

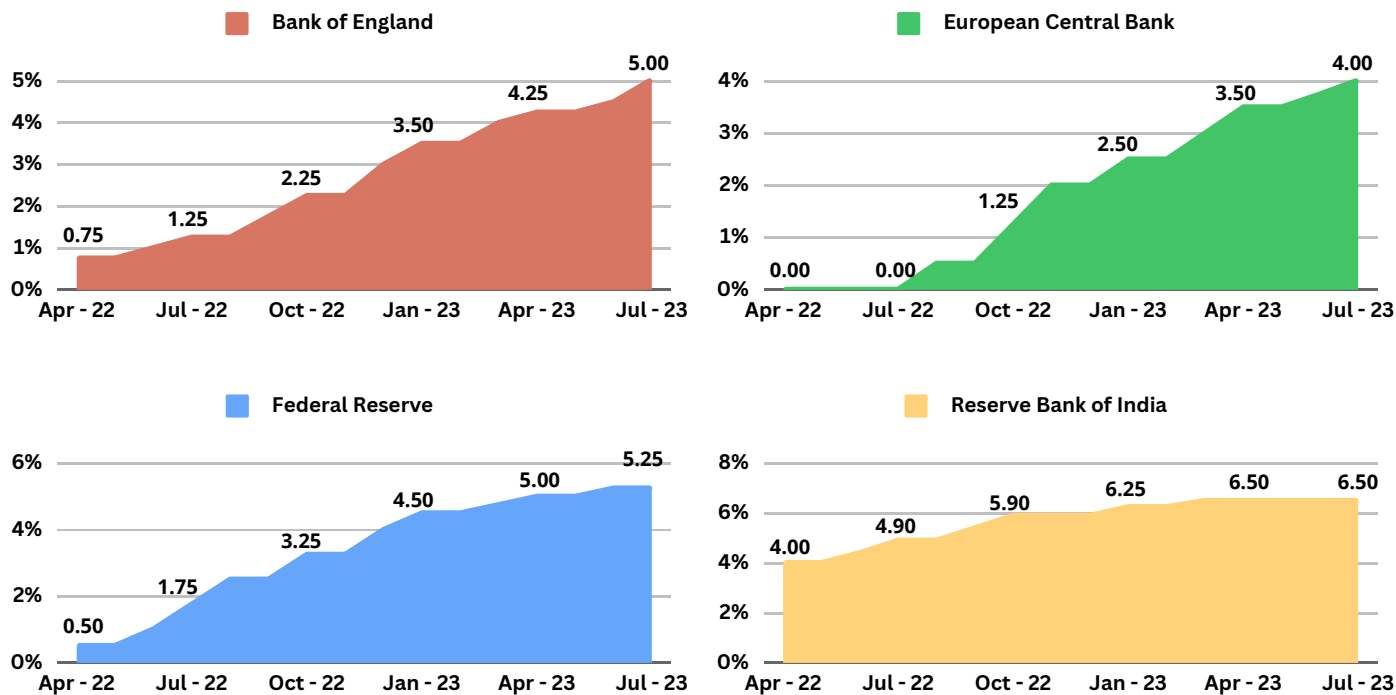
QUARTERLY NEWSLETTER

PUBLISHED BY NEPAL BANKERS' ASSOCIATION
(July, 2023)

