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Executive Summary

1. The availability of vaccine will play a significant role in recovery of global economy which faced a contraction because of the measures adopted world-wide for prevention and control of COVID-19 transmission. According to World Economic Outlook published by the IMF in October 2021, the world economic growth which stood at 2.8 percent in 2019, has declined by 3.1 percent in 2020. Economic growth is expected to expand by 5.9 percent in 2021 and 4.9 percent in 2022 by IMF.
2. IMF has projected a positive economic growth of 5.2 percent, 6.4 percent and 7.2 percent in 2021 for advanced economies, emerging and developing economies, and emerging and developing Asian economies respectively. The economy of neighbouring countries, India and China, is estimated to expand by 9.5 percent and 8.0 percent respectively by IMF in 2021.
3. Inflation is projected at 2.8 percent for advanced economies and 5.5 percent for emerging and developing economies in 2021. In 2020, inflation stood at 0.7 percent for advanced economies and 5.1 percent for emerging and developing economies.
4. According to Central Bureau of Statistics (CBS), the growth rate of gross domestic product (GDP) at basic price and purchaser's price in FY2020/21 is estimated to expand by 3.98 percent and 4.01 percent respectively. In the review year, agriculture output is estimated to grow by 2.64 percent, while the non-agriculture sector is estimated to expand by 4.57 percent. Due to the second wave of Covid-19 transmission in fourth quarter of the review period, attaining the growth rate has become a challenging, however.
5. In 2020/21, the average consumer inflation rate stood at 3.6 percent. Such an inflation rate was 6.15 percent in the previous year. In the review year, the average prices of foods and beverages group, and non-food and services group increased by 5.0 percent and 2.51 percent respectively.
6. In 2020/21, total merchandise exports reached to Rs. 141.12 billion increasing by 44.4 percent and imports stood at Rs. 1539.84 billion increasing by 28.7 percent respectively. As a result, trade deficit recorded Rs. 1398.71 billion which is 32.8 percent of GDP.
7. In 2020/21, the current account remained at deficit of Rs. 333.67 billion but the balance of payments remained at surplus of Rs. 1.23 billion. Total foreign exchange reserves remained at Rs. 1399.03 billion in mid-July 2021. The foreign exchange reserves in USD amounted 11.75 billion.
8. In 2020/21, the government revenue including other receipts of Rs. 978.74 billion was collected while the government expenditure based on the banking transactions stood at Rs. 1180.95 billion.
9. In 2020/21, broad money and narrow money increased by 21.8 percent and 22.6 percent respectively. Similarly, domestic credit increased by 26.8 percent and monetary sector's claims on the private sector increased by 26.3 percent. Further, deposits of Banks and

Financial Institutions (BFIs) increased by 21.4 percent and credit to the private sector from BFIs increased by 27.3 percent.

10. In 2020/21, liquidity amounting Rs.303.29 billion was mopped up while liquidity amounting Rs. 67.94 billion was injected through various instruments of open market operations. Standing Liquidity Facility (SLF) worth Rs.370.34 billion was utilized during the review year.
11. Weighted average interest rate of lending and deposit of commercial banks stood at 8.43 percent and 4.65 percent respectively in mid-July 2021. Similarly, weighted average inter-bank transaction rate among commercial banks stood at 4.12 percent and the inter-bank rate among BFIs remained 4.14 as in mid-July 2021.
12. In 2020/21, the total assets/liabilities of commercial banks increased by 23.4 percent to Rs. 5392.53 billion, development banks by 25.8 percent to Rs. 518.34 billion and finance companies by 1.3 percent to Rs. 126.02 billion. Similarly, the total assets/liabilities of micro finance institutions (MFIs) increased by 37.0 percent to Rs. 445.5 billion during the review year.
13. The number of BFIs licensed by NRB as of mid-July 2021 remained at 133. This includes 27 commercial banks, 18 development banks, 17 finance companies, 70 MFIs and 1 infrastructure development bank.
14. As of mid-July 2021, Deposit and Credit Guarantee Fund (DCGF) guaranteed total credit of Rs 141.0 billion and total deposits of Rs. 811.62 billion.
15. In the 2020/21, 27 commercial banks, 18 development banks, 17 finance companies and 70 microfinance financial institutions sought information of 5 million 284 thousand 361 loans from the Credit Information Center.
16. As of mid-July 2021, NEPSE index reached 2883.4 points while market capitalization stood at Rs. 4010.96 billion, which is 94.0 percent of GDP.
17. NRB announced its monetary policy for 2020/21 on July 17, 2020 with the main objective of maintaining macroeconomic stability and facilitating the achievement of targeted economic growth set by GON.
18. The major objectives of monetary policy were to promote aggregate demand in the economy slowed down by the Covid-19, conduct monetary management to check the demand side pressure on price and external sector stability arising from expanding economic activities, promote employment and develop entrepreneurship, develop digital economy by giving priority in digital payments, and mobilize financial resources towards productive sectors through the refinance and priority sectors credit to facilitate the targeted growth.
19. Containing consumer price inflation within 7 percent was the target of the Monetary Policy 2020/21. Additionally, maintaining foreign exchange reserves sufficient to cover the prospective imports of goods and services for at least 7 months, and providing monetary liquidity to facilitate the economic growth of around 7.0 percent as targeted by the annual budget of GON were the major targets of monetary policy.

20. The existing provision of cash reserve ratio (CRR) of 3 percent for commercial banks, development banks and finance companies kept unchanged in monetary policy which was changed considering the effect of COVID-19, on March 16, 2020. Likewise, SLR of 10 percent for commercial banks, 8 percent for development banks and 7 percent for finance companies was continued. The bank rate applied for the purpose of Lender of Last Resort (LOLR) facility and to discount securities has been maintained at 5.0 percent.
21. The bank fixed the lower limit of the interest rate corridor at 1 percent, the upper limit at 5 percent, and the two-week repo rate, as policy rate, at 5.0 percent with the objective of maintaining interest rate stability and modernizing monetary management by minimizing the fluctuations of the liquidity of the banking sector.
22. The provisions for commercial banks for disbursing at least 10 percent of total credit portfolio to the agriculture sector was changed in a way that they need to disburse at least 11.0 percent, 13.0 percent and 15.0 percent by the end of mid-July 2021, 2022 and 2023, respectively. Similarly the provision of disbursing at least 15 percent in energy and tourism sectors was changed so that commercial banks need to disburse at least 6 percent by Mid-July 2021, 7 percent by mid-July 2022, 9 percent by mid-July 2023 and 11 percent by mid-July 2024 in energy sector.
23. A provision has been made for commercial banks to disbursing at least 11 percent of total loan portfolio by mid-July 2021, 12 percent by mid-July 2022, 14 percent by mid-July 2023 and 15 percent by mid-July 2024 to micro, cottage, small and medium enterprise sectors of loans size less than Rs. 10 million.
24. In order to revive the economy slowed down by Covid-19 and promote the resources flow of BFIs, the CCD ratio had been increased to 85 percent from 80 percent.
25. After the implementation of Merger and Acquisition Bylaws, a total number of 229 banks and financial institutions involved in the merger and acquisition limiting their number to 58 institutions by mid-July 2021. In the review year alone, a total of 33 BFIs of Class A, Class B, and Class C involved in merger and acquisition resulting into the establishment of 12 banks and financial institutions subsequently. Out of total 20 merger and acquisitions, 10 were mergers and 10 were acquisitions.
26. Financial access has been widening with the expansion of the network of financial institutions. As per the government's policy of establishing at least one branch of commercial bank at each local level, commercial banks have reached to 750 local level out of 753 by mid-July 2021. Similarly, by mid-July 2021, the total number of branches of BFIs reached 10,683 out of which 4,753 branches were of Class A, 1023 of Class B, 222 of Class C, and 4,685 of Class D. About 2,844 people, on average, can get financial services from each branch of BFIs. In addition, the number of branchless banking services reached 1,706.
27. Currency in circulation increased by 16.23 percent to Rs. 683.50 billion in mid-July 2021, compared to Rs. 588.06 billion a year ago.

28. Total number of staffs in NRB stood at 1061 in mid-July 2020, comprising 986 administrative and 75 technical staff. Of the total human resources, 522 are officer level, 447 assistant level and 91 office subordinate level staff.
29. As per the MOU signed between the bank and Central Project Implementation Unit, Ministry of Urban Development, GON, on July 13, 2018 in order to construct the devastated buildings by the earthquake of 2015, an agreement had been signed on August 26, 2018, with BILIL-ConTech J/V, Naxal, Kathmandu for the reconstruction of the building at Thapathali with the completion period of 30 months. About 75 percent of the construction work of the building was completed by end of the review period.
30. National Reconstruction Authority, Central Project Implementation Unit reached the agreement with Shree CICO Samanantar JV to reconstruct the building at Baluwatar and 64 percent construction of this building was completed by end of the review period.
31. An agreement was signed with the constructor M/S KR Construction Kohalpur, Banke on April 13, 2021 in order to dismantle the existing quarter of the Director of Nepalgunj Office and construct new one. Construction work has been initiated by giving necessary directions on the same date.
32. The management committee of the bank set a separate criteria and adopted various measures, including work from home and flexible work hour, considering the risk to health due to COVID-19 so as to assure the continuity of service delivery. Meanwhile, by end of mid-July 2021, 139 staffs including their family members had received their insurance claim out of the total insured of 5,595 people including bank's member of board of directors, employees and their families for coronavirus (COVID-19).
33. The Real Time Gross Settlement (RTGS) system has been transferred to the ownership of the bank on January 15, 2021 which has been in operation since September 12, 2019 in cooperation with the UKaid Sakchyam Access to Finance under the support of DFID.
34. In 2020/21, license has been granted to one Payment System Operator and 14 Payment Service Providers and the letter of Intent of 11 were canceled.
35. Unified directives for Payments Related Institutions 2020 has been issued to licensed institutions which are doing payment related activities. The directives has been uploaded in the website of the bank.
36. During 2020/21, transactions equivalent to Rs. 20,446.55 billion were made through the RTGS.
37. As per the NRB's balance sheet as of mid-July 2021, the assets/liabilities of the Bank increased by 9.89 percent as compared to previous year and reached Rs. 1,538.64 billion.
38. In the review year, distributable savings of NRB amounted to Rs. 19.35 billion after revaluation of other comprehensive income/expenditure. In the previous year, such savings was Rs. 28.21 billion.

Acronyms

ACU	Asian Clearing Unit
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BCI	Business Credibility Information
BFIs	Banks and Financial Institutions
BOP	Balance of Payments
CBS	Central Bureau of Statistics
CCD	Credit/Core Capital and Deposit
CIBM	China Interbank Bond Market
CIT	Citizen Investment Trust
CRR	Cash Reserve Ratio
DAA	Document Against Acceptance
DAP	Document Against Payment
DCGF	Deposit and Credit Guarantee Fund
DFID	British Government's Department for International Development
DRS	Disaster Recovery Site
DTOC	District Treasury Controller Office
ECC	Electronic Cheque Clearing
EPF	Employees Provident Fund
FCGO	Financial Comptroller General Office
FDI	Foreign Direct Investment
FIU	Financial Information Unit
FOB	Free on Board
GDP	Gross Domestic Product
GL	General Ledger
GNDI	Gross National Disposable Income
GoN	Government of Nepal
IC	Indian Currency
ICAAP	Internal Capital Adequacy Assessment Process
IIP	International Investment Position
IMF	International Monetary Fund
IT	Information Technology
ITSS	International Trade Statistics Software
KfW	Kreditanstalt für Wiederaufbau (German Government-owned Development Bank)
LOLR	Lender of Last Resort
Ltd.	Limited
MFDB	Microfinance Development Bank
MFIs	Microfinance Financial Institutions
MOF	Ministry of Finance
MSMEs	Micro, Small and Medium Enterprises
n.i.e.	not included elsewhere
NBL	Nepal Bank Limited

NEPSE	Nepal Stock Exchange
NFRS	Nepal Financial Reporting Standards
NGO	Non-Government Organization
NRB	Nepal Rastra Bank
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
PCA	Prompt Corrective Action
RBB	Rastriya Banijya Bank
RFP	Request for Proposal
RMDC	Rural Microfinance Development Centre Limited
RSRF	Rural Self Reliance Fund
RTGS	Real Time Gross Settlement
SAARC	South Asian Association for Regional Cooperation
SCB	Standard Chartered Bank
SEACEN	South East Asian Central Banks
SLF	Standing Liquidity Facility
SLR	Statutory Liquidity Ratio
SREV	Supervisory Review and Evaluation Process
ToT	Terms of Trade
VAT	Value Added Tax
VCTS	Vehicle and Consignment Tracking System

PART – 1

MACROECONOMIC AND FINANCIAL SITUATION

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PART – ONE

MACROECONOMIC AND FINANCIAL SITUATION

World Economic Situation and Outlook

- 1.1 The availability of vaccines is expected to play a major role in the recovery of the world economy shrunk by the COVID-19 pandemic. According to World Economic Outlook published by International Monetary Fund (IMF) in October 2021, world economic growth declined by 3.1 percent in 2020 compared to an increase of 2.8 percent in 2019. Such a growth rate is projected to increase by 5.9 percent in 2021 and 4.9 percent in 2022.
- 1.2 The overall economic growth rate of advanced economies is projected to expand by 5.2 percent in 2021 compared to a negative growth of 4.5 percent in 2020. Economic growth rate of emerging and developing economies is projected to increase by 6.4 percent in 2021 compared to a decline of 2.1 percent in 2020. The growth rate of Asian emerging and developing economies is projected to expand by 7.2 percent in 2021 against a negative growth of 0.8 percent in 2020. In 2021, the growth rate of India is projected to expand by 9.5 percent, which had contracted by 7.3 percent in 2020. Likewise, the economic growth rate of China is projected to expand by 8.0 percent in 2021 compared to an expansion of 2.3 percent in 2020.
- 1.3 In 2020, the inflation remained at 0.7 percent in advanced economies and 5.1 percent in emerging and developing economies. In 2021, inflation is projected to remain at 2.8 percent for advanced economies and 5.5 percent for emerging and developing economies. The world trade of goods and services is projected to rise 9.7 percent in 2021 in contrast to a contraction of 8.2 percent in 2020.

Macroeconomic and Financial Situation of Nepal

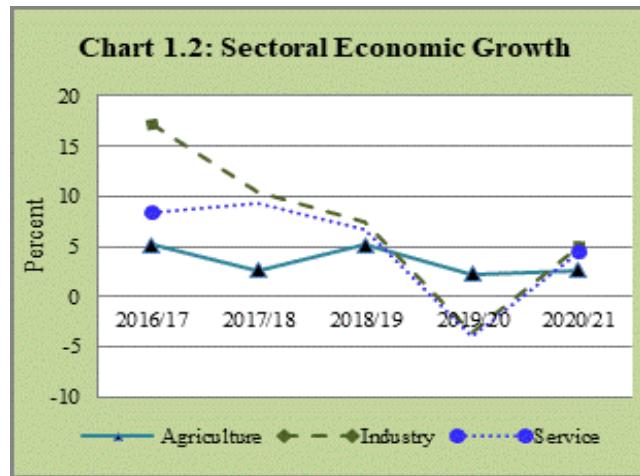
Gross Domestic Product

- 1.4 According to the Central Bureau of Statistics (CBS), Nepal's real Gross Domestic Product (GDP) growth has been estimated to be at 3.98 percent at basic prices and 4.01 percent at producers' prices in 2020/21. Such growth rates were -2.12 percent and -2.09 percent respectively in 2019/20. In the first quarter of 2020/21, the impact



of COVID-19 was comparatively less. The easing of lockdown and restrictions led to an improvement in economic activity resulting in higher economic growth than the previous year. However, the second wave of infection in the fourth quarter of the review year has created challenges to attain the estimated growth.

- 1.5 According to the preliminary estimate, in the review year, output of agriculture grew by 2.64 percent and non-agriculture grew by 4.57 percent. In the previous year, output of agriculture and non-agriculture sectors had contracted by 2.23 percent and 3.91 percent respectively. It is estimated that under non-agriculture sector, the industry sector and the service sector grew 5.05 percent and 4.43 percent respectively. In the previous year, the industry and service sector had contracted by 3.69 percent and 3.97 percent respectively.



Sectoral Composition of GDP

- 1.6 In the review year, the share of agriculture, industry, and service sectors stood at 25.83 percent, 13.11 percent and 61.06 percent of GDP respectively. In the previous year, such shares on GDP were 26.21 percent, 13.37 percent and 60.42 percent respectively.
- 1.7 Comparing provincially, in 2020/21, Bagmati province has the largest share of 37.68 percent in the country's GDP while the smallest share is estimated to be of 4.03 percent of Karnali province.
- 1.8 On the basis of broad industrial classification, the shares of primary, secondary and tertiary sector stood at 26.41 percent, 12.53 percent and 61.06 percent of GDP respectively in the review year. In the previous year, such shares were 26.80 percent, 12.78 percent and 60.42 percent of GDP respectively.

Agriculture

- 1.9 It is estimated that agricultural output grew by 2.64 percent in 2020/21. In the previous year, the same had increased by 2.23 percent.

Industry

- 1.10 It is estimated that industrial sector grew by 5.05 percent in the review year. Such a growth rate was -3.69 percent in the previous year. In the review year, it is estimated that mining and quarrying subsector under industrial sector has grown by 7.49 percent, manufacturing industry sector grew by 3.85 percent, electricity, gas, steam and air conditioning supplies grew by 7.74 percent, water supply, sewage management and

remediation activities grew by 1.61 percent and construction sector grew by 5.56 percent. Such growth rates were -2.23 percent, -8.57 percent, 25.58 percent, 2.15 percent and -4.99 percent respectively in the previous year.

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

Sectors	As Percent of GDP ¹				
	2016/17	2017/18	2018/19	2019/20 ^R	2020/21 ^P
Primary ²	27.38	26.25	25.58	26.80	26.41
Secondary ³	13.97	14.54	14.36	12.78	12.53
Tertiary ⁴	58.65	59.21	60.06	60.42	61.06

1 GDP including Financial Intermediation (FISIM)

2 Agriculture, forestry and fishery, and mining and quarrying

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

4 Services

R Revised Estimates

P Preliminary Estimates

Source: Central Bureau of Statistics

Service

1.11 It is estimated that service sector grew by 4.43 percent in the review year. Such a growth rate was -3.97 in the previous year. In the review year, wholesale and retail trade, and motor and motorcycle repair service has grown by 5.27 percent, transportation and storage sector grew by 6.12 percent, Accommodation and food services grew by 11.2 percent, information and communication sector grew by 1.45 percent, financial and insurance activities grew by 5.82 percent and real estate activities grew by 2.64 percent. Such growth rates were -10.69 percent, -13.37 percent, -36.97 percent, 2.30 percent, 4.75 percent and 2.37 percent respectively in the previous year.

Saving and Gross National Disposable Income

1.12 It is estimated that gross domestic saving rate remained at 6.62 percent in the review year. Such a rate was 6.35 percent in the previous year. It is estimated that gross national saving rate remained at 32.28 percent in the review year. Such a rate was 32.61 percent in the previous year.

1.13 In 2020/21, gross national disposable income has grown by 8.46 percent. Such income had grown by 1.05 percent in the previous year. The ratio of GNDI to GDP remained at 125.66 percent in the review year. Such a ratio was 126.26 percent in the previous year.

Table 1.2
Gross National Disposable Income
(at Current Prices)

Particulars	Rs. in Billion			Percent Change	
	2018/19	2019/20 ^R	2020/21 ^P	2019/20 ^R	2020/21 ^P
Gross Domestic Product (at Producers' Prices)¹	3858.93	3914.70	4266.32	1.45	8.98
Factor Income, Net ²	39.92	46.10	17.85	15.50	-61.28
Current Transfer, Net ²	994.79	982.21	1039.38	-1.26	5.82
Gross National Disposable Income	4893.63	4943.02	5323.55	1.01	7.69

R Revised Estimates

P Preliminary Estimates

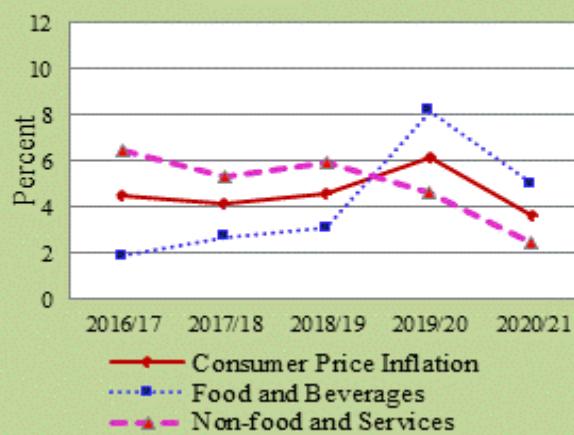
Source: 1. Central Bureau of Statistics, 2. Nepal Rastra Bank

Inflation and Salary and Wage Rate Index

Consumer Price Inflation

- 1.14 In 2020/21, average annual consumer price inflation stood at 3.60 percent. Such inflation was 6.15 percent in the previous year.
- 1.15 In the review year, the average prices of food and beverages group, and non-food & services group increased by 5.00 percent and 2.51 percent respectively. In the previous year, the prices of these groups had increased by 8.16 percent 4.61 percent respectively.
- 1.16 In the review year, there was an increase in prices of ghee & oil and pulses & legumes sub-groups of food and beverages group and transportation and communication sub-groups of non-food and services group compared to the previous year.
- 1.17 In the review year, the Hill witnessed 3.87 percent inflation followed by 2.87 percent in the Mountain, 3.33 percent in Kathmandu valley and 3.68 percent in the Terai. These regions had witnessed 5.10 percent, 4.91 percent, 6.96 percent and 6.29 percent inflation respectively in the previous year.

Chart 1.3 : Average Annual Consumer Inflation

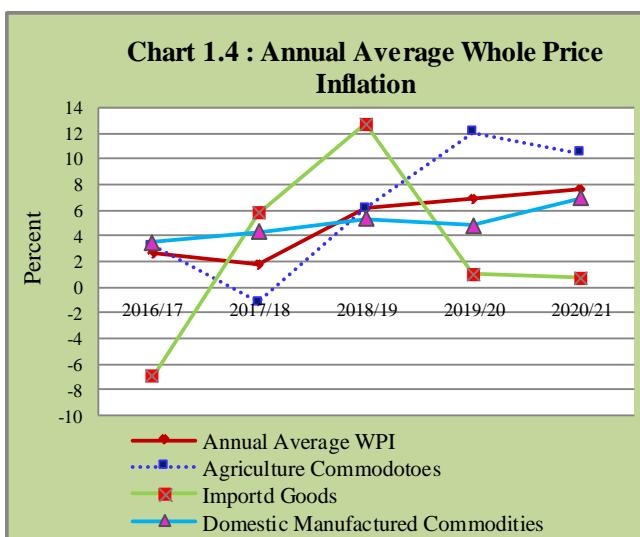


Consumer Price Inflation between Nepal and India

- 1.18 In the review year, average annual consumer price inflation of Nepal and India remained at 3.60 percent and 5.85 percent respectively. In the previous year, such inflation in Nepal and India were 6.15 percent and 5.80 percent respectively.

Wholesale Price Inflation

1.19 In the review year, the average annual wholesale price inflation stood at 7.61 percent compared to 6.87 percent in the previous year. In the review year, average price inflation of primary goods, fuel and power, and manufactured goods under wholesale price stood at 10.46 percent, 0.73 percent and 6.90 percent respectively. In the previous year, the average price inflation of these groups had stood at 12.03 percent, 1.00 percent and 4.79 percent respectively.



1.20 Based on broad economic classification, average price inflation of consumption goods, intermediate goods and capital goods stood at 7.73 percent, 8.32 percent and 3.27 percent respectively.

National Salary and Wage Rate Index

1.21 In the review year, national salary and wage rate index increased by 1.60 percent. The index had increased by 9.43 percent in previous year. In the review year, salary index and wage rate index increased by 0.09 percent and 2.04 percent respectively. In the previous year, these indices had increased by 13.46 percent and 8.32 percent respectively. In the review year, wage rate indices of agricultural labour, industrial labour and construction labour increased by 2.20 percent, 1.71 percent and 1.95 percent respectively.

External Sector

1.22 Trade deficit has expanded in 2020/21 due elevated level of the import of goods. During 2019/20, international trade had declined because economic activities remained low due to the imposition of necessary preventive measures to control and contain the spread of COVID-19. The overall Balance of Payments (BOP) remained marginally surplus due to high increment in imports, rise in crude oil prices in the international market, and contraction in service income.

International Trade

1.23 In 2020/21, total merchandise exports increased by 44.4 percent to Rs.141.12 billion. Such exports had increased by 0.6 percent in the previous year. The ratio of total merchandise exports to gross domestic product remained at 3.3 percent in the review year compared to 2.5 percent in the previous year.

- 1.24 Out of total merchandise exports, exports to India increased by 51.7 percent to Rs. 106.37 billion in 2020/21 compared to an increase of 11.8 percent in the previous year. Commodity wise, exports mainly of soyabean oil, cardamom, jute goods, polyester thread, and juice, among others increased in the review year.
- 1.25 Exports to China decreased by 14.7 percent to Rs.1.02 billion in 2020/21 compared to a decrease of 43.5 percent in the previous year. Commodity wise, exports of mainly woolen carpets, handicraft goods, readymade garments, tanned skin, pashmina among others increased in 2020/21.
- 1.26 Exports to other countries increased by 27.7 percent to Rs. 33.74 billion in 2020/21 against a decrease of 18.2 percent in the previous year. During the review year, exports mainly of woolen carpets, readymade garments, pashmina, gold and silver goods and jewellery, tea among others increased to other countries.
- 1.27 In 2020/21, total merchandise imports increased by 28.7 percent to Rs. 1539.84 billion. Such imports had decreased by 15.6 percent in the previous year. The ratio of imports to GDP remained at 36.1 percent in the review year compared to 30.6 percent in the previous year.
- 1.28 In 2020/21, imports from India increased by 32.1 percent to Rs.971.60 billion. Such imports had decreased by 19.9 percent in the previous year. During the review year, imports of vehicles and spare parts, MS billet, grains and rice, petroleum products, electronic equipments among others increased from India.
- 1.29 In 2020/21, imports from China increased by 28.6 percent to Rs.233.92 billion. Such imports had decreased by 11.5 percent in the previous year. During the review year, imports of telecommunication equipments, medical equipments and parts, medicine, readymade garments, other machinery and parts among others increased from China.
- 1.30 In 2020/21, imports from other countries increased by 19.6 percent to Rs.334.31 billion. Such imports had decreased by 5.3 percent in the previous year. During the review year, imports of crude soyabean oil, gold, coal, edible oil, other machinery and parts among others increased from other countries.
- 1.31 In 2020/21, total trade deficit increased by 27.3 percent to Rs.1398.71 billion. Such deficit had decreased by 16.8 percent in the previous year. The ratio of trade deficit to GDP stood at 32.8 percent in 2020/21 compared to 28.1 percent in the previous year. In the review year, trade deficit with India increased by 30.1 percent to Rs. 865.23 billion, trade deficit with China increased by 28.9 percent to Rs.232.91 billion and trade deficit with other countries increased by 18.7 percent to Rs.300.57 billion.
- 1.32 In 2020/21, total merchandise trade increased by 29.9 percent to Rs. 1680.96 billion compared to a decrease of 14.6 percent in the previous year. The ratio of total trade to GDP stood at 39.4 percent in 2020/21 compared to 33.1 percent in the previous year. Total trade with India increased by 33.8 percent to Rs. 1077.98 billion in 2020/21 compared to a decrease of 17.9 percent in the previous year. Total trade with China

increased by 28.3 percent to Rs. 234.94 billion in 2020/21 compared to a decrease of 11.8 percent in the previous year. Similarly, total trade with other countries increased by 20.3 percent to Rs. 368.05 billion in 2020/21 compared to a decrease of 6.5 percent in the previous year.

- 1.33 In 2020/21, the export-import ratio stood at 9.2 percent. Such ratio was 8.2 percent in the previous year. In the review period, India's share in total exports, total imports, total trade deficit, and total trade stood at 75.4 percent, 63.1 percent, 61.9 percent, and 64.1 percent respectively. Such ratios were 71.8 percent, 61.4 percent, 60.5 percent, and 62.2 percent respectively in the previous year.

Service Sector

- 1.34 In 2020/21, the service account remained at a deficit of Rs.72.85 billion. Such a deficit was Rs.96.47 billion in the previous year.
- 1.35 In 2020/21, service income decreased by 49.4 percent to Rs.79.07 billion. Such income had decreased by 15.8 percent in the previous year. Under service income category, travel income decreased by 88.1 percent to Rs.7.27 billion. Such income had decreased by 19.0 percent in the previous year.
- 1.36 In 2020/21, net service payment decreased by 3.4 percent to Rs.151.92 billion. Such payment had decreased by 21.4 percent in the previous year. Under service payment, travel expenditure decreased by 38.3 percent to Rs.32.80 billion. Such expenditure had decreased by 40.3 percent in the previous year.

Transfers

- 1.37 In 2020/21, net transfer income increased by 9.1 percent to Rs.1071.35 billion. Such income had decreased by 1.5 percent in the previous year.
- 1.38 Transfer income increased by 9.1 percent to Rs.1077.41 billion in the review period. Such income had decreased by 1.8 percent in the previous year. Similarly, transfer payment increased by 11.2 percent to Rs. 6.06 billion in the review period. Such payment had decreased by 39.0 percent in the previous year.
- 1.39 Workers' remittance inflows increased by 9.8 percent to Rs.961.05 billion in the review year. Such inflows had decreased by 0.5 percent in the previous year. The ratio of remittance inflows to GDP stood at 22.5 percent in 2020/21 compared to 22.4 percent in 2019/20.
- 1.40 Pension income increased by 1.3 percent to Rs. 58.60 billion in the review year. Such income had decreased by 6.0 percent in the previous year.

Current Account and Balance of Payments

- 1.41 In 2020/21, the current account remained deficit by Rs. 333.67 billion. Such a deficit was Rs.33.76 billion in the previous year. In the review year, the ratio of current account

deficit to GDP stood at 7.8 percent. Such a ratio was 0.9 percent previous year. In 2020/21, the current account deficit increased due to huge increase in trade deficit.

- 1.42 In the review year, the BOP remained at a surplus of Rs. 1.23 billion compared to a surplus of Rs.282.41 billion in the previous year.
- 1.43 In the review year, the capital transfer increased by 7.4 percent to Rs. 15.26 billion. Under the financial account, foreign direct investment increased by 0.2 percent to Rs.19.51 billion in 2020/21, which had increased by 49.1 percent in the previous year.
- 1.44 Government debt inflows decreased by 21.8 percent to Rs.127.18 billion in the review year against an increase of 99.5 percent in the previous year. Similarly, principal repayment decreased by 1.2 percent to Rs. 23.27 billion in contrast to an increase of 17.6 percent in the previous year.

Foreign Exchange Reserves

- 1.45 Total foreign exchange reserves decreased by 0.2 percent to Rs. 1399.03 billion in mid-July 2021. Such reserves had increased by 34.9 percent to Rs. 1401.84 billion in the previous year. In the US dollar term, the banking sector's total reserve increased by 0.9 percent to USD 11.75 billion. Such reserves had increased by 22.6 percent in the previous year.
- 1.46 Foreign exchange reserves held by NRB increased by 1.5 percent to Rs. 1244.63 billion in mid-July 2021 from Rs. 1226.12 billion in mid-July 2020. Out of the total foreign exchange reserves, the share of reserves held by NRB stood at 89.0 percent. Out of the total foreign exchange reserve, the share of Indian currency stood at 24.0 percent as of mid-July 2021.

Reserve Adequacy Indicators

- 1.47 Based on the imports of 2020/21, the foreign exchange reserves of the banking sector as of mid-July 2021 remained sufficient to cover the prospective merchandise imports for 11.2 months, and merchandise and services imports for 10.2 months
- 1.48 Foreign exchange reserves held by NRB increased by 1.5 percent to Rs. 1244.63 billion in mid-July 2021 from Rs. 1226.12 billion in mid-July 2020. Out of the total foreign exchange reserves, the share of reserves held by NRB stood at 89.0 percent. Out of the total foreign exchange reserve, the share of Indian currency stood at 24.0 percent as of mid-July 2021.
- 1.49 In the review year, the ratio of reserve-to-GDP, reserve-to-import, reserve-to-M2 and reserve-to-reserve money stood at 32.8 percent, 84.7 percent, 27.1 percent and 150.2 percent respectively. Such ratios were 35.8 percent, 105.7 percent, 33.1 percent and 158.2 percent respectively a year ago.

Table 1.3
Reserve Adequacy Indicators

Description	2018/19	2019/20	2020/21
1. Foreign Exchange Reserve Sufficient for Financing Imports of Equivalent Months			
a. Merchandise	8.9	14.4	11.2
b. Merchandise and Services	7.8	12.7	10.2
2. Gross Foreign Exchange Reserve/GDP (%)	26.9	35.8	32.8
3. Gross Foreign Exchange Reserve/Imports* (%)	64.9	105.7	84.7
4. Gross Foreign Exchange Reserve/Broad Money Supply (%)	29.0	33.1	27.1
5. Gross Foreign Exchange Reserve/Reserve Money (%)	148.6	158.2	150.2

* Merchandise and Service Imports

Foreign Assets and Liabilities Position

1.50 As of mid-July 2021, foreign assets and liabilities of the country stood at Rs. 1481.12 billion and Rs. 1395.04 billion respectively. Accordingly, the net international investment position (IIP) remained a positive of Rs. 86.08 billion in mid-July 2021 compared to Rs. 248.67 billion in mid-July 2020.

Trend of Foreign Exchange Rate

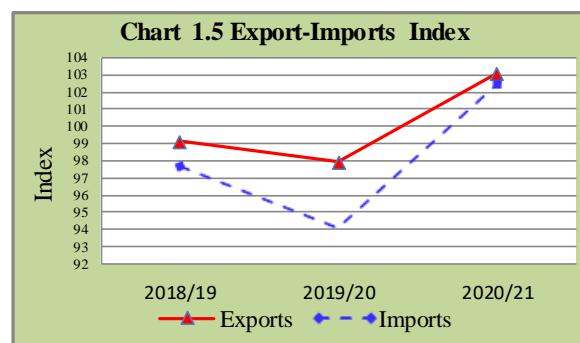
1.51 The exchange rate of Nepalese rupees vis-à-vis Indian rupees remained fixed in 2020/21 as well. As of mid-July 2021, Nepalese rupee appreciated by 1.12 percent against the US dollar and 4.09 percent against the Japanese yen and depreciated 8.58 percent against Pound sterling and 2.55 percent against Euro as compared to mid-July 2020 (Table 1.4).

Table 1.4
Trend of Foreign Exchange Rate

Foreign Currency	Buying Rate in NPR			Overvaluation (+) Depreciation (-)	
	mid-July			Percentage	
	2019	2020	2021	2020	2021
1 US Dollar	109.36	120.37	119.04	-9.15	+1.12
1 Pound Sterling	137.25	150.69	164.83	-8.92	-8.58
1 Euro	123.34	136.81	140.39	-9.85	-2.55
10 Japanese Yen	10.14	11.21	10.77	-9.55	+4.09

Export Import Price Index

1.52 The y-o-y unit value export price index, based on customs data, increased 5.3 percent and the import price index increased 8.9 percent in the mid-July 2021. The terms of trade (ToT) index decreased 3.4 percent in mid-July 2021 against an increase of 2.6 percent in mid-July 2020 (Chart 1.5).



Fiscal Situation

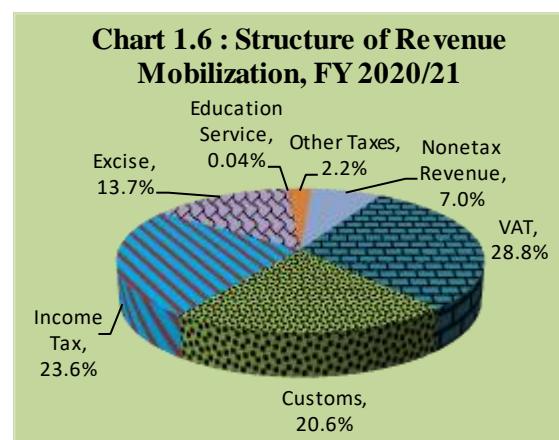
- 1.53 As per the Constitution of Nepal 2072, budget for 2020/21 was presented in the Legislature-Parliament on May 28, 2020.
- 1.54 In the review year, the share of recurrent, capital, and financing expenditure in total expenditure remained 72.1 percent, 19.3 percent, and 8.6 percent respectively. The ratio of recurrent, capital, and financing expenditure to GDP stood at 20.0 percent, 5.4 percent, and 2.4 percent respectively in the review year compared to 20.0 percent, 4.8 percent, and 3.0 percent respectively in the previous year (Table 1.5).

Table 1.5
Major Government Finance Indicators
(Percent of GDP)

Particulars	2018/19	2019/20	2020/21
Total Expenditure	28.8	27.9	27.7
Recurrent Expenditure	18.6	20.0	20.0
Capital Expenditure	6.3	4.8	5.4
Financing Expenditure	4.0	3.0	2.4
Revenue	21.8	21.5	22.9
Tax Revenue	18.9	17.9	20.4
Fiscal Deficit	-4.7	-6.8	-6.3

Government Revenue

- 1.55 In 2020/21, government revenue (including other receipts) increased 16.3 percent to Rs.978.74 billion. In the previous year, the government revenue had increased 0.2 percent to Rs.841.31 billion. In the review year, the ratio of revenue to GDP stood at 22.9 percent compared to 21.5 percent in the previous year.
- 1.56 Value added tax (VAT) increased by 25.9 percent to Rs.282.0 billion in the review year compared to a decrease of 7.3 percent to Rs.224.02 billion in the previous year.
- 1.57 Income tax increased by 4.9 percent to Rs.230.55 billion in the review year compared to an increase of 13.1 percent to Rs.219.74 billion in the previous year.
- 1.58 In the review year, customs revenue increased by 45.9 percent to Rs.201.39 billion. Such revenue had decreased by 11.2 percent to Rs.137.99 billion in the previous year.
- 1.59 In the review year, excise duty increased by 33.0 percent to Rs.133.82 billion. Such revenue had decreased by 17.4 percent to Rs.100.63 billion in the previous year.
- 1.60 Of the total revenue mobilized (including other receipts) in the review year, the share of the VAT was the highest at 28.8 percent followed by income tax (23.6 percent), customs duty (20.6 percent), and excise duty (13.7 percent). These ratios were 26.6 percent, 26.1 percent, 16.4 percent and 12.0 percent respectively in the previous year.
- 1.61 In the review year, mobilization of non-tax revenue decreased by 27.2 percent to Rs.

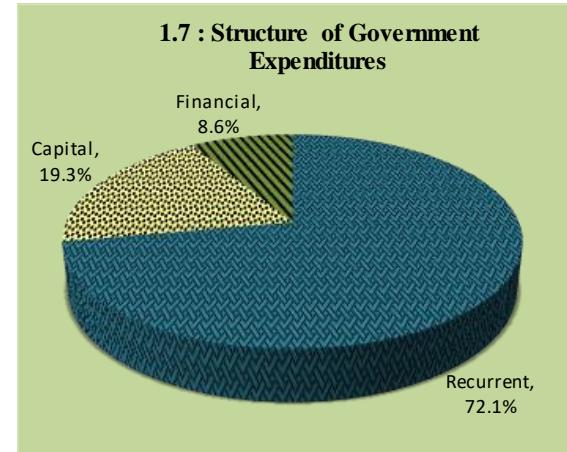


68.21 billion. Such revenue had decreased by 6.9 percent to Rs.93.69 billion in the previous year.

- 1.62 Of the total revenue, the share of tax revenue, non-tax revenue, and other receipts stood at 88.9 percent, 7.0 percent and 4.1 percent respectively in the review year. Likewise, the share of direct and indirect tax revenue in the total tax revenue stood at 29.1 percent and 70.9 percent respectively. In the previous year, the share of tax revenue, non-tax revenue and other receipts in the total revenue had remained 83.2 percent, 11.1 percent and 5.7 percent respectively. Likewise, in the previous year, the share of direct and indirect tax revenue in the total tax revenue stood at 33.9 percent and 66.1 percent respectively.

Government Expenditure

- 1.63 In the review year, total government expenditure increased by 8.2 percent to Rs.1180.95 billion. In the previous year such expenditure had decreased by 1.7 percent to Rs.1091.33 billion.
- 1.64 In the review year, recurrent expenditure increased by 8.6 percent to Rs.851.68 billion. Recurrent expenditure in the previous year had increased by 9.5 percent to Rs.784.29 billion.
- 1.65 In the review year, capital expenditure increased by 20.7 percent to Rs.228.30 billion. Capital expenditure had decreased by 21.7 percent to Rs.189.14 billion in the previous year.
- 1.66 In the review year, financing expenditure decreased by 14.4 percent to Rs.100.97 billion. Financing expenditure had decreased by 22.7 percent to Rs.117.90 billion in the previous year.
- 1.67 Of the total expenditure, capital expenditure, recurrent expenditure and financing expenditure constituted 19.3 percent, 72.1 percent and 8.6 percent respectively on cash basis in the review year.
- 1.68 In the review year, total government expenditure, based on banking transaction, increased by 11.8 percent to Rs.1160.26 billion. In the previous year, such expenditure had decreased by 2.7 percent to Rs.1038.03 billion.



Budget Deficit

- 1.69 In the review year, government budget, on the basis of banking transaction, remained at a deficit of Rs.267.97 billion. Such a budget deficit had amounted to Rs.267.45 billion in the previous year.

Sources of Financing Budget Deficit

- 1.70 During the review year, mobilization of total domestic borrowings amounted to Rs.224 billion which is 5.3 percent of GDP. Such borrowings had amounted to Rs.194.64 billion in the previous year. In the review year, the principal repayment of domestic debt amounted to Rs.36.90 billion.
- 1.71 General government maintained a cash surplus of Rs.194.70 billion with NRB (including the cash balance of provincial and local level government) at the end of the review year. Such a surplus had amounted to Rs.141.17 billion at the end of previous fiscal year.

Government Debt

- 1.72 As on mid-July 2021, the total outstanding external debt of the GoN stood at Rs.928.12 billion and domestic debt stood at Rs.800.32 billion thereby total debt reached Rs.1728.44 billion. Such a debt level at the end of previous fiscal year was Rs. 1427.18 billion. Total debt to GDP ratio reached 40.5 percent in the review year compared to 36.5 percent a year ago (Table 1.6).

**Table 1.6
Government Debt Situation**

Government Debt Indicators	2018/19	2019/20	2020/21
1. Total Debt/Gross Domestic Product	27.1	36.5	40.5
2. External Debt/Gross Domestic Product	15.4	20.8	21.8
3. Domestic Debt/Gross Domestic Product	11.7	15.7	18.8
4. External Debt/Exports	612.3	833.1	657.7
5. External Debt Service/Exports	20.6	24.1	16.5
6. Total Debt Service/Revenue	4.1	4.1	3.8
7. Domestic Debt Service/Revenue	6.5	6.9	6.1
8. External Debt Service/Revenue	2.4	2.8	2.4

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

Source: FCGO and NRB

Provincial Government

- 1.73 Total expenditure of the provincial governments based on banking transactions stood at Rs.188.75 billion in 2020/21. Resources mobilization of provincial governments was Rs.159.95 billion in 2020/21. In the review period, the federal government transferred Rs. 118.59 billion as grants and revenue from divisible fund to provincial governments. During this period, provincial governments mobilized the resource of Rs.41.36 billion in terms of province revenue and other receipts.

Policy Provisions Concerning Revenue

- 1.74 The Budget for 2020/21 aimed at providing relief to covid affected businesses, reinvigorate and rehabilitate the indolent economic activites, develop domestic income-based revenue system as a sustainable and reliable source of public finance. The objectives of revenue policies stated in the GON's budget for FY 2020/21 are as follows:
- Providing adjustments in tax rates, tax rebates and exemptions to support the recovery of Covid-19 impacted agriculture, industry, and service sectors.
 - Developing progressive, equitable, transparent and business friendly revenue system bringing taxable economic activities under the tax net.

- Promoting domestic production by providing protection to industries and discouraging the imports of unnecessary goods and the goods that are detrimental both to human health and environment.
- Enhancing participation in tax system and controlling revenue leakage through development of efficient, professional and fair tax administration, procedural simplification, use of information technology and compliance of tax law.

1.75 Major strategies and programs for implementing the revenue policy and improving existing tax system as stated in the budget are:

Indirect Tax

- Value Added Tax rate kept unchanged. Excise duty and some rates of customs duty have adjusted. Excise duty levied on more than a dozen of goods such as motorcycle spareparts and subsidiary parts, vehicle spareparts and subsidiary parts, ethanol, money counting and fax machines and other goods have been removed.
- Customs duty on industrial raw materials of some additional goods has been reduced in order to keep the customs duty on imports of raw materials atleast one level lower than the rate imposed on imports of finished goods.
- Health hazard tax on cigarette, cigar, guthka, and pan masala has been increased nominally.
- Customs duty rates on imports of petroleum products other than aviation fuel and LP gas, and on gold and gold ornaments have been increased marginally.
- Forest product levy of 15 percent being charged by the community forest on selling timber of *Sal* and *Khayar* species to those outside consumer group has been scrapped. Excise duty has been imposed on imports of all kinds of furniture in order to protect domestic furniture industries.

Direct Tax

- Provision has been made to provide 25 percent rebate on income tax for a period of five years from the date of commencement of transaction for special industries to be established in industrial estate or industrial village.
- Income tax has been waived for drinking water and sanitation consumer groups operating as per their objectives. Income tax accumulated up to FY 2018/19 has also been written off.
- Income tax has been waived for all types of cooperatives operating in rural municipalities. A provision has been made to levy five percent, seven percent and ten percent income tax to all the cooperatives having taxable transactions operating in municipality, sub-metropolitan city and metropolitan city, respectively.

- Provision has been made to exempt tax on retirement benefits if the amount in approved retirement funds of various entities is transferred to social security fund within April 13, 2021.

Tax Rebates and Tax Returns

- Arrangement has been made to provide tax rebate on applicable income of FY 2019/20 for micro, cottage and medium industries and, 75 percent to those having annual transactions up to Rs.2 million, 50 percent to those having annual transactions of Rs.2 million to Rs.5 million and 25 percent to those having annual transactions of Rs.5 million to Rs.10 million.
- The tax exemption grace period has been extended by 2 years to 7 years for micro enterprises and by 3 years to 10 years for women operated enterprises. VAT levied on micro insurance has been removed.
- Customs duty imposed on imports of raw materials and machineries by micro, cottage and small enterprises, agricultural firms, animal husbandry firms, veterinaries and mask making industries has been reduced. Similarly, customs duty on imports of machinery and equipments by agricultural firms and on imports of paddy, maize, wheat and vegetable seeds has been reduced. Agriculture reform fees and customs duty applicable on primary agricultural products have been increased.
- Arrangement has been made to provide tax rebate of 20 percent on income tax on the basis of income statement of FY 2019/20 filed by industries that are highly affected by COVID-19. Also, the tax period for VAT return filing and tax payment has been extended so as to be on trimester basis for tourism, transportation business and cinema halls.
- Arrangement has been made to allow VAT rebate on the import of raw materials by pharmaceutical industries and to refund VAT amount if such raw materials have been purchased from domestic industries.
- The service fee rate levied on turnover amount been reduced from 2 percent to 1 percent for radio and television broadcasting organizations having own production and transmission.
- Arrangement has been made to exempt telecommunication service charge on up to 50 percent of repair and maintenance fee imposed by internet service provider on fixed broadband services.

Tax Administration

- Arrangement has been made to file returns and pay tax through electronic means for small tax payers with annual transactions upto Rs. 2 million. Also, arrangement to submit income statement if tax payments is made through banking channels has been made.

- Provision has been made to allow taxpayers having no arrears to obtain Tax Clearance Certificate through the online system by themselves. In addition to this, the provision has been made for not deducting tax at source on the amount received as incentives to be received by customers for payments of goods and services through electronic means.
- Arrangement has been made to exempt fees, additional charges and penalty associated with tax amount if the concerned tax payer withdraws their cases under litigation other than related to fraud and counterfeit billing; being filed in Inland Revenue Management Department or Revenue Tribunal or in any court against tax assessment done on or before July 16, 2018 in accordance with various tax acts, by paying assessed tax amount and incurred interest by March 13, 2021.
- Arrangement has been made to develop integrated taxpayer information system by maintaining interconnection among Central Invoice Monitoring System, ASYCUDA, Vehicle and Consignment Tracking System (VCTS) and other information technology systems related to revenue administration. Tax evasion and leakage will be strictly controlled by making tax audit, investigation, post clearance audit and market monitoring more effective.
- Provision has been made to broaden tax base and revise tax rate of non-tax revenue.

Tax Rates

1.76 For FY 2020/21, total number of import tariff rates have remained to eight namely 1, 5, 10, 15, 20, 30, 40 and 80 percent as in the FY 2019/20. Similarly, total number of export tariff rates for FY 2020/21 have remained same as in the previous FY 2019/20. Also, total number of excise rates applicable for FY 2020/21 has been made seventeen namely 2.5, 5, 7, 10, 15, 30, 35, 40, 50, 55, 60, 65, 70, 80, 85, 90 and 100 compared to prevailing sixteen excise rates applicable for FY 2019/20 namely 5, 7, 10, 15, 30, 35, 40, 50, 55, 60, 65, 70, 80, 85, 90 and 100. The threshold of taxable income from employment for natural person, the taxations rates for natural person, corporate rates and threshold and other rates and threshold remained same.

Table 1.7
Tax Rates

Description	FY 2019/20	FY 2020/21
1. Import Duties (Percent)	1, 5, 10, 15, 20, 30, 40, 80	1, 5, 10, 15, 20, 30, 40, 80
2. Export Duties (Percent)	0, 200	0, 200
3. Excise (Percent)	5, 7, 10, 15, 30, 35, 40, 50, 55, 60, 65, 70, 80, 85, 90 and 100	2.5, 5, 7, 10, 15, 30, 35, 40, 50, 55, 60, 65, 70, 80, 85, 90 and 100
4. VAT (Percent)	13 Percent	13 Percent
5. <u>Income Tax</u>		
(a) Exemption Threshold		
(i) Individual	Rs.4,00,000	Rs.4,00,000
(ii) Couple or Family	Rs.4,50,000	Rs.4,50,000
(b) Tax Rates (Percent)		
(i) Upto exemption threshold of taxable income from employment	1 Percent	1 Percent
(ii) After exemption threshold	First Rs.100,000: 10 Percent Next Rs.200,000: 20 Percent On residual amount: 30 Percent Above Rs.20 Lakhs: 36 Percent	First Rs.100,000: 10 Percent Next Rs.200,000: 20 Percent On residual amount: 30 Percent Above Rs.20 Lakhs: 36 Percent
<u>Corporate Tax</u>		
(a) Flat Rate on Corporate Net Income		
(i) Banks and Financial Institutions	30 Percent	30 Percent
(ii) Telecommunication & Internet, Remittance, Stockmarket, Merchant Banking and Commodity Broker	30 percent	30 Percent
(ii) Businesses involved in Cigarettes, tobacco, alcoholic drinks and other related transactions	30 percent	30 percent
(ii) Others	25 Percent	25 Percent
(b) Partnership Firm	25 Percent	25 Percent
House Rent Tax	10 Percent	10 Percent
Meeting Allowance	15 Percent	15 Percent
Commission	15 Percent	15 Percent
Lottery, Gift, Prize	25 Percent	25 Percent
Interest Tax	5 Percent	5 Percent
Provident Fund and Pension	5 Percent	5 Percent
Government Securities	5 Percent	5 Percent
Capital Gain Tax	5 percent	5 percent
In case of gold		
Up to 50 gram for each 10 gram	Rs.6,200	Rs.9,500
50-100 gram for each 10 gram	Rs.7,200	Rs.10,500
above 100 gram for each 10 gram	To be seized	To be seized

Status of Public Enterprises

- 1.77 In 2019/20, the overall financial situation of the public enterprises remained satisfactory despite disruptions in their normal operations due to measures taken to control and prevent the spread of Covid-19.
- 1.78 As of 2019/20, a total of 44 Public Enterprises (PEs) are in existence - 10 in Industrial Sector, 5 in Public Utility Sector, 4 in Trading Sector, 9 in Financial Sector, 5 in Social Sector and 11 in Services Sector. Among these legally existing PEs, only 38 are in operation. In the previous year, only 34 PEs were in operation. While analyzing the financial performance of these legally existing PEs, 24 earned net profit, 18 PEs were in

net loss and 2 had no any financial transactions during 2019/20. The net profit of 24 PEs increased by 4.28 percent and the net loss of 18 PEs increased by 99.46 percent respectively.

- 1.79 Net profit recorded by PEs decreased by 1.2 percent from Rs.48.89 billion to Rs.48.30 billion in 2019/20. Nepal Oil Corporations (Rs.12.91 billion), Nepal Electricity Authority (Rs.11.04 billion), Nepal Telecommunication Company (Rs.9.75 billion), Rastriya Banijya Bank Ltd. (Rs.4.38 billion), Agricultural Development Bank (Rs.3.33 billion), Citizen Investment Trust (Rs.2.80 billion), Nepal Civil Aviation Authority (Rs.2.53 billion), Nepal Bank Limited (Rs.2.33 billion), Hydropower Investment and Development Company (Rs.1.03 billion) and some others PEs remained in profit.
- 1.80 In 2019/20, total capital fund of PEs as well as GON's total investment in the form of equity and debt increased. The GON's investment in PEs recorded a rise of 11.8 percent over the previous year.
- 1.81 In 2019/20, GON received dividend of Rs.14.10 billion from PEs. This amount of dividend represented 4.9 percent of total share investment of the GON. The dividend received in the previous year had amounted to Rs.9.47 billion. In the review year, GON received dividend from Nepal Telecommunication Company Ltd., Nepal Oil Corporation, Nepal Civil Aviation Authority, Rastriya Banijya Bank and Agricultural Development Bank Ltd.
- 1.82 Net accumulated profit of PEs as of mid-July 2020 amounted Rs.75.51 billion compared to Rs.52.30 billion in the previous year.
- 1.83 The share of unfunded liability in each of the PEs has been substantial on account of facility being provided to retiring PE staffs under various headings like gratuity, pension, medical care, insurance, and cash in lieu of leave, etc. In 2019/20, the unfunded liability increased by 18.7 percent to Rs.57.71 billion compared to Rs.48.61 billion a year ago.

