survey, 2021.22; Financial Comptroller General Office

Table 3
Sectoral Growth Rate of Gross Domestic Product
(At 2010/11 prices)

Description	Growth rate (percentage)		
	2020/21	2021/22 ^R	2022/23 ^P
1. Agriculture sector	2.85	2.24	2.73
Agriculture, forestry and fishing	2.85	2.24	2.73
2. Non agriculture sector	5.21	6.56	1.92
A. Industry sector	6.95	10.80	0.59
Mining and quarrying	4.65	8.84	1.11
Manufacturing	8.66	6.74	-2.04
Electricity, gas, steam and air conditioning supply	4.18	53.35	19.36
Water supply, sewerage, waste management and remediation activities	1.35	2.02	2.16
Construction	7.00	7.08	-2.62
B. Service sector	4.71	5.32	2.33
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.64	7.46	-2.96
Transportation and storage	4.44	4.61	1.14
Accommodation and food service activities	10.73	12.61	18.56
Information and communication	3.67	4.13	4.07
Financial and insurance activities	4.66	6.88	7.29
Real estate activities	2.77	1.63	2.17
Professional, scientific and technical activities	1.51	3.50	4.30
Administrative and support service activities	2.30	2.19	5.01
Public administration and defence; compulsory social security	3.38	4.08	5.30
Education	3.92	4.66	4.07
Human health and social work activities	6.60	6.99	6.51
Arts, entertainment and recreation; Other service activities; and Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	3.38	4.48	5.21

R = Revised estimate

P = Preliminary estimate

Source: National Statistics Office

Table 4
Province-wise Economic Growth Rate and Share

Province	2021/22 ^R		2022/23 ^P	
	Growth Rate	Share	Growth Rate	Share
Koshi	5.47	15.7	2.0	15.8
Madhesh	4.63	13.1	1.69	13.1
Bagmati	6.30	36.95	1.44	36.86
Gandaki	6.35	8.9	3.26	9.0
Lumbini	5.03	14.1	2.06	14.2
Karnali	5.32	4.1	1.91	4.1
Sudur-Paschim	4.78	7.0	1.78	7.0
National	5.61	100.00	1.86	100.00

R = Revised estimate

P = Preliminary estimate

Source: National Statistics Office

Table 5
National Consumer Price Index
 (2014/15 = 100)
 Annual Average

Groups & Sub-Groups	Weight %	2020/21	2021/22	2022/23	% Change	
					2021/22	2022/23
Overall Index	100	137.62	146.32	157.64	6.32	7.74
Food and Beverage	43.91	135.97	143.70	153.22	5.69	6.62
Cereal grains and their products	11.33	128.29	131.35	145.40	2.39	10.70
Pulses and Legumes	1.84	108.57	119.34	124.72	9.92	4.51
Vegetable	5.52	149.29	147.84	146.48	-0.97	-0.92
Meat and Fish	6.75	137.23	146.29	150.83	6.60	3.10
Milk products and Eggs	5.24	134.33	143.46	156.70	6.80	9.23
Ghee and Oil	2.95	149.87	189.03	189.09	26.13	0.03
Fruit	2.08	145.17	156.07	167.54	7.51	7.35
Sugar and Sugar products	1.74	130.38	137.97	146.45	5.82	6.15
Spices	1.21	131.61	129.64	145.85	-1.50	12.50
Non-alcoholic drinks	1.24	129.18	139.40	148.99	7.91	6.88
Alcoholic drinks	0.68	173.71	188.59	204.76	8.57	8.57
Tobacco products	0.41	157.05	172.50	189.54	9.84	9.88
Restaurant and Hotel	2.92	139.91	148.07	169.42	5.83	14.42
Non-food and Services	56.09	138.92	148.41	161.20	6.83	8.62
Clothes and Footwear	7.19	152.75	161.29	172.38	5.59	6.88
Housing and Utilities	20.30	148.41	156.64	170.19	5.55	8.65
Furnishing and Household equipment	4.30	134.22	143.74	156.09	7.09	8.59
Health	3.47	119.24	125.66	138.24	5.38	10.01
Transportation	5.34	118.12	136.81	155.28	15.82	13.50
Communication	2.82	109.49	111.80	113.31	2.11	1.35
Recreation and Culture	2.46	123.73	132.00	145.44	6.68	10.18
Education	7.41	143.60	156.21	169.94	8.78	8.79
Miscellaneous goods and services	2.81	150.80	157.04	169.53	4.14	7.95
CPI : Kathmandu Valley						
Overall Index	100	137.62	145.50	156.48	5.73	7.55
Food and Beverage	39.77	140.14	147.14	155.50	5.00	5.68
Non-food and Services	60.23	135.98	144.43	157.13	6.21	8.79
CPI : Terai						
Overall Index	100	135.98	144.69	156.27	6.41	8.00
Food and Beverage	44.14	133.35	140.92	150.96	5.68	7.12
Non-food and Services	55.86	138.08	147.74	160.59	7.00	8.70
CPI : Hill						
Overall Index	100	140.81	150.48	161.85	6.87	7.56
Food and Beverage	46.88	136.98	145.36	155.03	6.12	6.65
Non-food and Services	53.12	144.25	155.14	168.13	7.55	8.37
CPI : Mountain						
Overall Index	100	135.67	143.91	154.15	6.07	7.12
Food and Beverage	59.53	131.71	140.83	151.15	6.92	7.33
Non-food and Services	40.47	141.71	148.55	158.67	4.83	6.81

Table 6
National Wholesale Price Index
 (2017/18 = 100)
 Annual Average

Groups and Sub-groups	Weight %	2020/21	2021/22	2022/23	Percent Change	
					2021/22	2022/23
1. Overall	100	122.16	133.78	145.11	9.51	8.47
1.1 Primary	33.59	131.32	136.47	143.87	3.92	5.42
Food	8.76	131.91	136.54	143.55	3.51	5.14
Nonfood	57.65	123.41	135.56	148.18	9.85	9.31
1.2 Fuel and Power	31.27	114.62	136.96	168.19	19.49	22.80
Fuel and Power	2.31	122.63	157.21	205.55	28.21	30.75
Electricity	5.66	100.00	100.00	100.00	0.00	0.00
1.3 Manufactured	3.10	117.98	131.74	142.32	11.67	8.04
Manufacture Of Food, Beverage & Tobacco	15.16	127.09	142.70	154.72	12.28	8.42
Manufacture Of Textiles	1.01	127.36	140.98	152.88	10.69	8.44
Manufacture Of Leather And Leather Products	0.29	113.12	117.76	127.99	4.10	8.68
Manufacture Of Wood And Wood Products	2.07	117.61	138.90	158.30	18.11	13.97
Manufacture Of Paper And Paper Products	1.08	114.09	124.49	143.68	9.11	15.41
Manufacture Of Chemicals And Chemical Products	6.55	121.32	136.04	147.66	12.14	8.54
Manufacture Of Rubber And Plastics Products	1.92	108.72	116.14	122.12	6.83	5.14
Manufacture of non-metallic mineral products	4.50	100.04	105.05	118.74	5.01	13.03
Manufacture of basic metals	12.55	119.53	140.40	149.67	17.46	6.60
Manufacture Of Electric And Electronic Products	4.45	97.71	100.27	102.62	2.62	2.34
Manufacture Of Machinery And Equipment	3.17	113.04	122.68	131.49	8.53	7.18
Manufacture Of Transport, Equipments And Parts	3.80	123.72	135.07	144.05	9.17	6.65
Other	1.08	117.84	123.20	136.23	4.55	10.57
2. Broad Economic Classification	100	122.16	133.78	145.11	9.51	8.47
Consumption Goods	32.90	123.30	135.53	141.87	9.92	4.68
Intermediate Goods	56.30	123.97	135.97	151.24	9.68	11.23
Capital Goods	10.80	109.27	117.04	123.03	7.11	5.12
3. Construction Material	14.03	107.70	128.63	141.17	19.43	9.75

Table 7
National Salary and Wage Rate Index
 (2004/05 = 100)
 Annual Average

S.N.	Groups & Sub-groups	Weight %	2020/21	2021/22	2022/23	Percent Change	
						2021/22	2022/23
	Overall Index	100	545.99	582.32	639.99	6.65	9.90
1	Salary Index	26.97	446.42	488.57	549.12	9.44	12.39
	Officers	9.80	425.39	453.78	495.79	6.67	9.26
	Non Officers	17.17	458.40	508.40	579.54	10.91	13.99
1.1	Civil Service	2.82	541.80	580.07	661.38	7.06	14.02
	Officers	0.31	421.45	437.65	500.87	3.84	14.45
	Non Officers	2.51	556.41	597.36	680.86	7.36	13.98
1.2	Public Corporations	1.14	442.09	486.70	583.32	10.09	19.85
	Officers	0.19	393.65	428.53	474.90	8.86	10.82
	Non Officers	0.95	451.78	498.34	605.00	10.31	21.40
1.3	Bank & Financial Institutions	0.55	663.85	851.35	1064.54	28.24	25.04
	Officers	0.10	481.55	604.63	777.27	25.56	28.55
	Non Officers	0.45	705.58	907.83	1130.30	28.66	24.51
1.4	Army & Police Forces	4.01	483.76	561.72	658.86	16.12	17.29
	Officers	0.17	382.61	420.08	483.10	9.79	15.00
	Non Officers	3.84	488.30	568.08	666.75	16.34	17.37
1.5	Education	10.55	467.34	509.95	567.64	9.12	11.31
	Officers	6.80	452.54	486.81	530.19	7.57	8.91
	Non Officers	3.75	494.17	551.89	635.52	11.68	15.15
1.6	Private Institutions	7.90	350.97	365.22	387.81	4.06	6.19
	Officers	2.24	346.35	352.90	379.85	1.89	7.64
	Non Officers	5.66	352.79	370.08	390.95	4.90	5.64
2	Wage Rate Index	73.03	582.76	616.94	673.54	5.87	9.17
2.1	Agricultural Labourer	39.49	668.67	697.52	742.21	4.31	6.41
	Male	20.49	649.52	661.07	697.66	1.78	5.53
	Female	19.00	689.34	736.85	790.29	6.89	7.25
2.2	Industrial Labourer	25.25	472.82	518.73	598.14	9.71	15.31
	High Skilled	6.31	450.70	490.80	576.53	8.90	17.47
	Skilled	6.31	451.64	493.92	570.53	9.36	15.51
	Semi Skilled	6.31	454.59	505.12	578.50	11.12	14.53
	Unskilled	6.32	534.27	585.01	666.93	9.50	14.00
2.3	Construction Labourer	8.29	508.24	532.13	575.99	4.70	8.24
	Mason	2.76	468.20	489.48	525.25	4.55	7.31
	Skilled	1.38	458.39	477.88	510.17	4.25	6.76
	Unskilled	1.38	478.01	501.07	540.32	4.82	7.83
	Carpenter	2.76	460.11	474.53	510.62	3.13	7.61
	Skilled	1.38	443.76	454.71	488.25	2.47	7.38
	Unskilled	1.38	476.45	494.35	533.00	3.76	7.82
	Worker	2.77	596.19	632.11	691.78	6.02	9.44
	Male	1.38	595.85	625.62	668.96	5.00	6.93
	Female	1.39	596.53	638.57	714.48	7.05	11.89

Table 8
Consumer Price Inflation in Nepal and India
(Y-o-y % Change)

Fiscal Year	2020/21			2021/22			2022/23 ^P		
	Nepal	India	Deviation	Nepal	India	Deviation	Nepal	India	Deviation
August	3.49	6.69	-3.20	4.35	5.30	-0.95	8.26	7.00	1.26
September	4.52	7.34	-2.82	3.49	4.35	-0.86	8.64	7.41	1.23
October	3.79	7.61	-3.82	4.24	4.48	-0.24	8.50	6.77	1.73
November	4.05	6.93	-2.88	6.04	4.91	1.13	8.08	5.88	2.20
December	2.93	4.59	-1.66	7.11	5.66	1.45	7.38	5.72	1.66
January	3.56	4.06	-0.50	5.65	6.01	-0.36	7.26	6.52	0.74
February	2.70	5.03	-2.33	6.24	6.07	0.17	7.88	6.44	1.44
March	3.03	5.52	-2.49	7.14	6.95	0.19	7.44	5.66	1.78
April	3.10	4.29	-1.19	7.28	7.79	-0.51	7.76	4.70	3.06
May	3.65	6.30	-2.65	7.87	7.04	0.83	7.41	4.31	3.10
June	4.19	6.26	-2.07	8.56	7.01	1.55	6.83	4.87	1.96
July	4.19	5.59	-1.40	8.08	6.71	1.37	7.44	7.44	0.00
Average	3.60	5.85	-2.25	6.32	6.02	0.31	7.74	6.06	1.68

Note:

- 1) CPI in Nepal (2014/15 = 100)
- 2) CPI in India (2012 = 100)

Table 9
Direction of Foreign Trade*

(Rs. in Million)

	2020/21 ^R	2021/22 ^R	2022/23 ^P	Percent Change	
				2021/22	2022/23
TOTAL EXPORTS	141124.1	200031	157140.7	41.7	-21.4
To India	106372.1	155222.3	106686.4	45.9	-31.3
To China	1016.1	808.8	1765.8	-20.4	118.3
To Other Countries	33736	43999.9	48688.5	30.4	10.7
TOTAL IMPORTS	1539837.1	1920448.4	1611731.8	24.7	-16.1
From India	971603.9	1200152.7	1027847.5	23.5	-14.4
From China	233923.1	264783.7	222715.9	13.2	-15.9
From Other Countries	334310.1	455511.9	361168.3	36.3	-20.7
TOTAL TRADE BALANCE	-1398713	-1720417.4	-1454591.1	23	-15.5
With India	-865231.9	-1044930.4	-921161.1	20.8	-11.8
with China	-232907	-263975	-220950.1	13.3	-16.3
With Other Countries	-300574.1	-411512	-312479.8	36.9	-24.1
TOTAL FOREIGN TRADE	1680961.2	2120479.3	1768872.5	26.1	-16.6
With India	1077976	1355375	1134533.9	25.7	-16.3
With China	234939.1	265592.5	224481.7	13	-15.5
With Other Countries	368046	499511.8	409856.8	35.7	-17.9

(In Percent)

1. Ratio of Exports to Imports	9.2	10.4	9.7
India	10.9	12.9	10.4
China	0.4	0.3	0.8
Other Countries	10.1	9.7	13.5
2. Share in Total Exports			
India	75.4	77.6	67.9
China	0.7	0.4	1.1
Other Countries	23.9	22.0	31.0
3. Share in Total Imports			
India	63.1	62.5	63.8
China	15.2	13.8	13.8
Other Countries	21.7	23.7	22.4
4. Share in Trade Balance			
India	61.9	60.7	63.3
China	16.7	15.3	15.2
Other Countries	21.5	23.9	21.5
5. Share in Total Trade			
India	64.1	63.9	64.1
China	14.0	12.5	12.7
Other Countries	21.9	23.6	23.2
6. Share of Exports & Imports in Total Trade			
Export	8.4	9.4	8.9
Import	91.6	90.6	91.1

* Based on customs data

R= Revised, P= Provisional

Table 10
Exports of Major Commodities to India*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	98161.8	140697.9	93287.0	43.3	-33.7
1	Brans	474.9	610.4	1016.0	28.5	66.4
2	Cardamom	6935.9	4779.0	8256.0	-31.1	72.8
3	Cattlefeed	30.8	251.4	81.9	-	-67.4
4	Cinnamon	143.0	152.1	198.2	6.4	30.3
5	Copper Wire Rod	442.9	436.2	462.9	-1.5	6.1
6	Fruits	12.4	12.8	6.1	4.0	-52.3
7	G.I. pipe	48.8	66.0	374.9	35.3	-
8	Ginger	375.4	465.4	1072.4	24.0	130.4
9	Handicraft Goods	17.2	32.3	38.7	87.8	19.9
10	Herbs	1248.6	971.9	1101.2	-22.2	13.3
11	Juice	4215.8	6074.8	6629.8	44.1	9.1
12	Jute Goods	6705.1	7496.8	7241.1	11.8	-3.4
	Jute Goods - Hessian	407.5	382.6	3723.7	-6.1	-
	Jute Goods - Sackings	6297.6	7114.2	3517.4	13.0	-50.6
13	Marble Slab	15.1	10.3	23.9	-31.6	131.9
14	Medicine (Ayurvedic)	1592.2	1279.1	1287.8	-19.7	0.7
15	Mustard & Linseed	14.9	7.0	0.0	-52.9	-
16	Noodles	1401.2	1348.3	1055.2	-3.8	-21.7
17	Oil Cakes	2265.9	3492.2	2302.3	54.1	-34.1
18	Palm Oil	1.0	41064.7	20509.1	-	-50.1
19	Paper	17.2	60.3	77.4	250.3	28.4
20	Particle Board	14.8	352.0	4704.1	-	-
21	Pashmina	160.6	37.8	102.7	-76.5	171.9
22	Plastic Utensils	61.3	42.8	8.5	-30.3	-80.1
23	Polyester Yarn	5773.9	7523.6	8925.2	30.3	18.6
24	Readymade Garments	86.8	171.5	227.4	97.7	32.6
25	Rosin	1125.1	1853.7	1652.3	64.8	-10.9
26	Shoes and Sandals	768.9	1055.4	1017.2	37.3	-3.6
27	Skin	67.4	351.3	76.7	-	-78.2
28	Soyabean Oil	53651.6	48120.4	8476.0	-10.3	-82.4
29	Tea	3383.0	3005.5	3436.9	-11.2	14.4
30	Textiles**	3296.4	3277.9	2377.8	-0.6	-27.5
31	Thread	1571.3	1992.4	1624.9	26.8	-18.4
32	Tooth Paste	927.4	844.6	544.2	-8.9	-35.6
33	Turpentine	197.2	255.3	264.2	29.5	3.5
34	Vegetables	105.8	151.5	186.5	43.2	23.1
35	Wire	322.2	209.6	221.6	-35.0	5.8
36	Zinc sheet	690.0	2841.7	7705.7	311.8	171.2
B.	Others	8210.2	14524.4	13399.4	76.9	-7.7
	Total (A+B)	106372.1	155222.3	106686.4	45.9	-31.3

* Based on customs data

** Includes PP fabric

R= Revised,

P= Provisional

Table 11
Imports of Major Commodities from India*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	752129.5	973369.1	817363.5	29.4	-16.0
1	Agri. Equip.& Parts	6593.1	6856.1	5200.6	4.0	-24.1
2	Aluminium Bars, Rods, Profiles, Foil etc.	5247.3	7158.0	8642.5	36.4	20.7
3	Baby Food & Milk Products	7094.5	7355.6	7593.2	3.7	3.2
4	Bitumen	6564.5	6251.7	7812.4	-4.8	25.0
5	Books and Magazines	545.4	984.8	1127.0	80.6	14.4
6	Cement	3981.6	689.4	294.3	-82.7	-57.3
7	Chemical Fertilizer	1088.9	1826.0	1373.0	67.7	-24.8
8	Chemical	9176.7	11979.1	11287.3	30.5	-5.8
9	Coal	5739.6	16511.5	20902.0	187.7	26.6
10	Coldrolled Sheet in Coil	3444.3	3853.0	753.1	11.9	-80.5
11	Cooking Stoves	824.7	903.1	590.2	9.5	-34.7
12	Cosmetic Goods	2871.5	3512.7	3613.7	22.3	2.9
13	Cuminseeds and Peppers	2472.5	2103.6	2036.5	-14.9	-3.2
14	Dry Cell Battery	3628.1	3780.9	3334.6	4.2	-11.8
15	Electrical Equipment	26588.0	33671.0	31821.4	26.6	-5.5
16	Enamel & other paints	5979.8	7047.7	5241.2	17.9	-25.6
17	Ferrous products obtained by direct reduction of iron (Sponge Iron)	7879.7	23981.7	43601.8	204.3	81.8
18	Fruits	10357.1	10932.8	10475.4	5.6	-4.2
19	Glass Sheet and G.Wares	6102.1	7521.2	6931.1	23.3	-7.8
20	Hotrolled Sheet in Coil	25615.4	37250.4	37065.3	45.4	-0.5
21	Incense Sticks	1239.4	1248.1	1228.3	0.7	-1.6
22	Insecticides	4936.7	4418.1	3590.5	-10.5	-18.7
23	Live Animals	122.0	454.8	0.5	272.8	-99.9
24	M.S. Billet	71528.4	51330.3	21135.7	-28.2	-58.8
25	M.S. Wire Rod, Bars, Coils, Bars	17478.2	18430.8	9512.0	5.5	-48.4
26	Medicine	29484.9	35683.8	32517.5	21.0	-8.9
27	Molasses Sugar	914.3	219.2	216.1	-76.0	-1.4
28	Other Machinery and Parts	45544.7	55452.0	42419.5	21.8	-23.5
29	Other Stationery Goods	877.5	1251.7	1537.3	42.6	22.8
30	Paper	6667.7	8696.6	10215.4	30.4	17.5
31	Petroleum Products	172685.7	330704.9	307078.0	91.5	-7.1
32	Pipe and Pipe Fittings	3926.7	7369.2	5699.8	87.7	-22.7
33	Plastic Utensils	3647.6	5834.8	5068.3	60.0	-13.1
34	Polypropylene Granuals	6028.1	7201.5	4624.8	19.5	-35.8
35	Radio, TV, Deck & Parts	1444.2	1727.8	1990.4	19.6	15.2
36	Raw Cotton	209.6	182.1	199.9	-13.1	9.8
37	Readymade Garments	9274.8	9574.7	6887.2	3.2	-28.1
38	Rice/Paddy	50478.2	47356.0	36404.3	-6.2	-23.1
39	Salt	1969.0	1835.6	2446.6	-6.8	33.3
40	Sanitaryware	3094.0	3712.6	3457.8	20.0	-6.9
41	Shoes and Sandals	892.3	1135.8	1196.8	27.3	5.4
42	Steel Sheet	8554.0	10995.7	1515.2	28.5	-86.2
43	Tea	123.4	65.3	98.9	-47.1	51.6
44	Telecommunication Equipments and Parts	12666.4	14187.9	8384.7	12.0	-40.9
45	Textiles	10795.4	11885.3	9586.7	10.1	-19.3
46	Thread	12635.6	17521.0	16841.9	38.7	-3.9
47	Tobacco	2583.3	2984.3	2976.4	15.5	-0.3
48	Tyre, Tubes and Flapes	10231.1	11043.8	9122.8	7.9	-17.4
49	Vegetables	15277.7	16961.3	16880.6	11.0	-0.5
50	Vehicles & Spare Parts	100552.1	94299.0	40230.8	-6.2	-57.3
51	Wire Products,Notbolt,Handles, Lock	4472.0	5434.6	4602.2	21.5	-15.3
B.	Others	219474.4	226783.6	210484.0	3.3	-7.2
	Total (A+B)	971603.9	1200152.7	1027847.5	23.5	-14.4

* Based on customs data

R= Revised,

P= Provisional

Table 12
Exports of Major Commodities to China*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	661.9	579.2	1083.8	-12.5	87.1
1	Agarbatti	3.3	3.7	8.0	14.5	113.7
2	Handicraft (Metal and Wooden)	141.9	89.9	102.5	-36.7	14.1
3	Noodles	0.0	8.4	514.2	-	-
4	Other handicraft goods	165.9	87.8	54.3	-47.1	-38.1
5	Pashmina	16.1	23.5	13.1	46.5	-44.2
6	Readymade Garments	50.0	91.6	167.7	83.2	83.1
7	Readymade Leather Goods	1.3	0.0	0.4	-99.1	-
8	Rudrakshya	38.3	12.4	22.3	-67.6	80.2
9	Tanned Skin	22.3	26.7	0.0	19.4	-
10	Tea	0.0	0.2	1.1	-	378.1
11	Woolen Carpet	222.8	235.0	200.0	5.5	-14.9
B.	Other	354.2	229.6	682.0	-35.2	197.1
	Total (A+B)	1016.1	808.8	1765.8	-20.4	118.3

* Based on customs data

R= Revised, P= Provisional

Table 13
Imports of Major Commodities from China*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	184574.7	213133.7	171109.4	15.5	-19.7
1	Aluminium scrap, flake, foil, bars, & rods	1852.9	1261.1	553.3	-31.9	-56.1
2	Apple	5824.0	5989.5	5155.8	2.8	-13.9
3	Bags	664.8	1257.2	1409.4	89.1	12.1
4	Camera	1626.9	2330.2	1062.6	43.2	-54.4
5	Ceramic Products	1372.4	1235.0	1054.0	-10.0	-14.7
6	Chemical	2315.8	3582.3	3180.2	54.7	-11.2
7	Chemical Fertilizer	9025.2	7009.8	12585.6	-22.3	79.5
8	Computer and Parts	12038.8	16060.4	9956.9	33.4	-38.0
9	Cosmetic Goods	1045.6	980.0	1011.7	-6.3	3.2
10	Dry Cell Battery	195.3	142.3	85.8	-27.1	-39.7
11	Electrical Goods	16709.1	18353.2	15926.2	9.8	-13.2
12	Fastener	278.1	375.4	326.9	35.0	-12.9
13	Garlic	1049.3	1043.5	1104.7	-0.6	5.9
14	Glasswares	1621.3	1880.4	2373.5	16.0	26.2
15	Medical Equip.& Tools	7820.8	5185.8	4897.2	-33.7	-5.6
16	Medicine	4502.6	8470.3	1059.1	88.1	-87.5
17	Metal & Wooden furniture	810.5	1423.8	942.8	75.7	-33.8
18	Office Equip.& Stationary	784.9	1762.2	1269.1	124.5	-28.0
19	Other Machinery and Parts	21187.1	25709.0	19142.9	21.3	-25.5
20	Other Stationeries	774.8	940.9	1117.9	21.4	18.8
21	P.V.C. Compound	1218.2	744.3	383.4	-38.9	-48.5
22	Parafin Wax	4.9	0.3	7.3	-93.0	-
23	Pipe and Pipe Fittings	573.0	808.9	1117.2	41.2	38.1
24	Plywood & Partical board	374.2	495.2	465.0	32.3	-6.1
25	Polyethylene terephthalate (Plastic pet chips/Pet Resin)	584.7	896.0	1019.6	53.2	13.8
26	Polythene Granules	1211.8	463.0	219.1	-61.8	-52.7
27	Raw Silk	1912.7	2745.8	2748.4	43.6	0.1
28	Raw Wool	171.0	407.3	349.8	138.2	-14.1
29	Readymade Garments	17968.2	20336.6	16673.7	13.2	-18.0
30	Seasoning Powder & Flavour for Instant Noodles	105.2	256.4	264.6	143.6	3.2
31	Shoes and Sandals	5555.1	7077.8	6131.9	27.4	-13.4
32	Silver	1285.1	2026.7	85.0	57.7	-95.8
33	Smart Cards	72.7	380.1	1367.3	-	259.7
34	Solar Panel	1203.7	1501.5	1231.9	24.7	-18.0
35	Steel Rod & Sheet	566.3	498.3	308.2	-12.0	-38.2
36	Storage Battery	464.3	403.1	443.5	-13.2	10.0
37	Telecommunication Equipments and Parts	31552.2	36027.4	25110.2	14.2	-30.3
38	Textiles	13537.1	15912.5	15688.8	17.5	-1.4
39	Thread	299.5	472.6	914.5	57.8	93.5
40	Toys	1758.9	1512.4	1485.8	-14.0	-1.8
41	Transport Equip.& Parts	5606.6	6924.9	4915.9	23.5	-29.0
42	Tyre, Tubes and Flapes	630.0	392.5	309.8	-37.7	-21.1
43	Video Television & Parts	5201.0	5632.8	3715.9	8.3	-34.0
44	Welding Rods	657.1	1020.6	608.8	55.3	-40.4
45	Wheat Products	316.3	353.3	312.0	11.7	-11.7
46	Writing & Printing Paper	244.8	851.0	1016.2	247.6	19.4
B.	Others	49348.3	51650.0	51606.5	4.7	-0.1
	Total (A + B)	233923.1	264783.7	222715.9	13.2	-15.9

* Based on customs data

R= Revised, P= Provisional

Table 14
Exports of Major Commodities to Other Countries*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	17224.5	22762.8	26374.5	32.2	15.9
1.	Handicraft (Metal and Wooden)	205.1	382.9	463.4	86.7	21.0
2.	Herbs	371.8	657.4	742.9	76.8	13.0
3.	Musical instruments, parts and accessories	774.8	938.9	919.1	21.2	-2.1
4.	Nepalese Paper & Paper Products	417.2	561.7	683.8	34.6	21.7
5.	Noodles	394.3	477.4	726.6	21.1	52.2
6.	Other handicraft goods	372.0	527.8	676.9	41.9	28.2
7.	Pashmina	2367.9	2697.0	3078.3	13.9	14.1
8.	Pulses	567.7	569.5	491.7	0.3	-13.7
9.	Readymade Garments	3318.9	4618.9	5444.0	39.2	17.9
10.	Readymade Leather Goods	176.4	287.5	330.9	63.0	15.1
11.	Silverware and Jewelleries	762.4	1157.2	643.6	51.8	-44.4
12.	Tanned Skin	64.6	135.1	377.7	109.2	179.5
13.	Tea	411.0	421.5	492.2	2.5	16.8
14.	Woolen Carpet	7020.6	9330.0	11303.5	32.9	21.2
B.	Others	16511.5	21237.1	22314.0	28.6	5.1
	Total (A+B)	33736.0	43999.9	48688.5	30.4	10.7

* Based on customs data
R= Revised, P= Provisional

Table 15
Imports of Major Commodities from Other Countries*

(Rs. in Million)

S.N.		Fiscal Year			Percent Change	
		2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A.	Major Commodities	271493.4	372939.0	290660.7	37.4	-22.1
1	Aircraft Spareparts	3759.2	6028.5	5697.0	60.4	-5.5
2	Bags	28.0	41.5	66.5	48.1	60.3
3	Betelnut	1001.6	3947.6	1494.5	294.1	-62.1
4	Camera	551.0	797.4	733.9	44.7	-8.0
5	Chemical	2063.6	2341.6	1627.5	13.5	-30.5
6	Chemical Fertilizer	12706.6	12527.2	26732.5	-1.4	113.4
7	Cigarette Paper	61.5	57.4	76.1	-6.6	32.5
8	Clove	289.9	60.6	72.4	-79.1	19.5
9	Coal	21383.9	23047.2	10279.1	7.8	-55.4
10	Coconut Oil	6.6	18.3	57.0	176.3	212.1
11	Computer and Parts	4121.1	2867.8	1831.6	-30.4	-36.1
12	Copper Wire Rod, Scrapes & Sheets	5169.2	6704.2	4094.1	29.7	-38.9
13	Cosmetic Goods	1574.6	1996.1	1643.9	26.8	-17.6
14	Crude Palm Oil	7234.9	39310.7	25915.5	-	-34.1
15	Crude Soyabean Oil	53364.3	56256.7	35670.9	5.4	-36.6
16	Door Locks	8.6	3.5	12.9	-58.7	263.2
17	Dry Cell Battery	30.3	14.5	20.6	-52.2	42.3
18	Edible Oil	17012.9	18881.6	18711.7	11.0	-0.9
19	Electrical Goods	2482.7	2616.6	2347.7	5.4	-10.3
20	Flash Light	27.4	26.4	41.3	-3.7	56.8
21	Glasswares	793.1	1117.5	747.6	40.9	-33.1
22	Gold	27486.0	42691.2	43886.4	55.3	2.8
23	Insecticides	194.1	230.4	161.1	18.7	-30.1
24	Medical Equip.& Tools	10031.2	10545.4	8454.3	5.1	-19.8
25	Medicine	5988.3	31935.6	14081.8	-	-55.9
26	Office Equip.& Stationary	961.1	1334.1	1244.2	38.8	-6.7
27	Oil seeds	9996.2	12158.5	9318.2	21.6	-23.4
28	Other Machinery and Parts	13993.8	10410.4	11384.5	-25.6	9.4
29	Other Stationeries	852.9	2110.5	3589.6	147.5	70.1
30	P.V.C. Compound	4188.9	5281.3	2986.6	26.1	-43.5
31	Palm Oil	1420.3	1752.4	2720.3	23.4	55.2
32	Peas	6471.8	7098.0	2665.6	9.7	-62.4
33	Petroleum Products	2931.7	3641.5	2799.0	24.2	-23.1
34	Pipe and Pipe Fittings	175.6	128.7	127.9	-26.7	-0.6
35	Polythene Granules	10795.9	11965.5	11777.3	10.8	-1.6
36	Powder Milk	225.2	169.0	172.7	-25.0	2.2
37	Preparations, used in animals feeding	794.6	1068.5	759.5	34.5	-28.9
38	Pulses	8932.4	6050.2	6821.7	-32.3	12.8
39	Raw Wool	891.8	1374.4	1138.6	54.1	-17.2
40	Readymade Garments	860.2	998.2	919.3	16.0	-7.9
41	Shoes and Sandals	309.8	426.5	454.8	37.7	6.6
42	Silver	8595.0	13921.2	2645.3	62.0	-81.0
43	Small Cardamom	814.5	464.1	1358.4	-43.0	192.7
44	Steel Rod & Sheet	46.6	27.8	27.8	-40.3	0.0
45	Storage Battery	541.3	550.3	390.8	1.7	-29.0
46	Synthetic & Natural Rubber	285.7	298.9	262.4	4.6	-12.2
47	Synthetic Carpet	346.2	335.9	71.9	-3.0	-78.6
48	Telecommunication Equipments and Parts	2977.7	3502.6	2907.2	17.6	-17.0
49	Tello	98.1	117.2	52.6	19.5	-55.1
50	Textile Dyes	152.7	175.8	169.8	15.1	-3.4
51	Textiles	795.5	933.2	727.2	17.3	-22.1
52	Thread	3569.5	5158.8	5177.6	44.5	0.4
53	Toys	228.8	240.1	306.9	5.0	27.8
54	Transport Equip.& Parts	6243.7	10621.3	6689.5	70.1	-37.0
55	Tyre, Tubes and Flapes	432.0	635.3	531.0	47.1	-16.4
56	Video Television & Parts	2555.5	2773.8	2411.7	8.5	-13.1
57	Watches & Bands	351.2	646.5	921.8	84.1	42.6
58	Writing & Printing Paper	1212.1	1651.2	1913.7	36.2	15.9
59	X-Ray Film	463.0	617.4	515.0	33.4	-16.6
60	Zinc Ingot	611.5	234.5	242.5	-61.7	3.4
B.	Others	62816.7	82572.9	70507.6	31.5	-14.6
	Total (A+B)	334310.1	455511.9	361168.3	36.3	-20.7

* Based on customs data

R= Revised, P= Provisional

Table 16
Summary of Balance of Payments

(Rs. in Million)

	Annual			Percent Change	
	2020/21 ^R	2021/22 ^R	2022/23 ^P	2021/22	2022/23
A. Current Account	-333671.9	-623376.5	-72158.4	86.8	-88.4
Goods: Exports f.o.b.	143744.6	211464.7	183631.0	47.1	-13.2
<i>Oil</i>	2227.2	8068.5	16019.5	262.3	98.5
<i>Other</i>	141517.5	203396.2	167611.5	43.7	-17.6
Goods: Imports f.o.b.	-1499201.6	-1873440.1	-1582793.5	25.0	-15.5
<i>Oil</i>	-176320.3	-327073.5	-305572.9	85.5	-6.6
<i>Other</i>	-1322881.2	-1546366.6	-1277220.6	16.9	-17.4
Balance on Goods	-1355456.9	-1661975.4	-1399162.5	22.6	-15.8
Services: Net	-72852.5	-108117.5	-83845.4	48.4	-22.4
Services: Credit	79069.9	122083.7	188361.5	54.4	54.3
<i>Travel</i>	7266.3	32447.2	61522.7	346.5	89.6
<i>Government n.i.e.</i>	6331.6	9526.2	11484.0	50.5	20.6
<i>Other</i>	65472.0	80110.2	115354.8	22.4	44.0
Services: Debit	-151922.4	-230201.2	-272206.9	51.5	18.2
<i>Transportation</i>	-80973.5	-92230.5	-81880.3	13.9	-11.2
<i>Travel</i>	-32800.1	-97322.9	-144458.7	196.7	48.4
O/W Education	-24959.4	-67701.6	-100423.3	171.2	48.3
<i>Government Services:Debit</i>	-3673.5	-1754.5	-1875.8	-52.2	6.9
<i>Other</i>	-34475.2	-38893.3	-43992.2	12.8	13.1
Balance on Goods & Services	-1428309.5	-1770092.9	-1483008.0	23.9	-16.2
Income: Net	23285.5	28839.5	62367.5	23.9	116.3
Income: Credit	60878.6	57494.0	96171.1	-5.6	67.3
Income: Debit	-37593.0	-28654.5	-33803.6	-23.8	18.0
Balance on Goods,Services& Income	-1405023.9	-1741253.3	-1420640.5	23.9	-18.4
Transfers: Net	1071352.0	1117876.8	1348482.0	4.3	20.6
Current Transfers: Credit	1077414.0	1125595.3	1356265.8	4.5	20.5
<i>Grants</i>	57340.7	54707.4	59429.5	-4.6	8.6
<i>Workers' Remittances</i>	961054.6	1007306.9	1220559.5	4.8	21.2
<i>Pensions</i>	58595.1	61962.1	75242.9	5.7	21.4
<i>Other (Indian Excise Refund)</i>	423.6	1618.9	1033.9	282.2	-36.1
Current Transfers: Debit	-6062.0	-7718.5	-7783.7	27.3	0.8
B. Capital Account (Capital Transfer)	15263.7	9992.4	7541.7	-34.5	-24.5
Total (Group A plus B)	-318408.2	-613384.1	-64616.8	92.6	-89.5
C. Financial Account (Excluding Group E)	236921.8	331038.8	255070.4	39.7	-22.9
Direct Investment in Nepal	19512.7	18560.3	5961.3	-4.9	-67.9
<i>Foreign Direct Investment</i>	19909.4	19219.0	7768.6	-3.5	-59.6
<i>Repatriation of Investment</i>	-396.7	-658.7	-1807.3	66.1	174.4
Portfolio Investment	0.0	0.0	0.0	-	-
Other Investment: Assets	-15838.1	-14062.5	-7406.1	-11.2	-47.3
<i>Trade Credits</i>	-15881.7	-14255.6	-7704.1	-10.2	-46.0
<i>Other</i>	43.6	193.0	298.1	342.7	54.4
Other Investment: Liabilities	233247.2	326541.1	256515.1	40.0	-21.4
<i>Trade Credits</i>	116853.4	118482.6	127998.7	1.4	8.0
<i>Loans</i>	120304.3	134010.0	109788.0	11.4	-18.1
General Government	103907.6	92601.8	85452.2	-10.9	-7.7
<i>Drawings</i>	127176.2	122017.7	119860.0	-4.1	-1.8
<i>Repayments</i>	-23268.6	-29415.9	-34407.8	26.4	17.0
Other Sectors	16396.7	41408.2	24335.7	152.5	-41.2
<i>Currency & Deposits</i>	-3903.8	37487.4	16383.0	-	-56.3
Nepal Rastra Bank	22.6	-43.7	46.3	-	-
Deposit Money Banks	-3926.4	37531.1	16336.7	-	-56.5
<i>Other Liabilities</i>	-6.7	36561.0	2345.5	-	-93.6
Total (Group A through C)	-81486.4	-282345.3	190453.6	246.5	-
D. Miscellaneous Items, Net	78809.4	101134.6	118790.2	28.3	17.5
Total (Group A through D)	-2677.0	-181210.7	309243.9	-	-
E. Reserves & Related Items	2677.0	181210.7	-309243.9	-	-
Reserve Assets	2677.0	181210.7	-309243.9	-	-
<i>Nepal Rastra Bank</i>	-18889.3	186042.6	-275295.6	-	-
<i>Deposit Money Banks</i>	21566.3	-4831.9	-33948.2	-	-
Use of Fund Credit and Loans	0.0	0.0	0.0	-	-
Changes in Reserve Net (- increase)	-1226.7	255259.1	-290515.4	-	-

R= Revised, P= Provisional

Table 17
Gross Foreign Exchange Reserve

	Rs. in Million			Percent Change	
	2021 ^R	2022 ^R	2023 ^P	2021/22	2022/23
Nepal Rastra Bank	1244633.6	1056394.6	1345776.4	-15.1	27.4
Convertible	925919.4	783819.6	1013087.8	-15.3	29.3
Inconvertible	318714.2	272575.0	332688.6	-14.5	22.1
Commercial Banks	154391.7	159407.5	193586.0	3.2	21.4
Convertible	137938.9	144563.9	179573.0	4.8	24.2
Inconvertible	16452.8	14843.6	14013.0	-9.8	-5.6
Total Reserve	1399025.3	1215802.2	1539362.4	-13.1	26.6
Convertible	1063858.3	928383.5	1192660.8	-12.7	28.5
Inconvertible	335167.0	287418.7	346701.6	-14.2	20.6
	US dollars in Million			Percent Change	
Nepal Rastra Bank	10455.6	8284.8	10259.8	-20.8	23.8
Convertible	7778.2	6147.1	7723.5	-21.0	25.6
Inconvertible	2677.4	2137.7	2536.3	-20.2	18.6
Commercial Banks	1297.0	1250.2	1475.8	-3.6	18.1
Convertible	1158.8	1133.7	1369.0	-2.2	20.8
Inconvertible	138.2	116.4	106.8	-15.8	-8.2
Total Reserve	11752.6	9535.0	11735.6	-18.9	23.1
Convertible	8937.0	7280.9	9092.5	-18.5	24.9
Inconvertible	2815.6	2254.1	2643.1	-19.9	17.3

R= Revised, P= Provisional

Table 18
International Investment Position (IIP)

(Rs. in Million)

S.N.	Heading	As of Mid July		
		2021 ^R	2022 ^R	2023 ^P
A	Assets	1,481,123.9	1,330,654.4	1,654,496.9
1	Direct Investment	-	-	-
2	Portfolio Investment	-	-	-
3	Other Investments	182,220.7	185,975.1	214,353.7
	Other equity	13,193.7	12,809.3	12,495.8
	Currency and Deposits	75,391.7	86,132.1	68,022.1
	Loans	861.7	1,024.4	1,568.4
	Trade credit and advances	15,881.7	14,255.6	7,704.1
	Other account receivable	76,891.8	71,753.8	124,563.4
4	Official Reserve Assets	1,298,903.2	1,144,679.3	1,440,143.2
B	Liabilities	1,401,003.4	1,601,991.7	1,729,394.5
1	Direct Investment	227,946.9	264,329.5	270,290.8
2	Portfolio Investment	-	-	-
3	Other Investments	1,173,056.5	1,337,662.1	1,459,103.7
	Other equity	-	-	-
	Currency and Deposits	55,851.2	58,217.3	72,858.8
	Loans	988,754.0	1,124,347.6	1,218,434.2
	Trade credit and advances	116,853.4	118,482.6	127,998.7
	Other account payable	35.3	53.6	905.4
	Special drawing rights (Net incurrence of liabilities)	11,562.6	36,561.0	38,906.6
	Net IIP	80,120.5	-271,337.21	-74,897.63

P= Provisional

R= Revised

Table 19
Government Budgetary Operation+
 (Based on Banking Transactions)
 (Based on the statistics of Mid-July)

(Rs.in ten millions)

Heading	2020/21	2021/22	2022/23P	Percentage Change	
				2021/22	2022/23
Total Expenditure	116027.1	126235.0	137789.4	8.8	9.2
Recurrent	84,137.82	93,768.40	-	11.45	-
<i>a.Domestic Resources</i>	74,668.46	89,623.62	-	20.03	-
<i>b.Foreign Loans</i>	7,326.56	2,919.45	-	(60.15)	-
<i>c.Foreign Grants</i>	2,142.80	1,225.33	-	(42.82)	-
Capital	21,776.68	20,626.86	-	(5.28)	-
<i>a.Domestic Resources</i>	15,210.72	14,409.93	-	(5.26)	-
<i>b.Foreign Loans</i>	5,926.23	5,557.49	-	(6.22)	-
<i>c.Foreign Grants</i>	639.73	659.44	-	3.08	-
Financial	10,112.61	11,839.77	-	17.08	-
<i>a.Domestic Resources</i>	8,580.46	11,148.36	-	29.93	-
<i>b.Foreign Loans</i>	1,532.15	399.36	-	-	-
<i>c.Foreign Grants</i>	-	292.05	-	-	-
Total Resources	89758.2	99868.4	89100.3	11.3	-10.8
2.1 Revenue and Grants	85714.9	95017.9	83776.3	10.9	-11.8
<i>i. Revenue</i>	93588.7	106634.7	95715.5	13.9	-10.2
<i>i.a. Federal Government</i>	82437.6	93827.9	83741.1	13.8	-10.8
<i>i.b. Province and Local Govt. (Transferable)</i>	11151.1	12806.8	11974.4	14.8	-6.5
<i>ii. Foreign Grants</i>	3277.3	1190.1	35.2	-63.7	-97.0
2.2 Other Receipts	4043.3	4850.5	5324.1	20.0	9.8
Deficit(-) / Surplus (+)	-26269.0	-26366.6	-48689.0	0.4	84.7
Sources of Financing	32134.3	31423.8	34556.9	-2.2	10.0
Internal Loans	22277.9	21962.1	24873.8	-1.4	13.3
Domestic Borrowings	22400.9	23130.3	25599.8	3.3	10.7
<i>(i) Treasury Bills</i>	9000.0	10391.7	15361.0	15.5	47.8
<i>(ii) Development Bonds</i>	13000.0	12450.0	10000.0	-4.2	-19.7
<i>(iii) National Savings Certificates</i>	0.0	0.0	0.0	-	-
<i>(iv) Citizen Saving Certificates</i>	395.4	283.0	236.1	-28.4	-16.6
<i>(v) Foreign Employment Bond</i>	5.5	5.7	2.6	2.6	-53.4
<i>Overdrafts</i>	-	-	-	-	-
<i>Others</i>	-123.0	-1168.3	-725.9	849.5	-37.9
Principal Refund and Share Divestment	322.4	293.9	1170.7	-8.8	298.4
Foreign Loans	9534.1	9167.9	8512.3	-3.8	-7.2
Total resources available to the Federal Government	5865.3	5057.2	-14132.2	-13.8	-379.4
Province Government Expenditure	18875.0	18562.9	20417.8	-1.7	10.0
Province Government Resources+++	16004.9	20131.8	19955.0	25.8	-0.9
<i>7.1 Grant and Revenue Transfer from Federal Government</i>	11868.9	15335.9	14867.2	29.2	-3.1
<i>7.2 Revenue and Recovery</i>	4136.0	4795.9	5087.8	16.0	6.1
Deficit (-)/Surplus (+) of Province Government	-2870.2	1568.9	-462.8	-	-129.5
Change in Balance of Local Government	1544.7	-5172.0	-471.0	-434.8	-90.9
Change in Balance of Govt. Office Accounts	1255.1	686.4	-315.8	-45.3	-146.0
V. A. T. Fund Account	-8.9	-14.1	0.6	58.4	-104.0
Customs Fund Account	33.17	262.43	(270.86)	691.17	(203.21)
Reconstruction Fund Account	0.0	0.0	0.0	-	-
Others	1230.8	438.1	-45.5	-64.4	-110.4
Current Balance of General Government	5794.9	2140.5	-15381.8	-63.1	-818.6
A. Last year's Cash Balance in the Treasury	14081.2	19876.1	22579.8	41.2	13.6
B. Adjustment	0.0	563.1	0.0	-	-
Cash Balance of General Government ++	19876.1	22579.7	7197.9	13.6	-68.1

++ Includes 20% Local Govt. Deposit with NRB which is 21.789 billion

* Expenditure includes Federal Government only whereas revenue mobilization includes Federal Government revenue plus the amount transferable to province and local governments.

+ Based on data reported by Banking Department of NRB, commercial banks conducting government transactions and report released from 81 DTCOs and payment centres. Expenditure excludes unrealized cheques and direct payments.

+++ Province Government resources include grants and revenue transfer from Federal Government, and resources collected by province governments

Table 20
Government Revenue Collection
Annual

(Rs.in ten millions)

Heading	Amount			Growth Rate		Composition	
	2020/21	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Value Added Tax	28201.9	31427.9	28619.8	11.4	-8.9	28.2	28.3
Customs	22386.2	24203.0	18253.1	8.1	-24.6	21.7	18.1
Income Tax	23007.7	25999.0	25181.9	13.0	-3.1	23.3	24.9
Excise	13378.0	16679.0	14306.8	24.7	-14.2	15.0	14.2
Educational Service Tax	36.8	124.1	200.3	237.5	61.4	0.1	0.2
Other Tax*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	6821.4	8101.0	9153.4	18.8	13.0	7.3	9.1
Total Revenue	93832.1	106534.0	95715.4	13.5	-10.2	95.6	94.7
Other Receipts	4043.3	4850.0	5324.1	20.0	9.8	4.4	5.3
Total Revenue/Receipts	97875.4	111384.0	101039.4	13.8	-9.3	100.0	100.0

* Other tax includes road maintenance and improvement duty, road construction and maintenance duty, firm and agency registration fee and ownership certificate charges.