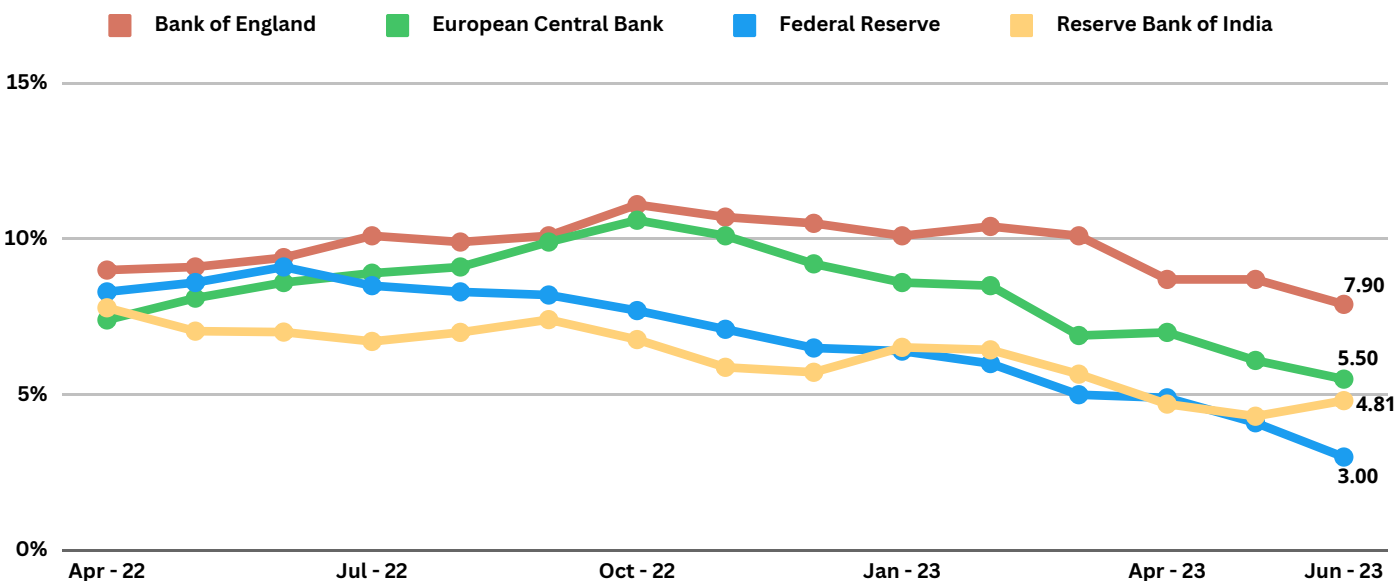


GLOBAL CONTEXT

Interest Rate in Major Economy



Inflation in Major Economy

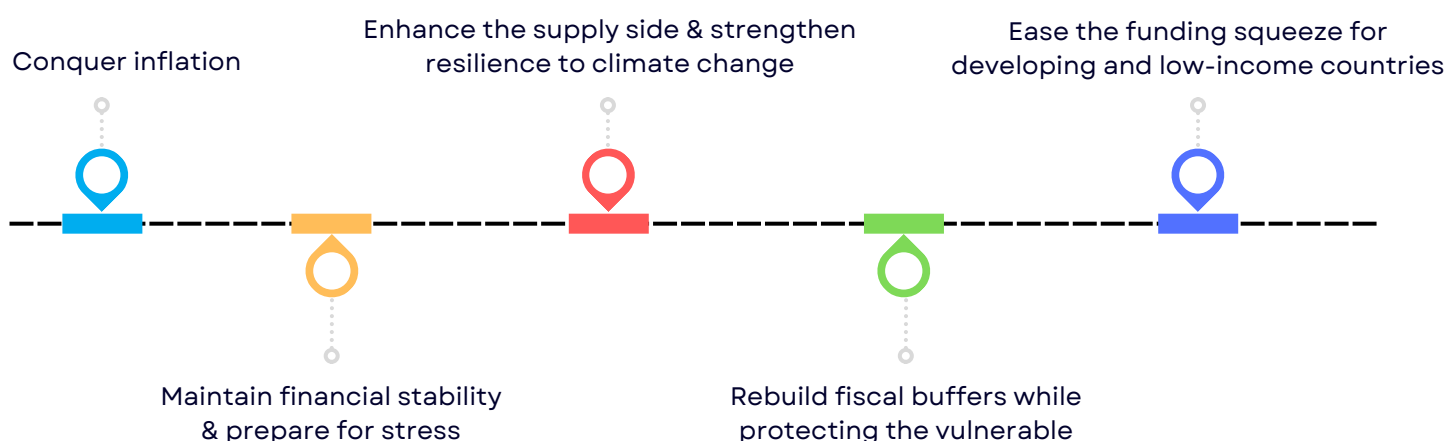


Source: Respective CB's Data

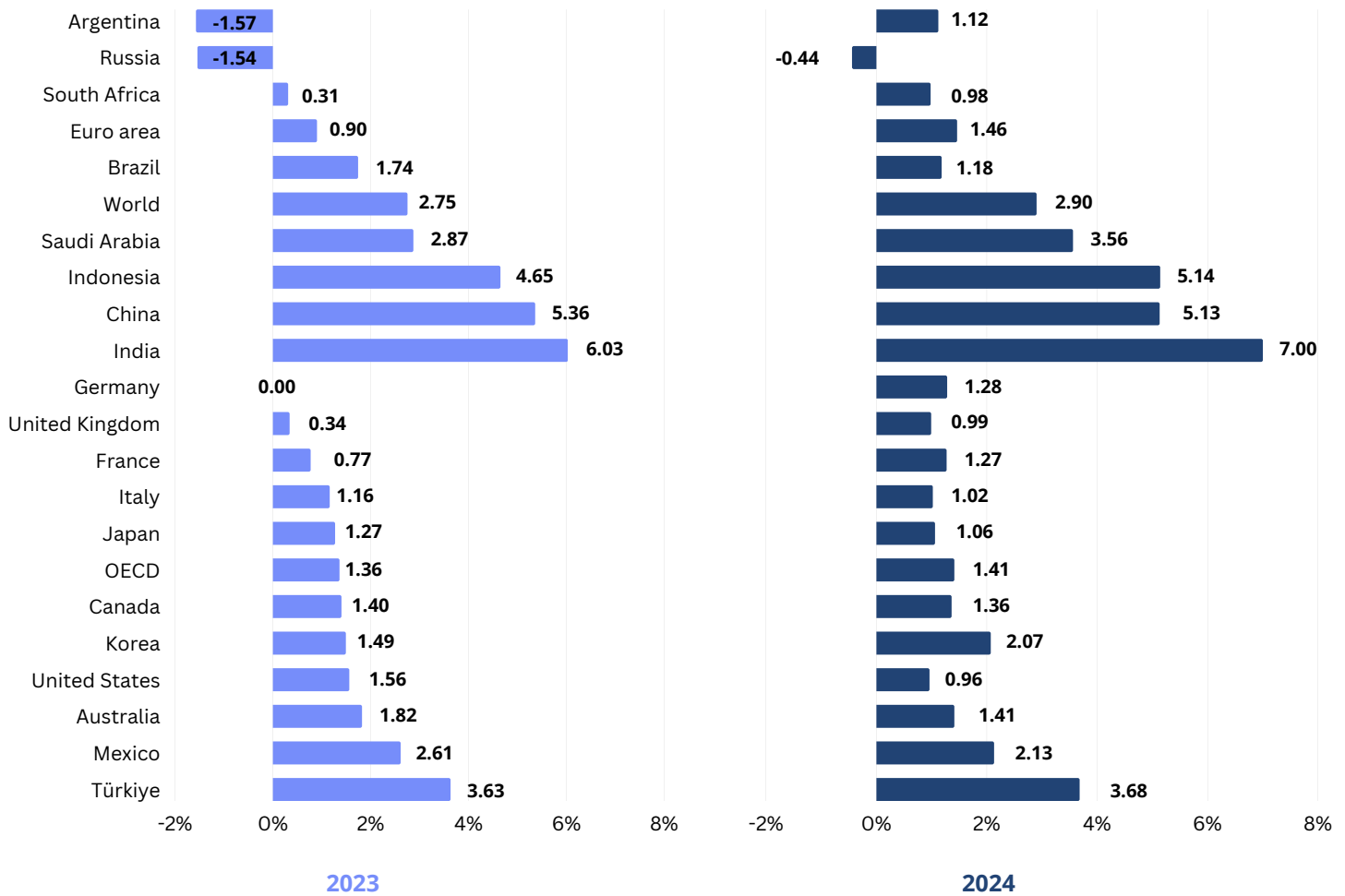
Some Highlights of World Economic Outlook, July 2023, IMF

- Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024.
- Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024.
- For emerging market and developing economies, growth is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent 2024.
- Growth in emerging and developing Asia is on track to rise to 5.3 percent in 2023, then to moderate to 5.0 percent in 2024.
- Global financial conditions have generally eased since the March 2023 episode of banking stress, but borrowing costs for emerging market and developing economies remain high, constraining room for priority spending and raising the risk of debt distress.
- Since the geoeconomic fragmentation has deepened, this could intensify, with more restrictions on trade (in particular that in strategic goods, such as critical minerals); cross-border movements of capital, technology, and workers; and international payments.
- Recent developments shift to the downside the distribution of risks surrounding China's growth forecast, with negative potential implications for trading partners in the region and beyond.
- Immediate concerns about the banking sector have eased, but growth in bank loans in advanced economies has slowed and high interest rates will likely lead to tighter credit conditions.
- World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024.
- Despite many headwinds, global economic activity was resilient in the first quarter of 2023, with that resilience driven mainly by the services sector.