Monetary and Financial Situation

Monetary Situation

- 1.84 In 2020/21, broad money (M2) increased by 21.8 percent compared to an increase of 18.1 percent in the previous year. In the review year, narrow money (M1) increased by 22.6 percent in comparison to an increase of 17.8 percent in the previous year.

Table 1.8
Financial Condition of Public Enterprises

	Rs. in Billion		Growth Rate (%)	
	2017/18	2018/19	2019/20	2018/19
Government Investment	364.79	464.64	519.55	27.4
Share Investment	200.37	271.89	288.66	35.7
Loan Investment	164.42	192.75	230.90	17.2
Shareholders' Fund	504.56	622.34	703.90	23.3
Unfunded Liabilities	38.83	48.61	57.71	25.2
Operating Income	390.93	471.24	428.71	20.5
Net Profit/Loss	43.41	48.89	48.30	12.6
Retained Profit/Loss	40.08	58.30	75.51	45.5
				29.5

Source: Annual Performance Review of Public Enterprises, 2020, 2019, and 2018, Ministry of Finance, Government of Nepal

- 1.85 Currency in circulation increased by 16.6 percent in the review year compared to an increase of 15.9 percent in the previous year. Demand deposits increased by 30.5 percent in the review year compared to an increase of 20.6 percent in the previous year.
- 1.86 In 2020/21, net foreign assets (foreign exchange valuation gain/loss adjusted) increased by Rs. 1.23 billion (0.1 percent) compared to an increase of Rs. 282.41 billion (28.7 percent) in the previous year.
- 1.87 In the review year, domestic credit expanded by 26.8 percent, compared to an increase of 13.6 percent in the previous year.
- 1.88 In the review year, net claims of monetary sectors' on GON expanded by 28.6 percent (Rs. 131.89 billion). Such claims had increased by 22.8 percent in the previous year. The GON's cash balance with NRB amounted to Rs. 194.70 billion at the end of the review year.
- 1.89 In the review year, the monetary sector's claims on private sector expanded by 26.3 percent (Rs. 862.66 billion), compared to an increase of 12.6 percent in the previous year.
- 1.90 In the review year, reserve money increased by 5.2 percent, compared to a decrease of 26.7 percent in the previous year.
- 1.91 Deposits at Banks and Financial Institutions (BFIs) increased by 21.4 percent in the review year, compared to an increase of 18.7 percent in the previous year. Similarly, credit to the private sector from BFIs increased by 27.3 percent in the review year, compared to an increase of 12.0 percent in the previous year.

Inter-Bank Transactions and Use of Standing Liquidity Facility

- 1.92 In 2020/21, inter-bank transactions of commercial banks amounted to Rs. 1782.96 billion and those of other financial institutions (excluding transactions among commercial banks) stood at Rs. 213.62 billion (Table 1.9). These respective transactions had amounted to Rs. 1501.45 billion and Rs. 129.40 billion respectively in the previous year.

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

Particulars	2018/19	2019/20	2020/21
Inter-bank Transactions of Commercial Banks (Rs. in billion)	1775.11	1501.45	1782.96
Inter-bank Transaction Rate of Commercial Banks (In Percent) ¹	4.52	0.35	4.12
Inter-bank Transaction of Other Financial Institutions except among Commercial Banks (Rs. in billion)	209.55	129.40	213.62
Inter-bank Transaction Rate of Other Financial Institutions (In Percent) ¹	6.24	1.01	4.30
Use of Standing Liquidity Facility (Rs. in billion)	154.33	103.28	370.34

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

Liquidity Management

- 1.93 Liquidity management of the banking system has been conducted using the appropriate instruments (repo, reverse repo, outright sale, outright purchase, deposit collection and NRB bonds) in accordance with the decision of the open market operation committee as per the NRB Open Market Operation Bylaw, 2014.
- 1.94 Instruments for absorption and injection of liquidity as necessitated have been used to address fluctuations in liquidity of banking system. To address the provision of interest rate corridor system as announced by monetary policy of this fiscal year, the two-week repo has been amended to overnight repo with the implementation of Interest Rate Corridor Procedure, 2076.
- 1.95 In 2020/21, liquidity amounting Rs. 303.29 billion was mopped up through open market operations. Out of the amount absorbed, Rs. 109.54 billion was mopped up through reverse repo auction and Rs. 193.75 billion through deposit collection auctions. Similarly, total liquidity amounting Rs. 438.28 billion was injected in the review year. Out of which Rs. 50 billion was injected through regular repo, Rs. 17.94 billion under interest rate corridor through 14 days repo and that of 370.34 billion through standing liquidity facility.
- 1.96 In 2020/21, liquidity worth Rs. 370.34 billion was injected 168 times to manage short term liquidity to demanding BFIs through government bonds (T-bills and development bonds) and lending facilities against NRB bonds for 7 working days.

Foreign Exchange Transaction

- 1.97 In 2020/21, NRB injected net liquidity amounting Rs. 428.54 billion through the net purchase of US\$ 3.62 billion from foreign exchange market (commercial banks). In previous year, net liquidity amounting Rs. 492.24 billion was injected through the net purchase of US\$ 4.21 billion (Table 1.10). In the review year, Indian currency (IC) equivalent to Rs. 535.23 billion was purchased by selling convertible currency worth US\$ 4.54 billion. In the previous year, IC equivalent to Rs. 442.13 billion was purchased by selling the convertible currencies of worth US\$ 3.82 billion.

Table 1.10
Overall Situation of Foreign Exchange Transactions

(Rs. in billion)

Particulars	2018/19	2019/20	2020/21
1. US\$ Purchase	368.63	492.65	434.08
2. US\$ Sale	7.72	0.41	5.53
3. Net Liquidity Injection	360.91	492.24	428.54
4. Purchase of Indian Currency by Selling US\$	478.92	442.13	535.23
5. Purchase of Indian Currency by Selling other convertible currency	38.05	0.0	0.0

Short-Term Interest Rates

- 1.98 The 91-day weighted average T-bill rate and inter-bank rate among commercial banks both increased in the month of mid-June to mid-July 2021 compared to the same month of 2020. The 91-day weighted average T-bill rate in the month of mid-June to mid-July 2021 stood at 4.55 percent in comparison to the rate of 1.27 percent in the same month of the previous year. Similarly, the weighted average inter-bank transaction rate among commercial banks stood at 4.12 percent in mid-June to mid-July 2021, compared to an average rate of 0.35 percent in the previous year. Likewise, the weighted average interbank interest rate among other financial institutions (excluding transactions among commercial banks) stood at 4.30 percent in mid-June to mid-July 2021 in comparison to an average of 1.01 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 4.14 percent in mid-June to mid-July 2021.
- 1.99 Weighted average lending and deposit interest rates of commercial banks stood at 8.43 percent and 4.65 percent respectively in mid-June to mid-July 2021 (Table 1.11). Such rates were 10.11 percent and 6.01 percent in the previous year. Similarly, the average base rate (commercial banks) stood at 6.86 percent in mid-June to mid-July 2021, compared to the rate of 8.50 percent a year ago.

Table 1.11
Interest Rate of Commercial Banks

Particulars	2018/19	2019/20	2020/21
Weighted Average Interest Rate of Loan	12.13	10.11	8.43
Weighted Average Interest Rate of Deposit	6.60	6.01	4.65
Average Base Rate	9.57	8.50	6.86

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

Commercial Banks

- 1.100 In FY 2020/21, total assets/liabilities of commercial banks increased by 23.4 percent (Rs. 1022.94 billion) to Rs. 5392.53 billion in comparison to an increase of 21 percent (Rs. 757.66 billion) in the previous year.
- 1.101 In FY 2020/21, total deposits mobilized by commercial banks increased by 20.3 percent (Rs. 702.31 billion) to Rs. 4167.46 billion in mid-July 2021 in comparison to an increase of 21.9 percent (Rs. 622.10 billion) in the previous year. In the review year, the current, saving, and fixed deposits liabilities of commercial banks rose by 22.2 percent, 31.2 percent, and 16.1 percent respectively. Such growths were 28.8 percent, 20.7 percent, and 27.6 percent respectively in the previous year.
- 1.102 The loans and advances of commercial banks in the review year increased by 27.7 percent (Rs. 952.09 billion) to Rs. 4367.46 billion in mid-July 2021. The loans and

advances of commercial banks had increased by 19.1 percent (Rs. 550.92 billion) in the previous year. In the review year, claims on private sector increased by 27.8 percent (Rs. 792.22 billion) which had increased by 16 percent (Rs. 393.54 billion) in the previous year. The ratio of claims on the private sector to GDP stood at 85.4 percent in mid-July 2021.

- 1.103 In 2020/21, loans and advances on priority sectors by commercial banks have reached to 34.4 percent (Rs. 1113.63 billion) of the total loan disbursed. Among this, loan disbursed to agriculture and non-agricultural sectors are 13.2 percent and 19.2 percent respectively.
- 1.104 In the review year, commercial banks' investment in government securities increased by 32.6 percent (Rs. 160.30 billion) to Rs. 651.64 billion as in mid-July 2021. Such investment had increased by Rs. 136.49 billion in the previous year.
- 1.105 As in mid-July 2020, the liquid assets of commercial banks (including investment in government securities) amounted to Rs. 1023.58 billion. These liquid assets represented 29.5 percent of the total deposits this year as compared to 25.7 percent in the previous year. Among the components of liquid assets, liquid funds increased by 41.7 percent in the review period. Commercial Banks' balance held abroad increased by 26.7 percent (Rs. 36.02 billion) to Rs. 171 billion while balance with NRB increased by 65.7 percent (Rs. 109.01 billion) to Rs. 274.91 billion as in mid-July 2020.

Development Banks

- 1.106 In the review year, total assets/liabilities of development banks increased by 25.8 percent (Rs. 106.20 billion) to Rs. 518.34 billion as in mid-July 2021 in contrast to a decrease by 9.9 percent (Rs. 45.52 billion) in the previous year.
- 1.107 Total deposits, the major source of resource mobilization, increased by 25.4 percent (Rs. 89.50 billion) to Rs. 441.46 billion in the review year. Likewise, liquid assets of development banks (including investment in government securities) as in mid-July 2021 amounted to Rs. 78.90 billion, accounting 17.9 percent of total deposits. Such assets was 16.1 percent in the previous year. However, among the components of liquid assets, liquid funds contracted by 12.8 percent to Rs. 22.15 billion in the review year.
- 1.108 In the review year, loans and advances of development banks increased by 27 percent (Rs. 102.26 billion) to Rs. 481.23 billion as in mid-July 2021 in contrast to a decrease of 9.5 percent (Rs. 39.77 billion) in the previous year. Among the components of loans and advances, claims on the private sector increased by 30.5 percent to Rs. 374.18 billion as in mid-July 2021, accounting 8.8 percent of GDP.

Finance Companies

- 1.109 In the review year, total assets/liabilities of finance companies increased by 1.3 percent (Rs. 1.64 billion) to Rs. 126.02 billion as in mid-July 2021. Such assets/liabilities had expanded by 13.1 percent to Rs. 124.39 billion in the previous year. Deposit

mobilization, the major source of resource mobilization, expanded by 0.5 percent (Rs. 0.42 billion) to Rs. 87.26 billion in mid-July 2021 in comparison to the expansion of 16.1 percent in the previous year.

- 1.110 Liquid assets of finance companies (including investment in government securities) in mid-July 2021 amounted to Rs. 28.29 billion, accounting 32.4 percent of total deposits. Such ratio was 21.5 percent in the previous year. Among the components of liquid assets, liquid funds contracted by 3.4 percent to Rs. 5.85 billion in mid-July 2021.
- 1.111 In the review year, loans and advances of finance companies contracted by 0.7 percent (Rs. 0.80 billion) to Rs. 116.01 billion in mid-July 2021 in contrast to the expansion of 15.7 percent in the previous year. Among the components of loans and advances, claims on the private sector decreased by 6.3 percent to Rs. 68.28 billion in mid-July 2021, accounting 1.6 percent of GDP.

Microfinance Financial Institutions

- 1.112 As of mid-July 2021, there are 70 microfinance financial institutions (MFIs) in operation. Among them, 66 are working as replicators of grameen (rural) banking system while 4 are carrying out wholesale microfinance lending transactions.
- 1.113 As of mid-July 2021, total assets/liabilities of MFIs expanded by 37 percent to Rs. 445.50 billion. Likewise, the total deposits and borrowings of MFIs reached Rs. 130.43 billion and Rs. 207.35 billion respectively while total loans and investment reached Rs. 365.55 billion and Rs. 14.71 billion respectively.

Insurance Companies

- 1.114 As of mid-July 2021, there are 41 insurance companies in operation including 19 life insurance companies, 20 non-life insurance companies and 2 reinsurance companies. Based on data received from Insurance Board, total assets/liabilities of insurance companies increased by 24.1 percent to Rs. 542.65 billion in mid-July 2021, compared to the amount of Rs. 437.32 billion in mid-July 2020.

Employees Provident Fund

- 1.115 In mid-July 2021, total assets/liabilities of the Employees Provident Fund (EPF) increased by 15.3 percent to Rs. 442.84 billion compared to an increase of 12 percent to Rs. 384.01 billion in the previous year. Provident fund of the employees expanded by 13.4 percent to Rs. 396.63 billion in mid-July 2021 compared to Rs. 349.63 billion in mid-July 2020.

Citizen Investment Trust

- 1.116 Based on data obtained from Citizen Investment Trust (CIT), total assets/liabilities of the trust rose by 22.7 percent to Rs. 197.67 billion in mid-July 2021, compared to Rs. 161.08 billion in the previous year. Fund collection, a major component in the liabilities side of CIT, increased by 13.7 percent to Rs. 160.66 billion in mid-July 2021 compared

to the amount of Rs. 141.30 billion in the previous year. Loans and advances increased by 16.6 percent to Rs. 53.12 billion compared to the amount of Rs. 45.57 billion in the previous year.

Social Security Fund

- 1.117 Based on data obtained from Social Security Fund, 273,720 contributers of 14,971 firms / companies have been registered till mid-July 2021. Among which, Rs. 6.88 billion was collected from 177,301 contributors of 3,203 firms / companies. The payment of Rs. 52.3 million has been made to 4,418 insurance claims received from the 2,483 contributers while the payment of Rs. 91.8 million has been made to 1,191 old age security claims received from the 1,182 contributers till mid-July 2021.

Postal Savings Bank

- 1.118 Among the 117 offices of Postal Saving Bank authorized for collecting deposits under Postal Services Department of GON, only 65 offices are presently involved in deposit collection. As of mid-July 2021, total deposits of Postal Saving Bank amounted to Rs. 1.65 billion while the loans and advances amounted to Rs. 0.47 billion (Table 1.12).

Table 1.12
Transaction Details of Postal Saving Bank

Particulars	Mid-July		
	2019	2020	2021
Number of Offices Licensed to accept Deposits	117	117	117
Number of Offices accepting Deposits	66	66	65
Number of Offices doing Investment	57	57	57
Number of Accounts	63,396	62,475	59,428
Total Deposits (Rs. in million)	1,327.3	1756.5	1653.4
Total Investment Outstanding (Rs. in million)	377.8	403.3	473.2

Source: Department of Postal Services, GON

Deposit and Credit Guarantee Fund

- 1.119 The Deposit and Credit Guarantee Fund (DCGF) has been providing credit guarantee services for priority sector as well as livestock and vegetable farming sector loans, concessional loans, foreign employment loans, micro and deprived sector loans, and small and medium-scale enterprises loans. The DCGF guaranteed total credit amounting to Rs. 141 billion and total deposits amounting to Rs. 811.62 billion as of mid-July 2021 (Table 1.13).

Table 1.13
Transaction Details of Deposit and Credit Guarantee Fund

Particulars	Mid-July			Percent Change	
	2019	2020	2021	2019/20	2020/21
Total Deposit Guaranteed (Rs. in billion)	603.38	689.49	811.62	14.3	17.7
Total Credit Guaranteed (Rs. in billion)	25.66	62.15	141.00	142.2	126.9

Source: Deposit and Credit Guarantee Fund

Credit Information Centre Limited

- 1.120 Total of 5,284,361 credit information were demanded by 27 commercial banks, 18 development banks, 17 finance companies and 70 microfinance financial institutions. According to information available from Credit Information Centre Limited, the number of blacklisted borrowers reached 16,987 in mid-July 2021 compared to 12,291 in mid-July 2020.

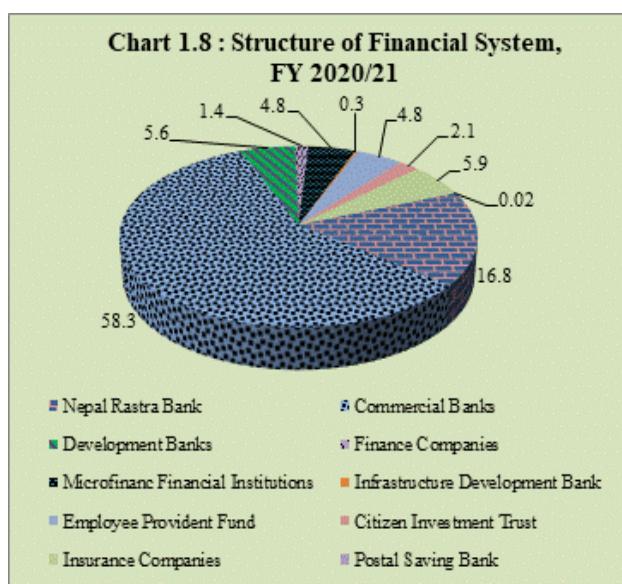
Financial Structure

- 1.121 As of mid-July 2021, a total of 192 banks and non-bank financial institutions are in operation which includes 148 BFIs (NRB licensed 133 and 15 others), 41 insurance companies, Employment Provident Fund, Citizen Investment Trust and Postal Saving Bank. In the previous year, the number of such institutions in operation was 212.

**Table 1.14
Number of Banks and Financial Institutions**

Banks and Financial Institutions	Mid-July		
	2019	2020	2021
Commercial Banks	28	27	27
Development Banks	29	20	18
Finance Companies	23	22	17
Microfinance Financial Institutions	90	85	70
Infrastructure Development Bank	1	1	1
Institutions Licensed by NRB to conduct banking transactions	171	155	133
Other Institutions	11	14	15
Insurance Companies	40	40	41
Employees Provident Fund	1	1	1
Citizen Investment Trust	1	1	1
Postal Saving Bank	1	1	1
Total	225	212	192

- 1.122 As of mid-July 2021, the share of NRB in total assets/liabilities of the financial system remained 16.8 percent. Similarly, the share of commercial banks in total financial system stood 58.3 percent, development banks' 5.6 percent, finance companies' 1.4 percent, microfinance financial institutions' 4.8 percent, infrastructure development bank's 0.3 percent, Employees Provident Fund's 4.8 percent, Citizen Investment Trust's 2.1 percent, insurance companies' 4.9



percent and postal saving banks' 0.02. The ratio of total assets/liabilities of the banking system and GDP stood at 189 percent as in mid July 2021.

Financial Expansion

- 1.123 The number of BFIs licensed by NRB declined to 133 in mid-July 2021 compared to 155 in mid-July 2020. As of mid-July 2021, there are 27 commercial banks, 18 development banks, 17 finance companies, 70 micro-finance financial institutions (MFIs) and 1 infrastructure development bank.
- 1.124 Of the total 753 local levels, commercial banks extended their branches to 750 levels as of mid-July 2021 in comparison to 747 levels in mid-July 2020.
- 1.125 The total number of deposit accounts and borrowers accounts of commercial banks, development banks and finance companies have reached 37.77 million and 1.72 million respectively in mid-July 2021. Such a number was 32.45 million and 1.54 million respectively in mid-July 2020. Similarly, the number of depositors and borrowers in MFIs have reached 5.19 million and 2.99 million respectively in mid-July 2021. These MFIs have provided their services in all 77 districts.
- 1.126 The number of institutions licensed by NRB to carry out limited banking operations reached 15 as of mid-July 2021. Such number was 12 in mid-July 2020.

Securities Market

- 1.127 On y-o-y basis, the NEPSE index increased by 111.6 percent to 2883.4 points in mid-July 2021. Such an index was increased by 8.2 percent to 1362.4 in mid-July 2020.
- 1.128 The NEPSE sensitive index increased by 87.8 percent to 541.4 points in mid-July 2021 over 288.3 points in mid-July 2020. Similarly, the NEPSE float index also increased by 109.8 percent from 95.5 to 200.3 points in mid-July 2021.
- 1.129 Securities market transactions increased remarkably in the review year. The total volume of share transactions increased by 8.7 times to Rs. 1454.44 billion in the review year from Rs. 150.4 billion in the previous year.
- 1.130 As of mid-July 2021, market capitalization on y-o-y basis increased by 123.7 percent to Rs. 4010.96 billion. The market capitalization to GDP ratio increased to 94.0 percent in review year from 45.8 percent in mid-July 2020. In the review year, the share of banks and financial institutions (including insurance companies), hydropower, investment, manufacturing and processing, hotels, trading and others in stock market capitalization



stood at 68.9 percent, 8.4 percent, 8.1 percent, 3.7 percent, 1.5 percent, 0.5 percent and 8.9 percent respectively.

- 1.131 The paid-up value value of listed shares in NEPSE increased by 21.1 percent to Rs. 573.24 billion in mid July 2021. Securities worth Rs. 404.77 billion were listed at NEPSE during the twelve months of 2020/21. Such securities comprise government development bond worth Rs. 284.95 billion, bonus shares worth Rs.46.74 billion, ordinary share worth Rs. 42.17 billion, debenture worth Rs. 18.55 billion, mutual fund worth Rs.6.85 billion and right share worth Rs. 5.52 billion.
- 1.132 The number of companies listed in Nepal Stock Exchange Limited has reached 219 in mid-July 2021. Such a number was 212 in mid-July 2020. Among the listed companies, 143 are Bank and Financial Institutions(BFIs) and insurance companies, 40 hydropower companies, 19 manufacturing and processing industries, 5 hotels, 5 investment companies, 4 trading companies, and 3 others.

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

Description	2019	2020	Projection	
			2021	2022
World Output	2.8	-3.1	5.9	4.9
Advanced Economies	1.7	-4.5	5.2	4.5
United States	2.3	-3.4	6.0	5.2
Euro Area	1.5	-6.3	5.0	4.3
Japan	0.0	-4.6	2.4	3.2
Emerging and Developing Economies	3.7	-2.1	6.4	5.1
Emerging and Developing Asia	5.4	-0.8	7.2	6.3
China	6.0	2.3	8.0	5.6
India	4.0	-7.3	9.5	8.5
Goods Price				
Fuel	-10.2	-32.7	59.1	-1.8
Non-fuel	0.8	6.7	26.7	-0.9
Consumer Price				
Advanced Economies	1.4	0.7	2.8	2.3
Emerging and Developing Economies	5.1	5.1	5.5	4.9
World Trade (Merchandise and Services)	0.9	-8.2	9.7	6.7

Source: International Monetary Fund, *World Economic Outlook*, October 2021

Table 2
Macroeconomic Indicators

S.N.	Description	Percent Change		
		2018/19	2019/20	2020/21
1	Producers' Prices:			
	1.1 GDP at constant (2010/11) prices	6.66	-2.09	4.01
	1.2 GDP at current prices	11.66	1.45	8.98
2	Basic Prices:			
	2.1 GDP at constant (2010/11) prices	6.39	-2.12	3.98
	2.2 GDP at current prices	11.01	3.34	8.08
3	GNI at Current Prices	11.96	1.69	8.31
4	Total Consumption	10.99	12.17	8.66
5	Gross Domestic Saving	15.52	-57.94	13.67
6	Gross National Saving	16.21	-21.44	4.92
7	Total Investment	16.83	-30.37	18.07
8	Gross Fixed Capital Formation	16.42	-14.71	4.51
9	Gross National Disposable Income	12.67	1.01	7.69
10	Money Supply (M1)	8.6	17.8	22.6
11	Broad Money Supply (M2)	15.8	18.1	21.8
12	Domestic Credit	21.1	13.6	26.8
13	Fixed Deposits	22.4	25.1	17.6
14	Total Exports	19.4	0.6	44.4
15	Total Imports	13.9	-15.6	28.7
16	Gross Foreign Exchange Reserve	-5.8	34.9	-0.2
17	Government Revenue	15.5	0.2	16.3
18	Government Expenditure*	2.1	-1.7	8.2
19	National Consumer Price Index	4.6	6.2	3.6
20	Wholesale Price Index	6.2	6.9	7.61
As Percent of Nominal GDP at Producers' Prices				
1	Total Consumption	84.7	93.65	93.38
2	Gross Domestic Saving	15.3	6.35	6.62
3	Gross National Saving	42.06	32.61	31.40
4	Total Investment	41.38	28.40	30.77
5	Gross Fixed Capital Formation	33.82	28.43	27.26
6	Gross National Disposable Income	126.81	126.27	124.78
7	Money Supply (M1)	18.8	21.9	24.6
8	Broad Money Supply (M2)	92.8	108.1	120.8
9	Domestic Credit	86.5	96.9	112.8
10	Fixed Deposits	38.6	47.6	51.3
11	Total Exports	2.5	2.5	3.3
12	Total Imports	36.8	30.6	36.1
13	Foreign Exchange Reserve	26.9	35.8	32.8
14	Government Revenue	21.8	21.5	22.9
15	Government Expenditure	28.8	27.9	27.7
16	Government Budget Surplus/Deficit*	-4.7	-6.8	-6.3
17	Trade Balance (-Deficit)	-34.2	-28.1	-32.8
18	Current Account Balance (-Deficit)	-6.9	-0.9	-7.8
19	Total Outstanding External Debt	15.4	20.8	21.8
20	Total Outstanding Domestic Debt	11.7	15.7	18.8

* On cash basis

Source: Economic Survey, 2020.21; Financial Comptroller General Office

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

Description	Growth rate (percentage)		
	2018/19	2019/20	2020/21
1. Agriculture sector	5.16	2.23	2.64
Agriculture, forestry and fishing	5.16	2.23	2.64
2. Non agriculture sector	6.90	-3.91	4.57
A. Industry sector	7.38	-3.69	5.05
Mining and quarrying	17.62	-2.23	7.49
Manufacturing	6.52	-8.57	3.85
Electricity, gas, steam and air conditioning supply	9.61	25.58	7.74
Water supply, sewerage, waste management and remediation activities	1.22	2.15	1.61
Construction	7.48	-4.99	5.56
B. Service sector	6.76	-3.97	4.43
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.11	-10.69	5.27
Transportation and storage	8.77	-13.37	6.12
Accommodation and food service activities	9.92	-36.97	11.20
Information and communication	7.05	2.30	1.45
Financial and insurance activities	6.35	4.75	5.82
Real estate activities	3.75	2.37	2.64
Professional, scientific and technical activities	5.61	1.20	2.32
Administrative and support service activities	6.44	2.15	2.17
Public administration and defence; compulsory social security	5.12	5.98	3.49
Education	5.98	3.20	3.60
Human health and social work activities	6.69	5.20	6.53
Arts, entertainment and recreation; Other service activities; and Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	5.92	1.77	3.09

R = Revised estimate

P = Preliminary estimate

Source: Central Bureau of Statistics

Table 4
Province-wise Growth Rate and Share

Province	2019/20^R		2020/21^P	
	Growth Rate	Share	Growth Rate	Share
Province 1	-1.18	15.64	-1.18	15.64
Province 2	-1.64	13.25	-1.64	13.25
Bagmati	-3.65	37.16	-3.65	37.16
Gandaki	-1.66	8.80	-1.66	8.80
Lumbini	-1.76	14.05	-1.76	14.05
Karnali	0.72	4.10	0.72	4.10
Sudur-Paschim	0.58	6.99	0.58	6.99
National	-2.09	100.00	-2.09	100.00

R = Revised estimate

P = Preliminary estimate

Source: Central Bureau of Statistics

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

Groups/Sub-Groups	Weight %	2018/19	2019/20	2020/21	Percent Change	
					2019/20	2020/21
Overall Index	100.00	125.14	132.84	137.62	6.15	3.60
1. Food & Beverage	43.91	119.72	129.49	135.97	8.16	5.00
Cereal Grains & their Products	11.33	119.91	124.69	128.29	3.99	2.89
Legume Varieties	1.84	89.09	98.12	108.57	10.14	10.65
Vegetables	5.52	116.32	143.03	149.29	22.96	4.38
Meat & Fish	6.75	120.02	129.53	137.23	7.92	5.94
Milk Products & Eggs	5.24	124.91	131.92	134.33	5.61	1.83
Ghee & Oil	2.95	122.36	127.51	149.87	4.21	17.54
Fruits	2.08	121.86	135.90	145.17	11.52	6.82
Sugar & Sweets	1.74	118.24	124.13	130.38	4.98	5.04
Spices	1.21	120.37	137.22	131.61	14.00	-4.09
Soft Drinks	1.24	115.96	120.91	129.18	4.27	6.84
Hard Drinks	0.68	150.56	165.60	173.71	9.99	4.90
Tobacco Products	0.41	129.78	142.99	157.05	10.18	9.83
Restaurant and Hotel	2.92	128.73	134.83	139.91	4.74	3.77
2. Non-Food & Services	56.09	129.55	135.52	138.92	4.61	2.51
Clothing & Footwear	7.19	141.00	148.69	152.75	5.45	2.73
Housing & Utilities	20.30	140.33	146.98	148.41	4.74	0.97
Furnishing & Household Equipment	4.30	123.85	129.47	134.22	4.54	3.67
Health	3.47	110.06	114.88	119.24	4.38	3.80
Transport	5.34	109.30	111.00	118.12	1.56	6.41
Communication	2.82	103.81	105.64	109.49	1.76	3.64
Recreation & Culture	2.46	116.91	119.41	123.73	2.14	3.62
Education	7.41	137.15	144.36	143.60	5.26	-0.53
Miscellaneous Goods & Services	2.81	124.42	138.54	150.80	11.35	8.85
Consumer Price Index - Kathmandu Valley						
Overall Index	100.00	124.52	133.19	137.62	6.96	3.33
1. Food & Beverage	39.77	122.53	132.49	140.14	8.13	5.77
2. Non-Food & Services	60.23	125.85	133.65	135.98	6.20	1.74
Consumer Price Index - Terai						
Overall Index	100.00	124.52	133.19	135.98	6.29	3.68
1. Food & Beverage	44.14	122.53	132.49	133.35	8.73	4.98
2. Non-Food & Services	55.86	125.85	133.65	138.08	4.39	2.67
Consumer Price Index - Hills						
Overall Index	100.00	128.99	135.57	140.81	5.10	3.87
1. Food & Beverage	46.88	121.75	130.96	136.98	7.56	4.60
2. Non-Food & Services	53.12	135.74	139.78	144.25	2.98	3.20
Consumer Price Index - Mountain						
Overall Index	100.00	125.71	131.88	135.67	4.91	2.87
1. Food & Beverage	59.53	120.68	127.42	131.71	5.59	3.37
2. Non-Food & Services	40.47	133.51	138.73	141.71	3.91	2.15

Table 6
National Wholesale Price Index
(Annual Average)
 (Base Year: 1999/2000=100)

Groups/Sub-Groups	Weight %	2018/19	2019/20	2020/21	Percent Change	
					2019/20	2020/21
1. Overall Index	100.00	106.23	113.52	122.16	6.87	7.61
1.1 Primary Commodities	33.59	106.12	118.89	131.32	12.03	10.46
Foodgrains	31.27	106.11	119.61	131.91	12.73	10.28
Non-food	2.31	106.27	109.10	123.41	2.66	13.11
1.2 Fuel and Power	8.76	112.65	113.78	114.62	1.00	0.73
Petroleum Products	5.66	119.58	121.34	122.63	1.47	1.06
Electricity	3.10	100.00	100.00	100.00	0.00	0.00
1.3 Manufactured Commodities	57.65	105.31	110.36	117.98	4.79	6.90
Food Beverages & Tobacco	15.16	105.29	118.77	127.09	12.80	7.01
Textiles	1.01	115.12	120.15	127.36	4.37	6.00
Leather and Leather-related Products	0.29	103.98	112.98	113.12	8.66	0.13
Wood and Wood-related Products	2.07	109.41	113.62	117.61	3.85	3.50
Paper and Paper Products	1.08	101.11	103.26	114.09	2.13	10.49
Chemical and Chemical Goods	6.55	100.22	105.88	121.32	5.65	14.57
Rubber and Plastic Products	1.92	105.24	108.45	108.72	3.06	0.24
Non-metalic Mineral Products	4.50	101.17	99.88	100.04	-1.28	0.16
Basic Metals	12.55	108.70	108.46	119.53	-0.23	10.21
Electric & Electronic Goods	4.45	99.91	98.33	97.71	-1.58	-0.62
Machinery and Goods	3.17	103.85	107.48	113.04	3.50	5.17
Transport, Equipment & Parts Goods	3.80	112.30	118.30	123.72	5.35	4.58
Others	1.08	104.00	109.64	117.84	5.43	7.48
Broad Economic Classification	100.00	106.23	113.52	122.16	6.87	7.61
Consumption Goods	32.90	105.54	114.46	123.30	8.45	7.73
Mediator Goods	56.30	107.27	114.45	123.97	6.70	8.32
Capital Goods	10.80	102.86	105.81	109.27	2.86	3.27
Construction Materials	14.03	107.97	103.82	107.70	(3.85)	3.74

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

	Groups/Sub-Groups	Weight %	2017/18	2018/19	2019/20	2020/21	Percent Change	
							2019/20	2020/21
	Overall Index	100.00	449.43	491.07	537.45	545.99	9.4	1.60
1.	Salary Index	26.97	368.58	393.14	446.04	446.42	13.5	0.09
	Officers	9.80	339.61	367.01	425.18	425.39	15.8	0.05
	Non-Officers	17.17	385.11	408.04	457.91	458.40	12.2	0.11
1.1	Civil Service	2.82	423.20	454.43	541.80	541.80	19.2	0.00
	Officers	0.31	350.73	358.83	421.45	421.45	17.5	0.00
	Non-Officers	2.51	432.00	466.03	556.41	556.41	19.4	0.00
1.2	Public Corporations	1.14	353.06	373.46	441.98	442.09	18.3	0.02
	Officers	0.19	297.21	310.54	393.40	393.65	26.7	0.06
	Non-Officers	0.95	364.23	386.05	451.70	451.78	17.0	0.02
1.3	Bank & Financial Institutions	0.55	523.21	529.24	653.50	663.85	23.5	1.58
	Officers	0.10	407.54	414.59	476.98	481.55	15.0	0.96
	Non-Officers	0.45	549.70	555.48	693.90	705.58	24.9	1.68
1.4	Army & Police Forces	4.01	410.85	443.95	483.76	483.76	9.0	0.00
	Officers	0.17	322.64	337.04	382.61	382.61	13.5	0.00
	Non-Officers	3.84	414.81	448.75	488.30	488.30	8.8	0.00
1.5	Education	10.55	383.36	422.69	466.92	467.34	10.5	0.09
	Officers	6.80	354.61	392.91	452.32	452.54	15.1	0.05
	Non-Officers	3.75	435.45	476.65	493.37	494.17	3.5	0.16
1.6	Private Institutions	7.90	299.36	299.36	350.97	350.97	17.2	0.00
	Officers	2.24	293.90	293.90	346.35	346.35	17.8	0.00
	Non-Officers	5.66	301.51	301.51	352.79	352.79	17.0	0.00
2.	Wage Rate Index	73.03	479.29	527.24	571.21	582.76	8.3	2.04
2.1	Agricultural Labourer	39.49	546.27	608.96	654.26	668.67	7.4	2.20
	Male	20.49	523.01	580.08	633.06	649.52	9.1	2.60
	Female	19.00	571.38	640.13	677.14	689.34	5.8	1.80
2.2	Industrial Labourer	25.25	391.76	419.04	464.88	472.82	10.9	1.71
	Highly Skilled	6.31	360.08	392.74	444.39	450.70	13.2	1.42
	Skilled	6.31	372.86	400.22	442.94	451.64	10.7	1.96
	Semi-Skilled	6.31	366.64	398.81	444.19	454.59	11.4	1.83
	Unskilled	6.32	467.40	484.33	522.37	534.27	7.9	1.62
2.3	Construction Labourer	8.29	426.73	467.43	498.53	508.24	6.7	1.95
	Mason	2.76	398.93	432.32	464.19	468.20	7.4	0.86
	Skilled	1.38	389.76	423.96	452.00	458.39	6.6	1.41
	Unskilled	1.38	408.10	440.68	476.37	478.01	8.1	0.34
	Carpenter	2.76	386.49	419.28	453.54	460.11	8.2	1.45
	Skilled	1.38	374.10	409.38	436.46	443.76	6.6	1.67
	Unskilled	1.38	398.88	429.18	470.61	476.45	9.7	1.24
	Worker	2.77	494.59	550.46	577.67	596.19	4.9	3.21
	Male	1.38	480.44	541.23	581.47	595.85	7.4	2.47
	Female	1.39	508.66	559.64	573.89	596.53	2.5	3.95

Table 8
Consumer Price Inflation in Nepal and India (Monthly Series)
(y-o-y changes)

Months	2018/19			2019/20			2020/21		
	Nepal	India	Deviation	Nepal	India	Deviation	Nepal	India	Deviation
August	4.2	3.7	0.5	7.0	3.3	3.7	3.5	6.7	-3.2
September	3.9	3.7	0.2	6.2	4.0	2.2	4.5	7.3	-2.8
October	4.7	3.4	1.3	6.2	4.6	1.6	3.8	7.6	-3.8
November	4.2	2.3	1.9	5.8	5.5	0.2	4.1	6.9	-2.9
December	3.7	2.1	1.6	6.6	7.4	-0.8	2.9	4.6	-1.7
January	4.6	2.1	2.6	6.8	7.6	-0.8	3.6	4.1	-0.5
February	4.4	2.6	1.8	6.9	6.6	0.3	2.7	5.0	-2.3
March	4.2	2.9	1.3	6.7	5.9	0.8	3.0	5.5	-2.5
April	4.4	2.9	1.5	6.7	-	-	3.1	4.3	-1.2
May	5.3	3.1	2.2	5.8	-	-	3.7	6.3	-2.7
June	6.2	3.2	3.0	4.5	6.2	-1.7	4.2	6.3	-2.1
July	6.0	3.2	2.9	4.8	6.9	-2.2	4.2	5.6	-1.4
Average	4.6	2.9	1.7	6.2	5.8	0.3	3.6	5.9	-2.3

Table 9
Direction of Foreign Trade*

	2018/19	2019/20 ^R	2020/21 ^P	(Rs. in Million)	
				2019/20	2020/21
TOTAL EXPORTS	97109.5	97709.1	141124.1	0.6	44.4
To India	62731.8	70108.9	106372.1	11.8	51.7
To China	2109.8	1191.2	1016.1	-43.5	-14.7
To Other Countries	32267.9	26409.0	33736.0	-18.2	27.7
TOTAL IMPORTS	1418535.3	1196799.1	1539837.1	-15.6	28.7
From India	917922.2	735294.8	971603.9	-19.9	32.1
From China	205518.6	181920.3	233923.1	-11.5	28.6
From Other Countries	295094.5	279583.9	334310.1	-5.3	19.6
TOTAL TRADE BALANCE	-1321425.8	-1099089.9	-1398713.0	-16.8	27.3
With India	-855190.4	-665185.9	-865231.9	-22.2	30.1
with China	-203408.8	-180729.1	-232907.0	-11.1	28.9
With Other Countries	-262826.6	-253174.9	-300574.1	-3.7	18.7
TOTAL FOREIGN TRADE	1515644.9	1294508.2	1680961.2	-14.6	29.9
With India	980654.0	805403.7	1077976.0	-17.9	33.8
With China	207628.4	183111.5	234939.1	-11.8	28.3
With Other Countries	327362.4	305993.0	368046.0	-6.5	20.3

(In Percent)

1. Ratio of Exports to Imports	6.8	8.2	9.2
India	6.8	9.5	10.9
China	1.0	0.7	0.4
Other Countries	10.9	9.4	10.1
2. Share in Total Exports			
India	64.6	71.8	75.4
China	2.2	1.2	0.7
Other Countries	33.2	27.0	23.9
3. Share in Total Imports			
India	64.7	61.4	63.1
China	14.5	15.2	15.2
Other Countries	20.8	23.4	21.7
4. Share in Trade Balance			
India	64.7	60.5	61.9
China	15.4	16.4	16.7
Other Countries	19.9	23.0	21.5
5. Share in Total Trade			
India	64.7	62.2	64.1
China	13.7	14.1	14.0
Other Countries	21.6	23.6	21.9
6. Share of Exports & Imports in Total Trade			
Export	6.4	7.5	8.4
Import	93.6	92.5	91.6

* 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	
		2018/19	2019/20 ^R	2020/21 ^P	2019/20	2020/21
A.	Major Commodities	53369.8	62467.1	94778.8	17.0	51.7
1	Polyester Yarn	6159.6	4426.0	5773.9	-28.1	30.5
2	Textiles**	3420.5	2873.7	3296.4	-16.0	14.7
3	Thread	754.7	1015.4	1571.3	34.5	54.7
4	Jute Goods - Sackings	5493.0	4949.4	6297.6	-9.9	27.2
5	Zinc Sheet	2951.0	1025.5	690.0	-65.2	-32.7
6	Juice	4549.9	3430.2	4215.8	-24.6	22.9
7	Cardamom	4283.9	4007.3	6935.9	-6.5	73.1
8	Wire	2154.3	617.6	322.2	-71.3	-47.8
9	Tooth Paste	815.9	733.3	927.4	-10.1	26.5
10	Copper Wire Rod	971.2	487.9	442.9	-49.8	-9.2
11	Noodles	791.5	789.1	1401.2	-0.3	77.6
12	Shoes and Sandals	906.5	755.2	768.9	-16.7	1.8
13	G.I.pipe	209.9	94.2	48.8	-55.1	-48.3
14	Oil Cakes	1608.1	1566.4	2265.9	-2.6	44.7
15	Jute Goods - Hessian	318.4	312.8	407.5	-1.8	30.3
16	Rosin	1385.6	812.1	1125.1	-41.4	38.5
17	Ginger	497.3	400.2	375.4	-19.5	-6.2
18	Readymade garments	174.4	171.2	86.8	-1.8	-49.3
19	Skin	189.9	70.8	67.4	-62.7	-4.9
20	Herbs	723.4	926.9	1248.6	28.1	34.7
21	Plastic Utensils	2.6	22.9	61.3	784.0	167.7
22	Cattlefeed	492.7	195.4	30.8	-60.3	-84.2
23	Medicine (Ayurvedic)	734.0	975.8	1592.2	32.9	63.2
24	Turpentine	312.4	186.8	197.2	-40.2	5.5
25	Particle Board	7.9	12.1	14.8	54.0	21.8
26	Brans	286.5	204.5	474.9	-28.6	132.2
27	Pashmina	113.5	87.8	160.6	-22.6	82.9
28	Paper	42.3	4.4	17.2	-89.6	289.7
29	Marble Slab	51.6	40.0	15.1	-22.4	-62.3
30	Cinnamon	82.1	61.9	143.0	-24.6	131.0
31	Vegetables	122.5	116.4	105.8	-5.0	-9.1
32	Handicraft Goods	50.9	53.9	17.2	5.8	-68.1
33	Mustard & Linseed	29.8	26.1	14.9	-12.6	-42.8
34	Fruits	2.6	4.4	12.4	73.2	179.4
35	Palm Oil	10333.2	18318.0	1.0	77.3	-100.0
36	Soyabean Oil	2346.4	12691.1	53651.6	440.9	322.7
B.	Others	9362.1	7641.8	11593.2	-18.4	51.7
Total (A+B)		62731.8	70108.9	106372.1	11.8	51.7

* 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	
		2018/19	2019/20 ^R	2020/21 ^P	2019/20
A.	Major Commodities	729821.8	566018.3	724247.3	-22.4
1	Petroleum Products	213356.5	161482.1	172596.8	-24.3
2	Vehicles & Spare Parts	97520.5	63812.9	100552.1	-34.6
3	M.S. Billet	66894.3	42236.7	71528.4	-36.9
4	Other Machinery & Parts	48423.7	39859.4	45544.7	-17.7
5	Medicine	25518.4	25944.2	29123.7	1.7
6	Coldrolled Sheet in Coil	9848.2	6513.7	3444.3	-33.9
7	M.S. Wires, Rods, Coils, Bars	17179.5	11139.4	17478.2	-35.2
8	Electrical Equipment	21236.3	18909.9	26588.0	-11.0
9	Hotrolled Sheet in Coil	23354.4	23906.3	25615.4	2.4
10	Cement	12971.2	4866.3	3981.6	-62.5
11	Agri. Equip.& Parts	5456.9	4431.5	6593.1	-18.8
12	Chemicals	7065.1	6367.6	9176.7	-9.9
13	Thread	11296.6	7538.9	12635.6	-33.3
14	Chemical Fertilizer	900.1	896.5	1088.9	-0.4
15	Textiles	7881.4	6784.8	10795.4	-13.9
16	Coal	13325.3	7513.5	5739.6	-43.6
17	Tobacco	2355.6	2687.7	2583.3	14.1
18	Vegetables	14609.4	13581.8	15277.7	-7.0
19	Cosmetics	3309.0	2645.7	2871.5	-20.0
20	Paper	6672.7	6308.2	6667.7	-5.5
21	Rice/Paddy	32215.0	33350.5	50480.9	3.5
22	Readymade Garments	8049.6	6772.8	9274.8	-15.9
23	Glass Sheet and G.Wares	5373.3	3633.6	6102.1	-32.4
24	Almunium Bars, Rods, Profiles, Foil etc.	5350.8	3927.2	5082.4	-26.6
25	Tyre, Tubes & Flapes	8894.7	7563.4	10231.1	-15.0
26	Radio, TV, Deck & Parts	1511.9	1524.5	1069.6	0.8
27	Enamel & Other Paints	3668.7	3570.2	5979.8	-2.7
28	Books and Magazines	1362.9	792.0	545.4	-41.9
29	Baby Food & Milk Products	6675.8	6069.7	7094.5	-9.1
30	Pipe and Pipe Fittings	2843.2	3222.7	3926.7	13.3
31	Insecticides	2550.3	3838.9	4936.7	50.5
32	Salt	1409.6	1527.0	1969.0	8.3
33	Bitumen	5807.7	5462.8	6564.5	-5.9
34	Wire Products	4115.1	3590.0	4472.0	-12.8
35	Fruits	10444.9	8628.1	10357.1	-17.4
36	Sanitaryware	2594.0	2158.3	3094.0	-16.8
37	Other Stationery Goods	1123.1	890.6	877.5	-20.7
38	Cuminseeds and Peppers	1915.8	2275.5	2472.5	18.8
39	Dry Cell Battery	3520.3	2617.6	3628.1	-25.6
40	Shoes & Sandles	1070.0	609.5	892.3	-43.0
41	Plastic Utensils	3572.2	2915.4	3647.6	-18.4
42	Incense Sticks	1016.6	934.2	1239.4	-8.1
43	Cooking Stoves	681.0	525.4	824.7	-22.8
44	Live Animals	2721.4	120.1	122.0	-95.6
45	Raw Cotton	472.3	238.5	209.6	-49.5
46	Tea	102.4	69.9	123.4	-31.8
47	Molasses Sugar	94.1	124.3	593.2	32.1
48	Steel Sheet	1490.1	1638.4	8554.0	9.9
B.	Others	188100.4	169276.6	247356.7	-10.0
	Total (A+B)	917922.2	735294.8	971603.9	-19.9
					32.1

* 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	
		2018/19	2019/20 ^R	2020/21 ^P	2019/20	2020/21
A.	Major Commodities	1102.6	426.5	623.6	-61.3	46.2
1	Agarbatti	7.4	5.5	3.3	-25.6	-40.7
2	Handicraft (Metal and Woolen)	292.7	87.5	141.9	-70.1	62.2
3	Noodles	148.7	2.8	0.0	-98.1	-
4	Other handicraft goods	200.0	151.8	165.9	-24.1	9.2
5	Pashmina	42.0	13.4	16.1	-68.0	19.6
6	Readymade Garments	100.3	19.3	50.0	-80.8	159.6
7	Readymade Leather Goods	0.7	0.9	1.3	19.6	52.8
8	Tanned Skin	85.7	0.6	22.3	-99.3	-
9	Tea	15.8	4.2	0.0	-73.6	-
10	Wheat Flour	13.9	3.2	0.0	-77.0	-
11	Woolen Carpet	195.4	137.4	222.8	-29.7	62.2
B.	Other	1007.2	764.7	392.5	-24.1	-48.7
	Total (A+B)	2109.8	1191.2	1016.1	-43.5	-14.7

* 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	
		2018/19	2019/20R	2020/21P	2019/20	2020/21
A.	Major Commodities	140623.3	122965.5	146696.8	-12.6	19.3
1	Aluminum Scrap, Flake, Foil, Bars, & Rods	2299.4	2128.8	1852.9	-7.4	-13.0
2	Bags	1376.3	911.2	664.8	-33.8	-27.0
3	Camera	729.4	763.6	1626.9	4.7	113.0
4	Chemical	1789.9	1511.2	2315.8	-15.6	53.2
5	Chemical Fertilizer	8322.4	9291.0	9025.2	11.6	-2.9
6	Cosmetic Goods	1237.0	721.5	1045.6	-41.7	44.9
7	Dry Cell Battery	209.0	543.3	195.3	159.9	-64.1
8	Electrical Goods	20325.1	16425.7	16709.1	-19.2	1.7
9	Fastener	400.3	259.1	278.1	-35.3	7.3
10	Garlic	352.4	294.8	1049.3	-16.3	255.9
11	Glasswares	1750.3	1690.2	1621.3	-3.4	-4.1
12	Medical Equipment & Tools	1619.7	3351.7	7820.8	106.9	133.3
13	Medicine	1291.6	1131.8	4500.1	-12.4	297.6
14	Metal & Wooden furniture	1644.4	1657.0	810.5	0.8	-51.1
15	Office Equipment & Stationary	1338.8	1137.5	784.9	-15.0	-31.0
16	Other Machinery and Parts	18927.3	19013.7	21177.6	0.5	11.4
17	Other Stationaries	675.4	959.9	774.8	42.1	-19.3
18	Paraffin Wax	14.2	6.2	4.9	-56.7	-20.6
19	Pipe and Pipe Fittings	1096.9	830.3	569.6	-24.3	-31.4
20	Plywood & Particle board	452.9	355.0	374.2	-21.6	5.4
21	Polyethylene Terephthalate (Plastic pet chips/Pet Resin)	183.6	380.4	584.7	107.2	53.7
22	Raw Silk	1921.0	1528.1	1912.7	-20.5	25.2
23	Raw Wool	361.7	188.1	171.0	-48.0	-9.1
24	Readymade Garments	20982.7	14682.8	17968.2	-30.0	22.4
25	Seasoning Powder & Flavour for Instant Noodles	81.7	70.4	44.1	-13.8	-37.3
26	Shoes and Sandals	6485.9	4668.6	5555.1	-28.0	19.0
27	Smart Cards	189.7	169.1	72.7	-10.8	-57.0
28	Solar Panel	1065.3	1662.8	1203.7	56.1	-27.6
29	Steel Rod & Sheet	1241.9	643.7	566.3	-48.2	-12.0
30	Storage Battery	762.8	1087.2	464.3	42.5	-57.3
31	Telecommunication Equipments and Parts	22844.4	19332.2	31552.2	-15.4	63.2
32	Threads - Polyester	469.8	481.3	273.7	2.5	-43.1
33	Toys	1453.8	1210.5	1758.9	-16.7	45.3
34	Transport Equipment & Parts	4311.6	4817.5	5565.1	11.7	15.5
35	Tyre, Tubes and Flaps	241.2	332.1	630.0	37.7	89.7
36	Video Television & Parts	10288.7	7221.3	3954.3	-29.8	-45.2
37	Welding Rods	748.2	580.8	657.1	-22.4	13.1
38	Wheat Products	296.4	235.7	316.3	-20.5	34.2
39	Writing & Printing Paper	840.1	689.2	244.8	-18.0	-64.5
B.	Others	64895.4	58954.8	87226.3	-9.2	48.0
	Total (A + B)	205518.6	181920.3	233923.1	-11.5	28.6

* Based on customs data

R= Revised, P= Provisional

Table 14
Exports of Major Commodities to Other Countries*

S.N.		Fiscal Year			(Rs. in Million)	
		2018/19	2019/20^R	2020/21^P	2019/20	2020/21
A.	Major Commodities	16469.4	13159.0	15683.5	-20.1	19.2
1	Handicraft (Metal and Wooden)	146.4	115.1	205.1	-21.4	78.2
2	Herbs	593.1	583.4	371.8	-1.6	-36.3
3	Nepalese Paper & Paper Products	281.7	312.8	417.2	11.0	33.4
4	Pashmina	1754.3	1662.4	2367.9	-5.2	42.4
5	Pulses	1274.1	949.0	567.7	-25.5	-40.2
6	Readymade Garments	3911.4	2611.1	3318.9	-33.2	27.1
7	Readymade Leather Goods	285.4	137.6	176.4	-51.8	28.2
8	Silverware and Jewelleries	510.2	386.0	762.4	-24.4	97.5
9	Tanned Skin	244.4	99.5	64.6	-59.3	-35.1
10	Tea	304.0	284.6	411.0	-6.4	44.4
11	Woolen Carpet	7164.4	6017.7	7020.6	-16.0	16.7
B.	Others	15798.5	13250.0	18052.4	-16.1	36.2
	Total (A+B)	32267.9	26409.0	33736.0	-18.2	27.7