P: Provisional

R: Revised

Source: Ministry of Finance (MOF)

Table 21
Outstanding Domestic Debt of the GoN

(Rs.in ten millions)

S.N.	Instruments and Ownership	Amount			Amount Change		Percentage Change	
		2020/21	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
1	Treasury Bills	27959.2	35450.8	45781.6	7491.7	10330.8	26.8	29.1
	<i>a. Nepal Rastra Bank</i>	1547.3	1512.8	4535.3	-34.5	3022.4	-2.2	199.8
	<i>b. Commercial Banks</i>	23528.2	32398.8	35318.5	8870.6	2919.7	37.7	9.0
	<i>c. Development Banks</i>	1906.4	1076.0	2502.7	-830.4	1426.7	-43.6	132.6
	<i>d. Finance Companies</i>	940.3	413.2	206.0	-527.1	-207.2	-56.1	-50.1
	<i>e. Others</i>	37.0	50.0	3219.1	13.0	3169.1	35.1	6338.2
2	Development Bond	51394.7	62044.7	65644.7	10650.0	3600.0	20.7	5.8
	<i>a. Nepal Rastra Bank</i>	4112.9	3345.7	2494.9	-767.2	-850.8	-18.7	-25.4
	<i>b. Commercial Banks</i>	41636.0	50484.2	53832.2	8848.3	3348.0	21.3	6.6
	<i>c. Development Banks</i>	3769.5	5822.5	6652.1	2053.1	829.5	54.5	14.2
	<i>d. Finance Companies</i>	1303.9	1805.0	1796.9	501.2	-8.2	38.4	-0.5
	<i>e. Others</i>	572.5	587.2	868.7	14.7	281.5	2.6	47.9
3	Citizen Saving Bond	659.6	914.0	1075.0	254.4	161.0	38.6	17.6
	<i>a. Nepal Rastra Bank (Secondary Market)</i>	18.1	300.1	390.1	282.0	90.0	1556.7	30.0
	<i>b. Commercial Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>c. Development Banks</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>d. Finance Companies</i>	0.0	0.0	0.0	0.0	0.0	-	-
	<i>e. Others</i>	641.5	613.9	684.9	-27.6	71.0	-4.3	11.6
4	Foreign Employment Bond	18.6	19.0	17.5	0.5	-1.5	2.4	-7.8
	<i>a. Nepal Rastra Bank</i>	0.3	0.3	0.7	0.0	0.4	0.0	116.7
	<i>b. Others</i>	18.3	18.7	16.9	0.5	-1.8	2.5	-9.8
5	Total Domestic Debt	80032.0	98428.5	112518.8	18396.5	14090.3	23.0	14.3
	<i>a. Nepal Rastra Bank</i>	5678.7	5159.0	7420.9	-519.7	2262.0	-9.2	43.8
	<i>b. Commercial Banks</i>	65164.2	82883.0	89150.7	17718.9	6267.7	27.2	7.6
	<i>c. Development Banks</i>	5675.8	6898.5	9154.8	1222.7	2256.2	21.5	32.7
	<i>d. Finance Companies</i>	2244.1	2218.2	2002.9	-25.9	-215.4	-1.2	-9.7
	<i>e. Others</i>	1269.3	1269.7	4789.5	0.5	3519.8	0.0	277.2
6	Balance at NRB (Overdraft (+)/Surplus(-))	-19876.1	-22579.8	-7197.9	-2703.6	15381.8	13.6	-68.1

Memorandum Item

<i>a. IMF Promissory Note</i>	367.4	228.1	270.1
<i>b. Foreign Debt</i>	93469.5	102584.7	117024.9
<i>c. Total Public Debt (Excluding IMF Promissory Note)</i>	173501.5	201013.2	229543.7

Table 22
Monetary Survey
(Mid-Month)

(Rs. in million)

Monetary Aggregates	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Foreign Assets, Net	1335620.1	1112363.6	1423277.4	-255259.1	^{1/} -19.1	290515.4	^{2/} 26.1
1.1 Foreign Assets	1453294.9	1304086.8	1633729.1	-149208.1	-10.3	329642.3	25.3
1.2 Foreign Liabilities	117674.8	191723.2	210451.7	74048.4	62.9	18728.5	9.8
a. Deposits	91794.6	97100.7	107003.8	5306.1	5.8	9903.2	10.2
b. Other	25880.2	94622.6	103447.9	68742.3	265.6	8825.3	9.3
2. Net Domestic Assets	3819233.1	4393037.2	4707206.0	605806.7	^{1/} 15.9	334567.2	^{2/} 7.6
2.1 Domestic Credit	4955476.5	5673573.6	6168905.0	718097.1	14.5	495331.4	8.7
a. Net Claims on Government	588866.2	745790.0	1005313.5	156923.7	26.6	259523.5	34.8
Claims on Government	787627.5	971587.8	1077292.8	183960.2	23.4	105705.0	10.9
Government Deposits	198761.3	225797.8	71979.3	27036.5	13.6	-153818.5	-68.1
b. Claims on Non-Financial Government Enterprises	7512.6	3783.9	3647.9	-3728.7	-49.6	-136.0	-3.6
c. Claims on Financial Institutions	219542.3	235000.7	256594.8	15458.5	7.0	21594.0	9.2
Government	1615.7	1564.5	1045.5	-51.2	-3.2	-519.0	-33.2
Non-Government	217926.6	233436.3	255549.3	15509.7	7.1	22113.0	9.5
d. Claims on Private Sector	4139555.4	4688998.9	4903348.8	549443.5	13.3	214349.9	4.6
2.2 Net Non-Monetary Liabilities	1136243.4	1280536.4	1461699.0	112290.3	^{1/} 9.9	160764.2	^{2/} 12.6
3. Broad Money (M2)	5154853.2	5505400.8	6130483.4	350547.6	6.8	625082.6	11.4
3.1 Money Supply (a+b), M1+	2964265.4	2652266.1	2772858.3	-311999.3	-10.5	120592.2	4.5
a. Money Supply (M1)	1049410.2	948113.4	946982.4	-101296.8	-9.7	-1131.0	-0.1
Currency	571971.8	505902.9	514403.6	-66068.9	-11.6	8500.7	1.7
Demand Deposits	477438.4	442210.5	432578.8	-35227.9	-7.4	-9631.7	-2.2
b. Saving and Call Deposits	1914855.2	1704152.7	1825875.9	-210702.5	-11.0	121723.2	7.1
3.2 Time Deposits	2190587.8	2853134.7	3357625.1	662546.9	30.2	504490.4	17.7
4. Broad Money Liquidity (M3)	5246647.7	5602501.5	6237487.2	355853.8	6.8	634985.7	11.3

1/ Adjusting the exchange valuation gain/loss of Rs. 32002.6

2/ Adjusting the exchange valuation gain/loss of Rs. 20398.4

R = Revised, P = Provisional

Table 23
Central Bank Survey
(Mid-Month)

(Rs. in million)

Headings	2021	2022	2023	Changes during the fiscal year			
				2021/22		2022/23	
				Jul	Jul (R)	Jul (P)	Amount
1. Foreign Assets	1298903.2	1144679.3	1440143.2	-154223.9	-11.9	295463.9	25.8
1.1 Gold Investment	51132.9	60042.2	65812.7	8909.3	17.4	5770.5	9.6
1.2 SDR Holdings	419.9	25568.3	25708.0	25148.4	5988.8	139.6	0.5
1.3 Reserve Position in the Fund	2716.7	2674.1	2846.0	-42.6	-1.6	171.9	6.4
1.4 Foreign Exchange	1244633.6	1056394.6	1345776.4	-188239.0	-15.1	289381.8	27.4
2. Claims on Government	56786.5	51589.7	74209.4	-5196.8	-9.2	22619.7	43.8
2.1 Treasury Bills	15473.3	15128.3	45352.7	-345.0	-2.2	30224.4	199.8
2.2 Development Bonds	41129.0	33457.0	24949.0	-7672.0	-18.7	-8508.1	-25.4
2.3 Other Government Papers	184.2	3004.4	3907.7	2820.2	1531.3	903.4	30.1
2.4 Loans and Advances	0.0	0.0	0.0	0.0		0.0	
3. Claims on Non-Financial Government Enterprises	33.6	33.6	33.6	0.0	0.0	0.0	0.0
4. Claims on Non-Banking Financial Institutions	643.7	643.7	643.7	0.0	0.0	0.0	0.0
4.1 Government	643.7	643.7	643.7	0.0	0.0	0.0	0.0
4.2 Non-Government	0.0	0.0	0.0	0.0		0.0	
5. Claims on Banks and Financial Institutions	122703.9	270063.7	1497.8	147359.8	120.1	-268565.9	-99.4
5.1 Refinance	122703.9	111961.2	1497.8	-10742.7	-8.8	-110463.4	-98.7
5.2 Repo Lending and SLF	0.0	158102.5	0.0	158102.5		-158102.5	-100.0
6. Claims on Private Sector	3395.0	6558.1	6532.9	3163.1	93.2	-25.2	-0.4
7. Other Assets	73546.7	61600.2	61429.9	-11946.6	-16.2	-170.3	-0.3
Assets = Liabilities	1556012.8	1535168.4	1584490.6	-20844.3	-1.3	49322.1	3.2
8. Reserve Money	931591.4	825695.9	911628.5	-105895.5	-11.4	85932.6	10.4
8.1 Currency Outside ODCs	571971.8	505902.9	514403.6	-66068.9	-11.6	8500.7	1.7
8.2 Currency Held by ODCs	99629.2	108250.2	99280.0	8621.0	8.7	-8970.2	-8.3
8.3 Deposits of Commercial Banks	229681.9	180720.7	259728.4	-48961.1	-21.3	79007.7	43.7
8.4 Deposits of Development Banks	14003.0	13564.9	20021.4	-438.0	-3.1	6456.4	47.6
8.5 Deposits of Finance Companies	4358.9	3427.9	5127.3	-931.0	-21.4	1699.5	49.6
8.6 Other Deposits	11946.7	13829.3	13067.7	1882.6	15.8	-761.6	-5.5
9. Govt. Deposits	198761.3	225797.8	71979.3	27036.5	13.6	-153818.5	-68.1
10. Deposit Auction	0.0	0.0	20000.0	0.0		20000.0	
11. Reverse Repo	0.0	0.0	40000.0	0.0		40000.0	
12. NRB Bond	0.0	0.0	0.0	0.0		0.0	
13. Foreign Liabilities	132.2	36649.6	39041.4	36517.3	27612.8	2391.8	6.5
13.1 Foreign Deposits	132.2	88.5	134.8	-43.7	-33.1	46.3	52.2
13.2 IMF Trust Fund	0.0	0.0	0.0	0.0		0.0	
13.3 Use of Fund Resources	0.0	0.0	0.0	0.0		0.0	
13.4 SAF	0.0	0.0	0.0	0.0		0.0	
13.5 ESAF	0.0	0.0	0.0	0.0		0.0	
13.6 ECF	0.0	0.0	0.0	0.0		0.0	
13.7 RCF	0.0	0.0	0.0	0.0		0.0	
13.8 CSI	0.0	36561.0	38906.6	36561.0		2345.5	6.4
14. Capital and Reserve	348295.5	390656.9	417413.4	42361.4	12.2	26756.5	6.8
15. Other Liabilities	77232.3	56368.3	84428.1	-20864.1	-27.0	28059.8	49.8

R = Revised, P = Provisional

Table 24
Other Depository Corporation Survey
(Mid-Month)

(Rs. In million)

Headings	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Total Deposits	4662729.3	5082769.3	5710015.9	420040.0	9.0	627246.6	12.3
1.1 Demand Deposits	486192.6	451151.3	441983.6	-35041.3	-7.2	-9167.7	-2.0
a. Domestic Deposits	465491.7	428381.2	419511.1	-37110.6	-8.0	-8870.1	-2.1
b. Foreign Deposits	20700.8	22770.1	22472.5	2069.3	10.0	-297.6	-1.3
1.2 Saving Deposits	1593008.3	1402175.9	1518857.2	-190832.4	-12.0	116681.4	8.3
a. Domestic Deposits	1578479.1	1389415.6	1506069.0	-189063.5	-12.0	116653.5	8.4
b. Foreign Deposits	14529.2	12760.3	12788.2	-1768.9	-12.2	27.9	0.2
1.3 Fixed Deposits	2189914.5	2837429.9	3362271.3	647515.4	29.6	524841.4	18.5
a. Domestic Deposits	2157760.3	2800271.3	3317990.3	642511.0	29.8	517719.0	18.5
b. Foreign Deposits	32154.2	37158.5	44281.0	5004.3	15.6	7122.4	19.2
1.4 Call Deposits	360786.5	339148.9	347269.1	-21637.6	-6.0	8120.1	2.4
a. Domestic Deposits	336376.1	314737.2	319806.9	-21638.9	-6.4	5069.7	1.6
b. Foreign Deposits	24410.4	24411.8	27462.2	1.4	0.0	3050.4	12.5
1.5 Margin Deposits	32827.5	52863.3	39634.8	20035.9	61.0	-13228.6	-25.0
2. Borrowings from Nepal Rastra Bank	122703.9	270063.7	1497.8	147359.8	120.1	-268565.9	-99.4
3. Foreign Liabilities	25748.0	57973.0	64406.5	32225.0	125.2	6433.6	11.1
4. Other Liabilities	1185000.6	1244169.9	1400519.8	59169.4	5.0	156349.9	12.6
4.1 Paid-up Capital	365763.5	407837.6	424936.0	42074.0	11.5	17098.4	4.2
4.2 General Reserves	287790.8	315540.8	407741.8	27750.0	9.6	92200.9	29.2
4.3 Debentures	100380.3	136839.1	163419.9	36458.9	36.3	26580.8	19.4
4.4 Other Liabilities	431065.9	383952.4	404422.1	-47113.5	-10.9	20469.7	5.3
Assets = Liabilities	5996181.8	6654975.9	7176440.1	658794.2	11.0	521464.1	7.8
5. Liquid Funds	502055.9	465361.0	577731.0	-36694.9	-7.3	112370.0	24.1
5.1 Cash in Hand	99629.2	108250.2	99280.0	8621.0	8.7	-8970.2	-8.3
5.2 Balance with Nepal Rastra Bank	248043.8	197713.6	284877.2	-50330.2	-20.3	87163.6	44.1
5.3 Foreign Currency in Hand	2736.1	3390.2	2872.4	654.1	23.9	-517.8	-15.3
5.4 Balance Held Abroad	151631.3	155995.2	190687.1	4363.9	2.9	34691.9	22.2
5.5 Cash in Transit	15.5	11.9	14.3	-3.6	-23.3	2.4	20.3
6. Loans and Advances	5093403.2	5840568.3	6159491.1	747165.1	14.7	318922.8	5.5
6.1 Claims on Government	730841.0	919998.0	1003083.4	189157.0	25.9	83085.3	9.0
6.2 Claims on Non-Financial Government Enterprises	7479.0	3750.3	3614.3	-3728.7	-49.9	-136.0	-3.6
6.3 Claims on Financial Enterprises	218898.6	234357.0	255951.1	15458.5	7.1	21594.0	9.2
a. Government	972.0	920.8	401.8	-51.2	-5.3	-519.0	-56.4
b. Non-Government	217926.6	233436.3	255549.3	15509.7	7.1	22113.0	9.5
6.4 Claims on Private Sector	4136160.4	4682440.8	4896815.9	546280.4	13.2	214375.1	4.6
a. Principal	4084810.2	4621095.7	4797030.7	536285.5	13.1	175935.1	3.8
i. Non-financial Private Corporations	2597215.9	2926802.2	3009579.6	329586.3	12.7	82777.5	2.8
ii. Households	1487594.3	1694293.5	1787451.1	206699.2	13.9	93157.6	5.5
b. Interest Accrued	51350.2	61345.1	99785.1	9994.9	19.5	38440.0	62.7
6.5 Foreign Bills Purchased & Discounted	24.2	22.1	26.5	-2.1	-8.7	4.4	19.7
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	400722.7	349046.6	439218.0	-51676.1	-12.9	90171.4	25.8

R= Revised, P = Provisional

Table 25
Condensed Assets and Liabilities of Commercial Banks
(Mid-Month)

(Rs. in million)

Headings	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Total Deposits	4167463.3	4525619.6	5072233.8	358156.3	8.6	546614.2	12.1
1.1 Demand Deposits	474641.4	442501.5	431059.8	-32139.8	-6.8	-11441.8	-2.6
a. Domestic Deposits	453926.9	419717.4	408611.1	-34209.5	-7.5	-11106.3	-2.6
b. Foreign Deposits	20714.5	22784.1	22448.7	2069.6	10.0	-335.5	-1.5
1.2 Saving Deposits	1426354.1	1261714.2	1366476.2	-164639.9	-11.5	104761.9	8.3
a. Domestic Deposits	1411828.1	1248958.7	1353693.9	-162869.5	-11.5	104735.3	8.4
b. Foreign Deposits	14526.0	12755.6	12782.2	-1770.4	-12.2	26.7	0.2
1.3 Fixed Deposits	1896158.5	2439039.7	2901727.8	542881.2	28.6	462688.1	19.0
a. Domestic Deposits	1864001.8	2401881.2	2857446.9	537879.4	28.9	455565.7	19.0
b. Foreign Deposits	32156.7	37158.5	44281.0	5001.8	15.6	7122.4	19.2
1.4 Call Deposits	337684.2	329727.9	333615.9	-7956.3	-2.4	3888.0	1.2
a. Domestic Deposits	313273.2	305315.4	306153.7	-7957.8	-2.5	838.4	0.3
b. Foreign Deposits	24411.1	24412.5	27462.2	1.5	0.0	3049.6	12.5
1.5 Margin Deposits	32625.0	52636.2	39354.1	20011.1	61.3	-13282.1	-25.2
2. Borrowings from Nepal Rastra Bank	113365.5	240011.5	1149.3	126646.1	111.7	-238862.2	-99.5
3. Foreign Liabilities	25748.0	57973.0	64406.5	32225.0	125.2	6433.6	11.1
4. Other Liabilities	1085949.9	1132473.2	1265518.7	46523.3	4.3	133045.5	11.7
4.1 Paid-up Capital	320629.1	356095.4	369857.3	35466.4	11.1	13761.9	3.9
4.2 General Reserves	263123.0	287025.3	370300.6	23902.2	9.1	83275.3	29.0
4.3 Debentures	98433.5	130392.2	154981.8	31958.7	32.5	24589.6	18.9
4.4 Other Liabilities	403764.2	358960.3	370379.0	-44804.0	-11.1	11418.8	3.2
Assets = Liabilities	5392526.6	5956077.3	6403308.3	563550.7	10.5	447231.0	7.5
5. Liquid Funds	474058.6	439269.5	543278.4	-34789.1	-7.3	104008.9	23.7
5.1 Cash in Hand	90132.9	99279.4	90215.0	9146.5	10.1	-9064.4	-9.1
5.2 Balance with Nepal Rastra Bank	229681.9	180720.7	259728.4	-48961.1	-21.3	79007.7	43.7
5.3 Foreign Currency in Hand	2660.2	3267.2	2638.5	607.0	22.8	-628.7	-19.2
5.4 Balance Held Abroad	151568.6	155990.8	190682.6	4422.2	2.9	34691.9	22.2
5.5 Cash in Transit	15.0	11.4	13.8	-3.6	-24.0	2.4	21.2
6. Loans and Advances	4536868.9	5191736.4	5451259.8	654867.5	14.4	259523.4	5.0
6.1 Claims on Government	651641.6	828830.2	891507.1	177188.6	27.2	62676.9	7.6
6.2 Claims on Non-Financial Government Enterprises	7333.0	3636.6	3519.2	-3696.4	-50.4	-117.4	-3.2
6.3 Claims on Financial Enterprises	195313.1	204044.4	223471.2	8731.3	4.5	19426.8	9.5
a. Government	972.0	920.8	401.8	-51.2	-5.3	-519.0	-56.4
b. Non-Government	194341.1	203123.6	223069.4	8782.5	4.5	19945.8	9.8
6.4 Claims on Private Sector	3682557.0	4155203.1	4332735.8	472646.0	12.8	177532.7	4.3
a. Principal	3642346.0	4106414.5	4249211.2	464068.4	12.7	142796.8	3.5
i. Non-financial Private Corporations	2494309.0	2784850.4	2827365.8	290541.4	11.6	42515.4	1.5
ii. Households	1148037.0	1321564.0	1421845.4	173527.0	15.1	100281.4	7.6
b. Interest Accrued	40211.0	48788.6	83524.6	8577.6	21.3	34736.0	71.2
6.5 Foreign Bills Purchased & Discounted	24.2	22.1	26.5	-2.1	-8.7	4.4	19.7
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	381599.1	325071.4	408770.2	-56527.7	-14.8	83698.8	25.7

R= Revised, P = Provisional

Table 26
Condensed Assets and Liabilities of Development Banks
(Mid-Month)

(Rs. in million)

Headings	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Total Deposits	441460.5	495973.0	566171.0	54512.5	12.3	70198.1	14.2
1.1 Demand Deposits	13589.8	9456.1	10611.0	-4133.7	-30.4	1154.9	12.2
a. Domestic Deposits	13588.0	9454.0	10587.1	-4134.0	-30.4	1133.2	12.0
b. Foreign Deposits	1.8	2.2	23.9	0.3	17.7	21.7	998.2
1.2 Saving Deposits	140720.2	120608.5	132842.9	-20111.7	-14.3	12234.5	10.1
a. Domestic Deposits	140717.0	120603.8	132837.0	-20113.2	-14.3	12233.2	10.1
b. Foreign Deposits	3.2	4.7	6.0	1.5	47.3	1.3	26.5
1.3 Fixed Deposits	243409.0	327124.9	380578.7	83715.8	34.4	53453.8	16.3
a. Domestic Deposits	243409.0	327124.9	380578.7	83715.8	34.4	53453.8	16.3
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.4 Call Deposits	43551.7	38577.2	41886.1	-4974.6	-11.4	3309.0	8.6
a. Domestic Deposits	43551.7	38577.2	41886.1	-4974.6	-11.4	3309.0	8.6
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.5 Margin Deposits	189.7	206.3	252.3	16.6	8.7	46.0	22.3
2. Borrowings from Nepal Rastra Bank	7582.5	20091.1	300.0	12508.7	165.0	-19791.1	-98.5
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	69298.3	83459.1	98538.9	14160.8	20.4	15079.8	18.1
4.1 Paid-up Capital	32101.8	36993.6	40206.9	4891.8	15.2	3213.4	8.7
4.2 General Reserves	17070.3	19794.3	26826.0	2723.9	16.0	7031.8	35.5
4.3 Debentures	1000.0	5500.0	7490.7	4500.0	450.0	1990.7	36.2
4.4 Other Liabilities	19126.2	21171.3	24015.2	2045.1	10.7	2843.9	13.4
Assets = Liabilities	518341.3	599523.2	665009.9	81181.9	15.7	65486.7	10.9
5. Liquid Funds	22145.0	21074.9	27600.0	-1070.1	-4.8	6525.2	31.0
5.1 Cash in Hand	8058.7	7382.5	7340.3	-676.1	-8.4	-42.2	-0.6
5.2 Balance with Nepal Rastra Bank	14003.0	13564.9	20021.4	-438.0	-3.1	6456.4	47.6
5.3 Foreign Currency in Hand	75.8	122.9	233.8	47.1	62.1	110.9	90.2
5.4 Balance Held Abroad	7.5	4.5	4.5	-3.1	-40.7	0.0	0.0
5.5 Cash in Transit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Loans and Advances	481229.8	561699.9	614521.4	80470.1	16.7	52821.4	9.4
6.1 Claims on Government	56758.3	68985.4	91547.6	12227.2	21.5	22562.1	32.7
6.2 Claims on Non-Financial Government Enterprises	0.6	0.6	0.6	0.0	4.2	0.0	0.7
6.3 Claims on Financial Enterprises	47650.5	63170.6	58280.6	15520.0	32.6	-4889.9	-7.7
a. Government	0.0	0.0	0.0	0.0		0.0	
b. Non-Government	47650.5	63170.6	58280.6	15520.0	32.6	-4889.9	-7.7
6.4 Claims on Private Sector	376820.4	429543.3	464692.6	52722.9	14.0	35149.3	8.2
a. Principal	374184.2	426074.8	458659.2	51890.6	13.9	32584.3	7.6
i. Non-financial Private Corporations	84804.7	118683.7	149009.7	33879.0	39.9	30326.0	25.6
ii. Households	289379.5	307391.1	309649.5	18011.6	6.2	2258.4	0.7
b. Interest Accrued	2636.2	3468.4	6033.4	832.3	31.6	2564.9	74.0
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	14966.5	16748.4	22888.5	1781.9	11.9	6140.1	36.7

R= Revised

P = Provisional

Table 27
Condensed Assets and Liabilities of Finance Companies
(Mid-Month)

(Rs. in million)

Headings	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Total Deposits	87261.3	102837.4	111155.9	15576.1	17.8	8318.5	8.1
1.1 Demand Deposits	2867.1	3179.4	2728.5	312.3	10.9	-450.9	-14.2
a. Domestic Deposits	2867.1	3179.4	2728.5	312.3	10.9	-450.9	-14.2
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.2 Saving Deposits	25934.5	19853.3	19538.1	-6081.3	-23.4	-315.1	-1.6
a. Domestic Deposits	25934.5	19853.3	19538.1	-6081.3	-23.4	-315.1	-1.6
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.3 Fixed Deposits	50528.9	71745.3	80130.1	21216.3	42.0	8384.9	11.7
a. Domestic Deposits	50528.9	71745.3	80130.1	21216.3	42.0	8384.9	11.7
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.4 Call Deposits	7918.0	8038.6	8730.8	120.6	1.5	692.2	8.6
a. Domestic Deposits	7918.0	8038.6	8730.8	120.6	1.5	692.2	8.6
b. Foreign Deposits	0.0	0.0	0.0	0.0		0.0	
1.5 Margin Deposits	12.7	20.9	28.3	8.2	64.4	7.5	35.8
2. Borrowings from Nepal Rastra Bank	1756.0	9961.1	48.5	8205.1	467.3	-9912.5	-99.5
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	37005.9	38991.2	41394.9	1985.3	5.4	2403.7	6.2
4.1 Paid-up Capital	13032.7	14748.6	14871.7	1715.9	13.2	123.1	0.8
4.2 General Reserves	7597.4	8721.3	10615.1	1123.9	14.8	1893.8	21.7
4.3 Debentures	946.7	946.9	947.5	0.2	0.0	0.6	0.1
4.4 Other Liabilities	15429.1	14574.5	14960.6	-854.6	-5.5	386.2	2.6
Assets = Liabilities	126023.2	151789.7	152599.4	25766.5	20.4	809.7	0.5
5. Liquid Funds	5852.4	5016.7	6852.6	-835.6	-14.3	1835.9	36.6
5.1 Cash in Hand	1437.6	1588.3	1724.7	150.7	10.5	136.4	8.6
5.2 Balance with Nepal Rastra Bank	4358.9	3427.9	5127.3	-931.0	-21.4	1699.5	49.6
5.3 Foreign Currency in Hand	0.1	0.1	0.1	0.0	-41.6	0.1	115.4
5.4 Balance Held Abroad	55.3	0.0	0.0	-55.3	-100.0	0.0	
5.5 Cash in Transit	0.4	0.4	0.4	0.0	0.0	0.0	0.0
6. Loans and Advances	116013.8	139546.2	138187.5	23532.4	20.3	-1358.7	-1.0
6.1 Claims on Government	22441.2	22182.4	20028.7	-258.7	-1.2	-2153.7	-9.7
6.2 Claims on Non-Financial Government Enterprises	145.4	113.1	94.4	-32.3	-22.2	-18.6	-16.5
6.3 Claims on Financial Enterprises	16644.3	19556.3	18676.8	2912.0	17.5	-879.5	-4.5
a. Government	0.0	0.0	0.0	0.0		0.0	
b. Non-Government	16644.3	19556.3	18676.8	2912.0	17.5	-879.5	-4.5
6.4 Claims on Private Sector	76783.0	97694.5	99387.5	20911.5	27.2	1693.1	1.7
a. Principal	68279.9	88606.4	89160.4	20326.5	29.8	554.0	0.6
i. Non-financial Private Corporations	18102.2	23268.0	33204.1	5165.8	28.5	9936.1	42.7
ii. Households	50177.8	65338.4	55956.2	15160.6	30.2	-9382.1	-14.4
b. Interest Accrued	8503.1	9088.1	10227.2	585.0	6.9	1139.1	12.5
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0		0.0	
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	4157.1	7226.8	7559.3	3069.7	73.8	332.5	4.6

R= Revised, P = Provisional

Table 28
Outstanding Sectoral Credit of Commercial Banks

Amount in Rs. Million

Headings	2021	2022	2023	Changes during the fiscal year			
	Jul	Jul (R)	Jul (P)	2021/22		2022/23	
				Amount	Percent	Amount	Percent
1. Agriculture*	324201.2	388227.3	414661.3	64026.1	19.7	26434.0	6.8
2. Mines	8655.2	8789.4	11776.2	134.2	1.6	2986.7	34.0
3. Productions	643540.0	695093.6	752814.1	51553.7	8.0	57720.4	8.3
4. Construction	411328.5	190196.0	202963.1	-221132.5	-53.8	12767.1	6.7
5. Metal Productions, Machinery, and Electrical Tools and fitting	61989.5	72472.0	70274.6	10482.5	16.9	-2197.4	-3.0
6. Transportation Equipment Production and Fitting	52951.3	55598.5	51901.2	2647.2	5.0	-3697.3	-6.6
7. Transportation, Communications and Public Services	252462.8	292149.2	353559.6	39686.4	15.7	61410.4	21.0
8. Wholesaler and Retailers	836742.4	947637.5	984427.8	110895.2	13.3	36790.3	3.9
9. Finance, Insurance, and Fixed Assets	337198.1	375243.4	365634.2	38045.3	11.3	-9609.2	-2.6
10. Service Industries	361863.4	393407.0	407959.7	31543.6	8.7	14552.7	3.7
11. Consumable Loan	152367.4	867484.7	926396.3	715117.4	469.3	58911.6	6.8
12. Local Government	1540.2	1125.2	1126.5	-415.0	-26.9	1.3	0.1
13. Others	727945.0	421706.1	335784.6	-306238.9	-42.1	-85921.5	-20.4
Total	4172785.0	4709130.1	4879279.2	536345.1	12.9	170149.2	3.6

(R) = Revised

(P) = Provisional

Table 29
Outstanding Amount of Refinance by BFIs

Amount in Rs. Million

Institutions	Fiscal Year		
	2020/21	2021/22	2022/23
Commercial Banks	108,867.94	96,541.62	846.95
Development Banks	7,744.48	9,051.14	300.00
Finance Companies	1,253.57	998.57	48.53
Microfinance Financial Institutions	4,837.94	5,369.90	302.34
Total	122,703.93	111,961.24	1,497.81

Table 30
Sources and Uses of Microfinance Financial Institutions

Amount in Rs. Million

Headings	Mid-July			Percentage Change	
	2021	2022 ^R	2023 ^P	2021/22	2022/23
Sources					
Capital Fund	39092.26	50333.99	59479.93	28.8	18.2
Deposits	130425.41	159022.78	167092.71	21.9	5.1
Borrowings	207349.06	233581.54	214238.06	12.7	-8.3
Others	56791.81	64335.01	61779.89	13.3	-4.0
Profit/Loss	11838.63	12377.80	5191.09	4.6	-58.1
Sources = Uses	445497.16	519651.11	507781.68	16.6	-2.3
Uses					
Liquid Fund	28288.44	20319.62	26963.32	-28.2	32.7
Investment	14712.52	6095.50	9342.42	-58.6	53.3
Loans and Advances	365554.02	449685.76	432237.45	23.0	-3.9
Others	36929.67	43390.27	38184.88	17.5	-12.0
Profit/Loss	12.51	159.96	1053.61	1178.3	558.7

R = Revised

P = Provisional

Table 31
Sources and Uses of Insurance Companies

Amount in Rs. Million

Headings	Mid-July			Changes			
				2021/22		2022/23	
	2021	2022 ^R	2023 ^P	Amount	Percent	Amount	Percent
Sources							
Paid up capital	58750.7	66695.4	78059.0	7944.7	13.5	11363.6	17.0
Reserves	456329.1	485433.4	534641.4	29104.3	6.4	49208.0	10.1
Other Liabilities	27573.2	71997.0	68203.8	44423.8	161.1	-3793.2	-5.3
Sources = Uses	542653.0	624125.8	680904.2	81472.8	15.0	56778.4	9.1
Uses							
Cash and bank balance	10792.8	7975.0	8158.5	-2817.8	-26.1	183.5	2.3
Investment	468522.9	551310.4	602667.4	82787.5	17.7	51357.0	9.3
Fixed assets	4854.8	5524.3	5110.3	669.5	13.8	-414.0	-7.5
Other assets	58482.5	59316.0	64968.1	833.5	1.4	5652.1	9.5

Source: Insurance Board

Table 32
Sources and Uses of Employment Provident Fund

Amount in Rs. Million

Headings	Mid-July			Changes			
				2021/22		2022/23	
	2021	2022 ^R	2023 ^P	Amount	Percent	Amount	Percent
Sources							
Provident Fund	396632.9	416361.1	461783.2	19728.3	5.0	45422.1	10.9
Reserves and Other Provisions	46202.9	43063.7	50256.6	-3139.3	-6.8	7192.9	16.7
Sources = Uses	442835.8	459424.8	512039.8	16589.0	3.7	52615.0	11.5
Uses							
Cash and Bank Balance	3235.3	6487.5	3840.8	3252.3	100.5	-2646.7	-40.8
Investment	166642.8	149609.3	177527.9	-17033.5	-10.2	27918.6	18.7
Fixed Deposit	130770.8	121411.4	145542.1	-9359.4	-7.2	24130.7	19.9
Government Securities	320.0	320.0	1054.7	0.0	0.0	734.7	229.6
Housing Project	0.0	0.0	0.0	0.0		0.0	
Shares and Other Investment	35552.0	27877.9	30931.1	-7674.1	-21.6	3053.2	11.0
Loans and Advances	270066.9	300601.6	327855.7	30534.7	11.3	27254.1	9.1
Loans to Project	68444.3	75979.8	81840.3	7535.5	11.0	5860.5	7.7
Loans to Contributors	201622.6	224621.8	246015.4	22999.2	11.4	21393.6	9.5
Fixed Assets	1448.7	1477.6	1552.5	28.9	2.0	74.9	5.1
Other Assets	1442.1	1248.8	1262.9	-193.3	-13.4	14.1	1.1

R= Revised

P= Provisional

Source: Employment Provident Fund

Table 33
Sources and Uses of Citizen Investment Trust

Amount in Rs. Million

Headings	Mid-July			Changes			
				2021/22		2022/23	
	2021	2022 ^R	2023 ^P	Amount	Percent	Amount	Percent
Sources							
Paid up Capital	3270.0	3270.0	5313.8	0.0	0.0	2043.8	62.5
Reserve and Surplus	16084.9	31141.8	22369.5	15057.0	93.6	-8772.3	-28.2
Fund Collection	160657.1	187446.0	204139.2	26789.0	16.7	16693.1	8.9
Other Liabilities	16388.4	25657.6	33738.6	9269.2	56.6	8081.0	31.5
Sources = Uses	196400.3	247515.5	265561.0	51115.1	26.0	18045.5	7.3
Uses							
Liquid Assets	2240.4	4302.4	3821.5	2062.0	92.0	-480.9	-11.2
Investment	122656.9	130286.6	147203.6	7629.7	6.2	16917.0	13.0
Loans and Advances	53118.6	64636.9	73830.6	11518.2	21.7	9193.7	14.2
Other Assets	18384.4	48289.6	40705.3	29905.2	162.7	-7584.3	-15.7

R= Revised

P= Provisional

Source: Citizen Investment Trust

Table 34
Structure of Nepalese Financial System

Amount in Rs. Million

Headings	2020/21			2021/22 ^R			2022/23 ^P		
	Amount	Percent		Amount	Percent		Amount	Percent	
	Total Assets/ Liabilities	Share	Ratio with GDP	Total Assets/ Liabilities	Share	Ratio with GDP	Total Assets/ Liabilities	Share	Ratio with GDP
Financial Institutions	8062824.6	87.2	185.2	8788033.9	86.8	178.1	9342335.0	86.5	173.6
Nepal Rastra Bank	1556012.8	16.8	35.7	1535168.4	15.2	31.1	1584490.6	14.7	29.4
Commercial Banks	5392526.6	58.3	123.9	5956077.3	58.8	120.7	6403308.3	59.3	119.0
Development Banks	518341.3	5.6	11.9	599523.2	5.9	12.2	665009.9	6.2	12.4
Finance Companies	126023.2	1.4	2.9	151789.7	1.5	3.1	152599.4	1.4	2.8
Microfinance Financial Institutions	445497.2	4.8	10.2	519651.1	5.1	10.5	507781.7	4.7	9.4
Nepal Infrastructure Bank	24423.6	0.3	0.6	25824.2	0.3	0.5	29145.2	0.3	0.5
Contractual Saving Institutions	1181889.1	12.8	27.2	1331066.0	13.2	27.0	1458505.0	13.5	27.1
Employment Provident Fund	442835.8	4.8	10.2	459424.8	4.5	9.3	512039.8	4.7	9.5
Citizen Investment Fund	196400.3	2.1	4.5	247515.5	2.4	5.0	265561.0	2.5	4.9
Insurance Companies	542653.0	5.9	12.5	624125.8	6.2	12.7	680904.2	6.3	12.7
Postal Saving Bank	2026.9	0.0	0.0	2810.4	0.0	0.1	1454.3	0.0	0.0
Total	9246740.6	100.0	212.4	10121910.4	100.0	205.2	10802294.3	100.0	200.7
Gross Domestic Product			4352550.2			4933696.6			5381335.1
Market Capitalization of Capital Market			4010957.8			2869344.2			3082519.6
Ratio of Market Capitalization to GDP			92.2			58.2			57.3

R= Revised

P= Provisional

Source: Related Organizations

Table 35
Capital Market Indices

Amount in Rs. Million

Headings		Mid-July			Percentage Change	
		2021	2022	2023	2021/22	2022/23
1	Number of Listed Companies	219	234	254	6.8	8.5
2	Paid up Capital of Listed Companies	573236.2	667754.0	728952.8	16.5	9.2
3	Market Capitalization	4010957.8	2869344.2	3082519.6	-28.5	7.4
4	Annual Turnover	1454444.2	1202101.4	467126.94	-17.3	-61.1
5	Number of Transaction Days	246	239	236	-2.8	-1.3
6	Number of Transaction Companies	332	362	404	9.0	11.6
7	Number of Transaction	15417668	14712483	8644715	-4.6	-41.2
8	Number of Listed Securities (Thousand)	5826048.26	6771226.54	7387006.41	16.2	9.1
9	Number of Transacted Shares (Thousand)	3404514	2492011	1277111	-26.8	-48.8
10	Ratio of Paid up Capital to GDP	13.2	13.5	13.5	2.8	0.1
11	Ratio of Transaction Amount to Paid up Capital	253.7	180.0	64.1	-29.0	-64.4
12	Ratio of Transaction Amount to Market Capitalization	36.3	41.9	15.2	15.5	-63.8
13	Ratio of Market Capitalization to GDP	92.2	58.2	57.3	-36.9	-1.5
14	NEPSE Index (Closing)	2883.4	2009.5	2097.1	-30.3	4.4
15	NEPSE Sensitive Index (Closing)	541.4	385.9	394.2	-28.7	2.1
16	NEPSE Float Index (Closing)	200.3	139.4	145.0	-30.4	4.0

Source: Nepal Stock Exchange Ltd.

Gross Domestic Product at Market Price	4352550.24	4933696.58	5381335.08
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Table 36
Listed Securities in Nepal Stock Exchange

Amount in Rs. Million

Headings	2021/22			2022/23		
	Number of Shares (Thousand)	Amount	Share (Percentage)	Number of Shares (Thousand)	Amount	Share (Percentage)
On the basis of Institutions						
Commercial Banks	512468.8	83841.5	35.3	2375105.4	200748.3	53.9
Development Banks	47986.9	8848.7	3.7	34980.8	3498.1	0.9
Beema Companies	102946.2	10294.6	4.3	145684.7	14568.5	3.9
Finance Companies	17832.1	1783.2	0.8	6285.5	628.6	0.2
Microfinance Financial Institutions	66666.1	6531.1	2.7	51367.4	5136.7	1.4
Production and Processing Companies	6626.9	662.7	0.3	0.0	0.0	0.0
Hotels	0.0	0.0	0.0	26953.5	2695.4	0.7
Trading Companies	615.1	61.5	0.0	0.0	0.0	0.0
Hydropower	316545.2	31654.5	13.3	354223.9	35422.4	9.5
Others	358782.5	93928.2	39.5	151808.1	109680.8	29.5
Total	1430469.8	237606.0	100.0	3146409.3	372378.7	100.0
On the basis of Securities						
Ordinary Shares	232821.7	23282.2	9.8	1843813.1	179881.3	48.3
Right Shares	119693.6	11969.4	5.0	41330.1	4133.0	1.1
Bonus Shares	560238.3	55888.3	23.5	405920.4	40592.0	10.9
Government Securities	89500.0	89500.0	37.7	105000.0	105000.0	28.2
Convertible Preference Shares	0.0	0.0	0.0	0.0	0.0	0.0
Debentures Issued by Banks	53216.2	53216.2	22.4	35590.7	35590.7	9.6
Mutual Funds	375000.0	3750.0	1.6	714375.5	7143.8	1.9
FPO	0.0	0.0	0.0	379.4	37.9	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	1430469.8	237606.0	100.0	3146409.3	372378.7	100.0

Source: Nepal Stock Exchange

Table 37
Listed Companies and Market Capitalization

Headings	Number of Listed Companies			Market Capitalization (Amount in Rs. Million)						Percentage Change in Market Capitalization	
	2021	2022	2023	2021 Jul		2022 Jul		2023 Jul		2021/22	2022/23
	Jul	Jul	Jul	Amount	Share	Amount	Share	Amount	Share		
Financial Institutions	143	146	136	2762882.2	68.9	1932240.0	67.3	1941127.0	63.0	-30.1	0.5
<i>Commercial Banks</i>	26	26	20	1513050.0	37.7	1053955.5	36.7	953494.7	30.9	-30.3	-9.5
<i>Development Banks</i>	17	16	16	168377.4	4.2	128420.3	4.5	143375.4	4.7	-23.7	11.6
<i>Finance Companies</i>	23	20	20	84412.6	2.1	50824.7	1.8	62014.3	2.0	-39.8	22.0
<i>Microfinance Financial Institutions</i>	49	54	59	382308.4	9.5	332474.4	11.6	306101.2	9.9	-13.0	-7.9
<i>Insurance Companies</i>	28	30	21	614733.9	15.3	366565.0	12.8	476141.4	15.4	-40.4	29.9
Production and Processing	19	19	19	147671.6	3.7	123503.2	4.3	136760.7	4.4	-16.4	10.7
Hotels	5	5	7	61413.5	1.5	45885.8	1.6	104783.1	3.4	-25.3	128.4
Trading	4	4	4	21671.0	0.5	11790.2	0.4	15354.8	0.5	-45.6	30.2
Investment Companies	5	6	6	323777.7	8.1	197846.4	6.9	219026.1	7.1	-38.9	10.7
Hydropower	40	51	79	337025.0	8.4	314232.4	11.0	407389.0	13.2	-6.8	29.6
Others	3	3	3	356516.7	8.9	243846.2	8.5	258078.9	8.4	-31.6	5.8
Total	219	234	254	4010957.7	100.0	2869344.2	100.0	3082519.5	100.0	-28.5	7.4

Source: Nepal Stock Exchange Ltd.

