



Development Bank Supervision Report

2016



Nepal Rastra Bank

Baluwatar, Kathmandu, Nepal

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Development Bank Supervision Department

Nepal Rastra Bank,

Central Office,

Baluwatar, Kathmandu,

Nepal

P.O. Box No.73

E-mail: dbsd@nrb.org.np

Table of Contents

An Overview of Development Banks in Nepal	5
Nepal Rastra Bank as a Regulator and Supervisor	7
The Development Banks	8
Access to Banking Services and Branch Network	9
Assets Size of Banks and Financial Institutions	10
Existing Acts, by-laws and guidelines	10
DEVELOPMENT BANK SUPERVISION	12
Supervision Function	12
Development Bank Supervision Department	12
Supervision Methodology	12
Organization of Development Bank Supervision Department	13
On-site Inspection Unit	13
Off-site Supervision Unit	16
Cash Reserve Ratio (CRR)	18
Directed Lending (Deprived Sector Lending)	18
Statutory Liquidity Ratio (SLR)	18
Capital Adequacy Ratio (CAR)	19
Policy, Planning and Forward Looking Analysis Unit	19
Enforcement Unit	19
Internal Administration Unit	19
OPERATIONAL PERFORMANCE OF DEVELOPMENT BANKS	20
Assets of the Development Banks	20
Composition of Assets	20
Composition of Liabilities	21
Capital	22
Deposits	22
Loan and Advances	23
Sector-wise Loan and Advances	23
Security-wise Loan and Advances	25
Product-wise Loan and Advances	25
Non- Performing Loans	26
Non-Banking Assets	27

Investment	27
Earnings.....	28
Liquidity.....	29
Deprived Sector	30
Actions and Penalties.....	30
Annex 1	33
List of Development Banks (As of mid July, 2016)	33
Numbers of Financial Institutions	34
Annex 2: Onsite Inspection Detail for F/Y 2015/16	35
Annex 3: Special Inspection of Development Banks (FY 2015/16)	36
Annex 4: Follow up Inspection of Development Banks (FY 2015/16).....	36
Annex 5: International Training and Seminar Participation from DBSD (FY 2015/16)	36
Annex 6: Circulars issued to Bank and Financial Institutions (FY 2015/16).....	38
Annex 7 : Organization Chart of Development Bank Supervision Department.....	39
Annex 8: Major Indicators of Development Banks (F/Y 2015/16).....	40
Annex 9: Industry Statistics.....	51
Annex 9.1: DB's Operations: (Mid July 2014).....	51
Annex 9.2: Capital Fund	51
Annex 9.3: Deposit Mix	51
Annex 9.4: Non Performing Loan.....	51
Annex 9.5: Non Banking Assets.....	51
Annex 9.6: Investment	52
Annex 9.7: Liquid assets to Deposits & Liquid assets to total assets.....	52
Annex 9.8: Operation efficiency of Development Banks	52
Annex 9.9: Consolidated financial figures of Development Banks	53

List of Figures

Figure 1.1: Number of Development Banks in Nepal	6
Figure 1.2: Region wise distribution of DB Branches (Mid July 2016).....	9
Figure 1.3: District and Zonal presence of DB's (Mid July, 2016)	9
Figure 3.1: Total Assets of Development Banks (Mid July 2016).....	20
Figure 3.2: Composition of Assets of Development Banks (Mid July 2016)	21
Figure 3.3: Composition of Liabilities of Development Banks (Mid July 2016)	21
Figure 3.4: Capital Funds of the Development Banks (Mid July).....	22
Figure 3.5: Deposit Mix of the Development Banks (Mid July)	22
Figure 3.6: Deposit Mix of the Development Banks (Mid July 2016)	23
Figure 3.7: Loan and Advances of the Development Banks (Mid July)	23
Figure 3.8: Non-performing Loans of the Development Banks (Mid July)	26
Figure 3.9: Non-banking Assets of the Development Banks	27
Figure 3.10: Investment Portfolio of the Development Banks (Mid July 2016)	28
Figure 3.11: Operating Efficiency of the Development Banks (Mid July)	29
Figure 3.12: Liquidity Position of the Development Banks	29

List of Tables

Table 1.1: List of Merged Development Banks	7
Table 1.2: Total Assets/Liabilities of Banks and Financial institutions	10
Table 2.1: Important Directives regarding Capital, Credit and Liquidity (effective for 2015/16).....	17
Table 2.2: DB's Penalized for Non compliance of CRR (FY 2015/16).....	18
Table 2.3: DB's penalized for Non compliance of Deprived Sector Lending (FY 2015/16).....	18
Table 2.4: DB's penalized for Non compliance of SLR (FY 2015/16).....	18
Table 3.1: Sector-wise Loan and Advances of the Development Banks.....	19
Table 3.2: Security Used to Secure Loan and Advances	24
Table 3.3: Product wise Loan and Advances.....	25
Table 3.4: List of Development Banks that Reported losses (FY 2015/16).....	26