* 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	
		2018/19	2019/20 ^R	2020/21 ^P	2019/20	2020/21
A.	Major Commodities	217134.8	192572.6	242175.0	-11.3	25.8
1	Gold	34633.9	13637.5	27486.0	-60.6	101.5
2	Telecommunication Equipment & Parts	3236.0	2507.8	2977.7	-22.5	18.7
3	Other Machinery & Parts	11073.0	8221.8	13993.8	-25.7	70.2
4	Electrical Goods	2193.0	1566.6	2482.7	-28.6	58.5
5	Polythene Granules	12168.3	10058.4	10795.9	-17.3	7.3
6	Computer and Parts	2281.0	4221.9	4121.1	85.1	-2.4
7	Crude Soyabean Oil	13450.8	18741.1	53364.3	39.3	184.7
8	Transport Equipment & Parts	8518.2	6873.3	6243.7	-19.3	-9.2
9	Medicine	6260.2	3586.8	5950.4	-42.7	65.9
10	Betelnut	1214.7	2828.7	1001.6	132.9	-64.6
11	Silver	13305.2	9491.6	8595.0	-28.7	-9.4
12	Threads	4854.7	3622.4	3569.5	-25.4	-1.5
13	Aircraft Spareparts	23110.4	21369.0	3759.2	-7.5	-82.4
14	Steel Rod & Sheet	273.7	209.5	46.6	-23.5	-77.8
15	Crude Palm Oil	11826.8	17991.2	7234.9	52.1	-59.8
16	Medical Equipment & Tools	6664.9	5639.8	10031.2	-15.4	77.9
17	Copper Wire Rod, Scrapes & Sheets	4380.6	4513.8	5169.2	3.0	14.5
18	Petroleum Products	2404.1	2219.9	2914.5	-7.7	31.3
19	Video Television & Parts	3472.8	3483.6	1542.8	0.3	-55.7
20	Writing & Printing Paper	2541.9	2226.9	1212.1	-12.4	-45.6
21	Textiles	724.8	538.2	795.5	-25.7	47.8
22	Readymade Garments	1225.9	916.6	860.2	-25.2	-6.1
23	Storage Battery	652.9	429.4	541.3	-34.2	26.1
24	P.V.C.Compound	2942.7	2756.3	4188.9	-6.3	52.0
25	Raw Wool	909.5	771.5	891.8	-15.2	15.6
26	Cosmetic Goods	1598.4	1437.1	1574.6	-10.1	9.6
27	Office Equipment & Stationary	1180.5	1087.6	961.1	-7.9	-11.6
28	Chemical Fertilizer	6929.7	8715.5	12706.6	25.8	45.8
29	Edible Oil	8142.3	10425.2	17012.9	28.0	63.2
30	Other Stationaries	1311.3	688.3	852.9	-47.5	23.9
31	Palm Oil	983.3	1099.1	1420.3	11.8	29.2
32	Shoes and Sandals	261.2	279.8	309.8	7.1	10.7
33	Pipe & Pipe Fittings	50.0	193.1	175.6	286.5	-9.1
34	Synthetic Carpet	600.4	426.7	346.2	-28.9	-18.9
35	Tyre,Tube & Flaps	587.0	428.3	432.0	-27.0	0.9
36	Textile Dyes	256.1	221.3	152.7	-13.6	-31.0
37	Zinc Ingot	384.2	402.6	611.5	4.8	51.9
38	Tello	113.5	68.9	98.1	-39.3	42.4
39	Glasswares	538.7	597.2	793.1	10.9	32.8
40	Camera	870.2	778.4	551.0	-10.6	-29.2
41	Toys	214.9	198.2	228.8	-7.8	15.4
42	Watches & Bands	611.1	472.9	351.2	-22.6	-25.7
43	Small Cardamom	265.4	918.2	814.5	246.0	-11.3
44	Powder Milk	273.4	471.6	225.2	72.5	-52.3
45	X-Ray Film	540.0	500.7	463.0	-7.3	-7.5
46	Bags	42.9	35.6	28.0	-17.1	-21.3
47	Synthetic & Natural Rubber	222.6	341.1	285.7	53.2	-16.2
48	Insecticides	163.4	196.0	194.1	19.9	-0.9
49	Door Locks	19.9	17.6	8.6	-11.3	-51.3
50	Flash Light	31.0	21.2	27.4	-31.5	29.0
51	Cigarette Paper	39.0	52.1	61.5	33.7	18.1
52	Clove	168.9	140.1	289.9	-17.1	106.9
53	Drycell Battery	81.3	36.7	30.3	-54.8	-17.5
54	Coconut Oil	135.6	22.8	6.6	-83.2	-71.0
55	Coal	16198.8	13875.4	21392.2	-14.3	54.2
B.	Others	77959.7	87011.3	92135.0	11.6	5.9
	Total (A+B)	295094.5	279583.9	334310.1	-5.3	19.6

* Based on customs data

R= Revised, P= Provisional

Table 16
Summary of Balance of Payments

(Rs. in Million)

	Annual			Percent Change	
	2018/19 ^R	2019/20 ^R	2020/21 ^P	2019/20	2020/21
A. Current Account	-266970.4	-33763.1	-333671.9	-87.4	-
Goods: Exports f.o.b.	113686.2	108288.1	143744.6	-4.7	32.7
<i>Oil</i>	15986.1	9590.2	2227.2	-40.0	-76.8
<i>Other</i>	97700.0	98697.9	141517.5	1.0	43.4
Goods: Imports f.o.b.	-1398875.7	-1169261.4	-1499201.6	-16.4	28.2
<i>Oil</i>	-215538.5	-166928.6	-176320.3	-22.6	5.6
<i>Other</i>	-1183337.1	-1002332.8	-1322881.2	-15.3	32.0
Balance on Goods	-1285189.5	-1060973.3	-1355456.9	-17.4	27.8
Services: Net	-14357.0	-964.7	-72852.5	-93.3	-
Services: Credit	185739.2	156349.8	79069.9	-15.8	-49.4
<i>Travel</i>	75142.8	60885.4	7266.3	-19.0	-88.1
<i>Government n.i.e.</i>	21842.0	12338.0	6331.6	-43.5	-48.7
<i>Other</i>	88754.3	83126.5	65472.0	-6.3	-21.2
Services: Debit	-200096.2	-157314.5	-151922.4	-21.4	-3.4
<i>Transportation</i>	-65747.0	-68340.4	-80973.5	3.9	18.5
<i>Travel</i>	-89079.7	-53137.4	-32800.1	-40.3	-38.3
O/W Education	-46240.3	-25813.2	-24959.4	-44.2	-3.3
<i>Government Services:Debit</i>	-4703.6	-2408.3	-3673.5	-48.8	52.5
<i>Other</i>	-40566.0	-33428.4	-34475.2	-17.6	3.1
Balance on Goods & Services	-1299546.5	-1061938.0	-1428309.5	-18.3	34.5
Income: Net	35821.9	45953.6	23285.5	28.3	-49.3
Income: Credit	75704.2	68055.4	60878.6	-10.1	-10.5
Income: Debit	-39882.3	-22101.8	-37593.0	-44.6	70.1
Balance on Goods,Services & Income	-1263724.6	-1015984.4	-1405023.9	-19.6	38.3
Transfers: Net	996754.2	982221.3	1071352.0	-1.5	9.1
Current Transfers: Credit	1005693.4	987673.5	1077414.0	-1.8	9.1
<i>Grants</i>	64631.3	51925.7	57340.7	-19.7	10.4
<i>Workers' Remittances</i>	879367.1	875027.0	961054.6	-0.5	9.8
<i>Pensions</i>	61527.5	57818.0	58595.1	-6.0	1.3
<i>Other (Indian Excise Refund)</i>	167.5	2902.9	423.6	-	-85.4
Current Transfers: Debit	-8939.2	-5452.3	-6062.0	-39.0	11.2
B. Capital Account (Capital Transfer)	15458.7	14213.2	15263.7	-8.1	7.4
Total (Group A plus B)	-251511.7	-19549.9	-318408.2	-92.2	-
C. Financial Account (Excluding Group E)	97089.4	278748.5	230671.8	187.1	-17.2
Direct Investment in Nepal	13065.2	19478.7	19512.7	49.1	0.2
<i>Foreign Direct Investment</i>	16647.3	19678.5	19909.4	18.2	1.2
<i>Repatriation of Investment</i>	-3582.1	-199.8	-396.7	-94.4	98.6
Portfolio Investment	0.0	0.0	0.0	-	-
Other Investment: Assets	-27473.8	-6304.4	-15838.1	-77.1	151.2
<i>Trade Credits</i>	10570.4	-6083.4	-15881.7	-	161.1
<i>Other</i>	-38044.2	-221.0	43.6	-99.4	-
Other Investment: Liabilities	111498.0	265574.1	226997.2	138.2	-14.5
<i>Trade Credits</i>	37107.4	82238.3	116853.4	121.6	42.1
<i>Loans</i>	63561.7	149599.3	114054.3	135.4	-23.8
General Government	61438.1	139015.9	103907.6	126.3	-25.3
<i>Drawings</i>	81477.0	162576.3	127176.2	99.5	-21.8
<i>Repayments</i>	-20038.9	-23560.4	-23268.6	17.6	-1.2
Other Sectors	2123.6	10583.4	10146.7	398.4	-4.1
<i>Drawings</i>	5422.3	12662.9	13205.6	133.5	4.3
<i>Repayments</i>	-3298.7	-2079.5	-3058.9	-37.0	47.1
Currency & Deposits	10637.6	33706.2	-3903.8	216.9	-
Nepal Rastra Bank	27.1	26.0	22.6	-4.2	-13.0
Deposit Money Banks	10610.5	33680.2	-3926.4	217.4	-
Other Liabilities	191.4	30.3	-6.7	-84.2	-
Total (Group A through C)	-154422.3	259198.5	-87736.4	-	-
D. Miscellaneous Items, Net	97659.4	56917.2	85059.4	-41.7	49.4
Total (Group A through D)	-56762.9	316115.7	-2677.0	-	-
E. Reserves & Related Items	56762.9	-316115.7	2677.0	-	-
Reserve Assets	57644.2	-315244.7	2677.0	-	-
<i>Nepal Rastra Bank</i>	80857.6	-276220.9	-18889.3	-	-93.2
<i>Deposit Money Banks</i>	-23213.4	-39023.8	21566.3	68.1	-
Use of Fund Credit and Loans	-881.3	-871.0	0.0	-1.2	-
Changes in Reserve Net (- increase)	67400.5	-282409.5	-1226.7	-	-

R= Revised, P= Provisional

Table 17
Gross Foreign Exchange Reserve

	Rs. in Million			Percent Change	
	2018	2019	2020	2018/19	2019/20
Nepal Rastra Bank	902443.9	1226122.3	1244633.6	35.9	1.5
Convertible	667902.2	921000.7	925919.4	37.9	0.5
Inconvertible	234541.8	305121.6	318714.2	30.1	4.5
Commercial Banks	136474.9	175713.9	154391.7	28.8	-12.1
Convertible	125515.3	161285.7	137938.9	28.5	-14.5
Inconvertible	10959.7	14428.2	16452.8	31.6	14.0
Total Reserve	1038918.9	1401836.3	1399025.3	34.9	-0.2
Convertible	793417.4	1082286.4	1063858.3	36.4	-1.7
Inconvertible	245501.4	319549.8	335167.0	30.2	4.9
US dollars in Million				Percent Change	
Nepal Rastra Bank	8252.0	10186.3	10455.6	23.4	2.6
Convertible	6107.4	7651.4	7778.2	25.3	1.7
Inconvertible	2144.7	2534.9	2677.4	18.2	5.6
Commercial Banks	1247.9	1459.8	1297.0	17.0	-11.2
Convertible	1147.7	1339.9	1158.8	16.7	-13.5
Inconvertible	100.2	119.9	138.2	19.6	15.3
Total Reserve	9500.0	11646.1	11752.6	22.6	0.9
Convertible	7255.1	8991.3	8937.0	23.9	-0.6
Inconvertible	2244.9	2654.7	2815.6	18.3	6.1

Table 18
International Investment Position (IIP)

		(Rs. in Million)		
S.N.	Items	As of Mid July		
		2019	2020 ^R	2021 ^P
A	Assets	1,080,102.9	1,467,785.6	1,481,123.9
1	Direct Investment	-	-	-
2	Portfolio Investment	-	-	-
3	Other Investments	143,051.3	193,571.9	182,220.7
	Other equity	11,685.3	11,529.9	13,193.7
	Currency and deposits	48,371.2	87,628.2	75,391.7
	Loans	879.6	869.0	861.7
	Trade credit and advances	10,570.3	6,083.4	15,881.7
	Other account receivable	71,544.9	87,461.5	76,891.8
4	Official Reserve Assets	937,051.6	1,274,213.7	1,298,903.2
B	Liabilities	891,246.5	1,219,115.1	1,395,040.3
1	Direct Investment	182,919.6	198,520.8	218,033.5
2	Portfolio Investment	-	-	-
3	Other Investments	708,326.9	1,020,594.3	1,177,006.8
	Other equity	-	-	-
	Currency and deposits	44,586.6	69,764.7	55,851.2
	Loans	616,043.9	857,347.6	992,704.3
	Trade credit and advances	37,107.4	82,238.3	116,853.4
	Other account payable	120.7	44.6	35.3
	Special drawing rights	10,468.3	11,199.0	11,562.6
Net IIP		188,856.4	248,670.5	86,083.6

Table 19
Government Budgetary Operation⁺
(Based on banking transactions)
(As of Mid-July)

(Rs. in Million)

Headings	Amount			Percent Change	
	2018/19*	2019/20	2020/21 ^P	2019/20	2020/21
Total Expenditure	1067289.5	1038026.2	1160259.0	-2.7	11.8
Recurrent	712043.1	-	-	-	-
a. Domestic Resources	671045.4	-	-	-	-
b. Foreign Loans	31821.1	-	-	-	-
c. Foreign Grants	9176.6	-	-	-	-
Capital	232308.5	-	-	-	-
a. Domestic Resources	172113.7	-	-	-	-
b. Foreign Loans	54702.8	-	-	-	-
c. Foreign Grants	5492.0	-	-	-	-
Financial	122937.9	-	-	-	-
a. Domestic Resources	122937.9	-	-	-	-
b. Foreign Loans	-	-	-	-	-
c. Foreign Grants	-	-	-	-	-
Total Resources	886784.8	770576.5	892294.0	-13.1	15.8
Revenue and Grants	886784.8	723001.0	851873.8	-18.5	17.8
Revenue	871781.8	793784.3	938322.3	-8.9	18.2
Federal Government	-	704431.3	827011.9	-	17.4
Province and Local Govt.(Transferable)	-	89353.0	111310.4	-	24.6
Foreign Grants	15003.0	18569.7	24861.9	23.8	33.9
Other Receipts	-	47575.5	40420.2	-	-15.0
Deficits(-) Surplus(+)	-180504.7	-267449.7	-267965.0	48.2	0.2
Sources of Financing	170109.5	333781.2	322399.9	96.2	-3.4
Internal Loans	95619.4	193485.5	222778.8	102.3	15.1
Domestic Borrowings	96382.0	194642.4	224009.2	101.9	15.1
(i) Treasury Bills	26435.0	93000.0	90000.0	251.8	-3.2
(ii) Development Bonds	69947.0	100000.0	130000.0	43.0	30.0
(iii) National Savings Certificates	-	-	-	-	-
(iv) Citizen Saving Certificates	-	1605.2	3953.9	-	146.3
(v) Foreign Employment Bond	-	37.1	55.2	-	48.8
Overdrafts	-	-	-	-	-
Others	-762.6	-1156.9	-1230.4	51.7	6.4
Principal Refund and Share Divestment	3066.1	1788.2	3223.5	-41.7	80.3
Foreign Loans	71424.0	138507.5	96397.6	93.9	-30.4
Total resources available to the Government	-10395.2	66331.5	54434.9	-738.1	-17.9
Province Government Expenditure	-	153871.0	188750.3	-	22.7
Province Government Resources+++	-	148825.8	159948.3	-	7.5
Grant and Revenue Transfer from Federal Government	-	109332.4	118588.5	-	8.5
Revenue and Recovery	-	39493.4	41359.8	-	4.7
Deficit (-)/Surplus (+) of Province Government	-	-5045.2	-28802.0	-	470.9
Change in Balance of Local Government	-23811.0	16165.6	15342.4	-167.9	-5.1
Balance of Govt. Office Account	-17925.1	-1933.8	12550.7	-89.2	-749.0
V. A. T. Fund Account	-42.7	-64.5	-89.1	51.1	38.1
Customs Fund Account	-156.7	-793.3	331.7	406.3	-141.8
Reconstruction Fund Account	-28287.1	-	-	-	-
Others	10561.4	-1076.0	12308.1	-110.2	-1243.9
Current Balance (-Surplus)	-52131.3	75518.1	53526.0	-244.9	-29.1
Last year's Cash Balance in the Treasury	89497.8	65653.7	141171.8	-26.6	115.0
Adjustment	28287.2	-	-	-	-
Cash Balance of General Government	65653.7	141171.8	194697.8++	115.0	37.9

+ 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.

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

++ Includes 50% Local Govt. Deposit with NRB which is Rs. 80983.2 Million.

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

Table 20
Outstanding Domestic Debt of Government of Nepal

(Rs. in Million)

S.N.	Bonds/Ownership	Amount			Amount Change		Percent Change	
		2018/19	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
1	Treasury Bills	146793.0	215218.1	279591.5	68425.1	64373.4	46.6	29.9
	a. Nepal Rastra Bank	18473.1	21319.9	15473.3	2846.8	-5846.6	15.4	-27.4
	b. Commercial Banks	125094.9	183326.9	235282.1	58232.0	51955.2	46.6	28.3
	c. Development Banks	2960.9	9572.1	19063.6	6611.2	9491.5	223.3	99.2
	d. Finance Companies	262.1	719.2	9402.6	457.1	8683.4	174.4	1207.4
	e. Others	2.0	280.0	370.0	278.0	90.0	-	-
2	Development Bonds	297347.0	389947.0	513947.0	92600.0	124000.0	31.1	31.8
	a. Nepal Rastra Bank	44032.5	43556.5	41129.0	-476.0	-2427.5	-1.1	-5.6
	b. Commercial Banks	229793.3	308055.3	416359.6	78262.0	108304.3	34.1	35.2
	c. Development Banks	12715.1	21815.6	37694.7	9100.5	15879.1	71.6	72.8
	d. Finance Companies	5060.0	11904.4	13038.6	6844.4	1134.2	135.3	9.5
	e. Others	5746.1	4615.2	5725.2	-1130.9	1110.0	-19.7	24.1
3	National Saving Certificates	0.0	0.0	0.0	0.0	0.0	-	-
	a. Nepal Rastra Bank	0.0	0.0	0.0	0.0	0.0	-	-
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0	-	-
	c. Development Banks	0.0	0.0	0.0	0.0	0.0	-	-
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0	-	-
	e. Others	0.0	0.0	0.0	0.0	0.0	-	-
4	Citizen Saving Bonds	8376.1	7642.0	6595.9	-734.2	-1046.1	-8.8	-13.7
	a. Nepal Rastra Bank (Secondary Market)	2794.9	1945.6	181.2	-849.3	-1764.4	-30.4	-90.7
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0	-	-
	c. Development Banks	0.0	0.0	0.0	0.0	0.0	-	-
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0	-	-
	e. Others	5581.2	5696.4	6414.7	115.2	718.4	2.1	12.6
5	Foreign Employment Bonds	454.6	405.0	185.7	-49.6	-219.3	-10.9	-54.2
	a. Nepal Rastra Bank	12.7	10.7	3.0	-2.0	-7.7	-15.7	-72.0
	b. Others	438.9	394.3	182.7	-44.7	-211.6	-10.2	-53.7
6	Total Domestic Debt	452967.7	613212.0	800320.1	160244.3	187108.1	35.4	30.5
	a. Nepal Rastra Bank	65313.2	66832.7	56786.5	1519.5	-10046.2	2.3	-15.0
	b. Commercial Banks	354888.2	491382.2	651641.6	136494.0	160259.4	38.5	32.6
	c. Development Banks	15676.0	31387.7	56758.3	15711.7	25370.6	100.2	80.8
	d. Finance Companies	5322.1	12623.6	22441.2	7301.5	9817.6	137.2	77.8
	e. Others	11768.2	10985.8	12692.6	-782.4	1706.8	-6.6	15.5
7	Balance at NRB (Overdraft(+)/Surplus(-))	-65653.7	-141172.8	-194697.8	-75519.1	-53525.0	115.0	37.9

Memorandum Item

a. IMF Promissory Note	216.7	485.9	3673.7
b. Foreign Debt	594620.3	806140.7	927926.0
c. Total Public Debt (Excluding IMF Promissory Note)	1047588.0	1419352.7	1728246.1

Table 21
Monetary Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2019/20		2020/21	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	984783.1	1328349.0	1335620.1	282409.5¹	28.7	1226.7²	0.1
1.1 Foreign Assets	1073526.6	1449927.6	1453294.9	376401.1	35.1	3367.3	0.2
1.2 Foreign Currency Deposits	88743.4	121578.6	117674.8	32835.1	37.0	-3903.8	-3.2
(a) <i>Deposits</i>	84490.3	106693.2	91794.6	22203.0	26.3	-14898.7	-14.0
(b) <i>Other</i>	4253.2	14885.3	25880.2	10632.1	250.0	10994.9	73.9
2. Net Domestic Assets	2597354.5	2902620.7	3819233.1	366422.6¹	14.1	922656.7²	31.8
2.1 Domestic Credit	3338509.8	3792618.6	4810629.4	454108.7	13.6	1018010.8	26.8
(a) Net Claims on Government	375545.8	461044.3	592929.7	85498.5	22.8	131885.4	28.6
<i>Claims on Government</i>	441199.5	602216.1	787627.5	161016.6	36.5	185411.4	30.8
<i>Government Deposits</i>	65653.7	141171.8	194697.8	75518.1	115.0	53526.0	37.9
(b) Claims on Non-Financial Govt Enterprises	9693.1	8702.6	7512.6	-990.5	-10.2	-1190.0	-13.7
(c) Claims on Financial Enterprises	42994.9	45979.6	70631.6	2984.7	6.9	24652.0	53.6
<i>Government</i>	1607.2	1560.4	1615.7	-46.8	-2.9	55.3	3.5
<i>Non-Government.</i>	41387.7	44419.2	69016.0	3031.5	7.3	24596.7	55.4
(D) Claims on Private Sector	2910275.9	3276892.0	4139555.4	366616.0	12.6	862663.4	26.3
2.2 Net Non-Monetary Liabilities	741155.3	889997.8	991396.3	87686.1¹	11.8	95354.2²	10.7
3. Broad Money Supply (M2)	3582137.7	4230969.8	5154853.2	648832.1	18.1	923883.4	21.8
3.1 Money Supply (M1+)	2093758.4	2368304.5	2964265.4	274546.2	13.1	595960.8	25.2
(a) Money Supply (M1)	726642.8	856260.8	1049410.2	129618.1	17.8	193149.3	22.6
<i>Currency</i>	423204.3	490396.4	571971.8	67192.1	15.9	81575.4	16.6
<i>Demand Deposits</i>	303438.4	365864.4	477438.4	62426.0	20.6	111574.0	30.5
(b) Saving & Call Deposits	1367115.6	1512043.7	1914855.2	144928.1	10.6	402811.5	26.6
3.2 Time Deposits	1488379.3	1862665.2	2190587.8	374286.0	25.1	327922.5	17.6
4. Broad Money Liquidity (M3)	3666627.9	4337663.0	5246647.7	671035.1	18.3	908984.7	21.0

P = Provisional

1 Adjusting exchange valuation gain of Rs 61,156.39

2 Adjusting exchange valuation gain of Rs. 6,044.33

Table 22
Central Bank Survey

(Rs. in Million)

	Mid-July			Annual Change			
				2019/20		2020/21	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Foreign Assets	937051.6	1274213.7	1298903.2	337162.1	36.0	24689.5	1.9
1.1 Gold Investment	31837.0	44996.9	51132.9	13159.9	41.3	6136.0	13.6
1.2 SDR Holdings	349.9	420.1	419.9	70.1	20.0	-0.2	0.0
1.3 IMF Reserve Position	2420.8	2674.4	2716.7	253.7	10.5	42.3	1.6
1.4 Foreign Exchange	902443.9	1226122.3	1244633.6	323678.4	35.9	18511.3	1.5
2. Claims on Government	65313.2	66822.5	56786.5	1509.3	2.3	-10036.0	-15.0
2.1 Treasury Bills	18473.1	21319.9	15473.3	2846.8	15.4	-5846.6	-27.4
2.2 Development Bonds	44032.5	43556.5	41129.0	-476.0	-1.1	-2427.5	-5.6
2.3 Other Government Securities	2807.6	1946.1	184.2	-861.5	-30.7	-1761.9	-90.5
2.4 Loans and Advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Claims on Non-Financial Government Enterprises	31.0	31.0	33.6	0.0	0.0	2.6	8.5
4. Claims on Non-Financial Institutions	577.7	577.7	643.7	0.0	0.0	66.0	11.4
4.1 Government Institutions	577.7	577.7	643.7	0.0	0.0	66.0	11.4
4.2 Non-Government Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on Banks and Financial Institutions	22904.8	7487.5	122703.9	-15417.3	-67.3	115216.5	1538.8
5.1 Refinance	22404.8	7487.5	122703.9	-14917.3	-66.6	115216.5	1538.8
5.2 Repo Lending and SLF	500.0	0.0	0.0	-500.0	-100.0	0.0	0.0
6. Claims on Private Sector	3638.1	3515.7	3395.0	-122.4	-3.4	-120.7	-3.4
7. Other Assets	43350.8	60458.0	73546.7	17107.2	39.5	13088.7	21.6
Assets = Liabilities	1072867.3	1413106.1	1556012.8	340238.8	31.7	142906.7	10.1
8. Reserve Money	699059.1	885865.9	931591.4	186806.8	26.7	45725.5	5.2
8.1 Currency Outside ODCs	423204.3	490396.4	571971.8	67192.1	15.9	81575.4	16.6
8.2 Currency Held by ODCs	82116.0	91393.7	99629.2	9277.7	11.3	8235.5	9.0
8.3 Deposits of Commercial Banks	165897.1	274907.3	229681.9	109010.3	65.7	-45225.5	-16.5
8.4 Deposits of Development Banks	14675.0	17466.2	14003.0	2791.2	19.0	-3463.2	-19.8
8.5 Deposits of Finance Companies	4809.9	4163.1	4358.9	-646.8	-13.4	195.8	4.7
8.6 Other Deposits	8356.8	7539.2	11946.7	-817.6	-9.8	4407.5	58.5
9. Govt. Deposits	65653.7	141171.8	194697.8	75518.1	115.0	53526.0	37.9
10. Deposit Auction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11. Reverse Repo	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13. Foreign Liabilities	954.7	109.6	132.2	-845.1	-88.5	22.6	20.6
14. Capital and Reserve	195281.7	295357.3	348295.5	100075.6	51.2	52938.2	17.9
15. Other Liabilities	111918.1	90601.4	81295.8	-21316.7	-19.0	-9305.6	-10.3

Memorandum Items

Net Foreign Assets	936096.9	1274104.0	1298771.0	277065.9 ¹	29.6	18866.7 ²	1.5
Net Domestic Assets	-237037.8	-388238.1	-367179.6	-90259.1 ¹	38.1	26858.8 ²	-6.9
Other Items Net	263849.0	325500.7	356044.6	710.5 ¹	0.3	24743.6 ²	7.6

P = Provisional

1 Adjusting exchange valuation gain of Rs 60,941.2

2 Adjusting exchange valuation gain of Rs. 5,800.3

Table 23
Condensed Assets and Liabilities of Banks and Financial Institutions
(Rs. in Million)

	Mid-July			Annual Change			
				2019/20		2020/21	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	3235066.8	3839727.4	4662729.3	604660.7	18.7	823001.9	21.4
1.1 Demand Deposits	312601.5	385837.9	486192.6	73236.4	23.4	100354.7	26.0
(a) Domestic Deposits	295081.6	358325.2	465491.7	63243.6	21.4	107166.5	29.9
(b) Foreign Deposits	17519.9	27512.6	20700.8	9992.7	57.0	-6811.8	-24.8
1.2 Saving Deposits	1060334.7	1224454.9	1593008.3	164120.2	15.5	368553.3	30.1
(a) Domestic Deposits	1049099.8	1212050.4	1578479.1	162950.6	15.5	366428.7	30.2
(b) Foreign Deposits	11234.9	12404.5	14529.2	1169.6	10.4	2124.6	17.1
1.3 Fixed Deposits	1497553.7	1867838.8	2189914.5	370285.1	24.7	322075.7	17.2
(a) Domestic Deposits	1464882.7	1838770.8	2157760.3	373888.0	25.5	318989.6	17.3
(b) Foreign Deposits	32671.0	29068.1	32154.2	-3602.9	-11.0	3086.1	10.6
1.4 Call Deposits	341080.3	337701.3	360786.5	-3378.9	-1.0	23085.2	6.8
(a) Domestic Deposits	318015.8	299993.3	336376.1	-18022.5	-5.7	36382.8	12.1
(b) Foreign Deposits	23064.5	37708.0	24410.4	14643.6	63.5	-13297.6	-35.3
1.5 Margin Deposits	23496.6	23894.5	32827.5	397.9	1.7	8933.0	37.4
2. Borrowings from NRB	22904.8	7487.5	122703.9	-15417.3	-67.3	115216.5	1538.8
3. Foreign Liabilities	3298.5	14775.7	25748.0	11477.2	348.0	10972.3	74.3
4. Other Liabilities	847028.5	975330.6	1185000.6	128302.2	15.1	209669.9	21.5
4.1 Paid-up Capital	305940.8	331602.8	365763.5	25662.0	8.4	34160.8	10.3
4.2 General Reserves	200127.4	246222.3	287790.8	46094.9	23.0	41568.5	16.9
4.3 Other Liabilities	340960.2	397505.5	531446.2	56545.3	16.6	133940.7	33.7
Assets = Liabilities	4108298.5	4837321.2	5996181.8	729022.7	17.7	1158860.6	24.0
5. Liquid Funds	403971.4	563643.9	502055.9	159672.4	39.5	-61587.9	-10.9
5.1 Cash in Hand	82116.0	91393.7	99629.2	9277.7	11.3	8235.5	9.0
5.2 Balance with NRB	185381.9	296536.6	248043.8	111154.7	60.0	-48492.8	-16.4
5.3 Foreign Currency in Hand	2703.4	4686.7	2736.1	1983.3	73.4	-1950.6	-41.6
5.4 Balance Held Abroad	133670.6	171011.4	151631.3	37340.8	27.9	-19380.0	-11.3
5.5 Cash in Transit	99.6	15.5	15.5	-84.1	-84.4	0.0	0.0
6. Loans and Advances	3334704.5	3862859.4	4944492.6	528154.9	15.8	1081633.2	28.0
6.1 Claims on Government	375886.3	535393.6	730841.0	159507.3	42.4	195447.4	36.5
6.2 Claims on Non-Financial Government Enterprises	9662.1	8671.6	7479.0	-990.5	-10.3	-1192.6	-13.8
6.3 Claims on Financial Enterprises	42417.2	45401.9	69988.0	2984.7	7.0	24586.0	54.2
Government	1029.5	982.7	972.0	-46.8	-4.5	-10.7	-1.1
Non-Government	41387.7	44419.2	69016.0	3031.5	7.3	24596.7	55.4
6.4 Claims on Private Sector	2906637.8	3273376.3	4136160.4	366738.5	12.6	862784.1	26.4
Principal	2866191.4	3209791.0	4084810.2	343599.6	12.0	875019.2	27.3
Interest Accrued	40446.4	63585.3	51350.2	23138.9	57.2	-12235.1	-19.2
6.5 Foreign Bills Purchased & Discounted	101.0	15.9	24.2	-85.1	-84.2	8.3	52.3
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	369622.6	410818.0	549633.3	41195.4	11.1	138815.3	33.8

P = Provisional

Table 24
Condensed Assets and Liabilities of Commercial Banks

(Rs. in Million)

	Mid-July			Annual Change			
				2019/20		2020/21	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	2843055.1	3465151.0	4167463.3	622095.9	21.9	702312.2	20.3
1.1 Demand Deposits	301610.6	388445.9	474641.4	86835.2	28.8	86195.5	22.2
(a) Domestic Deposits	284093.2	360935.1	453926.9	76841.8	27.0	92991.8	25.8
(b) Foreign Deposits	17517.4	27510.8	20714.5	9993.4	57.0	-6796.3	-24.7
1.2 Saving Deposits	901296.1	1087516.8	1426354.1	186220.7	20.7	338837.2	31.2
(a) Domestic Deposits	890065.1	1075115.7	1411828.1	185050.5	20.8	336712.5	31.3
(b) Foreign Deposits	11231.0	12401.2	14526.0	1170.2	10.4	2124.8	17.1
1.3 Fixed Deposits	1280459.5	1633374.2	1896158.5	352914.7	27.6	262784.3	16.1
(a) Domestic Deposits	1247792.5	1604306.1	1864001.8	356513.7	28.6	259695.7	16.2
(b) Foreign Deposits	32667.1	29068.1	32156.7	-3599.0	-11.0	3088.6	10.6
1.4 Call Deposits	336437.2	332086.9	337684.2	-4350.3	-1.3	5597.4	1.7
(a) Domestic Deposits	313372.1	294378.8	313273.2	-18993.3	-6.1	18894.3	6.4
(b) Foreign Deposits	23065.0	37708.0	24411.1	14643.0	63.5	-13296.9	-35.3
1.5 Margin Deposits	23251.7	23727.3	32625.0	475.6	2.0	8897.8	37.5
2. Borrowings from NRB	21304.2	7305.8	113365.5	-13998.4	-65.7	106059.7	1451.7
3. Foreign Liabilities	3298.5	14775.7	25748.0	11477.2	348.0	10972.3	74.3
4. Other Liabilities	744268.0	882356.4	1085949.9	138088.3	18.6	203593.5	23.1
4.1 Paid-up Capital	252260.3	285293.4	320629.1	33033.1	13.1	35335.6	12.4
4.2 General Reserves	177623.9	223379.8	263123.0	45755.9	25.8	39743.3	17.8
4.3 Other Liabilities	314383.8	373683.1	512197.7	59299.3	18.9	128514.6	34.4
Assets=Liabilities	3611925.8	4369588.9	5392526.6	757663.0	21.0	1022937.7	23.4
5. Liquid Funds	375666.9	532194.2	474058.6	156527.3	41.7	-58135.6	-10.9
5.1 Cash in Hand	72159.9	81731.8	90132.9	9571.8	13.3	8401.1	10.3
5.2 Balance with NRB	165897.1	274907.3	229681.9	109010.3	65.7	-45225.5	-16.5
5.3 Foreign Currency in Hand	2552.0	4534.0	2660.2	1982.0	77.7	-1873.8	-41.3
5.4 Balance Held Abroad	134982.9	171006.1	151568.6	36023.2	26.7	-19437.5	-11.4
5.5 Cash in Transit	75.0	15.0	15.0	-60.0	-80.0	0.0	0.0
6. Loans and Advances	2884954.4	3435870.5	4387958.3	550916.1	19.1	952087.8	27.7
6.1 Claims on Government	354888.2	491382.3	651641.6	136494.1	38.5	160259.3	32.6
6.2 Claims on Non-Financial Government Enterprises	9244.1	7919.3	7333.0	-1324.8	-14.3	-586.3	-7.4
6.3 Claims on Financial Enterprises	33159.9	35890.6	46402.5	2730.7	8.2	10511.8	29.3
Government	1029.5	982.7	972.0	-46.8	-4.5	-10.7	-1.1
Non-Government	32130.4	34907.9	45430.5	2777.5	8.6	10522.5	30.1
6.4 Claims on Private Sector	2487561.2	2900662.4	3682557.0	413101.2	16.6	781894.6	27.0
Principal	2456591.8	2850128.2	3642346.0	393536.3	16.0	792217.9	27.8
Interest Accrued	30969.4	50534.2	40211.0	19564.8	63.2	-10323.2	-20.4
6.5 Foreign Bills Purchased & Discounted	101.0	15.9	24.2	-85.1	-84.2	8.3	52.3
7. NRB Bond	0.0	0.0	0.0	0.0		0.0	
8. Other Assets	351304.5	401524.2	530509.8	50219.7	14.3	128985.5	32.1

P = Provisional

Table 25
Condensed Assets and Liabilities of Development Banks

(Rs. in Million)

				Annual Change			
				2019/20		2020/20	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	378193.0	351960.2	441460.5	-26232.8	-6.9	89500.3	25.4
1.1 Demand Deposits	9123.4	9178.6	13589.8	55.2	0.6	4411.2	48.1
(a) Domestic Deposits	9120.8	9176.7	13588.0	55.9	0.6	4411.3	48.1
(b) Foreign Deposits	2.5	1.9	1.8	-0.7	-26.4	0.0	-0.3
1.2 Saving Deposits	135365.8	113123.0	140720.2	-22242.8	-16.4	27597.2	24.4
(a) Domestic Deposits	135361.8	113119.7	140717.0	-22242.1	-16.4	27597.3	24.4
(b) Foreign Deposits	4.0	3.4	3.2	-0.6	-15.4	-0.1	-4.4
1.3 Fixed Deposits	178879.6	187415.9	243409.0	8536.2	4.8	55993.2	29.9
(a) Domestic Deposits	177557.8	187415.9	243409.0	9858.0	5.6	55993.2	29.9
(b) Foreign Deposits	1321.8	0.0	0.0	-1321.8	-100.0	0.0	
1.4 Call Deposits	54635.1	42077.5	43551.7	-12557.6	-23.0	1474.3	3.5
(a) Domestic Deposits	54635.0	42077.5	43551.7	-12557.5	-23.0	1474.3	3.5
(b) Foreign Deposits	0.0	0.0	0.0	0.0	-100.0	0.0	
1.5 Margin Deposits	189.1	165.2	189.7	-23.9	-12.7	24.5	14.8
2. Borrowings from NRB	1406.4	135.9	7582.5	-1270.5	-90.3	7446.6	5479.4
3. Foreign Liabilities	0.0	0.0	0.0	0.0		0.0	
4. Other Liabilities	78061.0	60047.7	69298.3	-18013.3	-23.1	9250.6	15.4
4.,1 Paid-up Capital	39899.8	31964.1	32101.8	-7935.7	-19.9	137.7	0.4
4.2 General Reserves	15618.4	14569.9	17070.3	-1048.6	-6.7	2500.5	17.2
4.3 Other Liabilities	22542.7	13513.7	20126.2	-9029.0	-40.1	6612.5	48.9
Assets=Liabilities	457660.4	412143.8	518341.3	-45516.6	-9.9	106197.5	25.8
5. Liquid Funds	23358.4	25389.0	22145.0	2030.6	8.7	-3244.0	-12.8
5.1 Cash in Hand	8521.4	7765.0	8058.7	-756.4	-8.9	293.7	3.8
5.2 Balance with NRB	14675.0	17466.2	14003.0	2791.2	19.0	-3463.2	-19.8
5.3 Foreign Currency in Hand	151.2	152.5	75.8	1.4	0.9	-76.7	-50.3
5.4 Balance Held Abroad	9.7	5.3	7.5	-4.4	-45.6	2.2	42.6
5.5 Cash in Transit	1.2	0.0	0.0	-1.2	-97.1	0.0	0.0
6. Loans and Advances	418744.5	378970.8	481229.8	-39773.7	-9.5	102258.9	27.0
6.1 Claims on Government	15676.0	31387.7	56758.3	15711.7	100.2	25370.6	80.8
6.2 Claims on Non-Financial Government Enterprises	234.2	366.6	0.6	132.5	56.6	-366.0	-99.8
6.3 Claims on Financial Enterprises	58588.2	56719.7	47650.5	-1868.6	-3.2	-9069.1	-16.0
Government	0.0	0.0	0.0	0.0		0.0	
Non-Government	58588.2	56719.7	47650.5	-1868.6	-3.2	-9069.1	-16.0
6.4 Claims on Private Sector	344246.1	290496.9	376820.4	-53749.3	-15.6	86323.5	29.7
(a) Principal	342111.1	286801.5	374184.2	-55309.6	-16.2	87382.7	30.5
(b) Interest Accrued	2135.0	3695.4	2636.2	1560.4	73.1	-1059.2	-28.7
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	15557.4	7783.9	14966.5	-7773.6	-50.0	7182.6	92.3

P = Provisional

Table 26
Condensed Assets and Liabilities of Finance Companies

(Rs. in Million)

	Mid-July			Annual Change			
				2019/20		2020/21	
	2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1. Total Deposits	74793.3	86837.0	87261.3	12043.7	16.1	424.3	0.5
1.1 Demand Deposits	6155.3	4253.2	2867.1	-1902.1	-30.9	-1386.1	-32.6
(a) Domestic Deposits	6155.3	4253.2	2867.1	-1902.1	-30.9	-1386.1	-32.6
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Saving Deposits	23680.8	23816.1	25934.5	135.3	0.6	2118.5	8.9
(a) Domestic Deposits	23680.8	23816.1	25934.5	135.3	0.6	2118.5	8.9
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Fixed Deposits	39671.3	49766.4	50528.9	10095.2	25.4	762.5	1.5
(a) Domestic Deposits	39671.3	49766.4	50528.9	10095.2	25.4	762.5	1.5
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Call Deposits	5230.1	8999.3	7918.0	3769.1	72.1	-1081.2	-12.0
(a) Domestic Deposits	5230.1	8999.3	7918.0	3769.1	72.1	-1081.2	-12.0
(b) Foreign Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Margin Deposits	55.8	2.0	12.7	-53.7	-96.4	10.7	525.5
2. Borrowings from NRB	194.2	45.8	1756.0	-148.4	-76.4	1710.2	3736.9
3. Foreign Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other Liabilities	35026.1	37503.5	37005.9	2477.5	7.1	-497.6	-1.3
4.1 Paid-up Capital	13780.7	14345.2	13032.7	564.5	4.1	-1312.5	-9.1
4.2 General Reserves	6885.1	8272.7	7597.4	1387.6	20.2	-675.2	-8.2
4.3 Debentures	0.0	450.0	946.7	450.0	0.0	496.7	110.4
4.4 Other Liabilities	14360.3	14885.6	16375.8	525.3	3.7	149.02	10.0
Assets=Liabilities	110013.6	124386.3	126023.2	14372.7	13.1	1636.9	1.3
5. Liquid Funds	6268.1	6060.6	5852.4	-207.5	-3.3	-208.3	-3.4
5.1 Cash in Hand	1434.7	1896.9	1437.6	462.2	32.2	-459.3	-24.2
5.2 Balance with NRB	4809.9	4163.1	4358.9	-646.8	-13.4	195.8	4.7
5.3 Foreign Currency in Hand	0.2	0.2	0.1	0.0	-16.1	-0.1	-37.5
5.4 Balance Held Abroad	0.0	0.0	55.3	0.0	0.0	55.3	0.0
5.5 Cash in Transit	23.3	0.4	0.4	-22.9	-98.1	0.0	0.0
6. Loans and Advances	100984.9	116815.8	116013.8	15830.9	15.7	-802.0	-0.7
6.1 Claims on Government	5322.1	12623.6	22441.2	7301.5	137.2	9817.6	77.8
6.2 Claims on Non-Financial Government Enterprises	183.9	385.7	145.4	201.8	109.8	-240.3	-62.3
6.3 Claims on Financial Enterprises	20648.4	21589.4	16644.3	941.0	4.6	-4945.1	-22.9
Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Government	20648.4	21589.4	16644.3	941.0	4.6	-4945.1	-22.9
6.4 Claims on Private Sector	74830.5	82217.1	76783.0	7386.6	9.9	-5434.1	-6.6
(a) Principal	67488.5	72861.4	68279.9	5372.9	8.0	-4581.5	-6.3
(b) Interest Accrued	7342.0	9355.7	8503.1	2013.6	27.4	-852.6	-9.1
6.5 Foreign Bills Purchased & Discounted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. NRB Bond	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Other Assets	2760.6	1509.9	4157.1	-1250.7	-45.3	2647.2	175.3

P = Provisional

Table 27
Sectorwise Outstanding Loan of Commercial Banks

(Rs. in Million)

		Mid-July			Annual Change			
					2019/20		2020/21	
		2019	2020	2021 ^P	Amount	Percent	Amount	Percent
1.	Agriculture	166038.3	201758.4	290976.4	35720.1	21.5	89217.9	44.2
2.	Mining	6886.9	6217.9	8227.8	-668.9	-9.7	2009.9	32.3
3.	Production	452451.5	509960.1	618935.8	57508.6	12.7	108975.7	21.4
4.	Construction	251365.5	295117.0	352884.1	43751.5	17.4	57767.2	19.6
5.	Metal Production, Machinery & Electrical Tools and Fitting	32234.7	42906.3	59250.2	10671.6	33.1	16343.9	38.1
6.	Transportation, Equipment Production and Fitting	31938.8	40827.1	45520.6	8888.2	27.8	4693.5	11.5
7.	Transportation, Communication and Public Service	151321.0	191281.2	235903.2	39960.2	26.4	44622.0	23.3
8.	Wholesalers and Retailers	550984.8	605155.2	762837.3	54170.5	9.8	157682.1	26.1
9.	Finance, Insurance and Fixed Assets	200565.0	222514.6	287831.0	21949.5	10.9	65316.4	29.4
10.	Service Industry	215276.9	271165.0	329582.7	55888.1	26.0	58417.7	21.5
11.	Consumption Loan	70380.3	75578.0	128857.1	5197.7	7.4	53279.1	70.5
12.	Local Government	1512.8	1538.9	1493.5	26.1	1.7	-45.4	-3.0
13.	Other	367036.7	439568.5	594679.0	72531.8	19.8	155110.6	35.3
	Total	2497993.2	2903588.2	3716978.8	405595.0	16.2	813390.6	28.0

P = Provisional

Table 28
Outstanding Amount of Refinance Facility Provided by Nepal Rastra Bank to Banks and Financial Institutions

(Rs. in Million)

S.N.	Institutions	2018/19	2019/20	2020/21
1.	Commercial Banks	21,282.57	7,302.91	108,867.94
2.	Development Banks	906.38	138.80	7,744.48
3.	Finance Companies	205.84	45.77	1,253.57
4.	Microfinance Financial Institutions	10.00	-	4,837.94
	Total	22,404.79	7,487.47	122,703.93

Table 29
Sources and Uses of Funds of Microfinance Institutions

(Rs. in Million)

Particulars	Mid-July			Percent Change	
	2018/19	2019/20	2020/21 ¹	2019/20	2020/21
Sources					
Capital Funds	25503.40	33412.19	39092.26	31.0	17.0
Deposits	85631.90	106191.24	130425.41	24.0	22.8
Borrowings	126482.20	142092.27	207349.06	12.3	45.9
Others	28951.20	38021.27	56791.81	31.3	49.4
P/L Account	6493.70	5437.00	11838.63	-16.3	117.7
Sources=Uses	273062.40	325153.96	445497.16	19.1	37.0
Uses					
Liquid Funds	19306.90	30379.81	28288.44	57.4	-6.9
Investment	2573.60	10199.39	14712.52	296.3	44.2
Loans & Advances	235153.40	262732.25	365554.02	11.7	39.1
Others	15982.10	21754.86	36929.67	36.1	69.8
P/L Account	46.40	87.66	12.51	88.9	-85.7

1 Unaudited

Table 30
Sources and Uses of Funds of Insurance Companies

(Rs. in Million)

Particulars	Mid-July			2019/20		2020/21	
	2019	2020	2021 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	44749.9	50409.5	58750.7	5659.6	12.6	8341.2	16.5
Reserve Funds	283912.8	363675.8	456329.1	79763.0	28.1	92653.3	25.5
Other Liabilities	18493.1	23175.6	27573.2	4682.5	25.3	4397.6	19.0
Sources=Uses	347155.7	437260.9	542653.0	90105.2	26.0	105392.1	24.1
Uses							
Bank & Cash Balances	9317.2	11018.6	10792.8	1701.4	18.3	-225.8	-2.0
Investment	301932.1	380036.2	468522.9	78104.1	25.9	88486.7	23.3
Fixed Assets	4255.2	4371.9	4854.8	116.7	2.7	482.9	11.0
Other Assets	31651.2	41834.2	58482.5	10183.0	32.2	16648.3	39.8

1 Unaudited

Source: Insurance Board Nepal

Table 31
Sources and Uses of Funds of Employees Provident Fund

(Rs. in Million)

Particulars	Mid-July			2019/20		2020/21	
	2019	2020	2021 ¹	Amount Change	Percent Change	Amount Change	Percent Change
Sources							
Paid-up Capital	309848.4	349631.4	396632.9	39783.0	12.8	47001.5	13.4
Reserve Funds	28487.4	29703.5	39899.7	1216.1	4.3	10196.2	34.3
Other Liabilities	4387.9	4674.5	6303.2	286.6	6.5	1628.7	34.8
Sources=Uses	342723.6	384009.3	442835.8	41285.7	12.0	58826.5	15.3
Uses							
Bank & Cash Balance	3214.5	2974.5	3235.3	-240.0	-7.5	260.8	8.8
Investment	101310.4	124735.3	166642.8	23425.0	23.1	41907.4	33.6
<i>Fixed Deposits</i>	78318.1	101897.5	130770.8	23579.4	30.1	28873.3	28.3
<i>GON Securities</i>	525.7	776.0	320.0	250.3	47.6	-456.0	-58.8
<i>Housing Plan</i>	0.0	0.0	0.0	0.0	0.0	#DIV/0!	
<i>Share Investment</i>	22466.6	22061.9	34439.1	-404.8	-1.8	12377.2	56.1
<i>Other Investment</i>	0.0	0.0	1112.9	0.0	0.0	1112.9	#DIV/0!
Loans and Advances	233067.1	252329.4	270066.9	19262.3	8.3	17737.5	7.0
<i>Project Loan</i>	52280.4	61413.2	68444.3	9132.8	17.5	7031.1	11.4
<i>Depositor Loan</i>	180786.7	190916.2	201622.6	10129.4	5.6	10706.4	5.6
Fixed Assets	1227.8	1250.5	1448.7	22.6	1.8	198.3	15.9
Other Assets	3903.7	2719.6	1442.1	-1184.1	-30.3	-1277.5	-47.0

1 Unaudited

Source: Employees Provident Fund

Table 32
Sources and Uses of Funds of Citizen Investment Trust

(Rs. in Million)

Particulars	Mid-July			2018/19		2020/21	
	2019	2020	2021 ¹	Amount Change	Amount Change	Amount Change	Percent Change
Sources							
1. Paid-up Capital	1102.3	1640.7	3270.0	538.4	48.8	1629.3	99.3
2. Reserve Funds	4228.8	7685.3	16084.9	3456.5	81.7	8399.6	109.3
3. Fund Collection	126003.0	141299.4	160657.1	15296.4	12.1	19357.7	13.7
4. Other Liabilities	17574.2	10450.4	16388.4	-7123.8	-40.5	5938.0	56.8
Sources=Uses	148908.3	161075.8	196400.3	12167.5	8.2	35324.5	21.9
Uses							
1. Liquid Assets	6032.9	1153.5	2240.4	-4879.4	-80.9	1086.9	94.2
2. Investment	84229.6	101080.6	122656.9	16851.0	20.0	21576.3	21.3
3. Loans & Advances	40650.3	45565.0	53118.6	4914.7	12.1	7553.6	16.6
4. Other Assets	17995.5	13276.7	18384.4	-4718.8	-26.2	5107.7	38.5

1 Unaudited

Source: Citizen Investment Trust

Table 33
Structure of Nepalese Financial System

(Rs. in Million)

Particulars	2018/19			2019/20			2020/21		
	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)	Total Assets/ Liabilities	Percentage Share in Total	Ratio of Total Assets to Nominal GDP (%)
Financial Institutions	5538679.0	86.8	143.5	6658347.4	87.1	170.1	8062824.6	87.2	189.0
Nepal Rastra Bank	1072867.3	16.8	27.8	1413106.1	18.5	36.1	1556012.8	16.8	36.5
Commercial Banks	3611925.8	56.6	93.6	4369588.9	57.2	111.6	5392526.6	58.3	126.4
Development Banks	457660.4	7.2	11.9	412143.8	5.4	10.5	518341.3	5.6	12.1
Finance Companies	110013.6	1.7	2.9	124386.3	1.6	3.2	126023.2	1.4	3.0
Microfinance FIs	273062.4	4.3	7.1	325154.0	4.3	8.3	445497.2	4.8	10.4
Nepal Infrastructure Bank	13149.5	0.2	0.3	13968.4	0.2	0.4	24423.6	0.3	0.6
Contractual Saving Institutions	838787.6	13.1	21.7	982346.0	12.9	25.1	1181889.1	12.8	27.7
Provident Fund	342723.6	5.4	8.9	384009.3	5.0	9.8	442835.8	4.8	10.4
Citizen Investment Trust	148908.3	2.3	3.9	161075.8	2.1	4.1	196400.3	2.1	4.6
Insurance Companies	347155.7	5.4	9.0	437260.9	5.7	11.2	542653.0	5.9	12.7
Postal Saving Bank	1445.7	0.0	0.0	1857.0	0.0	0.0	2026.9	0.0	0.0
Total	6378912.3	100.0	165.3	7642550.4	100.0	195.2	9246740.6	100.0	216.7
GDP (Rs. in billion)									
Market Capitalization of Securities Market (Rs. in billion)									
Ratio of Market Capitalization to GDP (%)									
			3858930.4	1567499.4			3914701.1		4266321.5
							1792762.7		4010957.8
				40.6			45.8		94.0

Table 34
Stock Market Indicators

	Particulars	Mid-July			Percent Change	
		2019	2020	2021	2019/20	2020/21
1	Number of Listed Companies	215	212	219	-1.4	3.3
2	Paid-up Capital of the Listed Companies (Rs. in million)	412280.7	473389.6	573236.2	14.8	21.1
3	Total Market Capitalization (Rs. in million)	1567499.4	1792762.7	4010957.8	14.4	123.7
4	Annual Turnover (Rs. in million)	110075.0	150039.3	1454443.90	36.3	869.4
5	Market Days	246	182	246	-26.0	35.2
6	Number of Companies Traded	278	268	332	-3.6	23.9
7	Number of Transactions	1422791	1848773	15417668	29.9	733.9
8	Number of Listed Shares (in '000)	4206601.98	4827581.58	5826048.26	14.8	20.7
9	Number of Shares Traded (in '000)	387507	428522	3404513	10.6	694.5
10	Ratio of Paid-up Capital to GDP (%)	10.7	12.1	13.4	13.2	11.1
11	Ratio of Turnover to Paid-up Capital (%)	26.7	31.7	253.7	18.7	700.5
12	Ratio of Turnover to Market Capitalization (%)	7.0	8.4	36.3	19.2	333.3
13	Ratio of Market Capitalization to GDP (%)	40.6	45.8	94.0	12.7	105.3
14	NEPSE Index (closing)	1259.0	1362.4	2883.4	8.2	111.6
15	NEPSE Sensitive Index (closing)	271.3	288.3	541.4	6.3	87.8
16	NEPSE Float Index (closing)	92.4	95.5	200.3	3.3	109.8

* Not Available

Source: Nepal Stock Exchange Limited

Table 35
Securities Listed at Nepal Stock Exchange Limited

	2019/20			2020/21		
	No. of Shares ('000)	Amount (Rs. in Million)	Share %	No. of Shares ('000)	Amount (Rs. in Million)	Share %
Institutionwise						
Commercial Banks	359898.0	64331.2	53.1	619896.7	52586.8	13.0
Development Banks	69078.3	6907.8	7.8	38452.6	4745.3	1.2
Insurance Companies	60857.9	6085.8	10.1	149875.3	14987.5	3.7
Finance Companies	8904.7	1295.5	0.2	11007.9	1550.8	0.4
Microfinance Companies	21422.0	2142.2	1.8	39953.8	3995.4	1.0
Productive and Processing Companies	1928.2	192.8	0.0	2892.3	289.2	0.1
Hotels	537.2	53.7	0.1	10990.4	1099.0	0.3
Trading Organizations	0.0	0.0	0.0	384.5	38.4	0.0
Hydropower Companies	123058.7	12305.9	17.9	120769.2	12076.9	3.0
Others	576925.2	5987.5	8.9	67853274.2	313403.8	77.4
Total	1222610.2	99302.4	100.0	68847497.0	404773.3	100.0
Securitywise						
Ordinary Shares	136426.3	13642.6	19.9	421661.0	42166.1	10.4
Right Shares	46860.8	4686.1	4.8	55177.5	5517.7	1.4
Bonus Shares	281489.4	28148.9	27.0	467373.8	46737.4	11.5
Government Bonds	0.0	0.0	0.0	67199470.0	284947.0	70.4
Convertible Preference Shares	0.0	0.0	0.0	0.0	0.0	0.0
Debentures Issued by Banks	31940.4	31940.4	29.1	18552.4	18552.4	4.6
Mutual Funds	574500.0	5745.0	10.8	685262.4	6852.6	1.7
Others	151393.4	15139.3	8.4	0.0	0.0	0.0
Total	1222610.2	99302.4	100.0	68847497.0	404773.3	100.0

Source: Nepal Stock Exchange Limited

Table 36
Listed Companies and Market Capitalization

Particulars	No. of Listed Companies			Market Capitalization (Rs. In Million)					Share Price		
	Mid-July			Mid-July 2019		Mid-July 2020		Mid-July 2021		Percent Change	
	2019	2020	2021	Price	Share %	Price	Share %	Price	Share %	2019/20	2020/21
Financial Institutions	154	147	143	1230665.1	78.5	1402330.8	78.2	2762882.2	68.9	13.9	97.0
Commercial Banks	27	26	26	830790.0	53.0	868998.1	48.5	1513050.0	37.7	4.6	74.1
Development Banks	32	24	17	82101.0	5.2	75570.9	4.2	168377.4	4.2	-8.0	122.8
Finance Companies	26	24	23	20526.4	1.3	21486.9	1.2	84412.6	2.1	4.7	292.9
Microfinance institutions	47	51	49	92661.7	5.9	166769.5	9.3	382308.4	9.5	80.0	129.2
Insurance Companies	22	22	28	204586.0	13.1	269505.5	15.0	614733.9	15.3	31.7	128.1
Construction and Processing Companies	19	19	19	65509.9	4.2	65536.7	3.7	147671.6	3.7	0.0	125.3
Hotels	4	4	5	28078.3	1.8	19405.7	1.1	61413.5	1.5	-30.9	216.5
Trading Organizations	4	4	4	1511.5	0.1	5096.0	0.3	21671.0	0.5	237.1	325.3
Hydropower Companies	30	33	40	93281.8	6.0	97259.6	5.4	337025.0	8.4	4.3	246.5
Others	4	5	8	148452.8	9.5	203133.9	11.3	680294.4	17.0	36.8	234.9
Total	215	212	219	1567499.4	100.0	1792762.7	100.0	4010957.7	100.0	14.4	123.7

Source: Nepal Stock Exchange Limited

Appendix 1.1
Lists of Banks and Financial Institutions Licensed for
Financial Transactions
(As in mid-July 2021)

1. Commercial Banks

S.N.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nepal Bank Ltd.	Dharmapath, Kathmandu	1937/11/15	11282.8	National Level
2	Agriculture Development Bank Ltd.	Ramshahpath, Kathmandu	1968/01/21	14989.2	National Level
3	Nabil Bank Ltd.	Beena Marg, Kathmandu	1984/07/12	10097.5	National Level
4	Nepal Investment Bank Ltd.	Durbarmarg, Kathmandu	1986/03/09	14249.0	National Level
5	Standard Chartered Bank Nepal Ltd.	Nayabaneswor, Kathmandu	1987/02/28	8011.4	National Level
6	Himalayan Bank Ltd.	Kamaladi, Kathmandu	1993/01/18	9372.3	National Level
7	Nepal SBI Bank Ltd.	Kesharmahal, Kathmandu	1993/07/07	8956.2	National Level
8	Nepal Bangladesh Bank Ltd.	Kamaladi, Kathmandu	1994/06/06	8495.8	National Level
9	Everest Bank Ltd.	Lazimpat, Kathmandu	1994/10/18	8510.2	National Level
10	Kumari Bank Ltd.	Durbarmarg, Kathmandu	2001/04/03	13002.9	National Level
11	Laxmi Bank Ltd.	Hattisar, Kathmandu	2002/04/03	9812.6	National Level
12	Citizens Bank International Ltd.	Narayanhiti Path, Kathmandu	2007/04/20	9089.8	National Level
13	Prime Commercial Bank Ltd.	Kamalpokhari, Kathmandu	2007/09/24	13985.2	National Level
14	Sunrise Bank Ltd.	Gairidhara, Kathmandu	2007/10/12	8967.8	National Level
15	Century Commercial Bank Ltd.	Putalisadak, Kathmandu	2011/03/10	8415.5	National Level
16	Sanima Bank Ltd.	Nagpokhari, Kathmandu	2012/02/15	8801.4	National Level
17	Machhapuchhre Bank Ltd.	Lazimpat, Kathmandu	2012/07/09*	8458.5	National Level
18	NIC Asia Bank Ltd.	Thapathali, Kathmandu	2013/06/30*	9717.7	National Level
19	Prabhu Bank Ltd.	Babarmahal, Kathmandu	2016/02/12*	10315.5	National Level
20	Siddhartha Bank Ltd.	Hattisar, Kathmandu	2016/06/21*	9787.8	National Level
21	Bank of Kathmandu Ltd.	Kamalpokhari, Kathmandu	2016/07/14*	8546.9	National Level
22	Civil Bank Ltd.	Kamaladi, Kathmandu	2016/10/17*	8003.4	National Level
23	Nepal Credit and Commerce Bank Ltd.	Bagbazar, Kathmandu	2017/01/01*	9353.9	National Level
24	Rastriya Banijya Bank Ltd.	Singhadurbar Plaza, Kathmandu	2018/05/02*	9004.8	National Level
25	Mega Bank Nepal Ltd.	Kamaladi, Kathmandu	2018/05/13*	13138.6	National Level
26	Global IME Bank Ltd.	Kamaladi, Kathmandu	2019/09/04*	18975.9	National Level
27	NMB Bank Ltd.	Babarmahal, Kathmandu	2019/09/28*	13951.0	National Level

* Joint operation date after merger

Paid-up capital based on the financial statement of Mid-July 2021.