Appendix 1.1
List of Banks and Financial Institutions for Financial Transactions
(As of Mid July 2023)

1. Class: "A" (Commercial Banks)

S. No.	Name	Operation Date (A.D.)	Head Office	Paid up Capital (Rs. in Ten Million)	Working Area
1	Nepal Bank Ltd.	1937-11-15	Dharmapath, Kathmandu	1,469.40	National Level
2	Agriculture Development Bank Ltd.	1968-01-21	Ramshahpath, Kathmandu	1,888.44	National Level
3	Nabil Bank Ltd.	2022-07-11*	Beena Marg, Kathmandu	2,705.70	National Level
4	Nepal Investment Mega Bank Ltd.	2023-01-11*	Durbarmarg, Kathmandu	3,412.86	National Level
5	Standard Chartered Bank Nepal Ltd.	1987-02-28	Nayabaneshwor, Kathmandu	942.95	National Level
6	Himalayan Bank Ltd.	2023-02-24*	Kamaladi, Kathmandu	2,165.66	National Level
7	Nepal SBI Bank Ltd.	1993-07-07	Kesharmahal, Kathmandu	1,012.06	National Level
8	Everest Bank Ltd.	1994-10-18	Lazimpat, Kathmandu	1,069.81	National Level
9	Kumari Bank Ltd.	2023-01-01*	Tangal, Kathmandu	2,622.59	National Level
10	Laxmi Sunrise Bank Ltd.	2002-04-03	Hattisar, Kathmandu	2,167.02	National Level
11	Citizens Bank International Ltd.	2007-04-20	Narayanhitipath, Kathmandu	1,420.10	National Level
12	Prime Commercial Bank Ltd.	2007-09-24	Kamalpokhari, Kathmandu	1,940.26	National Level
13	Sanima Bank Ltd.	2012-02-15	Alkapuri, Naxal, Kathmandu	1,246.01	National Level
14	Machhapuchhre Bank Ltd.	2012-07-09*	Lazimpat, Kathmandu	1,025.72	National Level
15	NIC Asia Bank Ltd.	2013-06-30*	Thapathali, Kathmandu	1,156.40	National Level
16	Global IME Bank Ltd.	2023-01-09*	Kamaladi, Kathmandu	3,577.11	National Level
17	NMB Bank Ltd.	2019-09-28*	Babarmahal, Kathmandu	1,836.67	National Level
18	Prabhu Bank Ltd.	2023-01-10*	Babarmahal, Kathmandu	2,354.25	National Level
19	Siddhartha Bank Ltd.	2016-07-21*	Hattisar, Kathmandu	1,409.00	National Level
20	Rastriya Banijya Bank Ltd.	2018-05-02*	Singhadurbarplaza, Kathmandu	1,563.74	National Level

*Joint operation date after Merger / Acquisition

Paid-up capital based on the financial statement of Mid July, 2023

1. Class: "B" (Development Banks)

S. No.	Name	Operation Date (A.D.)	Head Office	Paid up Capital (Rs. in Ten Million)	Working Area
1	Narayani Development Bank Ltd.	2001-10-17	Ratna Nagar, Chitawan	26.25	1-3 District Level (Nawalparasi, Chitwan, Makawanpur)
2	Karnali Development Bank Ltd.	2004-02-18	Nepalgunj, Banke	50.28	1-5 District Level (Banke, Bardiya, Dang, Pyuthan, Rolpa)
3	Excel Development Bank Ltd.	2005-07-21	Birtamod, Jhapa	124.97	1-5 District Level (Ilam, Jhapa, Morang, Sunsari, Panchthar)
4	Miteri Development Bank Ltd.	2006-10-13	Dharan, Sunsari	101.50	1-5 District Level (Jhapa, Morang, Sunsari, Dhankuta, Udaypur)
5	Muktinath Bikas Bank Ltd.	2007-01-03	Kamaladi, Kathmandu	642.09	National Level
6	Corporate Development Bank Ltd.	2007-11-07	Birgunj, Parsa	52.50	1-3 District Level (Parsa, Makawanpur, Kavrepalanchowk)
7	Sindhu Bikas Bank Ltd.	2010-09-09	Barhabise, Sindhupalchowk	55.75	1-5 District Level (Sindhupalchowk, Kavre, Dolkha, Makawanpur, Chitwan)
8	Salapa Bikash Bank Ltd.	2012-07-16	Diktel, Khotang	35.00	1 District Level (Khotang)
9	Green Development Bank Ltd.	2013-08-25	Pokhara, Kaski	51.90	1-5 District Level (Baglung, Myagdi, Kaski, Tanahu, Nawalparasi East)
10	Sangrila Development Bank Ltd.	2014-07-13*	Baluwatar, Kathmandu	326.76	National Level
11	Shine Resunga Development Bank Ltd.	2013-03-17*	Butawal, Rupandehi	428.39	National Level

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12	Jyoti Bikas Bank Ltd.	2016-08-12*	Kamaladi, Kathmandu	439.58	National Level
13	Garima Bikas Bank Ltd.	2021-11-14*	Lazimpat, Kathmandu	518.77	National Level
14	Mahalaxmi Bikas Bank Ltd.	2017-07-02*	Durbar Marg, Kathmandu	417.13	National Level
15	Lumbini Bikas Bank Ltd.	2017-07-09*	Dillibazar, Kathmandu	338.28	National Level
16	Kamana Sewa Bikas Bank Ltd.	2017-08-04*	Gyaneshwor, Kathmandu	328.12	National Level
17	Saptakoshi Development Bank Ltd.	2019-07-07*	Dhankutabazaar, Dhankuta	83.43	1-7 District Level (Morang, Ilam, Panchthar, Jhapa, Sunsari, Dhankuta, Terhathum)

*Joint operation date after Merger / Acquisition

Paid-up capital based on the financial statement of Mid July, 2023

2. Class: "C" (Finance Companies)

S. No.	Name	Operation Date (A.D.)	Head Office	Paid up Capital (Rs. in Ten Million)	Working Area
1	Nepal Finance Ltd.	2021-07-11*	Kamaladi, Kathmandu	72.75	National Level
2	Nepal Share Markets and Finance Ltd.	1993-10-19	Ramshahapath, Kathmandu	23.33	National Level
3	Goodwill Finance Ltd.	1995-05-15	Hattisar, Kathmandu	94.61	National Level
4	Progressive Finance Ltd.	1996-02-26	Tinkune, Kathmandu	84.81	National Level
5	Janaki Finance Co. Ltd.	1997-03-07	Janakpurdham, Dhanusha	69.05	Province Level (Madhesh Province)
6	Pokhara Finance Ltd.	1997-03-16	Pokhara, Kaski	108.26	National Level
7	Multipurpose Finance Ltd.	1998-04-15	Rajbiraj, Saptari	45.20	1-5 District Level (Saptari, Siraha, Dhanusha, Mahottari, Sarlahi)
8	Samriddhi Finance Company Limited	2001-08-10	Hetauda, Makawanpur	81.89	National Level
9	Capital Merchant Banking & Finance Ltd.	2002-02-01	Battisputali, Kathmandu	93.51	National Level
10	Guheshwori Merchant Banking & Finance Ltd.	2002-06-13	Pulchowk, Lalitpur	101.22	National Level
11	ICFC Finance Ltd.	2004-07-15	Tangal, Kathmandu	118.35	National Level
12	Manjushree Finance Ltd.	2007-10-17	Nayabaneshwor, Kathmandu	135.16	National Level
13	Reliance Finance Ltd.	2014-05-08*	Pradarsani Marg, Kathmandu	105.30	National Level
14	Gorkhas Finance Ltd.	2016-04-10*	Dillibazar, Kathmandu	86.80	National Level
15	Shree Investment & Finance Co. Ltd.	2017-02-01*	Dillibazar, Kathmandu	98.17	National Level
16	Central Finance Ltd.	2017-03-23*	Kupondole, Lalitpur	94.89	National Level
17	Best Finance Ltd.	2018-08-02*	Chabahil, Kathmandu	85.48	National Level

*Joint operation date after Merger / Acquisition

Paid-up capital based on the financial statement of Mid July, 2023

4. Class: "D" (Micro Finance Financial Institutions)

S. No.	Name	Operation Date (A.D.)	Head Office	Paid up Capital (Rs. in Ten Million)	Working Area
1	Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd.	1999-07-17	Naxal, Kathmandu	261.21	National Level
2	Deprosc Laghubitta Bittiya Sanstha Ltd.	2001-07-03	Bharatpur, Chitwan	155.11	National Level
3	Chhimek Laghubitta Bittiya Sanstha Ltd.	2001-12-10	Old Baneshwor, Kathmandu	283.54	National Level
4	Swabalamban Laghubitta Bittiya Sanstha Ltd.	2002-02-22	Kamal Pokhari, Kathmandu	129.05	National Level
5	Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.	2002-03-11	Babarmahal, Kathmandu	333.16	National Level
6	Nerude Laghubitta Bittiya Sanstha Ltd.	2007-06-15	Biratnagar, Morang	73.20	National Level

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7	Mithila Laghubitta Bittiya Sanstha Ltd.	2009-04-29	Dhalkebar, Dhanusha	19.60	Province Level (Madhesh Province)
8	Sworojagar Laghubitta Bittiya Sanstha Ltd.	2009-12-16	Banepa, Kavrepalanchowk	62.72	National Level
9	First Microfinance Laghubitta Bittiya Sanstha Ltd.	2009-12-28	Gyaneshwor, Kathmandu	114.77	National Level
10	Kalika Laghubitta Bittiya Sanstha Ltd.	2020-01-08*	Pokhara, Kaski	37.23	National Level
11	Mirmire Laghubitta Bittiya Sanstha Ltd.	2022-08-31*	Banepa, Kavrepalanchowk	65.34	National Level
12	Janautthan Samudayik Laghubitta Bittiya Sanstha Ltd.	2010-11-09	Butwal, Rupandehi	17.01	19 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Kapilvastu, Rupandehi, Nawalparasi East, Nawalparasi West, Chitwan, Parsa, Surkhet, Dadeldhura, Gulmi, Palpa, Tanahu, Arghakhachi, Pyuthan, Salyan)
13	Suryodaya Womi Laghubitta Bittiya Sanstha Ltd.	2022-04-02*	Banepa, Kavrepalanchowk	79.19	National Level
14	Laxmi Laghubitta Bittiya Sanstha Ltd.	2012-06-04	Maharajgunj, Kathmandu	44.17	National Level
15	Himalayan Laghubitta Bittiya Sanstha Ltd.	2012-07-05	Chuchepati, Kathmandu	28.81	National Level
16	Vijaya Laghubitta Bittiya Sanstha Ltd.	2013-03-28	Gaidakot, Nawalparasi	74.50	National Level
17	NMB Laghubitta Bittiya Sanstha Ltd.	2013-03-31	Pokhara-Hemja, Kaski	72.14	National Level
18	Forward Microfinance Laghubitta Bittiya Sanstha Ltd.	2013-05-17	Duhabi Bhaluwa, Sunsari	105.56	National Level
19	Global IME Laghubitta Bittiya Sanstha Ltd.	2013-05-19	Pokhara, Kaski	61.89	National Level
20	Mahuli Laghubitta Bittiya Sanstha Ltd.	2020-11-23*	Bakdhuwa, Saptari	32.24	National Level
21	Meromicrofinance Laghubitta Bittiya Sanstha Ltd.	2013-07-18	Battar, Nuwakot	132.00	National Level
22	Samata Gharelu Laghubitta Bittiya Sanstha Ltd.	2021-04-15*	Banepa, Kavrepalanchowk	39.42	National Level
23	RSDC Laghubitta Bittiya Sanstha Ltd.	2013-09-11	Butwal, Rupandehi	86.96	National Level
24	Samudayik Laghubitta Bittiya Sanstha Ltd.	2014-04-13	Banepa, Kavrepalanchowk	14.52	4-10 District Level (Dolakha, Sindhupalchowk, Ramechhap, Kavrepalanchowk, Solukhumbu, Okhaldhunga, Nuwakot, Khotang, Bhojpur, Sankhuasabha)
25	National Microfinance Laghubitta Bittiya Sanstha Ltd.	2021-07-14*	Nilkantha, Dhading	108.42	National Level
26	Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	2014-08-15*	Butawal, Rupandehi	98.25	National Level
27	Wean Nepal Laghubitta Bittiya Sanstha Ltd.	2021-11-01*	Banepa, Kavrepalanchowk	7.92	Province Level (Bagmati Province)
28	Unnati Sahakarya Laghubitta Bittiya Sanstha Ltd.	2020-07-10*	Siddarthanagar, Rupandehi	22.90	National Level
29	NADEP Laghubitta Bittiya Sanstha Ltd.	2015-05-15	Gajuri, Dhading	48.58	National Level
30	Support Laghubitta Bittiya Sanstha Ltd.	2015-07-12	Hasposa, Itahari	9.52	Province Level (Koshi Province)
31	Aarambha Chautari Laghubitta Bittiya Sanstha Ltd.	2021-11-16*	Banepa, Kavrepalanchowk	36.71	National Level
32	Asha Laghubitta Bittiya Sanstha Ltd.	2016-08-29	Madanpur Nuwakot	64.16	National Level
33	Gurans Laghubitta Bittiya Sanstha Ltd.	2016-11-16	Dhankutabazaar, Dhankuta	10.14	Province Level (Koshi Province)

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34	Ganapati Laghubitta Bittiya Sanstha Ltd.	2016-12-09	Shuklagandaki, Tanahu	15.16	National Level
35	Infinity Laghubitta Bittiya Sanstha Ltd	1900-01-09	Gaidakot, Nawalparasi	49.74	National Level
36	Swabhiman Laghubitta Bittiya Sanstha Ltd.	2017-05-22	Tilottama, Rupandehi	14.61	Province Level (Lumbini Province)
37	Sabaiko Laghubitta Bittiya Sanstha Ltd.	2017-07-14	Bandipur, Tanahu	31.86	National Level
38	Sadhana Laghubitta Bittiya Sanstha Ltd.	2017-10-30	Gorkha, Gorkha	38.23	National Level
39	NIC Asia Laghubitta Bittiya Sanstha Ltd.	2021-03-21*	Banepa, Kavrepalanchowk	173.94	National Level
40	Manakamana Smart Laghubitta Bittiya Sanstha Ltd.	2020-07-26*	Siddarthanagar, Ruphandehi	14.85	Province Level (Lumbini Province)
41	Samaj Laghubitta Bittiya Sanstha Ltd.	2018-05-15	Malangawa, Sarlahi	2.00	1-3 District Level (Sarlahi, Mahottari, Dhanusha)
42	Mahila Laghubitta Bittiya Sanstha Ltd.	2018-10-18	Banepa, Sanga, Kavrepalanchok	21.76	National Level
43	Manushi Laghubitta Bittiya Sanstha Ltd.	2018-11-17	Banepa, Bhaisepati, Kavrepalanchok	10.94	National Level
44	Unique Nepal Laghubitta Bittiya Sanstha Ltd.	2022-01-14*	Kohalpur, Banke	14.86	4-10 District (Bardiya, Banke, Kailali, Kanchanpur, Dang, Kapilbastu, Rupandehi, Nawalparasi, Surkhet, Dadeldhura)
45	Jalpa Samudayik Laghubitta Bittiya Sanstha Limited	2020-12-01*	Butwal, Rupandehi	16.00	National Level
46	Upakar Laghubitta Bittiya Sanstha Limited	2019-03-27	Kohalpur, Banke	10.61	Province Level (Lumbini Province)
47	Dhaulagiri Laghubitta Bittiya Sanstha Limited	2019-02-19	Baglung -2, Baglung	13.31	National Level
48	CYC Nepal Laghubitta Bittiya Sanstha Limited	2023-03-14*	Pokhara, Kaski	26.64	National Level
49	NESDO Samriddha Laghubitta Bittiya Sanstha Limited	2019-03-05	Kushma, Parbat	25.50	National Level
50	Swastik Laghubitta Bittiya Sanstha Limited	2019-03-26	Lahan, Siraha	1.20	Province Level (Madhesh Province)
51	Shrijanshil Laghubitta Bittiya Sanstha Limited	2019-03-15	Golbazar, Siraha	10.94	National Level
52	Kisan Laghubitta Bittiya Sanstha Limited	2020-07-13*	Dhanagadhi, Kailali	50.44	National Level
53	Jeevan Bikash Laghubitta Bittiya Sanstha Limited	2020-09-07*	Katahari, Morang	118.20	National Level
54	BPW Laghubitta Bittiya Sanstha Limited	2019-04-15	Banepa, Kavrepalanchowk	3.00	Province Level (Bagmati Province)
55	Aatmanirbhar Laghubitta Bittiya Sanstha Limited	2019-04-15	Ghorahi, Dang	6.23	Province Level (Lumbini Province)
56	Super Laghubitta Bittiya Sanstha Limited	2020-01-15	Tulshipur, Dang	1.95	Province Level (Lumbini Province)
57	Aviyan Laghubitta Bittiya Sanstha Limited	2019-12-17	Panauti, Kavrepalanchowk	25.00	National Level

*Joint operation date after Merger/Acquisition

Paid-up capital based on the financial statement of Mid July, 2023

5. Infrastructure Development Bank

S. No.	Name	Operation Date (A.D.)	Head Office	Paid up Capital (Rs. in Ten Million)	Working Area
1	Nepal Infrastructure Bank Limited	2019-03-06	New Baneshowr, Kathmandu	2,000.00	National Level

6. Other Institutions

A. Cooperative

S.No.	Name	Office	Contact Office
1	Rastriya Sahakari Bank Ltd.	Kupondole, Lalitpur	Baneshwor, Kathmandu

B. Hire Purchase

S.No.	Name	Office	Contact Office
1	Omni Pvt.Ltd.	Adarshnagar, Birgunj	Adarshanagar, Birgunj
2	Hulas Fin Serve Ltd.	Teku, Kathmandu	Teku, Kathmandu
3	Sipradi Hire Purchase Pvt. Ltd.	Gairidhara, Kathmandu	Thapathali, Kathmandu
4	MAW Investment Pvt. Ltd.	Biratnagar, Morang	Teku, Kathmandu
5	Batas Investment Co. Pvt. Ltd.	Pokhara, Kaski	Gairidhara, Kathmandu
6	Syakar Investment Pvt. Ltd.	Kantipath, Kathmandu	Kantipath, Kathmandu
7	Jagadamba Credit & Investment Ltd.	Naxal, Kathmandu	Naxal, Kathmandu
8	Venture Hire Purchase Pvt. Ltd.	Panipokhari, Kathmandu	Panipokhari, Kathmandu
9	Manokamana Hire Purchase Pvt. Ltd.	Kantipath, Kathmandu	Kantipath, Kathmandu
10	Agni Hire Purchase Pvt. Ltd.	Panipokhari, Kathmandu	Panipokhari, Kathmandu

C. Representative Offices

S.No.	Name	Office	Contact Office
1	Mashreq Bank PSC	Dubai, UAE	Thapathali, Kathmandu
2	Doha Bank	Doha, Qatar	Thapathali, Kathmandu
3	ICICI Bank Limited	Mumbai, India	Thapathali, Kathmandu

D. Hydropower Investment and Development

S.No.	Name	Office	Contact Office
1	Hydroelectricity Investment & Development Company Ltd.	Babarmahal, Kathmandu	Babarmahal, Kathmandu

PART – 2

ACTIVITIES OF NEPAL RASTRA BANK

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PART – TWO
ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2022/23

2.1 Under the provision of the NRB Act, 2002, the monetary policy for 2022/23 was formulated with the primary objective of maintaining price and balance of payment stability for attaining overall economic stability and supporting sustainable development of the economy. NRB announced the monetary policy for 2022/23 on 22 July 2022 at a time when the economy was grappling with a significant level of current account and the balance of payment deficit. The policy aimed to facilitate the targeted economic growth, and align with the policies and programs outlined in the budget of the Government of Nepal while ensuring macroeconomic stability. The first quarter review of the monetary policy for 2022/23 was released on 27 November 2022, the mid-term review on 10 February 2023, and the third quarter review on 12 May 2023.

Objectives and Targets

- 2.2 The main priorities of the monetary policy were to promote macroeconomic stability by maintaining price and external sector stability, support economic growth through increasing productivity, channel financial resources to the productive sector, review refinance facilities, enhance access to credit for small, domestic, micro and medium enterprises (SMEs), maintain financial stability through prudential regulation and improved credit quality, and promote financial literacy, financial access and financial inclusion by digitizing payments and financial transactions.
- 2.3 The pegged exchange rate of the Nepalese Rupee with the Indian Rupee as the nominal anchor of the monetary policy has been kept unchanged. The weighted average interbank rate among the BFIs has been continued as an operational target of the policy along with strengthening the interest rate as a channel of monetary policy transmission. The monetary policy for 2022/23 set the target of containing average annual consumer price inflation at 7 percent. Besides, the monetary policy targeted maintaining foreign exchange reserves sufficient to cover the prospective merchandise import of goods and services for at least 7 months and to help achieve the targeted economic growth without putting pressure on prices resulting from the demand side.

Table 2.1
Inflation and Balance of Payments Surplus

Particulars	2020/21	2021/22	2022/23	
			Target	Actual
Annual Average Inflation (in percent)	3.60	6.32	7.00	7.74
Balance of Payments (Rs. billion) (+Surplus/-Deficit)	1.23	-255.26	-100.00	290.52

2.4 According to the National Statistics Office (NSO), GDP at basic prices and GDP at producer prices for 2022/23 are projected to expand by 2.16 percent and 1.86 percent respectively. Economic growth remained subdued due mainly to the slackness witnessed in the industry

and service sector. The average inflation remained slightly higher than the target at 7.74 percent for 2022/23 due to weak production capacity, inflationary pressures on consumer prices in India including the high level of inflation globally, and additional weakening of the Nepalese currency against the US Dollar. In the review year, contraction in aggregate demand and decline in imports due to tighter policy stance and other direct import restriction measures introduced to manage the external sector, and increase in remittance inflows and tourism income led to the BOP surplus of Rs.290.52 billion (Table 2.1). As of mid-July 2023, the foreign exchange reserves in the banking sector was sufficient to cover the imports of goods and services for 10 months.

Intermediate and Operating Targets of Monetary Policy

- 2.5 In the monetary policy for 2022/23, price stability was continued as the primary objective, and the other objectives and priorities of monetary policy were determined based on national and international economic outlooks. To achieve objectives set by the monetary policy, the weighted average interbank rate among the BFIs was continued as an operational target of the policy along with strengthening the interest rate as a channel of monetary policy transmission. From this year, the setting of the policy rate will be guided by the targeted foreign exchange reserves' capacity to cover the imports and the targeted annual inflation rate.
- 2.6 Broad money supply (M2) increased by 11.4 percent compared to the initial projection of 12.0 percent for 2022/23. Likewise, domestic credit grew 4.6 percent compared to the initial projection of 12.6 percent (Table 2.2). The credit expansion remained lower in 2022/23 due to weak capital expenditure, low economic growth rate, and contraction in liquidity leading to increased interest rates and decreased credit demand.

Table 2.2
Money Supply and Domestic Credit

Particulars	2020/21	2021/22	2022/23	
			Projection	Actual
The growth rate of broad money supply (in percent)	21.8	6.8	12.0	11.4
Growth rate of narrow money supply (in percent)	22.6	-9.7	5.0	-0.1
Growth rate of domestic credit (in percent)	27.1	14.5	15.9	8.7
The growth rate of credit to the private sector (in percent)	26.3	13.3	12.6	4.6

Instruments of Monetary Policy

- 2.7 The stance of monetary policy for 2022/23 was kept cautiously tight. Accordingly, the operating target and instruments of monetary policy were selected. Considering the pressure on prices and foreign exchange reserves, and to ensure macroeconomic stability, the rates under the interest rate corridor were increased, such as the bank rate to 8.5 percent, the policy rate to 7.0 percent, and the deposit collection rate to 5.5 percent. To make liquidity management more effective, the concept of an open market operation stabilization fund was forwarded.
- 2.8 To improve liquidity management by strengthening monetary management, a provision has been brought into implementation so that BFIs can automatically use the overnight liquidity facility (OLF). Similarly, if the weighted average interbank rate is lower or higher than the policy rate determined by this bank, the provision for conducting open market operations is

introduced. A provision has been made to provide standing liquidity facility (SLF) to the BFIs on the collateral of securities specified by the NRB for a maximum period of 5 days at the bank rate, provided that the outstanding SLF will be no more than 1 percent of the total local currency deposits held by the bank in the previous week. The BFIs that are unable to manage liquidity through the above-mentioned means would be provided with a Lender of Last Resort Facility at a penalty rate of 2 percentage points above the bank rate if requested by the respective institution.

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

Headings	2020/21	2021/22	2022/23
Cash Reserve Ratio			
“A” Class Institutions	3.0	3.0	4.0
“B” Class Institutions	3.0	3.0	4.0
“C” Class Institutions	3.0	3.0	4.0
Statutory Liquidity Ratio			
“A” Class Institutions	10.0	10.0	12.0
“B” Class Institutions	8.0	8.0	10.0
“C” Class Institutions	7.0	7.0	10.0

- 2.9 Cash Reserve Ratio (CRR) that needs to be maintained by BFIs has been increased from 3 percent to 4 percent. Likewise, SLR has been increased to 12 percent for commercial banks, and 10 percent each for both development banks and finance companies.
- 2.10 Through the mid-term review of the monetary policy, the overnight liquidity facility (OLF) which was being availed at the bank rate of 8.5 percent, was made available at the policy rate of 7 percent. Likewise, in the third quarter review of the monetary policy, the bank rate was cut by 1 percentage point to 7.5 percent, by making the stance of monetary policy cautiously flexible.

Review of the COVID-19 Targeted Policy Arrangements

- 2.11 Under the monetary policy for 2022/23, a strategy was adopted to gradually remove the unconventional monetary and financial instruments introduced during the COVID-19 pandemic. Accordingly, a policy was adopted to gradually reduce the refinance facility in other areas while continuing the facility to the productive sectors including agriculture, small enterprises, exports, and the heavily affected areas which were yet to recover from the COVID-19 pandemic. As of mid-July 2023, the amount of refinancing in investment remained Rs.1.50 billion.
- 2.12 A policy provision to facilitate the inflows of foreign exchange including remittances into Nepal and discourage activities that put pressure on foreign exchange reserves including the import of goods and services was taken to reduce the pressure on the external sector which was caused by COVID-19 and the Russia-Ukraine War. However, with the improvement in the external sector from the middle of 2022/23, the ban on the import of some items and the provision of the cash margin requirement for opening LC were removed.

Monetary Management

Issue and Management

- 2.13 NRB has been issuing and managing the domestic debt on behalf of the GoN. Likewise, the process of injecting and absorbing liquidity has been carried out as per requirement for the liquidity management of the banking sector. Domestic debt and liquidity has been managed following the procedures in 'Public Debt Management Act, 2022', 'Public Debt Act, 2002', 'Public Debt Rules, 2003', 'Management of Primary and Secondary Market of Securities Rules, 2005', 'Nepal Rastra Bank Public Debt Management Guidelines, 2017' and 'NRB Open Market Transaction Bylaw, 2021'.
- 2.14 After the enactment of the Public Debt Management Act 2022, the bank has been mobilizing domestic debt as per the domestic debt issuance and auction schedule approved by the Government of Nepal for each year. The bank has been currently issuing and managing treasury bills, development bonds, citizen savings bonds, and foreign employment savings bonds.

Treasury Bills

- 2.15 In 2022/23, treasury bills worth Rs.153.61 billion were issued consisting of Rs.20 billion worth of 28-day, Rs.43.61 billion of 91-days, Rs.40 billion of 182-day maturity, and Rs 50 billion with 364-days maturity (Appendix 2.7). Similarly, of the outstanding treasury bills of Rs.354.51 billion at the end of mid-July 2022, treasury bills amounting to Rs.50.30 billion were redeemed by GoN in the review year. The outstanding treasury bills at the end of the fiscal year stood at Rs.457.82 billion.

Development Bonds

- 2.16 In 2022/23, development bonds worth Rs.100 billion were issued (Appendix 2.8). In mid-July 2022, the outstanding amount of development bonds was Rs.620.45 billion, of which Rs.64 billion was redeemed in 2022/23. At the end of 2022/23, the outstanding amount of development bonds remainedt Rs.656.45 billion.

Citizen/Foreign Employment Saving Bonds

- 2.17 In 2022/2023, the Citizen Saving Bond worth Rs.2.36 billion was issued. The outstanding Citizen Saving Bond in mid-July 2022 was Rs.9.14 billion, out of which Rs.751.1 million was redeemed in 2022/23. In mid-July 2023, the outstanding amount of Citizen Saving Bond stood at Rs.10.75 billion.
- 2.18 In 2022/23, the Foreign Employment Saving Bond worth Rs.26.4 million was issued. The outstanding Foreign Employment Saving Bond in mid-July 2022 was Rs.190.2 million, out of which Rs.41.2 million was redeemed in 2022/23. In mid-July 2023, the outstanding amount of the Foreign Employment Saving Bond stood at Rs.175.4 million (Table 2.4).

Table 2.4
Outstanding Citizen Saving Bond and Foreign Employment Saving Bonds

(Rs. in Million)

Particulars	Citizen Saving Bond	Foreign Employment Saving Bonds
Outstanding Bonds in mid-July 2022	9140	190.2
New issue in 2022/23	2361.3	26.4
Redeemed during 2022/23	751.1	41.2
Outstanding Bonds in mid-July 2023	10750	175.4

Net Domestic Debt Issue

2.19 In 2022/23, gross domestic debt amounting to Rs.256 billion was raised through various instruments while Rs.115.09 billion worth of domestic debt was redeemed so that net domestic debt issuance remained Rs.140.90 billion in 2022/23 (Table 2.5).

Table 2.5
Net Domestic Debt Issue

(Rs. in Million)

Description	2020/21	2021/22	2022/23	Ratio with GDP (percent)		
				2020/21	2021/22	2022/23
(A) Total Issue	224010.0	231303.0	255997.7	5.15	4.69	4.76
Treasury Bill	90000.0	103917.0	153610.0	2.07	2.11	2.85
Development Bond	130000.0	124500.0	100000.0	2.99	2.52	1.86
Citizen Saving Bond	3954.0	2829.8	2361.3	0.09	0.06	0.04
Foreign Employment Bond	55.0	56.7	26.4	0.00	0.00	0.00
(B) Total Payment	36901.0	47337.8	115094.8	0.85	0.96	2.14
Treasury Bill	25627.0	29000.0	50302.5	0.59	0.59	0.93
Development Bond	6000.0	18000.0	64000.0	0.14	0.36	1.19
Citizen Saving Bond	5000.0	285.7	751.1	0.11	0.01	0.01
Foreign Employment Bond	275.0	52.1	41.2	0.01	0.00	0.00
(C) Net Domestic Debt	187110.0	183965.0	140903.0	4.30	3.73	2.62
Treasury Bill	64373.0	74946.6	103308.0	1.48	1.52	1.92
Development Bond	124000.0	106500.0	36000.0	2.85	2.16	0.67
Citizen Saving Bond	-1046.0	2544.1	1610.2	-0.02	0.05	0.03
Foreign Employment Bond	-219.0	4.6	-14.8	-0.01	0.00	0.00
(D) Total Outstanding Domestic Debt	800320.0	984285.0	1125188.2	18.39	19.95	20.91
(E) Gross Domestic Product*	4352550.0	4933700.0	5381340.0			

* Source: Economic Survey, 2022/23.

Outstanding Total Domestic Debt Liabilities of GoN

2.20 The total domestic debt liability of the GoN reached Rs.1125.19 billion in mid-July 2023 compared to Rs.984.29 billion in mid-July 2022 (Table 2.6). Debt mobilization through bonds increased in the review year compared to the previous year since the GoN raised additional debt through treasury bills and development bonds surpassing the amount redeemed.

Table 2.6
Total Domestic Debt Liabilities of GoN

(Rs. in Million)

SN	Type of Bill/Bond	Mid-July			Percentage Change	
		2020/21	2021/22	2022/23	2021/22	2022/23
1	Treasury Bill	279592.0	354508.0	457815.6	26.79	29.14
2	Development Bond	513947.0	620447.0	656447.0	20.72	5.80
4	Citizen Saving Bond	6596.0	9140.0	10750.2	38.57	17.62
5	Foreign Employment Bond	186.0	190.2	175.4	2.26	-7.77
Total		800320.0	984285.0	1125188.2	22.99	14.32

Government Bonds Owned by NRB

- 2.21 Among the government securities owned by the NRB, the share of treasury bills remained the highest in 2022/23. Till mid-July 2023, the government securities owned by the NRB amounted to Rs.74.21 billion (Table 2.7).

Table 2.7
Details of Government Securities in the Ownership of NRB

(Rs. in Million)

S.N.	Type of Bill/Bond	Mid-July			Percentage Change	
		2020/21	2021/22	2022/23	2021/22	2022/23
1	Treasury Bill	15473.0	15128.3	45353.0	-2.23	199.79
2	Development Bond	41129.0	33457.0	24949.0	-18.65	-25.43
3	Citizen Saving Bond	181.0	3001.4	3901.2	1558.20	29.98
4	Foreign Employment Bond	3.0	3.0	6.5	0.00	116.67
Total		56787.0	51589.7	74209.4	-9.15	43.85

Program for Sales Promotion of Government Bonds

- 2.22 To make government bond transactions more effective, a one-day interaction program on public debt management was conducted with the participation of staff of the treasury bills section of commercial banks, market makers, and sales agents.
- 2.23 To provide information regarding the government bonds, one-day interaction programs on liquidity and domestic debt management were conducted in Biratnagar of Koshi Province, Pokhara of Gandaki Province, Dhangadi of Far-west Province, and Bhairawa of Lumbini Province with the participation of market makers.
- 2.24 To provide information on the issuance of Citizen Saving Certificate 2084 "Ka" and 2085; and Foreign Employment Bond 2084 "Ka" and 2085, discussion programs were organized with the market makers and sales agents in different phases.

Liquidity Management

- 2.25 As per the provision of monetary policy, liquidity in the banking system has been managed through monetary instruments such as repo, reverse repo, outright sale and purchase, and deposit auction. Additionally, Standing Liquidity Facilities and Overnight repos have also been used for liquidity management. To address the provisions revised through the monetary

policy of 2022/23 and its periodic reviews on monetary measures, "NRB Open Market Operation Bylaw, 2021" and "NRB Open Market Operation Procedure, 2021" have been amended and implemented.

- 2.26 In 2022/23, total liquidity amounting to Rs.108.20 billion (on turnover basis) was mopped up. Out of the total amount absorbed, Rs.88.20 billion was mopped up through reverse repo auction and Rs.20.0 billion through regular deposit collection.

Table 2.8
Liquidity Mopped-up

S.N.	Instrument	Times	Amount (in billion)
1	Reverse Repo	6	88.20
2	Deposit Collection	1	20.00
	Total		108.20

- 2.27 Likewise, in the review year, total liquidity amounting to Rs.414.47 billion was injected on turnover basis of which Rs.97.97 billion was through overnight repo under interest rate corridor and Rs.316.50 billion through regular repo. In addition, liquidity of Rs.2727.11 billion was injected on a turnover basis through a standing liquidity facility for 1657 times and Rs. 89.70 billion through outright purchase (Table 2.9).

Table 2.9
Liquidity Injected

S.N.	Instrument	Times	Amount (in billion)
1	Overnight Repo	216	97.97
2	Regular Repo	14	316.50
3	Standing Liquidity Facility	1657	2727.11
4	Outright Purchase	5	89.70
	Total		3231.28

Regulation, Financial Sector Reform, and Enhancing Financial Access

Regulation and Financial Sector Reform

Regulatory Provisions

- 2.28 Various directives have been issued in 2022/23 to improve, strengthen, and stabilize the financial sector along with reforming the financial sector. For expanding economic activities and strengthening the confidence of the market, provisions such as loan restructuring and rescheduling have also been implemented.

a) Issuance of Working Capital Loan Guidelines, 2022

The 'Working Capital Loan Guidelines, 2022' has been issued, and implemented since 18 October 2022 with the objectives of making borrowers financially disciplined, transparent, and organized, enhancing the effectiveness of monitoring from financial institutions, ensuring the proper utilization of loans, and promoting good governance in the financial system. Compliance with this guideline is expected to play a significant role

in further enhancing financial stability along with its positive impact on the overall banking sector.

b) Directive issued to strengthen the quality of loan

The provision related to loan restructuring and rescheduling by banks and financial institutions has been revised considering international good practices and the borrowers' ability to repay loans. Such a revision is expected to make this provision more effective and practical. Moreover, this arrangement seems to further support the task of Assets Quality Review.

c) Directive issued relating to interest capitalization

In light of various international good practices, a necessary directive has been issued revising the current practice of accounting income through interest capitalization as per the provision related to interest accrual in the grace period under the Unified Directives to the banks and financial institutions.

d) Special provision regarding loan rescheduling and restructuring

Based on necessity and relevance, the licensed 'A', 'B', and 'C' class banks and financial institutions can reschedule and restructure loans to hotels and restaurants, animal husbandry, the construction sector, and loans up to Rs.50 million disbursed to other sectors as well as loans up to Rs. 20 million to the operation of small and medium enterprises. This provision has been implemented considering the need to ease the difficulty faced by borrowers in loan repayment due to the slowdown in the economy and facilitate small and medium enterprises.

e) Sixth Amendment on Refinance Procedure, 2020

The sixth revision has been made in the Refinance Procedure with the objective of providing refinance only by maintaining alignment between the economic situation and monetary stimulus. The revision of the guideline has focused on providing refinance only after the analysis of the macroeconomic indicators such as the economy's overall situation, natural disasters, pandemics and other adverse conditions induced by domestic and external factors, liquidity situation of the banking sector and trend of credit flow to the private sector.

f) Amendment relating to the provision of Loan to Value Ratio

To ease the uncomfortable situations faced by borrowers due to sluggishness prevailing in the economy and to facilitate economic activities, the provision regarding the ratio of Loan and Fair Market Value of its loan (Loan to Value Ratio) that licensed A, B, and C class banks and financial institutions have to comply while disbursing loans has also been revised.

Financial Stability Report and Publication of Statistics

- a) Financial Stability Report has been published on a regular basis. In the same way, the fourteenth edition of the Financial Stability Report based on statistics from mid-July 2022 has been published.

- b) Monthly reports have been prepared and published regularly on the website based on the daily, monthly, and quarterly statistics provided by banks and financial institutions as per the Unified Directives.

Enhancing Financial Access

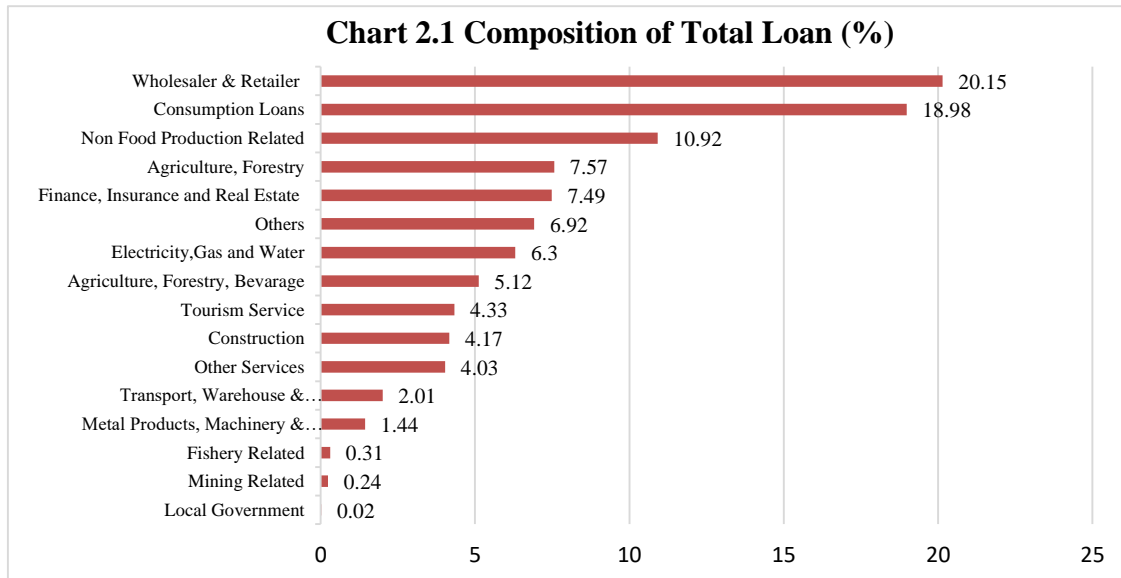
- 2.29 Financial access has been widening with the expansion of the network of financial institutions. In accordance to ensure the presence of at least a branch of a commercial bank in each local level, out of 753 local levels, the number of local levels having access to commercial banks have reached 752 as of mid-July 2023 (Table 2.10). The branch of the commercial bank is yet to reach Bajhang District, Saipal Rural Municipality of Sudurpaschim Province.

Table 2.10
Commercial Bank Branches at Local Level

Province	No. of Local Level	No. of Local Level with Access to Commercial Bank Branch		
		Mid-July 2021	Mid-July 2022	Mid-July 2023
Province 1	137	137	137	137
Madesh	136	136	136	136
Bagmati	119	118	119	119
Gandaki	85	85	85	85
Lumbini	109	109	109	109
Karnali	79	78	79	79
Sudur-paschim	88	87	87	87
Total	753	750	752	752

- 2.30 With the expansion of the network of branches of the BFIs, financial access has been increasing. In 2022/23, 24 commercial banks were involved in the merger process resulting in 20 commercial banks from 27. The overall number of BFIs has decreased by 14 compared to earlier years to reach 112 (including the infrastructure development bank) as of mid-July 2023. This is an important achievement of the financial sector consolidation policy adopted by NRB and helps in strengthening of financial sector and financial stability. The number of branches of BFIs increased by 0.53 percent compared to the previous year to reach 11,589 as of mid-July 2023. The number of branchless banking service centers reached 1,319 as of mid-July 2023. The number of population served per branch has decreased by 0.59 percent from 2,532 to 2,517 as of mid-July 2023.
- 2.31 As of mid-July 2023, the total paid-up capital of 20 commercial banks in operation remained at Rs.369.85 billion whereas that of development banks and finance companies remained at Rs.55 billion. In addition, the total deposits of BFIs increased by 11.86 percent to Rs.5771 billion during the review period. Similarly, the total loan disbursed by BFIs increased by 3.63 percent to Rs.4879 billion. The sector composition of total loans has been presented in Chart 2.1.

Merger/Acquisition



2.32 The process of merger/acquisition has gained momentum after the implementation of the Banks and Financial Institutions Merger and Acquisition Bylaw, 2016. During 2022/23, a total of 28 BFIs were involved in the merger and acquisition process resulting in 112 BFIs (including the infrastructure development bank). During the review period, out of 14 mergers/acquisition processes, 9 were related to merger whereas 5 were related to acquisition.

Blocking, releasing, and requesting details of accounts in various BFIs

2.33 During 2022/23, actions of blocking, releasing, and requesting details of accounts in various BFIs were carried out through 874 letters on the request of agencies like the Central Investigations Bureau of Nepal Police, Inland Revenue Department, Taxpayer Service Offices and Commission for Investigation of Abuse of Authority.

Refinance, Concessional Loans, and Deprived Sector Lending

2.34 Nepal Rastra Bank Refinancing Procedure, 2020 (with Sixth Amendment) has been issued using the right granted by Sub-section (3) of Section 110 of Nepal Rastra Bank Act, 2002 with the objectives of making existing refinance facility available for revival and promotion of productive sectors including the agriculture and manufacturing sector, micro, cottage and small industry and export industry under the condition of the unfavorable situation in the economy. In addition to using refinance facility as an unconventional instrument of monetary policy, provision has been made in the aforementioned procedure to make special refinance facility available to sectors where the sectoral economic growth rate has been negative for two consecutive quarters.

2.35 In 2022/23, a total of 8 BFIs including class "A", "B" and "C" have been approved for general refinance of Rs.1.45 billion whereas other types of refinance facility (special and SME refinance) have not been made available.

2.36 In 2022/23, licensed "A", "B" and "C" class financial institutions are required to disburse 5 percent of their total credit to the deprived sector. As of mid-July 2023, such a deprived sector

lending stood at 6.49 percent for commercial banks, 8.78 percent for development banks, and 8.76 percent for finance companies.

- 2.37 As of mid-July 2023, out of loan disbursed under the "Unified Manual Related to Interest Subsidy for Concessional Loan 2018", Rs.135.76 billion remained outstanding to 60,350 borrowers under the Agriculture and Livestock Business Loan. Likewise, Rs.61.30 billion remained outstanding to 85,428 borrowers in other sectors as per this manual. GoN has provided a Rs.22.39 billion interest subsidy for the concessional loan in 2022/23.
- 2.38 In the review year, an interest subsidy of Rs.42.5 million has been provided by the GoN for the program to establish cold storage and food storage as per the provisions of the Interest Subsidy Standard, 2016.
- 2.39 In 2022/23, GoN reimbursed 8 BFIs with Rs.799.2 million for business continuity loans provided to their 35 borrowers as per Business Continuity Loan Procedure, 2020.

Approval to issue loans for margin trading

- 2.40 Based on the recommendation of Nepal Stock Exchange Limited, approval has been granted to 31 stock broker institutions to issue loans for margin trading by Section 76 of Nepal Rastra Bank Act, 2002.

Supervision of BFIs

Supervision of Commercial Banks

- 2.41 In 2022/23, by adopting the risk-based supervision method, full scope on-site inspection of 12 commercial banks and targeted on-site inspections of 11 commercial banks were completed. Improvement of weaknesses and evaluation of the banks based on the details of the information received during the onsite inspection have been continued.
- 2.42 In the review year, 17 AML/CFT targeted inspection including 6 commercial banks, 5 development banks, 3 finance companies, and 3 non-bank financial institutions were completed. Furthermore, a total of 38 onsite and off-site special inspections were completed based on filed complaints, grievances received from various agencies and individuals, relevancy, and needs, and such complaints and grievances were addressed.
- 2.43 In the review year, a monitoring report of CRR on every two weeks, a daily report of CD ratio, and a monthly report of SLR and spread rate through regular monitoring of spread rate-related details have been prepared through off-site supervision of commercial banks. Similarly, a quarterly report has been prepared based on the monitoring of loans disbursed to the deprived sector and priority sectors. In addition, the capital adequacy of commercial banks has been monitored every month.
- 2.44 The off-site inspection report has been prepared on every quarter by incorporating the financial analysis of commercial banks and infrastructure development banks, monitoring of compliance of acts, prevailing laws, regulations, direction and directives, and CAELS Analysis, Earning Warning Signals, and Stress Testing Result. Moreover, key financial indicators have been prepared based on the financial analysis of commercial banks and published on the website of the bank quarterly.

- 2.45 Approval has been granted to 26 commercial banks and Nepal Infrastructure Bank Limited to publish their financial statements for 2021/22 prepared according to the Nepal Financial Reporting Standard. While providing such approvals, these institutions were directed to arrange to improve and not to repeat shortcomings found in the on-site inspection, off-site supervision, and those pointed out by external audit.
- 2.46 Regular monitoring of shortcomings mentioned in the reports prepared based on overall, targeted, and special on-site inspection and off-site supervision done by the bank, and regular follow-ups were made regarding the compliance of the directions issued to them. A semi-annual monitoring report of all commercial banks has been prepared.
- 2.47 The annual full-scope bank supervision report for 2021/22 has been published including the analysis of the overall supervision and financial status of commercial banks. Also, at the end of each quarter, a brief report has been prepared on whether the loan loss provision has been maintained or not as mentioned in the supervision report based on loan loss provision-related information received from the banks.
- 2.48 Nepal Rastra Bank inspection and supervisory bylaw, 2074 has been amended and implemented. The AML/CFT Supervisory Framework/Manual has been updated following the National Strategy and Action Plan, and National Risk Assessment (NRA).
- 2.49 The large exposure-related framework established to study the condition of credit utilization of large borrowers is in the process of approval. In addition, the Individual Bank Supervisor (IBS) procedure has been prepared and is under the process of approval.
- 2.50 The SIS Implementation Action Plan 2022 has been approved to implement the Supervisory Information System (SIS) prepared to receive data and information from all banks and financial institutions through a single portal and is being implemented in a phased manner accordingly. Since January 2023, instructions have been issued to banks and financial institutions to send daily returns only through SIS, and since 14 April 2023, regulatory compliance has been monitored based on the data and information submitted from the Supervisory Information System.
- 2.51 A Risk-Based Supervision Offsite Manual has been prepared and implemented by incorporating the updated CAELS rating system. The Supervisory Review and Evaluation Process (SREP) has been completed following the ICAAP Report of Banks.
- 2.52 Due to non-compliance with the various instructions issued by this bank, 12 commercial banks were fined 15 times in 2022/23 and the board of directors, chief executive officer, and chief credit officer of 14 commercial banks were warned a total of 22 times.
- 2.53 Commercial banks have committed to refunding NRS 4.76 billion to borrowers' accounts, which they have collected as an additional risk premium in contravention of the provision mentioned in unified directive no. 15 (3). Most of the amount has already been credited to the account of the borrowers, whereas the remaining amount is in the process of being deposited.
- 2.54 Some of the regulatory indicators of commercial banks are as follows (Table 2.11).

Table 2.11
Key Indicators of Commercial Banks

S.N.	Indicators	Mid-July 2022	Mid-July 2023
1	Total Number	26	20
2	Primary Capital Ratio (in percent)	10.73	10.53
3	Total Capital Ratio (in percent)	13.53	13.37
4	Total Loan/ Deposit Ratio (in percent)	86.47	83.01
5	Net Liquidity Ratio (in Percent)	25.48	29.10
6	Statutory Liquidity Ratio (in percent)	19.88	24.35
7	Non-performing Loan Ratio (in percent)	1.20	2.98
8	Deprived Sector Loan Ratio (in percent)	7.14	6.22

Supervision of Financial Institutions

- 2.55 Full scope on-site inspection of 12 development banks and 12 finance companies was completed in 2022/23. Special inspection of 5 development banks and 1 finance company was completed during the same period.
- 2.56 Approval has been granted to publish financial statements of 2021/22 to 14 development banks and 13 finance companies for the purpose of annual general meeting.
- 2.57 Quarterly offsite supervision report has been prepared by regularly monitoring off-site supervision of regulatory provisions such as capital adequacy, Cash Reserve Ratio(CRR), Statutory Liquidity Reserve (SLR), Credit to Deposit ratio (C/D ratio), base rate, spread rate, sectorial credit, deprived sector credit, among others. By mid-July 2023, 2 development banks and 1 finance company that failed to maintain the CRR have been penalized. Similarly, 5 development banks and 4 finance companies that could not maintain the loan-to-deposit ratio and 1 finance company that did not fully comply with deprived sector lending were fined.
- 2.58 The annual supervision report of 'B' and 'C' class financial institutions for 2021/22 has been published on the website.
- 2.59 Three knowledge-sharing programs have been conducted among the employees of the relevant departments on the unified directives issued by this bank, working capital guidelines, the design of the on-site inspection report and major issues of inspection, and the report writing and subject to be incorporated in the on-site inspection. Three interaction programs including two interaction programs about lending and operational risk management and one-day interaction program among the CEOs of development banks and finance companies on the institution's existing risk management and credit quality were conducted.
- 2.60 In 2022/23, the non-performing loan ratio of development banks remained 2.45 percent. The capital adequacy ratio which was 13.10 percent in 2021/22, has been maintained at 13.21 percent in 2022/23. Similarly, at the same time, the non-performing loan ratio of finance companies remained at 4.51 percent and the capital adequacy ratio remained at 15.78 percent.
- 2.61 Unaudited key financial indicators of development banks till mid-July 2023 are given in Table 2.12.

Table 2.12
Key Indicators of Development Banks (Unaudited)

S.N.	Indicators	Mid-July 2022	Mid-July 2023
a.	Total Number	17	17
	<i>National Level</i>	8	8
	<i>Province/District Level</i>	9	9
b.	Primary Capital Ratio (in percent)	10.55	10.26
c.	Total Capital Ratio (in percent)	13.10	13.21
d.	Total Loan/ Deposit Ratio (in percent)	87.18	84.37
e.	Net Liquidity Ratio (in Percent)	25.24	24.82
f.	Statutory Liquidity Ratio (in percent)	17.49	22.56
g.	Non-performing Loan Ratio (in percent)	1.36	2.45
h.	Deprived Sector Credit Ratio (in percent)	11.44	8.78
i.	Targeted sector Credit (in percent)	25.53	25.28

2.62 Unaudited key financial indicators of finance companies till mid-July 2023 are given in Table 2.13.

Table 2.13
Key Indicators of Finance Companies (Unaudited)

S.N.	Indicators	Mid-July 2022	Mid-July 2023
a.	Total Number	17	17
	<i>National Level</i>	15	15
	<i>Province/District Level</i>	2	2
g.	Primary Capital Ratio (in percent)	16.17	13.51
h.	Total Capital Ratio (in percent)	18.32	15.78
i.	Total Loan/ Deposit Ratio (in percent)	87.13	83.52
j.	Net Liquidity Ratio (in Percent)	30.47	33.71
k.	Statutory Liquidity Ratio (in percent)	23.47	26.17
l.	Non-performing Loan Ratio (in percent)	2.52	4.51
m.	Deprived Sector Loan Ratio (in percent)	8.28	6.59
n.	Directed sector lending (in percent)	20.33	23.00

Note: In the above financial indicators, the statistics of Problematic financial institutions are not included.

Number of problematic finance companies in July 2022: 2.

Number of problematic finance companies in July 2023: 2.

Supervision of Micro Finance Financial Institutions

2.63 In 2021/22, the number of microfinance institutions (MFIs) licensed by this bank was 65, due to the merger, the number of MFIs decreased to 57 in mid-July 2023. Out of which, 3 microfinance companies offer only wholesale lending and 54 are doing retail lending as imitators of the rural banking system. Of 54 MFIs doing retail lending, 2 institutions have received approval to collect deposits from the general public. Among the 57 institutions, 42 are national level, 11 are province level and 4 are district-level MFIs.