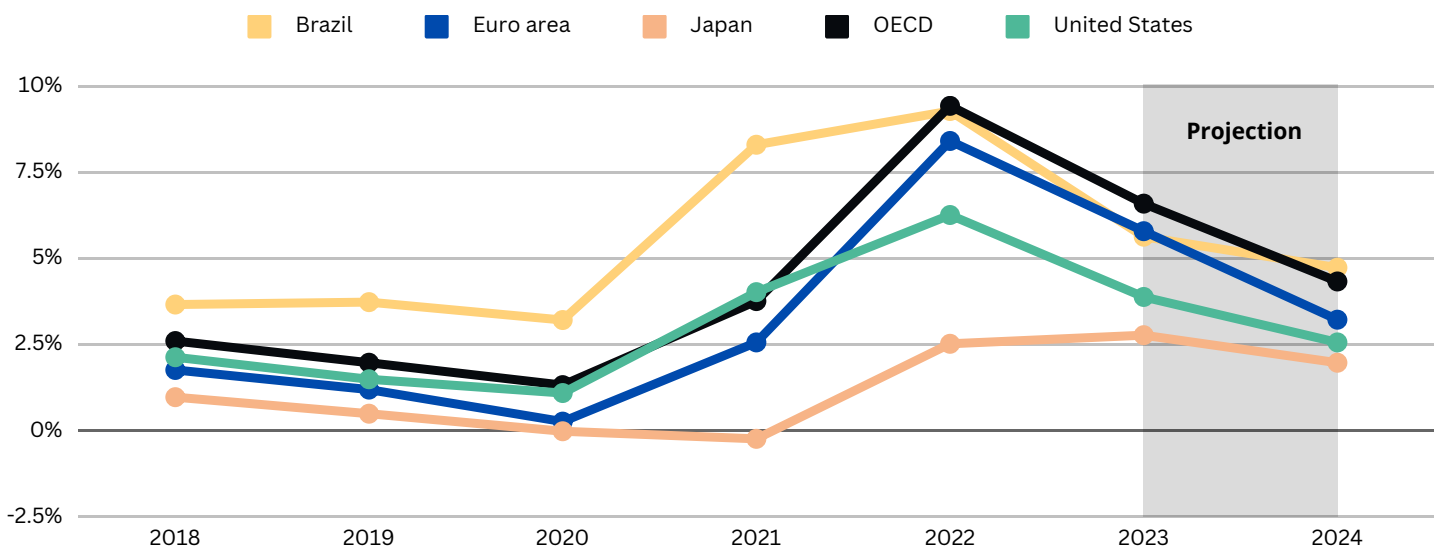
Policy Priorities



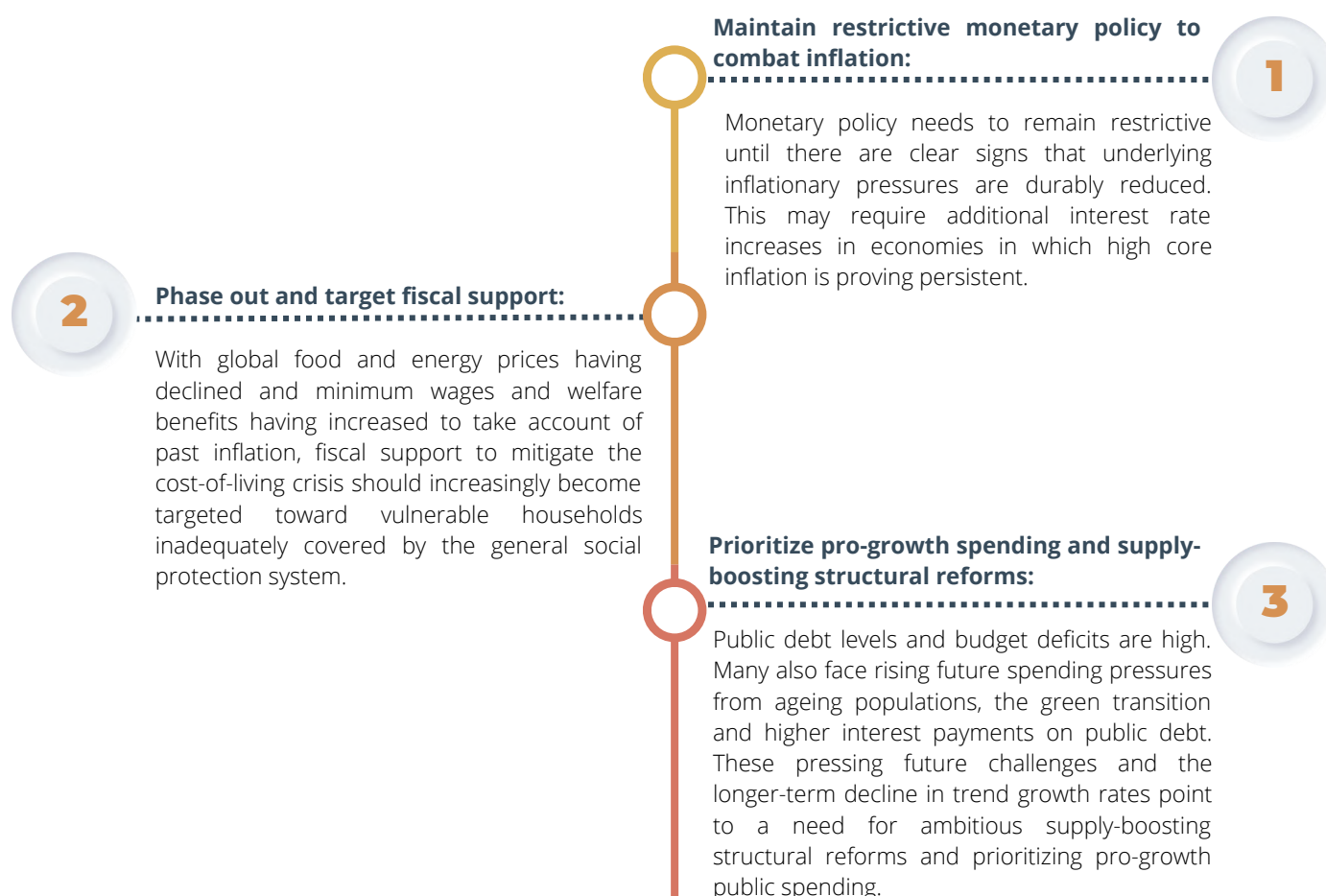
GDP Growth Projection in Major Economies