2. Development Banks

S.N.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Narayani Development Bank Ltd.	Ratna Nagar, Chitawan	2001/10/17	121.2	1-3 District Level (Nawalparasi, Chitwan, Makwanpur)
2	Karnali Bikash Bank Ltd.	Nepalgunj, Banke	2004/02/18	502.8	1-3 District Level (Banke, Bardiya, Dang)
3	Excel Development Bank Ltd.	Birtamod, Jhapa	2005/07/21	811.1	1-5 District Level (Ilam, Jhapa, Morang, Sunsari, Panchthar)
4	Miteri Development Bank Ltd.	Dharan, Sunsari	2006/10/13	797.4	1-5 District Level (Jhapa, Morang, Sunsari, Dhankuta, Udayapur)

5	Muktinath Bikas Bank Ltd.	Kamaladi, Kathmandu	2007/01/03	4,811.6	National Level
6	Corporate Development Bank Ltd.	Birgunj, Parsa	2007/11/07	410.00	1-3 District Level (Parsa, Makwanpur, Kavrepalanchowk)
7	Sindhu Bikas Bank Ltd.	Barhabise, Sindhupalchowk	2010/09/09	557.50	1-5 District Level (Sindhupalchowk, Kavre, Dolka, Makawanpur, Chitwan)
8	Sahara Bikas Bank Ltd.	Malangawa, Sarlahi	2010/10/27	272.3	1 District Level (Sarlahi)
9	Salapa Bikash Bank Ltd.	Diktel, Khotang	2012/07/16	28.0	1 District Level (Khotang)
10	Green Development Bank Ltd.	Pokhara, Kaski	2013/08/25	519.0	1-5 District Level (Baglung, Myagdi, Kaski, Tanahu, Nawalparasi East)
11	Sangrila Development Bank Ltd.	Baluwatar, Kathmandu	2014/07/13*	2,606.60	National Level
12	Shine Resunga Development Bank Ltd.	Butwal, Rupandehi	2016/06/11*	3,016.30	National Level
13	Jyoti Bikas Bank Ltd.	Kamaladi, Kathmandu	2016/07/24*	3,844.8	National Level
14	Garima Bikas Bank Ltd.	lazimpat, Kathmandu	2016/09/20*	3,675.9	National Level
15	Mahalaxmi Bikas Bank Ltd.	Durbar Marg, Kathmandu	2017/07/02*	3,342.4	National Level
16	Lumbini Bikas Bank Ltd.	Dillibazar, Kathmandu	2017/07/09*	2,906.5	National Level
17	Kamana Sewa Bikas Bank Ltd.	Gyaneshwor, Ktm.	2017/08/04*	2,652.0	National Level
18	Saptakoshi Development Bank Ltd.	Dhankuta, Koshi	2019/07/07*	834.30	1-7 District Level (Morang, Ilam, Panchthar, Jhapa, Sunsari, Dhankuta, Terhathum)

* Joint operation date after merger

Paid-up capital based on the financial statement of mid-July 2021.

3. Finance Companies

S.N.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nepal Finance Ltd.	Kamaladi, Kathmandu	1993/01/06	135.80	National Level
2	Nepal Share Markets and Finance Ltd.	Ramshahapath, Kathmandu	1993/10/19	233.30	National Level
3	Goodwill Finance Ltd.	Hattisar, Kathmandu	1995/05/15	800.00	National Level
4	Progressive Finance Co. Ltd.	Newroad, Kathmandu	1996/02/26	800.10	National Level
5	Janaki Finance Co. Ltd.	Janakpurdharm, Dhanusha	1997/03/07	600.40	1-3 District Level (Dhanusha, Mahottari, Siraha)
6	Pokhara Finance Ltd.	Pokhara, Kaski	1997/03/16	917.30	National Level
7	Multipurpose Finance Co. Ltd	Rajbiraj, Saptari	1998/04/15	224.10	1 District Level (Saptari)
8	Samriddhi Finance Co. Ltd.	Hetauda, Makwanpur	2001/08/10	182.00	National Level
9	Capital Merchant Banking & Finance Co. Ltd.	Battisputali, Kathmandu	2002/02/01	935.10	National Level
10	Guheshwori Merchant Banking & Finance Ltd.	Pulchowk, Lalitpur	2002/06/13	800.00	National Level
11	ICFC Finance Ltd.	Bhatbhateni, Kathmandu	2004/07/15	926.50	National Level
12	Manjushree Financial Institution Ltd.	Nayabaneswor, Kathmandu	2007/10/17	818.10	National Level
13	Reliance Finance Ltd.	Pradarsani Marg, Kathmandu	2014/05/08 *	832.40	National Level
14	Gorkhas Finance Ltd.	Dillibazar, Kathmandu	2016/04/10 *	868.00	National Level
15	Shree Investment & Finance Co. Ltd.	Dillibazar, Kathmandu	2017/02/01 *	829.00	National Level
16	Central Finance Ltd.	Kupandole, Lalitpur	2017/03/23 *	823.40	National Level
17	Best Finance Ltd.	Chabahil, Kathmandu	2018/08/02 *	828.90	National Level

* Joint operation date after merger

Paid-up capital based on the financial statement of Mid-July 2021.

4. Microfinance Development Banks

S.N.	Name	Head Office	Operation Date (A.D.)	Paid-up Capital # (Rs. in Million)	Working Area
1	Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd.	Naxal, Kathmandu	1999/07/17	1,695.0	National Level
2	RMDC Laghubitta Bittiya Sanstha Ltd.	Putalisadak, Kathmandu	1999/12/06	1,034.2	National Level
3	Deprosc Laghubitta Bittiya Sanstha Ltd.	Bharatpur, Chitwan	2001/07/03	1,156.2	National Level
4	Chhimek Laghubitta Bittiya Sanstha Ltd.	Old Baneshwor, Kathmandu	2001/12/10	1,830.0	National Level
5	Shawalamban Laghubitta Bittiya Sanstha Ltd.	Baluwatar, Kathmandu	2002/02/22	943.0	National Level
6	Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.	Subidhanagar, Kathmandu	2002/03/11	1,251.5	National Level
7	Nerude Laghubitta Bittiya Sanstha Ltd.	Biratnagar, Morang	2007/06/15	493.9	National Level
8	Mithila Laghubitta Bittiya Sanstha Ltd.	Dhalkebar, Dhanusha	2009/04/29	121.7	Provincial Level (Province 2)
9	Sworojagar Laghubitta Bittiya Sanstha Ltd	Banepa, Kavre	2009/12/16	411.3	National Level
10	First Microfinance Laghubitta Bittiya Sanstha Ltd	Gyaneshwor, Kathmandu	2009/12/28	876.8	National Level
11	Kalika Laghubitta Bittiya Sanstha Ltd.	Waling, Syangja	2020/01/08*	277.6	National Level
12	Mirmire Laghubitta Bittiya Sanstha Ltd.	Banepa, Kavre	2010/09/23	432.6	National Level
13	Janauathan Samudayik Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2010/11/09	79.2	19 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Kapilvastu, Rupandehi, Nawalparasi East, Nawalparasi West, Chitwan, Parsa, Surkhet, Dadeldhura, Gulmi, Palpa, Tanahun, Arghakhanchi, Pyuthan, Salyan)
14	Womi Laghubitta Bittiya Sanstha Ltd.	Banepa, Kavre	2021/03/16*	411.9	National Level
15	Laxmi Laghubitta Bittiya Sanstha Ltd.	Maharajgunj, Kathmandu	2012/06/04	320.0	National Level
16	Civil Laghubitta Bittiya Sanstha Ltd.	Chuchepati, Kathmandu	2012/07/05	244.1	National Level
17	Vijaya Laghubitta Bittiya Sanstha Ltd.	Gaidakot, Nawalparasi	2013/03/28	266.6	National Level
18	NMB Laghubitta Bittiya Sanstha Ltd.	Pokhara-Hemja, Kaski	2013/03/31	539.8	National Level
19	FORWARD Community Microfinance Bittiya Sanstha Ltd.	Duhabi Bhaluwa, Sunsari	2013/05/17	625.5	National Level
20	Global IME Laghubitta Bittiya Sanstha Ltd.	Besisahar, Lamjung	2013/05/19	431.7	National Level
21	Mahuli Laghubitta Bittiya Sanstha Ltd.	Bakdhuwa, Saptari	2020/11/23*	223.9	National Level
22	Suryodaya Laghubitta Bittiya Sanstha Ltd.	Putalibazar, Syanja	2020/02/22*	248.0	National Level
23	Mero Microfinance Laghubitta Bittiya Sanstha Ltd.	Battar, Nuwakot	2013/07/18	1,000.0	National Level
24	Samata Laghubitta Bittiya Sanstha Ltd.	Pipra, Simara	2013/08/25	285.6	National Level
25	RSDC Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2013/09/11	732.0	National Level
26	Samudayik Laghubitta Bittiya Sanstha Ltd.	Banepa, Kavre	2014/04/13	132.0	4-10 District Level (Sindhupalchowk, Kavrepalanchowk, Dolakha, Ramechhap, Solukhumbu, Okhaldhunga, Nuwakot, Khotang, Bhojpur, Sankhuasabha)
27	National Microfinance Bittiya Sanstha Ltd.	Nilkantha, Dhading	2014/07/02	419.1	National Level
28	Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2014/08/15*	982.5	National Level
29	Nepal Sewa Laghubitta Bittiya Sanstha Ltd.	Phataksila, Sindhupalchowk	2014/10/26	61.5	Provincial (Province No. 3)
30	Unnati Sahakarya Laghubitta Bittiya Sanstha Ltd.	Siddharthanagar, Rupandehi	2020/07/10*	149.5	National Level

31	NADEP Laghubitta Bittiya Sanstha Ltd.	Gajuri, Dhading	2015/05/15	404.8	National Level
32	Support Microfinance Bittiya Sanstha Ltd.	Hasposa, Itahari	2015/07/12	66.0	Provincial Level (Province 1)
33	Arambha Chautari Laghubitta Bittiya Sanstha Ltd.	Butwal, Rupandehi	2016/01/03	286.8	National Level
34	Ghodighoda Laghubitta Bittiya Sanstha Ltd.	Sripur Belauri, Kanchanpur	2016/06/12	27.6	4-10 District Level (Kailali, Kanchanpur, Banke, Bardiya, Dang, Surkhet, Doti, Dadeldhura, Baitadi, Darchula)
35	Asha Lagubitta Bittiya Sastha Ltd.	Madanpur, Nuwakot	2016/08/29	267.1	National Level
36	Nepal Agro Microfinance Bittiya Sastha Ltd.	Pokhara, Kaski	2016/09/30	65.3	4-10 District Level (Kaski, Parbat, Baglung, Gulmi, Pyuthan, Rolpa, Tanahun, Salyan, Palpa, Lamjung)
37	Gurans LaghuBitta Bittiya Sastha Ltd.	Dhankutabazaar, Dhankuta	2016/11/16	83.40	Province Level (Province No. 1)
38	Ganapati Microfinance Bittiya Sastha Ltd.	Shuklagandaki, Tanahu	2016/12/09	127.4	National Level
39	Infinity Laghubitta Bittiya Sanstha Ltd	Gaidakot, Nawalparasi	2017/01/20	260.6	National Level
40	Adhikholu Laghubitta Bittiya Sanstha Ltd.	Bhirkot, Syangja	2017/02/12	100.00	4-10 District Level (Syangja, Kaski, Lamjung, Tanahun, Nawalparasi, Rupandehi, Palpa, Arghakhanchi, Gulmi, Kapilvastu)
41	Swabhiman Laghubitta Bittiya Sanstha Ltd.	Tilottama, Rupandehi	2017/05/22	92.1	Provincial Level (Province 5)
42	Sabaiko Laghubitta Bittiya Sanstha Ltd.	Bandipur, Tanahu	2017/07/14	206.0	National Level
43	Sadhana Laghubitta Bittiya Sanstha Ltd.	Gorkha, Gorkha	2017/10/30	257.0	National Level
44	NIC Asia Laghubitta Bittiya Sanstha Ltd.	Bherimalika, Jajarkot	2021/03/21	1,739.4	National Level
45	Naya Sarathi Laghubitta Bittiya Sanstha Ltd.	Byas, Tanahun	2020/09/21*	255.0	National Level
46	Manakamana Laghubitta Bittiya Sanstha Ltd.	Siddharthanagar, Rupandehi	2020/07/25	121.2	Provincial Level (Province 5)
47	Summit Laghubitta Bittiya Sanstha Ltd.	Gorakha	2077-06-06*	39.43	National Level
48	Buddha Jyoti Laghubitta Bittiya Sanstha Ltd.	Lumbini sanskritik, Rupandehi	2019/02/20	12.0	4-10 District Level (Palpa, Arghakhanchi, Gulmi, Baglung, Rupandehi, Nawalparasi, Kapilvastu, Mustang, Myagdi, Rukum)
49	Samaj Laghubitta Bittiya Sanstha Ltd.	Malangawa, Sarlahi	2019/04/08	20.0	1-3 District Level (Sarlahi, Mahottari, Dhanusha)
50	Mahila Laghubitta Bittiya Sanstha Ltd.	Banepa, Sanga, Kavrepalanchowk	2019/03/15	100.0	National Level
51	Manushi Laghubitta Bittiya Sanstha Ltd.	Banepa, Bhaisepati, Kavrepalanchok	2019/02/19	70.0	National Level
52	Adarsha Laghubitta Bittiya Sanstha Ltd.	Banepa, Kavrepalanchowk	2019/03/15	14.0	Provincial No. 3 (Province No 3)
53	Unique Nepal Laghubitta Bittiya Sanstha Ltd.	Kohalpur, Banke	2019/03/05	63.0	4 - 10 District Level (Bardiya, Banke, Kailali, Kanchanpur, Dang, Kapilvastu, Rupandehi, Nawalparasi, Surkhet, Dadeldhura)
54	Jalpa Laghubitta Bittiya Sanstha Limited	Pokhara, Kaski	2019/03/26	107.8	National Level
55	Rastral Utthan Laghubitta Bittiya Sanstha Limited	Banepa, Kavrepalanchowk	2019/02/20	175.0	National Level
56	WEAN Laghubitta Bittiya Sanstha Limited	Galchhi, Dhading	2019/04/08	14.6	Provincial Level (Province No. 3)
57	Upakar Laghubitta Bittiya Sanstha Limited	Kohalpur, Banke	2019/03/15	42.0	Province Level (Province No. 5)
58	Dhaulagiri Laghubitta Bittiya Sanstha Limited	Baglung -2 , Baglung	2019/02/19	70.0	National Level
59	CYC Nepal Laghubitta Bittiya Sanstha Limited	Baglung -3, Baglung	2019/03/15	82.1	National Level
60	NESDO Samriddha Laghubitta Bittiya Sanstha Limited	Kushma, Parbat	2019/03/05	172.1	National Level

61	Swastik Laghubitta Bittiya Sanstha Limited	Lahan, Siraha	2019/03/26	12.0	Provincial Level (Province No. 2)
62	Shrijanshil Laghubitta Bittiya Sanstha Limited	Golbazar, Siraha	2019/03/15	70.0	National Level
63	NRN (Kisan) Laghubitta Bittiya Sanstha Limited	Dhangadhi, Kailali	2020/07/13*	392.80	National Level
64	Jiban Bikash Laghubitta Bittiya Sanstha Limited	Katahari, Morang	2020/09/07*	608.4	National Level
65	BPW Laghubitta Bittiya Sanstha Limited	Banepa, Kavrepalanchowk	2019/04/15	20.3	Provincial Level (Province No. 3)
66	Aatmanirbhar Laghubitta Bittiya Sanstha Limited	Ghorahi, Dang	2019/04/15	42.0	Provincial Level (Province No. 5)
67	Super Laghubitta Bittiya Sanstha Limited	Tulshipur, Dang	2020/01/15	19.5	Provincial Level (Province No. 5)
68	Aviyan Laghubitta Bittiya Sanstha Limited	Panauti, Kavre	2019/12/17	152.5	National Level
69	Deurali Laghubitta Bittiya Sanstha Limited	Butwal, Rupandehi	2020/01/25	24.0	Provincial Level (Province No. 5)
70	Khaptad Laghubitta Bittiya Sanstha Limited	Godawari, Kailali	2020/07/31	26.8	Provincial Level (Province No. 7)

* Joint operation date after merger

Paid-up capital based on the financial statement of Mid-July 2021.

5. Other Institutions

S.N.	Name	Office	Contact Office	Date
1	Rastriya Sahakari Bank Ltd.	Kupandole, Lalitpur	Baneshwor, Kathmandu	2067/04/04
2	Mashreq Bank PSC	Dubai, UAE	Thapathali, Kathmandu	2067/06/26
3	Hydroelectricity Investment & Development Company Ltd.	Babarmahal, Kathmandu	Babarmahal, Kathmandu	2069/03/26
4	Omni Pvt.Ltd. ^{\$}	Adarshnagar, Birgunj	Adarshanagar, Birgunj	2071/01/24
5	Hulas Investment Pvt.Ltd. ^{\$}	Ganabahal, Kathmandu	Ganabahal, Kathmandu	2071/04/18
6	Sipradi Hire Purchase Pvt. Ltd. ^{\$}	Thapathali, Kathmandu	Thapathali, Kathmandu	2014/11/06
7	MAW Investment Pvt. Ltd. ^{\$}	Biratnagar, Morang	Teku, Kathmandu	2015/01/14
8	Batas Investment Co. Pvt. Ltd. ^{\$}	Pokhara, Kaski	Gairidhara, Kathmandu	2015/02/04
9	Syakar Investment Pvt. Ltd. ^{\$}	Kantipath, Kathmandu	Kantipath, Kathmandu	2016/07/24
10	Jagadamba Credit & Investment Pvt. Ltd. ^{\$}	Naxal, Kathmandu	Naxal, Kathmandu	2017/01/01
11	Doha Bank	Doha, Qatar	Thapathali, Kathmandu	2017/04/24
12	Venture Hire Purchase Pvt. Ltd. ^{\$}	Panipokhari, Kathmandu	Panipokhnari, Kathmandu	2019/11/19
13	ICICI Bank Limited	Mumbai, India	Thapathali, Kathmandu	2020/02/04
14	Manokamana Hire Purchase Pvt. Ltd. ^{\$}	Panipokhari, Kathmandu	Panipokhari, Kathmandu	2020/01/12
15	Agni Hire Purchase Pvt. Ltd. ^{\$}	Panipokhari, Kathmandu	Panipokhari, Kathmandu	2020/10/29

\$ For the purpose of hire purchase.

6. Infrastructure Development Bank

S.N.	Name	Head Office	Operation Date	Paid-up Capital (Rs. in Million)	Working Area
1	Nepal Infrastructure Bank Limited	New Baneshwor, Kathmandu	2019/03/11	20,000.00	National Level

PART – 2

ACTIVITIES OF NEPAL RASTRA BANK

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PART – TWO

ACTIVITIES OF NEPAL RASTRA BANK

Monetary Policy for Fiscal Year 2020/21

- 2.1 In accordance with the provision made in the NRB Act, 2002, NRB has been formulating and implementing monetary policy with the objective of enhancing financial access and maintaining stability in bank and financial sector so as to support economic growth through price and BOP stability. The monetary policy for 2020/21 was formulated at a time when the whole world was undergoing humanitarian as well as economic crises stemmed from the COVID-19 pandemic.
- 2.2 NRB announced the monetary policy for 2020/21 on 17 August 2020 with the main objective of maintaining macroeconomic stability and facilitating the achievement of targeted economic growth in line with GON's policies and programs initiated through its budget statement.
- 2.3 The first quarter review of the monetary policy for 2020/21 was published on 3 December 2020, Mid-term review on 14 February 2021 and the third quarter review on 18 May 2021.

Objectives and Targets

- 2.4 The main objectives of monetary policy announced amidst sluggish economy due to Covid-19 were to promote domestic demand, conduct effective monetary management to check the demand side pressure on price and external sector stability arising from demand side, promote employment and develop entrepreneurship to facilitate targeted economic growth, focus on developing digital economy by prioritizing electronic payment and mobilize financial resources such as refinance and priority sector credit towards productive sectors.
- 2.5 The monetary policy for 2020/21 set the target of containing average annual consumer inflation at 7 percent. Besides, the monetary policy targeted to maintain foreign exchange reserve sufficient to cover the prospective merchandise import of goods and services for at least 7 months and to manage adequate monetary liquidity to facilitate the targeted economic growth of 7 percent.
- 2.6 According to Central Bureau of Statistics, GDP for 2020/21 is projected to expand by 4.01 percentages. Due to the second wave of Covid-19 in fourth quarter, it is challenging to attain the targeted growth. The average inflation remained 3.6 percent in the back drop of Covid-19 which influenced the internal demand, production and employment creation and finally the aggregate demand in the economy. In the review

year, due to high imports, BOP remained surplus of Rs. 1.23 billion only. As of mid-July 2021, the foreign exchange reserve in the banking sector was sufficient to cover the imports of goods and services for 10.2 months.

Table 2.1
Inflation and Balance of Payments Surplus

Particulars	2018/19	2019/20	2020/21	
			Target	Actual
Annual Average Inflation (in percent)	4.64	6.15	7.00	3.60
Balance of Payments (Rs. billion) (+Surplus/-Deficit)	-67.40	282.41	10.00	1.23

Intermediate and Operating Targets of Monetary Policy

- 2.7 In monetary policy for 2020/21, price stability was continued as the primary objective. The objectives and target of monetary policy were determined based on national and international outlook. For this purpose, the growth rate of broad money supply (M2) was considered as the intermediate target and interbank rate among BFIs as an operating target of monetary policy.
- 2.8 The M2 increased by 21.8 percent in comparison to the initial projection of 18.0 percent for 2020/21. Likewise, domestic credit grew by 26.3 percent in comparison to the projection of 20 percent (Table 2.2).

Table 2.2
Money Supply and Domestic Credit

Particulars	2018/19	2019/20	2020/21	
			Target	Actual
Growth rate of broad money supply (in percent)	15.8	18.1	18.0	21.8
Growth rate of narrow money supply (in percent)	8.6	17.8	14.0	22.6
Growth rate of domestic credit (in percent)	21.4	12.6	21.5	26.8
Growth rate of credit to private sector (in percent)	19.1	12.6	20.0	26.3

Instruments of Monetary Policy

- 2.9 Consistent with the stance of monetary policy for 2020/21 and to facilitate the attainment of economic and monetary objectives, the operating target and instruments of monetary policy were selected. With an objective of interest rate stability and modernization of liquidity management through minimizing the fluctuation in the liquidity of the banking sector, the lower limit of interest rate corridor was decreased to 1 percent from 2 percent and upper limit of the corridor was continued at 5 percent. The two-weeks period repo rate, which is also a policy rate, was changed to 3 percent from 3.5 percent.

2.10 The provision of Cash Reserve Ratio (CRR) for banks and financial institutions was fixed at 3 percent. Likewise, provision of SLR, 10 percent for commercial banks, 8 percent for development banks and 7 percent for finance companies were kept unchanged. The bank rate, which is also applicable for Lender of Last Resort (LOLR) facility and to discount securities was continued at 5 percent.

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

Headings	2018/19	2019/20	2020/21
Cash Reserve Ratio			
“A” Class Institutions	4.0	3.0	3.0
“B” Class Institutions	4.0	3.0	3.0
“C” Class Institutions	4.0	3.0	3.0
Statutory Liquidity Ratio			
“A” Class Institutions	10.0	10.0	10.0
“B” Class Institutions	8.0	8.0	8.0
“C” Class Institutions	7.0	7.0	7.0

Provisions Made for Revival of the Economy

- 2.11 In order to revive the economy impacted by the Covid-19 and to expand the economic activities by promoting access to credit to selected profession, entrepreneurs and businesses and to facilitate credit availability in the remote areas of the country, a provision was made to increase refinance up to 5 times of available fund by amending the existing provisions. As of mid-July 2021, refinance of Rs. 148.75 billion for 48,890 borrowers was approved with Rs. 122.70 billion outstanding. Similarly, to control and provide treatment for Covid-19 pandemic, refinance facility was given to health facility providing organizations, hospitals and industries of Rs. 500 million to establish liquid oxygen plant and 200 million to establish oxygen plant.
- 2.12 Under the provision of providing additional working capital loan up to 20 percent of existing outstanding working capital loan to the existing borrowers to facilitate the continuation of business and industries severely affected by the COVID-19, a total of Rs. 14.24 billion was provided to 16,182 borrowers up to mid-July 2021. Under the provision of providing additional loans up to 10 percent to the borrowers who have taken only term loan against the same collateral, a total of Rs. 9.36 billion was extended to 7,269 borrowers in the same period.
- 2.13 Under the provision that the banks and financial institutions can extend the grace period of loans to industries or projects which are under construction but could not complete/operate due to the COVID-19, the grace period was provided to the loan amounting Rs. 52 billion to 993 borrowers. Under the provision of extending loan repayment schedule to the borrowers who have faced difficulty in paying installment and interest of loans due to COVID-19, the repayment schedule was extended to the

loans of Rs. 93.63 billion to 19,786 borrowers. Under the provision of restructuring and rescheduling of loans, a total loan of Rs. 129.21 billion of 21,617 borrowers from the sectors affected by COVID-19 was restructured and rescheduled as of mid-January 2021.

- 2.14 The provision to extend minimum 10 percent of the total loan portfolio in agriculture sector by commercial bank has been amended to provide at least 11 percent of the total loan portfolio by mid-July 2021, 13 percent by mid-July 2022 and 15 percent by mid-July 2023. Commercial banks have extended Rs. 425.83 billion (13.2 percent of their total credit) loan in this sector as of mid-July 2021.
- 2.15 The provision to extend minimum 15 percent of the total loan portfolio to energy and tourism sector by commercial bank has been amended so that they should provide at least 6 percent of the total loan portfolio by mid-July 2021, 7 percent by mid-July 2022, 9 percent by mid-July 2023 and 10 percent by mid-July 2024. Commercial banks extended Rs. 194.13 billion (6.0 percent of their total credit) loan in this sector as of mid-July 2021.
- 2.16 A provision has been made so that commercial banks have to extend loan in micro, cottage, small and medium enterprises sector of at least 11 percent of the total loan portfolio by mid-July 2021, 12 percent by mid-July 2022, 14 percent by mid-July 2023, and 15 percent by mid-July 2024. Commercial banks extended Rs. 327.80 billion (10.1 percent of their total credit) loan in this sector as of mid-July 2021.
- 2.17 A provision has been made so that “B” class financial institutions have to extend loan in agriculture, micro, cottage, small and medium enterprises sector of at least 16 percent of the total loan portfolio by mid-July 2021, 17 percent by mid-July 2022, 19 percent by mid-July 2023, and 20 percent by mid-July 2024. Similarly, “C” class financial institutions have to extend at least 11 percent of the total loan portfolio by mid-July 2021, 12 percent by mid-July 2022, 14 percent by mid-July 2023, and 15 percent by mid-July 2024.
- 2.18 On the concessional credit program, conducted through interest subsidy by the GoN, which aims to enhance production, employment, and entrepreneurship, a provision has been made to prioritize the rural area while providing this type of loans except agriculture and livestock loans, and commercial banks should extend total of 500 or minimum 10 per branch and national level development banks should provide 300 or minimum 5 per branch by mid-July 2021. Development banks and finance companies other than national level also have to extend to minimum 200 and 100 borrowers under this same scheme. A total of Rs. 161.44 billion credit was extended to 104,109 borrowers as of mid-July 2021. Of which, Rs. 106.98 billion was extended to 46,057 borrowers for selected agriculture and livestock businesses. Likewise, concessional loans equivalent to Rs. 50.98 billion was provided to 55,551 women entrepreneurs and

Rs. 3.48 billion was extended to 2,501 borrowers from other remaining sectors. Interest subsidy of Rs. 6.80 billion was provided by the GoN by mid-July 2021.

- 2.19 Total credit by the commercial banks, development banks, and finance companies to the deprived sector stood 7 percent of total credit in mid-July 2021 compared to the minimum regulatory requirement of 5 percent.
- 2.20 Credit to Deposit plus Core Capital (CCD Ratio) was increased from 80 percent to 85 percent to increase resource availability to BFIs and thereby reviving the economy affected by COVID-19. This increase in CCD ratio was in effect until mid-July 2021. Various adjustments given so far in the computation of CCD ratio was discontinued.

Public Debt Management

Issue and Management

- 2.21 NRB has been issuing and managing the domestic debt on behalf of the GoN. Likewise, NRB as a monetary authority has been using government securities as tools for liquidity as well as monetary management in accordance with the 'Public Debt Act, 2002', 'Public Debt Rules, 2003' (Second Amendment), 'Management of Primary and Secondary Market of Securities Rules, 2005', 'Public Debt Management Guidelines, 2017' and 'Nepal Rastra Bank Open Market Transaction Bylaw, 2014' and other bylaws and manuals.
- 2.22 Since the enactment of 'Raising of Public Debt Act, 2002', domestic debt has been mobilized in accordance with annual domestic debt issue calendar and auction calendar approved by the GoN for raising domestic debt as per the provision of annual budget of GON.
- 2.23 The NRB has been issuing treasury bills, development bonds, citizen saving bonds, national saving bonds and foreign employment saving bonds for raising domestic debt on behalf of GON.

Treasury Bills

- 2.24 In 2020/21, treasury bills worth Rs. 90 billion were issued consisting Rs. 31 billion of 91-days, Rs. 31 billion of 182-days and Rs. 28 billion of 364-days maturity. Similarly, treasury bills issued in the past and outstanding till mid-July 2021 amounting to Rs. 480.23 billion was renewed from time to time as per the repayment schedule. The outstanding treasury bills at the end of 2020/21 stood at Rs. 279.59 billion. During the review year, treasury bills amounting to Rs. 25.63 billion was redeemed by GON.

Table 2.4
New Issue of Treasury Bills (2020.21)

S.N.	Treasury Bill	Series Number	Issue Amount (Rs. in Millions)	Discount Rate
1	91 days	1553	3,500.0	1.1779
2	91 days	1573	5,000.0	4.6822
3	91 days	1574	2,500.0	4.9936
4	91 days	1575	11,000.0	4.9181
5	91 days	1576	9,000.0	4.2000
6	182 days	314 "Ka"	5,000.0	1.5479
7	182 days	324 "Ka"	6,000.0	4.1577
8	182 days	325 "Ka"	5,000.0	4.1721
9	182 days	326 "Ka"	5,000.0	4.8559
10	182 days	327 "Ka"	10,000.0	4.8614
11	364 days	1538 "Ka"	3,000.0	2.5823
12	364 days	1539 "Ka"	4,000.0	2.5328
13	364 days	1555 "Ka"	5,000.0	1.9798
14	364 days	1570 "Ka"	5,000.0	4.0550
15	364 days	1572 "Ka"	5,000.0	4.3769
16	364 days	1573 "Ka"	6,000.0	4.4451
Total			90,000.0	3.5779

Development Bonds

2.25 In 2020/21, development bonds worth Rs. 130 billion were issued (Table 2.5). At the end of 2020/21, outstanding amount of development bonds stood at Rs. 513.95 billion. The maturity period of the outstanding development bonds ranges between 3 to 15 years.

Table 2.5
Issue of Development Bond (2020/21)

S.N.	Development Bond	Period (Year)	Issued Amount (Rs. in Million)	Interest Rate (Percent)
1	2086 "Gha"	9	20,000.0	4.77
2	2084 "Gha"	7	10,000.0	4.14
3	2087 "Gha"	10	20,000.0	4.14
4	2084 "Na"	7	10,000.0	3.88
5	2083 "Ga"	6	10,000.0	3.90
6	2085 "Gha"	8	10,000.0	4.00
7	2086 "Na"	9	10,000.0	4.12
8	2083 "Gha"	5	15,000.0	4.79
9	2084 "Cha"	6	10,000.0	4.72
10	2083 "Na"	5	15,000.0	4.37
Total			130,000.0	

Citizen/National/Foreign Employment Saving Bonds

2.26 In 2020/21, the Citizen Saving Bond worth Rs. 3.95 billion was issued. The outstanding Citizen Saving Bond in mid-July 2020 was Rs. 7.64 billion, out of which Rs. 5 billion was redeemed during 2020/21. As of mid-July 2021, outstanding amount of Citizen Saving Bond stood at Rs. 6.60 billion (Table 2.6).

2.27 In 2020/21, the Foreign Employment Saving Bond worth Rs. 55.22 million was issued. The outstanding Foreign Employment Saving Bond in mid-July 2020 was Rs.405

million, out of which Rs. 274.5 million was redeemed during 2020/21. As of mid-July 2021, outstanding amount of Foreign Employment Saving Bond stood at Rs. 185.7 million (Table 2.6).

**Table 2.6
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 2019	7,642.0	405.0
New issue in 2019/20	3,953.9	55.22
Redeemed during 2019/20	5,000.0	274.5
Outstanding Bonds in mid-July 2020	6,595.9	185.7

Net Domestic Debt Issue

2.28 In 2020/21, gross domestic debt amounting Rs. 224.92 billion was raised through various instruments while redemption amounted to Rs. 36.90 billion. Net domestic debt stood Rs. 187.12 billion in 2020/21 (Table 2.7).

**Table 2.7
Net Domestic Debt Issue**

(Rs in Million)

Description	Debt Issue			Ratio with GDP (%)		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
(A) Total Issue	96382.0	194642.0	224009.0	2.5	5.0	5.3
Treasury Bill	26435.0	93000.0	90000.0	0.7	2.4	2.1
Development Bond	69947.0	100000.0	130000.0	1.8	2.6	3.0
National Saving Bond	0.0	0.0	0.0	0.0	0.0	0.0
Citizen Saving Bond	0.0	1605.0	3954.0	0.0	0.0	0.1
Foreign Employment Bond	0.0	37.0	55.0	0.0	0.0	0.0
(B) Payment	34313.0	34398.0	36901.0	0.9	0.9	0.9
Treasury Bill	24490.0	24575.0	25627.0	0.6	0.6	0.6
Development Bond	8500.0	7400.0	6000.0	0.2	0.2	0.1
National Saving Bond	907.0	0.0	0.0	0.0	0.0	0.0
Citizen Saving Bond	340.0	2339.0	5000.0	0.0	0.1	0.1
Foreign Employment Bond	76.0	84.0	275.0	0.0	0.0	0.0
(C) Net Domestic Debt	62069.0	160244.0	187108.0	1.6	4.1	4.4
Treasury Bill	1945.0	68425.0	64373.0	0.1	1.7	1.5
Development Bond	61447.0	92600.0	124000.0	1.6	2.4	2.9
National Saving Bond	-907.0	0.0	0.0	0.0	0.0	0.0
Citizen Saving Bond	-340.0	-734.0	-1046.0	0.0	0.0	0.0
Foreign Employment Bond	-76.0	-47.0	-219.0	0.0	0.0	0.0
(D) Total Outstanding Domestic Debt	452968.0	613212.0	800320.0	11.7	15.7	18.8
Gross Domestic Product	3858930.0	3914700.0	4266321.0			

Outstanding Domestic Debt Liabilities of GON

2.29 The domestic debt liability of GON reached Rs. 800.32 billion in mid-July 2021 compared to Rs. 613.21 billion a year ago (Table 2.8). In the review period, debt

mobilization through bonds have increased compared to the previous year since the amount mobilized by the GON through treasury bills and development bonds remained higher than the payments made in the same year.

**Table 2.8
Domestic Debt Liabilities of GON**

(Rs in Million)

SN	Type of Bill/Bond	2018/19	2019/20	2020/21	Percentage Change	
		Amount	Amount	Amount	2019/20	2020/21
1.	Treasury Bill	146793.0	215218.0	279592.0	46.6	29.9
2.	Development Bond	297347.0	389947.0	513947.0	31.1	31.8
3.	National Saving Bond	0.00	0.00	0.00	-	-
4.	Citizen Saving Bond	8376.0	7642.0	6596.0	-8.8	-13.7
5.	Foreign Employment Bond	452.0	405.0	186.0	-10.3	-54.2
Total		452968.0	613212.0	800320.0	35.4	30.5

Government Bonds owned by Nepal Rastra Bank

2.30 In case of securitization of overdraft, outright purchase in open market operation, purchase of securities while not able to make repayment of standing liquidity facility by BFIs, and sale of securities by market makers to NRB, the ownership of such securities get transferred to NRB. Among the government securities held by the NRB, the share of development bond remained the highest in 2020/21. NRB owned Treasury Bill of Rs. 15.47 billion, Development Bond of Rs. 41.13 billion, Citizen Saving Bond of Rs. 181.0 million and Foreign Employment Bond of Rs. 3.0 million in mid-July 2021 (Table 2.9). In the review period, Government Bonds owned by NRB have decreased by 15 percent compared to the previous year.

**Table 2.9
Details of Government Securities in the Ownership of NRB**

(Rs. in Million)

SN	Type of Bill/Bond	Mid- July			Percentage Change	
		2018/19	2019/20	2020/21	2019/20	2020/21
1.	Treasury Bill	18473.0	21320.0	15473.0	15.4	-27.4
2.	Development Bond	44033.0	43557.0	41129.0	-1.1	-5.6
3.	National Saving Bond	0.0	0.0	0.0	-	-
4.	Citizen Saving Bond	2795.0	1946.0	181.0	-30.4	-90.7
5.	Foreign Employment Bond	13.0	11.0	3.0	-13.4	-72.7
Total		65313.0	66833.0	56787.0	2.3	-15.0

Program for Sales Promotion of Government Bonds

2.31 To make Government Bonds transactions more effective, one day interaction program related to public debt and monetary management was conducted virtually in Kathmandu

with the participation of treasury bills section staffs of commercial banks, market maker staffs and sales agents staffs.

- 2.32 The work of preparing and printing promotional materials to promote the sale of Foreign Employment Saving Bonds and Citizens Saving Bonds has been completed. In order to facilitate the applicants of Foreign Employment Saving Bonds and Citizens Saving Bonds even in case of prohibition due to COVID 19, the application of updated Saving Bonds placed on the website can be submitted electronically to the market makers and sales agents. By conducting the interaction program virtually, suggestions and instructions have been provided to the market makers and sales agents to make the sale and distribution of foreign employment savings certificates and citizen savings certificates effective. The promotional materials have also been distributed in the program conducted by the province offices of this bank through the staff of the department in order to increase the public awareness about Government Bonds.

Liquidity Management

- 2.33 Liquidity management of the banking system has been conducted using the appropriate instruments (repo, reverse repo, outright sale, outright purchase, deposit collection and NRB bills) in accordance with the decision of the open market operation committee as per the NRB Open Market Operation Bylaw, 2014.
- 2.34 The existing "The Procedure related to Interest rate Corridor 2019 (2nd Amendment, 2020)" issued and implemented to incorporate the changes in policy arrangements brought by the Monetary Policy of fiscal year 2020/21 has been replaced by "The Procedure related to Interest rate Corridor 2019 (3rd Amendment, 2021)" through remodification and including relevant subject matters. For addressing the liquidity fluctuations of Banking Systems in 2020/21, various instruments of open market operation has been used.
- 2.35 In 2020/21, liquidity amounting Rs. 303.29 billion (on turnover basis) was mopped up through open market operations. Out of the amount absorbed, Rs. 109.54 billion was mopped up through reverse repo auction and Rs. 193.75 billion was mopped up through regular deposit collection (Table 2.10).

**Table: 2.10
Liquidity Mopped Up**

SN	Instruments	Times	Amount (Rs. in million)
1	Reverse Repo	6	109540.0
2	Deposit Collection	6	193750.0
Total			303290.0

- 2.36 Under interest rate corridor in review period, liquidity amounting Rs. 67.94 billion was injected, out of which Rs. 17.94 billion was injected through overnight repo and Rs. 50 billion through regular repo.

2.37 In 2020/21, standing liquidity facility worth Rs. 370.34 billion was injected 168 times to manage short term liquidity to demanding BFIs against government bonds (T-bills and development bonds) and NRB bonds for 7 working days at 5 percent interest rate (Table 2.11).

**Table: 2.11
Liquidity Injected**

S.N.	Instruments	Times	Amount (Rs. in million)
1	Overnight Repo	50	17937.1
2	Regular Repo	2	50000.0
3	Standing Liquidity Facility	168	370340.0
Total			438277.1

Financial Sector Reform, Enhancing Financial Access and Regulation

Financial Access Promotion Program

2.38 Financial access has been widening with the expansion of BFIs network. In accordance with the government's objective of ensuring the presence of at least a branch of commercial bank in each local level, the presence of commercial bank branches increased to 750 as of mid-July 2021 from 747 in mid July 2020. Local levels where commercial bank branches are yet to be established are: Rubi Valley Rural Municipality of Dhanding district in Bagmati province, Junichande Rural Municipality of Jajarkot district in Karnali province, Saipal Rural Municipality of Bajhang district in Sudurpaschim province.

**Table 2.12
Province-wise Commercial Bank Network at Local Level
(July 2021)**

Province	No. of Local Level	No. of Local Level with Access of Network		
		Mid-July 2019	Mid-July 2020	Mid-July 2021
Province 1	137	136	136	137
Province 2	136	134	136	136
Bagmati	119	117	117	118
Gandaki	85	84	85	85
Lumbini	109	109	109	109
Karnali	79	73	78	78
Sudurpaschim	88	82	86	87
Total	753	735	747	750

2.39 The total number of BFIs decreased by 22 as compared to previous year and reached to 132 in mid July 2021. However, the number of BFIs branch increased by 9.4 percent and reached to 10,683. Number of branchless banking service providing centers reached to 1,706 in mid July 2021 as compared to 1,574 of previous year. On the basis of total number of branches, per branch population decreased by 7.42 percent and reached to

2,844 in comparison of 3072 of previous year. The number of D Class financial institutions is in declining trend due to mergers and acquisitions, while the number of branches has increased by 628 to 4,685 due to continuous branch expansion.

**Table 2.13
Branches of Banks and Financial Institutions (mid-July)**

Banks and Financial Institutions	Mid-July				
	2017	2018	2019	2020	2021
Branches of Commercial Banks	2,274	3,023	3,585	4,436	4753
Branches of Development Banks	769	993	1,267	1,029	1023
Branches of Finance Companies	130	186	206	243	222
Branches of Microfinance Financial Institutions	1,895	2,449	3,629	4,057	4685
Total	5,068	6,651	8,687	9,765	10683
No. of Deposit Account ('000)	197.54	235.45	278.66	324.54	377.71
No. of Borrowers ('000)	1,216	1,301	1,439	1,544	1702
No. of Branchless Banking Centre	1,008	1,285	1,530	1,574	1706

- 2.40 To increase financial access, the bank has continued to prioritize branchless banking services. The number of branchless banking services reached 1,706 during the review period.
- 2.41 As of mid-July 2021, the number of deposit accounts of "A", "B" and "C" class BFIs stood 37.77 million while the number of borrowers stood 1.72 million.

Approval of Debenture Issuance

- 2.42 Eleven banks were granted permission to issue debenture worth Rs. 50.10 billion for long term resource mobilization between mid-July 2020 to mid-July 2021.

Merger/Acquisition of BFIs

- 2.43 Merger/Acquisition took momentum after implementation of Merger/acquisition bylaw, 2073. Total 229 BFIs involved in merger and acquisition process till mid-July 2021 forming 58 BFIs. In 2020/21, 33 "A", "B" and "C" class BFIs involved in the process of merger and acquisition resulting into 12 BFIs. Out of 20 mergers/acquisition, 10 were involved in merger process and 10 were involved in acquisition.

**Table 2.14
Merged/Acquired Banks and Financial Institutions**

BFIs	Up to 2011	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Commercial Banks	2	2	3	4	2	8	12	3	1	9	1
Development Banks	1	6	12	6	12	13	37	13	8	11	1
Finance Companies	6	7	12	8	6	7	14	3	3	1	5
Microfinance Institutions	-	-	-	-	5	0	0	0	2	20	26
Merged/Acquired BFIs	9	15	27	18	25	28	63	19	14	41	33
BFIs Created after Merger/Acquisition	4	7	11	8	9	11	24	9	7	19	12

Refinance Facility and Concessional Loans

- 2.44 Nepal Rastra Bank Refinancing procedure, 2020 (with Second Amendment) has been issued using the right given by Sub-section (3) of Section 110 of Nepal Rastra Bank Act, 2002 with the objectives of making existing refinance facility more systematic and effective to revive industry, profession and business by addressing the impact of COVID-19 on the economy. Under this procedure, refinancing facility has been provided to the following BFIs in 2020/21.
- General refinance: - Rs. 108.98 billion has been approved for licensed “A”, “B”, “C” and “D” class 73 BFIs.
 - Special refinance: - Rs. 14.62 billion has been approved for licensed “A”, “B” and “C” BFIs.
 - SME refinance: -Rs. 25.15 billion has been approved for licensed “A”, “B” and “C” BFIs.
- 2.45 Out of loan disbursed as of mid-July 2021 under Unified Manual Related to Interest Subsidy for Concessional Loan, 2075, Rs.106.98 billion remained outstanding to 46,057 borrowers under Agriculture and Livestock Loan. Likewise, Rs.54.45 billion remained outstanding to 58,052 borrowers in other sectors as per this manual. GoN has provided Rs 6.79 billion interest subsidy for concessional loan.
- 2.46 According to the Interest Subsidy Procedure 2017, the GoN has given Rs. 115.0 million as interest subsidy for the program establishing 13 cold-store and food store houses in this fiscal year through this bank.
- 2.47 According to the provision of disbursing 5 percent credit to the deprived sector by the A, B and C class institutions licensed by this bank for the fiscal year 2020/21, the dispersion of loan by commercial banks was 7.43 percent, development bank was 14.90 percent and finance companies was 13.05 percent in the deprived sector in 2020/21.
- 2.48 According to Business Continuity Loan Procedure, 2020, the GoN has made the reimbursement of Rs. 334.9 million to this bank which was provided to 12 borrowers by 4 banks.

Grievance Management

- 2.49 “Financial Customer Protection and Grievance Management Procedure, 2020” has been implemented to make the financial customer protection and grievance hearing processes transparent, credible and well managed. In addition to this, the grievance portal has been launched on 15 April, 2021 to make the tracking and record keeping system more accessible, to obtain the queries, grievances and suggestions conveniently as per the provision of monetary policy for 2020/21.

- 2.50 During the review year, action was taken for 3 grievances by the grievance handling committee out of total 27 grievances received. Attempts to make the gradual agreements between applicants and related parties were carried out for the rest of the grievances. Immediate initiation has been taken to resolve more than 350 grievances received from Hello Sarkar, email and informal telephone conversation in the review period. In addition to this, 187 grievances and suggestions are addressed through the grievance portal.
- 2.51 In the 2020/21, actions of blocking accounts, releasing accounts and security information of accounts were carried out as requested through 335 letters from Crime Investigations office, Internal Revenue Department, Tax Service Offices and Commission for Investigation of Abuse of Authority.