- 2.64 In 2022/23, out of the total MFIs licensed by this bank, full scope on-site inspection of 43 institutions, special inspection of 3 institutions, and monitoring of 4 institutions were completed.
- 2.65 The second half-yearly report of 2021/22, and the first half-yearly Enforcement Report of 2022/23 along with off-site supervision reports of the fourth quarter of 2021/22 and the first, second, and third quarters of 2022/23 have been prepared.
- 2.66 The annual inspection and supervision report of MFIs for 2021/22 has been prepared and published on the bank's website.
- 2.67 In 2022/23, prompt corrective action has been taken against 1 MFI for not maintaining the minimum capital adequacy as per the directive of this bank. Similarly, 1 MFI has been penalized for non-compliance with the provision of maintaining minimum CRR.
- 2.68 In 2022/23, as per the decision of the board of directors of this bank dated August 31, 2022, Super Laghubitta Bittiya Sanstha Limited, Dang, was declared problematic. Since February 6, 2023, as per the decision of the board of directors dated January 23, 2023, NRB has taken over the management of this institution.

Supervision of Non-bank Financial Institutions

- 2.69 Remittance Transaction Inspection and Supervision Procedures have been approved by the management committee on January 18, 2023, and implemented.
- 2.70 Out of a total of 154 non-bank financial institutions that were inspected during the review year, inspection of 30 remittance companies, including a full-scope on-site inspection of 25 remittance companies and a follow-up inspection of 5 remittance companies was completed.
- 2.71 On-site inspection of 32 money changers, 19 travel and tours companies, 16 trekking companies, 4 hire purchase companies, 9 hotels, 4 cargo companies, 5 airlines companies, and 4 other companies within the Kathmandu valley was completed.
- 2.72 On-site inspection of 24 non-bank financial institutions, including money changers, hotels and casinos, travel and tours, and 2 hire-purchase companies outside the valley was completed.
- 2.73 One-day interaction program to inform the employees about the integrated circular, instructions, prevailing laws and regulations and supervisory content to carry out inspection and supervision work effectively was conducted.
- 2.74 One-day interaction program with organizations licensed to conduct foreign exchange transactions like Moneychanger and other associations and related officials was conducted in Kathmandu regarding AML/CFT and the statistics that need to be sent to the bank.
- 2.75 The one-day training program was conducted in Siddharthanagar on foreign exchange transactions and current affairs for stakeholders and employees of organizations licensed to conduct foreign exchange transactions (money exchange companies, hotels, travel and tours, trekking, etc.).

- 2.76 A one-day interaction program was conducted in Kathmandu between senior managers and representatives of remittance companies licensed by Nepal Rastra Bank regarding the issues observed during on-site inspections and AML/CFT in remittance trading companies.
- 2.77 A discussion program was held with the officials of the association of companies licensed to conduct hire purchase loan transactions with the representatives of the relevant agencies on issues found during the on-site inspection of those companies and existing policy guidelines and contemporary issues.

Foreign Exchange Management

Foreign Exchange Regulation

- 2.78 In mid-July 2023, the total number of companies and firms that have taken approval to do foreign exchange transactions stood at 3,772 including 266 Hotels, 1084 Travel Agencies, 1,818 Trekking Agencies, 66 Cargo companies, 76 Airlines Companies, 342 Money Changers, 36 Remittance Companies, 25 Commercial Banks, 7 Development Banks, 6 Finance Companies, 1 Nepal Infrastructure Development Bank, 1 Nepal Clearing House Limited, and 44 others. Among the organizations dealing in foreign currency, 3,194 companies are operating within Kathmandu Valley and 578 companies are located outside Kathmandu Valley.
- 2.79 It has been arranged that the money changer can purchase foreign currency from Nepalese citizens up to USD 5,000 or equivalent in other convertible foreign currency (if there is a certified document of customs declaration, the entire amount mentioned in such document).
- 2.80 For the Nepalese university, an arrangement has been made for the payment of up to 50,000 US dollars per year for services taken from natural persons (researchers, professors, and professionals).
- 2.81 In the case of visa application, it has been arranged that in cases where the relevant embassies and other agencies are authorized to collect the visa application fee in convertible foreign currency, the exchange facility can be provided up to the specified visa fee.
- 2.82 According to the "Foreign Study Approval Guidelines-2079" approved by the Government of Nepal, the Ministry of Education, Science, and Technology, after the portal arranged by the said ministry comes to use, arrangements have been made to provide foreign currency exchange facilities by BFIs after confirming the details regarding the approval of foreign studies (No Objection letter) available on the same portal .
- 2.83 Unified Circular-2079 related to foreign exchange has been issued including unified Circular-2078 and subsequent circulars/notices issued till 22 March 2023.
- 2.84 The payment limit for silver import has been increased from US \$35,000 or equivalent to other convertible foreign currency per time to US \$60,000 or equivalent. In addition, it has been arranged that silver businessmen who export silver jewelry/artwork, etc. can be provided an exchange facility for importing silver up to the value mentioned in the said document based on the advance payment or letter of credit or receipt confirming the export order or the purchase order received from abroad.

- 2.85 It is arranged that any firm, company, organization, or natural person established in Nepal who purchases services from abroad can receive funds (except cash) through the banking system for providing services from Nepal.
- 2.86 It has been provisioned that foreign exchange facility will be available to public bodies to which public procurement laws apply through “A” class commercial banks to make payments in convertible foreign currency to the selected Nepali bidders in case of international bids for the purchase of goods, services, consultancy, construction works, etc.
- 2.87 Arrangements have been made regarding the repatriation of branches established in Nepal of foreign organizations that do not fall under foreign investment.
- 2.88 When BFIs set the exchange rate of convertible foreign currency except for the related US dollar, it is provisioned that the difference between the minimum purchase rate of convertible foreign currency (including the purchase of cash notes of less than 50 denominations) and the selling rate should not exceed 1%. In the case of US dollars, there is a provision that the difference between the buying rate and the selling rate should not exceed Rs.0.60 (sixty paisa).
- 2.89 A person who holds the position of director/official in a bank and financial institution licensed by this bank and an organization permitted to perform payment-related activities cannot simultaneously hold the position of director/official in a money changer/remittance company licensed by this bank. It has been arranged that the person holding the position of director/official in a money changer/remittance company licensed by this bank cannot hold the position of director/officer in another money exchange or remittance company at the same time. Time has been given to regularize this arrangement till the end of mid-October 2023.
- 2.90 The following written provisions have been added to Sections 3 and 4 of Unified Circular 28/2078 related to foreign exchange management to clarify the exchange transactions by money changers between foreign nationals and Nepalese nationals:

Exchange transactions with foreign nationals by money changers:

Money changers licensed by this bank can transact foreign currency with foreign nationals as per the nature of the license mentioned in the Nepal Rastra Bank Money Changer Licensing and Inspection Regulations, 2077:

- a. Purchase of convertible foreign currency can be done with foreign citizens (including Indians). However, customs self-declaration will also be mandatory when buying foreign currency in cash of more than USD 5,000.
- b. Purchase of Indian currency with Indian citizens can be done. However, customs self-declaration will also be mandatory during purchase transactions of Indian currency equivalent to or more than USD 5,000.
- c. According to Clause (1) of sub-regulation (1) of Regulation 10 of Nepal Rastra Bank Money Changer Licensing and Inspection Regulations, 2077, foreign nationals (except Indians) can perform sell transactions of convertible foreign currency in exchange for cash required for fees/fines to be paid to the Government of Nepal.

Exchange transactions with Nepalese citizens by Money changer:

Money changers licensed by this bank can conduct foreign currency transactions with Nepali citizens as per the nature of the license mentioned in the Nepal Rastra Bank Money Changer Licensing and Inspection Regulations, 2077:

- a. Purchase transactions of US\$ 500 or equivalent in other convertible foreign currency can be done with Nepalese citizens.
- b. Purchase of Indian currency with Nepalese citizens can be done. However, customs self-declaration will also be mandatory during purchase transactions of Indian currency equivalent or more than USD 5,000.
- c. Money changers who have obtained a license under clause (d) of sub-regulation (4) of Regulation 9 of Nepal Rastra Bank Money Changer Licensing and Inspection Regulations, 2077, can sell foreign currency of a maximum of USD 200 or its equivalent other convertible foreign currency to Nepali citizens traveling abroad under the passport facilities.
- d. Money changers can sell up to Indian currency, 25,000 to Nepalese citizens going to India for various purposes.

2.91 Nepal Rastra Bank foreign investment and foreign loan management regulation 2078 has been amended for the second time. The major features of the amendment are as follows:

- a. The foreign investment approving body has been further clarified.
- b. Beneficial owner has been defined.
- c. Foreign investment through share ownership change is defined.
- d. An additional deadline has been set for the accounting of foreign investments and foreign loans that have not been accounted for so far.
- e. Arrangements have been made for foreign investment support approval and foreign loan support approval.
- f. A clear arrangement has been made regarding foreign investment in different countries and the return on earned funds.
- g. A clear provision has been made for the eligible areas for taking foreign loans.
- h. A clear arrangement has been made regarding the approval of payment schedules related to foreign loans.
- i. Arrangements have been made to carry out work related to foreign investment and foreign loans through electronic systems.
- j. Arrangement that foreign organizations different from approved foreign investors, can also send foreign currency for foreign investment.
- k. Foreign loans can be denominated in Nepali currency as well.
- l. Arrangements have been made to take foreign loans even at fixed interest rates.
- m. A special arrangement has been made regarding foreign debt accounting for projects of national pride or national priority.
- n. Arrangements have been made regarding investment and return of the earned amount of the branch office.

2.92 By issuing the Nepal Rastra Bank Remittance Regulations, 2023, arrangements have been made to grant licenses for remittance-related transactions, regulate remittance transactions, and merge or acquire licensed remittance companies.

2.93 The provision of taking a mandatory margin for importing certain specified items only through the letter of credit has been abolished.

- 2.94 As Section 10A of the Foreign Exchange (Regulation) Act, 1962 prohibits investment abroad and Section 9C of the same act prohibits a person residing in Nepal from making payments abroad in any manner except as prescribed by this bank. Hence, a notice was published on 13 January 2023 along with the actions to be taken according to the prevailing law if it is found that any resident of Nepal invests abroad in any way by involving in transactions of a capital nature (including publicity related to it) such as purchase of real estate, purchase of securities, purchase of property, deposits in foreign BFIs and payments made abroad except under the regulations specified by this bank or if done/cause to do these types of activities.
- 2.95 The earlier Nepal Rastra Bank Remittance Regulations, 2010, Nepal Rastra Bank Money Changer Licensing and Inspection Regulations, 2020, and Nepal Rastra Bank Foreign Exchange Transaction License and Inspection Regulations, 2020 have been amended by adding provisions related to the qualifications of the managing officials.
- 2.96 The Integrated Circular 2022 has been amended to include the Guidelines on Export Subsidy (Second Amendment) Procedures, 2023.
- 2.97 According to the notice of Nepal Gazette (Volume 72) dated 2022/07/15 (Additional Item 15), dated 2022/08/29 (Additional Item 35), and dated 2022/10/14 (Additional Item 45) published by the Government of Nepal, a complete ban has been imposed on the import of certain items. A circular has been issued to BFIs according to the notification.
- 2.98 The annual report on foreign investment and foreign loans for 2022/23 has been published through the bank's website.
- 2.99 It has been informed through circulars and notices that the work related to granting new licenses of money changers at locations other than international airports is closed until further arrangement is made by this bank.
- 2.100 The provisions related to the prevention of anti money laundering that must be followed by the licensed organizations have been further refined and the provisions related to action have also been added.
- 2.101 In case of the countries that have arranged to receive visa applications through the eVisa system appoints other institutions in Nepal to do that work, an arrangement has been made to provide the exchange facility even through electronic/digital cards issued by banks and financial institutions for the amount collected for visa through such institutions as per specified conditions.
- 2.102 It has been arranged that payment cannot be made on the prescribed Merchant Category Code (MCC) from the prepaid card of US Dollar 500.
- 2.103 A notice was published on 3 April, 2023 to inform that actions will be taken according to the prevailing law if citizens/firms/companies/organizations (including foreigners) residing in Nepal and all Nepali citizens residing outside Nepal and firms, companies, organizations registered in Nepal and branch offices and agencies of such companies or organizations are found to have been carried out or cause to carry out any kind of transaction related to Virtual Currency/Cryptocurrency (including stablecoin), Pyramid-based Network marketing and

hyper fund, and to do or cause to use/affiliate/membership/investment/ownership/transfer/remittance/exchange/mining of such activities. .

- 2.104 A provision has been made so that licensed BFIs by creating necessary procedures and internal structures to help discourage and control money laundering (Trade-Based Money Laundering) that may occur through import and export trade, make a comparative analysis between the international market price of the commodity and Proforma Invoice/Document, if found realistic, then only provide exchange facilities (issuance of draft/TT, the opening of letters of credit, D.A.A., D.A.P., etc.) or Document Handling.
- 2.105 To hedge the foreign exchange risk to the "A" class banks that have brought foreign loans for one year or more period, the specified amount and period limit shall not apply to the purchase of derivatives (Proprietary Forward) up to the amount equal to the outstanding principal and interest of the loan and up to the term of the loan as per the approval of this bank.
- 2.106 Arrangements have been made to bring remittance of non-returnable funds for various purposes including sales, commissions, fees, wages, amounting up to Rs. 15 lakhs daily (one time or repeatedly) by Nepali/foreign citizens or firms/companies/organizations/branch offices registered in Nepal received from abroad (citizens or firms/companies/organizations) to the account of the concerned beneficiary through a licensed remittance company.
- 2.107 It has been arranged that licensed BFIs as well as remittance companies can bring remittances subject to existing arrangements even on cards issued in collaboration with payment system operators licensed by this bank.

Foreign Investment and Credit

- 2.108 Approval for FDI inflows equivalent to Rs.7.22 billion and foreign loans equivalent to Rs.49.70 billion was granted in 2022/23.
- 2.109 During the review year, accounting for FDI inflows equivalent to Rs.9.20 billion and foreign loans equivalent to Rs.65.00 billion was done. In addition, permissions for an exchange facility equivalent to Rs.25.73 billion were provided for the repatriation of FDI, payment of interest and principal of foreign loans, dividend earned on FDI, payment of royalty related to technology transfer, and other fees associated with foreign investment.

Import/Export of Goods and Services

- 2.110 In 2022/23, a foreign exchange facility equivalent to Rs.42.41 billion was provided through 1,916 applications submitted to the bank in addition to the limit of foreign currency exchange facility that commercial banks can provide to the purchase of service as per the agreement between foreign firms, companies or institutions and firms, companies or institutions registered in Nepal.
- 2.111 In 2022/23, to promote export business, cash subsidy equivalent to Rs.999.7 million as export subsidy, was reimbursed which was provided through commercial banks to export-related firms, companies, or institutions.

Foreign Exchange Reserve and Investments

- 2.112 The foreign exchange reserve investment stood at USD 9.82 billion in mid-July 2023 as compared to USD 8.27 billion in mid-July 2022.
- 2.113 For the effective management of foreign exchange reserves, prioritizing the security of investment, liquidity, and returns; foreign exchange reserves were invested in time deposits, treasury bills and notes issued by central banks, Chinese Government bonds as well as FIXBIS / Medium Term Investment (MTI) issued by Bank for International Settlement.
- 2.114 The bank has been investing in investable instruments of the US Dollar, Euro, Pound Sterling, Chinese Yuan, Japanese Yen, Australian Dollar, Canadian Dollar, and Indian Rupee. In mid-July 2023, a major portion of the bank's total foreign exchange reserve investment was in the US dollar.
- 2.115 In 2022/23, the bank established a relationship and started transactions with Banco Bilbao Vizcaya Argentaria S. A., Spain in relationship to investment management. In addition, DZ Bank AG, Singapore/Saudi National Bank, Singapore have been listed as investable counterparties and the approval has been obtained to establish a Relationship Management Application (RMA) with those banks and transactions are in the process of getting started.
- 2.116 By listing as investable counterparties of full branches of ICICI Bank and State Bank of India located in Gujarat International Finance Tec-City (GIFT CITY), which have been granted the status of offshore branches of Indian banks by the Reserve Bank of India, and an approval to set up RMA with these banks has been received and transaction to start is in the process. An account in SAR currency has been brought into operation in Qatar National Bank, Saudi Arabia for payment.

Payment Systems

- 2.117 Licensing Policy to be granted to organizations engaged in payment-related work, 2023 has been issued by amending the existing Licensing Policy to be granted to organizations engaged in payment-related work, 2017. Under this, 3 development banks, 1 finance company, and 6 microfinance financial institutions, which are currently operating, have been granted licenses to operate as payment service providers, and also the licenses of 2 development banks, 2 finance companies, and 2 payment service providers have been renewed. Also, a letter of intent has been given to 1 institution to operate as a payment service provider.
- 2.118 To make the payment system easy and reliable, the Intraday Liquidity Facility-ILF provided by this bank to BFIs against the collateral of government bonds can be treated as an overnight period as per necessity. To provide such a facility at the policy rate, Daily Liquidity Facility Procedure, 2019 (Third Amendment, 2023) has been issued.
- 2.119 Indicators related to the development of payment systems have been published on the bank's website on a monthly basis since mid-July 2020. The use of various electronic payment

devices has increased significantly during the review period as compared to the previous year reflecting the increasing access to the general public (Table 2.14).

Table 2.14
Payment System Indicators

S.N.	Indicators	Mid-July 2022	Mid-July 2023	Percentage Change
1	Payment System Operator (PSO)	10	10	–
2	Payment Service Provider (PSP)	27	27	–
3	Official Agents of PSP	12,685	14,123	11
4	Wallet Users	1,36,75,993	1,89,41,793	39
5	Debit Card	1,08,56,357	1,22,45,485	13
6	Credit Card	2,38,794	2,83,772	19
7	Prepaid Card	1,08,641	1,39,777	29
8	Mobile Banking Users	1,83,07,255	2,13,63,989	17
9	Internet Banking Users	16,84,310	18,56,195	10
10	Participants in RTGS	49	44	–10
11	Participants in Connect IPS	8,96,341	11,08,436	24
12	Participants in ECC	59	53	–10

- 2.120 To automatically collect the interest of the overnight liquidity facility, the necessary upgrade of the RTGS-GL Interface system and its User Acceptance Testing (UAT) is being carried out.
- 2.121 Seven meetings of the National Payment Board were successfully held in 2022/23 as per the provision in section 3 of the Payment and Settlement Act, 2019. The oversight report of payment and settlement has been published.
- 2.122 Various seminars, training, interaction, and orientation programs have been conducted to promote and encourage electronic payments. A concept paper has been drafted to establish a full scale digital bank.
- 2.123 A concept paper has been prepared to study the feasibility of the Regulatory Sandbox/ Innovation Office. Accordingly, the work of data collection and study has been completed and a draft study report has been prepared.
- 2.124 During 2022/23, 18 different organizations operating after obtaining a license to perform payment-related work from this bank underwent on-site inspections, AML/CFT focused inspection was done on 2 organizations, and 27 organizations were subject to off-site supervision. Four organizations received warnings based on the findings from inspections. In addition, in the review year, on-site inspection were carried out for 7 BFIs regarding their RTGS operations.

- 2.125 The Central Bank Digital Currency Division has been established under the Payment System Department to study and issue Central Bank Digital Currency in Nepal. The international practice of central bank digital currency is being studied by that division.
- 2.126 Retail Payment Switch (RPS) is now fully operational after the approval was granted to the Nepal Clearing House Ltd. for the first phase of the Sub-Project 3 (Enhancement of NPI for Retail Payment Switch) to establish and operate the National Payment Switch project. Under the second phase, the necessary process is being forwarded through NCHL to use Nepal's payment card and National Card Switch.
- 2.127 The Payment and Settlement Bylaws, 2020 has been amended by clarifying the provisions related to merger and acquisition of licensed organizations.
- 2.128 "Integrated Payment System Guidelines-2022" has been issued to organizations having license to conduct payment-related activities.
- 2.129 Altogether 44 BFIs including 20 commercial banks, 11 development banks, 12 finance companies, and 1 Nepal Infrastructure Development Bank have joined the RTGS system. Under which, in the last fiscal year, 1 development bank and 1 finance company joined the RTGS system.

Table 2.15
Transaction through RTGS System till 2023 mid-July

S.N.	Currency	Number of Transactions	Transaction Amount Rs. (in Million)
1	NPR	7,94,427	3,41,35,418
2	USD	17,384	936
3	EUR	2,034	172
4	GBP	964	8
5	JPY	371	8,307
Total		815180	34,144,841

- 2.130 By amending RTGS System Rules 2019, (version 2.0), RTGS System Rules 2019, (Version 3.0) has been issued.

Information Technology

- 2.131 The Security Information and Event Management (SIEM) software system has been brought into operation. A feasibility study on the use of Cloud Service for the bank has been completed. A Cyber Incident Response Plan has been prepared. An Incident Reporting System has been developed and implemented.
- 2.132 To improve the effectiveness of budget implementation, budget software has been developed and implemented.
- 2.133 Backups of various servers, databases, and other types of equipment in operation at the bank have been done and data recovery has been carried out as required. Specifications for computers, printers, network servers, etc. purchased by the bank have been prepared,

technical testing of specifications mentioned in tenders has been carried out and technical testing of supplied goods has been carried out.

- 2.134 Hardware and network installation and troubleshooting activities have been carried out. The Mint Billing System has been developed and implemented for the Mint division to facilitate the sale of gold and silver and computer-generated billing. Loan Deed Management Software has been developed and implemented for the Legal division. A backup system for the web server and intranet server in operation at the bank has been developed and implemented. Note Chest Transaction System (NCTS) has been implemented at the Currency Management Department to facilitate fund transfer. The Foreign Exchange Online Reporting System (FXOL) has been updated and implemented.
- 2.135 SWIFT System Customer Security Programme (CSP) independent attestation has been completed. Various server equipment in the bank's data center have been upgraded and new virtual servers have been created and handed over to the concerned departments as needed. Firmware upgrades of hardware type of equipment used in systems like Networks, Virtualization System, Security System, etc. in operation at the bank have been carried out.
- 2.136 A fallback server has been developed and implemented for the NRB Intranet (Home) page, LC System, FXOL System, AC-STATUS System, and Grievance (Gunaso) System.
- 2.137 An internal network (internet, intranet) has been established and operated between the bank's Central Office and Bankers Training Center, which have been relocated to the premises of the Agricultural Development Bank in Bhaktapur Bode.

Currency Management

- 2.138 The Master Plans on Note Printing (Purchase) and Coin Minting have been updated as per the provisions in the Public Procurement Act, 2063, and Nepal Rastra Bank, Currency Printing and Coin Minting Guidelines, 2065 (First Amendment, 2075). Materials and technologies used in the printing of current banknotes have been upgraded to enhance their lifespan and improve their quality. Moreover, to enhance the quality of Nepalese banknotes to international standards and make them more secure, additional security features have been incorporated. In the current note printing cycle, the delivery of Rs.20 denomination notes is in progress while agreements for the printing of Rs. 50 and Rs. 1,000 denomination banknotes have been signed.
- 2.139 In 2022/23, 78 million units of Rs.5, 130 million units of Rs.10, and 60 million units of Rs.500 newly printed banknotes have been stocked in the bank vault.
- 2.140 As of mid-July 2023, a stock of new banknotes in various denominations worth Rs. 216 billion 549 million 249 thousand has been maintained. In the last year, such a stock was worth Rs. 227 billion 86 million 749 thousand (Table 2.16).

Table 2.16
Note Stock details

(Amount in Millions)

Denomination	Mid-July 2021	Mid- July 2022	Mid-July 2023	Increment %	
				Mid- July 2022	Mid-July 2023
1	0.05	0.05	0.05		
2	6.3	6.3	6.3	-	-
5	461.75	545.50	457.50	18.14	-16.13
10	787.50	991.90	1,362.90	25.96	37.40
20	3,373.00	2,048.00	670.00	-39.28	-67.29
50	5,967.50	5,445.00	1,352.50	-8.76	-75.16
100	14,390.00	21,100.00	11,925.00	46.63	-43.48
500	725.00	61,450.00	82,075.00	8,375.86	33.56
1000	54,100.00	135,500.00	118,700.00	150.46	-12.40
Total Amount*	79,811.10	227,086.75	216,549.25	184.53	-4.64

* Note: Sum of stock at Currency Management Department and Provincial offices

2.141 During the period from mid-July 2022 to mid-July 2023, 466 million 250 thousand units of new banknotes of various denominations were issued for circulation (Table 2.17).

Table 2.17
Details of Issued Notes from Stock in 2022/23

Denomination	Units (in Rs Million)	Amount (in Rs Ten Million)
5	95.6	47.8
10	92.9	92.9
20	68.9	137.8
50	81.85	409.25
100	91.75	917.5
500	18.75	937.5
1000	16.8	1680
Total	466.25	4,222.75

2.142 As of mid-July 2023, the total banknotes in circulation increased by 1.20 percent reaching the value of Rs. 640 billion 80 million compared to that in the previous period which amounted to Rs. 632 billion 470 million (Table 2.18).

Table 2.18
Details of Banknotes in Circulation (as of Mid July 2023)

Denomination	Banknotes in circulation (in pieces)	Amount (in Rs. Ten Million)
1	160,997,039	16.10
2	92,575,718	18.52
5	728,090,377	364.05
10	586,767,345	586.77
20	376,213,152	752.43
25	2,281,888	5.70

Denomination	Banknotes in circulation (in pieces)	Amount (in Rs. Ten Million)
50	293,719,038	1,468.60
100	303,945,948	3,039.46
250	349,693	8.74
500	261,341,768	13,067.09
1000	446,805,562	44,680.56
Total	3,253,087,528	64,008.00

- 2.143 In 2022/23, soiled, dirty, and torn banknotes worth of Rs. 60 billion 401 million 118 thousand 895 collected through bank deposits and exchange facilities were declared unfit for circulation and destroyed. (Table 2.19).

Table 2.19
Details on Total Banknotes Destroyed (as of Mid July 2023)

Denomination	Number of notes destroyed (in Rs Million)	Amount (in Rs. Ten Million)
1	0.004	0.00
2	0.008	0.00
5	42.763	21.38
10	46.039	46.04
20	43.134	86.27
25	0.002	0.00
50	43.511	217.55
100	40.265	402.65
250	0.00	0.00
500	29.657	1,482.87
1000	37.833	3,783.34
Total	2,83.217	6,040.11

- 2.144 Under the bank's strategic plan to modernize the cash management system, necessary machinery, and software for note counting, verification, and processing are being installed.
- 2.145 To facilitate the real-time reporting of note chest transactions by the commercial banks, the Note Chest Transaction System (NCTS) is being implemented concurrently with the existing system.
- 2.146 To systematize the process of destroying the banknotes deemed unfit for circulation, Nepal Rastra Bank Currency Note Destruction Procedure, 2079 has been issued.
- 2.147 Upon the completion of a printing cycle, materials including waste generated during the printing process have been destroyed at the respective Note Printing Company in the presence of the designated representatives of this bank.
- 2.148 On-site studies on the identification of things representing archaeological, social, cultural, and historical significance have been conducted in coordination with the bank's offices in Koshi Province, Lumbini Province, Madhesh Province, Gandaki Province, and Sudur Paschim Province. In addition, by conducting similar off-site studies in the remaining provinces, a consolidated report of which has been presented to the Mint Recommendation Committee.

- 2.149 While implementing the Clean Note Policy for 2022/23, an interaction program was conducted to raise awareness among priests, small shop owners, transportation workers, among others regarding the Clean Note policy and other prevailing legal provisions related to cash handling.
- 2.150 In the context of increasing transactions and business activities of BFIs and the rising trend of digital payment, a study was conducted to assess the existing number of note chests and their geographical coverage, based on which a study report on the review of the adequacy of number and location of note chests was prepared.

Human Resource Management

- 2.151 As of mid-July 2023, a total of 1157 employees, including 1,092 administrative staff and 65 technical staff, are working in the bank. Out of the total active human resources, based on position, there are 631 officers, 450 assistants, and 76 unranked office assistants. As of the end of the fiscal year, the ratio of officer-level employees to assistant & office support employees is 1.19:1 compared to 1.07:1 in the previous year. As of the end of mid-July 2023, a total of 239 people are employed on contractual agreements as per the provisions on contractual appointment in support service.
- 2.152 In 2022/23, a total of 122 employees including 48 assistants and 74 officers have been newly appointed through open competition. During this period, 25 employees departed from the bank's service out of which 20 employees went mandatory retirement and 5 employees resigned.
- 2.153 As per the decision of the Board of Directors dated 2022/08/22, effective July 1, 2019, employees' salaries have been revised with an increment of 15 percent. A similar increment of 15 percent has been provided to the contractual support service staff as well.
- 2.154 Nepal Rastra Bank, Vehicle Facility Management Procedure for Executive Director (Officer Special category, 2078, and that for Directors (Officer First Class), 2077 have been amended.
- 2.155 To ensure effective implementation of the Employee Code of Conduct related to the resolution of workplace sexual harassment, 2078, working procedure for Code of Conduct Monitoring and Implementation Committee, 2079 has been prepared and implemented.
- 2.156 Nepal Rastra Bank, Internal Work related Procedure, 2079 has brought into implementation by unifying the bank's provisions on those including internal deputation, delegation (providing acting), overtime, and daily and travel allowances.
- 2.157 A report on the review of the bank's first Human Resource Plan (2019/20-2021/22) has been prepared by including the evaluation of the effectiveness of major objectives, strategies, and working policies, implementation status of major tasks, progress, and challenges together with departmental feedback.
- 2.158 To ensure adequate supply, management, and development of human resources with the required skills and capacity to achieve the objectives mandated by Nepal Rastra Bank Act, 2002, goals set by the Bank's Fourth Strategic Plan (2022-2026), and deal with both internal

and external challenges, Human Resource Plan (2023/24-2024/25) has been prepared and started implementing.

- 2.159 To regularize and systematize the bank's functions, job descriptions have been updated and distributed to the concerned employees. Furthermore, circulars about no allowance field work provided to the members of a union have been revised and updated to make them more clear and relevant to present times.
- 2.160 Provisions related to electronic attendance of the employees have been revised as per the recommendation made by the risk-based internal audit report.
- 2.161 Medical Expenses Assistance for Retired Employees Procedure, 2075 has been replaced by Medical Expenses Assistance for Retired Employees Procedure, 2080.
- 2.162 The budget for visitor expenses provided to all departments, offices, divisions, and units has been reviewed and increased.
- 2.163 On the occasion of the 68th-anniversary celebration of the bank, under article 172 of Nepal Rastra Bank Employee Service Regulation, 2068 (Third Amendment, 2074), employees have been awarded the Best Service Award and the Outstanding Service Award. Under this, the Best Service Award of Nepal Rastra Bank was conferred to Deputy Director (I.T) Mr. Ram Nath Pandit, and Outstanding Service Awards were presented to Deputy Director Mr. Mani Raj Shrestha, Assistant Director Ms. Yashoda Pokharel, Chief Assistant Mr. Lal Kumar Suvedi, and Office Assistant Mr. Jhan Prasad Koirala.
- 2.164 In 2022/23, 74 third-level officers and 48 second-level assistants were appointed through an open competition selection process. Furthermore, 36 permanent positions were filled through performance evaluation-based promotion, and 20 seats through internal competitive exams. In addition, two statisticians have been appointed at the officer level on a contract basis.
- 2.165 The bank, as a member of various international forums and organizations, collaborates in capacity development activities with central banks of other countries. In 2022/23, the bank participated in 422 in-person international programs, training, seminars, and conferences while 289 employees participated in domestic training and programs. Additionally, 437 employees participated in foreign training programs conducted through online mediums. Furthermore, in collaboration with the SEACEN Centre, the bank organized an international training program on the 'SEACEN Course on Forecasting of Monetary and Financial Stability' in Kathmandu.

Miscellaneous

Budget Management, Corporate Risk Mitigation and Strategic Plan

Budget Management

- 2.166 Nepal Rastra Bank, Budget Formulation, Implementation and Monitoring Guidelines, 2079, has been approved by amending existing Nepal Rastra Bank, Budget Formulation, Implementation and Monitoring Guidelines, 2077.
- 2.167 According to the provision in Nepal Rastra Bank, Budget Formulation, Implementation and Monitoring Guideline, 2022, the annual action plan and the annual budget of the bank for the

2023/24 have been approved. Additionally, budget review reports for the first, second, and third quarters of 2022/23 have been prepared.

Risk Management

- 2.168 A draft has been prepared for updating the current Integrated Risk Management Framework, 2015, and Risk Management Guidelines, 2073. To strengthen the risk management of Nepal Rastra Bank, drafts of Risk Management Policy, 2023, and Risk Management Procedure, 2023 have been prepared.

Implementation of Strategic Plan

- 2.169 To advance the operations of the bank in a planned manner, the fourth strategic plan of the bank (2022-2026) has been formulated and has come into implementation since January 1, 2022. In this strategy, there are a total of 184 tasks to be performed regularly and completed within the timeline of the plan. The implementation of the strategic plan will be quarterly reviewed.
- 2.170 The final evaluation report of the bank's third strategic plan (2017-2021) has been approved by the board of directors. A total of 178 actions were included in the strategic plan. Out of the total 178 tasks, including the regular tasks and those to be completed within the plan period, 74 percent of tasks have been completed.

Implementation of Annual Action Plan

- 2.171 The annual action plan of the bank is prepared by the respective departments and offices by including regular and special tasks to be completed for the given fiscal year and the implementation status of the annual action plan is quarterly reviewed. In 2022/23, out of the revised total of 443 tasks, 295 tasks were fully completed, 97 tasks were partially completed and 51 tasks did not get started.
- 2.172 Out of a total of 159 programs including 24 seminars, 10 training programs, 79 interaction programs, 34 coaching and 12 miscellaneous programs approved as per the annual action plan of 2022/23, 151 programs including 24 seminars, 10 trainings, 72 interactions, 33 coaching, and 12 miscellaneous programs were conducted.
- 2.173 Regarding the establishment of separate structures in Nepal Rastra Bank to conduct inspection and supervision related to the prevention of money laundering and financial investment in terrorist activities and to establish the structure to initiate Central Bank Digital Currency-related work, an Organization and Management survey (O&M Survey report) was conducted. According to the approved report, the AML CFT Supervision division has been established under the Bank Supervision division, and the CBDC division has been established under the Payment Systems division.

Anti-Money Laundering Act

- 2.174 The Financial Intelligence Unit has been involved in necessary coordination concerning the AML-CFT-related mutual evaluation of Nepal by the Asia Pacific Group (APG). In this regard, the unit is functioning as the primary focal point to coordinate between Nepal and

APG secretariat. In 2022/23, the evaluators conducted meetings in Kathmandu in three phases as follows.

Table 2.20
Meetings Conducted by Mutual Evaluators in Kathmandu

S.N.	Visit	Date	Meeting Count
1	Pre-Onsite Visit	October 12-14, 2022	11
2	Onsite Visit	December 5-16, 2022	102
3	Face to Face (F2F) Meetings	April 26-28, 2023	12

- 2.175 For all the meetings, the unit did the necessary coordination and functioned as the primary focal point. The unit has represented the technical committee for report writing and answer writing and has been actively performing its job. Moreover, the unit has administered the overall management of the mutual evaluation, provided liaison officers, and actively performed as a coordinator during the mutual evaluation process.
- 2.176 As per the board of directors' decision dated 2022/11/28 English name for the unit has been revised as 'Financial Intelligence Unit' and an abbreviated form 'FIU-Nepal' has been approved for official use.
- 2.177 As per the Money Laundering Prevention Act, 2008, the unit has been receiving reports on threshold transactions and suspicious transactions/activities through the reporting entities. All banks and financial institutions of "A", "B" and "C" categories, all life and non-life insurance companies, 24 remittance companies, 38 stock broker companies, 15 merchant banks, Infrastructure Development Banks, and a few payment services providers and payment system operators provide reports through the goAML System.
- 2.178 Savings and Credit Cooperatives, microfinance financial institutions, casino business owners, reinsurance companies, other stock brokers, merchant banks, payment service providers, payment system operators, remittance companies, and other reporting entities used to submit their reports via official letters/CD. To make the process more secure and effective, reporting is now being done through the goAML system (Message Board).
- 2.179 Major investigative agencies such as the Money Laundering Investigation Department, Nepal Police, Revenue Investigation Department, Inland Revenue Department, and Abuse of Authority Investigation Commission are connected to goAML System and all the disseminations of suspicious transaction analysis reports including FIU-Nepal Dissemination, LEA-Feedback, Domestic-Cooperation and International-Cooperation related mutual communication is carried out through the goAML system under respective headings. The unit is working towards sharing information through goAML system with other investigative and authorized agencies.
- 2.180 To report suspicious transactions related to trade-based money laundering (TBML), 'STR-TBML' has been added to the goAML System. Furthermore, the unit has prepared guidelines related to TBML and disseminated them to all commercial banks.
- 2.181 The unit received a total of 1,698,398 threshold transaction reports in 2022/23.

2.182 The unit receives reports on suspicious transactions/activities through the goAML system and analyzes them. As required, these reports are either archived to reanalyze them if additional information is received in the future or the conclusion of the analysis is forwarded to the investigating authorities.

Table 2.21
Details of Suspicious Transactions Received in the financial year 2022-23

Suspicious transaction report received	5935
Suspicious transaction reports analyzed	1216
Archived	711
The results of the analysis streamed	505

2.183 The Financial Intelligence Unit has submitted the annual report of 2021/22 to the GoN through NRB. The unit has issued 'goAML Operational guidelines' for life and non-life insurance companies and disseminated them to the related reporting entities.

2.184 To create an integrated database of the reports received through the Message Board of the goAML System, the unit has procured a Record Management Software (RMS) and put it into operation.

2.185 The unit has published FIU- Newsletter, 2022 including the unit's activities and statistics on its official website.

2.186 A memorandum of understanding (MoU) has been signed between the unit and 15 various investigative and regulatory/supervisory bodies regarding the exchange of information on suspicious transaction report analysis and feedback, and issues of national coordination.

2.187 While the unit had signed MoUs with similar institutions (FIU) of 16 other countries in 2021/22, in the review year it has signed MoUs with an additional two countries- Maldives and United Arab Emirates, making it a total of 18 countries. Furthermore, the unit is working on signing MoU agreements with other nations as well.

2.188 The unit has continued the exchange of required information with similar institutions (FIU) of other countries through Egmont Secure Web (ESW) of Egmont Group. While foreign FIUs have asked for such information 5 times, FIU has inquired with the foreign FIUs 14 times. Similarly, foreign FIUs have shared spontaneous information 4 times.

2.189 The establishment of a Disaster Recovery System (DR site) to secure the unit's data has been completed. Likewise, the procurement of Active Directory Configuration, Security Information and Event Management (SIEM), Layer 3 Switch, Web Application Firewall (WAF), and EDR antivirus related to the security of goAML system have been completed and put into operation.

2.190 In 2022/23, the unit has conducted a total of 25 interactions, seminars, knowledge exchange programs, and meetings with reporting entities, regulatory bodies, law enforcement agencies, and other stakeholders in both face-to-face and virtual mediums. These programs include all of those included in the annual plan of the unit and a few additional programs too.

- 2.191 According to Section 8(2) of the Money Laundering Prevention Act, 2008, the unit has been functioning as the secretariat of the National Coordination Committee-NCC. In 2022/23, a total of 12 meetings of NCC were conducted.
- 2.192 In collaboration with the Office of the Prime Minister and Council of Ministers, Ministry of Law, Justice and Parliamentary Affairs and Financial Intelligence Unit, and technical assistance of HM Treasury, UK, a three-day training program on Immediate Outcomes (IOs) was organized at the Office of the Prime Minister and Council of Ministers on October, 17 and October 19-20, 2023 to prepare the financial sector regulatory/supervisory agencies for mutual evaluation.
- 2.193 With the technical assistance of the Asian Development Bank (ADB), the unit has completed a two-day training and workshop on the prevention of Trade Based Money Laundering (TBML) that may occur through import and export trade. The training was participated by commercial banks, relevant regulatory/supervisory bodies, and investigating agencies.

Law and Justice/Advocacy

- 2.194 The proposal to amend the Nepal Rastra Bank Act, 2058 has been submitted to the Parliament and is in the process of amendment. Similarly, proposed amendments of the Banks and Financial Institutions Act, 2073 have been submitted to the Government of Nepal, Ministry of Finance.
- 2.195 Following the direction from the management committee on the drafts of Laws on leasing, financial customer protection, and asset management, the drafts have been discussed among the stakeholders and revised including suggestions and recommendations received. The revised draft of the proposed law is ready to be re-submitted to the management committee.
- 2.196 Table 2.22 shows the details of the cases filed in various courts as of the end of the fiscal year 2022/23. This includes cases of appeal by BFIs and concerned officers who are dissatisfied with the actions taken by the bank against their violation of regulatory directives and other cases with Nepal Rastra Bank as a defendant.

Table 2.22
Details of Cases

S.N	Case details	Numbers
1	Ongoing cases (including those related to provincial offices)	243
2	Cases decided in the fiscal year 2022/23	78
3	Cases decided in the previous fiscal year	51
4	Cases related to insolvency	3

- 2.197 The cases of insolvencies of Samjhana Finance Limited, Himalaya Finance Limited, and Crystal Finance Limited are ongoing at Patan High Court and the bank has been participating in the discussions on periodic reports presented by the liquidator as per the court's order.
- 2.198 The bank has been defended by drafting and pleading the cases. Similarly, in cases related to banking offenses where the Government of Nepal is registered as a plaintiff, cases have been pleaded as an expert, upon the court's order. Digitization of all legal documents through

litigation management software (LMS) has been initiated and until now legal documents of 105 cases have been uploaded into the system.

- 2.199 As per the provisions including that in Nepal Rastra Bank Employee Loan Facility unified Procedure, 2078, to digitalize the documents related to employee loan facility, Tamsuk Management Software (TMS) has been initiated, and up until the reporting period such details of 80 employees have been uploaded in the software.
- 2.200 A committee has been formed to review and propose timely amendments to the Foreign Exchange (Regulation) Act, 2019, and the Payment and Settlement Act, 2075.
- 2.201 The act related to social responsibility has been drafted and discussed with the stakeholders. The draft is currently in the process of being finalized.
- 2.202 The amendment draft of the BFIs Act, 2073, and Nepal Rastra Bank Act, 2058 which includes the provisions related to Consolidated Supervision has been submitted to the Government of Nepal, Ministry of Finance.
- 2.203 A draft of an act related to financial assets restructuring and securitization has been drafted and discussed with stakeholders in an interaction program. The draft is currently in the process of being finalized.

Internal Audit

- 2.204 The annual report of the audit committee of 2021/22 has been prepared and submitted to the board of directors. In addition, necessary instructions for improvement in observed remarks and other suggestions have been forwarded to the concerned departments and offices. Furthermore, the quarterly task completion report of the internal audit department has been submitted to the Governor following the required discussion in the audit committee. Likewise, a quarterly report on the activities of the audit committee has been prepared and submitted to the board of directors.
- 2.205 Both risk and compliance-based auditing on the regular tasks of departments/ offices/ divisions/ units together with special auditing and monitoring has been conducted.
- 2.206 A three-year risk-based audit plan has been prepared based on the evaluation of risk ranking and identified audit universe of the bank's respective departments/offices/divisions/units. Additionally, special internal audits of the Economic Research Department and Currency Management Department have been completed.
- 2.207 The second half-yearly compliance based on-site audits of 2021/22 of Currency Management Department, Banking Department, Biratnagar Office, Janakpur Office, Birgunj Office, Pokhara Office, Siddharthnagar Office, Nepalgunj Office, Dhangadhi Office and Surkhet Office and the first half-yearly compliance based on-site audit of 2022/23 of all provincial offices have been completed. In addition, a quarterly on-site internal audit of the Financial Management Department has been completed.
- 2.208 The annual on-site internal audit of 2021/22 of the Financial Institution Supervision Department, Asset and Service Management Department, Corporate Planning and Risk Management Department, Human Resource Department, Microfinance Institution

Supervision Department, and Monetary Management Department has been conducted. Furthermore, a half-yearly on-site internal audit for 2022/23 of the Currency Management Department and Banking Department has been completed. Additionally, an annual risk-based on-site internal audit for 2022/23 of the Non-Bank Financial Institution Supervision Department has been completed.

- 2.209 Reports have been presented following the monitoring of implementation status related to the necessary instructions provided for improvement in issues observed during the second half-yearly onsite audit of the year 2021/22 and the first half-yearly onsite audit of the year 2022/23 has been completed for all 8 provincial offices, Currency Management Department and Banking Department.
- 2.210 The inspection of employees' attendance and leave records of all departments, offices, divisions, units, and provincial offices of the bank for the year 2079 has been completed.
- 2.211 "Collection of Internal Circulars" which includes all the circulars relevant to internal auditing that are issued by various departments has been updated and uploaded to the banks' official home page.
- 2.212 In the participation of department employees and auditees, a seminar on "risk-based internal audit system and perception and expectations of auditees" was organized.
- 2.213 A 2-day residential seminar related to issues observed during internal and external audits was held. It was participated by the bank's executive directors and director, heads of offices from the outside-valley office, and department employees.
- 2.214 Among all provincial offices, a training program on risk-based internal audit (RBIA) was completed in the Pokhara and Janakpur offices.
- 2.215 The external audit of 2021-22 was completed on time. The external audit of the year under review has also been timely completed. The report was discussed and passed by the board of directors' meeting on 2023-12-08.

Assets and Service Management

- 2.216 To simplify the procurement process and make it easier, the Fifth Amendment has been done in Nepal Rastra Bank Procurement Bylaw, 2071.
- 2.217 To arrange for a well-equipped training hall and required working space for conducting various in-house training programs, the training hall along with some office space at the training center of Agricultural Development Bank located at Bode, Bhaktapur has been rented and renovated with necessary physical infrastructure, following which Bankers' Training Center has been transferred to the new location starting from mid-July 2023.
- 2.218 Regarding the construction of the office building at Thapathali as per the agreement between the Government of Nepal Ministry of Urban Development, the Department of Urban Development and Building Construction, Central Project Implementation Unit (Building and Housing) and the builder BILIL-Contech JV, Naxal, Kathmandu, physical progress of 93.05 percent and financial progress of 77.62 percent has been recorded as of the mid-July 2023. Similarly, under the agreement with builder CICO-Samanantar JV Old Baneshwar, the

progress of the ongoing construction of the office building at Baluwatar as of mid-July 2023 has been recorded at 93 percent in physical and 76.44 percent in financial terms.

- 2.219 The service procurement process for procuring interior decoration, furniture, and fixtures including drawing, design, and technical specifications for the under-construction buildings of the bank at Baluwatar and Thapathali has been initiated.
- 2.220 To construct an office building at Birendranagar, Surkhet in Karnali Province, a consultant for the master plan, drawing design, and cost estimate has been selected and the final design report is to be received soon.
- 2.221 Considering that the bank currently does not have an office in Hetauda, the provincial capital of Bagmati Province, and also upon the request from the provincial government, a central bank office is being established in Hetauda to provide services related to provincial consolidated funds, government transaction, economic research, and banking, for which the land procurement process has been initiated
- 2.222 The construction of the guest house building and director's residence inside the bank's Siddharthnagar office premises is at the final stage. In addition, technical and financial proposals along with a master plan including detailed drawing, design, and cost estimate have been requested from the bidders listed under consultation services procurement, for the construction of the guest house and other required structures in the Pokhara office.
- 2.223 Consultancy service has been procured for conducting a system audit of the various software including GL, HRIS, SWIFT, SIS, and overall information technology systems used by this bank through an external expert. Likewise, Inventory Management Systems, Litigation Management Systems, HRIS Enhancement, Online Application Software, Security Information and Event Management (SIEM) System Software, and other software have been purchased and are being used.

Banking Transaction

- 2.224 To facilitate easy and reliable payment systems, the account operation process for using the intraday liquidity facility (ILF) provided to BFIs against the collateral of government bonds to provide overnight liquidity facility upon need basis has been completed.
- 2.225 Among the 753 local bodies, 19 "A" class commercial banks have established branch offices in 752 local levels and are facilitating government transactions upon approval from the bank, whereas the government transaction of the remaining local body is being processed through a nearby branch of a commercial bank. Necessary initiatives are being taken to establish a commercial bank branch in the remaining Saipal rural municipality of Bajhang district as early as possible.
- 2.226 Together with 14 commercial bank branches from outside Kathmandu Valley and 5 from inside the valley, a total of 19 bank branches/central offices of various commercial banks authorized to carry out government transactions were inspected and provided further direction as required.