Headline Inflation Projection in Major Economies



OECD's Recommendation to Governments



Source: OECD Economic Outlook, June 2023

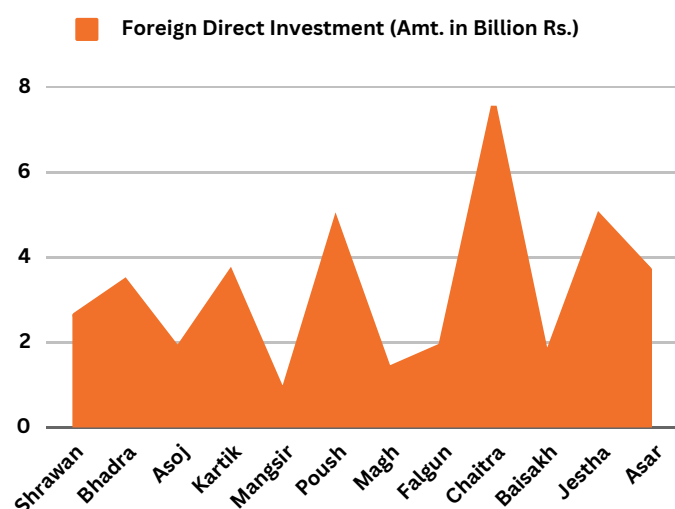
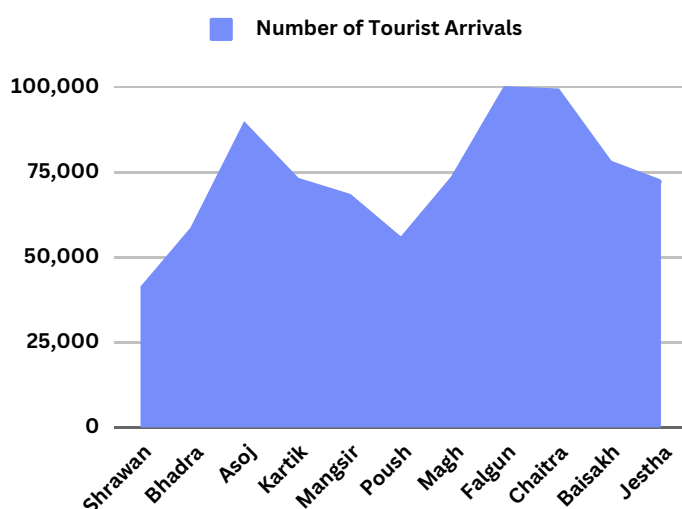
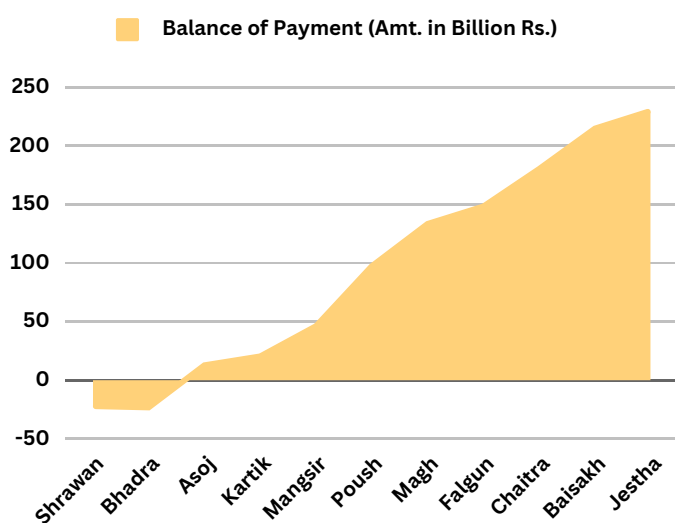
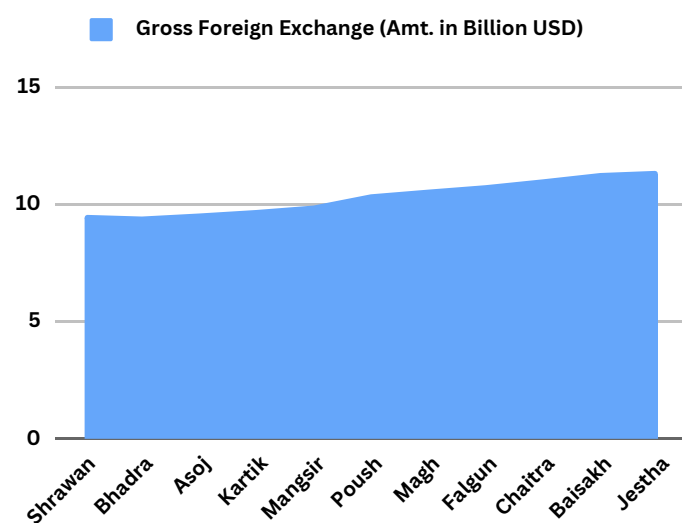
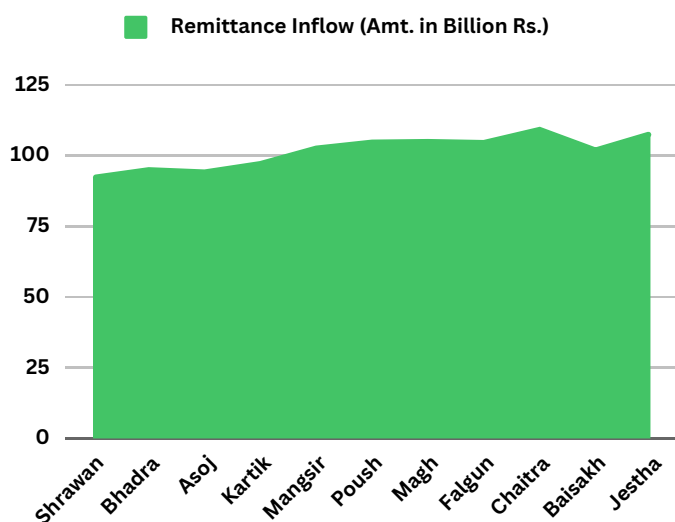
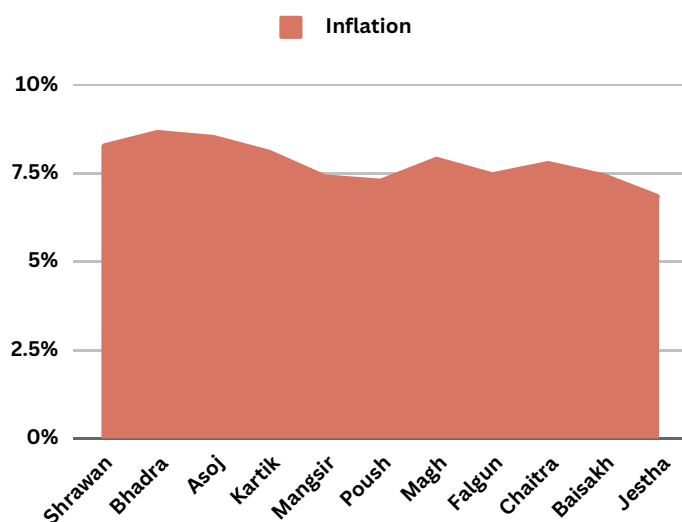
Highlights of ADB Outlook, July 2023

- Exports from developing Asia weakened in the first quarter of 2023 as global demand slowed. However, consumption and investment are forecast to boost aggregate regional growth to 4.8% in 2023, as earlier forecast, with the projection for 2024 revised down only marginally to 4.7%.
- Given balancing developments, growth forecasts for East Asia are maintained at 4.6% in 2023 and at 4.2% in 2024, for South Asia at 5.5% in 2023 and 6.1% in 2024, and for the Pacific at 3.3% in 2023 and 2.8% in 2024.
- Southeast Asia's growth prospects are downgraded slightly from 4.7% to 4.6% in 2023 and from 5.0% to 4.9% in 2024, reflecting weaker global demand for manufactured exports.
- Growth forecasts for the Caucasus and Central Asia are adjusted down from 4.4% to 4.3% in 2023 and from 4.6% to 4.4% in 2024 after oil production in Azerbaijan fell more than expected.
- Headline inflation eased toward pre-pandemic averages as fuel and food prices waned.
- With lower inflation in developing Asia and more moderate monetary tightening in the United States, most central banks in the region have kept policy rates steady this year, with signs emerging of a shift toward easier money.
- Interest rates in the United States and other advanced economies are likely to shape the regional growth outlook, with upside and downside risks in balance.