Permission Granted for Margin Lending Transaction

- 2.52 According to the reference of Nepal Stock Exchange Limited, permission has been granted to 2 sharebroker institutions to provide the margin related credit based upon the clause 76 of NRB Act 2002.

Financial Stability Report and Statistics

- 2.53 This bank regularly publishes Financial Stability Report. In this process, the 12th Financial Stability Report has been published based on the statistics of as of mid-July 2020.
- 2.54 As per the Unified Directives based on daily, monthly, and quarterly data received from bank and financial institutions, monthly statement has regularly been published through website.

Supervision of Banks and Financial Institutions

Supervision of Commercial Banks

- 2.55 In 2020/21, integrated onsite inspection of 4 banks and targeted onsite inspection of 4 banks have been completed based upon the risk-based supervision procedure. Continuous evaluation of banks and improvements of shortcoming found during onsite inspection has been done continuously.
- 2.56 Based upon the provision of separate supervision related to AML/CFT of each commercial banks, AML/CFT related special targeted inspection of 16 banks was completed in 2020/21. On the basis of this inspection and supervision, AML/CFT based Risk Profile of each bank has been prepared.
- 2.57 Seven special onsite inspections were completed on the basis of received grievances, relevancy and need in the review year.

- 2.58 In 2020/21, through offsite supervision of commercial banks, the bank has been monitoring Cash Reserve Ratio (CRR) in every two weeks, Credit to Core Capital cum Deposit (CCD) ratio on a daily basis, loan as per the purpose of Statutory Liquidity Ratio (SLR) and details regarding spread rate on a regular basis and loans disbursed to the deprived sector as well as stress testing results on a quarterly basis.
- 2.59 Approval has been granted to all 27 commercial banks and Nepal Infrastructure Development Bank to publish their financial statements of the previous year prepared according to Nepal Financial Reporting Standard (NFRS). While providing such approvals, commercial banks were directed to improve and not to repeat shortcomings found in on-site inspection, off-site supervision and those pointed out by external audit.
- 2.60 Regular monitoring has been conducted to monitor whether the compliance of the directive issued against the shortcomings found in the report prepared by conducting overall, targeted and special onsite inspection as well as regular off-site supervision by the bank has been followed or not. Monitoring report has been prepared on semi-annual basis for all commercial banks.
- 2.61 Annual Bank Supervision Report 2019/20 including contemporary issues has been published after conducting overall supervision and analysis of financial situation.
- 2.62 Individual Bank Supervisor (IBS) has been specified to all 27 commercial banks to make the micro level study and evaluate banks' income, capital, liquidity etc. and to measure the impact or likely impact on industries and business due to adoption of lockdown to minimize the risk of Covid-19. IBS conducts micro level monitoring of the transactions and activities of the assigned bank and present the report to the department on a monthly basis.
- 2.63 System of daily reporting of credit for Rs. 5 million and more has been implemented to identify the areas of credit expansion in order to formulate the appropriate policy, as credit has been expanded massively despite the slow down of economic activities due to the impact of Covid-19.
- 2.64 In 2020/21, Draft of Macro Stress Testing Guidelines, Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP) Guidelines have been prepared while Stress Testing Guidelines has been revised.
- 2.65 AML/CFT Supervision Manual 2014 has been revised to prepare "A Manual for Supervision and Inspection of Banks and Financial Institution on Anti Money Laundering and Countering the Financing of Terrorism"
- 2.66 Supervisory Information System was made Go-live, on 1st March, 2021 to receive data through single door from all BFIs on a parallel run basis.
- 2.67 In 2020/21, two commercial banks were penalized for breaching Anti Money Laundering Act and related directives and one bank was penalized for not meeting the

priority sector lending. Two commercial banks were penalized three times for failing to maintain the CRR set by this bank.

- 2.68 Commercial Banks indicators have been positive despite the effect of Covid 19. Key financial indicators of commercial banks are given in Table 2.15.

Table 2.15
Key Indicators of Commercial Banks (Unaudited)

S.N.	Indicators	Mid-July 2020	Mid-July 2021
a.	No. of Banks	27	27
b.	Total Paid-up Capital (Rs. in billion)	285.0	320.63
c.	Primary Capital (Rs. in billion)	426.00	472.58
d.	Total Capital (Rs. in billion)	506.00	588.19
e.	Total Deposit (Rs. in billion)	3489.00	4204.02
f.	Total Loan (Rs. in billion)	2904.00	3716.94
g.	Primary Capital Ratio (in percent)	11.78	10.91
h.	Total Capital Ratio (in percent)	14.01	13.58
i.	Total Loan/Primary capital and Deposit Ratio (in percent)	70.14	79.48
j.	Net Liquidity Ratio (in Percent)	29.96	25.59
k.	Statutory Liquidity Ratio (in percent)	24.02	21.97
l.	Non-performing Loan Ratio (in percent)	1.81	1.40
m.	Deprived Sector Loan Ratio (in percent)	6.26	7.5

Supervision of Development Banks

- 2.69 To mobilize the source for long term development and to enhance financial stability through the enhancement of the capital base of BFIs, policy related to merger and acquisition has been promoted. In review period, two development banks were involved in merger and acquisition process resulting into 18 development banks.
- 2.70 Only 53.33 percent onsite inspection were completed out of targeted 15 'B' class financial institution in the review period due to lockdown adopted to minimize the impact of Covid 19. Risk based full scope onsite inspection of 6 'B' class national level financial institutions and compliance based onsite inspection of 2 province based development banks were carried out from mid-July 2020 to mid-July 2021. Similarly, two special inspections were carried out in the review year.
- 2.71 Consent has been granted to approve and publish financial statements to 17 institutions of 2019/20 after receiving financial statements and preparing annual offsite supervision report and 4 institutions for 2018/19. Similary, one institution was in the process of getting approval for publishing its financial statement and 2 did not submit its statement till mid-July 2021.

- 2.72 Policy related to Prudential Mechanism to examine the financial strength of 'B' class financial institutions has been implemented for approving the proposal of cash dividend and bonus share. Similarly, in that regard "Procedure for providing consent to publish financial statements and approve dividends for purpose of annual general meeting of licensed bank and financial institutions, 2021" has been issued.
- 2.73 Attention was drawn while issuing approval to publish annual financial statements to the Board of Directors and Chief Executive Officers of 3 institutions of 'B' class who failed to maintain the spread between interest paid on deposit and interest charged on credit/advances not more than 5 percent as stipulated in point no. 4 of Unified Directive No. 15/2076.
- 2.74 Off-site supervision has been conducted for development banks on a regular basis. Off-site supervision reports have been prepared for the fourth quarter of 2019/20 and first, second and third quarters of 2020/21 followed by key financial indicators; annual supervision report of development banks has been prepared and uploaded in the NRB website for public information. In the situation created by Covid-19, a mechanism has been developed for regular off-site monitoring of the compliance of directives issued by this bank and since mid-April 2020 monthly off-site watch list monitoring report has been prepared continuously.
- 2.75 While monitoring the CRR until the end of 2020/21, cash penalty was imposed for one development bank because of failing to comply with the stipulated cash reserve ratio.
- 2.76 While monitoring the deprived sector credit flow of "B" class financial institutions up to mid-July 2021, all financial institutions except one complied with the provision of deprived sector credit ratio as directed by the NRB. Cash penalty was imposed for the bank which failed to comply with the stipulated deprived sector lending.
- 2.77 Two departmental level knowledge sharing programs on Unified Directives, Credit, Operation, NFRS, Basel II and Basel III were conducted by the experts from related area.
- 2.78 Annual Supervision Report, 2019/20 of development banks has been published in bank's website.
- 2.79 Unaudited overall key financial indicators of development banks till mid-July 2021 are given below:

Table 2.16
Key Indicators of Development Banks (Unaudited)

S.N.	Indicators	Mid-July 2020	Mid-July 2021	Percentage change
a.	Total Number	20	18	-10
	<i>National Level</i>	8	8	0
	<i>Province/District Level</i>	12	10	-16.67
b.	Total Paid-up Capital (Rs. in billion)	31.96	32.10	0.43
c.	Primary Capital (Rs. in billion)	39.53	43.21	9.32
d.	Total Capital (Rs. in billion)	43.19	48.77	12.92
e.	Total Deposit (Rs. in billion)	354.78	445.84	25.67
f.	Total Loan (Rs. in billion)	287.12	383.43	33.54
g.	Primary Capital Ratio (in percent)	13.15	11.7	-1.45
h.	Total Capital Ratio (in percent)	14.37	13.21	-1.16
i.	Total Loan/Primary capital and Deposit Ratio (in percent)	73.01	79.94	6.93
j.	Net Liquidity Ratio (in Percent)	24.47	24.93	0.46
k.	Statutory Liquidity Ratio (in percent)	15.74	18.17	2.43
l.	Non-performing Loan Ratio (in percent)	1.6	1.3	-0.3
m.	Deprived Sector Loan Ratio (in percent)	9.95	14.61	4.66
n.	Targeted sector Loan (in percent)	23.88	24.63	0.75
o.	Total Assets (Rs. in billion)	403.81	543.33	34.55

- 2.80 Total assets/liabilities of development banks have increased by 34.55 percent (Rs. 139.51 billion) during the review period and reached Rs. 543.32 billion (Table 2.16). Such assets / liabilities had decreased by 13.77 percent (Rs. 64.50 billion) in the previous year due to merger and acquisition of six development banks with commercial banks.
- 2.81 Total deposits as the main source of resource mobilization has increased by 25.67 percent (Rs. 91.05 billion) to Rs. 445.84 billion during the review year. Such deposit mobilization had decreased by 10.93 percent (Rs. 43.55 billion) in the previous year. As of mid-July 2021, the net liquid assets of development banks (including investments in government bonds) amounted to Rs. 102.23 billion. Such assets accounts for 25.63 percent of the total deposits.
- 2.82 During the review period, credit and investment of development banks increased by 33.54 percent (Rs. 96.31 billion) to Rs. 383.42 billion. Such loans and investments had decreased by 16.28 percent (Rs. 58.06 billion) in the previous year.

Supervision of Finance Companies

- 2.83 In the fiscal year 2020/21, overall onsite inspection of 4 finance companies out of 19 finance companies in operation was completed.
- 2.84 Second semi-annual enforcement report of 2019/20 and first semi-annual enforcement report of 2020/21 have been prepared. Similarly, fourth quarterly off-site supervision

report of 2019/20 and first, second and third quarterly off site supervision report of 2020/21 have been prepared.

- 2.85 Approval has been given to 18 finance companies for publishing annual financial statements. Annual supervision and inspection report of finance companies for the fiscal year 2019/20 has been prepared and published on the bank's website.
- 2.86 Two finance companies was penalized for not maintaining the minimum required reserves to be maintained by the licensed "C" class institutions, three finance companies was penalized for not maintaining minimum deprived sector loans and one finance company was penalized for not maintaining CCD ratio in the second quarter.
- 2.87 Quarterly reports were prepared by monitoring Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Credit/ Core Capital plus Deposit Ratio (CCD Ratio), Base Rate, Spread Rate, Sectoral credit. Along with this, monthly reports were prepared after monitoring for capital adequacy used for supervisory purpose including Prompt Corrective Action (PCA).
- 2.88 In order to carry out the inspection and supervision work effectively, a one-day interaction program via online platform was organized in Kathmandu among the employees of the department to provide information about the integrated directives, prevailing laws and regulations and the existing supervisory issues.
- 2.89 The number of finance companies has decreased to 17 in mid-July 2021. The non-performing loan ratio increased to 3.16 percent but the capital adequacy ratio has increased to 22.09 percent. The key indicators of finance companies are presented in Table 2.17.

**Table 2.17
Key Macroeconomic Indicators of Finance Companies (Unaudited)**

S.N.	Indicators	Mid-July 2020	Mid-July 2021
a.	Total Number	22	17
	<i>National Level</i>	19	15
	<i>Province/District Level</i>	3	2
b.	Total Paid-up Capital (Rs. in billion)	12.86	11.79
c.	Primary Capital (Rs. in billion)	14.97	15.29
d.	Total Capital (Rs. in billion)	16.31	17.15
e.	Total Deposit (Rs. in billion)	87.51	88.10
f.	Total Loan (Rs. in billion)	71.13	68.54
g.	Primary Capital Ratio (in percent)	18.59	19.70
h.	Total Capital Ratio (in percent)	20.24	22.09
i.	Total Loan/Primary capital and Deposit Ratio (in percent)	66.11	66.69
j.	Net Liquidity Ratio (in Percent)	33.65	39.76
k.	Statutory Liquidity Ratio (in percent)	19.57	31.03
l.	Non-performing Loan Ratio (in percent)	2.97	3.16
m.	Deprived Sector Loan Ratio (in percent)	8.27	10.49
n.	No of Problematic Finance Companies	3	2

Note : Aforementioned indices do not include data from problematic Financial Institutions

- 2.90 A one-day interaction program has been organized via online platform in Kathmandu with the chairpersons and directors of the board of directors of finance companies on the major issues related to institutional governance, money laundering, risk management and internal control system.
- 2.91 A one-day interaction program has been held in Kathmandu via online platform with the top management including the chief executive officer of the finance company on the major shortcomings and comments related to money laundering, risk management and internal control system and other current issues.

Supervision of Microfinance Financial Institutions (MFIs)

- 2.92 The number of MFIs licensed from this bank was 84 in the last fiscal year 2019/20, which further decreased to 70 by mid-July 2021. Out of which, there are 2 institutions which collect deposits from the public, 4 institutions which deal only in wholesale credit and 64 institutions which deal in retail loans following the rural banking system.
- 2.93 The total assets and liabilities of “D” class MFIs dealing with microfinance have increased by 34.58 percent as compared to mid-July 2020 and reached Rs. 426.19 billion by mid-July 2021 (Table 2.18). In mid-July 2021, the total savings and deposits of these institutions reached Rs. 130.42 billion and total borrowing Rs. 207.34 billion while the total loan and advances reached Rs. 365.55 billion and total investment Rs. 14.71 billion.

Table 2.18
Key Macroeconomic Indicators of Micro Finance Financial Institutions
(Rs. in Billion)

Particulars	Mid July 2019	Mid July 2020	Mid July 2021*	Change (Percentage)	
				2019/20	2020/21
Capital fund	25.50	33.41	39.09	31.01	17.00
Savings and deposits	85.63	106.15	130.43	23.96	22.87
Loan	126.48	142.09	207.35	12.34	45.93
Others	23.60	29.59	37.49	25.38	26.70
Profit	6.49	5.44	11.84	-16.27	117.74
Total Sources	267.71	316.68	426.20	18.29	34.58
Liquidity Fund	19.31	30.38	28.29	57.35	-6.88
Investment	2.57	10.20	14.71	296.31	44.25
Loans and borrowings	235.15	262.73	365.55	11.73	39.14
Others	10.63	13.29	17.63	24.94	32.72
Loss	0.05	0.08	0.01	89.01	-85.73
Total usage	267.71	316.68	426.20	18.29	34.58

* Unaudited

- 2.94 In 2020/21, out of the total microfinance financial institutions licensed by this bank, overall on-site inspection of 14 institutions and special inspection of one institution was carried out.
- 2.95 The enforcement report of second half of the fiscal year 2019/20 and the first half of the fiscal year 2020/21 have been prepared. Also, quarterly off-site supervision report for

the fourth quarter of fiscal year 2019/20, first, second and third quarter of fiscal year 2020/21 have been prepared.

- 2.96 Annual inspection and supervision report of microfinance financial institutions has been prepared and published on the website of the bank. Similarly, the annual report on the Status of Financial Inclusion and the Risk Management Guidelines for Microfinance Financial Institutions has been drafted.
- 2.97 Prompt Corrective action has been taken against one MFI for not maintaining the minimum capital as per the directive of this bank in 2019/20. Similarly, penalty was imposed to three MFIs for non-compliance with the provision relating to minimum mandatory ratio.

Foreign Exchange Management

Regulation and Inspection

- 2.98 As of mid-July 2021, the total number of companies and firms that have taken approval to do foreign exchange transactions stood at 3,383. It includes 227 Hotels, 936 Travel Agencies, 1,593 Trekking Agencies, 65 Cargo, 71 Airlines Companies, 358 Money Changers, 51 Remittance Companies, 27 Commercial Banks, 6 Development Banks, 7 Finance Companies, Nepal Infrastructure Development Bank 1, Nepal Clearing House Limited 1, and 40 other entities. Among these, 3,063 companies are operating within Kathmandu valley whereas 320 companies are located outside Kathmandu valley.
- 2.99 During 2019/20, onsite inspection of 28 institutions was conducted out of total institutions licensed to deal with foreign exchange comprising 3 remittance companies, 9 commercial banks, 12 money changers, 3 hotels and 1 travel and tours.
- 2.100 BFIs and remittance companies licensed by this bank have been informed not to do any business with Mauritius-based M&M Remit if they are doing remittance business in collaboration with that remit. "Foreign Exchange Transaction License and Inspection By-laws, 2077" has been issued.

Foreign Investment Facilitation

- 2.101 Approval equivalent to Rs.31.25 billion and Rs. 28.65 billion was granted for foreign direct investment (FDI) inflows and foreign loans respectively during the review year.
- 2.102 During the review year, accounting was done for foreign direct investment (FDI) inflows equivalent to Rs. 29.67 billion and foreign loans equivalent to Rs. 6.30 billion. In addition, permissions for exchange facility equivalent to Rs.37.20 billion was provided for return of FDI, payment of interest and principal of foreign loans, repatriation of dividend on FDI, payment of royalty related to technology transfer and other fees associated with foreign investment.

Exchange Facility Management

- 2.103 During the review period, foreign currency exchange facility was provided through 2,173 files submitted to the bank in addition to the limit of foreign currency exchange facility that commercial banks can provide to the purchase service as per the agreement between foreign firms, companies or institutions and firms, companies or institutions registered in Nepal
- 2.104 With the aim of promoting export business, reimbursement equivalent to Rs. 1.40 billion was provided to the commercial banks for the cash grants paid to various export related firms, companies or institutions.
- 2.105 Provisions have been made in which advance tax should be collected as per Income Tax Act, 2058, Section 95 Ka in foreign exchange facility provided to students going abroad for studies as well as for payment of language exams and standardized tests fees.
- 2.106 In case of educational institutions opened with the permission of the GoN and affiliated to foreign universities, provisions have been made in which licensed BFIs after taking specified documents can provide foreign currency exchange facility upto USD 10,000 or other equivalent convertible foreign currency for the payment of affiliation, examination and other fees.
- 2.107 “Nepal Rastra Bank Moneychanger License and Inspection Bylaws, 2077” has been issued.
- 2.108 Provisions have been made in which the licensed A class banks and National Level B class development banks can issue prepaid foreign currency (dollar) cards with maximum limit of USD 500, or equivalent convertible foreign currency, per year for purchasing goods and services online from abroad following the specified conditions.
- 2.109 For the imports being made via Documents Against Payment (DAP)/Documents Against Acceptance (DAA), the foreign currency exchange limit has been set to USD one hundred thousand or other equivalent convertible foreign currency.

Foreign Exchange Reserve Management

- 2.110 The foreign exchange reserve investment stood at USD 10.55 billion in mid-July 2021 as compared to USD 9.81 billion in mid-July 2020.
- 2.111 For the effective management of foreign exchange reserves in line with NRB’s policy of prioritizing security of investment, liquidity and returns; foreign exchange reserves were invested on time deposits, US treasury bills and notes, treasury bills and bonds of different periods issued by Government of India and China, financial instruments of Bank for International Settlements and unallocated gold.

- 2.112 The bank has invested in investable instruments of seven types of convertible foreign currency including US Dollar, Euro, Pound Sterling, Australian Dollar, Canadian Dollar, Chinese Yuan and Japanese Yen. As of mid July 2021, 54.04 percent of bank's total foreign exchange reserve investment was in US dollar and the rest in other currencies compared to 58.51 percent in US dollars and the rest in other currencies in mid-July 2020.
- 2.113 Investment coverage has been increased to Chinese Government securities by opening China Interbank Bond Market (CIBM) Cash / CIBM Security/Custodian accounts at Standard Chartered Bank, Shanghai, China and NOSTRO Cash account at SCB, Xiamen, China.
- 2.114 In terms of investing in periodic deposits and other instruments, the bank has almost finalized the process of setting up a Relationship Management Application with Raiffeisen Switzerland to create a competitive environment at the market exchange rate by adding investable counterparty to invest in other instruments including periodic deposits and to ensure security of investment, liquidity, returns and sustainability.

Resource Management

- 2.115 Provisions have been made to repay the installment of the loan of convertible foreign currency in Nepali Rupees and to prioritize Nepali service providers as far as possible when taking insurance and transportation related services, required in import trade.
- 2.116 Provisions have been made for Nepali Companies/Industries to take loan in foreign currency from their foreign investors (Parent Company/Group of Companies). In addition, for transfer of Indian Rupees in course of buying and selling of Indian Currency between BFIs and with the bank, a provision has been made to transfer the Indian Rupees in three working days before the value date by submitting the application to Banking Department of this bank.
- 2.117 Nepal Rastra Bank Foreign Investment and Foreign Debt Management Bylaws, 2078 has been issued.
- 2.118 Provisions have been made for remittance companies to remit money to Nepal digitally and to provide remittance payments using various electronic payment mechanisms (Mobile banking, Internet banking, Electronic cards, Digital wallet, etc) in local currency to customers in Nepal.

Miscellaneous

- 2.119 Provisions have been made so that commercial banks can determine interest rates by themselves for the loans provided in convertible foreign currency to import industrial raw materials, machinery and equipment imported through Sight LC.

- 2.120 The limit of foreign exchange facility for importing goods from third countries through Draft/TT has been increased to USD 35,000 from USD 30,000.
- 2.121 Four items have been added to the list of existing items to be imported from India by paying convertible foreign currency through letter of credit.
- 2.122 The existing period of Usance Letter of Credit has been extended from 120 days to 180 days in case of imports by the trading firms.
- 2.123 The deadline for issuing Advance Payment Certificate in the name of Nepali exporters after receiving foreign currency has been extended to four months from the existing one month.
- 2.124 Arrangements have been made to deposit the cash proceeds from the sale of goods in exhibition and trade fairs abroad in the exporter's account in the banking and financial institutions in Nepal after presentation of necessary documents including declaration of greater than USD 5000 or equivalent other foreign currency at the custom points.
- 2.125 Arrangements have been made to carry out the commercial transactions with Bhutan in Indian Rupees in addition to ACU Mechanism.
- 2.126 The daily quantity of gold that can be imported, has been increased from 10 Kg to 20 kg.
- 2.127 Arrangements has been made so that the limit on amount in Draft or T.T., Business Credibility Information (BCI) and recommendation from the health service department are not mandatory till mid-April 2022 in case of imports of Oxygen cylinders, Oxygen Concentrators, Oxygen Tanks, Oxygen Generators, Oxygen Manufacturing Plants, Oxygen Delivery Accessories, other oxygen related materials and ventilator equipment and other life saving materials/equipment.
- 2.128 Licensed financial institutions can operate their account in the status quo even though the license has not been renewed during the lockdown period for the prevention and reduction of COVID-19 and until 30 days from the date of official lifting of lockdown.
- 2.129 A circular has been issued to carry out international trade related activities through the national one-door system by the GoN.
- 2.130 Arrangements have been made for exchange rate applicable for remittances, provision of not providing any kind of financial and non-financial services to foreign service providers without mentioning in the agreement submitted to foreign exchange management department by the licensed institutions dealing with remittance services, and licensed institutions providing remittance services and shall take gurantee issued by bank and financial institutions in case of appointing sub-agent by taking cash gurantee.

Payment Systems

- 2.131 Issuance of license to new payment system operators and payment service providers excluding those who have obtained the letter of intent before has been halted as per the provisions of monetary policy of 2020/21. Public notice regarding the halt was published on the bank's official website on July 19, 2020. One company who had obtained letter of intent before, was granted license to operate as payment system operator and 14 institutions were granted license to operate as payment service providers while the letters of intent of 11 institutions were cancelled in 2020/21.
- 2.132 Real Time Gross Settlement (RTGS) System, in the support of DFID through UKaid Sakshyam Access to Finance, has been officially handed over to the bank on January 15, 2021.
- 2.133 Unified Directives related to Payment System-2020 has been issued for institutions licensed for payment related operation. It was published on the bank's official website on August 28, 2020.
- 2.134 Five meetings of the National Payment Board (*Rastriya Bhuktani Board*) were successfully held as per section 3 of Payment and Settlement Act, 2020.
- 2.135 Payment System Development Indicators are being published on the bank's official website since Mid July 2020 as per the monetary policy of 2020/21.
- 2.136 Directives regarding Corporate Governance, Risk Management, and Consumer Protection have been issued to the companies holding license for payment-related operations. According to the aforementioned directive, the transaction limit has been set as mentioned in Table 2.19.
- 2.137 Directive on transaction limit of mobile and internet banking has been revised effective March 3, 2021.

Table 2.19
Digital Payment Transaction Limits

S.N.	Payment Instrument/Type	Daily Limit (Rs. in Million)
1.	Mobile Banking	0.2
2.	Internet Banking (Merchant Payment)	2.0
3.	Internet Banking (Account Transfer)	2.0

- 2.138 Documents entitled “Standardization of QR Code- Draft QR Specifications” and “Standardization of QR Code and Interoperability Framework in Nepal” has been prepared by the working team formed as per Governor’s decision dated September 11, 2020 in collaboration with technical experts from International Finance Corporation (IFC) and published in the bank’s official website.
- 2.139 Daily Liquidity Facility Related Manual, 2019 (First Amendment 2021) is in implementation after approval.

- 2.140 Notice to licensed financial institutions, payment service providers, payment system operators, and other stakeholders was published on the bank's official website regarding the facilitation of e-commerce and other online transactions through online financial services in foreign currencies.
- 2.141 As provisioned in the monetary policy for 2020/21, a circular on exemption of transaction fees for the use of ATM services of the different BFIs within the country during the COVID-19 crisis was issued to all licensed BFIs on July 19, 2020. Likewise, another circular with the provision of fee exemption on use of ATM services of the different bank and financial institutions for a minimum of 2 (two) transactions per month and fee ceiling of Rs. 20 per transaction for subsequent transactions was issued on January 7, 2021.
- 2.142 Oversight Manual for the inspection of the institutions, obtained license for payment-related operations has been prepared and being implemented. Similarly, RTGS Manual pertaining to the regular operation of the RTGS system has been approved.
- 2.143 A Reporting Data Template to be used for Supervisory Information System (SIS) has been finalized.
- 2.144 Total transaction volume through RTGS System from mid-July 2020 to mid-July 2021 amounted to Rs. 20 trillion 446 billion and 556 million (Table 2.20).

**Table 2.20
Transaction through RTGS System**

(in Rs. Million)

S.N.	Currency	Number of Transactions	Transaction Amount
1	NPR	5,22,179	20,445,704.0
2	USD	10,364	688.0
3	EUR	702	161.0
4	GBP	426	3.2
5	JPY	175	1,891.1
Total			20,446,556.4

- 2.145 Onsite inspection of 4 companies licensed for payment related operations was completed in 2020/21 while offsite inspections are being conducted regularly. Appropriate actions were taken against the 6 institutions based on the discrepancies found during the inspection.

Information Technology

- 2.146 The update and upgradation of Bank's new website was completed on October 28, 2020. Similarly, a mobile application with access to all public information related to the bank was developed and tested. It went live on July 14, 2021 for the general public.
- 2.147 A web portal *gunaso.nrb.org.np* has been developed for ensuring more effective financial customer protection.

- 2.148 Old email system has been replaced by Microsoft Exchange for a more secure information exchange.
- 2.149 In order to minimize risks arising from information technology, Security Information and Event Management (SIEM) along with an additional firewall has been established and put into operation.
- 2.150 Version update of Olympic Banking System, which is more secure and efficient, was successfully tested using test server before making it fully operational. Likewise, other softwares being used by the bank have been gradually installed in DR Site and put into operation.
- 2.151 In order to replace IBM Power 7 Server of Olympic Banking System, currently at the End of Support state in DR site, Biratnagar, procurement process for purchasing a new server has been initiated.
- 2.152 Technical specifications for computer and other related equipments have been prepared and procured equipments have been tested against the approved technical specifications.
- 2.153 Infrastructures pertaining to information technology of different BFIs were inspected and supervised.
- 2.154 “Nepal Rastra Bank Information and Communication Policy, 2021” has been issued effective January 29, 2021.
- 2.155 Five jingles related to financial awareness were made and broadcasted on television.
- 2.156 Financial awareness-related talk show was conducted and aired on television and FM in the capacity of the national coordinator of Global Money Week 2021.
- 2.157 A total of 11 programs related to financial literacy was conducted amongst which 3 programs were conducted as a part of “Nepal Rastra Bank with Students” and 8 were related to enhancing financial awareness.

Currency Management

- 2.158 Note printing (procurement) related master plan 2074 (2017) and coin minting related master plan 2074 (2017) were updated on July 24, 2020, as per the provisions of Public Procurement Act 2063 (2007) and Note Printing and Coin Minting Directive 2065 (2009). Nepali banknotes are made more secure with the up-gradation of technological features aimed at adding security and lifespan to the Nepalese banknotes in the ongoing note printing cycle. In the current note printing cycle contracts for printing 300 million pieces of Rs. 5; 340 million pieces of Rs. 10; 240 million pieces of Rs. 20; 190 million pieces of Rs. 50; 400 million pieces of Rs. 100; 190 million

pieces of Rs. 500 and 310 million pieces of Rs. 1000 banknotes have been signed and being enacted.

- 2.159 In 2020/21, 80 million pieces of Rs. 5; 80 million pieces of Rs. 10; 170 million pieces of Rs. 20; 80 million pieces of Rs. 50; 120 million pieces of Rs. 100 and 130 million pieces of Rs. 1000 newly printed banknotes have been stocked at the bank's vault.
- 2.160 As of mid-July 2021 total banknotes worth Rs. 79.81 billion are in the stock (Table 2.21). This amount was Rs. 13.09 billion during the same time of the previous year.

Table 2.21
Details of Currency Notes Stock

Denomination(Rs.)	2018/19	2019/20	2020/21	(Rs. in Million)
1	0.05	0.05	0.05	
2	6.30	6.30	6.30	
5	523.25	137.25	4,617.5	
10	1,010.00	76.50	787.50	
20	1,316.00	249.00	3,373.00	
50	1,537.50	3,015.00	5,967.50	
100	1,240.00	5,385.00	14,390.00	
500	57,475.00	4,075.00	725.00	
1000	58,650.00	150.00	54,100.00	
Total Amount	121,758.10	13,094.10	79,811.10	

- 2.161 From mid-July 2020 to mid-July 2021, different denomination banknotes worth Rs. 241.45 million were newly issued and circulated from the stock vault (Table 2.22)

Table 2.22
**Details of Currency Notes Issued from Note Stock
and Printing Expenses in 2020/21**

Denomination (Rs.)	Notes in Circulation (Pieces in Million)	Printing Expenses (Rs. in Million)
5	15.10	75.5
10	8.90	89.0
20	13.80	276.0
50	20.95	1,047.5
100	29.95	2,995.0
500	6.70	3,350.0
1000	146.05	146,050.0
Total Amount	241.45	153,883.0

- 2.162 Total banknotes in circulation as of mid-July 2021 has reached to Rs. 683.50 billion, which is 16.22% increment from the circulation volume of Rs. 588.06 billion as of mid-July 2020. The details of banknotes in circulation as of mid July 2021 are shown in Table 2.23.

Table 2.23
Details of Currency Notes in Circulation (mid-July 2021)

Denomination (Rs.)	Notes in Circulation (Pieces)	Amount (Rs. in Million)
1	161,012,732	161.0
2	92,635,349	185.3
5	581,899,124	2,909.5
10	451,122,790	4,511.2
20	263,130,005	5,262.6
25	2,285,620	57.1
50	208,920,350	10,446.0
100	207,404,912	20,740.5
250	349,705	87.4
500	301,048,519	150,524.3
1000	488,615,058	488,615.1
Total	2,758,424,164	683,500.0

- 2.163 With an objective of modernization and mechanization of traditional currency management practices, a contract agreement has been signed with a company from Netherlands to procure 8 units of Banknotes Shredding and Briquetting system (for central and provincial offices) in a plan to install 4 units in Phase-I within May 9, 2021 and install 4 units in Second Phase by October 31, 2021. Regarding this, 4 BSBS machines under Phase-I have been installed in Biratnagar, Birgunj, Kathmandu, and Nepalgunj and are in the testing phase. Likewise, the remaining 4 BSBS machines were in the process of being installed in Janakpur, Sidharthanagar, Pokhara, and Dhangadi.
- 2.164 A total of Rs. 12.5481 billion soiled, mutilated and torn banknotes that are ineligible for further circulation in the market were destroyed in the review year (Table 2.24).
- 2.165 A contract to mint 300 million pieces of Re. 1 coins was signed with Monnika Polska S.A., Poland on March 23, 2021. Likewise, a Contract to mint 100 million pieces of Rs. 2 coins was signed with The Royal Mint, UK on March 26, 2021.
- 2.166 A total of 1.4 million of Re. 1 coins and 4.4 million of Rs. 2 coins were sold in 2020/21. As of mid-July 2021, 0.59 million Re. 1 coins and 4.19 million Rs. 2 coins remained in the stock.

Table 2.24
Details of Consigned Notes Ineligible for Circulation in 2020/21

Denominations (Rs.)	Number of notes Consigned to Ashes (in Thousand)	Amount (Rs. Million)
1	8.0	0.01
2	18.0	0.04
5	21,036.0	105.18
10	22,702.0	227.02
20	24,508.0	490.16
25	3.0	0.10
50	26,290.0	1314.50
100	18,396.0	1839.60
250	0.00	-
500	4,166.0	2083.00
1000	6,489.0	6489.00
Total	123,616.0	1,2548.59

Human Resource Management

2.167 As of mid-July 2021, there are a total of 1061 staff members in the bank, consisting of 986 administrative and 75 technical employees. Of the total human resource, 522 are officer level, 447 are assistant level and 92 are office subordinate level staff. The ratio of officer to assistant (including the subordinates) is 0.968:1 compared to 0.8999:1 a year ago. A total of 167 contract staff consisting of 57 security personnel, 11 doctors, 6 engineers, 69 drivers (including personal drivers of previous governors and executive directors), 1 electrician and 2 dispensary staff are working as of mid-July 2021.

Table 2.25
Five Years' Details of Human Resources Information

S. N.	Level	Mid-July 2017			Mid-July 2018			Mid-July 2019			Mid-July 2020			Mid-July 2021		
		Adm.	Tech.	Total	Adm.	Tech.	Total	Adm.	Tech.	Total	Adm.	Tech.	Total	Adm.	Tech.	Total
1	Officer Special	9	0	9	19	0	17	16	0	16	17	0	17	17	0	17
2	Officer First	47	1	48	31	1	32	39	1	40	44	1	45	49	1	50
3	Officer Second	140	21	161	115	14	129	139	13	152	157	12	169	162	10	172
4	Officer Third	413	28	441	325	24	349	296	22	318	243	20	263	269	14	283
Total Officer		609	50	659	488	39	527	490	36	526	461	33	494	497	25	522
5	Assistant First	42	16	58	51	8	59	87	8	95	120	17	137	117	15	132
6	Assistant Second	165	38	203	161	34	195	211	40	251	243	39	282	263	34	297
7	Assistant Third	53	10	63	36	7	43	24	6	30	18	3	21	17	1	18
Total Assistant		260	64	324	248	49	297	322	54	376	381	59	440	397	50	447
8	Office Assistant (Class I)	44	0	44	30	0	30	35	0	35	27	0	27	12	0	12
9	Office Assistant (Class II)	29	0	29	35	0	35	25	0	25	24	0	24	24	0	24
10	Office Assistant (Class III)	8	0	8	1	0	1	1	0	1	1	0	1	0	0	0
11	Office Assistant (Class IV)	61	0	61	61	0	61	61	0	61	57	0	57	56	0	56
Total O.A.		142	0	142	127	0	127	122	0	122	109	0	109	92	0	92
Total		1011	114	1125	863	88	951	934	90	1024	951	92	1043	986	75	1061

2.168 In order to mitigate the risks of Covid-19 infection and ensure health security, ‘Bank Service Continuation Guidelines, 2020’ and ‘Workplan for Continuity of Bank Services during high-risk situation of Covid-19 Infection’ were implemented. Similarly, in order to make the bank’s security related provision more effective ‘Guidelines for Operation of Security Provisions, 2021’ has been put in practice. Moreover, ‘Nepal Rastra Bank Transfer Policy, 2021’ and ‘Guidelines of Recruiting Contractual Staff for Auxiliary Services of the Bank, 2020’ have been approved and put in practice.

Table 2.26
Details of Existing Human Resources Information

Level	Staff Composition as in mid-July 2019		
	Administration	Technical	Total
Officer Special	17	—	17
Officer First	49	1	50
Officer Second	162	10	172
Officer Third	269	14	283
Total	497	25	522
Assistant First	117	15	132
Assistant Second	263	34	297
Assistant Third	17	1	18
Total	397	50	447
Office Assistant (Class-less) First	12	—	12
Office Assistant (Class-less) Second	24	—	24
Office Assistant (Class-less) Third	0	—	0
Office Assistant (Class-less) Fourth	56	—	56
Total	92	—	92
Grand Total	986	75	1,061

2.169 In order to enhance the productivity of the employees through strengthening their work-related skills and decision-making capacity ‘Nepal Rastra Bank, Internal Training Guidelines, 2020’ has been implemented and a study on need assessment for capacity development has been carried out. Similarly, ‘Nepal Rastra Bank Service Reward Guidelines, 2021’ has been implemented for facilitating the employee contributing to enhancing the bank’s reputation.

2.170 During 2020/21, 35 vacant positions were fulfilled through performance evaluation while fulfilling 15 positions through internal examination and 50 positions through open competition remained in process. Moreover, 3 civil engineers and 14 drivers were recruited on a contract basis during this time. Likewise, of the vacancy announced for open competition in 2019/20, 35 officers and 31 assistants were recruited in the review year. Total 42 employees left the bank in the review year, of which 41 through compulsory retirement and one through resignation.

Table 2.27
Details of Vacancies Fulfilled in 2020/21

S.N.	Level	Service Type	External Competition	Performance Appraisal	Internal Competition	Promotion
1	Officer Special	Administration	-	-	-	-
2	Officer First	Administration	-	5	2*	-
3	Officer First	Technical	-	-	-	-
4	Officer Second	Administration	-	15	7*	-
5	Officer Second	Technical	-	-	-	-
6	Officer Third	Administration	38*	7	-	-
7	Officer Third	Technical	-	-	-	-
8	Assistant First	Administration	-	7	5*	-
9	Assistant First	Technical	-	-	-	1
10	Assistant Second	Administration	12*	1	1*	-
11	Assistant Second	Technical	-	-	-	2
12	Assistant Third	Administration	-	-	-	-
13	Office Assist. 4th	Administration	-	-	-	2
Total			50*	35	15*	5

* Result yet to be published.

Table 2.28
Details of Vacancies Fulfilled in Five Years

		2016/17	2017/18	2018/19	2019/20	2020/21	Total
Executive Director	Evaluation	4	12	7	5	-	28
Director	Evaluation	6	8	11	9	5	39
	Internal Competition	2	4	5	4	2*	15
	Technical	1				-	1
Deputy Director	Evaluation	15	23	36	27	15	116
	Internal Competition	6	10	16	11	7*	43
	Technical	3				-	3
Assistant Director	Evaluation	7		4		7	18
	Internal Competition	3	3			-	6
	Open Competition	10	45	33	35	38*	123
Assistant First	Evaluation	4	12	25	21	7	69
	Internal Competition	2	8	16	15	5*	41
	Technical	4			13	1	18
Assistant Second	Evaluation		12	8	4	1	25
	Internal Competition					1*	0
	Open Competition		96	68	31	12*	195
	Technical	2	10		2	2	16
Office Assistant	Evaluation		7	10		2	19
Total		69	250	239	177	40	776

* Result yet to be published

Miscellaneous

Budget Management, Corporate Risk Mitigation and Strategic Plan

Budgetary Management

- 2.171 The budget for the current fiscal year 2020/21 was approved by the Board of Directors on July 11, 2021 as per the provisions of Nepal Rastra Bank, Budget Formulation, Implementation and Monitoring Directives, 2020.
- 2.172 In order to ensure more effective, efficient and result oriented budget implementation, a 24- point directive issued by the board of directors in this regard was communicated to all the departments/offices/divisions and units.
- 2.173 As per the provisions of Nepal Rastra Bank Act, 2002 and Nepal Rastra Bank, Budget Formulation, Implementation and Monitoring Directives, 2020, budget review report was prepared consolidating the reports submitted by all budget-centers at the end of each quarter, reviewed by the budget review committee and presented to the board of directors.

Implementation of Risk Management

- 2.174 In order to formulate ‘Risk Management Policy’ and updated ‘Risk Management Guideline, 2018’ along with ‘Integrated Risk Management Framework, 2015’ in line with the newly formulated policy, a process for requesting technical assistance from International Monetary Fund (IMF) has been initiated

Implementation of Strategic Plan

- 2.175 In order to ensure planned execution of the functions of the bank, the third strategic Plan (2017-2020) is currently being implemented. This revised strategic document currently includes a total of 178 tasks including those that are on-going in nature and those that require to be completed within the approved strategic timeframe.
- 2.176 For the formulation of the Fourth Strategic Plan (2022-2026), a steering committee and a task force have been formed and the task force is in process of preparing a draft.

Implementation of Annual Work Plan

- 2.177 Bank's annual work plan including both regular and special tasks of all the departments and offices is being formulated and implemented on a regular basis.
- 2.178 The revised annual plan of the fiscal year 2020/21 currently constitutes 362 tasks out of which 220 tasks have been fully completed, 98 tasks have been partially completed and 44 tasks have not been started yet.

2.179 The annual plan of 2020/21 included 29 seminars, 12 trainings, 170 interaction programs, 40 orientation programs and 43 miscellaneous programs, out of which 20 seminars, 8 trainings, 110 interaction programs, 26 orientation programs and 37 miscellaneous programs have been conducted.

Implementation of Financial Sector Development Strategy

2.180 After being approved by GoN, Council of Ministers on January 6, 2017, the Financial Sector Development Strategy (2016/17-2020/21) has come into implementation through the GoN, regulatory bodies of financial sector, private sector and development partners. Out of the 195 tasks targeted for 2020/21, 118 tasks have been completed, 71 tasks are in progress and 6 tasks are yet to be started.

O and M Implementation

2.181 An Organization and Management survey report pertaining to establishment of province-level office in Hetauda, the provincial capital of Bagmati Province, has been prepared. The report has been approved by the Management Committee, following which the process of establishing province-level office in Hetauda has been initiated.

Financial Information Unit

2.182 According to the provisions in the Asset (Money) Laundering Prevention Act, 2008, the unit has been receiving threshold transaction reports and suspicious transaction reports from the bank and financial institutions through goAML and from other organization through CD.

2.183 The ‘A’ class commercial banks have been reporting threshold transactions and suspicious transactions through goAML since January 15, 2020 and the ‘B’ and ‘C’ class BFIs have been doing so since January 14, 2021. The unit has received a total of 19,99,046 threshold transaction details in the fiscal year 2020/21.

2.184 The unit analyses the suspicious transaction reports received through goAML and mail, after which they are either archived or forwarded to law enforcing bodies in case further investigation is required.

Table 2.29
Details of Suspicious Transactions in 2020/21

Status of Suspicious Transaction	No. of Suspicious Transactions
Suspicious transactions received	1,533
Suspicious transactions analyzed	640
Suspicious transactions sent for further actions to law enforcing bodies	448
Suspicious transactions pending	192

*Note: In many cases, single suspicious transaction reports have been sent to more than one institutions, which are responsible in implementing laws.

- 2.185 Financial Information Unit has presented the annual report of 2019/20 to the GoN through NRB. In addition, the unit has published Strategic Analysis Report 2021 incorporating the analysis of the possible sources, sectors, schemes and/or supporting circumstances that influence Money Laundering and Terrorist Financing activities.
- 2.186 The unit has revised the FIU Manual for receiving and analysing suspicious transaction reports and forwarding them to law enforcing bodies in addition to the Security Manual related to security of the unit.
- 2.187 The unit has signed MoU with FIU Bhutan pertaining to sharing mutual assistance. Additionally, the unit has signed a MoU with the Department of Customs for sharing suspicious cash and Bearer Negotiable Instrument (BNI) movements with FIU-Nepal.
- 2.188 FIU-Nepal has continued to exchange information with similar agencies of other countries. While the unit has requested information 17 times with foreign FIUs, it has provided such information 9 times to foreign FIUs.
- 2.189 FIU-Nepal has concluded its tenure as South Asian Regional Representative in the Governance Committee of Asia Pacific group.
- 2.190 In order to install a data recovery system to secure the data related to FIU for which the unit has signed a procurement contract with the supplier selected through a bidding process.

Legal and Proceeding/Pleading of Legal Suits

- 2.191 The proposals of Nepal Rastra Bank Act, 2002 (Third Amendment) and Bank and Financial Institutions Act, 2017 (First Amendment) drafted in coordination with the legal division are in due process of discussion in the federal parliament.
- 2.192 The proposal for amendments of Foreign Exchange Regulation Act, 2019 has been submitted to GoN, Ministry of Finance.
- 2.193 The drafts for amendments of Banking Offence and Punishment Act, 2008 and Negotiable Instruments Act, 1977 together with that of acts related to financial customer protection and lease finance have been prepared and are in process of consultation with stakeholders.
- 2.194 The legal division is in process of drafting an act related to securitisation and reconstruction of financial assets.
- 2.195 According to the Supreme Court's order, the study report on need for a separate act related to corporate social responsibility has been prepared and submitted.
- 2.196 A number of legal appeals have been lodged following dissatisfaction with NRB's decision related to BFIs and their officials. Similarly, lawsuits have been filed in various courts against NRB. The details of such lawsuits are given in Table 2.30:

Table 2.30
Details of Legal Suits

S.N.	Type of Legal Suits	Number
1.	Current Suits	129
2.	Decided Suits	29
3.	Decided Suits in last Fiscal Year	40
4.	Suits relating to insolvency	3*

*Samjhana Finance Ltd., Himalaya Finance Ltd. and Crystal Finance Ltd. in process of insolvency.

Internal Audit

- 2.197 The regular audit pertaining to the operation of departments/offices/division/units has been performed through risk and compliance-based approach while special audit and monitoring has been carried out on a need basis.
- 2.198 The second bi-annual internal audit of the fiscal year 2019/20 for all provincial offices except Surkhet office has been completed through remote audit.
- 2.199 The onsite internal audit of the year 2019/20 of Banking Department, Currency Management Department, Corporate Planning and Risk Management Department, Foreign Exchange Management Department, Public Debt Management Department and Microfinance Institutions Supervision Department has been completed.
- 2.200 In the first bi-annual period of the fiscal year 2020/21, onsite internal audit of Banks and Financial Institutions Regulation Department, Payment Systems Department, Legal Division and all provincial offices has been completed.
- 2.201 Off-site audit of Financial Management Department, Banking Department, Currency Management Department and all provincial offices has been completed.
- 2.202 The implementation status update on audit remarks and directives for compliance communicated post annual onsite audit, 2019/20 of Banking Department, Currency Management department, Foreign Exchange Management Department, Legal Division, Microfinance Institutions Supervision Department, Assets and Service Management Department, Public Debt Management Department, Banks and Financial Institutions Regulation Department, Payment Systems Department, Economic Research Department, Corporate Planning and Risk Management Department and Human Resources Management Department were received from the respective departments and division, following which, remote monitoring was conducted through offsite assessment.
- 2.203 Special audit of Banks and Financial Institutions Regulation Department, Economic Research Department and Human Resources Management Department has been completed

- 2.204 The annual report of the audit committee for the year 2019/20 has been prepared and submitted to the Board of Directors. In addition, respective departments and offices have been directed to implement the corresponding audit remarks and suggestions.
- 2.205 The quarterly report of internal audit operation has been approved by the audit committee and presented to the Governor. Moreover, the quarterly report of the audit committee has been prepared and submitted to the Board of Directors.
- 2.206 A virtual webinar regarding the shortcomings identified during internal and external audit has been conducted in participation of all departments and provincial offices.
- 2.207 The compilation of internal circulars issued by departments and various committees has been updated.
- 2.208 The monitoring of implementation status of audit remarks and instructions from special inspection related to the Real Time Gross Settlement (RTGS) has been completed.
- 2.209 Considering the risks posed by Covid-19, the operation of internal audit has been reprioritized, updated and modified with an approach of prioritizing sensitive issues while mobilizing resources. In addition, by taking approval for incorporating remote audit approach for approved onsite audit tasks in the annual plan from the audit committee, Remote Internal Audit Guidelines, 2020 has been prepared.
- 2.210 The system audit of the bank as mentioned in the current strategic plan (2017-21) has been completed through external consultant.

Assets and Service Management

- 2.211 In order to ease and simplify the current procurement process, the fourth amendment has been made in Nepal Rastra Bank, Procurement By-law, 2018.
- 2.212 Considering the health risks posed by Covid-19 infection, various necessary measures pertaining to containing these risks were taken in order to ensure continuity of the bank's services.
- 2.213 In order to rebuild the buildings in Baluwatar and Thapathali damaged by the devastating earthquake of 2015, National Reconstruction Authority, Central Project Implementation Unit (Building), of GoN has made an agreement of reconstruction of buildings in Thapathali with BILIL-Contech J/V on August 26, 2018 with the construction period of 30 months according to bid invitation based on master plan, drawing, design approved as per the MoU between Central Project Implementation Unit, Ministry of Urban Development, GoN and the bank; and 75 % constructions has been completed as of mid-June 2020/21.
- 2.214 National Reconstruction Authority, Central Project Implementation Unit (Building), of GoN has made an agreement of reconstruction of buildings in Baluwatar with CICO

Samanantar JV on march 13, 2019 with the construction period of 30 months 63.99 % of the building constructions has been completed as of mid-June 2020/21.

- 2.215 For the construction of the Director's Official Residence in Nepalganj Office, old building has been demolished and the contract has been awarded to K.R. Construction, Kohalpur, Banke on April 13, 2021 and the construction has been initiated.
- 2.216 For the construction work of fencing wall in the land in Sanothimi, Bhaktapur owned by the Bank, BG Construction, Kathmandu has been awarded the contract through e-bidding.
- 2.217 Regarding the construction of building for installation of Banknote Shredding and Briquetting System (BSBS), overall construction work has been completed, in Nepalgunj office, almost in completion stage in Birgunj office, BSBS machine has been installed and post-installation construction work is undergoing in Biratnagar office, while pre-installation construction work has been completed in other remaining offices – Dhangadhi, Sidhhathanagar and Pokhara.
- 2.218 Regarding the project related to earth filling, tree planting and building a sentry post in the land owned by the Bank in Kohalpur, the structure of the post has been completed and furnishing the post is undergoing while around 300 different types of trees have been planted in the area.
- 2.219 The renovation of the restrooms in the Block A and Block B buildings in Baluwatar office has been completed.
- 2.220 Prefabricated structure has been constructed on the top floor of the block D-building in Baluwatar office and Development Bank Supervision Department and Internal Audit Department have been shifted here from the rented office space of National Cooperative Development Board building in Pulchowk.
- 2.221 According to the approved annual plan of 2020/21, the contract for construction of guest house in Sidhharthanagar office was awarded to Pratistha Construction Company Pvt. Ltd., Baluwatar, Kathmandu on August 27,2020. The construction of the structure of the ground floor has been completed and the construction process is currently undergoing.
- 2.222 In order to ensure the bank's presence in all provinces, bank's Surkhet office is in operation in Surkhet district, provincial capital of Karnali Province, in a rented building since October, 2019. The process of purchasing land for the bank in that area has been initiated.
- 2.223 In order to ensure the bank's presence in Hetauda, capital of Bagmati Province, process of purchasing the land in Hetauda sub-metropolitan city, currently in ownership of Hetauda Cement Factory has been initiated.

- 2.224 For construction of Mint Equipment Shade (Roof Truss) for Machinery Installation and Operation for Mint Division, agreement has been reached with Next Door Construction Pvt. Ltd. on July 11, 2021 and accordingly the construction work has been started.
- 2.225 A working order has been issued to A Not Architecture N. Architects (P.) Ltd., Talchikhel, Satdobato, Lalitpur for consultation services pertaining to interior design, Bill of Quantities (BoQ) and specification of furnishing and finishing work of the newly constructed office building in Thapathali.
- 2.226 For the procurement of consultation services pertaining to developing a master plan with detailed drawings, designs and cost estimates for the construction of modern building and other necessary structures in Biratnagar office, public notice was published inviting letter of intent following the approval of Terms of Reference and Expression of Interest. A total of 25 letters of intent have been received as of July 15, 2021 currently which are in assessment and selection process.

Banking Transactions

- 2.227 In the fiscal year 2020/21, four different inspection teams were deployed at 13 local levels and 16 revenue collecting government bodies and the Offices of the Comptroller and Auditor General and the Provincial Comptroller's Offices in the respective districts. Inspection work has been completed. During the same period, government transactions were inspected at the head offices of two commercial banks.
- 2.228 In the fiscal year 2020/21, a total of two interaction programs were organized by the bank's Nepalganj office in Surkhet for Karnali and Dhangadhi office in Mahendranagar for Far-Western Province to provide information on Government Transactions Directive 2019 and to discuss current issues related to government transactions.
- 2.229 In accordance with the government policy of establishing branch offices of commercial banks at each local level, approval has been given in the fiscal year 2020/21 to operate a total of 60 additional local levels "C" group government transactions through the branches of commercial banks operating at the local level. In the same period, approval has also been given to 106 branch offices/extension counters of commercial banks to collect revenue from various government agencies.
- 2.230 Under the concessional refinancing up to mid-July 2021, 27 class "A" Commercial Bank, 11 class "B" Development Banks, 9 class "C" Finance companies, and 17 class "D" microfinance financial institutions have been provided general refinancing amounting Rs.78.91 billion at an annual interest rate of 3 percent, small, cottage, and small enterprises refinancing amounting Rs.31.13 at an annual interest rate of 2 percent, special refinancing of Rs.12.64 billion at an annual interest rate of 1percent, earthquake affected and loan operating remote branch operation amounting Rs.2.9

million at zero percent annual interest rate. Accordingly, a total outstanding refinance stood Rs.122.70 billion in mid-July 2021.