- 2.227 In 2022/23, the bank authorized a total of 42 offices to carry out government transactions, which include 17 branches and extension counters of 14 commercial banks to operate at the central level, 4 commercial bank branches at the provincial level, and 21 commercial bank branches at the local level. Additionally, 14 commercial bank branches already authorized to carry on government transactions were permitted to relocate.
- 2.228 During the review year, an on-site inspection of the Indian Currency chest located at seven provincial offices of the bank was completed. Furthermore, on-site monitoring of the implementation status of the electronic check clearing system (ECC) and interbank payment system (IPS) at 8 provincial offices was also completed.
- 2.229 During the review year, through the Electronic Check Clearing (ECC) system, a total of 33,157 inward transactions amounting to NPR 36 billion 560 million and 1,608 outward transactions amounting to NPR 21 billion 960 million were processed. Moreover, through the ECC system, 330 outward clearing transactions equivalent to USD 1.939 million were completed. Furthermore, through the interbank payment system (IPS), 4503 inward transactions adding up to NPR 49 billion 970 million, 22 inward transactions totaling USD 53,500, and 1 inward transaction worth Euro 988 were processed. Similarly, through the IPS, 3, 15,567 outward transactions amounting to NPR 38 billion 80 million were processed.
- 2.230 In 2022/23, upon the request of various agencies/offices under the Government of Nepal, a total of 44 new LCs/AP transactions including 40 letters of credit (LCs) and 4 authorizations to pay (AP) were issued. Among these, 35 LCs were equivalent to USD 36,140,915.50, 1 LC was equivalent to AUD 69,457.66, 4 LCs were equivalent to INR 155,637,179.50, and 4 AP transactions were equivalent to JPY 1,552,593.00.
- 2.231 As of end of 2022/23, arrears on general refinance provided as per NRB Refinance Procedure against good loan securities to 5 'A-class' commercial banks, 1 'B-class' development bank, 1 'C-class' finance company and 2 'D-class' microfinance financial institutions amount to NPR 1,497,808,982 (One billion four hundred ninety-seven million eight hundred eight thousand nine hundred eighty-two Nepalese Rupees only).
- 2.232 In 2022/23, refinance against good loan securities provided to six "A" class commercial banks amount to NPR 1,046,947,000 (One billion forty-six million nine hundred forty-seven thousand Nepalese Rupees only), to one "B" class development bank amount to NPR 300,000,000 (Three hundred million Nepalese Rupees only), to one "C" class financial company totals NPR 48,526,000 (Forty-eight million five hundred twenty-six thousand Nepalese Rupees only), and to two "D" class microfinance financial institutions amounts to NPR 302,335,981.61 (Three hundred two million three hundred thirty-five thousand nine hundred eighty-one Nepalese Rupees and sixty-one paisa only).
- 2.233 Under the Business Continuity Refinancing Program, as of mid-July 2023, 35 business firms were provided loans amounting to NPR 799,217,000 (Seven hundred ninety-nine million two hundred seventeen thousand Nepalese Rupees only) through 8 commercial banks. Among this, a total loan amount of NPR 260,806,563.34 (Two hundred sixty million eight hundred six thousand five hundred sixty-three Nepalese Rupees and thirty-four paisa only) has been recovered while loans provided to 28 institutions by 8 banks amounting to NPR

538,410,436.66 (Five hundred thirty-eight million four hundred ten thousand four hundred thirty-six Nepalese Rupees and sixty-six paisa only) has been outstanding.

- 2.234 In case the cash deposits of foreign currency accumulated at the Banking department exceed the exchange and payment requirements, the excess amount is deposited in the foreign-located agency account. In line with this provision, as per the Banknotes Purchase Agreement between the bank and CIMB Bank, Singapore, 11 cargo consignments of foreign currencies equivalent to NPR 18,863,736,300.00 (Eighteen billion eight hundred sixty-three million seven hundred thirty-six thousand three hundred Nepalese Rupees only) were shipped to CIMB Bank, Singapore in 2022/23.
- 2.235 In 2022/23, Indian currency (IC) amounting to 43,760,000,000.00 was purchased from commercial banks, and IC totaling INR 388,250,900,000.00 was sold to them. Among the foreign currencies of 38 various countries received from The Lumbini Development Trust, only those from 20 countries were exchanged and Nepalese Rupees equivalent to USD 41,388 were handed over to the trust.
- 2.236 Among the 13 Indian currency (IC) note chests operating under the Banking Department, the IC note chest located at the Ilam branch of Nepal Bank Limited has been closed, which brings it to a total of 12 IC note chests. Furthermore, the limits of IC note chests at the central office of Rastriya Banijya Bank and the Banking office of Nepal Bank Limited have been revised from INR 100 million to INR 20 million.

Table 2.23
Insurance of INR Vault

(Amount in INR)

SN	Name of bank	Branch	Insurance Limit of INR Fund
1	Rastra Banijya Bank	Rajbiraj	60,00,000.00
2	Rastra Banijya Bank	Siraha	60,00,000.00
3	Rastra Banijya Bank	Inarwa	60,00,000.00
4	Rastra Banijya Bank	kalaiya	25,00,000.00
5	Rastra Banijya Bank	Bhadrapur	50,00,000.00
6	Rastra Banijya Bank	Banking office	2,00,00,000.00
7	Nepal Bank Limited	Banking office	2,00,00,000.00
8	Rastra Banijya Bank	Parasi	5,00,000.00
9	Rastra Banijya Bank	Baitadi	15,00,000.00
10	Rastra Banijya Bank	Darchula	10,00,000.00
11	Rastra Banijya Bank	Bardaghat	10,00,000.00
12	Nepal Bank Limited	Kakarvitta	60,00,000.00
Total			7,55,00,000.00

- 2.237 To facilitate swift, easy, and convenient service and promote digital banking transactions, a QR code payment system has been introduced at the Indian currency (IC) exchange counters of the Banking department.

Mint Related Activities

- 2.238 As per the approved annual work plan for 2022/23, the division is required to coordinate with the provincial offices to identify various things that are of archaeological, social, cultural, and historical significance and use these while minting commemorative coins and medallions. In line with this, a consolidated report on on-site and off-site studies of all seven provinces has been prepared.
- 2.239 "The Mint Billing System (MBS) is currently in the process of being developed, and it is in the phase of User Acceptance Testing.
- 2.240 With the Mint division head of office as a coordinator, an 8-member study task force was formed to study the requirement of minting machinery and equipment. The team has completed the study and submitted the report to the governor.

Meeting of the Board of Directors

- 2.241 In 2022/23, 46 Board of Directors meetings and 47 Management Committee meetings were held. In the previous fiscal year, such meetings were held 42 and 56 times, respectively.

Foreign Aid Coordination

- 2.242 Nepal Rastra Bank and the Bank of Korea-Knowledge Partnership Program (BOK-KPP) agreement was signed on July 26, 2022.
- 2.243 The first review of the IMF Article IV Mission and Extended Credit Facility (ECF) Mission took place in Kathmandu from February 15 to 28, 2023. Under the Extended Credit Facility, the Government of Nepal has received SDR USD 117.7 million until now.
- 2.244 The IMF Financial Sector Stability Review Mission took place in Kathmandu from November 1 to November 14, 2022.

Activities related to financial literacy

- 2.245 During 2022/23, Nepal Rastra Bank conducted a total of eight financial literacy programs including four 'Bidhyarthi sanga Nepal Rastra Bank' programs and four digital financial literacy programs. The Financial Literacy Framework, 2022, has been issued.
- 2.246 Awareness messages related to financial literacy have been published/broadcasted through newspapers, social media, and other communication channels.
- 2.247 Organization for Economic Cooperation and Development, OECD's Global Money Week 2023, was conducted in coordination and collaboration with the Nepal Stock Exchange, Insurance Board, Cooperative Department, National Banking Institute (NBI), and various BFIs as a nation-wide financial awareness program
- 2.248 Jingles and audio/visual contents related to financial literacy have been produced and broadcasted through radio, television, social media, and the website of the bank.

Training, Symposium, Seminar, Visit and Interaction Program

- 2.249 The South Asia Region Financial Inclusion Initiative (SARFII) was established in September 2022 as a regional institution of AFI (Alliance for Financial Inclusion) and the NRB Governor represents as Vice Chairperson of the institution.
- 2.250 Meetings of two working committees of AFI (Alliance for Financial Inclusion), Inclusive Green Finance, and SME Finance were held in Kathmandu from March 7 to March 10, 2023.

Grievance Management

- 2.251 In 2022/23, details of grievances reported through various sources are shown in Table 2.24.

Table 2.24
Details of Complaints

F.Y 022/23	Online Portal	Written Application	Other (Telephone, Email, Hello Government)	Total
Received	1985	325	593	2903
Resolved	1748	305	593	2646
In process	237	20	0	257

Study, Research, and Publication Related Activities

- 2.252 With the technical assistance of the International Monetary Fund, the Financial Corporation Survey which incorporates the overall indicators of the financial system has been prepared including the balance sheet of microfinance financial institutions, insurance companies, Employees Provident Fund, Citizens Investment Fund, Hydroelectricity Investment and Development Company Ltd., and Nepal Infrastructure Development Bank.
- 2.253 A draft of the study on the Appropriateness of Monetary Policy Targets has been prepared.
- 2.254 A concept paper has been developed for reinforcing the Online System for Open Market Operations (OMOs).
- 2.255 The study on the Degree of Exchange Rate Misalignment and its Impact on Economic Growth, Foreign Direct Investment Survey, and Foreign Exchange Transaction Survey has been completed.
- 2.256 A one-day interaction program related to ITRS has been organized in Kathmandu with the officials compiling BOP-related statistical data of BFIs. Similarly, a one-day interaction program has been organized in Kathmandu with reporting institutions of BOP-related statistics other than BFIs.
- 2.257 The industrial profile of cement industries operating in Nepal has been prepared.
- 2.258 The annual provincial economic activities reports of all provinces for 2021/22 and semi-annual report for 2022/23 have been published. Similarly, the integrated report of the annual economic activity of 2021/22 and the semi-annual economic activity report of 2022/23 have been published on the bank's website.

- 2.259 The pre-budget study for the preparation of the annual budget for 2023/24, has been completed and the report has been submitted to the GoN, Ministry of Finance
- 2.260 Four quarterly Inflation Expectation Surveys were completed in the review year.
- 2.261 A report on the Baseline Survey on Financial Literacy related to financial literacy has been published.
- 2.262 Two surveys under the study ‘Business Confidence Survey’ on a trimester basis have been completed.
- 2.263 Regular reports with statistics on the Current Macroeconomic and Financial Situation for each month have been published in the review year.
- 2.264 The base year survey for the second salary and wage index has been completed.
- 2.265 During the review year, four Research Meet programs have been completed.
- 2.266 A study on the Human Resource Management Practices in NRB has been completed and published. Additionally, the Nepal Rastra Bank Publication Directive, 2079 has been issued.
- 2.267 In the review year, a special study on the “Status, Potential, and Challenges of Commercial Kiwi Farming in Koshi Province” has been completed from the Biratnagar office.
- 2.268 A special study on the topic "The Utilization Effectiveness of Professional Jivan Rakshya Loan" was conducted by the Pokhara Office in the review year. The report has been published on the bank's website.
- 2.269 A special study report on “The Potential and Challenges of Religious Tourism in the Far Western Province” was carried out by the Dhangadhi Office in the review year, and the report has been published.

Major Activities of Provincial Offices

- 2.270 The provincial offices have conducted training programs on the clean note policy, security features of Nepali notes, and identification of counterfeit notes.
- 2.271 The provincial offices have completed a program to enhance financial awareness education to students
- 2.272 The provincial offices have completed an interaction program with stakeholders regarding the unified directives issued to BFIs.
- 2.273 The provincial offices have successfully completed an interaction program on the anti-money laundering and control of financial investments in terrorist activities including the participation of related reporting institutions, stakeholders, and organizations.
- 2.274 The provincial offices organized a one-day seminar on the importance of economic statistics, usefulness, and problems in data collection with the participation of the representatives of the concerned agencies that provide data for the economic activities study report.

- 2.275 The Birgunj office has conducted a one-day interaction program on current economic and banking activities by involving the heads local BFIs, industrialists, businessmen, and other stakeholders.
- 2.276 The Pokhara office has conducted and published the report on the on-site inspection of banks implementing the 'Province Jeevan Raksha Loan' program under the interest subsidy of the Gandaki Provincial Government.
- 2.277 The interaction program on the development of a disabled-friendly banking system with representatives from banks, financial institutions, and other concerned stakeholders has been completed in the auditorium of the Pokhara office.
- 2.278 The Nepalgunj office has successfully concluded a one-day training program on 'Payment and Settlement of Transactions: Existing System, Problems, and Challenges'.
- 2.279 A one-day training program has been conducted by the provincial offices with the aim of increasing financial access through the encouragement and promotion of the electronic payment system.
- 2.280 The Surkhet office has started the operation of the interbank payment system (IPS), as well as Electronic Check Clearing (ECC).

Table 1
Denomination-wise Currency Notes in Circulation

(Rs. in Million)

Denomination	Mid-July					
	2021		2022		2023	
	Amount	Percent	Amount	Percent	Amount	Percent
1	161.0	0.03	161.0	0.03	161.0	0.03
2	185.3	0.03	185.2	0.03	185.2	0.03
5	2909.5	0.43	3378.7	0.53	3640.5	0.57
10	4,511.2	0.66	5375.1	0.85	5867.7	0.92
20	5,262.6	0.77	6825.6	1.08	7524.3	1.18
25	57.1	0.01	57.1	0.01	57.0	0.01
50	10,446.0	1.53	13247.2	2.09	14686.0	2.29
100	20,740.5	3.03	27002.2	4.27	30394.6	4.75
250	87.4	0.01	87.4	0.01	87.4	0.07
500	150,524.3	22.02	132811.8	21.00	130670.9	20.41
1000	488,615.1	71.48	443338.7	70.10	446805.6	69.80
Total	683,500.0	100.00	632,470.0	100.00	640080.0	100.00

Table 2
Security against Currency Notes in Circulation

(Rs. in Million)

Mid-July	Gold	Silver	Foreign Currency and Securities	Total	Government Securities	Security against Note Issued	Share of Foreign Currency, Gold and Silver in Total Security (%)
				(1+2+3)			(4+6)*100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	703	-	79,756.0	80,459.0	4,172.0	84,631.0	95.1
2007	-	-	87,138.0	87,138.0	4,172.0	91,310.0	95.4
2008	-	-	108,778.0	108,778.0	4,172.0	112,950.0	96.3
2009	-	-	137,038.0	137,038.0	4,172.0	141,210.0	97.0
2010	-	-	157,128.0	157,128.0	4,172.0	161,300.0	97.4
2011	-	-	163,448.0	163,448.0	4,172.0	167,620.0	97.5
2012	-	-	197,078.0	197,078.0	4,172.0	201,250.0	97.9
2013	-	-	233,460.0	233,460.0	-	233,460.0	100.0
2014	-	-	273,250.0	273,250.0	-	273,250.0	100.0
2015	-	-	319,080.0	319,080.0	-	319,080.0	100.0
2016	-	-	386,160.0	386,160.0	-	386,160.0	100.0
2017	-	-	430,990.0	430,990.0	-	430,990.0	100.0
2018	-	-	494,389.5	494,389.5	-	494,389.5	100.0
2019	-	-	2257.7	2257.7	-	2257.7	100.0
2020	-	-	588,060.0	588,060.0	-	588,060.0	100.0
2021	-	-	683,500.0	683,500.0	-	683,500.0	100.0
2022	-	-	632,470.0	632,470.0	-	632,470.0	100.0
2023	-	-	640,080.0	640,080.0	-	640,080.0	100.0

Table 3
Training Programs Conducted by Bankers Training Centre

A. Regular Trainings

S.N.	Training Name	Venue	Date	Days
1	SIS Technical Training	Online	2022 August 14-16	3
2	Risk Based Internal Audit	Kathmandu	2022 August 14- 18	5
3	AML CFT Regimes	Kathmandu	2022 August 21-24	5
4	Research Methodology and Report Writing	Kathmandu	2022 August 21-26	6
5	Banking Operation	Kathmandu	2022 September 4-7	4
6	Risk Based Supervision	Kathmandu	2022 September 11-16	6
7	Payment and Settlement systems	Kathmandu	2022 September 20-22	3
8	Planning, Budgeting and Risk Management in NRB	Kathmandu	2022 October 12-14	3
9	Central Banking Training for Officer	Pokhara	2022 November 6-11	6
10	NRB Accounting System and NFRS	Kathmandu	2022 November 27-December 2	6
11	Organisational Behavior	Kathmandu	2022 December 4-7	4
12	GL Software	Kathmandu	2022 December 13-15	3
13	Macroeconomic Modeling and Forecasting	Kathmandu	2022 December 18-23	6
14	Macroeconomic Management in Nepal	Kathmandu	2023 January 8-13	6
15	Training For Office Subordinate	Pokhara	2023 January 19-20	2
16	Management Development Program	Kathmandu	2023 January 29-February 3	6
17	Currency Management in Nepal	Kathmandu	2023 February 7-10	4
18	Procurement Management in NRB	Kathmandu	2023 March 13-15	3
19	Secretariat Training	Bhairahawa	2023 March 15-18	4
20	Regulation and Supervision of Microfinance Institutions	Kathmandu	2023 March 22-24	3
21	Central Banking Training for Non-officer	Pokhara	2023 March 26-31	6
22	Protocol Management	Kathmandu	2023 April 2-3	2
23	Empirical Methods for Financial Market Research	Kathmandu	2023 May 7-12	6
24	Foreign Exchange Management in Nepal	Pokhara	2023 May 16-19	4
25	Macroprudential Regulation and Financial Stability	Bhairahawa	2023 May 28-31	4
26	Econometric tools for Policy Evaluation	Kathmandu	2023 June 4-9	6

B. Additional Training Programs

S.N.	Training Name	Venue	Date	Days
1	MS Office Package training for Assistant	Kathmandu	2022 August 17 -31	15
2	Orientation Program on Current Economic and Banking Affairs for Economic Journalist, SEJON	Dhulikhel	2022 September 13-14	2
3	Training for Driver, Mechanics and other technical staff	Dhulikhel	2022 September 16- 17	2
4	Behavioral Science for Middle level Officer	Nagarkot	2022 September 23-24	2
5	Stress Management for Executives	Godawari	2022 December 30-31	2
6	Pre-service Training for Assistant	Kathmandu	2023 February 13-24	11
7	Pre-service Training for Assistant Directors	Kathmandu	2023 February 13-26	12
8	Financial Literacy Framework Guidelines Implementation Program for BFIs	Kathmandu	2023 May 2-3	2

C. Additional Trainings

S.N.	Training Name	Venue	Date	Days
1	Orientation Program on Current Economic and Banking Affairs for Economic Journalist, NAFIJ	Dhulikhel	2022 December 16-17	2
2	Management Development Program for NRB in NBI	Kathmandu	2023 January 16-20	5
3	Pre-service Training for Assistant Directors 2nd// Jestha	Kathmandu	2023 May 28-June 8	12
4	Pre-service Training for Assistants 2nd // Asar	Kathmandu	2023 June 18- 28	11
5	Fundamental of CRM as per Basel Principle (NBI)	Kathmandu	2023 July 4-7	4

D. Position-wise Participation in Local Training and Programs

S.N.	Position	No. of Participants
1	Executive Director	11
2	Director	25
3	Director (I.T.)	8
4	Deputy Director	86
5	Deputy Director (I.T.)	6
6	Assistant Director	98
7	Assistant Director(I.T.)	7
8	Head Assistant	15
9	Head Assistant (I.T.)	1
10	Assistant	17
11	Assistant (I.T.)	15
Total		289

E. Number of Employees Physically Participating in Local Training and Programs

S.N.	Host Institution	No. of Participants
1	International Finance Corporation	20
2	Rastriya Banijya Bank	23
3	Standard Chartered Bank Nepal Ltd.	19
4	Asian Development Bank	15
5	Financial Management Department	15
6	Nepal Bank Ltd.	19
7	The World Bank	13
8	Nepal Administrative Staff College	11
9	The Institute of Chartered Accountants of Nepal	14
10	Information Technology Department	10
11	Nepal Rastra Bank, SEACEN	10
12	Global Link Technology (P). Ltd.	9
13	Accounting Standard Board	13
14	KB Chitracar & Co Chartered Accountants	7
15	Management Association of Nepal	7
16	Nepal Administrative Staff College	7
17	Nepal Bankers Association	6
18	Nepal Yoga Institute & Retreat P. Ltd.	6
19	Nilanjana Business Solutions P. Ltd.	6

S.N.	Host Institution	No. of Participants
20	Ministry of Defense	5
21	Sristhi Sadhana Kendra	5
22	The Art of Living Nepal	5
23	Standard Chartered Bank Ltd.	4
24	Tribhuvan University	4
25	Nepal Planning Commission	3
26	USAID	3
27	Agriculture Development Bank Ltd.	2
28	Central Department of Economics, TU	2
29	Ministry of Communication and Information Technology	2
30	National Banking Institute	2
31	Nepal Insurance Authority	2
32	Nepal Telecommunications Authority	2
33	OPDAT, Embassy of United State-Kathmandu	2
34	Pioneer Law Associates	2
35	Targus Technologies P. Ltd.	2
36	Association of Charter Accountant of Nepal	1
37	Federation of Nepalese Chambers of Commerce and Industry	1
38	Ministry of Finance	1
39	Ministry of Labor & Employment	1
40	Nepal Police	1
41	Nepal Planning Commission & UN Women and ILO	1
42	UN Women and ILO	1
Total		289

Table 4
Participation in International raining, Seminar, Meeting, and Workshops

A. Participation in Physically Conducted International Training

S.N.	Host Institution	No. of Participants
1	The SEACEN CENTRE	72
2	Reserve Bank of India (RBI)	69
3	Centre for International Cooperation in Agricultural Banking (CICTAB)	39
4	IMF – Singapore Regional Training Institute (STI)	20
5	IMF South Asia Regional Training and Technical Assistance Center (SARTTAC)	18
6	Alliance for Financial Inclusion (AFI)	16
7	Bank of Korea	14
8	Deutsche Bundesbank	12
9	Asia Pacific Group (APG)	11
10	International Monetary Fund (IMF)	10
11	Bank Indonesia	9
12	IRIS Business Service Ltd.	9
13	Monetary Authority of Maldives	7
14	Bank for International Settlement (BIS)	7
15	China Banknote Printing and Minting	6
16	Bangko Sentral ng Pilipinas (BSP)	6
17	International Financial Corporation (IFC)	6
18	The International Banking and Finance Institute Banque De France	5
19	Asian Clearing Union (ACU)	4
20	Government of India	4
21	Standard Chartered Bank	4
22	United Nations Capital Development Fund (UNCDF)	4
23	Asia Pacific Network Information Center (APNIC)	4
24	Monetary Authority of Singapore (MAS)	4
25	Asian Development Bank (ADB)	4
26	Franklin Templeton	3
27	National Bank of Cambodia	3
28	Sipradi Motors	3
29	State Bank of Pakistan	3
30	National Payments Corporation of India (NPCI) International	3
31	Bank of Lithuania	2
32	Cloudfest	2
33	Egmont	2
34	Embassy of the United States	2
35	Habitat for Humanity Nepal	2
36	International Operational Risk Working Group (IORWG)	2
37	Mint and Print (MAP)	2
38	Oberthur Fiduciaire SAS	2
39	State Bank of India (SBI)	2
40	State Bank of Vietnam	2

S.N.	Host Institution	No. of Participants
41	The Royal Mint - The Original Maker	2
42	The World Bank	2
43	Zuricher Kantonalbank	2
44	Credit Bureau Cambodia (CBC)	2
45	Financial Action Task Force (FATF)	2
46	Civilian Research & Development Foundation (CRDF) Global	2
47	BBVA Spain	1
48	G20	1
49	IMF & Hawkamah Institute of Governance	1
50	Nepal Rastra Bank	1
51	Public Debt Management Office, MOF, GoN	1
52	PUSAT PELAPORAN DAN ANALISIS TRANSAKSI KEUANGAN KEPALA	1
53	Study Center Gerzensee	1
54	United Nations (UN)	1
55	The National Institute of Banking and Finance (NIBF)	1
56	The Deutsche Gesellschaft für Internationale Zusammenarbeit (gIZ)	1
57	Federal Reserve Bank (FED)	1
Total		422

B. Position-wise Physical Participation in International Conferences, Meetings and Programs

S.N.	Position	No. of Participants
1	Governor	8
2	Deputy Governor	9
3	Member, Board Of Director	1
4	Executive Director	28
5	Director	57
6	Director (I.T.)	6
7	Deputy Director	125
8	Deputy Director (I.T.)	8
9	Deputy Director (Mechanical)	1
10	Assistant Director	123
11	Assistant Director (I.T.)	1
12	Head Assistant	50
13	Head Assistant (I.T.)	1
14	Assistant	1
15	Assistant (I.T.)	2
16	Acting Assistant Director (Chalak)	1
Total		422

C. Online Participation in International Training

S.N.	Host Institution	No. of Participants
1	TORONTO CENTRE	125
2	The International Monetary Fund	58
3	Alliance Financial Inclusion	51
4	Reserve Bank of India	42
5	The SEACEN Centre	40
6	Nepal Rastra Bank and Reserve Bank of India	23
7	The Asian Clearing Union	17
8	The International Monetary Fund-Financial Sector Stability Review Mission (IMF FSSR Mission)	15
9	The Maldives Monetary Authority and the Alliance for Financial Inclusion	11
10	Centre of International Cooperation and Training in Agriculture Banking (CICTAB)	9
11	Federal Reserve Bank of New York	6
12	The International Monetary Fund-Singapore Training Institute (IMF-STI)	6
13	IMF South Asia Regional Training and Technical Assistance Center (IMF SARTTAC)	5
14	The International Monetary Fund and Nepal Rastra Bank	5
15	University of Cambridge	5
16	The Asian Clearing Union & Reserve Bank of India	4
17	Bank for International Settlements	4
18	Bundesbank	2
19	Nepal Police Headquarter and Interpol Financial Crime and Anti-Corruption Centre	2
20	The SEACEN Centre and Bank Indonesia	2
21	ADB- Cambridge University	1
22	Asia Pacific Group	1
23	Bank Indonesia	1
24	Development Construction Implementation Division (The World Bank and Government of India)	1
25	The World Bank Group	1
	Total	437

D. Position-wise Online Participation in International Trainings and Programs

S.N.	Position	No. of Participants
1	Deputy Governor	1
2	Executive Director	22
3	Director	86
4	Director (I.T.)	5
5	Deputy Director	119
6	Deputy Director (I.T.)	3
7	Assistant Director	176
8	Assistant Director (I.T.)	5
9	Head Assistant	11
10	Assistant	7
11	Assistant (I.T.)	1
12	Statistician	1
	Total	437

Table 5
Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in 2022/23

S. N.	Office	Fund Transfers and Deposits									Purchase and Sale of Foreign Currencies				
		Amount (NRs. Million)					IC (NRs. Million)				Other Foreign Currencies		IC		
		Fund Transfer			Fund In ²		Fund Transfer		Fund In ³		NRs. Million		NRs. Million		
		No. of Currency Chests ¹	Frequency	Amount	Frequency	Amount	Frequency	Amount	Frequency	Amount	Purchase	Balance ⁴	Purchase	Sale ⁵	Balance ⁴
1.	Biratnagar	12.00	65.00	30490	10.00	179.8	2.00	130	0.00	0.00	282.5	24.1	6.2	4.7	940.6
2.	Janakpur	6.00	23.00	10230	3.00	92.4	0.00	0	0.00	0.00	472	54.5	0.4	65.9	75.5
3.	Birgunj	4.00	6.00	1950	9.00	8336.9	0.00	0	0.00	0.00	62.3	19.3	0.5	63.3	683
4.	Pokhara	9.00	43.00	16310	7.00	181.7	0.00	0	0.00	0.00	3191.8	28.3	21.3	60.7	140.7
5.	Siddharthanagar	9.00	60.00	21043.2	10.00	257.3	0.00	0	0.00	0.00	491.2	93.2	40.3	13.1	764.7
6.	Nepalgunj	13.00	39.00	17425.4	22.00	4172.3	0.00	0	0.00	0.00	62.4	76.3	5.3	56.4	563
7.	Dhangadhi	9.00	32.00	10700	13.00	1604.6	0.00	0	0.00	0.00	102	100.5	1.5	78.5	64.6
	Total	62.00	268.00	108148.6	74.00	14825	2	130	0.00	0.00	466.4	396.2	75.5	342.6	3232.1

1 Number of Currency Chests under the Office

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

3 IC deposit means IC collected on different dates from NRB Banking Offices

4 Outstanding as of mid-July 2023 after transfers to other offices

5 Only amount sold to clients by Office

Table 6
Description of Gold and Silver Commemorative Coins, Medallions and Medals Sold and Distributed in 2022/23

S.N.	Product Name	Production Qty (Pcs)	Sold Qty (Pcs)
1	2.5 GM Gold Asarfi	14347	11375
2	5 GM Gold Asarfi	11250	7670
3	10 GM Gold Asarfi	13052	9728
4	10 GM Laxmi Medaliyan	9200	5293
5	10 GM Ganesh	7137	3096
6	10 GM Gajalaxmi	4900	2506
7	Padak for different institutions	1222	1222
8	Sansad (300.00) Coin	-	10
9	Shree 5 Gyanendra Rajayarohan	-	29
10	Niryat Barsha (300.00)	-	22
11	Byabasthapan (500.00)	-	34
12	Marwadi Sewa Samiti (250.00)	-	24
13	U.N.O. Rs 500.00 @ Rs 66.00	-	85
14	Nrb Golden Jublee Rs 1000.00	-	102
15	Rotery Int. Rs. 1000.00	-	41
16	Gurunakanak Rs.1000 Silver 999 Tch	-	439
17	Gurunakanak Rs.2500 Silver 999 Tch	-	54
18	Satyamohan Joshi Rs1000 silver 999 Tch	-	1056
19	Satyamohan Joshi Rs2500 silver 999 Tch	-	349
20	Nepal Dhitopatra Board	-	25
21	Taksar Yantrikaran @ Rs.50.00	-	26
22	Rajyarohan 1 Oz (Rs 2000) @Rs.712.74	-	452
23	Saarc Coin Silver @ Rs.262.63	-	54
24	Circulation Coin Rs 1	-	33315000
25	Circulation Coin Rs 2	-	14517000

Appendix 2.1

Circulars issued to “A”, “B”, and “C” Class Bank and Financial Institution

1. The risk weight for margin loans exceeding NPR 25 lakh has been set at 150 percent, and for margin loans up to NPR 25 lakh at 100 percent.
2. Commercial banks are required to maintain Countercyclical Buffer as per the arrangements made in the “Capital Adequacy Framework 2015” from FY 2023/24.
3. A provision has been added that if the grace period is extended as per the revised required commercial operation date of the hydropower projects, it will not be considered as restructuring/rescheduling.
4. Circumstances indicating borrower inability to pay the debt: Any one of the following circumstances would indicate borrower inability to repay the debt:
 - Cost Overrun, Time Overrun, Cash Flow Mismatch, or any short-term reasons reducing the income of the borrower resulting in the inability to pay the loan installment or interest by due date.
 - Even the loan installments or interest are paid in a fixed schedule, if there is a situation where the borrower would be unable to pay the installment or interest on a future date due to adverse external conditions or any other reason.
 - The borrowing company has been De-listed from Nepal Stock Exchange Ltd. or is in the process of delisting.
 - The borrower's actual financial position or the projected financial position is not sufficient for installment or interest payment of the loan.
5. Restructuring and rescheduling of loans disbursed to hotels and restaurants, livestock sector, construction sector, or any other sectorial loan up to NPR 50 Million can be done upon the request of the borrower after a thorough scrutiny of cash flow and income assessment of business/industry as per need and requirement only after payment of ten percent of the interest due.
6. Restructuring and rescheduling of loans disbursed to small and medium scale industry loans up to NPR 20 Million can be done for one time upon the request of the borrower after a thorough scrutiny of cash flow and income assessment of business/industry as per need and requirement only after payment of ten percent of the interest due.
7. According to loan classification, the minimum loan loss provision has been increased from 1 percent to 1.3 percent in past loans.
8. In case of restructuring and rescheduling loan, following provisions have been made.
 - i. If any loans under the performing category at the time of restructuring or rescheduling are restructured or rescheduled under the following conditions, a minimum loan loss provision of 12.5 percent is required.
 - a) Restructure and/or Reschedule for the first time.
 - b) Restructure and/or Reschedule for equal installment payment.
 - c) Restructure and/or Reschedule done with a maximum grace period of one year.
 - ii. If any performing loan at the time of restructuring and/or rescheduling are restructured or rescheduled in case of conditions other than mentioned in 8(i), a minimum 25 percent loan loss provision is required. For the loan categorized as sub-standard, doubtful, or bad loan, restructuring and/or rescheduling should be done as per the provision made under prevailing rules of loan loss provision. Adjustment of loan loss provision of restructured and /or rescheduled loan could not be done unless installment and interest payment of loan are regularized for two consecutive years
9. BFIs should follow the Guideline on Recognition of Interest Income, 2019 issued by this bank for accounting of interest income for loans and advances.
10. In case of publishing the notice for the recovery of the loan, photo of the natural person should not be published publicly.
11. Provision under interest capitalization for distribution of the dividend has been amended.

12. If the debtor pays within 30 days of exceeding the principal/interest liability of the loan, penal interest shall not be charged which shall apply only to the principal/interest that is overdue by mid-June 2023, but if a debtor does not pay the principal/interest of the loan within the period of exemption, this provision shall not hinder to charge the penal interest for the entire period exceeding due under the predetermined conditions.
13. BFIs can provide loans upto Rs. 50 lakhs per customer only in case of loans related to overdrafts, mortgage loans, property loans, personal periodic loans, loans provided on the security of shares, and personal loans of any kind without disclosing specific purpose and when providing such a new loan with house/land mortgage, as well as loan addition, or loan renewal, the loan to collateral value ratio should be maintained at a maximum of 30 percent within the Kathmandu Valley and at a maximum of 40 percent in other places.
14. A provision has been made to set the interest rate by adding only 2 percent to the base rate while providing loans up to Rs. 2 crores by the licensed BFIs for food production, animal husbandry, fisheries, export industries, manufacturing industries based on 100 percent indigenous raw materials, handicrafts and skill-based industries, business and enterprises (except import-related business).
15. While providing loans to the private sector for the construction of information technology parks and industrial parks, a provision has been made to determine the interest rate by adding a maximum of 2 percentage premium points to the base rate.
16. Single obligor limit for margin nature of share loan: The maximum single obligor limit for customers to avail margin nature of loans from any one or all licensed institutions is fixed at Rs. 12 crore.
17. BFIs should publish the interim financial report (Summary report) of the fourth quarter within 21 days of the end of the fiscal year.
18. Bonds issued before 24 Aug 2021 by licensed institutions can be counted as deposits until mid-Jan 2024.
19. A provision has been established to ensure that the annual budget and programs which are determined by the board of directors for all organizational activities should be on the basis of risk assessment to prevent financial investment in money laundering and terrorist activities
20. The licensed institution should make sure that the depositor is not blacklisted as per the information of the credit information center before opening any type of account and for that, the institution cannot charge any fee from the customer.
21. Licensed "A", "B" and "C" category institutions are required to keep 4 (four) percent of the total deposit liability as a compulsory cash reserve in this bank effective 28 August 2022. "A" category banks have to maintain a statutory liquidity ratio (SLR) 12 percent of the total domestic deposits, "B" category development banks, and "C" category financial companies 10 percent of the total domestic deposits effective mid-December 2022.
22. The following arrangements have been made regarding interest rates:
 - The interest rate on deposits can only be changed monthly, however, if the bank rate and policy rate determined by NRB change, the interest rate can be changed immediately and published.
 - The maximum interest rate offered on institutional term deposits (including auctions) should be at least two percentage points lower than the maximum interest rate offered on term deposits for the general public.
 - The deposit interest rate should not exceed 0.5 percent point than the published rate for fixed deposits (local and foreign currency) collected based on bidding.
 - In case, enterprises utilizing loans of up to Rs. 5 crores from BFIs, pay their principal and interest dues till mid-July 2022 by mid-October 2022, no additional charges and penal interest should be levied.
23. Individual fixed deposits of less than 3 months and institutional fixed deposits of less than 6 months cannot be accepted and in the case of institutional fixed deposits, no premature or any payment can be made before the expiry of 6 months.

24. From mid-April 2023, the spread rate should not exceed 4.2 percent in the case of "A" class commercial banks and 4.8 percent in the case of "B" and "C" class institutions. Arrangements should be made so that the gap should not exceed 4.0 percent in the case of "A" class commercial banks and 4.6 percent in the case of "B" and "C" class organizations from mid-July 2023.
25. Arrangements have been made to reactivate inactive accounts by updating and verifying the customer's identity through electronic means.
26. Bonds issued by public limited companies related to the agricultural sector can be calculated as investments made by BFIs in the agricultural sector and can be counted within the specified limits of the agricultural sector.
27. The time for disbursing loans in the specified sector has been revised.
28. Besides existing provisions, it has been arranged that if commercial banks participate in the merger, and acquisition process and conduct integrated business by the end of mid-January 2023, additional facilities and discounts will be provided for 1 year from the date of unified business.
29. Commercial banks participated in the process of merger and acquisition but were unable to conduct integrated business by mid-January 2023, if they conducted integrated business by the end of mid-July 2023, the following facilities and discounts have been provided from the date of conducting unified business:
 - The loan disbursement period will be extended by one year in the specified sector.
 - The existing provision that members of the board of directors and senior-level employees cannot join other organizations licensed by this bank before at least 6 months of leaving their positions will be exempted.
 - Six months will be provided to regularize the loan-to-deposit ratio if it exceeds the limit from the date of operation of the integrated business.
 - One year will be given to bring the spread rate within the specified limit caused due to the different interest rates prevailing in the past in the institutions involved in the merger and acquisition.
 - The deposit collection limit set per institution specified by this bank will be increased by 5 percentage points for one year.
 - During the operation of an integrated business, the approval of this bank will not be required for one year to merge or close other branches operating at a distance of one kilometer while maintaining any one of the branch offices.
30. Standards/procedures for opening remittance savings accounts have been issued.
31. Standing liquidity facility rate as per the upper limit of the interest rate corridor was set at 8.5 percent, the deposit collection rate as per the lower limit was set at 5.5 percent and the repo rate as the policy rate was maintained at 7.0 percent. Standing liquidity facility rate was again revised to 7.5 percent.
32. As per the technical service agreement, the number and service period of non-Nepali citizens working for management services in related licensed banks or financial institutions has been revised.

Unified Directives issued to microfinance institutions have been amended as follows:

33. According to the loan classification, the minimum loan loss provision has been increased from 1 percent to 1.3 percent in the pass loans category.
34. Provision have been made not to publish pictures of natural persons while publishing public notices for loan recovery.
35. If a microfinance financial institution proposes to distribute dividends (cash or bonus) of more than 15 percent annually, 50 percent of the proposed dividend above 15 percent must be deposited in the general reserve fund and 35 percent must be deposited in the client protection fund.
36. When providing micro-loans without collateral or under the security of collateral, only one microfinance institution should provide loans to one borrower, and borrowers who have taken loans from 'A', 'B', and 'C' categories BFIs are not eligible to take loans from microfinance institutions.

37. Under the director education program, orientation/refresher work should be provided only in Nepal.
38. Microfinance institutions should publish the base rate monthly on their website from mid-January 2023.
39. The minimum interest rate of deposits/savings should be set at least 50 percent of the maximum interest rate of loans provided by microfinance financial institutions.
40. It has been arranged that the microfinance financial institution having no accumulated losses can submit an application to this bank for approval to issue Subordinated Term Debt, up to a maximum of 100% of its primary capital.
41. If the licensed organization is involved in the merger or acquisition process and conducts integrated business by the end of mid-January 2023, the following additional concessions will be provided:
 - After the date of the integrated transaction, for 1 year, adding up only 1 percent of the total assets will be considered enough for the risk-weighted assets related to operational risk.
 - In case of a proposal to distribute more than 20 percent dividend (cash or bonus) annually, the necessity to allocate 25 percent of the proposed dividend above 20 percent to Corporate Social Responsibility Fund will be waived until mid-July 2023.
42. Arrangements regarding rescheduling and restructuring of loans have been added.

Others: Regulatory reform

43. The Unified Directive 2078 issued to the Infrastructure Development Bank licensed by this bank was revised.
44. The Unified Directive, 2079 to "A", "B" and "C" category BFIs, and the Unified directive, 2079 to "D" category microfinance institutions have been issued.
45. Unified circulars, information, and facilities related to Covid-19 have been removed.

Various working guidelines and policy arrangements

1. Working Capital Loan Guidelines, 2079 regarding current working capital loans have been issued to the licensed BFIs.
2. Bank and Financial Institution Merger and Acquisition bylaws, 2073 (including the Fifth Amendment 2079) has been issued.
3. Working Capital Loan Guidelines, 2079 (including the first amendment) has been issued.
4. Nepal Rastra Bank Refinance Procedure, 2077 (with the Fifth Amendment) has been issued.
5. Financial Literacy Guidelines, 2079 (Financial Literacy Guideline, 2022) has been issued.
6. Nepal Rastra Bank Refinance Procedure, 2077 (with the Sixth Amendment) has been issued.

Appendix 2.2 Comprehensive Inspection of Commercial Banks

(A) Comprehensive On-Site Inspection (Risk-based)

S.N	Name of commercial Bank	S.N	Name of commercial Bank
1	Kumari Bank Ltd.	7	Prabhu Bank Ltd.
2	NCC Bank Ltd.	8	Citizens Bank International Ltd.
3	Nepal Infrastructure Bank Ltd.	9	Global IME Bank Ltd.
4	Standard Chartered Bank Nepal Ltd.	10	Himalayan Bank Ltd.
5	Nabil Bank Ltd.	11	Nepal Investment Bank Ltd.
6	NIC Asia Bank Ltd.	12	Prime Commercial Bank Ltd.

(B) Targeted On-Site Inspection (Risk-based)

S.N	Name of commercial Bank	S.N	Name of commercial Bank
1	Laxmi Bank Ltd.	7	NMB Bank Ltd.
2	Nepal SBI Bank Ltd.	8	Machhapuchree Bank Ltd.
3	Rastriya Banijya Bank Ltd.	9	Agricultural Development Bank Ltd.
4	Sunrise Bank Nepal Ltd.	10	Nepal Bank Ltd.
5	Sanima Bank Ltd.	11	Siddhartha Bank Ltd.
6	Everest Bank Ltd.		

(C) Special Inspection

S.N	Name of commercial Bank	Number of Inspection
1	Rastriya Banijya Bank Ltd.	2
2	Global IME Bank Ltd.	2
3	Sunrise Bank Nepal Ltd.	1
4	Siddhartha Bank Ltd.	1
5	Himalayan Bank Ltd.	2
6	Mega Bank Nepal Ltd.	1
7	Prabhu Bank Ltd.	3
8	NCC Bank Ltd.	1
9	NMB Bank Ltd.	2
10	Century Bank Ltd.	1
11	NIC Asia Bank Ltd.	2
12	Nabil Bank Ltd.	2
13	Prime Commercial Bank Ltd.	3
14	Citizens Bank International Ltd	1
15	Sanima Bank Ltd.	1
16	Bank of Kathmandu Ltd.	1
17	Laxmi Bank Ltd.	3
18	Everest Bank Ltd.	2
19	Nepal SBI Bank Ltd.	1
20	Kumari Bank Ltd.	2
21	Nepal Bank Ltd.	2
22	Nepal Investment Mega Bank Ltd.	1
23	Agricultural Development Bank Ltd.	1

(D) Special Inspection based on AML/CFT

S.N	Name of Commercial Bank	S.N	Name of Commercial Bank
1	Siddhartha Bank Ltd	10	Shine Resunga Development Bank
2	Machhapuchchhre Bank Ltd.	11	Narayani Bikas Bank Ltd.
3	Prime Commercial Bank Ltd.	12	Green Development Bank Ltd.
4	Citizens Bank International Ltd.	13	Goodwill Finance Ltd.
5	Nepal Investment Mega Bank Ltd.	14	Pokhara Finance Ltd.
6	NIC Asia Bank Ltd.	15	Employee Provident Fund
7	Muktinath Bikas Bank Ltd.	16	Citizen Investment Trust
8	Jyoti Bikas Bank Ltd.	17	Postal Saving Bank
9	Mahalaxmi Bikas Bank Ltd.		

Appendix 2.3

Comprehensive Inspection of Financial Institutions

Development Banks

(A) Comprehensive On-Site Inspection

1	Saptakoshi Development Bank Ltd.	7	Excel Development Bank Ltd.
2	Corporate Development Bank Ltd.	8	Miteri Development Bank Ltd.
3	Sangrila Development Bank Ltd.	9	Garima Bikas Bank Ltd.
4	Kamana Sewa Bikas Bank Ltd.	10	Muktinath Bikas Bank Ltd.
5	Salapa Development Bank Ltd.	11	Shine Resunga Development Bank Ltd.
6	Green Development Bank Ltd.	12	Lumbini Bikas Bank Ltd.

(B) Special Inspection

1	Excel Development Bank Ltd.	4	Jyoti Bikas Bank Ltd.
2	Garima Bikas Bank Ltd.	5	Lumbini Bikas Bank Ltd.
3	Karnali Development Bank Ltd.		

(C) Inspection Based on AML/CFT

1	Garima Bikas Bank Ltd.	2	Mahalaxmi Bikas Bank Ltd.
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Finance Companies

(A) Comprehensive On-Site Inspection

1	Progressive Finance Company Ltd.	7	Reliance Finance Ltd.
2	Goodwill Finance Ltd.	8	Pokhara Finance Ltd.
3	Gurkhas Finance Ltd.	9	ICFC Finance Ltd.
4	Nepal Finance Ltd.	10	Samriddhi Finance Company Ltd
5	Shree Investment and Finance Company Ltd.	11	Guheshwori Finance Ltd.
6	Multipurpose Finance Company Ltd.	12	Central Finance Ltd.

(B) Special Inspection

1	Best Finance Ltd.		
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(C) Inspection Based on AML/CFT

1	Goodwill Finance Ltd.	2	Gurkhas Finance Ltd.
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Appendix 2.4

Comprehensive Inspection of Micro Finance Institutions

(A) On-Site Inspection

S.N.	Name of Organization
1	Abhiyan Laghubitta Bittiya Sanstha Ltd., Panauti-4, Kavrepalanchok
2	Swabhimam Laghubitta Bittiya Sanstha Ltd., Tilottama, Rupandehi
3	Atmanirbhar Laghubitta Bittiya Sanstha Ltd., Ghorahi-15, Dang
4	Andhikhola Laghubitta Bittiya Sanstha Ltd., Bhirkot, Syangja
5	NIC Laghubitta Bittiya Sanstha Ltd., Bherimalika, Jajarkot, Corporate Banepa
6	NMB Laghubitta Bittiya Sanstha Ltd., Pokhara, Kaski
7	Global IME Laghubitta Bittiya Sanstha Ltd., Bijayapur, Kaski
8	Infinity Laghubitta Bittiya Sanstha Ltd., Gaidakot, Nawalparasi
9	Ganapati Laghubitta Bittiya Sanstha Ltd., Shuklagandaki, Tanahun
10	Arambha Chautari Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchok
11	Mithila Laghubitta Bittiya Sanstha Ltd., Dhalkebar, Dhanusha
12	Sabaiko Laghubitta Bittiya Sanstha Ltd., Bandipur, Tanahun
13	Win Nepal Laghubitta Bittiya Sanstha Ltd., Melamchi, Sindhupalanchok
14	Mirmire Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchok
15	Unnati Sahakarya Laghubitta Bittiya Sanstha Ltd., Siddharthnagar, Rupandehi
16	Bijaya Laghubitta Bittiya Sanstha Ltd., Gaidhakot, Nawalparasi
17	Kisan Laghubitta Bittiya Sanstha Ltd., Dhangadhi-2, Kailali, Corporate Office Budhanilkanth Na.Pa. Kathmandu
18	Swastik Laghubitta Bittiya Sanstha Ltd., Lahan, Siraha
19	Nirdhan Laghubitta Bittiya Sanstha Ltd., Naxal, Kathmandu
20	Samudayik Laghubitta Bittiya Sanstha Ltd., Sanga, Kavrepalanchok
21	Gramin Bikas Laghubitta Bittiya Sanstha Ltd., Butwal, Rupandehi
22	Chhimek Laghubitta Bittiya Sanstha Ltd., Baneshwor, Kathmandu
23	Sana Kisan Laghubitta Bittiya Sanstha Ltd., Babarmahal, Kathmandu
24	Nerude Laghubitta Bittiya Sanstha Ltd., Biratnagar, Morang
25	Swabalambhan Laghubitta Bittiya Sanstha Ltd., Kamalpokhari, Kathmandu
26	First Microfinance Laghubitta Bittiya Sanstha Ltd., Gyaneshwor, Kathmandu
27	Laxmi Laghubitta Bittiya Sanstha Ltd., Maharajgunj, Kathmandu
28	Civil Laghubitta Bittiya Sanstha Ltd., Chuuchapati, Kathmandu
29	Sworojgar Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchok
30	Kalika Laghubitta Bittiya Sanstha Ltd., Pokhara, Kaski
31	Jeevan Bikash Laghubitta Bittiya Sanstha Ltd., Katahari, Morang
32	Unique Nepal Laghubitta Bittiya Sanstha Ltd., Kohalpur, Banke
33	Upakar Laghubitta Bittiya Sanstha Ltd., Kohalpur, Banke
34	RMDC Laghubitta Bittiya Sanstha Ltd., Putalisadak, Kathmandu
35	Mahila Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
36	Nadep Laghubitta Bittiya Sanstha Ltd., Gajuri, Dhading
37	Support Microfinance Laghubitta Bittiya Sanstha Ltd., Hasposa, Sunsari
38	Manusi Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
39	Forward Community Laghubitta Bittiya Sanstha Ltd., Duhabi, Sunsari

40	Gurans Laghubitta Bittiya Sanstha Ltd., Dhankuta Bazar, Dhankuta, Corporate Office Biratnagar
41	Rastra Uthan Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
42	Adarsha Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
43	Samata Gharelu Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk

(B) Special On-site Inspection of Micro Finance Institutions

S.N.	Name of Organization
1	Nirdhan Laghubitta Bittiya Sanstha Ltd., Naxal, Kathamandu
2	Chhimek Laghubitta Bittiya Sanstha Ltd., Baneshwor, Kathamandu
3	RMDC Laghubitta Bittiya Sanstha Ltd., Putalisadak, Kathmandu

(C) Inspected Micro Finance Institutions

S.N.	Name of Organization
1	Suryodaya Omi Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
2	Win Nepal Laghubitta Bittiya Sanstha Ltd., Melamchi, Sindhupalanchok
3	BPW Laghubitta Bittiya Sanstha Ltd., Banepa, Kavrepalanchowk
4	Chhimek Laghubitta Bittiya Sanstha Ltd. Baneshwor, Kathamandu

Appendix 2.5

BFIs Licensed as Market Makers

S.N	Name of BFIs	S.N	Name of BFIs
1	Nepal Investment Mega Bank Ltd.	20	Guheshwori Merchant Banking and Finance Ltd.
2	Laxmi Bank Ltd.	21	ICFC Finance Ltd.
3	Himalayan Bank Ltd.	22	Goodwill Finance Ltd.
4	Nabil Bank Ltd.	23	Citizen Investment Trust
5	Citizens Bank International Ltd.	24	Excel Development Bank Ltd.
6	Siddhartha Bank Ltd.	25	Central Finance Ltd.
7	Global IME Bank Ltd.	26	Shree Investment and Finance Co. Ltd.
8	Prabhu Bank Ltd.	27	Muktinath Bikas Bank Ltd.
9	Sunrise Bank Ltd.	28	Reliance Finance Ltd.
10	NMB Bank Ltd.	29	Pokhara Finance Ltd.
11	Sanima Bank Ltd	30	Kamana Sewa Development Bank Ltd.
12	Agricultural Development Bank Ltd.	31	Shine Resunga Development Bank Ltd.
13	Machhapuchchhre Bank Ltd.	32	Gurkhas Finance Ltd.
14	NIC Asia Bank Ltd.	33	Progressive Finance Ltd.
15	Prime Commercial Bank Ltd.	34	Sambriddhi Finance Company Ltd.
16	Rastriya Banijya Bank Ltd.	35	Nepal Bank Ltd.
17	Kumari Bank Ltd.	36	Manjushree Finance Ltd.
18	Shangrila Development Bank Ltd.	37	Standard Chartered Bank Nepal Ltd.
19	Mahalaxmi Development Bank Ltd.		