Source: ADB Outlook, July 2023

NATIONAL CONTEXT

Major Macro-Economic Indicators in FY 2079/80



International Trade

TRADE INDICATORS:	FY 2078/79	FY 2079/80	CHANGES (%)	
			FY 2079/80	FY 2078/79
Imports (Rs.in `000)	1,920,448,349	1,611,731,770	-16.08	24.72
Exports (Rs.in `000)	200,030,962	157,140,695	-21.44	41.74
Trade Deficit (Rs.in `000)	1,720,417,388	1,454,591,074	-15.45	23.00
Total Foreign Trade (Rs.in `000)	2,120,479,311	1,768,872,465	-16.58	26.15
Imports/Exports Ratio (%)	9.60	10.26	6.83	-12.01
Exports Share to Total Trade (%)	9.43	8.88	-5.83	12.36
Imports Share to Total Trade (%)	90.57	91.12	0.61	-1.13

Source: Department of Customs

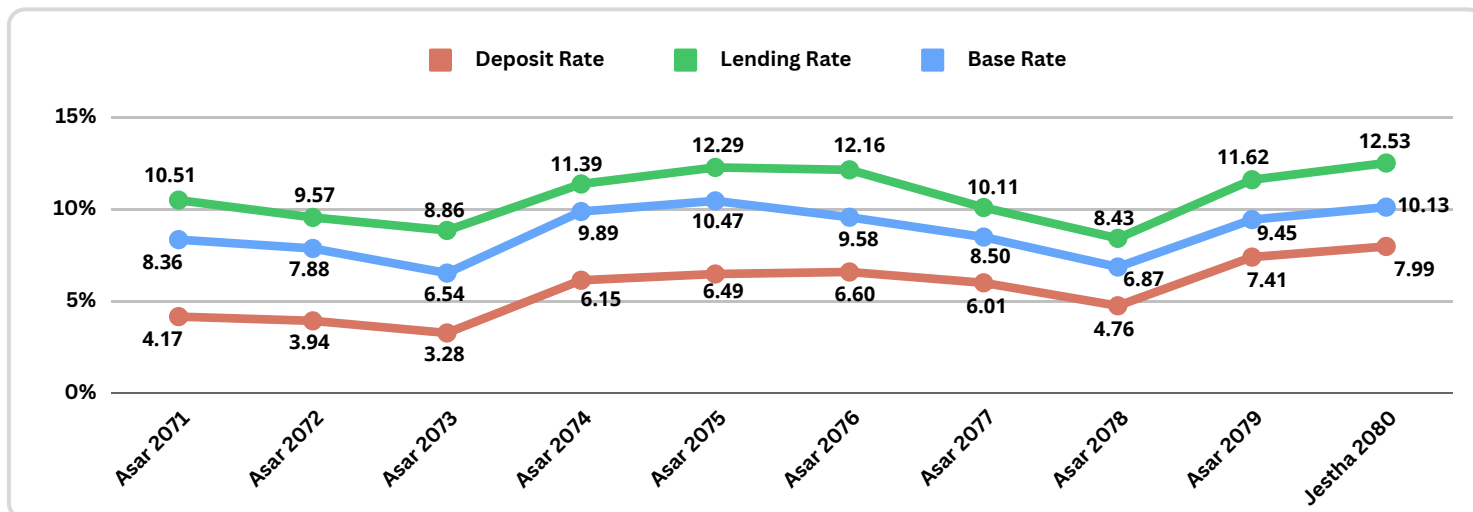
Government Revenue and Expenditure in FY 2079/80

As of 2080-03-31 (2023-07-16)		Amount in Lakh (00000)			
		Target/Budget	Actual	Percentage	Last Year - Percentage
REVENUE:	1. Revenue	14,031,470	9,571,541	68.21%	90.46 %
	a) Tax Revenue	12,953,758	8,656,197	66.82%	92.15 %
	b) Non-Tax Revenue	1,077,712	915,344	84.93%	74.39 %
	2. Grants	554,583	212,975	38.40%	30.53 %
	3. Other Receipts	0	532,405	0%	0%
TOTAL RECEIPTS OF GON (1+2+3):		14,586,053	10,316,921	70.73%	91.47 %
EXPENDITURE :	1.Total Expenditure from Treasury (a+b+c)	17,938,373	14,295,640	79.69%	79.39 %
	a. Recurrent	11,832,351	10,057,594	85%	90.25 %
	b. Capital	3,803,845	2,336,959	61.44%	57.23 %
	c. Financing	2,302,177	1,901,087	82.58%	62.5 %

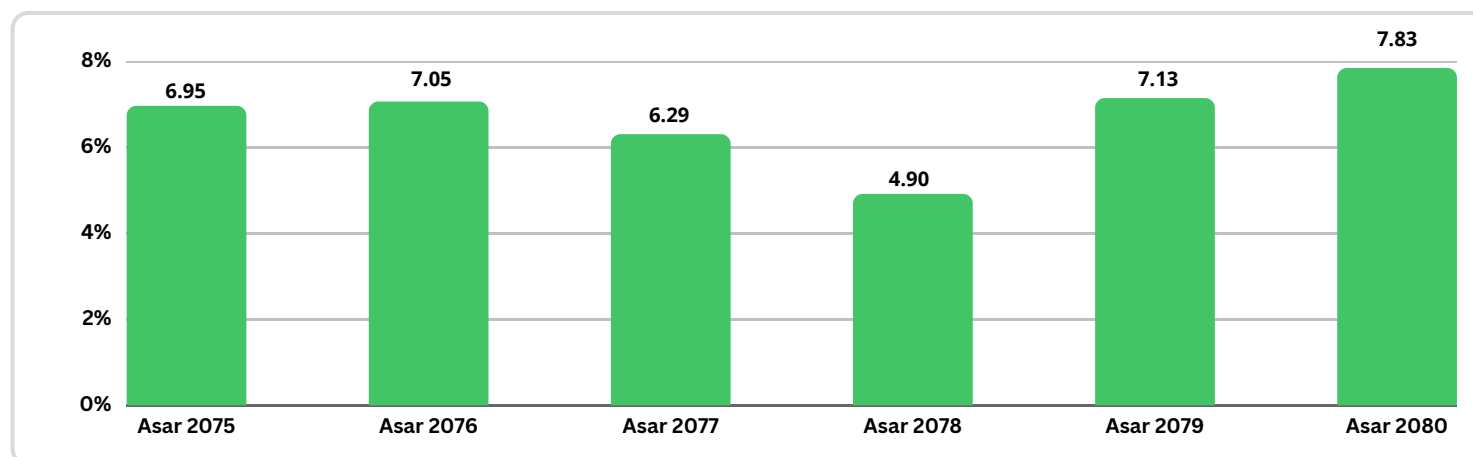
Source: Financial Comptroller General Office

Nepalese Banking Industry

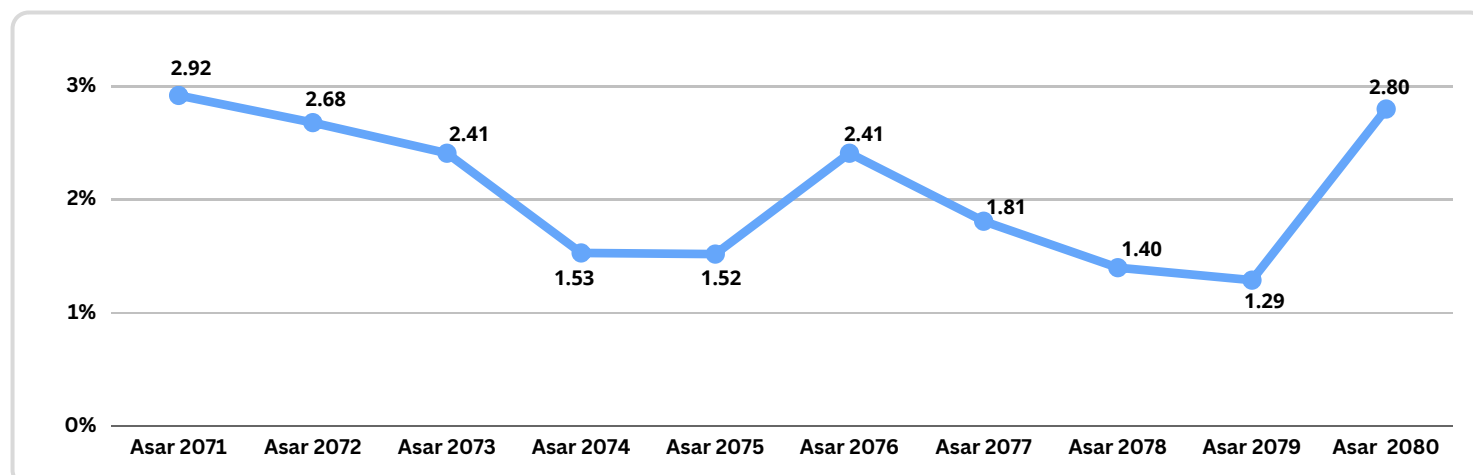
Commercial Bank's Weighted Avg. Interest Rate