- 2.231 Under the Business Continuity Loan, the total loan amounting Rs.112.7 million provided to one class "A" commercial bank at a 2 percent interest rate in the first year and 3 percent interest rate in the second year was outstanding as of mid-July 2021.
- 2.232 An interaction program related to refinance was carried out on March 12, 2021 in Kathmandu.
- 2.233 As per the request of various departments and offices of the GoN, in the fiscal year 2020/21, 75 letters of credit of Rs.8 billion, including 64 of USD 63.35 million, 6 of Euro 2.20 million, 1 of INR 3.38 million, 3 of GBP 84.81 thousand, 1 of Australian Dollar 107.31 thousand (1 letter of credit opened after receiving USD 73.4 thousand, 3 letters of credit equivalent to USD 9.447 million opened in the name of Currency Management Department at zero margins, and remaining 71 opened after receiving margin in Nepalese rupees) and 2 Authorization and Pay (AP), alltogether total of 77 new letters of credit / APs have been opened. Regular payments have been made based on various letters of credit and completed letters of credit have been closed.
- 2.234 A decision has been made to close the IC fund of Jaleshwor, Gaur, Taulihawa, and Mahendranagar branch of Rastriya Banijya Bank and Krishnasar branch of Nepal Bank Limited with a total of 5 IC fund with having no transactions and zero balance of IC fund.
- 2.235 A decision has been made to make an amendment to the existing IC fund limit of the head office of Rastriya Banijya Bank and Banking Office of Nepal Bank Limited to INR 100 million respectively from the existing limit of INR 250 million. It has been decided to maintain the minimum limit of Rs.0.5 million and a maximum limit of Rs.100 million in the other branch offices of these commercial banks.
- 2.236 A decision has been made for the renewal of insurance of IC fund limit of INR 24,75,00,000 reduced from the existing IC fund limit of INR 55,00,00,000 for FY2020/21 in 13 IC fund as presented in Table 2.31.

Table 2.31
Insurance of IC Funds

S.N.	Account number	IC fund	Insured limit of IC fund	Current Balance
1	1200000/010.233.356	RBB, Head Office	10,00,00,000/-	-
2	1200000/010.260.356	NBL, Head Office	10,00,00,000/-	-
3	1200000/010.201.356	RBB, Bhadrapur Branch	50,00,000/-	20,00,000/-
4	1200000/010.202.356	RBB, Rajbiraj Branch	1,00,00,000/-	
5	1200000/010.204.356	RBB, Parasi Branch	5,00,000/-	1,00,000/-
6	1200000/010.207.356	RBB, Baitadi Branch	15,00,000/-	10,00,000/-
7	1200000/010.208.356	RBB, Darchula Branch	10,00,000/-	4,00,000/-

8	1200000/010.212.356	RBB, Siraha Branch	60,00,000 -	
9	1200000/010.229.356	RBB, Inaruwa Branch	60,00,000 -	
10	1200000/010.230.356	RBB, Bara Branch	25,00,000 -	
11	1200000/010.231.356	RBB, Bardaghat Branch	10,00,000 -	1,00,000 -
12	1200000/010.256.356	NBL, Ilam Branch	40,00,000 -	
13	1200000/010.259.356	NRB, Kankadvitta Branch	1,00,00,000 -	5,00,000 -
Total			24,75,00,000	

- 2.237 Various foreign currencies in excess to required amount equivalent to Nepali Rupees 28,417,585,150.00 (total USD 240,917,813.17) have been sent 14 times to CIMB Bank in Singapore through cargo to be deposited in the Agency Bank accounts (Table 2.32).

Table 2.32
Details of foreign currency deposited in Agency Bank

S.N.	Cargo date	US Dollar
1	23 July 2020	9,968,741.09
2	7 August 2020 (First)	9,858,468.99
3	7 August 2020 (Second)	9,841,006.76
4	29 August 2020	19,986,648.96
5	20 September 2020	19,995,502.05
6	28 September 2020	19,939,204.74
7	10 October 2020	19,956,842.11
8	30 October 2020	19,937,902.07
9	31 October 2020	19,996,350.73
10	8 November 2020	19,976,135.90
11	22 November 2020	19,779,799.70
12	29 November 2020	19,957,971.22
13	10 January 2021	19,960,386.16
14	31 January 2021	11,762,852.68
Total		240,917,813.17

- 2.238 At present, CIMB Bank is only the agency bank where various foreign currencies collected domestically are being sent through cargo and deposited. In order to eliminate such a monopoly by entering into agreements with other agency banks, the bank has issued RFP and received RFP from Moneycorp Bank and Travelex, which is under consideration for necessary action.
- 2.239 According to the letter received from the Secretariat of the Audit Committee, Department of Internal Audit on July 18, 2021, a study team has been formed including the concerned departments/offices for the purpose of keeping the IC funds in the required places and removing/managing from the unnecessary ones. In this regard, opinions and suggestions have been sought from the concerned provincial offices regarding the need for IC funds and work has been forwarded to form a study team.
- 2.240 Subsidiary current account (Account number 5718210101001) at Reserve Bank of India, Patna has been closed after the approval from Governor since this account had no transactions since 22 December 2012.

2.241 The implementation of electronic check clearing and interbank payment system has been monitored in the province offices of this bank (Table 2.33).

Table 2.33
**Details of supervision of ECC and IPS implementation status
in FY2020/21**

S.N.	Date of supervision	Office supervised
1	January 4, 2021	Nepal Rastra Bank Siddharthanagar Office
2	January 25, 2021	Nepal Rastra Bank Nepalgunj Office
3	March 10, 2021	Nepal Rastra Bank Dhangadhi Office
4	March 16, 2021	Nepal Rastra Bank Biratnagar Office
5	March 17, 2021	Nepal Rastra Bank Pokhara Office

2.242 A one-day interaction program related to ECC/IPS has been conducted among the Banking and Financial Institutions of Sudurpaschim Province on February 25, 2021 in Dadeldhura of Sudurpaschim Province.

Meeting of Board of Directors

2.243 In the fiscal year 2020/21, meetings of the Board of Directors were held 45 times. Such meetings were held 64 times in the previous year.

Foreign Aid Coordination

2.244 The agreement has been signed between NRB and Bank of Korea – Knowledge Partnership Program (BOK-KPP) on July 19, 2021. According to the partnership agreement, the Bank of Korea and NRB has started to carrying out a study on Financial Stability: Challenges and Opportunities in the Post COVID Context.

2.245 The agreement has been signed between NRB and Toronto Leadership Centre (TC) on October 12, 2020. As per the agreement, TC is going to carry out 9 training programs within a 3-year period to enhance capacity, and supervision/inspection of the BFIs. Until recently, 60 employees working on supervision have been benefitted/trained through 2 trainings.

2.246 A bilateral agreement has been reached on January 29, 2021 to provide financial and technical assistance for the implementation of the Financial Literacy Framework (FLF) from the Alliance for Financial Inclusion (AFI).

Training, Workshop, Seminar, Travel, and Interaction

2.247 The Bank has been a member of various international organizations and has been cooperating with the central banks of other countries in capacity building and other activities. In FY2020/21, the bank has not participated in international programs physically, however, the bank has been participating in training, seminar, and workshop through online/electronic medium. For this purpose, provision has been added in the International Training Procedure to make participation through online medium. In the review year 2020/21, a total of 1,014 employees and high-ranking

officials were nominated from this bank for foreign training, workshops, seminars, and meetings.

Table 2.34
Postwise Nomination in International Training and Programs

S.N.	Post	Number
1	High level officials	23
2	Executive Directors	61
3	Directors	167
4	Deputy Directors	375
5	Assistant Directors and others	388
Total		1014

- 2.248 Despite 22 training programs approved for FY2020/21, 36 training programs were conducted by Banker's Training Center (BTC) after approval of memo for training programs related to stress management due to the COVID, Post-COVID care-related counseling program, and training related to supervisory information system. A total of 1980 employees working at different levels at the bank participated in the various training programs.
- 2.249 The center conducted eight in-person trainings and the remaining 28 training programs were conducted through an online medium due to the COVID-19 pandemic.
- 2.250 Nepal Rastra Bank, Internal Training Procedure, 2020 covering the policy provision has been formulated and implemented to make internal training conducted by the training centre systematic.
- 2.251 In order to ensure easy access of materials of internal training programs to all the staff conducted by this center, the work of uploading the training materials on the homepage of the bank has been started.
- 2.252 Work has been started to arrange smart hall for conducting training programs effectively through a virtual medium.

Study and Research Related Activities

- 2.253 Economic Research Department of the Bank has prepared and published the economic study reports on a half-yearly and annual basis as per "Economic Activities and Special Study Guideline 2076" including situation of production of major agricultural products, major livestock products, major forest products, irrigation conditions, industrial production and capacity utilization of major industries, tourism, real estate, services, and infrastructure sector based on data collection and analysis.
- 2.254 Study reports have been completed and published related to the two follow-up surveys on the impact of COVID-19 on the economy, Inflation ExpectationsSurvey, Financial Access in Nepal (Exploring the features of Deposit Accounts of A, B, and C Class BFIs), Foreign Direct Investment in Cement Industry in Nepal, Foreign Direct

Investment Survey, Corporate Social Responsibility in Nepalese Banking Industry, Foreign Exchange Derivative Market in Nepal, and Financial Resource mobilization under Federal Structure of Nepal. Similarly, studies such as Optimum Number of Banks and Financial Institutions, Feasibility of Capital Account Convertibility, and Effectiveness of Digital Payment System in Nepal are in final stage.

- 2.255 ITSS software has been prepared and implemented for processing international trade data.

Activities of Provincial Offices

- 2.256 "Financial Awareness Enhancement Program" was conducted in Manglung Municipality, Ward No. 4 in coordination with the Governor's office. The participants in the program include a total of 140 people including school teachers and students, representatives of mothers' groups and local clubs, members of cooperatives, borrowers from microfinance, local people's representatives as well as senior citizens, single women, and the disabled.
- 2.257 An interaction program on "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" in coordination with the FIU, and a one-day training program on "Concessional Credit, Refinance and Corporate Social Responsibility of Banks and Financial Institutions" was conducted at the Biratnagar Office.
- 2.258 A one-day seminar on "Importance of Economic Statistics, Effectiveness and Problems of Data Collection" was conducted in the meeting hall of the Chamber of Commerce and Industry in Siddhicharan Municipality of Okhaldhunga District.
- 2.259 An interaction program related to the "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was conducted at the Janakpur office in coordination with the Financial Information Unit.
- 2.260 A one-day seminar on "Importance of Economic Statistics, Effectiveness and Problems of Data Collection" was conducted in Rajbiraj of Saptaridistrict.
- 2.261 An interaction program on the "Impact of the COVID-19 and Other Contemporary Issues in Economic and Banking Activities" was conducted in Bardiwash of Mahottari district.
- 2.262 A one-day interaction program among heads of BFIs, including industrialists and businessmen, and other stakeholders on the "Impact of the COVID-19 and Other Contemporary Issues Economic and Banking Activities" was conducted at Siddharthanagar Office of this Bank.

- 2.263 A one-day training program related to the enhancement of financial access by encouraging and promoting electronic transactions and expansion of RTGS transactions has been conducted in Siddharthanagar with the participation of the staff of BFIs, and this bank.
- 2.264 An interaction program on "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was conducted at the Siddharthanagar office in coordination with the Financial Information Unit with the participation of affiliated information sharing institutions and stakeholders.
- 2.265 A "Financial Awareness Enhancement Program" was conducted with the participation of local students, the general public, and staff at Shree Bhanubhakta Secondary School, Rampur Municipality-10, Palpa.
- 2.266 A special study titled "Impact of the Covid-19 (First Wave) on Tourism Sector of Lumbini Province" has been completed by collecting data and information from the 271 stakeholders including tourism entrepreneurs and hoteliers in Rupandehi, Nawalparasi West, Kapilbastu, Pyuthan, and Palpa districts.
- 2.267 An interaction program related to "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was conducted in Birgunj in coordination with the Financial Information Unit with participation from affiliated information sharing institutions and stakeholders.
- 2.268 "Financial Awareness Enhancement Program" was conducted in Gambhirabajrakishor Secondary School of Baragadhi Municipality in Bara District.
- 2.269 Training program on Digital Financial Literacy Enhancement Program and Expanding RTGS transactions was completed in coordination with the Payments System Department.
- 2.270 An interaction program on the "Impact of the COVID-19 and Other Contemporary Issues on Economic and Banking Activities" was conducted through an online mode (ZOOM) with the heads of BFIs, industrialists, businessmen, and other stakeholders.
- 2.271 A one-day online seminar on the "Importance of Economic Statistics, Effectiveness and Problems of Data Collection" was completed in Parsa district with participation from the representatives of stakeholders providing data for economic activity study reports.
- 2.272 Discussion/Interaction programs with the representatives of local BFIs and other stakeholders were conducted in the Birgunj office in all quarters as per the existing provision to conduct one discussion/interaction each quarter.
- 2.273 A special study on "MSME's Access to Finance: A Case Study of Bara District" has been completed by the Birgunj Office.

- 2.274 A one-day Interaction program on the "Impact of the COVID-19 on Sectors including Tourism, Industry, and Transportation as well as Other Contemporary Issues on Economic and Banking Activities" was conducted with the heads of BFIs, industrialists, businessmen, and other stakeholders in the Pokhara office.
- 2.275 An interaction program related to the "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was conducted at Pokhara Office in coordination with the Financial Information Unit with participation from affiliated information sharing institutions and stakeholders.
- 2.276 A special study titled "Impact of the Covid-19 on Tourism in Gandaki Province" has been completed by collecting data and information from 356 stakeholders including tourism entrepreneurs, hoteliers, home-stayers in Kaski, Tanahu, Lamjung, Nawalparasi (East), Myagdi, Manang, and Mustang districts.
- 2.277 A one-day interaction program on the "Impact of the COVID-19 and Other Contemporary Issues on Economic and Banking Activities" was held with the heads of BFIs, industrialists, businessmen, and other stakeholders under the jurisdiction of the Nepalganj office in Tulsipur of Dang district.
- 2.278 A one-day seminar on the "Importance of Economic Statistics, Effectiveness and Problems of Data Collection" was completed in Ghorahi of Dang district.
- 2.279 A training program on the implementation of Directives on Government Transactions, 2076 was organized in Surkhet.
- 2.280 An interactive program for providing information related to government bonds was conducted through an online platform with the participation of representatives of BFIs within the jurisdiction of the Nepalganj office.
- 2.281 An interaction program related to the "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was carried out through an online platform in coordination with the Financial Information Unit with participation from affiliated information sharing institutions and stakeholders under the jurisdiction of the Nepalganj office.
- 2.282 A one-day training program on online accounting of Note Kosh for banking offices and branch offices of commercial banks dealing in Note Kosh was conducted by Nepalganj office through the online platform with the participation of the staffs of BFIs and staffs of this bank dealing with Note Kosh.
- 2.283 A "Financial Awareness Enhancement Program" was conducted in Shree Jay Kisan Secondary School, Narainapur-06, Banke with the participation of local students, the general public, and staff of the bank.

- 2.284 A special study report titled "Impact of the Covid-19 (First Wave) on Tourism Sector in Banke, Bardia, Dong, and East Rukum districts" has been completed.
- 2.285 A one-day interaction program on the "Impact of the COVID-19 and Other Contemporary Issues on Economic and Banking Activities" was conducted with the heads of BFIs, industrialists, businessmen, and other stakeholders in Dipayal of Doti district.
- 2.286 A one-day training program on "Concessional Credit, Refinance and Corporate Social Responsibility of the BFIs" was held in Dhangadhi in coordination with the Banking and Financial Institutions Regulation Department.
- 2.287 A one-day seminar on the "Importance of Economic Statistics, Effectiveness and Problems of Data Collection" was completed in Sanphebagar of Achham district with participation from representatives of Chamber of Commerce and Industry, hotels, representatives of business associations, and other stakeholders.
- 2.288 A one-day training program on implementation of Directives on Government Transactions, 2076 was conducted in Mahendranagar of Kanchanpur district.
- 2.289 A one-day interaction program on the "Prevention of Money Laundering and Control of Financial Investment in Terrorist Activities" was organized in Dhangadi with the participation from affiliated information sharing institutions and stakeholders.
- 2.290 A one-day training program on Online System for accounting of Note Kosh for branch offices of commercial banks dealing with Note Kosh under the jurisdiction of Dhangadhi office was completed.
- 2.291 A one-day interaction program on the "Impact of the COVID-19 and Other Contemporary Issues on Economic and Banking Activities" was completed with the heads of BFIs, industrialists, businessmen, and other stakeholders within the jurisdiction of the Birranchanagar office.

Table 1
Denomination-wise Currency Notes in Circulation

(Rs. in Million)

Denomination	Mid July					
	2019		2020		2021	
	Amount	Percent	Amount	Percent	Amount	Percent
1	161.0	0.03	161.0	0.03	161.0	0.03
2	185.4	0.04	185.4	0.03	185.4	0.03
5	2,679.6	0.53	2,939.8	0.50	2909.5	0.43
10	4,144.5	0.82	4,609.4	0.78	4,511.2	0.66
20	4,986.4	0.98	5,481.4	0.93	5,262.6	0.77
25	57.2	0.01	57.2	0.01	57.1	0.01
50	10,618.3	2.09	10,823.9	1.84	10,446.0	1.53
100	17,310.6	3.41	20,304.6	3.45	20,740.5	3.03
250	8.74	0.02	87.4	0.01	87.4	0.01
500	110,433.0	21.78	151,046.5	25.69	150,524.3	22.02
1000	356,396.5	70.29	392,363.4	66.72	488,615.1	71.48
Total	507,060.0	100.00	588,060.0	100.00	683,500.0	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 (%)
							(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	-	-	507,060.0	507,060.0	-	507,060.0	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

Table 3
Training Programs Conducted by Bankers Training Centre

SN	Subject	Venue	Level	Date	No of Participants
1	Supervisory Information System	Online	Officer	2020/09/09-11	43
2	Supervisory Information System	Online	Executive	2020/09/12	41
3	Supervisory Information System	Online	Officer	2020/09/13-14	35
4	Supervisory Information System	Online	Officer	2020/09/20-22	59
5	Stress Management	Online	Executive	2020/09/18	68
6	Supervisory Information System	Online	Officer	2020/09/23-25	42
7	Stress Management	Online	Officer	2020/10/02	81
8	GL Software	Online	Non-Officer	2020/10/07-09	70
9	AML/CFT	Online	Officer	2020/10/11-13	69
10	Stress Management	Online	Officer	2020/10/16	72
11	Stress Management	Online	Officer/Non Officer	2020/11/13	84
12	Stress Management	Online	Officer/Non Officer	2020/11/27	79
13	Planning ,Budgeting, RM & BCP	Online	Officer	2020/12/09-11	49
14	Financial Stability	Online	Officer	2020/12/13-16	49
15	Risk Based Supervision	Online	Officer	2020/12/20-25	46
16	NFRS	Online	Officer	2021/01/03-08	50
17	Macroeconomic Management	Online	Officer	2021/01/24-29	46
18	Stress Management for Executives	Gokarna Forest Resort	Management level	2021/02/05-06	57
19	Management Development Program	Online	Officer	2021/02/07-12	48
20	Behavioral Science for Middle Level Officers	Dhulikhel Mt. Resort	Deputy Director	2021/02/19-20	67
21	Organization Behavior	Ktm	Non-Officer	2021/02/21-23	30
22	Central Banking	Pokhara	Officer	2021/02/28-03/05	29
23	Pre-service training for Assistant Director	NASC	Officer	2021/03/14-26	35
24	Training for Support Staff	Nepalgunj	Non-Officer	2021/04/01-02	31
25	Payment & Settlement Systems-RTGS	Dhangadhi	Officer	2021/04/04-06	24
26	Pre-Service Training for Assistant Level	NASC	Non-Officer	2021/04/22-27	31
27	Banking Operations	Online	Officer/Non Officer	2021/06/09-11	56
28	Currency Management	Online	Officer/Non Officer	2021/06/13-06/15	54
29	Post Covid Care	Online	Officer/Non Officer	2021/06/14	68
30	Post Covid Care	Online	Officer/Non Officer	2021/06/15	66
31	GL Software	Online	Non-Officer	2021/06/20-22	49
32	Procurement & Inventory Management	Online	Non-Officer	2021/06/23-25	52
33	Foreign Exchange Management	Online	Officer/Non Officer	2021/06/27-29	47
34	Compilation of Monetary and Financial Statistics	Online	Officer/Non Officer	2021/06/30-07/02	58
35	Post Covid Care	Online	Officer/Non Officer	2021/07/05	88
36	Post Covid Care	Online	Officer/Non Officer	2021/07/06	107
	Total				1980

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

S.No.	Host Institution	No. of Participants
1	IMF (IMF, IMF SARTTAC & IMF-STI)	250
2	SEACEN	181
3	SAARCFINANCE	75
4	Deutsche Bundesbank	72
5	Alliance for Financial Inclusion	65
6	International Banking and Finance Institute	47
7	Toronto Centre	44
8	Bank for International Settlements	32
9	Bank of Korea	17
10	International Finance Corporation	15
11	Federal Reserve Bank of New York	14
12	IRIS Business Services	12
13	Egmont Group	11
14	IFC/World Bank	11
15	Asia School of Business	10
16	World Bank	10
17	Asian Clearing Unit	9
18	Bank of England	9
19	Asia Pacific Group	7
20	Bank Indonesia	7
21	Reserve Bank of India	7
22	Cambridge University	5
23	Royal Monetary Authority	5
24	Others	99
Total		1014

Table 5
Positionwise Nomination in International Training and Seminars

SN	Position	No of Participants
1	High Level Officials	23
2	Executive Director	61
3	Director	167
4	Deputy Director	375
5	Assistant Director and Others	388
Total		1014

Table 6
Details of Fund Transfers and Transactions of Foreign Currency through Offices Located Outside Kathmandu Valley in 2020/21

S.N.	Office	Fund Transfers and Deposits								Purchase and Sale of Foreign Currencies					
		Amount (Rs. Million)				IC (Rs. Million)				Other Foreign Currencies		IC			
		Fund Transfer		Fund In ²		Fund Transfer		Fund In ³		Rs. Million		Rs. Million			
		No. of Currency Chests ¹	Frequency	Amount	Frequency	Amount	Frequency	Amount	Frequency	Purchase	Balance ⁴	Purchase	Sale ⁵	Balance ⁴	
1	Biratnagar	12	60	31,200.	6	131.7	2	160.0	0	0	324.8	40.5	0	0.1	1259.2
2	Janakpur	6	35	12,700.0	2	46.3	0	0	1	6.4	248.5	21.7	0	55.2	139.1
3	Birgunj	4	17	9,100.0	7	2,015.7	2	16.0	0	0	50.9	18.4	0	290.0	563.4
4	Pokhara	9	41	17,570.0	11	452.4	0	0	0	0	1,120.0	107.8	0	11.9	273.3
5	Siddharthanagar	8	51	18,400.0	4	158.7	3	240.0	0	0	610.7	30.5	7.0	82.4	838.7
6	Nepalgunj	13	52	15,910.0	10	1,361.8	0	0	0	0	50.2	11.1	4.6	61.0	408.9
7	Dhangadhi	9	47	12,850.0	2	168.4	0	0	0	0	60.1	4.6	16.2	109.5	316.6
	Total	61	303	117,7300	42	4,335.0	7	416.0	1	6.4	2,465.2	234.6	27.8	610.1	3799.2

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 days from NRB Banking Office.

4 Outstanding in mid-July 2021 after transfers to other offices

5 Only amount sold to clients by Office

Appendix 2.1

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

1. A provision has been made for the national level development banks to parallelly maintain minimum capital adequacy ratio as per Capital Adequacy Framework 2015 from the fiscal year 2020/21. In addition, the provision for commercial banks to maintain a Countercyclical Buffer as provided in the Capital Adequacy Framework 2015 has been postponed till the fiscal year 2020/21.
2. Considering the possible impact of Covid-19 on the balance sheet of BFIs, provisions have been made for the BFIs to categorize the loans, which were classified as pass loan in mid-January 2020, and the loans, which were disbursed after mid-January 2020, as pass loans as on mid-July 2020.
3. Due to Covid-19, if construction/operations of the industry or projects are not completed within the existing grace period established earlier, BFIs can extend the grace period for a maximum of 2 years for one time on the request of the customer by ensuring additional time needed to complete the construction/operation. Further, provisions have to make to recover the loans without capitalizing the interest during the added grace period in 3 installments and no penal interest/fee/interest on interest should be charged if the borrowers repay as per the repayment schedule.
4. In case of loans provided to the most affected sectors due to Covid-19, by evaluating the impact and financial conditions of borrowers, if the BFIs believe that the loan can be repaid in future after the operation of industries/businesses as per the work plan of the borrowers, loans can be rescheduled and restructured one time as per the request of the borrowers by getting 10 percent of interest accrued.
5. A provision has been made for BFIs to maintain at least 5 percent loan loss provision for those loans which have been classified as pass loans but are required to be classified to lower class by mid-July 2020 on the basis of overdue period.
6. A provision has been made to maintain 1 percent loan loss provision in the last year by maintaining loan loss proportionally every year till the grace period of pass loans, which was disbursed in projects related to construction of infrastructure including energy with a grace period of more than one year. In addition, a provision has been made to maintain the general loan loss provision of 0.2 percent in the first year, 0.2 percent in the second year and 1 percent from the third year in loans provided for agriculture including silk, jute, cotton and commercial fruits like mango, orange, junar, mausam, kiwi, dragon fruit, lemon, lychee, avocado.
7. A provision has been made not to maintain 20 percent additional loan loss provision in addition to the prescribed percentage for loans provided against the security of leased property that operates commercial agriculture, industry and other businesses and project loans up to Rs. 1 crore.
8. In the case of marginal lending, the loans can be disbursed up to 70 percent of the average price of the last 120 working days published by the Nepal Stock Exchange Limited or the prevailing market price of the shares whichever is less, when valuating shares pledged for collateral.
9. A provision has been made so that BFIs can provide loans such as overdraft without specific purpose, mortgage loan, property loan, personal term loan and loans against shares only up to Rs. 5 million. In addition, if the BFIs have disbursed more than the

prescribed limit in such categories of loans by mid-July 2020, provision has been made to gradually bring them within the prescribed limit by mid-July 2022.

10. Out of the concessional loans mentioned in the Integrated Procedure for Interest Subsidy for Concessional Loans, 2075, rural areas have been given priority in loans other than agriculture and livestock loans so that commercial banks should lend to 500 or at least 10 per branch and national level development bank should lend 300 or at least 5 per branch whichever is higher by mid-July 2021. In addition, development banks other than the national level and finance companies are required to provide a minimum of 200 and 100 concessional loans, respectively. BFIs are required to publish the list of borrowers of getting concessional credit
11. By analyzing the need of the borrower and the feasibility of the industry/business for the purpose of facilitating the smooth operation of the Covid-19 affected industries, the working capital loan limit existing as of mid-April 2020 can be extended up to a maximum of one-year period and can be provided additional working capital of up to 20 percent for one time. For this purpose, a provision has been made so that provision of debt-equity ratio and single obligator limit is not mandatory until mid-July 2021.
12. A provision has been made to extend the time for payment to mid-January 2021 for working capital loans of short-term nature including demand loan and cash credit with the repayment period of mid-July 2020.
13. A provision has been made to provide loan to the projects that have started exporting electricity by constructing power projects up to 5 years after the start of export and to reservoir-based hydropower projects at the interest rate by adding only 1 percentage point to the base rate.
14. No approval from this bank is required until mid-January 2021 to capitalize the interest accrued during the grace period in those loans provided to under construction projects which have pre-approval for interest capitalization from this bank.
15. In case of projects which could not be operated at full capacity due to non-construction of transmission line even after the completion of hydropower project, a provision has been made so that no approval from this bank is needed until construction of transmission line to partially capitalize the interest amount not covered by net sales income.
16. Provisions as follow for time extension have been made for principal and interest payment without any additional penal interest / fees/ penalty/interest on interest to those loans provided to less affected, moderately affected and the most affected sectors from Covid-19:
 - Principal and interest to be paid by mid-July 2020 of active loans provided to less affected sectors to mid-January 2021.
 - Principal and interest to be paid by mid-July 2020 of active loans provided to moderately affected sectors to mid-April 2021.
 - Principal and interest to be paid by mid-July 2020 of active loans provided to the most affected sectors to mid-July 2021.
 - These provisions should not be considered as an obstacle to extend the repayment time upto 2 years to pay principal and interest for those active loans as of mid-July 2020 provided to the most affected sectors including tourism which needs more time to recover from Covid-19.

- Overdue principal and interest amount of loans as of mid-July 2020, with the time extension as mentioned above should be repaid within the extended time period proportionately in 2 installments, 3 installments and 4 installments. No penal interest / fees/ penalty/ interest should be charged to borrowers who pay as per the extended schedule.
17. A provision has been made to maintain loan to value ratio of 40 percent for real estate loans in Kathmandu Valley and 50 percent in other places, and 60 percent for personal residential loans and loans given to registered housing construction companies for constructing residential houses after getting approval from the GoN.
18. A provision has been made that BFIs would be able to declare their income on the interest amount received in cash by mid-October 2020 for the fiscal year 2020/21.
19. In order to minimize the liquidity risk of the institution, the Credit to Core Capital and Domestic Deposits Ratio (CCD Ratio) in resource mobilization has been capped at 85 percent to be maintained by mid-July 2021.
20. A provision has been made that prohibits a person over the age of 65 from being appointed/ reappointed as Chief Executive Officer of a bank and financial institution and prohibits a person over the age of 69 from remaining in the Chief Executive Officer position. However, if two or more commercial banks merge and complete the merger/acquisition procedure by mid-July 2021, this is no problem of reappointing a person over the age of 65 as Chief Executive Officer of the bank or financial institution for one time.
21. A provision has been made to deposit all remaining amount in the Corporate Social Responsibility Fund of BFIs as of mid-July 2020 in the Corona Infection Prevention, Control and Treatment Fund established by the GoN by mid-August 2020.
22. A provision has been made to provide 0.50 percentage point discount on the cash reserve ratio to be maintained at NRB until mid-July 2022 in case of commercial banks that start joint operations by completing the merger/acquisition procedure by mid-July 2021.
23. A provision has been made to offer a 1 percent discount on the statutory liquidity ratio to be maintained until mid-July 2022 for commercial banks that start joint operations by completing mergers/acquisitions by mid-July 2021.
24. A provision has been made so that if commercial banks complete the merger and acquisition process and start the joint operation by mid-July 2021, they are allowed to collect institutional deposit exceeding additional 5 percent over the limit until mid-July 2022.
25. If commercial banks that complete the merger/acquisition and initiate joint transactions by mid-July 2021, they are allowed to mobilize institutional deposit additional 10 percent of total deposits until mid-July 2022.
26. The time limit has been extended until mid-July 2022 for the commercial banks to issue bonds of minimum of 25 percent of their paid-up capital as a mandatory requirement.
27. Licensed BFIs are required to extend loans in the following specified areas of their total loan portfolio.

Bank and financial institutions	Sectors	Mid- July 2021	Mid- July 2022	Mid-July 2024	Mid-July 2025
“A” class	Agriculture sector	11 percent	13 percent	15 percent	—
	Energy sector	6 percent	7 percent	9 percent	10 percent
	Small, Medium Enterprises (Less than Rs. 10 million)	11 percent	12 percent	14 percent	15 percent
“B” class	Agriculture, small, home and small enterprises / business, energy and tourism sector	16 percent	17 percent	19 percent	20 percent
“C” Class	Agriculture, small, home and small enterprises / business, energy and tourism sector	11 percent	12 percent	14 percent	15 percent

- To effectively adhere to the compliance with the minimum limit of loan disbursement in the specified area, outstanding loans in the designated sectors of the BFIs will be considered to monitor the compliance.
 - A provision has been made to buy and sell the loans disbursed in the agriculture and energy sectors to manage it through another financial institutions and the consent of the customer is not required if the sale and purchase of loans is done in such a way that initial lending institution carries out the relationship management with clients.
 - In order to facilitate the availability of long-term resources in the agricultural sector, a provision has been made for the Agriculture Development Bank to issue Agricultural Bond with the approval of the concerned body.
 - In order to facilitate the availability of long-term resources in the energy sector, a provision has been made for commercial banks those having investment experience in the energy sector to issue energy bonds with the approval of the concerned bodies.
 - A provision has been made to calculate the amount invested in agricultural bonds into the mandatory directed lending to the agricultural sector.
 - A provision has been made to calculate the amount invested in energy bonds into the mandatory directed lending to the energy sector.
28. A provision has been made for the financial institutions of “B” and “C” class to submit the report related to suspicious and excess limit transactions from mid- Feb 2021 in fully electronic medium goAML Test Environment and thereafter in a fully electronic medium goAML Production Environment.
29. A provision has been made so that licensed institutions cannot charge any kind of service fee from the customers for the financial services such as opening account, issuing checks (including Good for Payment checks), stopping payment of checks, balance certificates, activating and de-activating the accounts, preparing statements, depositing remittances in the account and Any-branch Banking Service (ABBS).
30. While approving loans, the licensed "A", "B" and "C" class BFIs are only allowed to charge a service fee of 0.75 percent, 1.00 percent, and 1.25 percent respectively.
31. While providing deprived sector loans to microfinance financial institutions, a provision of not charging service fees of more than 0.5 percent has been made.

32. A provision has been made so that in case of loan limit is increased, the service fee can be charged only on the increased amount within the specified limit. Similarly, fees including the review charge cannot be charged during the time period of medium and long-term loans which is repaid on installment basis.
33. If fee charged on any of the other headings other than the specified ones by the bank, or charged more than the prescribed limit by the bank are found, the provision of depositing the fee amount with an additional 10 percent of it has been made.
34. Licensed BFIs can declare and distribute cash dividends up to 30 percent of the net distributable profits of the fiscal year 2019/20, not exceeding the percentage of the weighted average interest rate of deposits maintained till mid-July 2020. Similarly, the licensed bank and financial institutions cannot distribute cash dividends other than for tax purposes with net distributable profits less than 5 percent of the total paid-up capital.
35. As per provision mentioned in the sections 49 and 50 of the Nepal Rastra Bank Act, 2058 (2002), licensed “A”, “B”, “C” class BFIs are availed refinancing, special refinancing, and general refinancing facilities for micro, small, medium and small enterprises (MSMEs) under the framework of Nepal Rastra Bank Refinancing Procedure, 2020. Additionally, BFIs must publish information of borrowers getting refinancing facilities on their websites in a quarterly basis.
36. In the case of microfinance financial institutions (MFIs), for installments of principal and interest amount which have not been recovered by mid-July, 2020 due to the impact of COVID-19, repayment time period can be extended up to maximum six months by making assessment of impact on micro enterprises, occupations and businesses, time needed to run the business, and necessity of the borrowers for one time by mid-October 2020. The principal and interest amount of the installment with extended time period should be paid on equal installments by mid-April 2021 and no penal interest rate/fee/penalty/interest on interest are allowed to charge to the borrowers who are regularly paying such installment amount.
37. On the basis of acceptable collateral, microcredit of maximum of Rs. 0.7 million can be provided to the poor and low-income groups for agriculture, microenterprises, and businesses. Credit limits can be extended up to Rs.1.5 million to the borrowers who are members of a group or an individual with a good borrowing history over the last two years.
38. MFIs which collect public deposits and do the wholesale lending are required to prepare financial statements of mid-July 2021 as per Nepal Financial Reporting Standards (NFRS) on a parallel run basis.
39. MFIs are not allowed to deposit or renew the funds for more than 3 months in fixed deposits other than the specified long-term funds for certain purposes in the BFIs.
40. A provision of not providing approval to amend Memorandum of Association and Articles of Association to issue right share to MFIs has been made with a view of strengthening the paid up capital and capital fund through merger and acquisition.
41. Prior approval of this bank is not needed for MFIs to open branches in the wards of the local level where branches of MFIs are not present other than in metropolitan and sub-metropolitan cities including Kathmandu Valley.
42. A provision has made so that MFIs can set interest rates charged to their customers only up to a maximum of 15 percent. Additionally, MFIs which collect public deposits and

do the wholesale lending are required to submit the base rate to this bank effective from mid-November 2021.

43. MFIs have been directed to charge service fees up to 1.5 percent on the approved loan. In addition, MFIs doing wholesale lending are not allowed to charge more than 0.5 percent services fee while lending to the MFIs. In case of extension of loan limit or providing additional loans, service fee can only be charged to added amount and in case of renewal of loans, a maximum of 20 percent of the prescribed rate can only be charged.
44. A provision has been made to provide following additional benefits in addition to those specified in the Mergers and Acquisitions Regulations, 2017 to those MFIs which involve in merger and acquisition process:
 - Time extension to bring the credit within the limit in case of crossing the single obligor limit,
 - Time extension to meet the required capital adequacy ratio,
 - Relaxation in the cooling period of 6 months to the Board of Directors, Chief Executive Officer, and Deputy Chief Executive Officer to get appointed or allowed to work at any other institutions licensed by this bank.
45. Following additional facilities have been provisioned in addition to the above privileges to the MFIs which involved in merger or acquisition and started joint-transaction by mid-July 2021:
 - Only 1 percent of risk-weighted assets of total assets are required to be added for operational risk by mid-July 2022.
 - Relaxation in the provision of depositing 25 percent of additional proposed dividend above 20 percent dividends in corporate social responsibility fund if proposed to distribute more than 20 percent dividends (cash or bonus share).
46. Unified Directives, 2020 have been issued for licensed "A", "B" and "C" class Banks and Financial Institutions (BFIs) and "D" class Microfinance Institutions (MFIs).
47. A provision has been made so that BFIs cannot lend against the collateral of the shares of institutions that have been in loss for the last three consecutive years, not been in operation for one year, have not held a general meeting for the last three years, and not having a trading price for at least 250 days.
48. The total personal overdraft loan on unspecified headings per person is allowed only to a maximum of Rs. 5 million. As such, borrowers who exceed the specified limit by having multiple banking need to bring the total personal overdraft loan within the limit of Rs. 5 million by mid-July 2021.
49. The blacklisting process has been temporarily withdrawn until mid-July 2021 for the borrowers affected by Covid-19 having an outstanding interest of 6 months or less.
50. In addition to existing provisions, the blacklisting provision will not hinder to withdraw to the extent of the grant amount provided by the federal or provincial level government agencies.
51. The difference between the maximum and minimum interest rates on deposit accounts, except for call deposits with interest payments, cannot exceed five percentage points; however, when BFIs accept fixed deposits on personal savings and retirement funds as

part of social security allowances, the interest rate can be extended on the basis of the mutually agreed upon between the BFI and the customers.

52. In the borrower's written agreement, a provision has been made so that interest rates of loans based on fixed interest rate provision for the loan period can be reviewed for the first time in seven years and then every five years thereafter.
53. The following provisions have been made regarding pre-payment of loan and swap fee:
 - Pre-payment fee of a loan: maximum of 100 percent of the prevalent service charge if the loan is repaid within 2 years of loan disbursement, up to 50 percent of the prevalent service charge if the loan is repaid within 2 to 5 years and up to 20 percent of the prevalent service charge if the loan is repaid after 5 years.
 - Loan Swap Fee: maximum of 100 percent of the service fee in case of change in bank within 2 years of loan disbursement, up to 50 percent of service charge in case of change in bank within 2 years to 5 years, and up to 20 percent of the service fee in case of change in bank after 5 years.
 - In case of loan disbursed at fixed interest rate, advance payment or swap fee can be charged of 100 percent of the specified fee as mentioned in the loan approval letter in the consent of the borrower.
54. A provision has been made so that the collateral auction process needs to be postponed until mid-July 2021 in case of Covid-19 affected borrowers not having interest accrual of more than 6 months. Similarly, BFIs are required to collect only the interest of the installment if such borrowers are able to pay only the accrued interest out of their total outstanding by asking detail information of it in written form.
55. A provision has been made to recover the principal and interest of deferred installments which was provided by analyzing the repayment capacity of the borrower as well as severity of Covid-19 pandemic in equal installments within 6 months from the end of extended loan repayment period in the written request of borrowers of MFIs.
56. A provision has been made so that Infrastructure Development Bank can provide loans and advances to projects related to agriculture, health, tourism, education, garbage and drainage management promoted through Public Private Partnership (PPP) model in the leadership of provincial and local governments.
57. Infrastructure Development Bank can carry out sales/purchases/repurchases/takeovers maximum of only one-third of total credit in the previous quarter for a period of four years from the date of commencement.
58. The existing provision of lending a maximum of 50 percent of its total loan portfolio in similar kind of projects by Infrastructure Development Bank has been relaxed for a period of four years from the date of commencement.
59. Infrastructure Development Bank has been allowed to maintain fixed deposit of a maximum Rs. 1 billion at each commercial bank through competitive process (prohibited for bonus distribution to the employees from interest income of such deposits) for a maximum period of 4 years from the date of commencement.
60. A provision has been made for borrowers in highly and moderately affected sectors by the Covid-19 pandemic who are unable to reschedule and restructure by mid-January 2021 because of not able to pay 10 percent of accrued interest, can reschedule and

restructure their loan by paying 5 percent of accrued interest following the specified conditions by mid-July 2021.

61. A provision has been made for licensed "A", "B", and "C" class BFIs so that they can record expenses incurred in promoting electronic transactions up to 5 percent of corporate social responsibility fund as expenses from this fund.
62. BFIs have been directed to bring the spread rate as specified within the same quarter in case of exceeding the limit in any month. In case of failing to do so, a provision has been made to initiate actions against the Board of Directors and Chief Executive Officer in accordance with Nepal Rastra Bank Act, 2002.
63. A provision has been made so that call deposits accepted by licensed "A" class commercial banks shall not exceed 10 percent of total local deposit liability. And, licensed "B" and "C" class financial institutions are not allowed to accept call deposits more than 15 percent of their total deposit liabilities.
64. After opening two branches outside the Kathmandu Valley (in locations other than the metropolis and sub-metropolis) after mid-January 2021, a provision has been made to allow MFIs to open one branch in the wards of Kathmandu valley's local levels that do not currently have any MFI branches. Of the two branches which are going to be opened outside the Kathmandu Valley under this provision, at least one branch should be opened in rural municipality.
65. The format of the financial statement as per NFRS has been issued which need to be prepared by the MFIs those allowed to get public deposits and involve in wholesale lending.
66. A provision has been made for the BFIs to provide loans at the base rate to the existing health care providers, hospitals, or industries in case of loans demanded for the purpose of setting up a liquid oxygen plant or oxygen plant.
67. A provision has been made so that if the required commercial operation date for hydroelectricity projects approved by this bank for interest capitalization is changed, approval from this bank is not required to capitalize the interest for the changed period.
68. The expenditure incurred as per the following has been provisioned to mention under the Corporate Social Responsibility of BFIs:
 - Grants provided by BFIs in the form of direct grants to charitable works such as innovation centers of national importance, human welfare services, and organizations working in education and health for the marginalized sector.
 - Expenditures incurred as directly to ease supply of oxygen cylinders, oxygen concentrators, life-saving vaccines, medicines, etc. as well as expenses incurred (as per actual bill) for staff to protect against pandemic-induced diseases, prevention, and treatment in light of the coronavirus outbreak situation.
69. BFIs, while spending on corporate social responsibility has been mandated not to be limited to a single geographical area and sector (such as education, health, etc.) but to spend equitably in all geographical areas where they have operations by giving priority to life protection, public interest, and philanthropic work.
70. The following provisions have been made for licensed BFIs to invest in shares and debentures.

- Investing only for more than a year period in debentures and shares of those institutions which have been listed in stock exchange by selling shares to ordinary people, and not allowed to make a short-term investment in the shares of the organization by any arrangement.
 - Investment only up to 1 percent of the core capital can be sold in a fiscal year out of the investments that have crossed one year of purchase by the licensed institutions. However, the shares invested up to 24th May 2021 can be sold by mid-July 2022.
 - Share investment in "D" class Microfinance Institutions has been prohibited except for the purpose of accounting for deprived sector lending. If such shares are acquired before 24th May 2021, they must be sold or otherwise disinvested by mid-January 2022.
71. Licensed Institutions have been provisioned not to change the published interest rate for three months for the fixed deposit collected through bidding process.
72. BFIs are prohibited from charging a penalty or additional fee for recovering a loan from a borrower during the period of prohibitory orders and up to seven days after lifting these orders issued for minimizing infection of Covid-19.
73. BFIs engaged in mergers or acquisitions and have begun their joint transaction by mid-July 2021 are exempt from the penalty for failing to maintain an average spread rate on a monthly basis.
74. BFIs are required to notify their related customers immediately of changes in deposit and lending interest rates via SMS or email.
75. Given the inconvenience caused by the Covid-19 pandemic, a provision has been made so that BFIs can reactivate dormant accounts of their clients electronically, ensuring the know-your-customer update.
76. The following special provisions have been made for the period of prohibitory orders issued to minimize the infection of the Covid-19:
- During the period of prohibitory orders and one month after its lifting, BFIs are not allowed to issue any type of notice for loan recovery or auction of collateral.
 - BFIs can renew term deposits, securities, letters of credit, and other loans that matured during the period of prohibitory orders if requested by the customers through fulfilling necessary process.
 - BFIs can incentivize their customers who increase their credibility by paying installment or interest during the prohibitory period by waiving the applied interest rate or interest amount. The board of directors is required to implement such exemption decisions by making them transparently available in the institution's website.

Appendix 2.2

Commercial Banks Inspected On-Site in 2020/21

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

1. Global IME Bank Ltd.	3. Century Bank Ltd.
2. Civil Bank Ltd.	4. Citizens Bank International Ltd.

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

1. Mega Bank Nepal Ltd.	3. Nepal Bangladesh Bank Ltd.
2. Prime Bank Ltd.	4. Siddharth Bank Ltd.

(C) Special Inspection

1. Bank of Kathmandu Ltd.	4. Civil Capital Markets Ltd.
2. Sunrise Bank Ltd.	5. Nepal Bangladesh Bank Ltd.
3. Prabhu Bank Ltd.	6. Machhapuchchhre Bank Ltd.

(D) Special Inspection Based on AML/CFT

1. Global IME Bank Ltd.	9. Siddharth Bank Ltd.
2. Sanima Bank Ltd.	10. Agriculture Development Bank Ltd.
3. Everest Bank Ltd.	11. NMB Bank Ltd.
4. Sunrise Bank Ltd.	12. Bank of Kathmandu Ltd.
5. NCC Bank Ltd.	13. Kumari Bank Ltd.
6. Nepal Investment Bank Ltd.	14. Standard Chartered Bank Nepal Ltd.
7. NIC Asia Bank Ltd	15. NABIL Bank Ltd.
8. Nepal Bank Ltd.	16. Nepal SBI Bank Ltd.

Appendix 2.3

Development Banks Inspected in 2020/21

(A) On-Site Inspection

Compliance-based Inspection	
1. Karnali Bikas Bank Ltd.	2. Sindhu Bikas Bank Ltd.
Risk-based Inspection	
1. Garima Bikas Bank Ltd.	2. Muktinath Bikas Bank Ltd.
3. Jyoti Bikas Bank Ltd.	4. Mahalaxmi Bikas Bank Ltd.
5. Sangrila Development Bank Ltd.	6. Shine Resunga Bikas Bank Ltd.