Appendix 2.6

Licensed institutions for Sales Agents for Foreign Employment Saving Bonds

S.N.	Banks and Remittance Companies	Address
1	Citizens Bank International Ltd.	Kamaladi, Kathmandu
2	Nabil Bank Ltd.	Durbarmarga, Kathmandu
3	Machhapuchchhre Bank Ltd.	Lazimpat, Kathmandu
4	Prabhu Bank Ltd.	Babarmahal, Kathmandu
5	Sunrise Bank Ltd.	Gairidhara Kathmandu
6	Siddhartha Bank Ltd.	Hattisar Kathmandu
7	Sanima Bank Ltd.	Naxal Kathmandu
8	Prabhu Money Transfer Pvt. Ltd.	Lainchour Kathmandu
9	Sewa Remit Pvt. Ltd.	Kuleshwor Kathmandu
10	City Express Money Transfer Pvt. Ltd.	Kamaladi Kathmandu
11	IME Ltd.	Panipokhari Kathmandu
12	NMB Bank Ltd.	Babarmahal Kathmandu
13	Global IME bank Ltd.	Kamaladi, Kathmandu
14	Nepal Bank Ltd.	Dharmapath, Kathmandu
15	Esewa Money Transfer Ltd.	Pulchok Kathmandu
16	Nepal Remit International Pvt. Ptd.	Kamaladi Kathmandu

Appendix 2.7
New Issued Treasury bills (2079/80)

(Rs. In Crore)

S.N.	Treasury bills	S.N.	Issued Amount (Rs.Crore)	Discount Rate
1	28 Days	329	500.00	7.2555
2	28 Days	332	300.00	8.0024
3	28 Days	335	200.00	8.9493
4	28 Days	338	500.00	8.5487
5	28 Days	344	500.00	7.3578
6	91 Days	1663	500.00	9.1147
7	91 Days	1669	250.00	9.6371
8	91 Days	1670	500.00	9.6103
9	91 Days	1671	300.00	9.7210
10	91 Days	1672	500.00	9.7101
11	91 Days	1673	600.00	9.6560
12	91 Days	1674	200.00	9.3299
13	91 Days	1675	400.00	9.1695
14	91 Days	1677	350.00	8.1370
15	91 Days	1678	400.00	7.0315
16	91 Days	1679	361.00	6.8030
17	182 Days	381 ka	700.00	10.2448
18	182 Days	384 ka	700.00	9.2972
19	182 Days	388 ka	600.00	9.7964
20	182 Days	390 ka	600.00	9.6291
21	182 Days	391 ka	300.00	9.6324
22	182 Days	392 ka	300.00	9.4460
23	182 Days	398 ka	300.00	7.0252
24	182 Days	400 ka	500.00	6.7130
25	364 Days	1649 ka	750.00	11.4969
26	364 Days	1654 ka	750.00	11.9396
27	364 Days	1658 ka	600.00	10.3715
28	364 Days	1662 ka	700.00	9.6691
29	364 Days	1665 ka	700.00	9.5999
30	364 Days	1669 ka	700.00	9.5500
31	364 Days	1670 ka	400.00	9.5525
32	364 Days	1672 ka	400.00	9.2278
Total Amount			15361.00	

Appendix 2.8 Issuance of Development Bonds (2079/80)

Rs. in Crore

S.N.	Development Bonds	Time Period	Issued Amount (Rs. in Crore)	Interest Rate
1	2081 chha	2	800.00	10.64
2	2082 chha	3	200.00	10.00
3	2083 ja	4	500.00	10.93
4	2084 jha	5	800.00	9.50
5	2084 yan	5	700.00	8.98
6	2085 chha	6	1,000.00	8.87
7	2084 ta	4	2,000.00	8.90
8	2085 ja	5	1,000.00	8.57
9	2085 jha	5	1,000.00	8.00
10	2086 nga	6	1,000.00	6.93
11	2086 cha	6	1,000.00	6.35
Total Amount			10,000.00	

Appendix 2.9

Five Yearly details of Human Resources and employed Human Resources

S. N	Level	mid-July 2019			Mid-July 2020			Mid-July 2021			Mid-July 2022			Mid-July 2023		
		Administration	Technical	Total	Administration	Technical	Total	Administration	Technical	Total	Administration	Technical	Total	Administration	Technical	Total
1	Executive Director	16	0	16	17	0	17	17	0	17	18	0	18	18	0	18
2	Officer First	39	1	40	44	1	45	49	1	50	51	4	55	50	5	55
3	Officer Second	139	13	152	157	12	169	162	10	172	186	12	198	200	9	209
4	Officer Third	296	22	318	243	20	263	269	14	283	287	3	290	340	9	349
	Total Officer	490	36	526	461	33	494	497	25	522	542	19	561	608	23	631
5	Assistant First	87	8	95	120	17	137	117	15	132	147	17	164	158	16	174
6	Assistant Second	211	40	251	243	39	282	263	34	297	232	30	262	239	26	265
7	Assistant Third	24	6	30	18	3	21	17	1	18	12	0	12	11	0	11
	Total Assistant	322	54	376	381	59	440	397	50	447	393	47	438	408	42	450
8	Subordinate First	35	0	35	27	0	27	12	0	12	25	0	25	24	0	24
9	Subordinate Second	25	0	25	24	0	24	24	0	24	7	0	7	6	0	6
10	Subordinate Third	1	0	1	1	0	1	0	0	0	43	0	42	40	0	40
11	Subordinate Fourth	61	0	61	57	0	57	56	0	56	9	0	9	6	0	6
	Subordinate Total	122	0	122	109	0	109	92	0	92	84	0	83	76	0	76
	Total	934	90	1024	951	92	1043	986	75	1061	1019	66	1082	1092	65	1157

Appendix 2.10
Details of Vacancies Fulfilled in 2022/23

S. N.	Level	Service Type	External Competition	Performance Evaluation	Internal Competition	Automatic Promotion
1	Officer First	Administration	–	–	1	–
2	Officer First	Technical	–	2	–	–
3	Officer Second	Administration	–	14	6	–
4	Officer Third	Administration	68	6	3	–
5	Officer Third	Technical	6	–	–	–
6	Assistant First	Administration	–	14	10	–
7	Assistant Second	Administration	48	–	–	–
Total			122	36	20	

Appendix 2.11
Details of Vacancies Fulfilled in Last Five Years

	Means of recruitment	2018/19	2019/20	2020/21	2021/22	2022/23
Executive Director	Performance Evaluation	7	5	–	4	-
Director	Performance Evaluation	11	9	5	5	-
	Internal Competition	5	4	2	1	1
	Technical	–	–	–	3	2
Deputy Director	Performance Evaluation	36	27	15	15	14
	Internal Competition	16	11	7	6	6
	Technical	–	–	3	4	-
Assistant Director	Performance Evaluation	4	–	7	11	6
	Internal Competition	–	–	–	–	3
	Open Competition	33	35	38	58	74
Assistant First	Performance Evaluation	25	21	7	24	14
	Internal Competition	16	15	3	15	10
	Technical	–	13	–	5	-
Assistant Second	Performance Evaluation	8	4	1	3	-
	Internal Competition	–	–	–	–	-
	Open Competition	68	31	11	25	48
	Technical	–	2	–	1	-
Office Assistant	Performance Evaluation	10	–	2	58	-
Total		239	177	101	238	178

Appendix 2.12 Board of Directors

(mid- July 2023)

Mr. Maha Prasad Adhikari	Chairman
Mr. Arjun Prasad Pokhrel, Secretary, Ministry of Finance	Member
Dr. Neelam Dhungana (Timsina)	Member
Mr. Bam Bahadur Mishra	Member
Mr. Chintamani Siwakoti	Member
Dr. Shankar Prasad Acharya	Member
Dr. Rabindra Prasad Pandey	Member

Appendix 2.13 List of Special Class and First Class Officers

(In mid-July 2023)

Special Class Officers		
1	Dr. Nephil Matangi Maskay	Office of the Governor
2	Mr. Dev Kumar Dhakal	Bank Supervision Department
3	Mr. Mukunda Kumar Chhetri	Financial Management Department
4	Mr. Pitambar Bhandari	Monetary Management Department
5	Mr. Rishikesh Bhatta	Assets and Service Management Department
6	Mr. Pradeep Raj Poudyal	Non-Bank Financial Institutions Supervision Department
7	Dr. Gunakar Bhatta	Banks and Financial Institutions Regulation Department
8	Mr. Naresh Shakya	Currency Management Department
9	Mr. Suman Kumar Adhikari	Corporate Planning and Risk Management Department
10	Dr. Prakash Kumar Shrestha	Economic Research Department
11	Mr. Revati Prasad Nepal	Micro-Finance Institutions Supervision Department
12	Mr. Ramu Paudel	Foreign Exchange Management Department
13	Mr. Vishrut Thapa	Financial Institutions Supervision Department
14	Mr. Ram Bahadur Manandhar	Information Technology Department
15	Mr. Daya Ram Sharma	Banking Department
16	Mr. Tulashi Prasad Ghimire	Human Resource Management Department
17	Mr. Guru Prasad Poudel	Payment Systems Department
18	Mr. Bimal Raj Khanal	Internal Audit Department
First Class Officers		
1	Mr. Binod Raj Acharya	Director, Corporate Planning and Risk Management Department
2	Mr. Ram Prasad Gautam	Director, Financial Management Department
3	Mr. Kiran Pandit	Director, Office of the Governor
4	Dr. Satyendra Timilsina	Director, Banks and Financial Institutions Regulation Department
5	Mr. Chet Prasad Uprety	Director, Assets and Service Management Department
6	Mr. Roshan Kumar Shigdel	Director, Bank Supervision Department
7	Dr. Ram Sharan Kharel	Director, Monetary Management Department
8	Dr. Dilliram Pokhrel	Director, Economic Research Department
9	Mr. Dirgha Bahadur Rawal	Director, Financial Intelligence Unit
10	Mr. Nishchal Adhikari	Director, Foreign Exchange Management Department
11	Mr. Anuj Dahal	Director, Financial Institutions Supervision Department
12	Mr. Dipak Raj Lamichhane	Director, Legal Division
13	Mr. Rajan Bikram Thapa	Director, Financial Institutions Supervision Department
14	Mr. Rajendra Bhattarai	Director, Banks and Financial Institutions Regulation Department
15	Mr. Hem Prasad Neupane	Director, Corporate Planning and Risk Management Department
16	Mr. Mukti Nath Sapkota	Director, Office of the Governor

Annual Report 2022/23

17	Mr. Govinda Prasad Nagila	Director, Foreign Exchange Management Department
18	Mrs. Meena Pandey	Director, Financial Management Department
19	Mr. Shubhash Chandra Ghimire	Director, Bank Supervision Department
20	Mrs. Srijana Bastola	Director, Microfinance Institutions Supervision Department
21	Mr. Buddha Raj Sharma	Director, Assets and Service Management Department
22	Mr. Sudip Phuyal	Director, Bank Supervision Department
23	Mrs. Niva Shrestha	Director, Payment Systems Department
24	Mr. Dila Ram Subedi	Director, Internal Audit Department
25	Mr. Keshab Bahadur K.C.	Director, Micro-Finance Institutions Supervision Department
26	Mr. Shailendra Regmi	Director, Human Resource Management Department – Bankers’ Training Center
27	Mr. Birendra Datta Awasthi	Director, Human Resource Management Department
28	Mr. Devendra Gautam	Director, Bank Supervision Department
29	Mr. Ishwari Prasad Bhattarai	Director, Human Resource Management Department
30	Mr. Rajan Dev Bhattarai	Director, Banks and Financial Institutions Regulation Department
31	Mr. Laxmi Prasad Prasai	Director, Payment Systems Department
32	Mr. Ramesh Acharya	Director, Currency Management Department
33	Dr. Rajan Krishna Pant	Director, Economic Research Department
34	Mr. Durgesh Gopal Shrestha	Director, Banking Department
35	Mrs. Indra Chamlagai (Mainali)	Director, Nepal Rastra Bank, Biratnagar Office
36	Mrs. Ranjana Poudel Pandit	Director, Non-Bank Financial Institutions Supervision Department
37	Ms. Neera Talchabhadel	Director, Banking Department
38	Mr. Bigyan Raj Subedi	Director, Foreign Exchange Management Department
39	Mr. Thaneshwor Acharya	Director, Currency Management Department- Mint Division
40	Mr. Narayan Prasad Pokhrel	Director, Office Of The Governor
41	Mr. Madhav Dangal	Director, Economic Research Department
42	Mr. Satyendra Raj Subedi	Director, Nepal Rastra Bank, Siddharthanagar Office
43	Mrs. Arya Joshi	Director, Nepal Rastra Bank, Pokhara Office
44	Mr. Bashu Dev Bhattarai	Director, Currency Management Department
45	Mr. Ashok Ghimire	Director, Nepal Rastra Bank, Janakpur Office
46	Mr. Binod Raj Lekhak	Director, Nepal Rastra Bank, Dhangadi Office
47	Mr. Sharan Kumar Adhikari	Director, Assets and Service Management Department
48	Mr. Girija Prasad Koirala	Director, Nepal Rastra Bank, Nepalgunj Office
49	Mr. Ajit Regmi	Director, Nepal Rastra Bank, Birgunj Office
50	Mrs. Bina Dhakal Paudel	Director, Internal Audit Department
51	Er. Saurabh Dass Manandhar	Director (I.T.), Information Technology Department
52	Er. Krishna Ram Dhunju	Director (I.T.), Payment Systems Department
53	Er. Tarun Kumar Jha	Director (I.T.), Information Technology Department
54	Er. Sahdev Chand	Director (I.T.), Non-Bank Financial Institutions Supervision Department
55	Dr. Tej Narayan Thakur	Director (I.T.), Information Technology Department

PART – 3
ANNUAL FINANCIAL STATEMENT OF
NEPAL RASTRA BANK

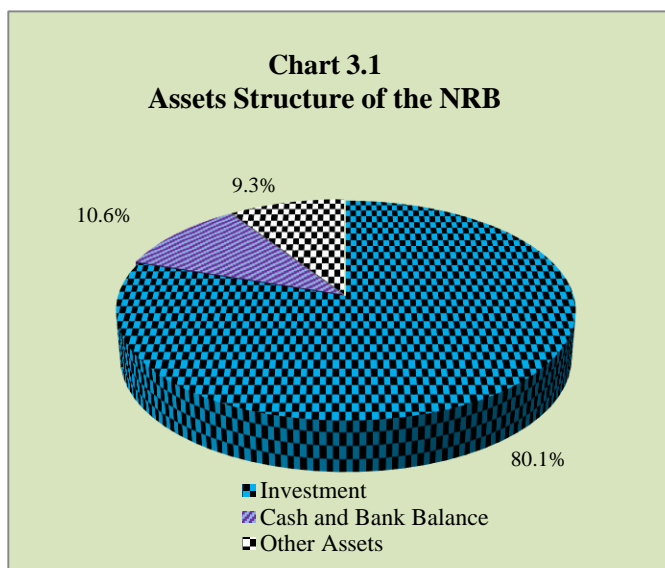
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PART – THREE
ANNUAL FINANCIAL STATEMENT OF
NEPAL RASTRA BANK

Assets and Liabilities

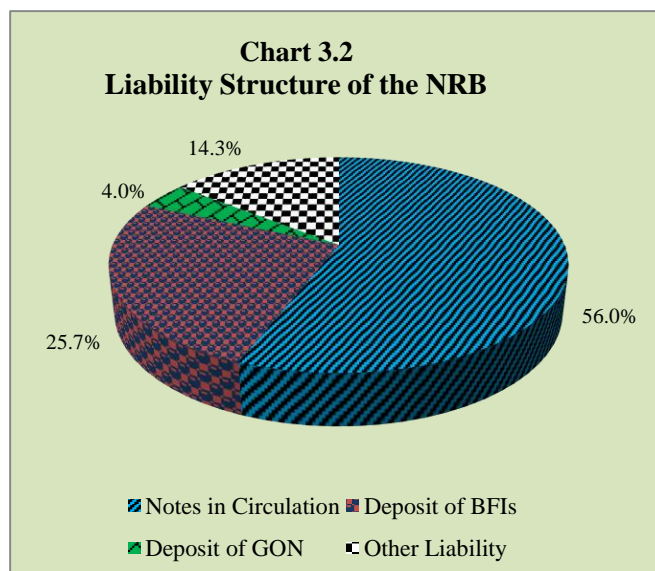
3.1 In mid-July 2023, the assets and liabilities of NRB increased by 3.99 percent to Rs. 1 trillion 588 billion 125 million 692 thousand.

3.2 In mid-July 2023, the share of investment in total assets stood at 80.11 percent, the share of cash and bank balance stood at 10.64 percent and the remaining share of 9.25 percent was of another asset. The share of the above-mentioned asset was 67.72 percent, 5.83 percent, and 26.45 percent respectively in mid-July 2022.



3.3 Compared to mid-July 2022, investment in various instruments increased by 23.01 percent to Rs.1 trillion 272 billion 229 million 666 thousand in mid-July 2023. Such investment was at Rs.1 trillion 34 billion 223 million 380 thousand in mid-July 2022.

3.4 Compared to mid-July 2022, the cash and bank balance of this bank increased by 90.01 percent and stood at Rs.168 billion 984 million 200 thousand in mid-July 2023. The cash and cash equivalent assets remained at Rs.88 billion 933 million 653 thousand in mid-July 2022.



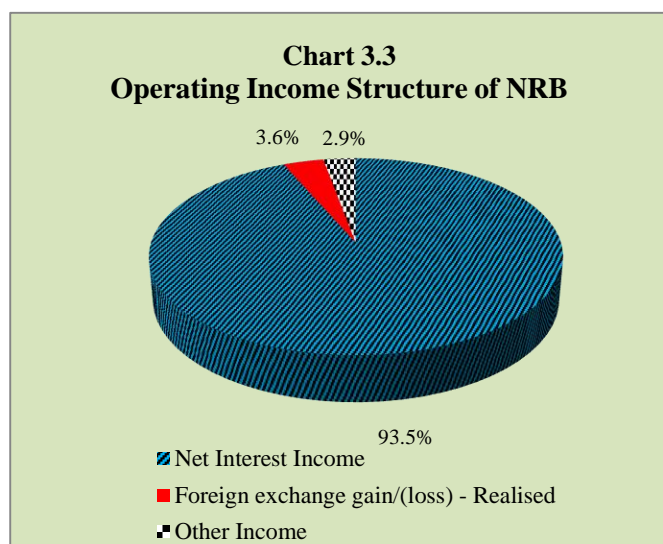
3.5 The share of liability in total liability and equity was 70.41 percent and the share of equity was 29.59 percent in mid-July 2023. In mid-July 2022, the share stood at 73.32 percent and 26.68 percent respectively.

3.6 In mid-July 2023, the share of notes in circulation in total liabilities was 55.97 percent, the share of deposit liabilities of BFIs was 25.68 percent, the share of deposit liabilities of the GON was 4.03 percent, and the share of other liabilities was 14.32 percent. In mid-July 2022, the share of the above liabilities was 54.65 percent, 17.81 percent, 20.14 percent, and 7.40 percent respectively.

- 3.7 Compared to mid-July 2022, the notes in circulation increased by 2.25 percent and stood at Rs.625 billion 787 million 872 thousand in mid-July 2023. The number of notes in circulation in mid-July 2022 was 612 billion 27 million 603 thousand.
- 3.8 Compared to mid-July 2022, the deposits of BFIs in this bank increased by 48.68 percent and stood at Rs.280 billion 775 million 531 thousand in mid-July 2023. In mid-July 2022, the deposit liability was Rs.188 billion 843 million 291 thousand.
- 3.9 Compared to mid-July 2022, the deposits of the GON in this bank decreased by 80.01 percent and reached Rs.45 billion 89 million 447 thousand in mid-July 2022. In mid-July 2022, such deposit liability was Rs.225 billion 506 million 855 thousand.
- 3.10 Compared to mid-July 2022, total equity increased by 15.36 percent in mid-July 2023. Under this, the reserves fund increased by 15.55 percent to Rs.464 billion 951 million 142 thousand. In mid-July 2022, the reserve fund was Rs.402 billion 389 million 428 thousand.
- 3.11 In mid-July 2022, the share capital of this bank was Rs. 5 billion, and it remained the same in mid-July 2023.

Income Statement

3.12 According to the Income Statement from July 16, 2022, to July 15, 2023, the net operating income of NRB in 2022/23 increased by 86.57 percent compared to the previous year and remained at Rs.66 billion 927 million 133 thousand. Of net interest income in 2022/23, the share of net operating income was 93.49 percent, income from foreign exchange transactions was 3.63 percent and the share of other operating income was 2.88.



- 3.13 Net interest income increased by 86.09 percent compared to the previous year and stood at Rs.62 billion 572 million 548 thousand, while the income from foreign exchange transactions increased by 19.76 percent and stood at Rs.2 billion 432 million 600 thousand. Similarly, other income remained Rs. 1 billion 921 million 983 thousand.
- 3.14 The net income from foreign exchange and other asset revaluation before gain/loss adjustment for 2022/23 increased by 112.81 percent compared to the previous year and remained at Rs.60 billion 482 million 401 thousand. Such income was Rs.28 billion 420 million 768 thousand in 2021/22.
- 3.15 The external audit of 2021/22 was completed on time. The external audit of the review year was also completed on time and the report was discussed and approved by the board of directors on 8 December 2023. The board decided to allocate the net profit amount to various necessary funds that to be separated from the bank's net profit and provide the remaining surplus amount of Rs.25 billion to the GoN.

Nepal Rastra Bank

Statement of Financial Position

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

ASSETS	Note	31 Asar 2080	32 Asar 2079
Foreign currency financial assets			
Cash and balances with banks	4.1	168,977,007,897	88,922,917,658
Derivative financial assets		-	-
IMF related assets	4.2	25,857,875,413	25,606,849,851
Term deposit with foreign banks	4.3	522,462,011,410	427,181,452,899
Investments in foreign securities	4.4	660,349,505,571	542,561,959,053
Other receivables	4.5	-	-
Total foreign currency financial assets		1,377,646,400,291	1,084,273,179,461
Foreign currency non-financial assets			
Investment in Gold Certificates	4.6	66,343,243,740	60,369,440,847
Total foreign currency non-financial assets		66,343,243,740	60,369,440,847
Total foreign currency assets		1,443,989,644,031	1,144,642,620,308
Local currency financial assets			
Balances with banks		7,192,517	10,736,269
Investment in Government securities	4.7	77,286,432,125	54,463,057,558
Investment in bonds & term deposit	4.8	6,620,219,438	6,223,965,975
Advances and receivable from Government	4.9	1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions	4.10	1,668,021,778	271,722,596,364
Other loan and advances	4.11	7,925,776,904	8,095,069,995
Equity investment	4.12	5,511,498,272	3,792,944,780
Other receivables	4.13	34,176,375	3,718,581
Total local currency financial assets		100,513,317,409	345,772,089,522
Local currency non-financial assets			
Gold and silver assets	4.14	34,026,061,572	27,644,895,537
Inventories	4.15	1,587,137,333	2,218,884,676
Property, plant and equipment	4.16	5,624,429,738	4,807,428,838
Intangible assets	4.17	47,244,050	48,327,345
Other assets	4.18	2,337,858,811	2,071,893,699
Total local currency non-financial assets		43,622,731,504	36,791,430,095
Total local currency assets		144,136,048,913	382,563,519,617
Total assets		1,588,125,692,944	1,527,206,139,925

The significant accounting policies and notes form an integral part of the financial statements

.....
Mr. Mukunda Kumar Chhetri
Executive Director
Financial Management Department

.....
Dr. Ravindra Prasad Pandey
Board Member

.....
Dr. Shankar Prasad Acharya
Board Member

.....
Mr. Chintamani Srwakoti
Board Member

As per our report of even date

.....
Mr. Bam Bahadur Mishra
Deputy Governor

.....
Dr. Neelam Dhungana Timsina
Deputy Governor

.....
CA. Pradeep Shrestha
Pradeep & Co.
Chartered Accountants

.....
CA. Krishna Prasad Acharya
K.M.U. & Associates
Chartered Accountants

.....
Dr. Krishna Hari Pushkar
Secretary MOF/Board Member

.....
Mr. Maha Prasad Adhikari
Governor

.....
Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Financial Position

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

Foreign currency financial liabilities			
Derivative financial liabilities		-	-
Deposit of bank and financial institutions	4.19	6,329,971,790	10,583,507,979
IMF related liabilities	4.20	39,133,451,704	36,615,934,363
Total foreign currency financial liabilities		45,463,423,494	47,199,442,342
Local currency financial liabilities			
Bills Payable		115,247,041	114,733,829
Deposit of bank and financial institutions	4.19	280,775,531,424	188,843,291,327
Deposit of Government	4.21	45,089,447,616	225,506,854,704
Deposit of other institutions	4.22	17,951,793,496	18,917,533,184
Currency in circulation	4.23	625,787,872,530	612,027,603,970
Due to bank and financial institutions	4.24	60,000,000,000	-
IMF related liabilities	4.20	11,882,924,189	11,462,342,410
Surplus payable to Government		25,000,000,000	11,070,000,000
Other liabilities	4.25	1,398,701,261	1,314,392,646
Total local currency financial liabilities		1,068,001,517,557	1,069,256,752,070
Other liabilities			
Pension and other employment benefits payable	4.26	4,709,609,905	3,360,517,597
Total local currency liabilities		1,072,711,127,462	1,072,617,269,667
Total liabilities		1,118,174,550,956	1,119,816,712,009
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves	4.27	464,951,141,988	402,389,427,916
Total equity		469,951,141,988	407,389,427,916
Total liabilities and equity		1,588,125,692,944	1,527,206,139,925

The significant accounting policies and notes form an integral part of the financial statements.

.....
Mr. Mukunda Kumar Chhetri
Executive Director
Financial Management Department

.....
Dr. Ravindra Prasad Pandey
Board Member

.....
Dr. Shankar Prasad Acharya
Board Member

.....
Mr. Chintamani S'iwakoti
Board Member

As per our report of even date

.....
Mr. Bam Bahadur Mishra
Deputy Governor

.....
Dr. Neelam Dhungana Timsina
Deputy Governor

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Pradeep & Co.
Chartered Accountants

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CA. Krishna Prasad Acharya
K.M.U. & Associates
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Dr. Krishna Hari Pushkar
Secretary MOF/Board Member

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Mr. Maha Prasad Adhikari
Governor

.....
Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	31 Asar 2080	32 Asar 2079
OPERATING INCOME			
Foreign currency income and expenses			
Interest income on foreign currency financial assets	4.28	48,366,052,864	18,729,214,236
Interest expense on foreign currency financial liabilities	4.29	(1,142,224,926)	(93,348,090)
Net foreign currency income		47,223,827,938	18,635,866,146
Local currency income and expenses			
Interest income on local currency financial assets	4.30	15,430,732,700	15,014,674,610
Interest expense on local currency financial liabilities	4.31	(82,011,817)	(25,841,278)
Net local currency income		15,348,720,883	14,988,833,332
Net interest income		62,572,548,821	33,624,699,478
Other income			
Fee and commission income	4.32	126,366,094	114,998,443
Net gold trading income	4.33	589,346,875	(352,442,154)
Gain or loss on sale of securities			
Realized gain on foreign exchange transaction		2,432,600,882	2,031,239,442
Other income	4.34	1,416,838,335	488,882,695
Less: Fee and commission expense	4.35	(78,545,173)	(44,798,816)
Net other income		4,486,607,013	2,237,879,610
Allowance for ECL (loss)/gain on financial assets	4.36	(132,022,331)	9,567,915
Total net operating income		66,927,133,503	35,872,147,003
OPERATING EXPENSES			
Personnel expenses	4.37	3,922,522,977	3,484,889,812
Note printing expense		689,353,941	2,403,732,130
Administrative expenses	4.38	1,477,315,745	1,308,700,402
Depreciation, amortisation and impairment	4.39	355,539,259	254,056,442
Total operating expenses		6,444,731,922	7,451,378,786
Net profit/(loss) before revaluation gain/loss		60,482,401,581	28,420,768,217
Revaluation gain/(loss)			
Gold and silver revaluation gain/loss		17,112,315,089	(1,229,203,928)
Net foreign exchange revaluation gain/(loss)		10,009,028,778	34,789,148,334
Net profit/(loss) for the year		87,603,745,448	61,980,712,623

The significant accounting policies and notes form an integral part of the financial statements.

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Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Net Income and Other Comprehensive Income

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	Note	31 Asar 2080	32 Asar 2079
Net profit/(loss) for the year		87,603,745,448	61,980,712,623
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain from securities at FVOCI		346,463,285	636,982,769
Subtotal		346,463,285	636,982,769
Items that will not be reclassified to profit or loss:			
Property revaluation gain/loss			
Re-measurement gain/(loss) from defined benefit plan		(388,295,476)	518,464,020
Subtotal		(388,295,476)	518,464,020
Total other comprehensive income		(41,832,191)	1,155,446,789
Total comprehensive income		87,561,913,257	63,136,159,412

The significant accounting policies and notes form an integral part of the financial statements.

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Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank
Statement of Cash Flows
For the year ended at 31 Asar 2080
(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
Cash flows from operating activities		
Interest income received	59,476,794,402	32,216,225,136
Fees, commission and other income received	3,736,373,471	2,528,811,927
Interest expense paid	(102,524,970)	(71,239,965)
Personnel expense paid	(3,200,794,961)	(1,793,158,329)
Fees and commission Expense paid	(78,545,173)	(44,798,816)
Note printing expense paid	(689,353,941)	(2,403,732,130)
Administrative expense paid	(1,528,652,005)	(1,277,516,901)
Net cash flow from operating activities before changes in operating assets and liabilities	57,613,296,823.00	29,154,590,922.00
Net (increase)/decrease in operating assets		
Loan and advances to BFIs	268,566,128,978	(147,353,428,634)
Other loan and advances	(150,305,897)	(247,467,544)
Inventories	631,747,343	(438,016,854)
Other receivables	(30,143,991)	(1,651,630,168)
Other assets	(632,682)	979,417
Net increase/(decrease) in operating liabilities		
Deposit of bank and financial institutions	87,678,703,908	(50,204,126,388)
Deposit of Government	(180,417,407,088)	15,928,980,378
Deposit of other institutions	(965,739,688)	(504,654,457)
Due to bank and financial institution	60,000,000,000	-
Other liabilities	126,961,517	(1,458,823,651)
Cash flow from changes in operating assets and operating	235,439,312,400	(185,928,187,901)
Net cash flow from operating activities	293,052,609,223	(156,773,596,979)
Cash flows from investing activities		
Net purchase of property and equipment	(803,692,879)	(792,123,115)
Purchase of intangible assets	(23,823,185)	(12,076,042)
Sale of property and equipment	-	6,680,166
Net Sale/(purchase) of securities	(64,329,485,015)	(48,214,817,661)
Receipt from/(Investment) in term deposit	(103,949,015,400)	74,291,827,439
Net purchase of gold and silver	5,728,833,908	(8,953,644,831)
Net purchase of equity instrument	(1,289,862,814)	-
Dividend income received	150,774,282	128,796,317
Net cash flow from investing activities	(164,516,271,103)	16,454,642,273

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Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank

Statement of Cash Flows

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
Cash flows from financing activities		
Net increase/(decrease) in currency in circulation	13,760,268,560	(57,486,154,884)
Lease payments	(40,240,724)	(39,096,811)
Net increase/(decrease) in liabilities with IMF	2,677,492,493	24,998,011,755
Interest paid on IMF related liabilities	(856,130,578)	(35,718,821)
Surplus paid to Government	(11,070,000,000)	(5,000,000,000)
Net cash flow from financing activities	4,471,389,751	(37,562,958,761)
Net increase/(decrease) in cash and cash equivalents	133,007,727,871	(177,881,913,467)
Exchange rate effect on cash and cash equivalents	10,009,028,778	34,789,148,334
ECL effect on cash and cash equivalents	-	-
Cash and cash equivalents as at the beginning of the year	482,146,909,421	625,239,674,554
Cash and cash equivalents as at the end of the year	625,163,666,070	482,146,909,421

*The significant accounting policies and notes form an integral part of the financial statements***Cash and cash equivalent includes following assets:**

Assets	31 Asar 2080	32 Asar 2079
Foreign currency cash in hand	30,961,825,026	19,809,038,240
Balances with other central banks	64,245,660,926	38,476,108,567
Balances with banks	73,772,790,010	30,652,494,541
SDR Holdings	25,649,141,930	25,568,182,155
Term deposit with maturity of 3 months	71,583,174,285	82,957,932,423
Treasury bills with maturity of 3 months	358,951,073,893	284,683,153,495
Total	625,163,666,070	482,146,909,421

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Bamdev Sharma Adhikari
Deputy Auditor General
Office of Auditor General

Date: 22/07/2080

Place: Kathmandu

Nepal Rastra Bank
Statement of Changes in Equity
For the year ended at 31 Asar 2080
(all amounts in Nepalese Rupees unless otherwise stated)

Note	Capital	General reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equalisation Fund	Gold and Silver Equalisation Reserve	Fair Value Reserve	Acturtial Gain Reserve	Open Market Operation Stabilization Fund	Other reserve	Retained Earning	Total
Balance as at 1 Sawan 2078	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,792	2,481,127,051	2,402,077,192		60,154,049,940	(646,586,820)	355,329,646,279
Net profit/(loss) for the year											61,980,712,623	61,980,712,623
Other comprehensive income for the year							636,982,769	518,464,020			-	1,155,446,789
Appropriation of profit :												
General reserve		7,914,819,265									(7,914,819,265)	-
Monetary liability reserve			1,421,038,411								(1,421,038,411)	-
Financial stability fund				1,421,038,411							(1,421,038,411)	-
Exchange equalisation fund					34,789,148,334						(34,789,148,334)	-
Gold and silver equalisation reserve						(1,229,203,928)					1,229,203,928	-
Other reserve										5,923,738,790	(5,923,738,790)	-
Net cumulative surplus fund										23,546,520	(23,546,520)	-
Inter fund transfer												
Other reserve to retained earning										(6,377,775)	-	(6,377,775)
Surplus transfer to Government											(11,070,000,000)	(11,070,000,000)
Balance as at 32 Asar 2079	5,000,000,000	63,649,012,516	12,170,535,702	8,973,021,704	196,809,068,623	48,654,180,864	3,118,109,820	2,920,541,212		66,094,957,475	-	407,389,427,916
Balance as at 1 Sawan 2079	5,000,000,000	63,649,012,516	12,170,535,702	8,973,021,704	196,809,068,623	48,654,180,864	3,118,109,820	2,920,541,212		66,094,957,475	-	407,389,427,916
Net profit/(loss) for the year											87,603,745,448	87,603,745,448
Other comprehensive income for the year							346,463,285	(388,295,476)			-	(41,832,191)
Appropriation of profit :												
General reserve		12,471,113,431					(439,432,861)			(300,387,474)	(11,731,293,096)	-
Monetary liability reserve			3,024,120,079								(3,024,120,079)	-
Financial stability fund				3,024,120,079							(3,024,120,079)	-
Open Market Operation Stabilization Fund									2,196,772,113		(2,196,772,113)	-
Exchange equalisation fund					10,009,028,778						(10,009,028,778)	-
Gold and silver equalisation reserve						17,112,315,089					(17,112,315,089)	-
Other reserve										14,851,014,924	(14,851,014,924)	-
Net cumulative surplus fund										655,081,290	(655,081,290)	-
Inter fund transfer												
Administrative expense reimbursement of RSRF										(199,185)	-	(199,185)
Surplus transfer to Government											(25,000,000,000)	(25,000,000,000)
Balance as at 31 Asar 2080	5,000,000,000	76,120,125,947	15,194,655,781	11,997,141,783	206,818,097,401	65,766,495,953	3,025,140,244	2,532,245,736	2,196,772,113	81,300,467,030	-	469,951,141,988

The significant accounting policies and notes form an integral part of the financial statements.

..... Mr. Mukunda Kumar Chhetri Executive Director Dr. Ravindra Prasad Pandey Board Member Dr. Shankar Acharya Board Member Mr. Chintamani Siwakoti Board Member Mr. Bam Bahadur Mishra Deputy Governor Dr. Neelam Dhungana Timsina Deputy Governor
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Financial Management Department

As per the report of our even date

..... Dr. Krishna Hari Pushkar Secretary MOF/Board Member Mr. Maha Prasad Adhikari Governor CA Pradeep Shrestha Pradeep & Co. Chartered Accountants CA Krishna Prasad Acharya K.M.U. & Associates Chartered Accountants Bandeve Sharma Adhikari Deputy Auditor General Office of Auditor General
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Date: 22/07/2080

Place: Kathmandu

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2079-80 (2022-23 AD)

1 General Information

Nepal Rastra Bank (hereinafter referred to as 'NRB' or 'the Bank'), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act, 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank's jurisdiction is spread throughout the country. The primary objectives of the Bank are to maintain economic stability; price stability as well as external sector stability, promote financial access and develop secured, healthy and stable payment systems. In order to attain these objectives, the bank's principal functions include:

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

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also include interpretations (IFRIC and SIC) as issued by International Accounting Standards Board.

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

2.2 Basis of Measurement

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

Items	Measurement Basis
Financial Instruments at Fair value through profit or Loss	Fair value
Debt Instruments and other similar financial Instruments	Fair value as well as Amortized Cost
Equity investments	Fair value

Items	Measurement Basis
Monetary Gold	Fair value
Inventories (Including gold & silver kept for further processing)	Cost or Net realizable value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

2.3 Responsibility of Financial Statements

The Board of Directors of the Bank is responsible for preparation and presentation of the bank's financial statements and for the estimates and judgments used in them. The financial statements are approved by the Board Meeting held on 22nd Kartik 2080.

2.4 Presentation of Financial Statements

The bank has presented assets and liabilities broadly in order of liquidity in the statement of financial position. Income and expenses, in the statement of net income, are presented based on nature of income/expenses. Financial assets and financial liabilities, and their associated income and expenses are further distinguished between foreign currency and local currency.

The cash flow statement has been prepared by using the "Direct Method" in accordance with the NAS 7 - Statement of Cash Flow.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined in point No.3.2.

2.5 Functional and Presentation Currency

The Bank's functional and presentation currency is Nepalese Rupee (NRs). All financial information are presented in Nepalese Rupee except otherwise indicated. The figures have been rounded up to the nearest rupee.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial

2.7 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Bank has offset the cash at vault with the currency in circulation and presented the net amount of currency in circulation as liabilities in the Statement of Financial Position.

2.8 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation. The narrative and descriptive information has been given in notes to the financial statements, where relevant, for the understanding of the current year's financial statements.

2.9 Fiscal Year

The financial statements relate to the fiscal year 2079/80 i.e. 1st Shrawan 2079 to 31st Asar 2080 corresponding to Gregorian calendar 17th July 2022 to 16th July 2023. The previous year was 1st Shrawan 2078 to 32nd Asar 2079 (16th July 2021 to 16th July 2022).

2.10 Use of Estimates, Assumptions or Judgments

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

The financial statements have been prepared on going concern basis. Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

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

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

2.11 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.

2.12 Basis of Consolidation

As per NFRS 10- Consolidated Financial Statements, “an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.” The Bank's investment in Rastriya Beema Sansthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done. These investments are accounted at fair value through other comprehensive income as per NFRS 9.

2.13 Basis of Accounting for Investment in Associates

NAS 28 mentions that an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method. Further, the standard clarifies that significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Bank's investment in National Productivity and Economic Development Ltd. is in excess of 20% of the paid up capital of the entity. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for being the associates of the bank does not meet, the equity accounting for such investment has not been done. These investments are accounted at fair value through other comprehensive income as per NFRS 9.

2.14 Changes in Accounting Policies

The bank has applied its accounting policies consistently and there is no any change in any accounting policy followed by the Bank during this fiscal year.

3 Significant Accounting Policies

3.1 Financial Assets and Financial Liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

(i) Recognition

The Bank initially recognizes loans and advances, deposit with other bank, investment in securities on the date of which the bank becomes a party to the instruments. All other financial instruments (including regular-way purchases and sales of financial assets) are

recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments.

(ii) Classification and measurement

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

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

- **Financial asset measured at amortized cost:**

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the business model of the Bank is to collect contractual cash flows and the contractual cash flows includes solely payment of principal and interest only. Financial assets measured at amortized cost are initially recognized at fair value plus any transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

Following financial instruments are measured at amortized cost:

a) Cash in hand and balance with banks

Cash in hand and balance with banks includes notes and unrestricted balances held with banks domiciled domestically and at abroad. This also includes balances at current account of foreign central banks and Bank for International Settlement. These balances are measured at amortized cost and the transaction amount is the initial fair value of the asset. There is no any transaction cost on these balances and interest income if any on bank balances is recognized at effective interest rate. The Bank has recognized allowances for impairment on these assets using expected credit loss method.

b) IMF related assets

International Monetary Fund (IMF) related assets include Special Drawing Right (SDR) holding of the Bank at IMF and interest receivable from IMF. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value and there is no any transaction cost. Interest income is recognized at effective interest rate. Due to the nature of the transaction with IMF, the allowance for impairment loss on this asset determined at zero.

c) Term deposit with banks

The term deposit with banks includes term deposit with foreign banks as well as domestic banks and financial institutions. These are the interest bearing deposit with banks for specific period of time. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value and there is no any transaction cost. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment on these assets using expected credit loss method.

d) Investments in Government securities

Investment in Government securities includes investment in coupon bonds, treasury bills and treasury notes of foreign Government. This account also includes investment in development bonds, citizen saving bonds, foreign employment bonds and treasury bills issued by Nepal Government. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value. Transaction cost is recognized in this account. Any premium or discount paid/received on transaction or at the maturity of the investment is amortized over the tenure of specific instrument using effective interest rate. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment on foreign Government securities using expected credit loss method. Allowance for impairment loss on Nepal Government securities is determined at zero due to nature of relation with Nepal Government.

e) Loan and advances to bank and financial institutions

Loan and advances to bank and financial institutions stand for loan and advances made as per monetary policy instrument. This includes standing liquidity facilities, repos transaction, lender of last resort and refinance facilities. These assets are measured at amortized cost. Initial measurement is made at fair value which is the transaction value. Interest income is recognized at effective interest rate. The Bank has recognized allowances for impairment using expected credit loss method. Allowance for impairment loss on standing liquidity facility and repos is determined at zero due to nature of transaction. These transactions are fully secured by collateral of Nepal Government securities.

f) Other Loan and Advances

Loan and advances to others include loans to employees, pension advance, construction advance, travelling advance, other advances etc. These assets are measured at amortized cost. Initial measurement is made at fair value. Since, the loan to employees is subsidized or interest free loan, its fair value is measured by adopting valuation technique of projected cash flow method. Fair value of other assets is taken as transaction value. Interest income on loan to staff is recognized at effective interest rate. The Bank has recognized allowances for impairment using expected credit loss method.

- Financial asset measured at fair value through other comprehensive income:

Financial assets measured at fair value through other comprehensive income include investment in equity instruments of other entities. The Bank has made irrevocable election at initial recognition to recognize the changes in fair value through other comprehensive income. All investments in equity instrument of other entities are classified under this heading. These investments are initially measured at fair value. The initial fair value is the transaction value. Transaction cost, if any is recognized in the investment amount. The subsequent measurement of these assets is done at fair value. The fair value is market value of particular instrument. If market value is not available for any instruments, its fair value is determined by adopting valuation method. The change in fair value is recognized in other comprehensive income.

- **Financial asset measured at fair value through profit or loss:**

All financial assets other than measured at amortized cost and at fair value through other comprehensive income are measured at financial assets measured at fair value through profit or loss. Assets classified under this class are measured at fair value. Transaction cost is recognized in statement of net income. The change in fair value is recognized to statement of net income. There is no any asset classified under this heading during the year.

(iii) De-recognition

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

On de-recognition of financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the consideration received (including any new assets obtained less any new liability assumed) is recognized in income or expenditure. Any interest in transferred financial assets that does not qualify for de-recognition that is created or retained by the Bank is recognized as a separate assets or liability.

B. Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, a contract that will or may be settled in the entity's own equity instrument.

i) Recognition and Measurement

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. 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.

ii) De-recognition

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

C. Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Please refer to Note 2.6 for further details.

D. Amortized cost measurement

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

E. Fair value measurement

The Bank measures financial instruments, such as, investment in equity instrument, at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 5.6.4

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market. 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. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Details related to fair value hierarchy is presented in Note 5.6.5.

F. Impairment of financial assets

The Bank recognizes loss allowances for ECL on the financial instruments that are measured at amortized cost. Loss allowance on financial assets measured at fair value through other comprehensive income is not recognized as this class of assets includes investment in equity instrument only which are measured at fair value. The loss allowance is recognized in profit or loss.

The Bank measures loss allowances at an amount equal to 12 months ECL for Stage 1 financial instruments. Stage 1 financial instruments include financial assets which are not due or due for up to 30 days as well as assets which are in investment grade i.e. sovereign and other investment grade rated assets. Life time loss allowance is measured on financial instrument which are classified as "Stage 2 financial instruments". Stage 2 financial instruments includes asset which are past due for more than 30 days but up to 90 days. Stage 2 financial instruments also include assets which are referred to non investment grade investment. Life time ECL is also measured for credit impaired assets which is referred to as "Stage 3 financial instruments" A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of

the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the assets is past due for more than 90 days or a breach of contract such as a default;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization

Measurement of allowances for expected credit loss

The Bank uses "internal default experience" method for measurement of allowances for expected credit loss. For the financial assets on which there is no any default history, allowance for expected credit loss is measuring by adopting "mapping to external data" method. The mechanism of the ECL calculations is outlined below with the key elements.

- Exposure at Default:

The Exposure at Default is an estimate of the exposure at a future default date. The exposure at default includes principal amount and interest receivable. The committed amount of investment is also included in exposure at default.

- Probability of Default (PD):

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period. The Bank considers a particular obligor has defaulted in any of following two events:

- The obligor is past due for more than 90 days, or
- The bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realizing security if any held.

The Bank uses credit rating specific PD's of issuers/counterparties from S&P for all its foreign investments amortized cost. Sovereign credit rating is used for central bank, foreign government and bank for international settlement. PD's for local currency is calculated based on default history. In the absence of default history, a floor rate for PD is used as backstop.