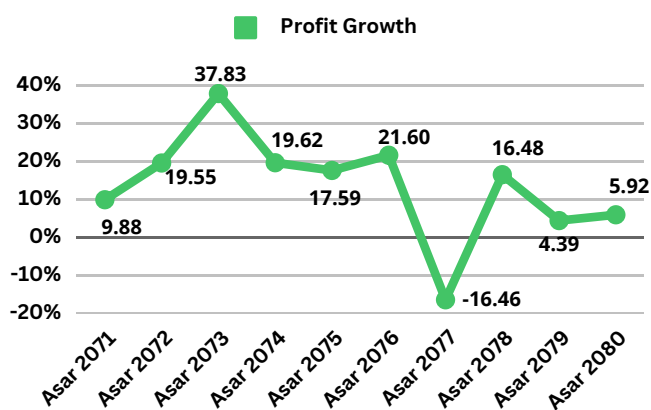
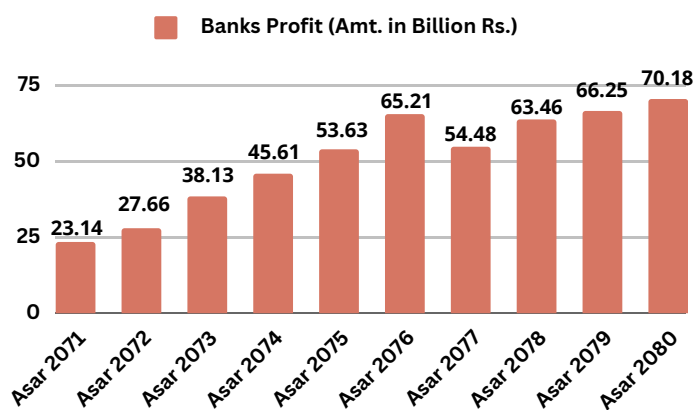
Avg. Cost of Fund of Commercial Banks



Avg. NPL of Commercial Banks

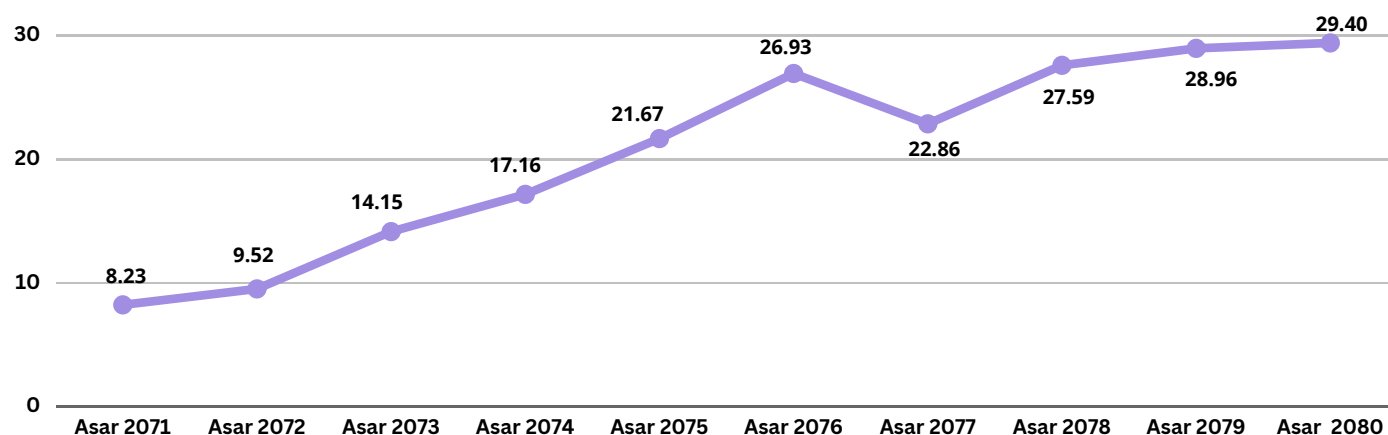


Net Profit of Commercial Banks



Total Income Tax Paid by Commercial Banks

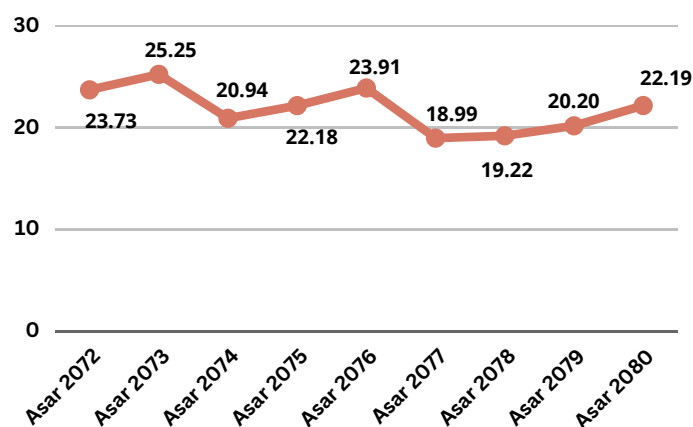
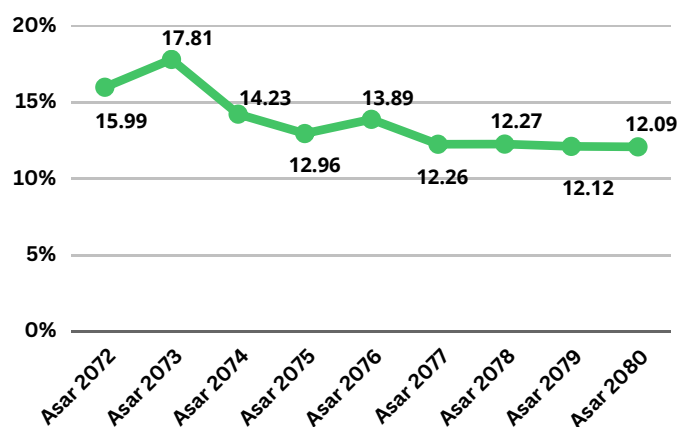
(Amt. in Billion Rs.)



Avg. Return on Equity of Commercial Banks

Avg. Earning Per Share of Commercial Banks

Amount in Rs.