(B) Special Inspection

1. Sindhu Bikas Bank Ltd.	2. Jyoti Bikas Bank Ltd.
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Appendix 2.4

Microfinance Financial Institutions Inspected in 2020/21

(A) On-Site Inspection

1. Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd., Naksal, Kathmandu
2. RMDC Laghubitta Bittiya Sanstha Ltd., Putalisadak, Kathmandu
3. Chhimek Laghubitta Bittiya Sanstha Ltd., Old Baneshwor, Kathmandu
4. Swabalamban Laghubitta Bittiya Sanstha Ltd., Kamalpokhari, Kathmandu
5. Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd., Subidhanagar, Kathmandu
6. Swarojgar Laghubitta Bittiya Sanstha Ltd., Banepa, Kavre
7. First Microfinance Laghubitta Bittiya Sanstha Ltd., Gyaneshwar, Kathmandu
8. Kalika Laghubitta Bittiya Sanstha Ltd., Pokhara, Kaski
9. Laxmi Laghubitta Bittiya Sanstha Ltd., Maharajgunj, Kathmandu
10. Civil Laghubitta Bittiya Sanstha Ltd., Chuchepati, Kathmandu
11. Forward Community Microfinance Laghubitta Bittiya Sanstha Ltd., Duhabi, Sunsari
12. Grameen Bikas Laghubitta Bittiya Sanstha Ltd., Butwal, Rupandehi
13. Support Micrfinance Laghubitta Bittiya Sanstha Ltd., Hansaposha, Itahari
14. Jiwan Bikas Laghubitta Bittiya Sanstha Ltd., Katahari, Morang

(B) Special On-site Inspection

1. Nadep Laghubitta Bittiya Sanstha, Gajuri, Dhading
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Appendix 2.5

Banks and Financial Institutions Licensed as Market Makers

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

Appendix 2.6

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

S.N.	Banks and Remittance Companies	Address
1	Citizens Bank International Limited	Kamaladi, Kathmandu
2	Nabil Bank Limited	Durbarmarg, Kathmandu
3	Machhapuchchhre Bank Limited	Lazimpat, Kathmandu
4	Prabhu Bank Limited	Babarmahal, Kathmandu
5	Sunrise Bank Limited	Gairhidihara, Kathmandu
6	Siddhartha Bank Limited	Hattisar, Kathmandu
7	Sanima Bank Limited	Naxal, Kathmandu
8	Century Commercial Bank Limited	Putalisadak, Kathmandu
9	Prabhu Money Transfer Pvt. Ltd.	Lainchour, Kathmandu
10	Sewa Remit Pvt. Ltd.	Kuleshwor, Kathmandu

Appendix 2.7

Board of Directors

(In mid-July 2021)

Mr. Maha Prasad Adkhkari, Governor	Chairman
Dr. Shishir Kumar Dhungana, Secretary, Ministry of Finance	Member
Dr. Neelam Dhungana Timsina, Deputy Governor	Member
Mr. Bam Bahadur Mishra, Deputy Governor	Member
Prof. Dr. Shreeram Poudyal	Member
Mr. Ramjee Regmi	Member
Dr. Suvod Kumar Karn	Member

Appendix 2.8

List of Special Class and First Class Officers

(In mid-July 2021)

Special Class Officers		
1	Mr. Bhuban Kandel	Executive Director, Payment Systems Department
2	Dr. Nephil Matangi Maskay	Executive Director, Office of the Governor
3	Mr. Dev Kumar Dhakal	Executive Director, Banks & Financial Institutions Regulation Dept .
4	Mr. Mukunda Kumar Chhetri	Executive Director, Financial Management Department
5	Mr. Pitambar Bhandari	Executive Director, Finance Company Supervision Department
6	Mr. Rishikesh Bhatta	Executive Director, Assets and Service Management Dept.
7	Mr. Pradeep Raj Poudyal	Executive Director, Development Bank Supervision Dept.
8	Dr. Gunakar Bhatta	Executive Director, Bank Supervision Department
9	Mr. Naresh Shakya	Executive Director, Public Debt Management Department
10	Mr. Suman Kumar Adhikari	Executive Director, Microfinance Institution Supervision Dept.
11	Dr. Prakash Kumar Shrestha	Executive Director, Economic Research Department
12	Mr. Revati Prasad Nepal	Executive Director, Currency Management Department
13	Mr. Ramu Paudel	Executive Director, Foreign Exchange Management Dept.
14	Mr. Vishrut Thapa	Executive Director, Internal Audit Department
15	Mr. Ram Bahadur Manandhar	Executive Director, Banking Department
16	Mr. Daya Ram Sharma	Acting Executive Director, Corporate Planning and Risk Management Dept.
17	Mr. Tulashi Prasad Ghimire	Acting Executive Director, Human Resource Management Dept.
First Class Officers		
1	Mr. Guru Prasad Paudel	Director, Foreign Exchange Management Department
2	Mr. Bimal Raj Khanal	Director, Assets and Service Management Dept.
3	Mr. Binod Raj Acharya	Director, Mint Division
4	Mr. Ram Prasad Gautam	Director, Micro-Finance Institution Supervision Department
5	Mr. Kiran Pandit	Director, Banks & Financial Institutions Regulation Dept.
6	Mr. Satyendra Timilsina	Director, Nepal Rastra Bank, Biratnagar Office

7	Mr. Chet Prasad Uprey	Director, Development Bank Supervision Department
8	Mr. Roshan Kumar Shigdel	Director, Bank Supervision Department
9	Dr. Ram Sharan Kharel	Director, Economic Research Department
10	Dr. Dilli Ram Pokhrel	Director, Economic Research Department
11	Mr. Dirgha Bahadur Rawal	Director, Financial Information Unit
12	Mr. Nishchal Adhikari	Director, Payment Systems Department
13	Mr. Anuj Dahal	Director, Currency Management Department
14	Mr. Dipak Raj Lamichhane	Director, Economic Research Department
15	Mr. Rajan Bikram Thapa	Director, Development Bank Supervision Department
16	Mr. Rajendra Bhattacharai	Director, Assets and Service Management Dept.
17	Mr. Hem Prasad Neupane	Director, Bank Supervision Department
18	Mr. Ananda Paudyal	Director, Bankers Training Centre
19	Mr. Mukti Nath Sapkota	Director, Office of the Governor
20	Mrs. Sushma Regmi (Rijal)	Director, Corporate Planning & Risk Management Dept.
21	Mr. Govinda Prasad Nagila	Director, Nepal Rastra Bank, Nepalganj Office
22	Mrs. Meena Pandey	Director, Banks & Financial Institutions Regulation Dept.
23	Mr. Shubhash Chandra Ghimire	Director, Nepal Rastra Bank, Dhangadhi Office
24	Mrs. Shrijana Bastola	Director, Banking Department
25	Mr. Buddha Raj Sharma	Director, Banks & Financial Institutions Regulation Dept.
26	Mr. Sudip Phuyal	Director, Nepal Rastra Bank, Siddharthanagar Office
27	Mrs. Niva Shrestha	Director, Banking Department
28	Mr. Dila Ram Subedi	Director, Bank Supervision Department
29	Mr. Keshav Bahadur K.C.	Director, Financial Management Department
30	Mr. Sailendra Regmi	Director, Public Debt Management Department
31	Mr. Birendra Datta Awasthi	Director, Banking Department
32	Mr. Devendra Gautam	Director, Assets and Service Management Dept.
33	Mr. Ishwari Prasad Bhattacharai	Director, Nepal Rastra Bank, Pokhara Office
34	Mr. Rajan Dev Bhattacharai	Director, Financial Management Department
35	Mr. Laxmi Prasad Prasai	Director, Corporate Planning & Risk Management Dept.
36	Mr. Ramesh Acharya	Director, Human Resource Management Department
37	Mr. Rajan Krishna Pant	Director, Nepal Rastra Bank, Birgunj Office
38	Mr. Durgesh Gopal Shrestha	Director, Nepal Rastra Bank, Janakpur Office
39	Mrs. Indra Chamlagai (Mainali)	Director, Foreign Exchange Management Department
40	Mrs. Ranjana Paudel (Pandit)	Director, Financial Management Department
41	Mrs. Neera Talchabhadel	Director, Currency Management Department
42	Mr. Biggyan Raj Subedi	Director, Human Resource Department
43	Mr. Thaneshwor Acharya	Director, Legal Division
44	Mr. Narayan Prasad Pokhrel	Director, Office of the Governor
45	Mr. Madhav Dangal	Director, Economic Research Department
46	Mr. Shiva Ram Dawadi	Director (I.T.), Information Technology Division
47	Mrs. Arya Joshi	Act. Director, Economic Research Department
48	Mr. Binod Raj Lekhak	Act. Director, Finance Company Supervision Department
49	Mr. Bashu Dev Bhattacharai	Act. Director, Foreign Exchange Management Department
50	Mr. Ashok Ghimire	Act. Director, Internal Audit Department

PART – 3

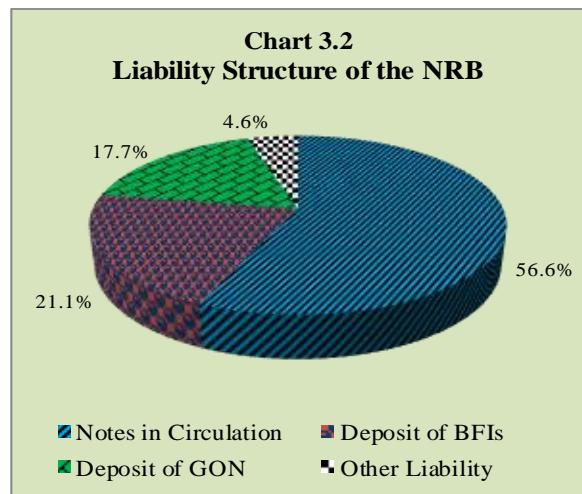
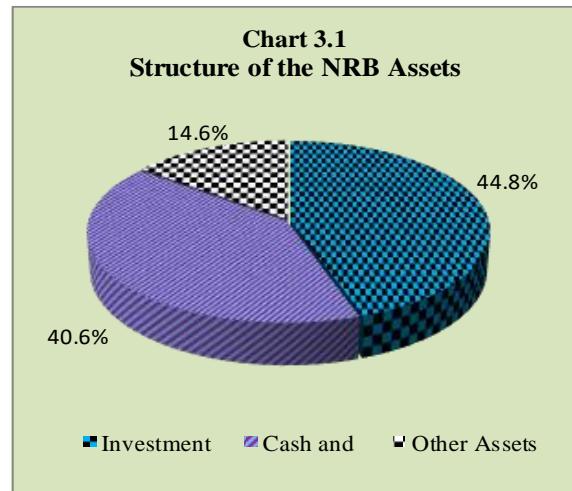
ANNUAL FINANCIAL SITUATION OF NEPAL RASTRA BANK

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- Income Statement 127
- Annual Financial Statements of Nepal Rastra Bank 129

PART – THREE
ANNUAL FINANCIAL SITUATION OF
NEPAL RASTRA BANK

Assets and Liabilities

- 3.1 As per the NRB's balance sheet as of mid-July 2021, the assets/liabilities of the bank increased by 9.89 percent to Rs. 1538.64 billion, compared to the corresponding amount in mid-July 2020. The assets/liabilities had expanded by 31.0 percent to Rs. 1490.00 billion in mid-July 2020 compared to mid-July 2019.
- 3.2 Of the total assets, the share of investment securities has remained 44.76 percent followed by cash and cash equivalents at 40.64 percent and other assets at 14.60 percent in mid-July 2021(Chart 3.1). The respective shares in mid-July 2020 were 53.41 percent, 39.68 percent and 6.91 percent respectively.
- 3.3 Compared to mid-July 2020, the amount of NRB's investment securities contracted by 7.91 percent to Rs. 688.72 billion in mid-July 2021. In mid-July 2020, the total investment securities had amounted to Rs. 747.85 billion.
- 3.4 Between mid-July 2020 and mid-July 2021, the amount of NRB's cash and cash equivalents increased by 12.53 percent to Rs. 625.24 billion. In mid-July 2020, cash and cash equivalents had amounted to Rs. 555.62 billion.
- 3.5 Of the total liabilities and equity, the share of liabilities was 76.86 percent and that of equity 23.14 percent in mid-July 2021. In mid-July 2020, these shares were 76.42 percent and 23.58 percent respectively.
- 3.6 As share of total liabilities as of mid-July 2021, currency in circulation, deposits from banks and financial institutions,



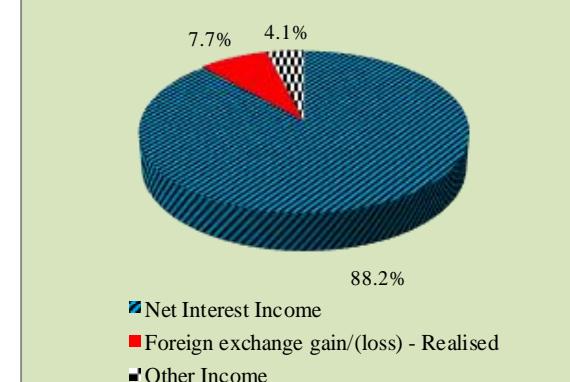
deposits from GON and other liabilities stood at 56.61 percent, 21.11 percent, 17.72 percent and 4.56 percent respectively (Chart 3.2). These shares in mid-July 2020 accounted for 54.18 percent, 27.84 percent, 11.30 percent and 4.68 percent respectively.

- 3.7 Currency in circulation increased by 15.50 percent to Rs. 669.51 billion in mid-July 2021 compared to a year ago. In mid-July 2020, currency in circulation was Rs. 579.74 billion.
- 3.8 Deposits from BFIs in NRB decreased by 16.20 percent to Rs. 249.64 billion in mid-July 2021 compared to Rs. 297.85 billion in mid-July 2020.
- 3.9 GON deposits in NRB increased by 47.24 percent to Rs. 209.58 billion in mid-July 2021 compared to a year ago. Such deposits was Rs. 142.34 billion in mid-July 2020.
- 3.10 Compared to mid-July 2020, the total equity increased by 7.84 percent in mid-July 2021. Under this, reserves and surplus increased by 7.96 percent to Rs. 350.98 billion. Such a fund was Rs. 325.09 billion in mid-July 2020.
- 3.11 Share capital of the bank in mid-July 2021 remained same at Rs. 5 billion as in mid-July 2020.

Income Statement

- 3.12 As per the income statement of FY 2020/21 (July 16, 2020 through July 15, 2021), the total net operating income of NRB during the review year declined by 24.96 percent to Rs. 24.74 billion compared to that of previous year. In the net operating income of FY 2020/21, the share of net interest income was 88.23 percent, followed by 7.7 percent of foreign exchange gain realized and 4.07 percent of other income (Chart 3.3).

**Chart 3.3
Operating Income Structure of NRB**



- 3.13 In the review year as compared to that of previous year, the net interest income dropped by 26.37 percent to Rs. 21.83 billion and foreign exchange gain increased by 11.11 percent to Rs. 1.90 billion respectively. Similarly, other income realized decreased by 35.51 percent to Rs. 0.94 billion and under fees and commission as compared to previous year, net gain declined by 105.71 percent and remained as net loss of Rs. 8.3 million.
- 3.14 In the review year, net income before revaluation of gain/loss from foreign exchange and other assets decreased by 31.39 percent to Rs. 19.35 billion as compared to that of previous year. Such net income was Rs. 28.21 billion in the previous year.

- 3.15 In the review year, the net income stood at Rs. 30.56 billion after adjusting foreign exchange revaluation gain of Rs. 8.19 billion and gold and silver revaluation gain of Rs. 3.0 billion. The net income was Rs. 107.95 billion in the previous year.
- 3.16 In the review year, total comprehensive income amounted to Rs. 32.55 billion after adjusting other comprehensive income/expenditure. Total comprehensive income was Rs. 109.45 billion in the previous year.

NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
As on 31st Asar, 2078 (15th JULY, 2021)

Particulars	Notes	As on 31-3-2078	As on 31-3-2077	Figures in NRs.
ASSETS				
Cash and Cash Equivalents	4.1	625,239,674,554	555,615,980,728	
Trading Assets		6,477,636,202	-	
Loans and Advances to Bank and Financial Institutions	4.2	122,703,932,366	7,487,473,703	
Loans and Advances to Others	4.3	15,516,984,591	12,414,430,212	
Overdraft to Government of Nepal		-	-	
Gold and Silver at Fair Value	4.4	74,016,326,790	71,009,398,875	
Investment Securities	4.5	688,721,551,355	747,848,059,601	
Inventories	4.6	1,780,867,822	2,092,693,014	
Investment Properties		-	-	
Property, Plant and Equipment	4.7	3,407,914,895	2,923,758,243	
Intangible Assets	4.8	63,862,300	86,190,992	
Other Assets	4.9	709,838,933	645,266,374	
TOTAL ASSETS		1,538,638,589,808	1,400,123,251,742	
LIABILITIES AND EQUITY				
LIABILITIES				
Financial Liabilities held for Trading		-	-	
Bills Payable		358,166,889	322,458,714	
Deposits from Bank and Financial Institutions	4.10	249,630,925,694	297,852,272,797	
Deposit from Government of Nepal		209,577,874,327	142,340,191,367	
Deposits from Others	4.11	19,455,135,103	18,733,175,742	
Short Term Borrowings	4.12	-	-	
IMF Related Liabilities	4.13	23,024,973,324	20,904,127,242	
Staff Liabilities	4.14	2,754,451,836	3,194,902,864	
Other Liabilities	4.15	1,685,424,009	951,149,514	
Currency in Circulation	4.16	669,513,758,854	579,738,632,391	
Surplus Payable to Government of Nepal	4.17 (a)	6,661,646,673	6,000,000,000	
Total Liabilities		1,182,662,356,709	1,070,036,910,631	
EQUITY				
Capital		5,000,000,000	5,000,000,000	
Reserves & Surplus	4.17 (b)	350,976,233,099	325,086,341,111	
TOTAL EQUITY		355,976,233,099	330,086,341,111	
TOTAL LIABILITIES AND EQUITY		1,538,638,589,808	1,400,123,251,742	

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

Mr. Mukunda Kumar Chhetri
Executive Director
Financial Mgmt. Department

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA. Dr. Suvod Kumar Karn
Board Member

As per our report of even date

Mr. Ramjee Regmi
Board Member

Dr. Sri Ram Poudyal
Board Member

CA. Anup Kumar Shrestha
BRS Neupane & Co.
Chartered Accountants

CA. Sudarshan Raj Pandey
S.R. Pandey & Co.
Chartered Accountants

Mr. Madhu Kumar Marasini
Secretary MOF/Board Member

Mr. Maha Prasad Adhikari
Governor

CA. Bijay Kumar Agrawal
B.K. Agrawal & Co.
Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

Figures in NRs.

Particulars	Notes	For the Year Ended 31-03-2078	For the Year Ended 31-03-2077
Interest Income	4.18	21,943,028,677	29,734,386,370
Interest Expense	4.19	(123,022,077)	(98,269,150)
Net interest Income		21,820,006,600	29,636,117,220
Fee and Commission Income	4.20	92,042,521	169,606,786
Fee and Commission Expense	4.21	(100,340,659)	(24,182,200)
Net Fee and Commission Income		(8,298,138)	145,424,586
Net Trading Income	4.22	74,816,604	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		1,903,840,197	1,713,421,285
Other Income	4.23	936,986,844	1,452,981,613
Total Operating Income		24,727,352,107	32,947,944,704
Impairment Allowance on Financial Assets		-	(1,843,923)
Impairment Allowance on Financial Assets Written back		3,375,258	10,400,254
Net Operating Income		24,730,727,365	32,956,501,035
Personnel Expenses	4.24	(2,716,278,909)	(2,854,486,599)
Depreciation, Amortisation and Impairment of Non-Financial	4.25	(256,578,914)	(171,591,575)
Operating Expenses	4.26	(2,401,399,369)	(1,719,045,781)
Distributable Net Income/(Expenditure)		19,356,470,173	28,211,377,080
Foreign Exchange Gain/(Loss) - Unrealised		8,192,211,285	58,927,429,280
Gold and Silver Revaluation Gain/(Loss)		3,006,927,915	20,807,318,228
Securities Revaluation Gain/(Loss)		-	-
Net Income/(Expenditure) for the year		30,555,609,373	107,946,124,588
Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss:		1,995,929,286	1,506,015,328
Actuarial gain (Loss) in defined benefit Retirement Schemes		1,008,028,980	467,268,203
Net Change in Fair value of Equity Instruments		987,900,306	1,038,747,125
(ii) Items that are or may be reclassified to profit or loss:		-	-
Other Comprehensive Income		1,995,929,286	1,506,015,328
Total Comprehensive Income		32,551,538,659	109,452,139,916

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

Mr. Mukunda Kumar Chhetri
Executive Director

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
Deputy Governor

CA. Dr. Suvod Kumar Karn
Board Member

As per our report of even date

Mr. Ramjee Regmi
Board Member

Dr. Sri Ram Poudyal
Board Member

CA. Anup Kumar Shrestha
BRS Neupane & Co.
Chartered Accountants

CA. Sudarshan Raj Pandey
S.R. Pandey & Co.
Chartered Accountants

Mr. Madhu Kumar Marasini
Secretary MOF/Board Member

Mr. Maha Prasad Adhikari
Governor

CA. Bijay Kumar Agrawal
B.K. Agrawal & Co.
Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

PARTICULARS	Figures in NRs.	
	For the Year Ended 31-3-2078	For the Year Ended 31-3-2077
Cash Flow From Operating Activities		
Net Income/(Expenditure) for the year	30,555,609,373	107,946,124,588
Adjustments		
Depreciation & Amortisation	256,578,914	171,591,575
Dividend Income	(65,036,629)	(39,188,282)
Impairment Allowance on Financial Assets	-	1,843,923
Provisions no Longer Required Written Back	(3,375,258)	(10,400,254)
Grant Income	(123)	(476,098,050)
Profit from Sale of Assets/ Investments	(1,745,456)	(3,041,208)
Assets Written Off	269,952	389,034
Interest paid on IMF Liabilities	8,566,249	57,807,978
Foreign Exchange Gain/(Loss) - Unrealised	(8,192,211,285)	(58,927,429,280)
Net Gold and Silver Revaluation Gain/(Loss)	(3,006,927,915)	(20,807,318,228)
Securities Revaluation Gain/(Loss)		
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,008,028,980	467,268,203
Cash Flow From Operation Before Inc / Dec in Operating Assets	20,559,756,802	28,381,549,999
(Increase)/Decrease in Operating Assets	(124,546,021,351)	18,537,487,409
Loans & Advances	(118,319,013,042)	18,861,273,411
Trading Assets	(6,477,636,202)	-
Inventories	315,200,450	(157,017,833)
Other Assets	(64,572,557)	(166,768,169)
Increase/(Decrease) in Operating Liabilities	21,824,998,883	157,942,369,029
Government Deposit	67,237,682,960	46,734,819,900
Deposit Liabilities	(47,499,387,742)	109,947,766,459
Bills Payable	35,708,175	100,630,609
Short Term Borrowings	-	-
IMF Deposit	1,757,172,023	260,548,220
Staff Liabilities	(440,451,028)	861,958,721
Other Liabilities	734,274,495	36,645,120
Net Cash Flow From Operating Activities	Total (A)	(82,161,265,666)
		204,861,406,437
Cash Flow From Investing Activities		
Net (Incr)/Decr in Investment Securities	60,114,408,552	(523,498,639,656)
Gold & Silver	-	160,456
Purchase of Property, Plant & Equipment	(732,334,596)	(1,508,895,004)
Sale of Property, Plant & Equipment	19,528,645	36,854,078
Purchase of Intangible Assets	(4,125,419)	(20,044,054)
Dividend Income	65,036,629	39,188,282
Net Cash Flow From Investing Activities	Total (B)	59,462,513,811
		(524,951,375,898)
Cash Flow From Financing Activities		
Bank Note Issued	89,775,126,463	76,488,453,418
Increase/Decrease in ECF/RCF Loan & SDR Allocation	363,674,182	329,981,387
Interest paid on IMF Liabilities	(8,566,249)	-57,807,978
Surplus Paid to GON	(6,000,000,000)	-12,020,000,000
Net Cash Flow From Financing Activities	Total (C)	84,130,234,396
		64,740,626,827
Net Cash Flow for the Year (A+B+C)		61,431,482,541
Revaluation Gain or Loss on Foreign Exchange	8,192,211,285	58,927,429,280
Cash and Cash Equivalent at the Beginning of the Year	555,615,980,728	752,037,894,082
Cash and Cash Equivalent at the end of the Year		625,239,674,554
		555,615,980,728

Mr. Mukunda Kumar Chhetri
Executive Director
Financial Mgmt. Department

Mr. Bam Bahadur Mishra
Deputy Governor

Dr. Neelam Dhungana Timsina
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Chartered Accountants

Ms. Rammaya Kunwar
Deputy Auditor General

Date: 2078/07/26
Place: Kathmandu

As per our report of even date

NEPAL RASTRA BANK
STATEMENT OF CHANGES IN EQUITY
For the Year ended on 31st Asar, 2078 (15th JULY, 2021)

Figures in NRs.

PARTICULARS	Capital	Statutory Reserve				Gold & Silver Equilisation Reserve	Fair Value Reserve	RSRF Administrative Expenses Reimbursement	Actuarial Gain Reserve	Other Reserves	Retained Earning	Total
		General Reserve	Monetary Liability Reserve	Financial Stability Fund	Exchange Equilisation Fund							
Balance as on 1st Shrawan 2076	5,000,000,000	40,140,904,254	8,387,669,682	5,190,155,684	94,900,279,724	26,141,565,798	3,742,955,298	-	-	42,999,842,754	1,482,683,740	227,986,056,934
Adjustment for Prior Period Income (Expense)											(1,409,520,304)	(1,409,520,304)
Restated Balance	5,000,000,000	40,140,904,254	8,387,669,682	5,190,155,684	94,900,279,724	26,141,565,798	3,742,955,298	-		42,999,842,754	73,163,436	226,576,536,630
Net Income for the year											107,946,124,588	107,946,124,588
Other Comprehensive Income											1,506,015,328	1,506,015,328
<i>Appropriation of Net Income:</i>												
To General Reserve											(8,984,388,463)	-
To Monetary Liability Reserve											(1,394,004,100)	-
To Financial Stability Fund											(1,394,004,100)	-
To Exchange Equilisation Fund											(58,927,429,280)	-
To Gold & Silver Equilisation Reserve											(20,807,318,228)	-
To Fair Value Reserve											-	-
To Other Reserve											-	-
To Net Cumulative Surplus Fund											-	-
<i>Inter Fund Transfer:</i>												
Retained Earning to Net Cum Surplus Fund											555,903,731	555,903,731
Fair value reserve to Retained Earnings											657,398,041	657,398,041
Retained Earnings to Actuarial Reserve											(926,780,009)	(926,780,009)
RSRS Fund Surplus received											61,390,949	61,390,949.00
Administrative Expenses Reimbursement											(3,726,384)	(3,726,384.00)
Balance Surplus Transfer to Government	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,026	4,124,304,382	57,664,565	1,394,048,212	54,320,829,855	(1,078,225,216)	330,086,341,111
Balance as on 31st Asar 2077	5,000,000,000	49,125,292,717	9,781,673,782	6,584,159,784	153,827,709,004	46,948,884,026	4,124,304,382	57,664,565	1,394,048,212	54,320,829,855	(1,078,225,216)	330,086,341,111
Net Income for the year											30,555,609,373	30,555,609,373
Other Comprehensive Income											1,995,929,286	1,995,929,286
<i>Appropriation of Net Income:</i>												
To General Reserve											(6,608,900,534)	-
To Monetary Liability Reserve											(967,823,509)	-
To Financial Stability Fund											(967,823,509)	-
To Exchange Equilisation Fund											(8,192,211,285)	-
To Gold & Silver Equilisation Reserve											(2,934,500,765)	-
To Fair Value Reserve											-	-
To Other Reserve											-	-
To Net Cumulative Surplus Fund											(5,757,879,412)	(5,757,879,412)
<i>Inter Fund Transfer:</i>											(17,676,108)	(17,676,108)
Retained Earning to Net Cum Surplus Fund											-	-
Fair value reserve to Retained Earnings											2,657,128,858	2,657,128,858
Retained Earnings to Fair Value Reserve											(26,051,220)	(26,051,220)
Retained Earnings to Actuarial Reserve											-	-
RSRS Fund Surplus received											-	-
Administrative Expenses Reimbursement											(6,661,646,673)	(6,661,646,673)
Balance Surplus Transfer to Government	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,791	2,481,127,050	57,664,565	2,402,077,192	60,096,385,375	-	355,976,233,099
Balance as on 31st Asar 2078	5,000,000,000	55,734,193,251	10,749,497,291	7,551,983,293	162,019,920,289	49,883,384,791	2,481,127,050	57,664,565	2,402,077,192	60,096,385,375	-	355,976,233,099

Nepal Rastra Bank
Notes Forming part of Financial Statements
Fiscal Year 2077/78 (2020/21 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 objective of the Bank is 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 includes interpretations (IFRIC and SIC) as issued by International Accounting Standards Board.

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

2.2 Basis of Measurement

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

Items	Measurement Basis
Non Derivative Financial Instrument at Fair value through profit or Loss	Fair value
Debt Instrument and other similar financial Instrument	Fair Value as well as Amortised Cost
Equity investments	Fair value
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 12th November 2021.

2.4 Functional and Presentation Currency

Bank's functional and presentation currency is Nepalese Rupees (NRs). All financial information presented in Nepalese Rupees except otherwise indicated. The figure has been rounded to the nearest rupee.

2.5 Materiality and Aggregation

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

2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in 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 Statement of Financial Position.

2.7 Fiscal Year

The financial statements relate to the fiscal year 2077/78 i.e. 1st Sawan 2077 to 31st Asar 2078 corresponding to Gregorian calendar 16th July 2020 to 15th July 2021. The previous year was 1st Sawan 2076 to 31st Asar 2077 (17th July 2019 to 15th July 2020).

2.8 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

2.9 Controlling Body

The controlling body of the Bank is the 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 GoN and a financial agent of the Government.
- GoN 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 GoN.
- GoN shall, while preparing annual budget, consult the Bank on the domestic debt including overdrafts.
- The Bank shall submit a pre-budget review report to GoN 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.

2.10 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 GoN 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.

2.11 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 those entities. These investments were made under the specific directives or policies of the GoN 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.

2.12 Changes in Accounting Policies

The bank has applied its accounting policies consistently except for the following two cases. The changes in accounting policies have been applied retrospectively as per the requirement of NAS 8: “Accounting Policies, Changes in Accounting Estimates and Errors”.

A) Accounting of printing cost of new currency

The bank had recognized printing cost of currency as inventories and charged it to profit or loss account during the year in which the new stock of currency was issued in circulation.

However, since the printed currency does not meet the definition of inventories as per NAS 2 : "Inventories" as well as assets as per conceptual framework of NFRS, the bank has changed its accounting policy to charge the entire printing cost of new currency to profit or loss during the year of printing of the currency.

B) Measurement of Staff Medical Facilities

Measurement of staff medical facilities was done based on management best estimate. However, since the staff medical facilities meet the definition of defined benefit plan, the obligation of the benefit has been measured during the year by adopting actuarial technique as required by NAS 19: "Employees Benefit". The valuation has been done by an independent qualified actuary from outside the entity. This change in base of measurement has been resulted into changes in accounting policy as per NAS 8.

The effects of changes in above accounting policies are as follows:

Impact on Financial Statements	Note Stock	Medical Benefits	Total
Charged to Opening Retained Earnings	957,679,167	451,841,137	1,409,520,304
Reversal of previous year expense	(251,947,675)	(79,347,414)	(331,295,089)
Increase/(decrease) in current year expense	872,460,327	(1,557,155)	870,903,172
Total decrease in Note Stock/Increase in Medical Liabilities	1,578,191,819	370,936,568	1,949,128,387
Total negative impact on Retained Earning	1,578,191,819	370,936,568	1,949,128,387

2.13 Standards those are not yet effective

The Institute of Chartered Accountants of Nepal has pronounced some new standards that are not effective during the year. These standards are effective from financial year starting from July 16 2021. The bank has not applied the following applicable standards in preparing these financial statements.

Particulars	NFRS 9	NFRS 15	NFRS 16
Standards	Financial Instrument	Revenue from contract with customer	Lease
Implementation of new standards result in changes in accounting policy	Yes, Impairment methodology shall be changed from Incurred Loss Model to Expected Loss Model	No	Yes, lease payment under operating lease recognized as expense as per existing NAS shall be recognized as lease liabilities and right to use assets.
Effective date and bank planning for its implementation	From financial year starting from July 16, 2021. The Bank has planned to apply these new standards from its effective date.		
Possible impact on financial statements	Not material impact on financial statement	No any changes	Not material impact on financial statement

3. Significant Accounting Policies

3.1 Interest Income/(Expenses)

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

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

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

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

3.2 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 profit or loss. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

iv. Other Income

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

- Grant Income is not recognized until there is reasonable assurance 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 profit or loss of the period in which it becomes receivable.

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

3.3 Leases

Payments made under operating leases are recognized in Statement of Net Income. The lease rental is adjusted for inflation rate periodically and the same amount is booked as operating lease expense which the bank believes is more representative than the straight line method in line with para 33 of NAS-17.

3.4 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 gains 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.

3.5 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.

3.6 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:

- **At amortised cost:** Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.
- **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.
- **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein, other than impairment losses which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is transferred to retained earnings.

iii. De-recognition:

The Bank derecognizes 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. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

ii) De-recognition

The Bank derecognizes a financial liability when its contractual obligations are discharged or 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:

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows. Details related to fair value hierarchy is presented in Note 5.6.5 as well.

F. Identification and measurement of impairment:

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

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or delinquency by a borrower;
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider;
- indication that a borrower or issuer will enter bankruptcy;

- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

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

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

Impairment losses are recognized in income or expenditure and reflected in an allowance account against loans and receivables or other financial assets. Impairment losses on financial instruments through other comprehensive income are a part of equity routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement or statement of other comprehensive income.

If, in a subsequent period, the fair value of an impaired financial instruments through other comprehensive income increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through income or expenditure; otherwise, any increase in fair value is recognized through OCI. Any subsequent recovery in the fair value of an impaired financial instruments through other comprehensive income is recognized through OCI. Any subsequent recovery in the fair value of such instruments is always recognized in OCI.

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.

3.7 Cash and Cash Equivalents

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

3.8 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 in 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 income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure. Further, the difference in the book value of the trading assets and the disposal proceeds is recognized in profit or loss.

3.9 Loans and Advances to Banks and Financial Institutions

NRB acts as a banker of all Banks and Financial Institutions. Loans and advances to Banks and Financial Institutions include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities. The criteria for the recognition, measurement and disposal of such loans and advances are already explained in Note 3.9(Financial assets). These loans are recognized at amortized cost owing to the business model opted by the bank and cash flow characteristics of the instruments.

3.10 Loan and Advances to Others

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as other parties. The Bank provides various types of loans at concessional/subsidized rate to its employee as per the Staff Bylaws of the Bank. As per NFRS 9, Fair value of a long term loan or receivable that carries no or below market rate interest, shall be measured as present value of all future cash receipts discounted at prevailing market rate of interest. Accordingly, the difference between the present value and the actual transaction amount is recognized as “Deferred Employee Benefit”. Hence, the loans are measured at amortised cost and difference amount between the principal and present value of the loan is booked as deferred employee benefit.

3.11 Investment Securities

The bank invests in various securities for the purpose of foreign exchange management, liquidity management and management of other various funds of the bank. Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction cost, and subsequently accounted for depending on their classification as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

A. Investment measured at Amortized Cost

The Bank shall classify financial assets as subsequently measured at either amortised cost or fair value on the basis of both:

- the bank’s business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Investments that are measured at amortized cost shall be accounted using Effective Interest Rate (EIR). The difference between the interest calculated based on EIR and the actual interest income is adjusted in the amortized cost of the asset.

B. Investment measured at Fair Value through Profit or Loss (FVTPL)

Investment in shares of other companies may be classified as “Investment measured at Fair Value through Profit and Loss (FVTPL)”. In such cases, the shares shall be valued at Fair Value and any changes in the fair value of the shares shall also be recognized in PL account.

C. Investment measured at Fair Value through Other Comprehensive Income (FVTOCI)

Investment in shares of other companies may be classified as “Investment measured at Fair Value through Other Comprehensive Income (FVTOCI)”. In such cases, the shares shall be valued at Fair Value and any changes in the fair value of the shares shall also be recognized in Other Comprehensive Income.

3.12 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.

3.13 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 is expensed in profit or loss account and is not accounted for as under Property, Plant and Equipment. However, in case of land, any value of land is accounted for under Property, Plant and Equipment (limit of Rs 25,000 is not applicable).

Similarly, 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 be 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	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.

3.14 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 arising from de-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.

3.15 Impairment of Non-Financial Assets

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

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

3.16 Gold and Silver at fair value

Gold and silver held as investment (paper gold as well as reserve gold/silver) is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from “Gold and Silver Equalization Reserve” through Appropriation of Net Income/(Expenditure). Any cost incurred to purchase such investment, along with other cost directly associated with such purchase is charged in PL account.

3.17 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.

3.18 Impairment of Non-financial assets:

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

3.19 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 GoN (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.

3.20 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.

3.21 Provisions

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

3.22 Employee Benefits

- **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.

- **Defined Benefits Plan**

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

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

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 OCI. The Bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefits liability (assets), taking into account any changes in the net defined benefits liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized in 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. 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 encash 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.

3.23 Currency in Circulation

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

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

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 profit or loss. Any amount that has been removed from the economy is accounted for as disposal of Financial Liabilities.

3.24 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 recognised as interest income over the tenure of the facility using effective interest rate.
- b. Securities sold under Reverse Repurchase Agreement ('Reverse Repo') are recognised 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.

3.25 Unclaimed Account

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

3.26 Bills Payable and Bills Receivable

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

3.27 Consolidation of Project Accounts

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

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

3.28 Presentation

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

NEPAL RASTRA BANK
Notes Forming part of Financial Statements
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4 Notes relating to items in the financial statements

4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.7, balances of cash and cash equivalent at the reporting date are as below:

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Cash in Hand & at Vault	10,112,660,692	37,932,848,845
Balances with Other Banks	90,957,723,922	84,277,448,893
GOI Treasury Bills	308,627,239,165	295,073,760,103
US Government Treasury Bills	41,660,690,688	18,051,609,752
Time Deposit	173,447,449,401	119,847,126,559
IMF Related Assets: SDR Holdings	419,318,478	412,972,270
Total Foreign Currency	625,225,082,346	555,595,766,422
Local Currency:		
Cash in Hand & at Vault	-	-
Balances with Other Banks	14,592,208	20,214,306
Total Local Currency	14,592,208	20,214,306
Total	625,239,674,554	555,615,980,728

4.2 Loans and Advances to Bank & Financial Institutions

Please refer accounting policy in Note 3.9. The balances of loans and advances to banks and financial institutions (B/FIs) and microfinance (MFI) are as below:

Particulars	31-03-2078	31-03-2077
Refinance/SLF Loans:		
Commercial Banks	108,867,935,693	7,302,907,919
Development Banks	7,744,481,135	138,799,737
Finance Companies	1,253,574,212	45,766,047
Loan to Micro Finance Institutions	4,837,941,326	-
Less: Allowance for impairment	-	-
Total	122,703,932,366	7,487,473,703
Allowance for impairment		
Balance as on Sawan 1	-	10,000,000
Charge for the year	-	-
Effect of foreign currency movements	-	-
Reversal of Impairment Loss	-	(10,000,000)
Balance as on Asar End	-	-

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

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

Particulars	Period	Refinance Rate	31-03-2078	31-03-2077
General Refinance	1 year	3%	78,914,655,011	6,266,769,739
Special/Export Refinance	1 year	1%	12,649,267,913	-
Zero Interest Loan	1 year	0%	2,891,114	1,220,703,964
Loan to SME	1 year	2%	31,137,118,328	-
Total			122,703,932,366	7,487,473,703

4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.10. The balances are given as below:

Particulars	31-03-2078	31-03-2077
Advance to GON for Business Continuity Loan Programme	1,460,000,000	-
Loans to Sana Kishan Bikas Laghubitta Bittiya Sanstha Ltd.	125,000,000	297,000,000
Balance with Asian Clearing Union (ACU)		
Gross Loans to Employees	4,927,921,951	4,889,447,691
Less: Amortisation Adjustment	(661,783,372)	(643,662,271)
Net Loans to Employees	4,266,138,579	4,245,785,420
Interest Receivable		
Australian Dollar	742,094	26,769,204
Canadian Dollar	1,578,426	4,039,021
Yuan Ren-Min-Bi (China)	1,567,900,201	1,422,418,147
Indian Rupees	-	5,573,889
Nepalese Rupee	2,173,490,380	1,342,118,956
Pound Sterling	-	4,235,834
United States Dollars	318,925,028	1,168,609,144
Interest Receivable	4,062,636,129	3,973,764,195
Advances Recoverable		
Advance to Staff	9,372,603	7,391,072
Sundry Debtors	1,730,681,080	29,049,591
Advance for Construction	1,178,702,860	929,919,790
Prepaid Expenses	81,417,937	85,068,861
Pension Advance Account	2,597,864,646	2,840,427,929
Staff Endowment Policy Advance	8,907,350	10,203,108
Other	443,161	-
Less: Impairment Allowance	(4,179,754)	(4,179,754)
Net Advances Recoverable	5,603,209,883	3,897,880,597
Total	15,516,984,591	12,414,430,212

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

4.4 Gold & Silver at Fair Value

Please refer accounting policy in Note 3.16. The balances are given as below:

Particulars	31-03-2078	31-03-2077
Investment in Paper Gold	44,655,278,083	44,996,868,751
Gold Held in Stock at Fair Value	15,610,737,010	15,543,335,668
Silver Held in Stock at Fair Value	13,750,311,697	10,469,194,456
Total	74,016,326,790	71,009,398,875

4.5 Investment Securities

Please refer accounting policy in Note 3.11. The balances are given as below:

Particulars	31-03-2078	31-03-2077
At Amortized Cost	685,573,089,344	743,030,359,039
At Fair Value through Other Comprehensive Income (OCI)	3,148,462,011	4,817,700,562
At Fair Value through Profit or Loss	-	-
Total	688,721,551,355	747,848,059,601
a) Investment Securities at Amortized Cost	31-03-2078	31-03-2077
Government Bonds(USD)	65,361,640,349	30,059,869,390
Government Treasury Notes/Bonds (CNY)	137,429,723,433	70,378,126,202
Time Deposit	418,890,812,169	570,599,057,663
Government Bond (GON)	43,369,513,412	44,039,643,610
Government Treasury Bills (GON)	15,460,827,981	21,226,657,174
Saving Certificates (GON)	184,170,000	1,956,365,000
Fixed deposit with Bank & Financial Institutions	5,130,162,000	5,024,400,000
Less individual allowance for impairment	(253,760,000)	(253,760,000)
Total	685,573,089,344	743,030,359,039
Impairment Loss on Amortised Cost Investment		
Balance as on 01-04-2077	253,760,000	253,760,000
Charge for the year	-	-
Reversal of Impairment	-	-
Balance as on 31-03-2078	253,760,000	253,760,000

Deposit amounting Rs.253,760,000 made in problematic financial institution has been provided as allowance for impairment .

b) Investment Securities at Fair Value through OCI	31-03-2078	31-03-2077
Quoted equity securities	168,426,475	2,731,383,998
Unquoted equity securities	2,987,535,536	2,093,816,564
Less: Allowance for impairment of equity securities	(7,500,000)	(7,500,000)
Total	3,148,462,011	4,817,700,562
Impairment Loss on Investment Securities		
Balance as on 01-04-2077	7,500,000	7,500,000
Charge for the year	-	-
Reversal of Impairment	-	-
Balance as on 31-03-2078	7,500,000	7,500,000

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

Impairment allowance has been done for the investment in Agricultural Project Service Center, which is in liquidation and National Productivity and Economic Development Center, whose financial condition is weak .

I) Investment in quoted equity securities includes the following:

Particulars	31-03-2078	31-03-2077
RMDC Laghubitta Bittiya Sanstha Ltd.	-	-
Citizen Investment Trust	-	2,657,138,858
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	168,426,475	74,245,140
Total	168,426,475	2,731,383,998

The shares are revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, ratio of share price of promoter share is considered as 50% of Public Share. Further disclosure has been given in point 5.14.1.

II) Investment in unquoted equity securities includes the following:

Particulars	31-03-2078	31-03-2077
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	726,744,705	814,850,779
National Productivity and Eco. Dev.	2,500,000	2,500,000
Deposit & Credit Guarantee Fund	1,652,222,519	1,027,600,000
Nepal Clearing House	105,524,004	85,480,402
Credit Information Bureau	177,814,448	130,367,070
National Banking Institute	28,587,097	27,018,313
Total	2,987,535,536	2,093,816,564

Fair Value of the shares investment in unquoted equity securities have been arrived based on the latest available audited financial statement of respective entities. Further disclosure has been given in point 5.6.1.2 (i) and 5.14.2.

III) Selection of Presentation criteria

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

4.6 Inventories

Please refer accounting policy in Note 3.17. The details of balance are as follows:

Particulars	31-03-2078	31-03-2077
Gold Held in Stock at Cost	1,691,268,802	1,985,480,673
Silver Held in Stock at Cost	53,768,750	60,581,245
Security Note Stock	-	-
Coin Stock	31,490,826	45,529,000
Other Metal Stock	12,581,687	12,582,262
Numismatic Stock	22,485,498	22,485,498
Dispensary Stock	453,799	591,134
Total Inventories	1,812,049,362	2,127,249,812
Less: Allowance for non-moving stocks		
Non-moving Numismatic Stock	(22,465,540)	(22,465,540)
Non-moving Other Metal Stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	-	(3,375,258)
Total Allowance for non-moving stocks	(31,181,540)	(34,556,798)
Total Inventories Net of Allowance for non-moving stocks	1,780,867,822	2,092,693,014

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4.7 Property, Plant and equipment

Please see accounting policy in Note 3.13. The details are given as below:

Particulars		Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate			3%	20%	20%	20%	20%	10%	20%		
Original Cost	Balance as on 1st Sawan 2076	193,834,552	782,593,793	226,958,363	361,021,204	117,845,518	170,918,299	59,261,475	5,507,858	572,369,260	2,490,310,321
	Addition during the Year	-	54,726,627	26,674,743	111,083,280	5,634,540	19,817,414	5,898,176	308,892	1,284,362,298	1,508,505,970
	Disposal/Write Off/Adjustment	-	-	(13,517,241)	(20,650,364)	(1,496,760)	(11,483,460)	(1,009,404)	-	(28,815,930)	(76,973,159)
	Balance as on 31st Asar 2077	193,834,552	837,320,420	240,115,865	451,454,120	121,983,298	179,252,253	64,150,247	5,816,750	1,827,915,628	3,921,843,132
Accumulated Depreciation	Balance as on 1st Sawan 2076	-	327,732,318	150,681,246	167,904,599	103,820,416	115,399,337	23,793,409	4,718,240	-	894,049,564
	Depreciation for the Year	-	24,091,726	28,378,020	65,557,953	4,463,252	19,803,682	4,686,388	214,593	-	147,195,614
	Disposal/Write Off/Adjustment	-	-	(12,995,343)	(16,419,480)	(1,496,744)	(11,239,334)	(1,009,388)	-	-	(43,160,289)
	Balance as on 31st Asar 2077	-	351,824,044	166,063,923	217,043,072	106,786,924	123,963,685	27,470,409	4,932,833	-	998,084,889
Net Book Value as on 31st Asar 2077		193,834,552	485,496,376	74,051,942	234,411,048	15,196,374	55,288,568	36,679,838	883,917	1,827,915,628	2,923,758,243
Original Cost	Balance as on 1 st Sawan 2077	193,834,552	837,320,420	240,115,865	451,454,120	121,983,298	179,252,253	64,150,247	5,816,750	1,827,915,628	3,921,843,132
	Addition during the Year	-	55,459,923	54,400,083	98,600,000	1,809,133.73	11,040,697.05	1,439,941	287,137.49	509,297,681	732,334,596
	Disposal/Write Off/Adjustment	(861,400)	(107,531,567)	(20,630,503)	(11,936,885)	(4,007,541)	(12,106,253)	(829,180)	(4)	(14,217,070)	(172,120,403)
	Balance as on 31st Asar 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	2,322,996,239	4,482,057,325
Accumulated Depreciation	Balance as on 1st Sawan 2077	-	351,824,044	166,063,923	217,043,072	106,786,924	123,963,685	27,470,409	4,932,833	-	998,084,889
	Depreciation for the Year	-	24,231,546	31,455,551	71,707,328	4,895,830	19,585,750	5,099,477	234,539	-	157,210,021
	Disposal/Write Off/Adjustment	-	(34,485,832)	(20,222,050)	(9,765,850)	(4,007,530)	(11,842,047)	(829,169.04)	-	-	(81,152,478)
	Balance as on 31st Asar 2078	-	341,569,758	177,297,424	278,984,550	107,675,224	131,707,388	31,740,717	5,167,372	-	1,074,142,432
Net Book Value as on 31st Asar 2078		192,973,152	443,679,018	96,588,021	259,132,685	12,109,667	46,479,309	33,020,291	936,511	2,322,996,239	3,407,914,893

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4.8 Intangible Assets

Please refer accounting policies in Notes 3.14. The details of balance are as follows:

Particulars	Computer Software			Total Assets
	Useful Life Defined by Contractual	Other Useful Life	Capital Work in Progress	
Amortisation Rate		20%	10%	
Original Cost	Balance as on 1st Sawan 2076	1,763,930	13,273,223	229,272,935
	Addition during the Year	757,665	8,200,000	11,086,389
	Disposal/Write Off/Adjustment	-	1,091,300	1,091,300
	Balance as on 31st Asar 2077	2,521,595	20,381,923	241,450,624
Accumultae d Amortisatio	Balance as on 1st Sawan 2076	1,758,681	10,623,533	141,384,975
	Depreciation for the Year	194,643	825,428	23,375,890
	Disposal/Write Off/Adjustment	-	45,220	45,220
	Balance as on 31st Asar 2077	1,953,324	11,403,741	164,806,085
Net Book Value as on 31st Asar 2077		568,271	8,978,182	76,644,539
Original Cost	Balance as on 1st Sawan 2077	2,521,595	20,381,923	241,450,624
	Addition during the Year	-	3,291,044	834,375
	Disposal/Write Off/Adjustment	-	-	-
	Balance as on 31st Asar Asar 2078	2,521,595	23,672,967	242,284,999
Accumultaed Amortisation	Balance as on 1st Sawan 2077	1,953,324	11,403,741	164,806,085
	Depreciation for the Year	252,530	2,066,208	24,135,372
	Disposal/Write Off/Adjustment			-
	Balance as on 31st Asar 2078	2,205,854	13,469,949	188,941,457
Net Book Value as on 31st Asar 2078		315,741	10,203,018	53,343,542
				63,862,301

4.9 Other Assets

Particulars	31-03-2078	31-03-2077
Deposits	1,481,138	1,566,478
Deferred Employees Benefits	661,783,372	643,662,271
Project Assets	-	-
Other Receivables	46,574,423	37,625
Total	709,838,933	645,266,374

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4.10 Deposits from banks and financial institutions

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

Particulars	31-03-2078	31-03-2077
Foreign Currency	12,803,557,028	8,306,752,738
Local Currency	236,827,368,666	289,545,520,059
Total	249,630,925,694	297,852,272,797

Deposit from bank and financial institutions include amount deposited by Bank & Financial Institutions for cash reserve ratio (CRR), among others. All deposits are non interest bearing.

4.11 Deposits from Others

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

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Public Enterprises	293,887,057	297,172,379
Other Organisations	588,058	594,628
Total Foreign Currency	294,475,115	297,767,007
Local Currency:		
Public Enterprises	9,533,209,940	6,110,965,777
Margin Deposit in LCs	8,950,262,664	12,259,639,140
Other Organisations	677,187,384	64,803,818
Total Local Currency	19,160,659,988	18,435,408,735
Total	19,455,135,103	18,733,175,742

All deposits are non interest bearing and current in nature.

4.12 Short Term Borrowings

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

Particulars	31-03-2078	31-03-2077
NRB Bonds	-	-
Deposit Collection-Auction	-	-
Reverse Repo Liabilities	-	-
Total	-	-

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

4.13 IMF Related Liabilities

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

Particulars	31-03-2078	31-03-2077
Foreign Currency:		
Special Drawing Right Allocation	11,562,630,914	11,198,956,855
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	-	-
Loan under Extended Credit Facility (ECF)	-	-
Total Foreign Currency	11,562,630,914	11,198,956,855
Local Currency:		
IMF Account No 1	11,461,453,112	9,704,281,089
IMF Account No 2	889,298	889,298
Total Local Currency	11,462,342,410	9,705,170,387
Total	23,024,973,324	20,904,127,242

4.14 Staff Liabilities

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

Particulars	31-03-2078	31-03-2077
Medical Fund (Includes Medical Earning Fund, Interest, etc)	1,168,631,579	1,151,044,189
Welfare Provident Fund	649,274,118	606,029,818
Liability for Staff Leave Encashment	956,207,913	921,908,527
Liability for Retired Staff	680,134,692	677,464,689
Gratuity and Pension Fund	18,789,259,309	19,037,326,365
Less: Plan Assets	(19,541,916,973)	(19,432,685,089)
	(752,657,664)	(752,657,664)
Staff Security Fund	1,971,672,919	1,956,932,094
Less: Plan Assets	(1,918,811,721)	(1,723,117,729)
	52,861,198	52,861,198
Total	2,754,451,836	3,194,902,864

4.15 Other liabilities

Particulars	31-03-2078	31-03-2077
Interest Payable	1,267,588	1,634,446
Asian Clearing Union	964,112,683	68,747,235
Earnest Money	-	-
Loan from Nepal Government for Project Operation	88,050,000	101,000,000
Unclaimed Account	80,120,303	78,788,722
General Account	6,972,436	6,972,436
Other Liabilities	544,900,999	694,006,675
<i>a) Provision for Expenses</i>	47,033,933	46,001,020
<i>b) Taxes Payable</i>	74,527,169	71,419,875
<i>c) Others</i>	423,339,897	576,585,780
Total	1,685,424,009	951,149,514

4.16 Currency in Circulation

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

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

Denomination	31-03-2078	31-03-2077
1	160,762,360	160,858,760
2	184,894,074	184,772,946
5	2,902,510,160	2,923,801,335
10	4,495,896,570	4,570,469,090
20	5,233,616,940	5,396,753,860
25	57,140,500	57,214,450
50	10,344,729,600	10,617,115,200
100	20,459,179,400	19,969,249,500
250	87,426,250	87,426,250
500	148,254,321,000	149,327,536,000
1000	477,333,282,000	386,443,435,000
Total	669,513,758,854	579,738,632,391

Total currency in circulation has been netted off with the cash balance at vault in the bank. The details of total currency in circulation, cash at vault and net currency in circulation has been presented as below :

Particulars	31-03-2078	31-03-2077
Gross amount of Currency in Circulation	683,500,000,000	588,060,000,000
The amount that has been set off for Cash at Vault	13,986,241,146	8,321,367,609
Net Currency in Circulation balance	669,513,758,854	579,738,632,391

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

The Board of Directors of the Bank has appropriated the following amount to different funds during the year as required by Nepal Rastra Bank Act, 2058 and the balance amount will be paid to GON as per the said Act.

Particulars	F.Y 2077-78	F.Y 2076-77
Net Income/(Expenditure) for the year	30,555,609,373	107,946,124,588
Foreign Exchange Gain/(Loss) - Unrealised	(8,192,211,285)	(58,927,429,280)
Net Gold and Silver Revaluation Gain/(Loss)	(2,934,500,765)	(20,807,318,228)
Transfer from Fair Value Reserve	2,657,128,858	657,398,041
Transfer to Fair Value Reserve	(26,051,220)	
Surplus/(Deficit) Due to Changes in Accounting Policies	(1,078,225,216)	(1,409,520,304)
Surplus Available for Distribution	20,981,749,745	27,459,254,817
Less: Appropriations		
General Reserve	(6,608,900,534)	(8,984,388,463)
Monetary Liability Reserve	(967,823,509)	(1,394,004,100)
Financial Stability Fund	(967,823,509)	(1,394,004,100)
Development Fund	(4,650,000,000)	(9,120,000,000)
Development Finance Project Mobilisation Fund	(8,056,486)	(11,810,896)
Banking Development Fund	-	(450,000,000)
Mechanisation Fund	-	(550,000,000)
Gold Replacement Fund	(1,099,822,926)	(172,003,576)
Mint Development Fund	-	(450,000,000)
Net Cumulative Surplus Fund	(17,676,108)	(11,268,898)
Transfer to Retained Earnings	-	(1,078,225,216)
Balance Payable to Government of Nepal	6,661,646,673	6,000,000,000

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability. The deficit amount of Rs. 1,078,225,216 pertaining to previous year is transferred to retained earnings due to changes in accounting policies.

4.17 (b) Reserves & Surplus

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

Particulars	31-03-2078	31-03-2077
Capital Reserve:		
Gold and Silver Equalization Reserve	49,883,384,792	46,948,884,026
Statutory Reserve:		
General Reserve	55,734,193,251	49,125,292,717
Monetary Liabilities Reserve	10,749,497,291	9,781,673,782
Financial Stability Fund	7,551,983,293	6,584,159,784
Exchange Equalization Fund	162,019,920,289	153,827,709,004
Net Cumulative Surplus Fund	1,360,864,592	1,343,188,484
Other Reserves and Funds:		
Development Fund	51,595,989,244	46,945,989,244
Banking Development Fund	1,601,941,806	1,601,941,806
Development Finance Project Mob. Fund	291,144,361	283,087,875
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	1,942,421,510	842,598,584
Rural Self Reliance Fund (GS Fund)	253,400,000	253,400,000
Rural Self Reliance Fund (Administration Expense Reimbursement F	57,664,566	57,664,566
Actuarial Gain Reserve	2,402,077,192	1,394,048,212
Fair Value Reserve for Equity Instruments	2,481,127,051	4,124,304,382
Retained Earnings	-	(1,078,225,216)
Total Reserves and Funds	350,976,233,099	325,086,341,111

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

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4.18 Interest Income

See accounting policy 3.1 . Interest income includes the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Assets		
Income on Bonds/Treasury Bills	13,198,348,868	15,443,565,106
Income from Fixed Term Deposit	4,134,659,462	9,989,407,173
Interest Income from Foreign Gold Deposit	142,503,806	129,407,677
Interest Income on Call Deposit	22,609,358	408,727,387
Sub-total	17,498,121,494	25,971,107,343
Local Currency Financial Assets		
Government Securities	2,458,528,704	2,698,396,899
Investment in Financial and Other Institutions	326,105,071	428,876,991
Loans and Refinance	1,660,273,408	636,005,137
Sub-total	4,444,907,183	3,763,279,027
Total Interest Income from Financial Assets	21,943,028,677	29,734,386,370

4.19 Interest Expenses

See accounting policy in Note 3.1. Interest expenses include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	8,566,249	57,807,978
Others	1,232,511	12,803,520
Sub-total	9,798,760	70,611,498
Local Currency Financial Liabilities		
Deposit Collection	77,793,413	10,360,892
Reverse Repo	35,429,904	17,296,760
NRB Bond	-	-
Sub-total	113,223,317	27,657,652
Total Interest Expense on Financial Liabilities	123,022,077	98,269,150

4.20 Fee and commission income

See accounting policy in Note 3.2(i). Fee and commission income include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Financial Assets		
On Currency Exchange	1,113,682	1,036,933
Sub-total	1,113,682	1,036,933
Local Currency Financial Assets		
Government Transaction & Other services	90,928,839	168,569,853
Sub-total	90,928,839	168,569,853
Total Commission Income from Financial Assets	92,042,521	169,606,786

4.21 Fee and commission expense

Particulars	F.Y 2077-78	F.Y 2076-77
Foreign Currency Liabilities		
Commission & Charges	98,371,004	23,206,644
Sub-total	98,371,004	23,206,644
Local Currency Liabilities		
Agency Expenses	1,969,655	975,556
Sub-total	1,969,655	975,556
Total Agency and Service Charge	100,340,659	24,182,200

4.22 Net Trading Income

See accounting policy in Note 3.2(ii). Net Trading Income include the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Profit/(loss) on sale of trading assets	147,243,754	-
Revaluation gain/(loss) on trading assets	(72,427,150)	-
Other income on trading assets	-	-
Total	74,816,604	-

4.23 Other Income

See accounting policies in Notes 3.2 (iv). Other income comprises the following:

Particulars	F.Y 2077-78	F.Y 2076-77
Income from Mint (Sale of Coin)	54,026	110,208
Gain from Sale of Precious Metals and Coins	952,642,658	194,055,951
Fine/Penalty Charge	14,253,517	47,023,769
Profit on Sale of Assets	1,745,456	3,041,208
Profit/(Loss) on Sale of Investment Securities	(181,325,100)	536,163,920
Dividend Income	65,036,629	39,188,282
Project Income/(Loss)	8,056,486	11,810,896
Grant Income	123	476,098,050
Miscellaneous	76,523,049	145,489,330
Total	936,986,844	1,452,981,613

Out of total dividend income of Rs. 65,036,629, Rs 35,596,721 has been received on account of the shares of Citizen Investment Trust. Total 4,362,176 Kitta shares of Citizen Investment Trust were sold on 2078/03/20 because of the decision of the management for divestment of shares that were in excess of the prescribed threshold as per Nepal Rastra Bank Act, 2058. As at the date of de-recognition, the fair value of the disposed share was Rs 609.13 and cumulative gain/(loss) on disposal of the same was Rs 2,657,128,858. Cumulative gain/loss has been transferred within equity during the period on account of such derecognition.