- Loss Given Default (LGD):

The Loss Given Default is an estimate of the loss arising in the case where a default due and those that the lender would expect to receive, including from the realization of any collateral. The Bank determines LGD for local assets based on historical recovery rates. Floor rate, for financial assets without default experience, is used as backstop.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of

amounts previously written off are included in “impairment losses on financial instruments” in the Statement of Income and OCI.

G. Designation at fair value through Profit or Loss:

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

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

3.2 Cash and Cash Equivalents

Cash and cash equivalents include notes, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value. The Bank holds cash and cash equivalent for management of its short-term commitments and it is carried at amortized cost in the Statement of Financial Position. Allowance for expected credit loss is recognized on cash and cash equivalent.

3.3 Trading Assets and Liabilities

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

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in statement of income. All changes in the fair value are recognized as part of the net trading income in statement of income. Further, the difference in the book value of the trading assets and the disposal proceeds is recognized in statement of net income.

3.4 Gold and Silver

Gold and silver assets include paper gold deposit, trading gold; and physical gold and silver held at reserve. Gold and silver is measured at fair value. Fair value paper of gold deposit and trading gold at initial recognition is measured at transaction price. Subsequently, the fair value is taken as fixing rate from London Bullion and Metal Association. The fair value of gold and silver held at reserve is measured as market rate offered by Federation of Nepal Gold and Silver Dealers Association. Transaction cost is recognized in statement of net income. The change in fair value is recognized in statement of net income. Revaluation gain/loss arises on gold and silver is appropriated to “Gold and Silver Equalization Reserve” at the time appropriation of profit.

3.5 Foreign Currency Transaction

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost

in the functional currency at the beginning of the year/origination date, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.

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

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

3.6 Income tax

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

3.7 Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- a. are held for use in production or supply of goods or services or for administrative purposes; and
- b. are expected to be used during more than one period.

i. Recognition

The cost of an item of property, plant and equipment is recognized as an asset if, and only if:

- a. it is probable that future economic benefits associated with the item will flow to the bank; and
- b. cost of the item can be measured reliably.

However, any asset having value below Rs 25,000 other than land is directly expensed to statement of net income account in the year of purchase.

The cost of construction or acquisition of the item of property, plant and equipment is capitalized under the respective head of Property, Plant and Equipment only on completion of the construction work.

ii. Measurement

a. Initial Measurement

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. However, administration and other general overhead costs are not capitalized.

b. Subsequent Measurement

Property, Plant and equipment are measured using cost model. Hence, the value of the asset is recognized as cost less accumulated depreciation and any accumulated impairment losses.

iii. De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of Net Income.

iv. Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Land is not depreciated. All other property, plant and equipment are depreciated from immediate next month of 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. Similarly, while disposing any depreciable asset, the depreciation is charged till the immediate preceding month from the date of disposal.

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. The Bank estimates the useful life and residual value of the depreciable assets. Since the bank does not have any intention to sell or dispose the items of Property, Plant and Equipment before the expiry of their useful life, the residual value of all such assets has been considered to be Re 1. Useful lives are reviewed on each reporting date and adjusted if required.

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

Class of assets	Estimated useful life
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 years
Vehicles	4-5 years
Others	5 years

v. Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets under Property, Plant and Equipment to determine where there is an indication of impairment. If such indication exists (i.e. if Book Value > Recoverable Amount), then the asset's recoverable amount is estimated.

Impairment losses are recognized in Statement of Net Income. Any reimbursements received from Insurance Companies related to the claims of the impaired assets are recognized separately as "Other Income" in the Statement of Net Income.

vi. Assets received in grant

Grant at fair value is not recognized until there is reasonable assurance that the bank will comply with the conditions attaching to them and the grant will be received. The bank

follows the alternative approach to account for the assets received in grant i.e. it records both the assets and the grant amount in nominal value.

Accordingly, equipment acquired under grant is recognized as "Grant Assets" at nominal value and included under respective head of property, plant and equipment.

3.8 Intangible Assets

An Intangible Asset is an identifiable non-monetary asset without physical substance. Intangible assets include software purchased by the bank.

i. Recognition

An intangible asset shall be recognized if, and only if

- a. the asset is identifiable
- b. it is probable that the economic benefits that are attributable with the item will flow to the bank; and
- c. cost of the asset can be measured reliably.

ii. Measurement

Intangible assets are measured initially at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. Subsequently, the intangible assets are measured at cost less accumulated amortization and any impairment losses. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

iii. Amortization

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.

iv. Impairment

When there is an indication of impairment (i.e. if Book Value > Recoverable Amount), then the impairment of such intangible asset is recognized. Impairment losses are recognized in Statement of Net Income.

v. De-recognition

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss a rising formed-recognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in PL account on disposal.

3.9 Leases

Payments made under operating leases to are accounted as per NFRS 16. At the inception of the lease, the Bank recognize right of use asset and lease liabilities. Right of use asset is measured at cost which comprises the amount of initial measurement of lease liabilities, any lease payments made at or before the commencement of the lease less any incentives received, any initial direct cost incurred by the Bank and an estimated cost of dismantling and removing the underlying asset. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability is measured at present value of lease payments that are not paid at the commencement of the lease. The lease payments are discounted by incremental borrowing rate to determine the present value. The Bank does not have any borrowing during the year, so general refinance rate is taken as proxy of incremental borrowing rate of the Bank. Subsequently, the carrying amount of lease liability is increased to reflect the interest on lease liability, decreased by the amount of lease payments and adjusted for re-measurement of carrying amount to reflect any reassessment or lease modification.

The lease liability is re-measured when there is changes in future lease payments than the agreed amount or the Bank opts for the extension of lease term. When the lease liability is re-measured, corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Interest on lease liability is recognized in statement of net income. Interest amount is determined in each period during the lease term at the amount that produce constant periodic rate of interest on outstanding lease liabilities. Variable payments if any that is not included in the measurement of lease liabilities are recognized in statement of net income in the period in which the event or condition that triggers those payments occurs.

3.10 Investment Property

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

3.11 Impairment of Non-Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine where there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The Bank assesses whether events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

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

3.12 Inventories

Inventories of the bank include gold and silver stock physically held for minting and processing purpose, coin stock, metal and numismatic stock and dispensary stock. Inventories are initially measured at cost and it is carried at cost or net realizable value whichever is lower. Cost for gold and silver is determined on the basis of specific identification method where-as cost for other inventories is determined under the weighted average method. Other stores items are charged directly to Statement of Net Income.

Allowance is made for slow moving inventories. Numismatic and Medallion coins and Non-moving metals are written down to zero as there is no any net realizable value of those assets in the normal course of the business. The loss is recognized in Statement of Net Income. Carrying amount of inventories are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the net realizable value below the cost are recognized as income/expense in the Statement of Net Income.

3.13 Deposits and Borrowings

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

The Bank accepts interest free deposits from Government of Nepal (GoN) since it acts as a banker of GoN as per Nepal Rastra Bank Act, 2058. Similarly, being the banker of all banks, the bank accepts deposits from the banks and financial institutions as well. Further, deposits from other institutions such as Public Entity, Foreign Central Banks, International Banks and other International Organizations are also accepted by the bank during the course of its operation. These deposits are accounted for as Financial Liabilities.

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

3.14 IMF Related Liabilities

IMF Related Liabilities include Special Drawing Right (SDR) Allocation and Interest Bearing Loan under Rapid Credit Facility (RCF) and Extended Credit facility (ECF). Interest needs to be paid on amount of loan provided by IMF where-as no any interest needs to be paid on deposit amount placed by IMF in NRB. Such liability is accounted for at amortized cost. Contractual interest rate is considered to be the effective interest rate for accounting purpose since there is no any other directly attributable cost incurred for this purpose.

The liability is derecognized when such liability is paid off or when IMF waives the right to receive the amount of liability. Any difference in the book value and amount paid to settle the liability is recognized in PL account.

3.15 Currency in Circulation

Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act,

2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are secured by assets including foreign currency and foreign securities etc. as permitted by Nepal Rastra Bank Act, 2058.

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

The bank offsets the cash at vault with the currency in circulation and presented the net amount of currency in circulation as liabilities in Statement of Financial Position.

All costs incurred during circulation of the currency are expensed in statement of net income. Any amount that has been removed from the economy is accounted for as disposal of Financial Liabilities.

3.16 Transactions on Repurchase Obligations (Repo) and Reverse Repo

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

- a. Securities purchased under Repurchase Agreement (Repo) are recognized as loans and advances to BFIs under the heading of refinance and loan to banks. Interest income on Repo facility is recognized as per effective interest rate method. The difference between the purchase price and sale price is recognized as interest income over the tenure of the facility using effective interest rate.
- b. Securities sold under Reverse Repurchase Agreement ('Reverse Repo') are recognized as short term borrowings. Interest expense on Reserve Repo is recognized as per effective interest rate method. The difference between the sale price and purchase price is recognized as interest expense over the tenure of the facility using effective interest rate.

Securities lent to counterparties are also retained in the statement of financial position.

3.17 Bills Payable and Bills Receivable

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

3.18 Provisions

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

3.19 Employee Benefits

- **Short term employee benefits**

Short-term employee benefits are the benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably. These includes salary, overtime, various allowance, staff Welfare etc.

- **Post Employment Benefits**

Post employment benefits are employee benefits that are payable after the completion of employment.

A. 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 the Statement of Net Income 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 employees render the service are discounted at their present value. Following are the defined contribution plan provided by the bank to its employees:

i. 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 (with grade) to this fund, which is separately administered as a defined contribution plan as per Nepal Rastra Bank Staff By-Law, 2068: Rule 78, Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in Statement of Net Income as the related services are rendered.

ii. Welfare Provident Fund

Certain amounts as prescribed by the Board are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in Statement of Net Income as the related services are accounted.

B. Defined Benefits Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at

the reporting date on corporate bonds, that have maturity dates approximating the terms of the Bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

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

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

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

i. 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 unit credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

ii. Staff Security Fund

Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty-three months salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

• Other long term employee benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. The bank's net obligation in respect of long term employee benefits is the amount of future benefits that

employees earned in return for their service in the current and prior period. That benefit is discounted to determine its present value. The present obligation on these liabilities is determined by actuary adopting projected unit credit method. Re-measurement gains/losses are recognized in Statement of Net Income in the period in which they arise.

i. 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.

ii. 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.

• **Termination Benefits**

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

3.20 Interest Income and Expenses

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

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

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

Interest income on stage 1 and stage 2 financial assets measured at amortized cost is recognized on gross carrying amount. Interest income on stage 3 financial assets is recognized on net carrying amount.

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.

3.21 Non Interest Income

i. Fees and Commission income

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

ii. Net trading income

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

iii. Net income from financial instruments designated at fair value

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

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

iv. Other Income and Expense

Other income and expenses are recognized on an accrual basis. The following incomes are recognized based on the recognition criteria explained here under.

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.
- Profit/loss from sale of precious metal and coins are recognized when the sale is made
- Grant Income is not recognized until there is reasonable certainty that the entity will comply with the conditions attaching to it, and that the grant will be received. Grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognized in statement of net income of the period in which it becomes receivable.

Gains and losses arising from incidental activities to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

3.22 Note Printing Expense

The Bank procures note printing service from note printing service provider outside from the country. Note printing expense includes cost of printing notes and cost incurred to bring note to our premises. These costs include transportation cost, transit insurance and loading/unloading expense. Note printing expense is recognized in statement of income at the time of receipt of the notes by the Bank.

3.23 Unclaimed Account

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

3.24 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All outstanding letter of credit issued, capital commitments, litigation amount and unclaimed amount recognized as income, which are not recognized as liabilities in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

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

3.26 Events Occurring after the Reporting Date

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
4.1 Cash and balances with banks		
Foreign currency cash in hand	30,961,825,026	19,809,038,240
Balances with other central banks	64,245,660,926	38,476,108,567
Balances with foreign banks	73,765,596,522	30,641,756,822
Money at overnight placements with other central banks	-	-
Interest receivable	22,680,078	7,185,059
Less: Allowances for expected credit loss	(18,754,655)	(11,171,030)
Total cash and balance with banks	168,977,007,897	88,922,917,658
4.2 IMF related assets		
Special drawing right holding	25,649,141,930	25,568,182,155
Interest receivable	208,733,483	38,667,696
Less: Allowances for expected credit loss	-	-
Total IMF related assets	25,857,875,413	25,606,849,851
Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.3 Term deposit deposit with foreign banks		
Term deposit with maturity of 3 months or less	71,583,174,285	82,957,932,423
Term deposit with maturity of more than 3 months	447,107,962,128	343,570,402,730
Interest receivable	4,267,570,670	1,090,599,413
Less: Allowances for expected credit loss	(496,695,673)	(437,481,667)
Total term deposit with banks	522,462,011,410	427,181,452,899
4.4 Investment in foreign securities		
Investment measured at amortised cost		
Treasury bills	358,951,073,893	284,683,153,495
Treasury Notes	157,203,305,023	95,502,142,430
Mid-Term Instrument(MTI)	12,516,455,931	-
Coupon bonds	129,436,323,270	160,747,943,754
Interest receivable	2,543,979,916	1,874,564,663
Less: Allowances for expected credit loss	(301,632,462)	(245,845,289)
Investment measured at fair value through OCI		
Treasury bills		
Treasury Notes		
Coupon bonds	-	-
Less: Allowances for expected credit loss	-	-
Investment measured at fair value through profit or loss		
Treasury bills		
Treasury Notes		
Coupon securities		
Coupon bonds		
Total investment in securities	660,349,505,571	542,561,959,053

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Notes to the financial statements
As at 31 Asar 2080

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	31 Asar 2080	32 Asar 2079
4.5 Other receivables		
Receivable from Asian Clearing Union		
Other receivable	-	-
Less: Allowances for expected credit loss	-	-
Total interest and other receivable	-	-
4.6 Investment in Gold Certificates	31 Asar 2080	32 Asar 2079
Investment in paper gold	65,812,728,226	55,870,042,475
Trading gold	-	4,351,023,730
Interest receivable on paper gold	530,515,514	148,374,642
Total investment in gold certificates	66,343,243,740	60,369,440,847
Details disclosure regarding the Investment in gold is provided in Note 5.1		
4.7 Investment in Government securities	31 Asar 2080	32 Asar 2079
Investment in treasury bills	43,672,157,910	15,067,960,116
Investment in bond	28,820,795,978	36,422,088,576
Investment in Government bond issued for IMF related liabilities	2,701,139,740	2,280,557,961
Interest receivable	2,092,338,497	692,450,905
Less: Allowances for expected credit loss	-	-
Total investment in Government securities	77,286,432,125	54,463,057,558
4.8 Investment in bonds & term deposit	31 Asar 2080	32 Asar 2079
Investment in corporate bonds	-	-
Term deposit with Bank and Financial Institutions	6,570,200,002	6,158,744,000
Interest receivable	134,778,491	125,123,905
Less: Allowances for expected credit loss	(84,759,055)	(59,901,930)
Total fixed deposit with Bank and Financial Institutions	6,620,219,438	6,223,965,975
4.9 Advances and receivables from Government	31 Asar 2080	32 Asar 2079
Overdraft provided to Government	-	-
Advance payment to Government	1,460,000,000	1,460,000,000
Receivable from Government against payment to IMF	-	-
Advance to project/fund operated by Government	-	-
Less: Allowances for expected credit loss	-	-
Total advance to Government	1,460,000,000	1,460,000,000

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
4.10 Loan and advances to bank and financial institutions		
Standing liquidity facility	-	158,102,500,000
Refinance	1,497,808,982	111,961,238,775
Lender of last resort	-	-
Securities purchased under repurchase agreement	-	-
Other loans to BFIs	118,423,040	118,622,225
Interest receivable	52,014,969	1,555,565,894
Less: Allowances for expected credit loss	(225,213)	(15,330,530)
Total Loan and advances to bank and financial institutions	1,668,021,778	271,722,596,364
4.11 Other loan and advances		
Staff loans	7,833,595,792	7,253,368,196
Less: Amortization	(2,256,787,609)	(1,991,455,179)
Pension advance	2,082,436,168	2,284,770,378
Travelling advances to staff	1,884,620	2,493,108
Advance for construction	221,396,701	514,643,797
Staff endowment policy advance	6,612,690	7,626,642
Other advance	34,981,588	21,877,821
Interest receivable	1,656,954	1,745,232
Less: Allowances for expected credit loss	-	-
Total other loan and advances	7,925,776,904	8,095,069,995
4.12 Equity investment		
Investment in equity instruments measured at fair value through OCI		
Cost price	2,486,353,947	697,947,274
Fair Value Changes	3,025,144,325	3,094,997,506
Total equity investment	5,511,498,272	3,792,944,780
*Cost price includes amount of Rs 1,843,877,778 which is provided as advance for call of right share of Rastriya Beema Sansthan		
Details disclosure regarding the equity investment is provided in Note 5.6.5		
4.13 Other receivables		
Dividend receivable	-	-
Sundry debtors	8,078,270	8,796,017
Deposits	1,374,123	1,486,138
Other receivables	32,900,690	1,926,937
Less: Allowances for expected credit loss	(8,176,708)	(8,490,511)
Total interest and other receivables	34,176,375	3,718,581

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Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.14 Gold and silver assets	31 Asar 2080	32 Asar 2079
Gold held in reserve at cost	27,351,269	27,351,269
Silver held in reserve at cost	20,406,443	20,658,886
Changes in fair value	33,978,303,860	27,596,885,382
Total gold and silver assets	34,026,061,572	27,644,895,537
Details disclosure regarding the gold and silver assets is provided in Note 5.1		
4.15 Inventories	31 Asar 2080	32 Asar 2079
Gold stock	1,304,156,726	2,015,809,480
Silver stock	84,282,890	59,611,969
Coin stock	194,420,585	139,155,154
Numismatic stock	3,782,171	3,782,171
Other metal stock	31,135,673	31,285,014
Dispensary stock	540,828	422,428
Gross inventories	1,618,318,873	2,250,066,216
Less: Write down of inventories to net realiable value		
Coin stock	(22,465,540)	(22,465,540)
Other metal stock	(8,716,000)	(8,716,000)
Net inventories	1,587,137,333	2,218,884,676

Nepal Rastra Bank

Notes to the financial statements

As at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.16 Property, Plant and equipment

Please see accounting policy in Note 3.7. The details are given as below:

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Right of Use Assets	Capital Work In Progress	Total Assets
Depreciation Rate			3%-20%	20%	20%-25%	20%	20%	10%	20%			
Original Cost	Balance as on 1st Sawan 2078	192,973,152	785,248,776	273,885,445	538,117,235	119,784,891	178,186,697	64,761,008	6,103,883	133,287,846	2,322,996,239	4,615,345,172
	Addition during the Year	167,650,000	77,321,691	66,938,574	163,065,462	216,992,583	17,127,332	8,285,132	60,000	1,629,764	782,721,623	1,501,792,161
	Disposal/Write Off/Adjustment	-	(6,280,248)	(19,013,973)	(23,930,500)	(195,292)	(8,411,553)	(770,004)	(88,104)		-	(58,689,674)
	Balance as on 31st Asar 2079	360,623,152	856,290,219	321,810,046	677,252,197	336,582,182	186,902,476	72,276,136	6,075,779	134,917,610	3,105,717,862	6,058,447,659
Accumulated Depreciation	Balance as on 1st Sawan 2078	-	341,569,758	177,297,424	278,984,550	107,675,224	131,707,388	31,740,717	5,167,370	7,625,312	-	1,081,767,743
	Depreciation for the Year	-	24,103,401	37,761,816	93,597,643	4,714,481	19,200,698	5,330,059	268,213	37,064,068		222,040,379
	Disposal/Write Off/Adjustment	-	(3,582,208)	(17,424,709)	(22,473,823)	(199,039)	(8,340,385)	(769,138)	-			(52,789,302)
	Balance as on 31st Asar 2079	-	362,090,951	197,634,531	350,108,370	112,190,666	142,567,701	36,301,639	5,435,583	44,689,380	-	1,251,018,821
Net Book Value as on 31st Asar 2079		360,623,152	494,199,268	124,175,515	327,143,827	224,391,516	44,334,775	35,974,497	640,196	90,228,230	3,105,717,862	4,807,428,838
Original Cost	Balance as on 1st Sawan 2079	360,623,152	856,290,219	321,810,046	677,252,197	336,582,182	186,902,476	72,276,136	6,075,779	134,917,610	3,105,717,862	6,058,447,659
	Addition during the Year	-	25,918,184	67,630,658	44,973,000.00	213,507,174.36	21,757,262.04	11,656,163.75	950,026.90	44,263,538	732,436,571	1,163,092,578
	Disposal/Write Off/Adjustment	-	(94,563)	(11,798,663)	(189,306.50)	(813,305.00)	(4,832,725.07)	(386,527.00)	(204,495.85)		(18,147,843)	(36,467,428)
	Balance as on 31st Asar 2080	360,623,152	882,113,840	377,642,041	722,035,891	549,276,051	203,827,013	83,545,773	6,821,310	179,181,148	3,820,006,590	7,185,072,809
Accumulated Depreciation	Balance as on 1st Sawan 2079	-	362,090,951	197,634,531	350,108,370	112,190,666	142,567,701	36,301,639	5,435,583	44,689,380	-	1,251,018,821
	Depreciation for the Year	-	25,794,195	44,512,403	108,517,818.91	84,564,949.71	17,931,271.21	6,217,117.81	387,043.47	38,079,128		326,003,927
	Disposal/Write Off/Adjustment	-	12,590	(10,571,555)	(189,303.50)	(788,300.00)	(4,254,348.88)	(384,268.04)	(204,491.85)			(16,379,677)
	Balance as on 31st Asar 2080	-	387,897,736	231,575,379	458,436,885	195,967,316	156,244,623	42,134,489	5,618,135	82,768,508	-	1,560,643,071
Net Book Value as on 31st Asar 2080		360,623,152	494,216,104	146,066,662	263,599,006	353,308,735	47,582,390	41,411,284	1,203,175	96,412,640	3,820,006,590	5,624,429,738

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(all amounts in Nepalese Rupees unless otherwise stated)

4.17 Intangible Assets

Please refer accounting policies in Notes 3.8. The details of balance are as follows:

Particulars	Computer Software			Capital Work in Progress	Total Intangible Assets	
	Useful Life Defined by Contractual Agreements	Other Useful Life				
Amortisation Rate		20%	10%			
Original Cost	Balance as on 1st Sawan 2078	2,521,595	23,672,967	242,284,999	-	268,479,561
	Addition during the Year	7,845,816	2,748,759	1,587,286		12,181,861
	Disposal/Write Off/Adjustment				-	-
	Balance as on 32nd Asar 2079	10,367,411	26,421,726	243,872,285	-	280,661,422
Accumulated Amortisation	Balance as on 1st Sawan 2078	2,205,854	13,469,949	188,941,457	-	204,617,260
	Depreciation for the Year	681,549	2,784,386	24,250,882	-	27,716,817
	Disposal/Write Off/Adjustment				-	-
	Balance as on 32nd Asar 2079	2,887,403	16,254,335	213,192,339	-	232,334,077
Net Book Value as on 32nd Asar 2079	7,480,008	10,167,391	30,679,946	-	48,327,345	
Original Cost	Balance as on 1st Sawan 2079	10,367,411	26,421,726	243,872,285		280,661,422
	Addition during the Year	9,698,129	16,944,095	-		26,642,224
	Disposal/Write Off/Adjustment					
	Balance as on 31st Asar 2080	20,065,540	43,365,821	243,872,285	-	307,303,646
Accumulated Amortisation	Balance as on 1st Sawan 2079	2,887,403	16,254,335	213,192,339	-	232,334,077
	Depreciation for the Year	3,427,327	3,822,079	20,476,113		27,725,519
	Disposal/Write Off/Adjustment					
	Balance as on 31st Asar 2080	6,314,730	20,076,414	233,668,452	-	260,059,596
Net Book Value as on 31st Asar 2080	13,750,810	23,289,407	10,203,833	-	47,244,050	

4.18 Other Assets

Particulars	31 Asar 2080	32 Asar 2079
Deferred Employees Benefits	2,256,787,609	1,991,455,179
Project Assets	-	-
Prepaid expense	81,071,202	80,438,520
Other Assets	-	-
Total	2,337,858,811	2,071,893,699

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Notes to the financial statements

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(all amounts in Nepalese Rupees unless otherwise stated)

4.19	Deposit of bank and financial institutions	31 Asar 2080	32 Asar 2079
	<i>Foreign Currency</i>		
	Deposit of commercial banks	6,276,820,166	10,556,040,520
	Deposit of development banks	53,151,624	27,253,242
	Deposit of finance companies	-	214,217
	Deposit of microfinance financial institutions	-	-
	Total foreign currency deposit	6,329,971,790	10,583,507,979
	<i>Local Currency</i>		
	Deposit of commercial banks	253,451,624,816	170,164,694,523
	Deposit of development banks	19,968,237,855	13,537,692,545
	Deposit of finance companies	5,127,341,295	3,427,670,355
	Deposit of microfinance financial institutions	2,228,327,458	1,713,233,904
	Total local currency deposit	280,775,531,424	188,843,291,327
	Total deposit of bank and financial institutions	287,105,503,214	199,426,799,306
4.20	IMF related liabilities	31 Asar 2080	32 Asar 2079
	<i>Foreign Currency</i>		
	Special Drawing Right allocation	38,817,553,383	36,560,642,669
	Interest bearing loans	-	-
	Interest payable	315,898,321	55,291,694
	Total foreign currency IMF related liabilities	39,133,451,704	36,615,934,363
	<i>Local Currency</i>		
	IMF account no.1	11,881,913,786	11,461,367,826
	IMF account no.2	1,010,403	974,584
	Total local currency IMF related liabilities	11,882,924,189	11,462,342,410
	Total IMF related liabilities	51,016,375,893	48,078,276,773
	Details disclosure regarding the financial position on IMF is provided in Note 5.14		
4.21	Deposit of Government	31 Asar 2080	32 Asar 2079
	Deposit of Central Government	(61,757,015,981)	93,700,782,670
	Deposit of Province Government	83,963,562,437	103,214,201,325
	Deposit of Local Authorities	22,882,901,160	28,591,870,709
	Total deposit of Government	45,089,447,616	225,506,854,704
4.22	Deposit of other institutions	31 Asar 2080	32 Asar 2079
	Deposit of public enterprises	2,554,494,754	1,526,933,362
	Deposit of Government for Interest Subsidy & Subsidies Loan	7,763,663,519	10,252,337,011
	LC margin deposit	7,044,368,728	6,660,204,983
	Deposit of other organisations	589,266,495	478,057,828
	Total deposit of other institutions	17,951,793,496	18,917,533,184

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4.23	Currency in Circulation	31 Asar 2080	32 Asar 2079
	Currency Issued (Denomination)		
	1	160,997,039	161,012,732
	2	185,151,436	185,270,698
	5	3,640,451,885	2,909,495,620
	10	5,867,673,450	4,511,227,900
	20	7,524,263,040	5,262,600,100
	25	57,047,200	57,140,500
	50	14,685,951,900	10,446,017,500
	100	30,394,594,800	20,740,491,200
	250	87,423,250	87,426,250
	500	130,670,884,000	150,521,259,500
	1000	446,805,562,000	488,618,058,000
	Gross Amount of Currency in Circulation	640,080,000,000	632,470,000,000
	Less: Cash at Vault of the Bank	(14,292,127,470)	(20,442,396,030)
	Net Amount of Currency in Circulation	625,787,872,530	612,027,603,970
4.23.1	Reserve against currency in circulation	31 Asar 2080	32 Asar 2079
	Foreign Treasury Bills	358,951,073,893	284,683,153,495
	Foreign Bank Balance (Including Term Deposits)	266,836,798,637	327,344,450,475
	Total	625,787,872,530	612,027,603,970
4.24	Due to bank and financial institutions	31 Asar 2080	32 Asar 2079
	Holding of NRB bond issued	-	-
	Deposit collection	20,000,000,000	-
	Reverse repo liabilities	40,000,000,000	-
	Total due to bank and financial institutions	60,000,000,000	-
4.25	Other liabilities	31 Asar 2080	32 Asar 2079
	Payable to Asian Clearing Union	443,751,960	209,544,881
	Deposit & Earnest money	14,355,000	14,535,000
	Unclaimed account	58,360,869	81,178,438
	Unclaimed Deposit of Bank and Financial Institutions	14,937,593	14,127,434
	Lease liabilities	103,917,043	94,919,661
	Loan from Government for project operation	-	75,100,000
	Provision for expense	26,882,959	78,219,219
	Taxes payable	61,241,006	71,562,444
	Payable to retired staff	418,909,466	496,042,351
	Other liabilities	256,345,365	179,163,218
	Total other liabilities	1,398,701,261	1,314,392,646
4.26	Pension and other employment benefits payable	31 Asar 2080	32 Asar 2079
	Pension and gratuity fund	19,799,326,845	18,979,279,196
	Less: Plan Assets for pension and gratuity fund	(19,433,209,385)	(18,966,513,926)
	Staff security fund	2,781,136,386	2,123,566,882
	Less: Plan Assets for staff security fund	(2,122,731,894)	(2,024,185,775)
	Leave encashment	1,268,934,517	1,322,973,961
	Staff medical fund	1,618,368,582	1,211,261,887
	Welfare Provident fund	797,784,854	714,135,372
	Total pension and other employment benefit payable	4,709,609,905	3,360,517,597

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(all amounts in Nepalese Rupees unless otherwise stated)

4.27 Reserve	31 Asar 2080	32 Asar 2079
General Reserve	76,120,125,947	63,649,012,516
Monetary Liabilities Reserve	15,194,655,781	12,170,535,702
Financial Stability Fund	11,997,141,783	8,973,021,704
Open Market Operation Stabilization Fund	2,196,772,113	-
Exchange Equalization Fund	206,818,097,401	196,809,068,623
Gold and Silver Equalization Reserve	65,766,495,953	48,654,180,864
Net Cumulative Surplus Fund	2,039,492,402	1,384,411,112
Development Fund	70,595,989,244	57,095,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
Development Finance Project Mob. Fund	-	300,387,474
Mechanisation Fund	1,891,316,414	1,891,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	1,097,712,943	1,097,712,943
Gold Replacement Fund	3,707,932,111	2,356,917,187
Rural Self Reliance Fund	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement Fund)	51,087,606	51,286,791
Actuarial Gain Reserve	2,532,245,736	2,920,541,212
Fair Value Reserve for Equity Instruments	3,025,140,244	3,118,109,820
Impact on Retained Earning due to ECL & Lease	-	-
Total Reserves	464,951,141,988	402,389,427,916

4.27 (a) Appropriation of Net Profit/(Loss)

Particulars	31 Asar 2080	32 Asar 2079
Net Income/(Expenditure) for the year	87,561,913,257	63,136,159,412
Foreign Exchange Gain/(Loss) - Unrealised	(10,009,028,778)	(34,789,148,334)
Net Gold and Silver Revaluation Gain/(Loss)	(17,112,315,089)	1,229,203,928
Transfer from Fair Value Reserve	-	-
Transfer to Fair Value Reserve	(346,463,285)	(636,982,769)
Transfer to Actuarial Reserve	388,295,476	(518,464,020)
Surplus/(Deficit) Due to Changes in Accounting Policies	-	(646,586,820)
Surplus Available for Distribution	60,482,401,581	27,774,181,397
Less: Appropriations		
General Reserve	(11,731,293,096)	(7,914,819,265)
Monetary Liability Reserve	(3,024,120,079)	(1,421,038,411)
Financial Stability Fund	(3,024,120,079)	(1,421,038,411)
Open Market Operation Stabilization Fund	(2,196,772,113)	-
Development Fund	(13,500,000,000)	(5,500,000,000)
Development Finance Project Mobilisation Fund	-	(9,243,113)
Gold Replacement Fund	(1,351,014,924)	(414,495,677)
Net Cumulative Surplus Fund	(655,081,290)	(23,546,520)
Balance Payable to Government of Nepal	25,000,000,000	11,070,000,000

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.28 Interest income on foreign currency financial assets	31 Asar 2080	32 Asar 2079
Interest income on term deposit	22,388,814,517	4,098,540,617
Interest income on treasury bills	20,994,125,972	10,836,988,704
Interest income on fixed income securities	4,183,285,053	3,729,279,902
Interest income on SDR holdings	799,827,322	64,405,013
Other FCY interest income	-	-
Total	48,366,052,864	18,729,214,236
4.29 Interest expense on foreign currency financial liabilities	31 Asar 2080	32 Asar 2079
Interest on SDR Allocation	1,116,737,205	89,806,652
Interest on interest bearing loans	-	-
Other interest expense	25,487,721	3,541,438
Total	1,142,224,926	93,348,090
4.30 Interest income on local currency financial assets	31 Asar 2080	32 Asar 2079
Interest income on Treasury Bills	6,242,600,503	1,352,316,775
Interest income on Government bonds	1,370,785,145	1,475,518,611
Interest income on Refinance	1,535,831,566	3,329,427,792
Interest income on Standing Liquidity Facility and Repo	4,813,142,666	8,255,008,441
Other LCY interest income	1,468,372,820	602,402,991
Total	15,430,732,700	15,014,674,610
4.31 Interest expense on local currency financial liabilities	31 Asar 2080	32 Asar 2079
Interest expense on Deposit Collection	6,300,005	-
Interest expense on Reverse Repo	60,644,072	-
Interest expense on NRB Bond	-	-
Interest expense on Lease Liabilities	4,974,568	5,647,920
Other interest expense	10,093,172	20,193,358
Total	82,011,817	25,841,278

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

	31 Asar 2080	32 Asar 2079
4.32 Fee and commission income		
Commission Income	113,653,096	98,281,956
Letter of credit commission	730,107	807,049
RTGS fee	11,982,891	15,909,438
Total	126,366,094	114,998,443
4.33 Net gold trading income		
Gain or loss on sale of trading gold	589,346,875	155,757,112
Gain or loss on revaluation of trading gold	-	(508,199,266)
Total	589,346,875	(352,442,154)
4.34 Other income		
Income from Mint (Sale of Coin)	15,532	66,317
Gain from Sale of Precious Metals and Coins	761,668,049	258,738,565
Provisions written back	82,227,392	7,500,000
Fine/Penalty Charge	259,675,160	6,842,443
Profit/(Loss) on Sale of Investment Securities	-	-
Profit/loss on Sale of Assets	6,430,166	5,609,057
Dividend Income	150,774,282	93,199,596
Project Income/(Loss)	11,363,117	9,243,113
Grant Income	16	-
Miscellaneous income	144,684,621	107,683,604
Total Other Income	1,416,838,335	488,882,695
4.35 Fee and commission expense		
Agency commission and service charges	77,005,353	22,128,886
Other fee and commission expense	1,539,820	22,669,930
Total	78,545,173	44,798,816

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.36 Allowance for ECL (loss)/gain on financial assets

	31 Asar 2080	32 Asar 2079
Cash & Bank Balance	(7,583,147)	(1,565,795)
Investment in Securities	(55,787,173)	34,632,677
Term Deposit	(84,071,131)	(24,113,354)
Loans and advances to BFIs	15,105,317	1,404,751
Other Receivables	313,803	(790,364)
Total	(132,022,331)	9,567,915

The details of movement and stagewise information on allowance for expected credit loss/gain is further disclosed in note no. 5.6.1

4.37 Personnel expenses

	31 Asar 2080	32 Asar 2079
Salary	827,207,072	684,043,299
Allowances	854,283,817	802,801,948
Provident Fund Contribution	82,720,707	68,404,330
Staff Welfare Provident Fund Contribution	794,249,533	713,764,926
Pension & Gratuity Expense	393,288,733	392,190,599
Staff Security Expense	120,698,194	119,762,350
Staff Leave Compensation	82,115,522	472,520,219
Staff Medical Fund Contribution	504,674,809	115,365,722
Amortisation of deferred employees benefits	239,068,816	95,768,899
Others	24,215,774	20,267,520
Total	3,922,522,977	3,484,889,812

Nepal Rastra Bank

Notes to the financial statements

For the year ended at 31 Asar 2080

(all amounts in Nepalese Rupees unless otherwise stated)

4.38 Administrative expenses	31 Asar 2080	32 Asar 2079
Directors Fees and Expenses	7,595,074	6,679,397
Mint Expenses	118,873,390	152,468,830
Security charges	282,803,383	241,851,335
Fund Transfer Expense	35,319,014	32,906,634
Travelling Expenses	280,811,283	163,607,065
Insurance Charges	105,952,076	106,420,694
Repair & Maintenance	33,263,563	37,199,665
Banking Promotion	72,516,313	53,482,886
Audit Fees and Expenses	4,001,500	25,205,945
Utilities Expenses	59,255,375	50,241,502
Postal and Communication Expenses	19,990,676	20,542,105
House Rent	2,229,806	2,101,095
Training Seminar and Membership Expenses on Miscellaneous Assets	26,248,557	48,339,150
Consumable Expenses	9,399,492	9,184,840
Books and Periodicals	22,902,215	20,183,154
Software Annual Maintenance Charges	12,561,803	11,417,733
Software Annual Maintenance Charges	111,040,739	101,021,913
Meeting Fee and Expense	58,948,623	41,513,895
Advertisement	12,093,029	10,680,950
Wages	76,434,404	59,182,218
Miscellaneous Expenses	125,075,430	114,469,396
Total	1,477,315,745	1,308,700,402
4.39 Depreciation, amortisation and impairment	31 Asar 2080	32 Asar 2079
Depreciation on Property & Equipment	290,671,604	185,084,861
Impairment of Property & Equipment	1,882,047	4,296,516
Amortisation of intangible assets	24,906,480	27,610,997
Impairment of intangible assets	-	-
Depreciation on Right of Use Assets	38,079,128	37,064,068
Total	355,539,259	254,056,442

5. Significant Disclosures

5.1. Gold and Silver

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

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

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	Weight (Kg)	Total Fair Value (NRs.)	Weight (Kg)	Total Fair Value (NRs.)
Investment in Paper Gold	6,997.03997	65,812,728,226	7,280.53515	55,691,575,757
Trading gold	-	-	566.99	4,351,023,730
Gold held in reserve	1,953.66	18,793,252,571	1,953.66	15,711,350,608
Silver held in reserve	120,037.90	15,232,809,000	121,522.86	11,933,544,929
Total		99,838,789,797		87,687,495,024

Fair value for investment in paper gold; and gold and silver held at reserve is determined based on the closing rate prevailing in London Bullion and Metal Association; and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Fine Gold (9999) has been considered for the purpose of fair value.

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

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	Weight (Kg)	Value (NRs.)	Weight (Kg)	Value (NRs.)
Gold held in Stock	313.0133	1,304,156,726	650.80692	2,015,809,480
Silver held in Stock	4,675.37785	84,282,890	3,007.31635	59,611,969
Total		1,388,439,616		2,075,421,449

5.2. Year-end Exchange Rates

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

S.N.	Currency	Current Year (2079/80)	Previous Year (2078/79)
1	US Dollar	131.17	127.51
2	UK Pound Sterling	171.95	150.86
3	Euro	147.19	128.19
4	Swiss Franc	152.70	130.17
5	Australian Dollar	90.10	86.15
6	Canadian Dollar	99.98	97.52
7	Singapore Dollar	99.31	90.9
8	Japanese Yen	0.945	0.919
9	Chinese Yuan	18.38	18.88
10	Saudi Arabian Riyal	34.96	33.96
11	Qatari Riyal	35.98	34.71
12	Thai Baht	3.78	3.48
13	UAE Dirham	35.71	34.72
14	Malaysian Ringgit	28.98	28.66
15	South Korean Won	0.1034	0.0962

S.N.	Currency	Current Year (2079/80)	Previous Year (2078/79)
16	Swedish Kroner	12.79	12.1
17	Danish Kroner	19.75	17.22
18	Hong Kong Dollar	16.78	16.24
19	Kuwait Dinar	428.35	413.95
20	Bahrain Dinar	347.99	338.25
21	SDR	177.67	167.34
22	Indian Rupees	1.60	1.60

5.3. Related Parties Disclosure

5.3.1. Key Management Personnel

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including the board members. The key management personnel of the bank include members of its Board of Directors and Special Class Officers (Executive Directors). The key management personnel who are holding various positions in the bank during the year are as follows:

S.No.	Name	Post	Date	Remarks
1	Mr. Maha Prasad Adhikari	Governor	2076.12.24	
2	Mr. Arjun Prasad Pokharel	Finance Secretary	2080.01.21	
3	Mr. Toyam Raya	Finance Secretary	2079.09.22	Discharge of position w.e.f. 2080.01.20
4	Mr. Krishna Hari Pushkar	Finance Secretary	2079.04.30	Discharge of position w.e.f. 2079.09.21
5	Mr. Madhu Kumar Marasini	Finance Secretary	2078.04.18	Discharge of position w.e.f. 2079.04.25
6	Dr. Neelam Dhungana (Timsina)	Deputy Governor	2077.11.25	
7	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
8	Mr. Chinta Mani Siwakoti	Board Member	2079.02.06	
9	Mr. Shankar Prasad Acharya	Board Member	2079.02.06	
10	Dr. Ravindra Prasad Pandey	Board Member	2080.01.26	
13	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	Discharge of position w.e.f. 2080.01.10
15	Dr. Nephil Matangi Maskay	Executive Director	2074.10.25	
16	Mr. Dev Kumar Dhakal	Executive Director	2074.12.15	
17	Mr. Mukunda Kumar Chhetri	Executive Director	2074.12.28	
18	Mr. Pitambar Bhandari	Executive Director	2074.12.28	
19	Mr. Rishikesh Bhatta	Executive Director	2075.05.12	
20	Mr. Pradeep Raj Poudyal	Executive Director	2075.06.18	
21	Dr. Gunakar Bhatta	Executive Director	2075.07.06	
22	Mr. Naresh Shakya	Executive Director	2076.02.30	
23	Mr. Suman Kumar Adhikari	Executive Director	2076.03.11	
24	Dr. Prakash Kumar Shrestha	Executive Director	2076.03.11	
25	Mr. Revati Prasad Nepal	Executive Director	2076.10.13	
26	Mr. Ramu Poudel	Executive Director	2077.01.12	
27	Mr. Vishrut Thapa	Executive Director	2077.01.12	
28	Mr. Ram Bahadur Manandhar	Executive Director	2077.01.12	
29	Mr. Dayaram Sharma	Executive Director	2078.06.19	
30	Mr. Tulashi Prasad Ghimire	Executive Director	2078.06.19	
31	Mr. Guru Prasad Paudel	Executive Director	2078.09.23	
32	Mr. Bimal Raj Khanal	Executive Director	2078.12.01	

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

i. *Transactions with Key Management Personnel*

In addition to salaries, non-cash benefits (Vehicle Facility) were provided to special class officers and the executive board members. Governor and Deputy Governors are also entitled to post employee benefits. The data relating to total compensation paid to key management personnel are as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	89,583,827	87,840,213
Post-employment and other long term benefits	-	7,930,688
Total	89,583,827	95,770,901

Other transactions with the Key Management Personnel and the status of year end balances with them are as per below:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/Incidental Expenses to Directors	16,029,326	13,196,311
Loan Facilities	122,219,000	123,836,979
Total	138,248,326	137,033,290

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

The bank's board members are entitled for meeting allowance of NRs. 9,000 per meeting. In addition, executive board members are entitled for salary and various allowances. All board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, driver facility, and medicine facilities. Details of such salary, benefits and other facilities provided to executive as well as non-executive board members for FY 2079/80 are provided below:

S. No.	Name	Post	Salary	Board Meeting Allowance	Other Allowances & Facilities
1	Mr. Maha Prasad Adhikari	Governor	16,32,000	4,14,000	40,45,335
2	Mr. Arjun Prasad Pokharel	Finance Secretary		99,000	29,186
3	Mr. Toyam Raya	Finance Secretary		99,000	70,992
4	Mr. Krishna Hari Pushkar	Finance Secretary		1,44,000	1,11,221
5	Mr. Madhu Kumar Marasini	Finance Secretary		18,000	
6	Dr. Neelam Dhungana (Timsina)	Deputy Governor	14,60,400	3,42,000	38,99,961
7	Mr. Bam Bahadur Mishra	Deputy Governor	14,60,400	3,78,000	34,61,829
8	Mr. Chinta Mani Siwakoti	Board Member		4,05,000	11,59,382
9	Dr. Shankar Prasad Acharya	Board Member		3,60,000	6,48,408
11	Dr. Ravindra Prasad Pandey	Board Member		99,000	245,012
12	CA. Dr. Suvod Kumar Karn	Board Member		-	
TOTAL			45,52,800	23,58,000	1,36,71,326

5.3.2. Government of Nepal

The bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 (currently replaced by Nepal Rastra Bank Act, 2058) and the Government of Nepal (GoN) is the controlling body of the bank holding 100% of its capital.

i. Transactions with Government of Nepal

The transaction with GoN and the status of year end balances with GoN are as follows:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year		
Commission Income received from GoN	109,670,502.60	117,802,422
Payment made to GoN from surplus (As per Financial Statement of Previous Year)	11,070,000,000	5,000,000,000
Adjustment of Receivable from Surplus Payable to GoN	-	1,661,646,673
Balances at the year end		
Deposit from GoN	45,089,447,616	225,506,854,704
Advance to GoN for Business Continuity Loan	1,460,000,000	1,460,000,000
Investment in Treasury Bills (GoN)	43,672,157,910	15,067,960,116
Investment in Bonds (GoN)	27,614,214,718	35,698,245,536
Investment in Saving Certificates (GoN)	3,907,721,000	3,004,401,000
Interest and Commission Receivable	2,047,350,761	428,944,464

ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2080 as per the records of the bank is a surplus balance of NRs. 45,089,447,616 (PY NRs. 225,506,854,704). The balance is yet to be confirmed by Comptroller General's office of GoN. However, based on the 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.

5.4. Inter-Office Transactions

There is no any net balance of at the end of the year on inter-office transactions.

5.5. Assets Received in Grant

The various assets received as grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586. Out of which there was a written down balance of NRs. 7 (PY NRs.7) at the year end. During the year, under the technical and financial assistance of Department for International Development (DFID), Disaster Recovery Site at Biratnagar has been set up, valued approx. at NRs. 23,20,59,005 (NRs. 8,93,44,232, USD 2,40,463 and GBP 6,46,544). Hence, the grant asset has been recorded at nominal value of NRs. 16 and accordingly grant income of NRs. 16 has been recognized.