NBA ACTIVITIES

BAISAKH - ASAR 2080

High-Level Interaction Program on Banking Practice and Banking Offence

June 9, 2023 - Nepal Bankers' Association, in collaboration with the National Judicial Academy (NJA), successfully completed a high-level interaction program on "Banking Practice and Banking Offence". The prime objective of the program was to facilitate a comprehensive discussion on the current issues and challenges related to banking offences by bringing together multiple stakeholders, including law enforcement agencies, regulatory bodies and bank officials. The program also aimed to build a common understanding of the problems and difficulties the banking industry and other stakeholders have faced in addressing such issues.



NBA President, Mr. Sunil KC, delivered welcome remarks emphasizing the significance of the banking sector and its crucial role in economic development and employment generation. He further said, the advent of new technologies has transformed the way banking operations are conducted and has brought numerous benefits, however, it has also increased several challenges such as cybercrime, identity theft, fraudulent transactions and other forms of banking offences that need to be addressed timely. To effectively combat these, Mr. KC highlighted that strong collaboration among all concerned stakeholders is crucial.

During the program, Mr. Parshuram Kunwar Chhetri, a former banker, presented a paper detailing the banking practices along with roles and engagements of officials during the credit approval and credit disbursement process. He also highlighted some of the challenges and areas of improvement in the existing Banking Offence and Punishment Act.



During the program, Hon. Mr. Anil Kumar Sinha, Justice, Supreme Court of Nepal also made a presentation on "Banking Offence: Law and Practice" where he shared the Acts related to banks and also focused on various banking offences and how the current laws are practiced. He also highlighted on the areas of improvement and challenges that lie ahead.

During the program, Special Guest Dr. Gunakar Bhatta, Executive Director, Nepal Rastra Bank, emphasized that the financial system has experienced significant growth in a short period of time, leading to increased complexity and challenges. Furthermore, he said that the banking offence cases has also risen considerably and, in this context, requested all the stakeholders collaborate closely to fight the challenges.

Special Guest Hon. Mr. Kumar Regmi, Justice, Supreme Court of Nepal, emphasized three key areas that should be carefully considered by the banking sector throughout their financial process – careful investment; monitoring; and efficient recovery. He said that financial institutions can mitigate risks, ensure proper utilization of funds and safeguard their financial interests by focusing on the above points.



The Chief Guest of the program, Rt. Hon. Acting Chief Justice Mr. Hari Krishna Karki, Supreme Court of Nepal, emphasized the importance of serious consideration and a deep understanding of the sensitivity of banking offence cases.



He stressed that honest individuals should not be held in custody and the guilty one should not be left out. Furthermore, he said that relevant stakeholders may come together to amend the relevant laws to adapt to address the evolving nature of business and effectively tackle emerging challenges.

The program was concluded with the closing remarks by Hon. Baidya Nath Upadhyay, Executive Director, NJA Nepal. He expressed gratitude to all the participants for their presence and active involvement in the program. He also highlighted the need for regular engagement and discussions on common issues with the relevant stakeholders.

The program was actively attended by more than 100 officials from the Supreme Court, High Court, District Court, Special Government Attorney Office, Center Investigation Bureau, Crime Investigation Department, Nepal Rastra Bank, BFI, among others.



Workshop on Parenting Education

June 12, 2023 - Nepal Bankers' Association (NBA) in collaboration with United Nations Children's Fund Nepal (UNICEF), organized a half-day in-person Parenting Education Session on "Communication and Talk with Children: Building Strong Connections" with HR professionals of Banks and Financial Institutions. The objective of the program was to provide the officials with essential knowledge and practical skills to enhance effective and positive communication with children at different stages of their development.



The workshop was facilitated by UNICEF officials, where Ms. Nilima Raut, Business for Results (Private Sector Engagement) Consultant, highlighted the brief history, priorities and working areas of UNICEF and Ms. Risohani Shrestha Pradhanang, Parenting Education Consultant of UNICEF, conducted the program, focusing on the importance of communication at various stages of parenting. Participants were educated on the significance of positive communication and its impact on a child's development. The workshop emphasized on, why effective and positive communication is crucial and how it can be established during pregnancy, after birth, and at different stages. The provided content in the workshop was part of the Parenting Education National Package developed by the Government of Nepal, Centre for Education and Human Resource Development.

NBA Executive Director, Mr. Anil Sharma, concluded the workshop with his closing remarks, in which he expressed gratitude to UNICEF for their support and collaboration to conduct the program and expressed that the banking industry is looking forward for such partnership in the future as well. He also extended his appreciation to all the HR officials for their active participation and requested that they pass on today's learning within their organization.



The program was very useful and productive in empowering bank officials with the tools they need to establish meaningful connections, foster trust and promote healthy overall development in children.

MoU Signed with Invest for Impact Nepal

June 13, 2023 - Nepal Bankers' Association signed a Memorandum of Understanding (MoU) with Nathan Associates London Limited on behalf of Invest for Impact Nepal (IIN). IIN is a program jointly established by British International Investment (BII), The Dutch Entrepreneurial Bank (FMO) and Swiss Development Cooperation (SDC), which is implemented by Nathan Associates London Ltd.

The MoU signing took place on June 13th at NBA's office in Kathmandu between Mr. Sunil KC, President, Nepal Bankers' Association and Mr. Bibek Shrestha, Country Representative, Nathan Associates London Limited.

The MoU was signed to jointly launch a Certified Course on Environmental, Social and Governance (ESG) for professionals of the financial services industry in Nepal. The course will be implemented in partnership with the University of Pompeu Fabra Barcelona School of Management (UPF-BSM).



The primary goal of this engagement is to develop the expertise of financial professionals on ESG and enhance the knowledge, skills and effectiveness of employees within the financial sector. The partnership is expected to have a substantial impact on improving the capabilities and producing qualified certified human resource in ESG.

Webinar on Financial Crime: Emerging Threats & Increasing Compliance

June 19, 2023 - Nepal Bankers' Association in collaboration with Association of Certified Financial Crime Specialists (ACFCS) India Chapter jointly organized webinar on "Financial Crime: Emerging Threats & Increasing Compliance". The main objective of the webinar was to discuss and share the information and the best practices on various types of financial crimes that are emerging within a region and to explore effective strategies for combating such threats.

Vinco Consultancy and Advisory Service, Founder and Chief Executive, Mr. Lakshman Pandey, welcomed all the



participants, highlighted the program structure and spoke on the program's objectives. NBA Executive Director, Mr. Anil Sharma delivered the introductory remarks and set the platform for an engaging and productive webinar that was aimed to share the knowledge in dealing with financial crimes in region. Mr. Sharma emphasized that there is still much work to be done in addressing financial crimes and the insights from the experts would greatly help in enhancing the knowledge on the subject matter.

Key note speaker of the Program, Former Deputy Governor of Reserve Bank of India (RBI), Mr. G. Mahalingam highlighted that completely eliminating financial crime is very challenging, but to minimize the numbers of such incidences, everyone must work seriously from their end. He highlighted on two major forms of financial crime: money laundering and terrorism financing. To combat such financial crime, Mr. Mahalingam prescribed four practical steps – Regular KYC Update; Customer Due Diligence (CDD); Transaction Monitoring; and Reporting to Financial Intelligence Unit (FIU). Additionally, Mr. Mahalingam shed light on the adverse effect of criminal money that would have on nation's economy and society, and therefore emphasized that combating financial crime is not only crucial for the financial sector but also for the overall well-being and progress of a nation.