4.24 Personnel expenses

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

Particulars	F.Y 2077-78	F.Y 2076-77
Salary	627,870,663	633,428,401
Allowances	635,209,443	645,873,069
Provident Fund Contribution	62,787,066	63,342,840
Staff Welfare	76,094,407	79,108,553
Staff Welfare Provident Fund	574,436,075	530,265,000
Pension & Gratuity Fund	316,285,188	286,326,903
Staff Security Fund	75,066,772	83,155,616
Staff Leave Compensation	144,221,939	160,258,061
Staff Medical Fund	117,785,852	282,818,814
Finance Cost under NFRS on Staff Loan	72,750,541	72,917,765
Others	13,770,963	16,991,577
Total	2,716,278,909	2,854,486,599

4.25 Depreciation, amortisation and impairment of non financial assets

Particulars	F.Y 2077-78	F.Y 2076-77
Depreciation on Property & Equipment	157,210,020	147,195,614
Impairment of Property & Equipment	72,914,784	-
Amortisation of intangible assets	26,454,110	24,395,961
Impairment of intangible assets	-	-
Total	256,578,914	171,591,575

4.26 Operating expenses

Particulars	F.Y 2077-78	F.Y 2076-77
Directors Fees and Expenses	6,094,836	7,103,606
Note Printing Charges	1,639,375,055	837,684,032
Mint Expenses	1,593	3,991,197
Security charges	61,258,332	58,904,474
Remittance Charges	38,300,267	36,693,734
Travelling Expenses	47,651,435	165,733,226
Insurance Charges	122,602,657	123,229,273
Repair & Maintenance	22,950,679	23,109,067
Banking Promotion	28,919,160	42,487,864
Audit Fees and Expenses	2,553,977	2,627,061
Assets Written Off	269,952	389,034
Utilities Expenses	40,075,100	47,434,221
Postal and Communication Expenses	19,291,693	19,265,217
House Rent	45,033,973	41,510,635
Training Seminar and Membership	52,490,939	49,520,489
Expenses on Miscellaneous Assets	4,685,616	9,013,356
Consumable Expenses	11,944,942	23,872,678
Books and Periodicals	8,069,328	8,521,620
Software Annual Maintenance Charges	112,725,437	83,812,833
Meeting Fee and Expense	23,752,498	23,052,015
Advertisement	11,529,373	10,108,398
Wages	47,614,287	22,970,319
Miscellaneous Expenses	54,208,240	78,011,432
Total	2,401,399,369	1,719,045,781

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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 31st Asar 2078		As on 31st Asar 2077	
	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)
Investment in Paper Gold	5,863.058408	44,655,278,083	5,863.058408	44,996,868,751
Gold held in Stock	1,953.662100	15,610,737,010	1,953.662100	15,543,335,668
Silver held in Stock	121,522.860782	13,750,311,697	121,522.860782	10,469,194,456
Total		74,016,326,790		71,009,398,875

Fair value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Fine Gold (9999) has been considered for the purpose of fair value.

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

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	Weight (Kg, Gm, Mg)	Value (NRs.)	Weight (Kg, Gm, Mg)	Value (NRs.)
Gold held in Stock	564.35500	1,691,268,802	649.81192	1,985,480,673
Silver held in Stock	3,037.37785	53,768,750	3,211.31155	60,581,245
Total		1,745,037,552		2,046,061,918

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	Previous Year
1	US Dollar	119.04	120.37
2	UK Pound Sterling	164.83	150.69
3	Euro	140.39	136.81
4	Swiss Franc	129.53	128.10
5	Australian Dollar	88.67	83.68
6	Canadian Dollar	95.21	88.35
7	Singapore Dollar	87.8	86.38
8	Japanese Yen	1.77	1.121
9	Chinese Yuan	18.4	17.15
10	Saudi Arabian Ryal	31.74	32.09

11	Qatari Riyal	32.69	33.06
12	Thai Baht	3.64	3.81
13	UAE Dirham	32.41	32.77
14	Malaysian Ringgit	28.34	28.18
15	South Korean Won	0.1036	0.0998
16	Swedish Kroner	13.75	13.16
17	Danish Kroner	18.88	18.38
18	Hong Kong Dollar	15.33	15.53
19	Kuwait Dinar	395.76	391.33
20	Bahrain Dinar	315.75	319.25
21	SDR	169.79	164.4497
22	Indian Rupees	1.60	1.60

5.3. Related Parties and Transactions with them

5.3.1. Key Management Personnel

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

S.N.	Name	Post	Date	R e m a r k s
1	Mr. Maha Prasad Adhikari	Governor	2076.12.24	
2	Mr. Madhu Kumar Marasini	Finance Secretary	2078.04.18	
3	Mr. Sishir Kumar Dhungana	Finance Secretary	2076.11.01	Discharge of position w.e.f. 2078.04.17
4	Dr. Neelam Dhungana (Timsina)	Deputy Governor	2077.11.25	
5	Mr. Bam Bahadur Mishra	Deputy Governor	2077.11.25	
6	Mr. Chinta Mani Siwakoti	Deputy Governor	2072.11.19	retired w.e.f. 2077.11.19
7	Mr. Shiba Raj Shrestha	Deputy Governor	2072.11.19	retired w.e.f. 2077.11.19
8	Dr. Sri Ram Poudyal	Board Member	2074.01.03	
9	Mr. Ramjee Regmi	Board Member	2074.01.03	
10	CA. Dr. Suvod Kumar Karn	Board Member	2075.01.11	
11	Mr. Bhuban Kadel	Executive Director	2072.12.03	
12	Dr. Nophil Matangi Maskay	Executive Director	2073.01.12	
13	Mr. Dev Kumar Dhakal	Executive Director	2074.12.14	
14	Mr. Mukunda Kumar Chhetri	Executive Director	2074.12.14	
15	Mr. Pitambar Bhandari	Executive Director	2074.12.14	
16	Mr. Rishikesh Bhatta	Executive Director	2075.05.12	
17	Mr. Pradeep Raj Poudyal	Executive Director	2075.06.18	
18	Dr. Gunakar Bhatta	Executive Director	2075.07.06	
19	Mr. Naresh Shakya	Executive Director	2076.02.31	
20	Mr. Suman Kumar Adhikari	Executive Director	2076.03.11	
21	Dr. Prakash Kumar Shrestha	Executive Director	2076.03.11	
22	Mr. Revati Prasad Nepal	Executive Director	2076.10.13	
23	Mr. Ramu Poudel	Executive Director	2077.01.12	
24	Mr. Vishruth Thapa	Executive Director	2077.01.12	
25	Mr. Ram Bahadur Manandhar	Executive Director	2077.01.12	
26	Mr. Dayaram Sharma	Acting Executive Director	2077.12.04	
27	Mr. Tulashi Prasad Ghimire	Acting Executive Director	2077.12.04	

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

i. Transactions with Key Management Personnel

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

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	74,688,900	80,895,741
Post-employment and other long term benefits	24,191,300	36,676,251
Total	98,880,200	117,571,992

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

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/ Incidental Expenses to Directors	12,236,904	10,387,750
Loan Facilities	108,305,819	109,167,092

ii. Salary, Benefits and Other Facilities of Board Members

Board Members are entitled for meeting allowance of NRs. 5,000.00 per meeting. In addition, non-executive 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 2077/78 are provided below:

Name	Post	Salary	Board Meeting Allowance	Other Allowances & Facilities
Mr. Maha Prasad Adhikari	Governor	1,394,400	225,000	1,643,003
Mr. Sishir Kumar Dhungana	Finance Secretary/ Board Member	-	220,000	2,88,000
Dr. Neelam Dhungana (Timsina)	Deputy Governor	1,215,000	80,000	2,363,724
Mr. Bam Bahadur Mishra	Deputy Governor	1,137,600	80,000	2,262,241
Mr. Chinta Mani Siwakoti	Former Deputy Governor	790,956	140,000	895,648
Mr. Shiba Raj Shrestha	Former Deputy Governor	790,956	135,000	895,648
Dr. Sri Ram Poudyal	Board Member	-	225,000	792,880
Mr. Ramjee Regmi	Board Member	-	210,000	792,880
CA. Dr. Suvod Kumar Karn	Board Member	-	195,000	792,880
	Total	5,328,912	1,510,000	10,726,904

5.3.2. Government of Nepal

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

i. Transactions with Government of Nepal

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

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year		
Commission Income received from GON	78,093,958	132,945,281

Payment made to GON from surplus (As per Financial Statement of Previous Year)	6,000,000,000	9,009,660,010
Adjustment of Interest Receivable from Surplus Payable to Government	-	1,010,339,989
Balances at the year end		
Deposit from GON	209,577,874,327	142,340,191,367
Receivable from GON on sales of shares of CIT	1,661,646,673	-
Advance to GON for Business Continuity Loan	1,460,000,000	-
Investment in Treasury Bills (GON)	15,460,827,981	21,226,657,174
Investment in Bonds (GON)	43,369,513,412	44,039,643,610
Investment in Saving Certificates (GON)	184,170,000	1,956,365,000

ii. Government of Nepal Treasury Position

Balance of Government of Nepal as of 31st Asar 2078 as per the records of the bank was a surplus balance of NRs. 209,577,874,327 (P.Y. NRs. 142,340,191,367). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position.

5.4. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is NRs. 6,972,436 (PY NRs. 6,972,436) which is presented as general account under the accounts head “Other liabilities”.

5.5. Assets Received in Grant

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

5.6. Financial Instruments

Financial Risk Management—Overview

Risk Management Framework

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

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

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

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

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

5.6.1. Credit Risk

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

5.6.1.1. Exposure to Credit Risk

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

a) By Nature of Assets

Particulars	As on 31-3-2078	As on 31-3-2077
Cash Equivalents	615,127,013,862	517,683,131,883
Loans and Advances to Bank and Financial Institutions	122,703,932,366	7,487,473,703
Loans and Advances to Others	15,516,984,591	12,414,430,212
Gold and Silver	80,493,962,992	71,009,398,875
Investment Securities	688,721,551,355	747,848,059,601
Other Assets	709,838,933	645,266,374
TOTAL ASSETS	1,523,273,284,099	1,357,087,760,648

b) By Geographical Region

Particulars	As on 31-3-2078	As on 31-3-2077
India	313,266,303,335	297,317,957,049
USA	153,960,858,395	88,368,411,608
Germany	356,863,871	220,397,735
Switzerland	79,740,865,713	119,394,797,711
United Kingdom	27,778,419,111	20,388,489,506
France	19,538,928,000	22,540,225,535
Japan	551,577,548	1,940,657,751
Netherland	-	-
Bahrain	85,988,548,683	130,902,466,437
Australia	-	-
Singapore	234,600,614,225	244,176,237,510
Canada	1,177,566,907	128,657,511
Belgium	33,047,047	-
Hong Kong	116,356,899,487	147,455,439,898
U.A.E	60,127,990,299	43,379,185,339
China	138,307,889,809	70,367,257,457
Iran	-	-
Bangladesh	35,331,389,051	12,673,516,560
Thailand	-	-
Nepal	256,155,522,618	157,834,063,041
Total	1,523,273,284,099	1,357,087,760,648

c) By Nature of the Entity

Particulars	As on 31-3-2078	As on 31-3-2077
Central Banks	62,770,591,518	45,645,338,212
Bank for International Settlement	12,134,632,596	60,458,945,764
Foreign Government	548,139,101,751	396,028,181,479
International Monetary Fund	419,318,478	412,972,270
Foreign Commercial Banks	693,824,916,254	757,163,931,982
Domestic Banks and FIs	127,594,926,574	12,278,328,009
Government of Nepal	59,014,511,393	67,155,813,656
Equity Instruments	3,148,462,011	4,817,700,562
Other Parties	16,226,823,524	13,126,548,714
Total	1,523,273,284,099	1,357,087,760,648

d) By Credit Rating

Particulars	Rating	As on 31-3-2078		As on 31-3-2077	
		Amount (NRs.)	%	Amount (NRs.)	%
<u>Foreign Currency</u>					
Financial Assets					
	AAA	59,612,514,396	3.91	50,939,273,547	3.75
	AA+	-	-	-	-
	AA-	73,256,503,405	4.81	18,055,500,000	1.33
	AA	-	-	-	-
	A+	51,878,337,664	3.41	53,865,342,650	3.97
	A	255,034,548,720	16.75	263,956,638,353	19.45
	A-	7,992,142,321	0.52	7,996,578,400	0.59
	BB+	64,876,800,000	4.26	-	-
	BBB-	86,583,748,683	5.69	192,625,596,437	14.19
	Other*	718,053,965,408	47.10	672,270,440,320	49.53
Total		1,317,288,560,597	86.45	1,259,709,369,707	92.82
<u>Local Currency</u>					
Financial Assets	Other*	205,984,723,502	13.55	97,378,390,941	7.18
Total Financial Assets		1,523,273,284,099	100.00	1,357,087,760,648	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

Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at 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 Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance/ Loan	Allowances for Doubtful Receivables
Balance as on 31st Asar 2076	7,500,000	253,760,000	10,000,000	2,335,832
Impairment Loss Recognized	-	-	-	1,843,922
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	10,000,000	-
Balance as on 31st Asar 2077	7,500,000	253,760,000	-	4,179,754
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	-	-	-
Balance as on 31st Asar 2078	7,500,000	253,760,000	-	4,179,754

Financial Assets 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.

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

i. Impairment for equity instruments

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

Name of Entity	As on 31-03-2078			As on 31-03-2077		
	Amount of Equity investment	Impairment Amount	Net Assets	Amount of Equity investment	Impairment Amount	Net Assets
Agricultural Project Services Centre	5,000,000	5,000,000	-	5,000,000	5,000,000	-
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	2,500,000	2,500,000	-
Total	7,500,000	7,500,000	-	7,500,000	7,500,000	-

ii. Impairment for investment in Fixed Deposit

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

Name of Entity	As on 31-03-2078			As on 31-03-2077		
	Amount of Fixed Deposit	Impairment Amount	Net Assets	Amount of Fixed Deposit	Impairment Amount	Net Assets
Capital Merchant Banking and Finance Ltd.	188,360,000	188,360,000	-	188,360,000	188,360,000	-
Crystal Finance Ltd.	23,800,000	23,800,000	-	23,800,000	23,800,000	-
Himalaya Finance Ltd.	41,600,000	41,600,000	-	41,600,000	41,600,000	-
Total	253,760,000	253,760,000	-	253,760,000	253,760,000	-

The above institutions have been declared problematic by the bank and the outstanding amount is overdue since long. We have been corresponding on regular basis for repayment of such amount along with interest accrued.

iii. Impairment for Refinance/Loans

No impairment allowance for refinance/loans has been provided as there are no indications for impairment on refinance/loans.

iv. Impairment for Receivables

Impairment for receivables includes impairment of NRs. 4,179,754 (P.Y. NRs. 4,179,754) in respect to advances to staffs who have already left the bank.

5.6.1.2. Credit Quality

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

Counterparties	As on 31-3-2078	As on 31-3-2077
External Credit Rating at least AAA/ BBB- from credit rating agency	599,234,595,189	587,438,929,387
Non Rated Counterparties	94,590,321,065	169,725,002,596
Central Banks	62,770,591,518	45,645,338,211
Bank for International Settlement	12,134,632,596	60,458,945,764
Foreign Government	548,139,101,751	396,028,181,479
International Monetary Fund	419,318,478	412,972,270
Government of Nepal	59,014,511,393	67,155,813,656
Financial Assets with Other Counterparties:	146,970,212,109	30,222,577,285
- Party with Normal Risk	146,704,772,355	29,957,137,531
- Party with High Risk	265,439,754	265,439,754
Total	1,523,273,284,099	1,357,087,760,648

5.6.1.3. 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
	2078/03/31	2077/03/31	
Securities purchased under Resale Agreement	100	100	Government Securities
Refinance to BFIs	100	100	Good Loans of BFIs
Standing Liquidity Facilities	100	100	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 reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with other central banks, demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation.

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

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

5.6.2.1. Assets Held for Managing Liquidity Risk

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

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

5.6.2.2. Maturity Profile of Financial Assets

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	Up to 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	615,127,013,862	90,972,316,130	524,154,697,732			
Loans and Advances to Bank and Financial Institutions	122,703,932,366			122,703,932,366		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Advance Payment to GON						
Balance with ACU						
Net Loans to Employees	4,266,138,579	132,676,910	251,702,176	511,936,629	597,259,401	2,772,563,463
Interest Receivable	4,062,636,129	487,516,335	650,021,781	2,925,098,013		
Advance to Staff	9,372,603	937,260	1,405,890	6,279,645	468,630	281,178
Sundry Debtors	1,726,501,326		1,035,900,796	517,950,397	172,650,133	
Prepaid Expenses	81,417,937	977,015	4,070,897	76,370,025		
Pension Advance Account	2,597,864,646	33,772,240	51,957,293	155,871,879	226,014,224	2,130,249,010
Staff Endowment Policy Advance	8,907,350					8,907,350
Other	443,161			443,161		
Investment Securities						
US Government Treasury Notes/Bonds	65,361,640,349				41,633,336,677	23,728,303,672
Government Treasury Notes/Bonds (CNY)	137,429,723,433	-	11,074,513,156	19,997,897,599	106,357,312,678	
Investment in Mid-term Instruments						
Notice Deposit (JPY)						
Government Bond (GON)	43,369,513,412				43,369,513,412	
Fixed deposit with Bank & Financial Institutions	4,876,402,000	-	252,600,000	4,623,802,000		
Government Treasury Bills (GON)	15,460,827,981	-	14,288,448,981	1,172,379,000		
Saving Certificates (GON)	184,170,000		-		184,170,000	
Loan to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.	125,000,000					125,000,000
Quoted equity securities	168,426,475					168,426,475
Unquoted equity securities	2,980,035,536					2,980,035,536
Other Assets	709,838,933					709,838,933
Total	1,021,249,806,078	91,628,195,890	551,765,318,702	152,691,960,714	192,540,725,155	32,623,605,617

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	517,683,131,883	84,297,663,199	433,385,468,684			
Loans and Advances to Bank and Financial Institutions	7,487,473,703			7,487,473,703		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Advance Payment to GON						
Balance with ACU						
Net Loans to Employees	4,245,785,420	132,043,927	250,501,340	509,494,250	594,409,959	2,759,335,944
Interest Receivable	3,973,764,195	476,851,703	635,802,271	2,861,110,220		
Advance to Staff	7,391,072	739,107	1,108,661	4,952,018	369,554	221,732
Sundry Debtors	24,869,837		14,921,902	7,460,951	2,486,984	
Prepaid Expenses	85,068,861	1,020,826	4,253,443	79,794,592		
Pension Advance Account	2,840,427,929	36,925,563	56,808,559	170,425,676	247,117,230	2,329,150,902
Staff Endowment Policy Advance	10,203,108					10,203,108
Other						
Investment Securities						
US Government Treasury Notes/Bonds	30,059,869,390			12,040,331,312	18,019,538,078	
Government Treasury Notes/Bonds (CNY)	70,378,126,202	6,827,706,379	6,750,870,263	2,177,703,572	54,621,845,989	
Investment in Mid-term Instruments						
Notice Deposit (JPY)						
Government Bond (GON)	44,039,643,610				44,039,643,610	
Fixed deposit with Bank & Financial Institutions	4,770,640,000	271,900,000	2,979,800,000	1,518,940,000		
Government Treasury Bills (GON)	21,226,657,174	9,330,750	5,712,482,518	15,504,843,906		
Saving Certificates (GON)	1,956,365,000				1,956,365,000	
Loan to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.	297,000,000					297,000,000
Quoted equity securities	2,731,383,998					2,731,383,998
Unquoted equity securities	2,086,316,564					2,086,316,564
Other Assets	645,266,374					645,266,374
Total	714,549,384,320	92,054,181,454	449,792,017,641	42,362,530,200	119,481,776,403	10,858,878,622

5.6.2.3. Maturity Profile of Financial Liabilities

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

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	Up to 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	358,166,889	358,166,889	-	-	-	-
Deposits from Bank and Financial Institutions	249,630,925,694	49,926,185,139	12,803,557,028	24,963,092,569	161,938,090,958	-
Deposit from Government of Nepal	209,577,874,327	44,011,353,609	50,298,689,838	67,064,919,785	48,202,911,095	-
Deposits from Others	19,455,135,103	4,669,232,425	4,474,681,073	10,311,221,605	-	-
Short Term Borrowings	-	-	-	-	-	-
IMF Related Liabilities	23,024,973,324	-	-	889,298	-	23,024,084,026
Staff Liabilities	2,754,451,836	1,329,408,810	137,722,592	736,430,066	275,445,184	275,445,184
Other Liabilities	1,685,424,009	-	1,685,424,009	-	-	-
Total	506,486,951,182	100,294,346,872	69,400,074,540	103,076,553,323	210,416,447,237	23,299,529,210

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	Up to 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	322,458,714	322,458,714	-	-	-	-
Deposits from Bank and Financial Institutions	297,852,272,797	59,570,454,559	8,306,752,738	29,785,227,280	200,189,838,220	-
Deposit from Government of Nepal	142,340,191,367	29,891,440,187	34,161,645,928	45,548,861,237	32,738,244,014	-
Deposits from Others	18,733,175,742	4,495,962,178	4,308,630,421	9,928,583,143	-	-
Short Term Borrowings	-	-	-	-	-	-
IMF Related Liabilities	20,904,127,242	-	-	889,298	-	20,903,237,944
Staff Liabilities	3,194,902,864	1,283,494,507	159,745,143	1,112,682,642	319,490,286	319,490,286
Other Liabilities	951,149,513	-	951,149,513	-	-	-
Total	484,298,278,240	95,563,810,145	47,887,923,745	86,490,664,601	233,247,572,520	21,108,307,229

5.6.3. Market Risk

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

5.6.3.1. Currency Risk:

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

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

Current Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
	56.47	0.90	0.12	0.28	15.12	0.64	0.03	0.07
Cash and Cash Equivalents	483,977,836,221	11,968,306,315	1,542,567,705	3,734,586,324	52,522,519,413	8,522,820,618	419,318,478	898,798,831
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	318,925,028	742,094			1,567,900,201	1,578,426		
Gold and Silver	51,132,914,285							
Investment Securities	214,171,195,135				146,662,862,600			
Other Assets								
Total Financial Assets	749,600,870,669	11,969,048,409	1,542,567,705	3,734,586,324	200,753,282,214	8,524,399,044	419,318,478	898,798,831
Bills Payable	17,975							
Deposits from Bank and Financial Institutions	1,764,148,055	55,194,622	10,425,545,948	247,601,493	-	-	-	264,591,104
Deposit from Government of								

Nepal								
Deposits from Others	294,478,683							
Short Term Borrowings								
IMF Related Liabilities							11,562,630,914	
Staff Liabilities								
Other Liabilities								
Total Financial Liabilities	2,058,644,713	55,194,622	10,425,545,948	247,601,493	0	0	11,562,630,914	264,591,104
Net Financial Position Exposure	747,542,225,956	11,913,853,787	-8,882,978,243	3,486,984,831	200,753,282,214	8,524,399,044	11,143,312,436	634,207,727

Previous Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
	55.73	2.70	0.66	0.73	13.11	0.74	0.03	0.38
Cash and Cash Equivalents	572,820,709,003	34,980,132,229	8,517,140,643	9,423,523,383	98,256,243,775	9,535,491,490	412,972,270	4,928,345,148
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	1,168,609,144	26,769,204		4,235,834	1,422,418,147	4,039,021		
Gold and Silver	44,996,868,751							
Investment Securities	104,207,789,390	-			70,378,126,202			-
Other Assets								
Total Financial Assets	723,193,976,288	35,006,901,433	8,517,140,643	9,427,759,217	170,056,788,124	9,539,530,511	412,972,270	4,928,345,148
Bills Payable	1,565							
Deposits from Bank and Financial Institutions	1,833,158,073	25,570,253	5,817,025,467	202,975,758	-	-	-	385,986,286
Deposit from Government of Nepal								
Deposits from Others	297,767,006							
Short Term Borrowings								
IMF Related Liabilities							11,198,956,855	
Staff Liabilities								
Other Liabilities								
Total Financial Liabilities	2,130,926,644	25,570,253	5,817,025,467	202,975,758	0	0	11,198,956,855	385,986,286
Net Financial Position Exposure	721,063,049,644	34,981,331,180	2,700,115,176	9,224,783,460	170,056,788,124	9,539,530,511	-10,785,984,585	4,542,358,862

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.01% (PY 23.39%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 2.36% (PY 2.55%) 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 and JPY 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 2078		For the Year Ended 2077	
	Strengthening	Weakening	Strengthening	Weakening
USD	74,754,222,596	-74,754,222,596	72,106,304,964	-72,106,304,964
AUD	1,191,385,379	-1,191,385,379	3,498,133,118	-3,498,133,118
EUR	-888,297,824	888,297,824	270,011,518	-270,011,518
GBP	348,698,483	-348,698,483	922,478,346	-922,478,346
CNY	20,075,328,221	-20,075,328,221	17,005,678,812	-17,005,678,812
CAD	852,439,904	-852,439,904	953,953,051	-953,953,051
SDR	-1,114,331,244	1,114,331,244	-1,078,598,458	1,078,598,458
JPY	63,420,773	-63,420,773	454,235,886	-454,235,886
Total	95,282,866,288	-95,282,866,288	94,132,197,237	-94,132,197,237

5.6.3.3. Interest Rate Risk:

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

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

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

Particulars	Weighted Average Interest Rate %	As on 31-03-2078	As on 31-03-2077
<i>Interest Sensitive Financial Assets</i>			
Balances with Other Banks	0.20	90,957,723,922	84,277,448,893
GOI Treasury Bills	3.39	308,627,239,165	295,073,760,103
US Government Treasury Bills	0.03	41,660,690,688	18,051,609,752
Time Deposit (less than 3 month)	0.27	173,447,449,401	119,847,126,559
Investment in FIXBIS	-	-	-
IMF Related Assets: SDR Holdings	0.073	419,318,478	412,972,270
General Refinance	3	78,914,655,011	6,266,769,739
Special/Export Refinance	1	12,649,267,913	-
Zero Interest Loan	-	2,891,114	
Loan to SME	2	31,137,118,328	
Standing Liquidity Facility	-	-	-
<i>Loans to Employees</i>			
House loan Uninsured	1	450,000	475,000
House Repair Loan Uninsured	1	552,429,433	655,170,157
Vehicle Loan Uninsured	3	0	7,767,500
Staff Loan Uninsured 2068	1	715,143,133	764,793,133
Investment in Paper Gold	0.38	44,655,278,083	44,996,868,751
US Government Treasury Notes/Bonds	0.50	65,361,640,349	30,059,869,390

Government Treasury Notes/Bonds (CNY)	3.21	137,429,723,433	70,378,126,202
Investment in Mid-term Instruments	-	-	-
Notice Deposit (JPY)	-	-	-
Time Deposit-Investment	0.27	418,890,812,169	570,599,057,663
Fixed deposit with Bank & Financial Institutions	7.65	5,130,162,000	5,024,400,000
Government Treasury Bills (GON)	3.85	15,460,827,981	21,226,657,174
Saving Certificates (GON)	3.41	184,170,000	1,956,365,000
Total Interest Sensitive Financial Assets		1,426,196,990,601	1,269,599,237,286
<i>Interest Sensitive Financial Liabilities</i>			
IMF Related Liabilities	0.073	23,024,973,324	20,904,127,242
Short Term Borrowings	-	-	-
Total Interest Sensitive Financial Liabilities		23,024,973,324	20,904,127,242
Net Interest Sensitive Financial Position		1,403,172,017,277	1,248,695,110,044

5.6.3.4. Other Market Prices Risk

Equity price risk arises from investment as fair value through Other Comprehensive Income as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 9 institutions. All the investments were measured at fair value.

5.6.4. Classification and Fair Value of financial assets

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

Particulars	Fair Value through PL	Fair Value through OCI	Amortized Cost	Cash & Cash Equivalents	Financial Liabilities	Total Carrying Amount	Fair Value
Cash &Cash Equivalents				625,239,674,554		625,239,674,554	625,239,674,554
Loans and Advances to Bank and Financial Institutions			122,703,932,366			122,703,932,366	122,703,932,366
Loans and Advances to Others			15,516,984,591			15,516,984,591	15,516,984,591
Gold and Silver	6,477,636,202	74,016,326,790				80,493,962,992	80,493,962,992
Investment Securities		3,148,462,011	685,573,089,344			688,721,551,355	688,721,551,355
Other Assets			709,838,933			709,838,933	709,838,933
Total Financial Assets	6,477,636,202	77,164,788,801	824,503,845,234	625,239,674,554	-	1,533,385,944,791	1,533,385,944,791
Bills Payable					358,166,889	358,166,889	358,166,889
Deposits from Bank and Financial Institutions					249,630,925,694	249,630,925,694	249,630,925,694
Deposit from Government of Nepal					209,577,874,327	209,577,874,327	209,577,874,327
Deposits					19,455,135,103	19,455,135,103	19,455,135,103

from Others							
Short Term Borrowings					0	0	0
IMF Related Liabilities					23,024,973,324	23,024,973,324	23,024,973,324
Staff Liabilities					2,754,451,836	2,754,451,836	2,754,451,836
Other Liabilities					1,685,424,009	1,685,424,009	1,685,424,009
Total Financial Liabilities		-	-	-	506,486,951,182	506,486,951,182	506,486,951,182
Net Financial Position	6,477,636,202	77,164,788,801	824,503,845,234	625,239,674,554	(506,486,951,182)	1,026,898,993,609	1,026,898,993,609

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 quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs. The different levels are defined as follows.

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

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

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

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

As at 31 st Ashad 2078		Carrying Value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets						
Financial assets carried at amortized cost						
Cash Equivalents		<u>615,127,013,862</u>				
Balance with Other Banks		90,972,316,130	90,972,316,130			
Treasury Bills		350,287,929,853	350,287,929,853			
Investments		419,318,478	419,318,478			
Time Deposit		173,447,449,401	173,447,449,401			
Loans & Advances to BFIs		122,703,932,366	122,703,932,366			
Loans & Advances to Others		<u>15,516,984,591</u>				
Receivables from Government & International Agencies		1,460,000,000	1,460,000,000			
Loans to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd,		125,000,000	125,000,000			
Loans to Employees		4,266,138,579	4,266,138,579			
Interest Receivables		4,062,636,129	4,062,636,129			
Other Advances		5,603,209,883	5,603,209,883			
Gold & Silver at fair value		80,493,962,992		80,493,962,992		
Investment Securities		<u>688,721,551,355</u>				
Investment Securities at Amortized Cost		685,573,089,344	685,573,089,344			
At Fair Value through Other Comprehensive Income (OCI)		3,148,462,011			168,426,475	2,980,035,536
Other Assets		709,838,933				709,838,933
Total Financial Assets		1,523,273,284,099	1,438,921,020,163	80,493,962,992	168,426,475	3,689,874,469
Financial Liabilities						
Financial liabilities carried at amortized cost:						
Bills Payable		358,166,889	358,166,889			
Deposits from Bank and Financial Institutions		249,630,925,694	249,630,925,694			
Deposit from Government of Nepal		209,577,874,327	209,577,874,327			
Deposits from Others		19,455,135,103	19,455,135,103			
Short Term Borrowings		-	-			
IMF Related Liabilities		23,024,973,324	23,024,973,324			
Staff Liabilities		2,754,451,836				2,754,451,836
Other Liabilities		1,685,424,009	1,685,424,009			
Total Financial Liabilities		506,486,951,182	503,732,499,346		-	2,754,451,836

As at 31st Ashad 2077	Carrying Value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets					
Financial assets carried at amortized cost					
Cash Equivalents					
<u>Cash Equivalents</u>	<u>517,683,131,883</u>				
<i>Balance with Other Banks</i>	84,297,663,199	84,297,663,199			
<i>Treasury Bills</i>	313,125,369,855	313,125,369,855			
<i>Investments</i>	412,972,270	412,972,270			
<i>Time Deposit</i>	119,847,126,559	119,847,126,559			
<i>Loans & Advances to BFIs</i>	7,487,473,703	7,487,473,703			
<i>Loans & Advances to Others</i>	12,414,430,212				
<i>Receivables from Government & International Agencies</i>					
<i>Loans to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd,</i>	297,000,000				
<i>Loans to Employees</i>	4,245,785,420	4,245,785,420			
<i>Interest Receivables</i>	3,973,764,195	3,973,764,195			
<i>Other Advances</i>	3,897,880,598	3,897,880,598			
<i>Gold & Silver at fair value</i>	71,009,398,875		71,009,398,875		
<i>Investment Securities</i>	<u>747,848,059,601</u>				
<i>Investment Securities at Amortized Cost</i>	743,030,359,039	743,030,359,039			
<i>At Fair Value through Other Comprehensive Income (OCI)</i>	4,817,700,562		814,850,779	2,731,383,998	1,271,465,785
<i>Other Assets</i>	645,266,374				645,266,374
Total Financial Assets	1,357,087,760,648	1,280,615,394,837	71,824,249,654	2,731,383,998	1,916,732,159
Financial Liabilities					
Financial liabilities carried at amortized cost:					
<i>Bills Payable</i>	322,458,714	322,458,714			
<i>Deposits from Bank and Financial Institutions</i>	297,852,272,797	297,852,272,797			
<i>Deposit from Government of Nepal</i>	142,340,191,367	142,340,191,367			
<i>Deposits from Others</i>	18,733,175,742	18,733,175,742			
<i>Short Term Borrowings</i>	-	-			
<i>IMF Related Liabilities</i>	20,904,127,242	20,904,127,242			
<i>Staff Liabilities</i>	3,194,902,864				3,194,902,864
<i>Other Liabilities</i>	951,149,513	951,149,513			
Total Financial Liabilities	484,298,278,240	481,103,375,376	-	-	3,194,902,864

5.7. Employees Benefits - Defined Benefit Plans

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

The ‘Gratuity 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 were 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 2078		As on 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Present Value of Obligations	18,789,259,309	1,971,672,919	19,037,326,365	1,956,932,094
Fair Value of Plan Assets/Current Balance of Provision Account	(19,541,916,973)	(1,918,811,721)	(19,432,685,089)	(1,723,117,729)
Net Liability / (Asset)	(752,657,664)	52,861,198	(395,358,724)	233,814,365

Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Obligation	19,037,326,365	1,956,932,094	18,589,350,597	1,892,985,892
Current Service Cost	316,285,188	75,066,772	286,326,903	83,155,616
Interest Cost	1,659,860,352	168,285,089	1,440,636,425	141,516,835
Actuarial Losses (Gains)	(1,035,345,466)	(54,415,502)	(116,197,002)	87,324,649
Losses (Gains) on Curtailments	-	-	-	-
Benefits Paid	(1,188,867,130)	(174,195,534)	(1,162,790,558)	(248,050,898)

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Closing Obligation	18,789,259,309	1,971,672,919	19,037,326,365	1,956,932,094

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Opening Fair Value	19,432,685,089	1,723,117,729	19,170,360,000	2,012,800,000
Investment adjustment	(339,852,414)	2,552,497	(581,009,403)	(233,951,219)
Expected Return	1,695,442,637	157,763,443	1,487,117,178	158,794,758
Actuarial Gains (Losses)	(57,491,209)	(24,240,779)	519,007,872	(158,794,758)
Contribution by Employer	-	233,814,365	-	192,319,846
Benefits Paid	(1,188,867,130)	(174,195,534)	(1,162,790,558)	(248,050,898)
Closing Fair Value	19,541,916,973	1,918,811,721	19,432,685,089	1,723,117,729

Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Charged to Statement of Income	(280,702,903)	(85,588,418)	(239,846,150)	(65,877,693)
Actuarial Income/(Loss) Recognized in OCI	977,854,257	30,174,723	635,204,874	(167,936,672)
Total Employee Benefit Income /(Expense)	697,151,354	(55,413,695)	395,358,724	(233,814,365)

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
	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 2078		For the Year Ended 31 st Asar 2077	
	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%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.70%	-	6.70%	-
Withdrawal Rate	0.50%	0.50%	0.50%	0.50%

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

Particulars	Change	For the Year Ended 31 st Asar 2078		For the Year Ended 31 st Asar 2077	
		Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
Discount Rate	-1%	12.08%	12.23%	12.10%	11.93%
	+1%	-9.96%	-10.31%	-9.98%	-10.08%
Salary & Pension Increment Rate	-1%	-7.49%	-9.49%	-7.49%	-9.26%
	+1%	8.56%	10.99%	8.55%	10.71%
Mortality Rate	1 year setback	3.00%	0.09%	2.65%	0.09%
	1 year set forward	-3.00%	-0.10%	-2.63%	-0.10%

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

The expected maturity profile for defined benefit obligations of Pension or Gratuity Plan

Particulars	Asar end 2078 (%)	Asar end 2077 (%)
Less than 5 years	12	14
Between 5-10 years	23	24
Between 10-15 years	10	11
Between 15-20 years	11	10
Over 20 years	43	42
Total	100	100

The expected maturity profile for defined benefit obligations of Staff Security Plan

Particulars	Asar end 2078 (%)	Asar end 2077 (%)
Less than 5 years	15	13
Between 5-10 years	17	16
Between 10-15 years	7	8
Between 15-20 years	16	15
Over 20 years	45	48
Total	100	100

5.8. Employees Benefits – Other Long Term Benefits Plan

The Bank currently offers accumulated leave as other long term benefits plan. The bank's net obligation in respect of other long term benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net other long term benefit liability (asset) 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 (asset). 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 the 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 plan are charged to Income statement.

5.9. Other Employee Benefits

- Staff Welfare: the bank provides 12% of basic salary as staff welfare fund. During the year the bank has provided NRs. 74,962,930 (PY. NRs. 75,475,095 as staff welfare fund).
- Staff Welfare Provident Fund: The bank provides after the approval from the board of directors up to 10% of last year profit as staff welfare provident fund to be credited into the retirement fund. Total expenses under this head amounts to NRs. 574,436,075 (PY. NRs. 530,265,000).
- The bank provides staff medical fund facility to the staffs of which payments are made as per the eligible medical claim while rest amount is paid at the retirement. NRs. 117,785,852 (PY. NRs. 282,818,814) is expensed as staff medical fund.

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 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 Board will be maintained in Net Cumulative Surplus Reserve. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount is annually allocated by the Board of Directors out of each year's Net Income to that reserves and funds. Impacts resulting from other comprehensive income are directly transferred to respective reserves. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of Net Income to these reserves and funds. The details of statutory and other reserve and funds are as follows:

5.10.1 Statutory Reserves

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 967,823,509(P.Y. NRs. 1,394,004,100) was appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs. 967,823,509 P.Y. NRs. 1,394,004,100) was appropriated to this fund.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net income available for appropriation of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs. 6,608,900,534 (P.Y. NRs. 8,984,388,463) is appropriated in General Reserve during the year.

d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount as decided by the board shall be allocated and kept in such reserve. This year NRs. 17,676,108(P.Y. NRs. 11,268,898) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs. 8,192,211,285(P.Y. revaluation gain of NRs. 58,927,429,280) which is equivalent to net exchange gain was 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. 2,934,500,765(P.Y. revaluation gain of NRs. 20,807,318,228) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated to this fund.

5.10.2 Other Reserve and Funds

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

a) Development Fund

This is the specific fund created as per Monetary Policy of the Bank to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs. 4,650,000,000 (P.Y. NRs. 9,120,000,000) has been allocated to this fund during the year.

b) Banking Development Fund

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of net income to this fund. No amount (P.Y. NRs. 450,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually. Accordingly, an amount of NRs 8,056,486 (P.Y. NRs. 11,810,896) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

d) Mechanization Fund

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. No amount (P.Y. NRs. 550,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund

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

f) Mint Development Fund

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. No amount (P.Y. NRs. 450,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Gold Replacement Fund

This fund has been created for replacing the gold / silver sold during the year. An amount equal to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs 1,099,822,926(P.Y. NRs. 172,003,576) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh)

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

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

This fund was created out of the surplus fund amounting Rs. 61,390,949 received while transferring the RSRF Program to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. The fund is utilized to provide reimbursement of the administrative expense subsidy as claimed by the cooperatives in case of the loans and advances disbursed and approved till the date of transfer of RSRF program to Sana Kisan Bikas Laghubitta Bittiya sanstha Ltd. Accordingly, administrative expense subsidy amounting to Rs. 3,726,384 has been reimbursed till previous year. However, no amount has been reimbursed in the current fiscal year to Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.

j) 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 Rs. 1,008,028,980 (PY. NRs. 467,268,203) has been transferred to Actuarial Gain Reserve.

k) Fair Value Reserve

Fair Value Reserve is created for maintaining the gain of investment in equity instrument classified as Investment measured at Fair Value through Other Comprehensive Income. During the year, a gain of Rs. 987,900,306 has been transferred to the reserve from Other Comprehensive Income. Similarly, an amount of Rs. 2,631,077,638 which is the cumulative surplus of the investment sold during the year has been released to retained earnings from the reserve.

5.11. Prior Period Errors

The prior period errors discovered during the year relating to a reporting period that is before the earliest prior period presented were adjusted by restating the opening balance of the earliest prior period presented. In addition, additional income of NRs. 10,912,511 has been discovered during the year because of the prior period errors and has been adjusted with respective current year income/expenses.

Particulars	FY 2077-78	FY 2076-77
Increase /(Decrease) in Property, Plant and Equipment		
Surplus/(Deficit) Due to Prior Period Errors	10,912,511	
Total Effect as at 31.03.2078	10,912,511	

5.12. Foreign Exchange Reserve

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

(in NRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	934.25	922.70

Non-Convertible Foreign Currency	318.72	303.52
Gold Reserve	60.27	60.54
Special Drawing Rights	0.42	0.41
Sub Total	1313.65	1287.17
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	137.94	161.28
Non-Convertible Foreign Currency	16.45	14.43
Sub Total	154.39	175.71
Total Foreign Exchange Reserve of Banking System	1,468.04	1,462.89

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

Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	2.85	1.23
Indian Treasury Bills	21.12	20.17
BIS FIXBIS	-	-
Bonds/Notes	13.87	6.87
Mid Term Instrument	0.00	0.00
Call Deposits	18.09	13.95
Time Deposit	28.66	39.00
Gold Deposit	4.12	4.14
Special Drawing Rights	0.03	0.03
Balance with NRB and BFIs	11.26	14.61
Total	100.00	100.00

5.13. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of four projects, namely, Poverty Alleviation Project in Western Terai (PAPWT) and Third Livestock Development Project (TLDL) which were run during the reporting period under subsidiary loan agreements with GON or project agreements with other funding agencies were consolidated with the Bank's financial statements. The Financial Position and Income statements of these projects are as below:

For the Year ended 31st Asar 2078

Statement of Financial Position

Particulars	PAPWT	TLDL	Total
Equity & Liabilities			
Reserve & Surplus	21,404,932	50,979,659	72,384,591
Loans	14,600,000	73,450,000	88,050,000
Accounts Payable	-	-	-
Total Equity & Liabilities	36,004,932	124,429,659	160,434,591
Assets			
Loan to PFIs	-	-	-
Investment	31,430,000	117,632,000	149,062,000
Other Receivables	292,128	1,012,036	1,304,164
Cash and Bank Balance	4,282,804	5,785,622	10,068,426
Total Assets	36,004,932	124,429,659	160,434,591

Statement of Comprehensive Income

Particulars	PAPWT	TLDP	Total
A. Income			
Interest Income	2,890,925	8,875,310	11,766,235
From Loan to PFIs			
On Investment	2,890,925	8,875,310	11,766,235
Foreign Exchange Gain			
Loan Loss Prov. Written back			
Other Income			
Total Income	2,890,925	8,875,310	11,766,235
B. Expenditure			
Administrative Expenses			
Interest Expenses	602,250	3,107,500	3,709,750
Depreciation			-
Total Expenses	602,250	3,107,500	3,709,750
Surplus (Deficit) (A-B)	2,288,675	5,767,810	8,056,485

For the Year ended 31st Asar 2077

Statement of Financial Position

Particulars	PAPWT	TLDP	Total
Equity & Liabilities			
Reserve & Surplus	19,116,257	45,211,849	64,328,105
Loans	21,900,000	79,100,000	101,000,000
Accounts Payable	-	-	-
Total Equity & Liabilities	41,016,257	124,311,849	165,328,105
Assets			
Loan to PFIs	-	-	-
Investment	35,600,000	115,200,000	150,800,000
Other Receivables	323,337	917,700	1,241,037
Cash and Bank Balance	5,092,920	8,194,149	13,287,068
Total Assets	41,016,257	124,311,849	165,328,105

Statement of Comprehensive Income

Particulars	PAPWT	TLDP	Total
A. Income			
Interest Income	4,514,610	11,451,037	15,965,647
From Loan to PFIs			
On Investment	4,514,610	11,451,037	15,965,647
Foreign Exchange Gain			
Loan Loss Prov. Written back			
Other Income			
Total Income	821,250	3,333,500	4,154,750
B. Expenditure			
Administrative Expenses			
Interest Expenses	821,250	3,333,500	4,154,750
Depreciation			-
Total Expenses	821,250	3,333,500	4,154,750.00
Surplus (Deficit) (A-B)	3,693,360	8,117,537	11,810,897

Two projects namely, Community Ground water Irrigation Sector Project (CGISP) and Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) were run by the bank on behalf of the GON. The assets, liabilities, equity, income and expense of such projects were not consolidated in the accounts of the Bank. The Financial Position and Income statements of these projects are as below:

Statement of Financial Position

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	CGISP	KFW	CGISP	KFW
<u>Equity</u>				
Capital Contribution	17,548,370		17,548,370	
Surplus	265,296,592	141,150,528	238,922,832	103,789,348
Financial Risk Fund	5,200,000		5,200,000	
<u>Long- term Liabilities</u>				
Loan from ADB - Non-Current Portion	103,704,465		110,395,076	
<u>Current Liabilities and Provision</u>				
Loan from ADB - Current Portion	97,013,855		90,323,244	
Service Charge due on Loan from ADB	29,001,709		26,994,526	
Loan From GON		906,240,347		906,240,347
Loan Loss Provision	14,581		81,932	
Accounts Payable	328,176		328,176	
Total Equity & Liabilities	518,107,748	1,047,390,875	489,794,156	1,010,029,695
<u>Assets</u>				
Non-Current Assets				
Fixed Assets	58,764		73,454	
Loan to PFI- Non Current Portion	-		1,789,374	
Investment	365,395,000		359,200,000	
Current Assets				
Interest Receivables	3,077,644	4,396,274	3,857,736	11,139,032
Loan to PFI-current portion	1,458,092	885,500,119	6,403,841	906,240,347
Cash and cash equivalents	148,118,248	157,494,482	118,469,750	92,650,315.52
Total Assets	518,107,748	1,047,390,875	489,794,156	1,010,029,695

Statement of Comprehensive Income

Particulars	As on 31st Asar 2078		As on 31st Asar 2077	
	CGISP	KFW	CGISP	KFW
A. Income				
Interest Income	28,363,575	37,361,180	38,191,742	51,211,778
From Loan to PFIs	317,891	37,361,180	784,416	51,211,778
On deposit with banks	28,045,684		37,407,326	
On Investment				
Other Income	-		-	
Loan Loss Provision Written back	67,351		104,258	
Total Incomes	28,430,926	37,361,180	38,296,000	51,211,778
B. Expenditure				

Administrative Expenses	35,293	-	41,704	-
Provision for Service Charge	2,007,183		2,007,183	
Loan Loss Provision	-	-	-	-
Depreciation	14,690	-	-	-
Total Expenses	2,057,166	-	2,048,887	-
Surplus (Deficit) (A-B)	26,373,760	37,361,180	36,247,113	51,211,778

5.14. Interest in other entities

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

5.14.1. Investment in quoted securities

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

Particulars	% of holding	No of Shares	Investment at cost		Investment at Fair value	
			31-03-2078	31-03-2077	31-03-2078	31-03-2077
Citizen Investment Trust			-	13,350,000	-	2,657,138,858
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	2.799	274,982	27,498,200	27,498,200	168,426,475	74,245,140
Total			27,498,200	40,848,200	168,426,475	2,731,383,998

Holdings on Grameen Bikas Laghubitta Bittiya Sanstha Ltd. are promoter shares which are not traded freely in the market. The shares are revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, ratio of share price of promoter share & public share is considered as 50%. Hence, fair value of the shares is assumed at 50% of the closing trading price of respective public shares

5.14.2. Investment in unquoted securities

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

Particulars	% of holding	No of Shares	Investment at cost		Investment at Fair value	
			31-03-2078	31-03-2077	31-03-2078	31-03-2077
Agricultural Project Services Centre	62.50	-	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Ins.	55.56	1,005,667	1,000,000	1,000,000	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	14.60	875,987	5,097,510	5,097,510	726,744,705	814,850,779
National Productivity and Eco. Dev.	31.52	-	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10.00	10,000,000	607,594,000	607,594,000	1,652,222,519	1,027,600,000
Nepal Clearing House	10.00	411,350	15,000,000	15,000,000	105,524,004	85,480,402
Credit Information Bureau	10.03	437,400	3,500,000	3,500,000	177,814,448	130,367,070
National Banking Institute	15.29	76,452	7,645,250	7,645,250	28,587,097	27,018,313
Total			647,336,760	647,336,760	2,980,035,536	2,086,316,564

Fair Value of the shares 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.

5.14.3. Significant Interest in entities

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

Name of Entity	Paid up capital	Investment at Face Value	% of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Beema Sansthan - Life Insurance	181,020,000	100,566,667	55.56	Life insurance service	Ramshahpath, Kathmandu
Nepal Stock Exchange Ltd.	600,000,000	87,598,740	14.60	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar Plaza, Kathmandu
National Productivity and Eco. Dev Ltd.	7,932,500	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 four entities is because of the investment in equity instruments (promoter shares) of such entities which were made under specific directives or policies of the Government of Nepal and other relevant statutes. The bank is in the process of divestment of such investment by selling the shares the bank holds. The cost and its carrying amounts of assets recognized in the financial statements on such entities are as follows:

Particulars	Investment at cost		Carrying Amounts (Investment at Fair value)	
	31-03-2078	31-03-2077	31-03-2078	31-03-2077
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	289,142,763	1,000,000
Nepal Stock Exchange Ltd.	5,097,510	5,097,510	726,744,705	814,850,779
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
Total	13,597,510	13,597,510	1,015,887,468	815,850,779

In the absence of audited financial statements of Agricultural Project Services Centre, and National Productivity & Economic Development Ltd., the bank is not able to estimate the fair value of investment in such entities. Therefore, the bank has made impairment by full amount for the investment in Agricultural Project Service Centre and National Productivity & Economic

Development Ltd. and is not expected for its recovery. In addition, Agricultural Project Service Centre is in the process of liquidation since long.

The carrying amount of NRs 2,980,035,535(PY NRs. 2,086,316,564) as shown in above tables has been included under Investment securities in the Statement of Financial Position. Being all the above entities as limited liability Company, this is the maximum exposure to loss from its significant interest in such entities.

5.14.4. Transactions with Entities having Significant Interest

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

Entity	Nature of Transaction	FY 2077-78	FY 2076-77
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	184,990,659	181,092,147
Nepal Stock Exchange Ltd.	Dividend Income received by the bank	21,899,685	29,199,580

5.14.5. Transaction with the International Monetary Fund (IMF)

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

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

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

Financial Position in the Fund

Particulars	As on 31 st Asar 2078		As on 31 st Asar 2077	
	Local Currency (NRs.)	SDR Equivalents	Local Currency (NRs.)	SDR Equivalents
SPECIAL DRAWING RIGHT				
Net cumulative allocation	11,562,630,914	68,099,599	11,198,956,855	68,099,599
Holdings	419,318,478	2,469,630	412,972,270	2,511,238
OUTSTANDING PURCHASES & LOANS				
RCF Loans	-	-	-	-
ECF Arrangements	-	-	-	-
OTHER INFORMATION				
	Percent of Quota		Percent 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. 169.79 (P.Y. NRs. 164.4497) 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, 2078	As on Asar 31, 2077
	NRs.	NRs.
Note Printing Commitments	4,545,344,251	3,414,846,205
Unclaimed Account Transfer to P/L Account	136,744,740	135,381,177
Capital Commitments	1,352,388,275	1,946,588,256
Total	6,034,477,266	5,496,815,638

Contingent liabilities in respect of note printing commitments are determined on the basis of LCs opened for procurement of notes. The capital commitments include cost for the construction of the bank's Central Office Building and Banking Office Building 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.

5.16. Non-cancellable Operating Leases

The bank leases various buildings under non-cancellable operating leases expiring within one or more than one years. The leases have varying terms, escalation clauses and renewal rights. On renewal, terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

PARTICULARS	As on Asar 31, 2078	As on Asar 31, 2077
	NRs.	NRs.
Within one year	38,511,810.76	30,786,461.61
Later than one year but not later than five years	69,346,928.04	31,782,288.53
Later than five years	42,251,838.66	24,056,813.00
Total	150,110,577.46	86,625,563.14

5.17. Claims against the bank

There are 129 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 5 employees who have file the legal suit against the bank.

5.18. Number of Employees

The number of employees holding office at the year-end was 1,061 (PY 1,043).

5.19. 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.

5.20. Events after the Reporting Period

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



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Economic Research Department
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