5.6. Financial Instruments

Financial Risk Management–Overview

Risk Management Framework

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

The bank's risk management policies are established to identify and analyze the risk faced by the bank, set appropriate risk limits and control, and monitor risks and adherence to the limit. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the bank's activities. The bank through its training and management standards

and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The bank has exposure to the following risk arising from financial instruments:

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

5.6.1. Credit Risk

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

5.6.1.1. Exposure to Credit Risk

The maximum exposure to credit risk at the yearend is as follows:

- a) By Nature of Assets

Particulars	31Asar 2080	32 Asar 2079
Foreign currency financial assets		
Cash and balances with banks	168,977,007,897	88,922,917,658
Derivative financial assets	-	-
IMF related assets	25,857,875,413	25,606,849,851
Term deposit with foreign banks	522,462,011,410	427,181,452,899
Investments in foreign securities	660,349,505,571	542,561,959,053
Other receivables	-	-
Total foreign currency financial assets	1,377,646,400,291	1,084,273,179,461
Local currency financial assets		
Balances with banks	7,192,517	10,736,269
Investment in Government securities	77,286,432,125	54,463,057,558
Investment in bonds & term deposit	6,620,219,438	6,223,965,975
Advances and receivable from Government	1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions	1,668,021,778	271,722,596,364
Other loan and advances	7,925,776,904	8,095,069,995
Equity investment	5,511,498,272	3,792,944,780
Other receivables	34,176,375	3,718,581
Total local currency financial assets	100,513,317,409	345,772,089,522
Total financial assets	1,478,159,717,700	1,430,045,268,983

b) By Geographical Region

Particulars	As on 31.03.2080	As on 32.03.2079
Australia	-	149,189,220
Argentina	30,391,016,142	-
Bahrain	67,653,705,599	60,104,668,182
Belgium	-	214,765,363
Canada	30,102,289,156	189,708,637
China	185,664,348,765	163,223,012,167
Germany	-	333,597,791
Hongkong	9,191,677,175	76,923,993,303
India	362,940,464,977	267,968,611,393
Japan	53,225,802,365	1,468,220,102
Malaysia	-	81,941,701
Qatar	41,395,316,724	48,424,063,658
Singapore	17,338,069,634	120,663,083,782
Switzerland	108,602,458,054	83,646,412,869
Thailand	-	99,936,620
U.A.E.	67,193,324,030	48,903,638,343
United Kingdom	-	3,419,126,118
USA	235,229,986,185	189,344,669,958
Nepal	270,137,045,031	365,664,852,182
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	<i>(905,786,138)</i>	<i>(778,222,406)</i>
Grand Total	1,478,159,717,700	1,430,045,268,983

c) By Nature of the Entity

Particulars	As on 31.03.2080	As on 32.03.2079
Bank for International Settlement	603,098,749	278,005,714
Central Banks	63,642,562,177	133,827,660,604
Foreign Commercial Banks	596,955,717,166	458,620,361,410
International Monetary Fund	25,649,141,930	25,568,182,155
Foreign Government	660,320,609,793	446,864,429,324
Domestic Banks and FIs	8,380,418,972	277,892,091,523
Government of Nepal	78,777,961,491	55,945,363,564
Equity Instruments	5,440,005,710	3,792,944,780
Other Parties	39,295,987,849	28,034,452,314.67
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	<i>(905,786,138)</i>	<i>(778,222,406.00)</i>
Grand Total	1,478,159,717,700	1,430,045,268,983

d) By Credit Rating

Particulars	As on 31.03.2080		As on 32.03.2079	
	Amount (NPR)	%	Amount (NPR)	%
<u>Foreign Currency</u>				
AAA	60,270,216,980	4.08%	44,297,725,251	3.10%
AA+	263,315,542,941	17.81%	181,876,615	0.01%
AA	476,875,139	0.03%	3,600,066,072	0.25%
AA-	44,133,480,632	2.99%	2,703,120,304	0.19%
A+	309,621,905,224	20.95%	96,027,338,448	6.71%
A	168,971,086,020	11.43%	94,187,487,648	6.59%
A-	38,991,854,614	2.64%	30,241,449,383	2.11%
BBB+	257,429	0.00%	619,445	0.00%
BB+	-	0.00%	26,033,176,419	1.82%
BB	-	0.00%	52,395,573,834	3.66%
BBB-	435,241,840,677	29.44%	113,795,608,139	7.96%
Other*	57,435,989,023	3.89%	621,587,360,310	43.47%
Total	1,378,459,048,681	93.26%	1,085,051,401,868	75.88%
<i>Less: Expected Credit Loss</i>	(812,648,390)		(694,497,987)	
Grand Total-Foreign Currency Financial Assets	1,377,646,400,291		1,084,356,903,881	
<u>Local Currency</u>				
Other*	100,606,455,157	6.81%	345,772,089,522	24.18%
<i>Less: Expected Credit Loss</i>	(93,137,748)		(83,724,420)	
Total Financial Assets	1,478,159,717,700	100.00%	1,430,045,268,983	100.00%

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

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

5.6.1.2. Loss Allowances for Expected Credit Loss

The bank had recognized the allowances for impairment based on Incurred Loss model as per the requirement of NAS 39: Financial Instruments: Recognition and Measurement. From last year (FY 2078-79), the bank has changed its accounting policy to recognize allowance for impairment based on Expected Credit Loss model as per the requirement of NFRS 9: Financial Instruments. The change in models of accounting for allowances for impairment has resulted into the changes in accounting policy and has been required by NFRS 9. Impairment on financial asset is measured at the end of each reporting period and the movement in the allowances for impairment of financial assets during the year is as follows:

Particulars	Allowances for Expected Credit Loss for:					
	Cash Bank Balance	Investment in Securities	Term Deposit	Loans and advances to BFIs	Other Receivable	Total
Balance as on 31stAsar 2078	9,606,684	280,477,966	473,270,243	16,735,281	7,700,147	787,790,321
Impairment Loss Recognized	1,565,795	-	24,113,354	-	790,364	26,469,513
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss		34,632,677	-	1,404,751	-	36,037,428
Balance as on 32ndAsar 2079	11,172,479	245,845,289	497,383,597	15,330,530	8,490,511	778,222,406
Impairment Loss Recognized	7,583,147	55,787,173	84,071,131			147,441,451
Amount Written Off	-	-	-	-	-	-
Reversal of Impairment Loss	-	-		15,105,317	313,803	15,419,120
Balance as on 31stAsar 2080	18,755,626	301,632,462	581,454,728	225,213	8,176,708	910,244,737

Credit Exposure Movement-ECL Stage wise:

Allowances for Expected Credit Loss for	Balance as on 31 st Asar 2080				Balance as on 32 nd Asar 2079			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Bank Balance	14,321,226		4,434,400	18,755,626	6,738,079	-	4,434,400	11,172,479
Investment in Securities	301,632,462			301,632,462	245,845,289	-	-	245,845,289
Term Deposit	497,601,888		83,852,841	581,454,728	438,314,376	-	59,069,222	497,383,597
Loan and advances to BFIs	225,213			225,213	15,330,529	-	-	15,330,529
Other Receivables	2,705,605		5,471,103	8,176,708	3,019,408	-	5,471,103	8,490,511
Total	816,486,394		93,758,343	910,244,737	709,247,682	-	68,974,724	778,222,406

Financial assets are written off (either in full or partially) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5.6.1.3. Credit Quality

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

Counterparties	As on 31.03.2080	As on 32.03.2079
External Credit Rating at least AAA/BBB- from credit rating agency	597,059,887,688	463,186,035,844
Non Rated Counterparties	31,183,748,344	15,243,363,806
Central Banks	63,642,562,177	133,827,660,604
Bank for International Settlement	603,098,749	278,005,714
Foreign Government	660,320,609,793	446,864,429,324
International Monetary Fund	25,649,141,930	25,568,182,155
Government of Nepal	78,777,961,491	55,945,363,564
Financial Assets with Other Counterparties:		
Party with Normal Risk	21,651,489,955	289,789,319,275
Party with High Risk	177,003,711	121,131,103
Total	1,479,065,503,838	1,430,823,491,389
<i>Less: Expected Credit Loss</i>	(905,786,138)	(778,222,406)
Grand Total	1,478,159,717,700	1,430,045,268,983

5.6.1.4. Collateral held and other credit enhancement

The bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure	% of Exposure subject to collateral requirement		Principal type of collateral held
	As on 31.03.2080	As on 32.03.2079	
Securities purchased under Resale Agreement	110	110	Government Securities
Refinance to BFIs	100	100	Good Loans of BFIs
Standing Liquidity Facilities	110	110	Government Securities
Loans to Staffs	100-125	100-125	Land and Buildings, Insurance Policies, Retirement Fund Balance, and Accrued Retirement Benefits.

5.6.2. Liquidity Risk

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

Further, the bank has credit arrangement for Rapid Credit Facilities (RCF) and Extended Credit Facilities (ECF) provided by the International Monetary Fund in case of stressed condition like deficit of balance of payment of the country.

5.6.2.1. Assets Held for Managing Liquidity Risk

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

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

5.6.2.2. Maturity Profile of Financial Assets and Financial Liabilities

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

Current Year Figures (NRs.)

Particulars	<u>Contractual and Other Cash Flows</u>					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Foreign currency financial assets						
Cash and balances with banks	168,995,762,552	168,995,762,552				
Derivative financial assets	-					
IMF related assets	25,857,875,413	25,857,875,413				
Term deposit with foreign banks	522,958,707,083	125,672,207,346	18,631,000,000	378,655,499,737		
Investments in foreign securities	660,651,138,033	146,270,044,514	191,647,908,437	122,658,488,545	164,788,938,306	35,285,758,231
Other receivables	-				-	-
Total foreign currency financial assets	1,378,463,483,081	466,795,889,825	210,278,908,437	501,313,988,282	164,788,938,306	35,285,758,231
Local currency financial assets						
Balances with banks	7,194,459	7,194,459				-
Investment in Government securities	77,286,432,125	9,013,133,937	25,620,317,001	19,595,377,724	12,814,393,230	10,243,210,233
Investment in bonds & term deposit	6,704,978,493	418,878,493		6,286,100,000		-
Advances and receivable from Government	1,460,000,000	1,460,000,000				
Loan and advances to bank and financial institutions	1,668,246,991			1,668,246,991		
Other loan and advances						
Staff Loan	7,833,595,792	243,624,829	462,182,152	940,031,495	1,096,703,411	5,091,053,905
Pension Advance	2,082,436,168	27,071,670	41,648,723	2,498,923	303,619,194	1,707,597,658
Travelling advances to staff	1,884,620	1,884,620				
Staff endowment policy advance	6,612,690	6,612,690				
Other advance	34,981,588	34,981,588				
Interest Receivable	1,656,954	1,656,954				
Equity investment	5,511,498,272					5,511,498,272
Total local currency financial assets	102,599,518,152	11,215,039,240	26,124,147,876	28,492,255,133	14,214,715,835	22,553,360,068
Total financial assets	1,481,063,001,233	478,010,929,065	236,403,056,313	529,806,243,415	179,003,654,141	57,839,118,299
Foreign currency financial liabilities						

Particulars	<u>Contractual and Other Cash Flows</u>					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Derivative financial liabilities	-					
Deposit of bank and financial institutions	6,329,971,790		6,329,971,790			-
IMF related liabilities	39,133,451,704	39,133,451,704				
Total foreign currency financial liabilities	45,463,423,494	39,133,451,704	6,329,971,790	-	-	-
Local currency financial liabilities						
Bills Payable	115,247,041	115,247,041				
Deposit of bank and financial institutions	280,775,531,424	56,155,106,285		28,077,553,142	196,542,871,997	
Deposit of Government	45,089,447,616	9,468,783,999	10,821,467,428	14,428,623,237	10,370,572,952	
Deposit of other institutions	17,951,793,496	4,308,430,439	4,128,912,504	9,514,450,553		
IMF related liabilities	11,882,924,189	11,882,924,189				
Other liabilities	1,398,701,263		1,398,701,263			
Total local currency financial liabilities	357,213,645,029	81,930,491,953	16,349,081,195	52,020,626,932	206,913,444,949	-
Total Financial Liabilities	402,677,068,523	121,063,943,657	22,679,052,985	52,020,626,932	206,913,444,949	-
Net Financial Asset Position	1,078,385,932,710	356,946,985,408	213,724,003,328	477,785,616,483	(27,909,790,808)	57,839,118,299

Previous Year Figures (NPR)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Years	More than 3 Years
Foreign currency financial assets						
Cash and balances with banks	88,922,917,658	88,922,917,658				-
Derivative financial assets						-
IMF related assets	25,606,849,851	25,606,849,851				-
Term deposit with foreign banks	427,618,934,566	65,092,581,836	18,955,950,000	343,570,402,730		
Investments in foreign securities	542,807,804,342	35,217,297,585	275,309,069,955	56,186,876,000	121,405,479,352	54,695,254,862
Other receivables					-	-
Total foreign currency financial assets	1,084,956,506,417	214,839,646,930	294,265,019,955	399,757,278,730	121,405,479,352	54,695,254,862
Local currency financial assets						
Balances with banks	10,736,269	10,736,269				-
Investment in Government securities	54,463,057,558	2,064,250,105	12,620,943,551	9,950,350,049	16,829,064,885	12,998,448,967
Investment in bonds & term deposit	6,223,965,975	348,565,975		5,875,400,000		-
Advances and receivable from Government	1,460,000,000				1,460,000,000	
Loan and advances to bank and financial institutions	271,722,596,364			271,722,596,364		
Other loan and advances						
Staff Loan	6,009,243,134	186,887,461	354,545,345	721,109,176	841,294,039	3,905,407,113
Pension Advance	2,284,770,378	29,702,015	45,695,408	2,741,724	333,119,521	1,873,511,710
Travelling advances to staff	2,493,108	2,493,108				
Staff endowment policy advance	7,626,642	7,626,642				
Other advance	21,877,821	21,877,821				
Interest Receivable	1,745,232	1,745,232				
Equity investment	3,785,444,780					3,785,444,780
Total local currency financial assets	345,993,557,261	2,673,884,628	13,021,184,304	288,272,197,313	19,463,478,445	22,562,812,570
Total financial assets	1,430,950,063,678	217,513,531,558	307,286,204,259	688,029,476,043	140,868,957,797	77,258,067,432
Foreign currency financial liabilities						
Derivative financial liabilities	-	-				

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Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Years	More than 3 Years
Deposit of bank and financial institutions	10,583,507,979		10,583,507,979			-
IMF related liabilities	36,615,934,363	36,615,934,363				
Total foreign currency financial liabilities	47,199,442,342	36,615,934,363	10,583,507,979	-	-	-
Local currency financial liabilities						
Bills Payable	114,733,829	114,733,829				
Deposit of bank and financial institutions	188,843,291,327	37,768,658,265		18,884,329,133	132,190,303,929	
Deposit of Government	225,506,854,704	47,356,439,488	54,121,645,129	72,162,193,505	51,866,576,582	
Deposit of other institutions	18,917,533,184	4,540,207,964	4,351,032,632	10,026,292,588		
IMF related liabilities	11,462,342,410	11,462,342,410				
Other liabilities	1,314,392,651		1,314,392,651			
Total local currency financial liabilities	446,159,148,105	101,242,381,956	59,787,070,412	101,072,815,226	184,056,880,511	-
Total Financial Liabilities	493,358,590,447	137,858,316,319	70,370,578,391	101,072,815,226	184,056,880,511	-
Net Financial Asset Position	937,591,473,231	79,655,215,239	236,915,625,868	586,956,660,817	(43,187,922,714)	77,258,067,432

5.6.3. Market Risk

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

5.6.3.1. Currency Risk

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

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

Current Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Net Total Financial Position Exposure	57.15%	15.27%	0.62%	0.22%	1.24%	0.16%	-0.02%	0.81%	-1.02%
Foreign Currency Financial Assets									
Cash and balances with banks	130,387,005,437	5,036,292,853	1,279,074,363	1,401,526,110	956,812,456	2,156,784,590	4,081,334,274	11,088,614,993	
Derivative financial assets	0	0	0	0	0	0	0	0	0
IMF related assets	0	0	0	0	0	0	0	0	25,649,141,930
Term deposit with foreign banks	426,628,226,326	68,012,789,493	7,047,899,909	1,546,318,122	15,455,902,564	0	0	0	0
Investments in foreign securities	202,278,216,291	129,436,323,270	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Total foreign currency financial assets	759,293,448,054	202,485,405,616	8,326,974,272	2,947,844,232	16,412,715,020	2,156,784,590	4,081,334,274	11,088,614,993	25,649,141,930
Foreign Currency Financial Liabilities									
Derivative financial liabilities	0	0	0	0	0	0	0	0	0
Deposit of bank and financial institutions	1,490,135,213	0	113,699,396	0	16,743,856	0	4,313,918,697	335,942,003	0
IMF related liabilities	0	0	0	0	0	0	0	0	39,133,451,704
Total foreign currency financial liabilities	1,490,135,213	0	113,699,396	0	16,743,856	0	4,313,918,697	335,942,003	39,133,451,704
Net Foreign Currency Exposure	757,803,312,841	202,485,405,616	8,213,274,876	2,947,844,232	16,395,971,164	2,156,784,590	-232,584,423	10,752,672,990	-13,484,309,774

Previous Year Figures (NRs.)

Particulars	USD	CNY	GBP	CAD	AUD	SAR	JPY	EUR	SDR
% of Net Total Financial Position Exposure	49.43%	21.09%	1.79%	0.98%	0.58%	0.20%	0.17%	0.12%	-1.06%
Financial Assets									
Cash and balances with banks	63,512,419,229	1,332,279,054	3,588,427,999	1,410,192,473	626,437,703	2,216,384,550	1,845,065,242	3,125,943,500	
Derivative financial assets	0	0	0	0	0	0	0	0	0
IMF related assets	0	0	0	0	0	0	0	0	25,568,182,155
Term deposit with foreign banks	343,216,219,505	55,039,081,354	15,112,587,732	8,811,942,008	5,439,103,966	0	0	0	0
Investments in foreign securities	114,668,408,924	162,487,986,692	0	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	0	0
Total foreign currency financial assets	521,397,047,659	218,859,347,100	18,701,015,731	10,222,134,481	6,065,541,669	2,216,384,550	1,845,065,242	3,125,943,500	25,568,182,155
Financial Liabilities									
Derivative financial liabilities	0	0	0	0	0	0	0	0	0
Deposit of bank and financial institutions	8,381,976,706	0	162,483,597	0	8,857,641	0	98,317,500	1,894,922,300	0
IMF related liabilities	0	0	0	0	0	0	0	0	36,615,934,363
Total foreign currency financial liabilities	8,381,976,706	-	162,483,597	-	8,857,641	-	98,317,500	1,894,922,300	36,615,934,363
Net Financial Position Currency Exposure	513,015,070,953	218,859,347,100	18,538,532,134	10,222,134,481	6,056,684,028	2,216,384,550	1,746,747,742	1,231,021,201	-11,047,752,208

Besides above currency exposures, the bank's net foreign currency exposure also consists of major portion of Indian currency (INR) which stands around 25.09% (PY 26.26%) of total net financial position exposure. Since, the exchange rate of Nepalese rupee is pegged to INR, the net exposure position of INR has not been presented in above table. Net foreign currency exposure denominated in currencies other than stated above and INR, has amounted to 0.48% (PY 0.44%) of the total foreign currency reserve.

5.6.3.2. Sensitivity Analysis of Currency Risk

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

	Impact on Profit or Loss			
	In case of Strengthening or Weakening of Currency by 10%			
	For the Year Ended 2080		For the Year Ended 2079	
	Strengthening	Weakening	Strengthening	Weakening
USD	75,780,331,284	(75,780,331,284)	51,301,507,095	(51,301,507,095)
AUD	1,639,597,116	(1,639,597,116)	605,668,403	(605,668,403)
EUR	1,075,267,299	(1,075,267,299)	123,102,120	(123,102,120)
GBP	821,327,488	(821,327,488)	1,853,853,213	(1,853,853,213)
CNY	20,248,540,562	(20,248,540,562)	21,885,934,710	(21,885,934,710)
CAD	294,784,423	(294,784,423)	1,022,213,448	(1,022,213,448)
SDR	(1,348,430,977)	1,348,430,977	(1,104,775,221)	1,104,775,221
JPY	(23,258,442)	23,258,442	174,674,774	(174,674,774)
SAR	215,678,459	(215,678,459)	221,638,455	(221,638,455)
Total	98,703,837,212	(98,703,837,212)	76,083,816,998	(76,083,816,998)

5.6.3.3. Interest Rate Risk

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

The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The bank's board sets limit on the level of mismatch of interest rate re-pricing which is monitored daily by the bank's 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 31.03.2080	As on 32.03.2079
Interest Sensitive Financial Assets			
Balances with Other Banks	4.43	138,011,257,448	69,117,865,389
GOI Treasury Bills	6.84	326,397,674,398	265,657,582,138
US Government Treasury Bills	5.10	32,558,455,337	19,031,744,769
Time Deposit (less than 3 months)	4.978	140,035,636,676	82,957,932,423
Investment in FIXBIS	-	-	-
IMF Related Assets: SDR Holdings	4.031	25,649,141,930	25,568,182,155
General Refinance	5	1,462,139,667	87,317,920,489
Special/Export Refinance	-		10,469,242,216
Zero Interest Loan	-		
Loan to MSME	5	35,669,315	14,174,076,069
Standing Liquidity Facility	8.5	-	158,102,500,000
Loan to Employees			
House loan Uninsured	1	400,000	425,000
House Repair Loan Uninsured	1	1,091,882,214	1,330,380,622
Vehicle Loan Uninsured	3	466,000	973,500
Staff Loan Uninsured 2068	1	557,925,609	701,767,000
Investment in Paper Gold	0.65	65,812,728,226	55,870,042,475
US Government Treasury Notes/Bonds	2.15	157,203,305,023	95,502,142,430
Government Treasury Notes/Bonds (CNY)	2.63	129,436,323,269	160,747,943,754
Investment in Mid-term Instruments	-	12,516,455,931	-
Notice Deposit (JPY)	-	-	-
Time Deposit-Investment	4.56	447,107,962,128	343,570,402,730
Fixed deposit with Bank & Financial Institutions	9.67	6,570,200,002	6,158,744,000
Government Treasury Bills (GoN)	9.10	43,672,157,910	15,067,960,116
Saving Certificates (GoN)	9.27	3,907,721,000	3,003,401,000
Total Interest Sensitive Financial Assets		1,532,027,502,083	1,414,351,228,275
Interest Sensitive Financial Liabilities			
IMF Related Liabilities	4.031	50,700,477,572	48,022,985,079
Short Term Borrowings	-		
Total Interest Sensitive Financial Liabilities		50,700,477,572	48,022,985,079
Net Interest Sensitive Financial Position		1,481,327,024,511	1,366,328,243,196

5.6.3.4. Other Market Prices Risk

Equity price risk arises from investment as fair value through other comprehensive income as well as investment as fair value through profit or loss. The bank monitors the mix of debt and equity securities in its investment portfolio based on the 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 are made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the bank holds equity instruments of the various institutions. All the investments are measured at fair value.

5.6.4. Classification and Fair Value of financial assets

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

Particulars	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Foreign currency financial assets						
Cash and balances with banks			168,977,007,897		168,977,007,897	168,977,007,897
Derivative financial assets					-	-
IMF related assets		25,857,875,413			25,857,875,413	25,857,875,413
Term deposit with foreign banks		522,462,011,410			522,462,011,410	522,462,011,410
Investments in foreign securities		660,349,505,571			660,349,505,571	660,349,505,571
Other receivables					-	-
Total foreign currency financial assets	-	1,208,669,392,394	168,977,007,897	-	1,377,646,400,291	1,377,646,400,291
Local currency financial assets						
Balances with banks			7,192,517		7,192,517	7,192,517
Investment in Government securities		77,286,432,125			77,286,432,125	77,286,432,125
Investment in bonds & term deposit		6,620,219,438			6,620,219,438	6,620,219,438
Advances and receivable from Government		1,460,000,000			1,460,000,000	1,460,000,000
Loan and advances to bank and financial institutions		1,668,021,778			1,668,021,778	1,668,021,778
Other loan and advances		7,925,776,904			7,925,776,904	7,925,776,904
Equity investment	5,511,498,272				5,511,498,272	5,511,498,272
Other receivables		34,176,375.00			34,176,375.00	34,176,375.00
Total local currency financial assets	5,511,498,272	94,994,626,620	7,192,517	-	100,513,317,409	100,513,317,409
Total financial assets	5,511,498,272	1,303,664,019,014	168,984,200,414	-	1,478,159,717,700	1,478,159,717,700
Foreign currency financial liabilities						
Derivative financial liabilities	-	-				
Deposit of bank and financial institutions				6,329,971,790	6,329,971,790	6,329,971,790
IMF related liabilities				39,133,451,704	39,133,451,704	39,133,451,704
Total foreign currency financial liabilities	-	-	-	45,463,423,494	45,463,423,494	45,463,423,494
Local currency financial liabilities						

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Particulars	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Bills Payable				115,247,041	115,247,041	115,247,041
Deposit of bank and financial institutions				280,775,531,424	280,775,531,424	280,775,531,424
Deposit of Government				45,089,447,616	45,089,447,616	45,089,447,616
Deposit of other institutions				17,951,793,496	17,951,793,496	17,951,793,496
Currency in circulation				625,787,872,530	625,787,872,530	625,787,872,530
Due to bank and financial institutions				60,000,000,000	60,000,000,000	60,000,000,000
IMF related liabilities				11,882,924,189	11,882,924,189	11,882,924,189
Surplus payable to Government				25,000,000,000	25,000,000,000	25,000,000,000
Other liabilities				1,398,701,261	1,398,701,261	1,398,701,261
Total local currency financial liabilities	-	-	-	1,068,001,517,557	1,068,001,517,557	1,068,001,517,557
Total Financial Liabilities	-	-	-	1,113,464,941,051	1,113,464,941,051	1,113,464,941,051
Net Financial Asset Position	5,511,498,272	1,303,664,019,014	168,984,200,414	(1,113,464,941,051)	364,694,776,649	364,694,776,649

5.6.5. Fair Value Hierarchy

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

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

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

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

All the financial assets are measured at amortized cost except for the equity investment which has been recognized at fair value through other comprehensive income. The details showing the carrying amounts of financial assets that are measured at fair value using the "fair value hierarchy" and segregating fair value to Level 1–3 inputs are presented below:

Current Year Figures (NRs)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	5,511,498,272	5,511,498,272		5,511,498,272	
Total financial assets at fair value	5,511,498,272	5,511,498,272		5,511,498,272	

Previous Year Figures (NRs)

Particulars	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Equity investment	3,792,944,780	3,792,944,780		3,689,001,584	103,943,196
Total financial assets at fair value	3,792,944,780	3,792,944,780	-	3,689,001,584	103,943,196

5.7. Employees Benefits - Defined Benefit Plans

The bank currently offers two defined benefit post-employment plans to its employees, based on the length of service and amount of compensation. These post-employment benefit plans are 'Gratuity or Pension Plan' and 'Staff Security Plan'. The bank also offers two other long term benefits: "Staff Medical Fund" and "Leave Encashment". A defined benefit plan is post-employment benefit plans 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 period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under 'Gratuity or Pension Plan' and 'Staff Security Plan' is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality government bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

The 'Gratuity and Pension Plan' and 'Staff Security Plan' are funded plan wherein the bank makes earmarked investment out of fund created for these plans. 'Leave encashment' and "Staff Medical Fund" are not a funded plan.

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

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

Amount Recognized in the Statement of Financial Position

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	19,799,326,845	2,781,136,386	18,979,279,196	2,123,566,882
Fair Value of Plan Assets/Current Balance of Provision Account	(19,433,209,385)	(2,122,731,894)	(18,966,513,926)	(2,024,185,776)
Net Liability/(Assets)	366,117,460	658,404,492	12,765,270	99,381,106

Changes in Fair Value of Defined Benefit Obligations

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Obligation	18,979,279,196	2,123,566,882	18,789,259,309	1,971,672,919
Current Service Cost	393,288,733	120,698,194	392,190,599	119,762,350
Interest Cost	1,643,115,713	186,417,899	1,691,033,338	177,450,563
Actuarial Losses (Gains)	228,519,080	454,967,187	(671,753,680)	(51,264,664)
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,444,875,877)	(104,513,776)	(1,221,450,370)	(94,054,286)
Closing Obligation	19,799,326,845	2,781,136,386	18,979,279,196	2,123,566,882

Changes in Fair Value of Plan Assets

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	18,966,513,926	2,024,185,776	19,438,656,973	1,906,411,721
Investment adjustment			-	
Expected Return	1,641,966,839	177,473,600	1,749,479,128	171,577,055
Actuarial Gains (Losses)	269,604,497	25,586,294	(191,944,412)	(12,609,912)
Contribution by Employer	-	-	(808,227,393)	52,861,198
Benefits Paid	(1,444,875,877)	(104,513,776)	(1,221,450,370)	(94,054,286)
Closing Fair Value	19,433,209,385	2,122,731,894	18,966,513,926	2,024,185,776

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	394,437,607	129,642,493	333,744,809	125,635,858
Actuarial Income/(Loss) Recognized in OCI	(41,085,417)	429,380,893	(479,809,268)	(38,654,752)
Total Employee Benefit Income /(Expense)	353,352,190	559,023,386	-146,064,459	86,981,106

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
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 2080		For the year ended 32 nd Asar 2079	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	9%	9%	9%	9%
Expected Return on Plan Asset	9%	9%	9%	9%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.67%	-	6.67%	-
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

The Sensitivity of the Defined Benefit Obligations to Changes in Principal Assumptions

Particulars	Change	For the year ended 31 st Asar 2080		For the year ended 32 nd Asar 2079	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	11.69%	12.24%	12.46%	8.33%
	1%	-9.68%	-10.22%	-10.20%	-7.28%
Salary & Pension Increment Rate	-1%	-7.24%	-9.41%	-10.09%	-7.28%
	1%	8.28%	11%	12.10%	8.17%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

Expected benefit payments to be paid out by the plans in the coming five years

Years	Pension or Gratuity Plan	Staff Security Plan
2024	1,151,754,000	144,718,000
2025	1,185,087,000	171,141,000
2026	1,225,296,000	158,835,000
2027	1,304,567,000	1,082,460,000
2028	1,385,533,000	199,543,000
2029-2033	7,427,144,000	911,388,000

5.8. Employees Benefits – Other Long Term Benefit Plan

The bank currently offers accumulated leave as other long term benefit plan. The bank's net obligation in respect of other long term 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 period; and the benefit is discounted to determine its present value. The bank determines the net interest expenses (income) on the net other long term benefit liability (assets) for the period by applying discount rate used to measure the other long term benefit obligation at the beginning of the period to the net other long term benefit liability (assets). The obligation under 'Accumulated Leave' 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 Nepalese rupee in which the benefits are expected to be paid.

'Leave encashment' is not a funded plan. Same assumptions are taken for measurement of the leave liabilities as adopted for defined benefit liabilities.

There were no plan amendments and curtailments during the reporting period. Actuarial gains/losses in other long term benefit plans are charged to statement of income.

5.9. Other Employee Benefits

- Staff Welfare Fund: The bank provides 12% of basic salary as staff welfare fund. During the year, the bank has provided NRs.99,181,883.25 (PY NRs.81,885,244.11) as staff welfare fund.
- Staff Welfare Provident Fund: Each year, an amount as approved by the board of directors of the bank, with an increment not exceeding 10% of amount approved by board in previous year is provided in Staff Welfare Provident Fund. Total expenses under this heading amounts to NRs.695,067,650 this year (PY NRs.631,879,682).
- The bank provides staff medical fund facility to the staff, of which payments are made as per the eligible medical claim while rest amount is paid at the retirement time. NRs.97,827,966 (PY NRs.95,473,268) is expensed as staff medical fund this year.

5.10. Reserves

The bank has maintained different reserves and funds. Some of the reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act, 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the net income. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to the Foreign Exchange Equalization Reserve and respective Revaluation Reserves maintained by the bank. The bank shall also appropriate 10%, 5% and 5% of net income available for appropriation to General Reserve, Monetary Liability Reserve and Financial Stability Reserve respectively. In addition, an amount equal to the capital expenditure included in annual budget shall be appropriated to General Reserve and the amount decided by the bank's board will be maintained in Net Cumulative Surplus Reserve. The

purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserves and funds are maintained and a certain amount is annually allocated by the bank's board, out of each year's net income to those reserves and funds. The impacts resulting from other comprehensive income are directly transferred to respective reserves. The bank's board is authorized by Nepal Rastra Bank Act, 2058 to allocate a part of net income to those reserves and funds. The details of statutory and other reserves and funds are as follows:

5.10.1. Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the Nepal Rastra Bank Act, 2058 and as per the provision of the section, an amount equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year NRs 3,024,120,079. (PY NRs. 1,421,038,411) is appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount equals to 5 percent of the net income available for appropriation shall be allocated each year and kept in such reserve. This year NRs 3,024,120,079 (PY NRs. 1,421,038,411) is appropriated to this fund.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the bank's board not less than 10 percent of the net income available for appropriation shall be allocated in this general reserve fund each year. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the bank. Accordingly, NRs. 11,731,293,096 (PY NRs. 7,914,819,265) is appropriated in general reserve during the year.

Further, during the year, the bank has sold shares of various entities that had been accounted at fair value, whereby the fair value portion had been kept under fair value reserve. Accordingly, NRs. 439,432,861 i.e. fair value portion of the respective shares has been transferred from OCI Reserve to General Reserve. Also, cumulative balance of the development finance project mobilization fund i.e. NRs. 300,387,474 has been transferred to General Reserve on termination of all such projects.

d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount as decided by the bank's board shall be allocated and kept in such reserve. This year, NRs 655,081,290 (PY NRs. 23,546,520) is appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073 BS.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equals to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs 10,009,028,778 (PY NRs. 34,789,148,334) which is equivalent to net exchange gain is appropriated to this fund during the year.

f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to/from this reserve out of net

income of the year. Accordingly, an amount of NRs. 17,112,315,089 (PY NRs 1,229,203,928) which is equivalent to net revaluation gain on revaluation of gold and silver is appropriated to this fund.

5.10.2. Other Reserves and Funds

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

a) Development Fund

This is the specific fund created as per monetary policy of the bank to provide support for loan and refinance to banks and financial institutions. The Board of Directors of the bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 13,500,000,000. (PY NRs.5,500,000,000) has been allocated to this fund during the year.

b) Banking Development Fund

This fund is created to meet the expenses relating to banking promotion, research and development work. The Board of Directors of the bank annually appropriates a part of net income to this fund. No amount (PY NRs. -) 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 is created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profit is appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually.

However, all such projects which were run during the reporting period under subsidiary loan agreements with GoN or project agreements with other funding agencies have already been terminated during this fiscal year and hence, no such appropriation is done for this fiscal year. Further, the cumulative balance of the fund Nrs. 300,387,474 has been transferred to General Reserve on termination of all such projects.

d) Mechanization Fund

This fund is 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 the Board of Directors of the bank to this fund annually. No amount (PY NRs. -) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund

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

g) Open Market Operation Stabilization Fund

This fund is created to ensure the adequacy of fund for the expenses related to various monetary instruments issued for liquidity management. This fund is established from this fiscal year i.e. FY 2079/80, appropriating 5percent amount of net surplus fund balance after appropriation as per Section 41(Ga) of NRB Act. Further, an amount equals to 5 percent of the total interest income of repo is appropriated to this fund. Accordingly, an amount of NRs. 2,196,772,113 has been allocated to this fund during this fiscal year.

h) 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 1,351,014,924 (PY NRs. 414,495,677)) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

i) Rural Self Reliance Fund (GS Kosh)

This fund is created as per the Monetary Policy of the bank 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 storages etc. No amount has been appropriated to this fund during the year.

j) Rural Self Reliance Fund (Administration Expense Reimbursement Fund)

This fund is created out of the surplus fund amounting Rs.61,390,949 received while transferring the RSRF Program to Sana Kisan Bikas, Laghubitta Bittyta Sanstha Limited. The fund is utilized to provide reimbursement of the administrative expense subsidy as claimed by the cooperative societies in case of the loan and advances disbursed and approved till the date of transfer of RSRF program to Sana Kisan Bikas Laghubitta Bittyta Sanstha Limited. Accordingly, the administrative expense subsidy amounting to Rs.199,185 (PY Rs.63,77,775) has been reimbursed in the current year from this fund.

k) Actuarial Reserve

This reserve is created out of the actuarial gain in defined benefit retirement schemes recognized in other comprehensive income (OCI). Any actuarial loss in defined benefit retirement schemes recognized in OCI shall be expensed through this reserve. An amount of NRs.388,295,276.(PY NRs.518,464,020) has been transferred to Actuarial Gain Reserve in this year.

l) Fair Value Reserve

Fair Value Reserve in the bank is created for maintaining the gain of investment in equity instrument classified as investment measured at fair value through other comprehensive income. A gain of NRs. 346,463,285 (PY NRs. 636,982,769) has been transferred to this reserve from other comprehensive income during the year.

5.11. Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act, 2058, the bank shall maintain a foreign exchange reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consist 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 instruments payable in convertible foreign currencies etc. The bank also maintains record of the foreign exchange reserve held by the licensed banks and financial institutions. The gross foreign exchange reserve holding of the banking system of Nepal at the end of the reporting period is as follows:

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	1003.23	783.82
Non-Convertible Foreign Currency	331.41	272.58
Gold Reserve	65.72	60.04
Special Drawing Rights	25.42	25.57
Sub Total	1425.78	1,142.01
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	149.31	134.06
Non-Convertible Foreign Currency	8.07	9.68
Sub Total	157.38	143.75
Total Foreign Exchange Reserve of Banking System	1,583.16	1,285.75

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve		
US Treasury Bills	2.50	1.81
Indian Treasury Bills	23.97	23.56
BIS FIXBIS		
Bonds/Notes	23.28	24.40
Mid Term Instrument	0.96	
Call Deposits	4.29	4.16
Time Deposit (Currency)	40.25	40.45
Gold Deposit	4.75	5.62
Special Drawing Rights		-
Balance with NRB and BFIs		-
Total	100	100

5.12. Projects' Assets and Liability

The assets, liabilities, equity, income and expenses of two projects, namely Poverty Alleviation Project in Western Terai (PAPWT) and Third Livestock Development Project (TLDP) which were run during the reporting period under subsidiary loan agreements with GoN or project agreements with other funding agencies are consolidated with the bank's financial statements during previous fiscal year. However, all such projects have already been terminated during this fiscal year and hence, no such consolidation has been done for this fiscal year. However, profit of NRs.11,363,117 earned till the date of termination has been reported as profit from project operation. The detail is given in Note 4.34.

Two projects, namely Community Ground water Irrigation Sector Project (CGISP) and Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) are run by the bank on behalf of the GoN. The assets, liabilities, equity, incomes and expenses of such projects are not consolidated in the accounts of the bank. However, one of the projects i.e. "Community Ground water Irrigation Sector Project (CGISP)" has been terminated and its balances have been transferred to Government of Nepal during this fiscal year. The Financial Position and Income Statements of these projects are as below:

Statement of Financial Position

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	CGISP	KFW	CGISP	KFW
Equity	-			
Capital Contribution	-		17,548,370	
Surplus	-	280,229,315	295,968,002	191,911,413
Financial Risk Fund	-		5,200,000	
Long- term Liabilities	-			
Loan from ADB - Non-Current Portion	-		103,704,465	
Current Liabilities and Provision	-			
Loan from ADB - Current Portion	-		97,013,855	
Service Charge due on Loan from ADB	-		31,008,892	
Loan From GoN	-	1,405,992,343		978,428,926
Loan Loss Provision	-		-	
Accounts Payable	-		328,176	
Total Equity & Liabilities	-	1,686,221,658	550,771,760	1,170,340,339
Assets	-			
Non-Current Assets	-			
Fixed Assets	-		47,012	
Loan to PFI- Non Current Portion	-			
Investment	-		417,508,000	
Current Assets	-			
Interest Receivables	-	30,146,775	4,493,442	13,683,818
Loan to PFI-current portion	-	1,302,291,203		916,208,242
Cash and cash equivalents	-	353,783,680	128,723,306	240,448,279
Total Assets	-	1,686,221,658	550,771,760	1,170,340,339

Statement of Comprehensive Income

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	CGISP	KFW	CGISP	KFW
A. Income				
Interest Income	-	88,317,902	32,719,721	50,760,886
From Loan to PFIs	-	88,317,902	43,302	50,760,886
On deposit with banks	-		32,676,419	
On Investment				
Other Income				
Loan Loss Provision Written back			14,581	
Total Incomes	-	88,317,902	32,734,302	50,760,886
B. Expenditure				
Administrative Expenses			43,957	
Provision for Service Charge			2,007,183	
Loan Loss Provision				
Depreciation			11,752	
Total Expenses	-		2,062,892	
Surplus (Deficit) (A-B)	-	88,317,902	30,671,410	50,760,886

5.13. Interest in other entities

The bank has invested in quoted and unquoted equity securities of nine different entities as presented below.

5.13.1. Investment in unquoted securities

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

Particulars	%	No of Shares		Investment at cost		Investment at Fair value	
		31-03-2080	32-03-2079	31-03-2080	32-03-2079	31-03-2080	32-03-2079
Agricultural Project Services Centre Pvt. Ltd.	62.5	-	-	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan	55.56	*1,005,667	1,005,667	1,000,000	1,000,000	348,855,478	330,505,213
Nepal Stock Exchange Ltd.	14.59	950,637	1,459,979	3,317,723	5,097,510	589,879,764	987,710,324
National Productivity and Economic Development Centre Ltd.	31.52	-	-	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10	10,000,000	10,000,000	607,594,000	607,594,000	2,315,012,466	1,965,395,324
Nepal Clearing House Ltd.	10	783,375	567,663	15,000,000	15,000,000	181,601,993	144,488,613
Credit Information Bureau	10.03	414,287	437,400	3,314,296	3,500,000	213,440,662	223,098,436
National Banking Institute	15.29	47,501	76,452	4,750,150	7,645,250	18,828,093	30,303,673
Total				642,476,169	647,336,760	3,667,618,457	3,681,501,584

Fair Value of the share investment in unquoted equity securities has been arrived based on the latest available unaudited financial statements of respective entities.

All of the equity holdings are promoter shares which are not traded freely in the market. Hence, fair value of the shares is assumed same as the net worth per share.

*Equity investment also includes NRs.1,843,877,778 provided by the bank on call for advance for right shares to Rastriya Beema Sansthan.

5.13.2. Significant Interest in entities

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

Name of Entity	Paid up capital (Rs.)	Investment at Face Value (Rs.)	% of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Beema Sansthan	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
National Productivity and Economic Development Centre Ltd.	7,932,500	2,500,000	31.52	Provides research and consultancy services, offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services.	Balaju, Kathmandu

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

Particulars	Investment at cost		Carrying Amounts	
			(Investment at Fair value)	
	31-03-2080	32-03-2079	31-03-2080	32-03-2079
Agricultural Project Services Centre Pvt. Ltd.	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan	1,000,000	1,000,000	348,855,478	330,505,213.13
Nepal Stock Exchange Ltd.	3,317,723	5,097,510	589,879,764	987,710,324.05
National Productivity and Economic Development Centre Ltd.	2,500,000	2,500,000	-	-
Total	11,817,723	13,597,510	938,735,242	1,318,215,537

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

The carrying amount of NRs.938,735,242 (PY NRs.1,318,215,537) as shown in above tables has been included under Equity Investment in the Statement of Financial Position. Being all the above entities as limited liability company, this is the maximum exposure to the loss from its significant interest in such entities.

5.13.3. Transactions with Entities having Significant Interest

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

Entity	Nature of Transaction	FY 2079-80	FY 2078-79
Rastriya Beema Sansthan	Insurance Premium paid by the bank	302,334,635	205,288,646
Nepal Stock Exchange Ltd.	Dividend income received by the bank	145,997,900	87,598,740

5.14. Transaction with the International Monetary Fund (IMF)

The bank transacts with the IMF as an agent of the Government of Nepal 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 the quota are borne by the Government of Nepal. In case of other transactions, such gains/losses are borne by the bank. The basic policies followed by the bank on such accounts are as follows:

- Country's quota with the IMF is recorded by the bank as depository of the Government of Nepal and exchange gains/losses arising on quota are borne by the 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 of the bank.

The position of the Nepal Rastra Bank and Nepal Government's account with the IMF account is presented as below:

Details of the Fund

Particulars	As on 31 st Asar 2080		As on 32 nd Asar 2079	
	Local Currency (NRs.)	SDR Equivalent s	Local Currency (NRs.)	SDR Equivalent s
1. For Transaction with Nepal Rastra Bank				
Special Drawing Rights				
Net cumulative allocation	38,817,553,383	218,481,192	36,560,642,669	218,481,192
Holdings	25,649,141,930	144,363,944	25,568,182,155	152,791,814
2. For Transaction with Nepal Government				
Outstanding Purchases & Loans				
RCF Loans	31,043,390,750	174,725,000	30,431,615,700	181,855,000
ECF Arrangements	20,911,759,000	117,700,000	13,136,190,000	78,500,000
Other Information	Per cent of Quota		Per cent of Quota	
Quota	100	156,900,000	100	156,900,000
Currency Holding	89.82	140,923,637	89.82	140,923,637
Reserve Tranche Position	10.19	15,982,092	10.19	15,982,092

The SDR is converted into Nepalese rupees at conversion rate of NRs.177.67 (PY NRs.167.34) per SDR.

5.15. Contingent Liabilities and Capital Commitments

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

PARTICULARS	As on Asar 31, 2080	As on Asar 32, 2079
	NRs.	NRs.
Note Printing Commitments	1,655,328,161	4,546,706,253
Unclaimed Account Transfer to P/L Account	22,915,528	136,986,870
Capital Commitments	1,502,577,488	1,113,311,623
Total	3,180,821,177	5,797,004,745

Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of bank notes. The capital commitments include costs for the construction of the bank's Central Office Building at Baluwatar; Banking Office Building at Thapathali; Guest House and Director's Residence at Siddharthanagar; Director's Residence at Nepalgunj and Master plan formulating costs of making infrastructures at Sanothimi, Biratnagar and Surkhet as per the contract agreements less payments made till the end of the reporting period; which are expected to be settled over the period of the buildings' construction. Likewise, capital commitments also include letter of credits opened for procuring Banknote Shredding and Briquetting System (BSBS) and Currency Verification and Processing System (CVPS).

5.16. Lease liabilities

The bank has entered with the lease agreement with different counterparties for availing office space for conduct of its operation. The bank accounted the present value of lease assets as lease liabilities and right to use assets. Lease payments on short term leases are recognized as expenses on straight line basis. The maturity analysis of lease liabilities is present here:

Period	FY 2080/81	FY 2079/80
Less than one year	29,689,619	29,440,885
One year to five years	31,075,036	36,091,765
More than five years	43,152,387	29,387,011
Total Lease Liabilities	103,917,043	94,919,661

5.17. Monetary Operations and Refinance

The bank conducts open market operations to manage liquidity in banking sector. The bank usually injects money through inter day liquidity facility, standing liquidity facility, reverse repurchase agreement and lender of the last resort. Loan amount provided under the open market operation is fully secured with collateral (110 percent of loan amount) of Nepal Government securities. The bank absorbs excess liquidity from market through reverse repo & deposit collection.

Besides these, the bank also provides refinance facility to banks and financial institutions for providing the loan to borrowers. The loan under refinance facility is fully secured with good loan (100 percent of loan amount) of bank and financial institutions. The year end outstanding balances and other details of monetary operations and refinance are given below:

Particulars	As on Asar 31, 2080			As on Asar 32, 2079		
	Value	Interest (min/max)	FV of collateral received	Value	Interest (min/max)	FV of collateral received
I. Monetary Operations						
<i>Assets</i>				158,102,500,000	5-7%	173,912,750,000
Standing liquidity facility				158,102,500,000	5-7%	173,912,750,000
Lender of last resort	-			-		
Securities purchased under repurchase agreement	-			-		
Inter-day liquidity facility	-			-		
<i>Liabilities</i>	-			-		
Deposit Collection	20,000,000,000	3.8325%		-		
Reverse Repo	40,000,000,000	2.3787-2.5409%		-		
2. Refinance	1,497,808,982	1-5%	1,497,808,982	111,961,238,775	1-5%	111,961,238,775

5.18. Claims against the bank

There are 243 (PY 198) cases filed in the court against the various decisions of the bank against which the bank is not expected to incur a significant monetary liability. However, the bank may incur the loss to the extent of the salaries and benefits payable to the then 8 employees who have filed the legal suit against the bank.

5.19. Number of Employees

The number of employees holding office at the year-end is 1163 (PY 1085).

5.20. Presentation (Regrouping/Rearrangement)

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

5.21. Events after the Reporting Period

In addition to above, there is no material events occurred after the reporting period that requires adjustments or disclosure in the financial statements.

5.22. Sustainability Reporting

In the global context, an understanding is gradually emerging that central banks and financial supervisors ought to address climate risks and support sustainable finance. Nepal Rastra Bank, being central bank as well as supervisor of banks and financial institutions in Nepal, has also started to consider how to integrate climate and other environmental considerations into our policy frameworks, or to encourage financial institutions to incorporate environmental, social and governance (ESG) standards in lending and investment and to adopt environmental and social risk management (ESRM) practices.

For aforementioned purpose, NRB has issued a Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions on 2018. The guideline is revised on 2022. Additionally, Unified Directives issued by NRB mandates implementation of above guidelines. Accordingly, Directive 2, clause (29) requires BFIs to ensure, before disbursement of loans, in case to projects for which Initial Environmental Examination (IEE)/Environmental Impact Assessment (EIA) is required for obtaining license/approval prior to establishment of project, such reports are approved from relevant authorities and in other cases, shall perform environment assessments on their own, before disbursement of loans. BFIs are required to formulate their own policy for assessment of environmental and social risk in accordance with Environment Protection Act, 2076, Environment Protection Niyamawali, 2077, Labour Act, 2074, Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions, 2022 and relevant laws and regulations and incorporate environment and social risk assessment while making credit assessments, risk monitoring and reporting based on such policies. Also, BFIs are required to submit reports to NRB in formats and frequency prescribed in Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions, 2022.

In addition to above, various provisions in Unified Directives, mentioned hereafter, also facilitate and encourage adoption of environment friendly measures by BFIs. Directive 3, clause 12 (7) has prescribed loan to value ratio for personal electric vehicle loan at maximum 80 percent, as compared to maximum limit of 50 percent for other vehicle loans. Directive 5, clause (10) requires that BFIs shall identify and assess the environment, social and climate change risk in addition to AML/CFT risk, legal risk, and they have to formulate adequate policy and procedures to manage such risks. Directive 6, clause 16 permits BFIs to utilize the corporate social responsibility fund, created in accordance with the same directive, in activities relating to environment protection, social awareness programs and waste management. Directive 17 issued by the bank has mandatory requirement for BFIs to provide at least 5 percent of their total loan and advances to the deprived sector and such deprived sector loans shall also include loan of maximum 2 lakh per family provided for acquisition of renewable energy technology like domestic solar power system, solar cooker, solar water pump, biogas, improved water boiler, improved stove loan. Also, Directive 17 have mandated commercial banks to lend, by the end of FY 2025-26, at least 15 percent of their total credit in agriculture sector, at least 10 percent in energy sector and at least 15 percent in micro, cottage, small and medium scale industry.

The bank has acquired and is currently using 7 electric vehicles and this number has been expected to increase in the days to come.

Further, to hear the grievances related to consumer protection, sustainable finance and other issues from the stakeholders, grievance handling portal is available on the website of the bank. The bank is also in the process of developing green taxonomy.

Nepal Rastra Bank

Baluwatar, Kathmandu, Nepal

Phone : 01-4417497

Fax : 01-4433365

www.nrb.org.np