Ajcon EduFin Pvt. Ltd, Director, Ms. Pallavi Ajmera made a presentation where she talked upon three major risks associated with financial crime – Security Risk; Compliance Risk; and Data Protection Risk. Moreover, she emphasized that criminals are increasingly employing sophisticated technologies than the banking service providers, resulting in a rise in criminal activities. She highlighted that financial institutions need to better equip with knowledge and technology themselves to address the challenges.



The program concluded with closing remarks from Ajcon EduFin Pvt. Ltd, Compliance Expert, Ms. Jyoti Tandon, where she expressed gratitude to all the participants. The program was attended by officials from various departments of member banks.

LoC signed between NBA and USAID Trade & Competitiveness

June 19, 2023 – Nepal Bankers' Association signed a Letter of Cooperation (LoC) with USAID Trade and Competitiveness. The signing took place at NBA's office in Kathmandu between Mr. Sunil KC, President, Nepal Bankers' Association and Mr. Agnes Luz, Chief of Party, USAID Trade and Competitiveness.



Nepal Bankers' Association is an association of 'A' class commercial banks which was formed to develop a fair and healthy competition among the banks, to follow best practices in the policy and procedures of the banks, to develop and adopt creative and modern technology, to make the banks more effective and efficient, and to identify the problems and implement the remedies associated with the business of the banks an institution.

USAID Trade and Competitiveness is a five-year activity that aims to chart a new path of growth for the Nepali economy as it recovers from the COVID-19 pandemic. The activity helps Nepal capitalize on global integration by diversifying its economy toward higher quality and value exports, fostering sustainable job growth and income-generating opportunities for those previously left behind by economic growth, and creating greater sustainability and resiliency.

The primary goal of this engagement is to work together in advancing initiatives that will address constraints and challenges faced by entrepreneurs and businesses, including identification and implementation of the best strategy options in the near, medium and long term as well in championing reform agendas that will improve access to finance of SMEs', especially those in the Activity's priority sectors towards improved competitiveness and inclusive economic growth.

The collaboration between the two parties will carry out several initiatives such as public-private dialogues (PPDs) on various policy issues and challenges, training and other capacity building activities, studies that will inform policy reform agenda and develop sector development strategies to improve inclusive access to finance and mobilize more investment.

MoU signed with Jeevan Bimak Sangh Nepal

July 6, 2023 - Nepal Bankers' Association signed a Memorandum of Understanding (MoU) with Jeevan Bimak Sangh Nepal. The MoU signing took place on July 6th at NBA's office in Kathmandu between Mr. Sunil KC, President, Nepal Bankers' Association and Mr. Poshak Raj Poudel, President, Jeevan Bimak Sangh Nepal.



The main goal of this engagement is to establish a fruitful and mutually beneficial relationship by sharing information, data and knowledge. The engagement aims to strengthen the relationship, foster collaboration in areas of mutual interest and create value for both parties.

Monthly Press Meet

July 24, 2023 - Nepal Bankers' Association (NBA) hosted a media interaction program at NBA Office. The program was part of regular press meet on NBA where some information related to banking industry was disseminated and the queries from media colleagues on various banking and financial issues were addressed.

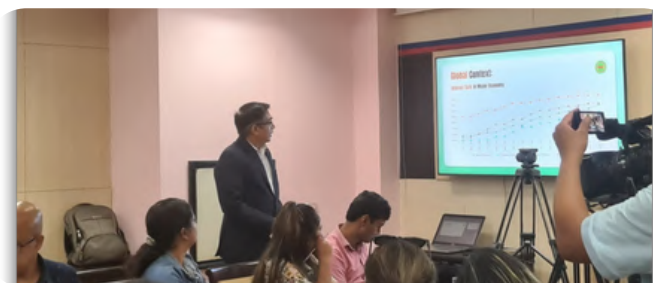
Mr. Sunil KC, NBA President extended a warm welcome to all. On the backdrop of national and international scenario, he shared that lot of indicators are moving on the positive direction which is welcoming to the banking sector and all

relevant stakeholders. The recently announced Monetary Policy has tried to review the slowness in economy emphasizing strong focus on productive sector. The Policy aims to maintain financial stability and will support towards achieving the GDP growth target set by the Government. He highlighted the certain policies of the Monetary Policy that are likely to revitalize the economy. He said the increment in the first home loan limit; will not only boost the housing sector but also have a multiplier effect on related industries.



Mr. Santosh Koirala, NBA Vice-President said that interest rates are in declining trend over the past few months and will do so on coming days. He also praised and thanked the media for their active participation and urged them to continue their support and encouragement in the days to come.

Mr. Anil Sharma, NBA Executive Director delivered a presentation in which he provided an overview of the global and national economic and banking context, basing his statement on the latest statistics. He stated that the domestic sector has been displaying signs of improvement, which is a positive indicator for the overall economy. He also highlighted and discussed upon the various aspects of recently published Monetary Policy.



The program was actively participated by more than 45 journalists from different media.

Provincial Activities

Meeting with Chief Minister of Karnali Province



May 7, 2023 - NBA Karnali Province Core Committee Members along with the Province Head of Commercial banks held a meeting with the Chief Minister of Karnali Province. It was a significant event which aimed to discuss on the current economic and banking issues in the region. The gathering was timely and relevant to share the banking issues in order to address the challenges faced by regional banks.

Interaction Program on Contemporary Banking Issues

May 26, 2023 - NBA Sudurpaschim Province Core Committee Members organized an interaction program on Contemporary Banking Issues. The event aimed to discuss the current challenges of banking sector in the Sudurpaschim region of Nepal. Mr. Upendra Poudyal, the former NBA President, who was invited as a special guest, shared his insights and expertise on various important aspects of banking.



Other Provincial Engagements

- ▶▶ May 9, 2023 - NRB Provincial Office, Biratnagar conducted an interaction program on "Anti-Money Laundering and Counter Finance Terrorism." BFI's head of Koshi Province attended the program.
- ▶▶ May 10, 2023 - NRB Provincial Office, Pokhara conducted an interaction program on "Banknote Processing". Gandaki province heads attended the program.
- ▶▶ May 12, 2023 - NBA Sudurpaschim and Banker's Club Dhangadhi jointly organized friendly provincial futsal tournament.
- ▶▶ May 14, 2023 - Interaction program on "Making BFIs Disabled Friendly" was organized by NRB Provincial Office, Pokhara Office. NBA Gandaki Coordinator attended the program.
- ▶▶ May 23, 2023 - NRB Provincial Office, Pokhara organized an interaction program on "Financial Sector Coordination Control" where NBA Gandaki Coordinator attended the program.
- ▶▶ May 24, 2023 - International Finance Corporation (IFC) organized an interaction program on "Financial Sector at Provincial Level" where all Lumbini Province Heads attended the program.
- ▶▶ May 30, 2023 - International Finance Corporation (IFC) organized an interaction program on "Financial Sector at Provincial Level" where all Madhesh Province Heads participated.
- ▶▶ June 6, 2023 - Nepal Insurance Authority organized an interaction program on "Banking Sector with Insurance". Gandaki Province Heads attended the program.
- ▶▶ June 18, 2023 - NRB Provincial Office, Surkhet organized an interaction program on Current Banking Issues where Karnali Province Heads and Branch Managers were invited.



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