Acronyms Used

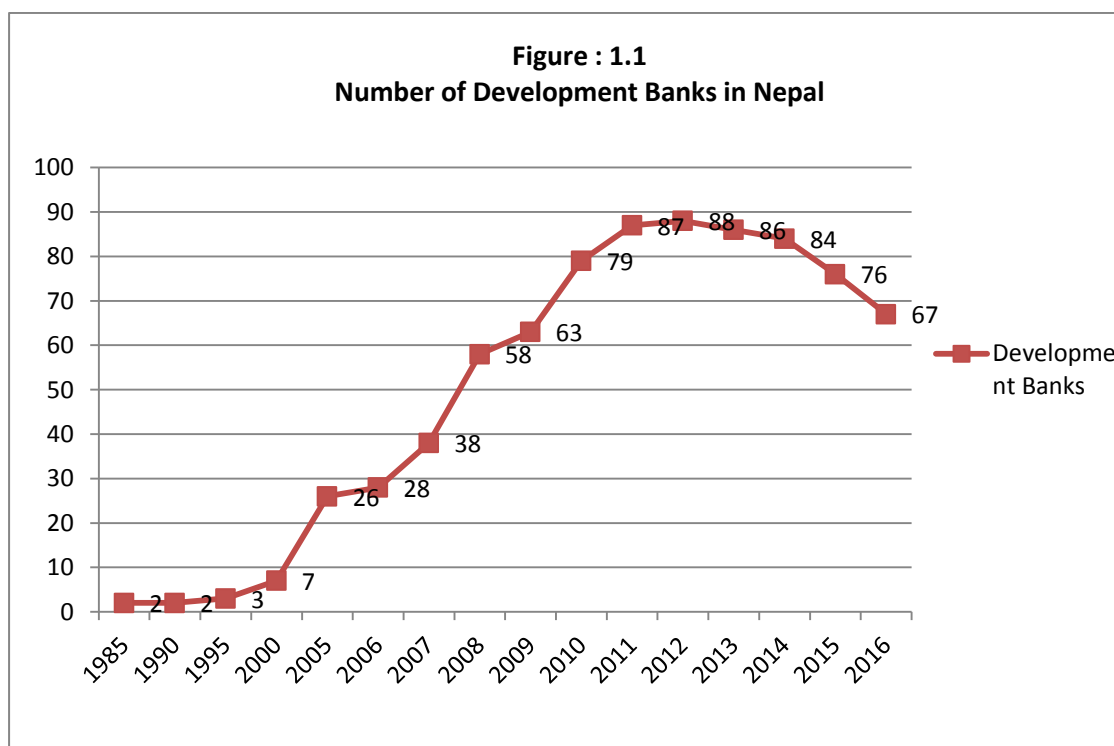
ADB/N	:	Agricultural Development Bank Limited, Nepal
BAFIA	:	Bank and Financial Institutions Act
BFI	:	Bank and Financial Institution
BSD	:	Bank Supervision Department
CRR	:	Cash Reserve Ratio
DB	:	Development Bank
DBSD	:	Development Bank Supervision Department
KYC	:	Know Your Customer
NBA	:	Non-Banking Asset
NBL	:	Nepal Bank Limited
NFRS	:	Nepal Financial Reporting System
NIDC	:	Nepal Industrial Development Corporation
NPL	:	Non-performing Loan
NRB	:	Nepal Rastra Bank
RWA	:	Risk Weighted Asset
SLR	:	Statutory Liquidity Ratio
STR	:	Suspicious Transaction Reporting
SSA	:	Simplified Standardized Approach

An Overview of Development Banks in Nepal

- 1.1 Nepal has a short history of the modern banking practices that starts from the establishment of Nepal Bank Limited as a first formal banking institute in 1937 AD. The establishment of Nepal Rastra Bank in 1956 as a central bank gave new dimension to Nepalese financial system. Nepal adopted financial sector liberalization process during 1980s. With the introduction of economic liberalization policy in 1984, banking sector got opportunity to expand, grow, add new facilities and introduce modern technology in banking service. As a result, many joint-venture and private banks entered into the financial market. Along with commercial bank, NRB allowed to open development banks, finance companies and financial institutions with the objective to increase people's access to financial institution. NRB has categorised licensed banks and financial institutions (BFIs) in four categories namely, Commercial Banks as 'A class', Development Banks (DBs) as 'B Class', Finance Companies as 'C Class' and Micro Credit Financial Institutions as 'D Class' respectively. These institutions are regulated, supervised and monitored by Nepal Rastra Bank (NRB) as per Nepal Rastra Bank Act 2058.
- 1.2 The history of DBs in Nepal commence with an establishment of Industrial Development Bank with total government ownership. It was converted into Nepal Industrial Development Corporation (NIDC) in 1959 AD. Nine years later, Agricultural Development Bank Nepal (ADB/N) was established with a motive to develop and support agricultural growth of the country.
- 1.3 Bank and Financial Institution Act (BAFIA) 2006, an umbrella act enacted in unified form which abolished five other acts related to bank and financial institutions.
- 1.4 Till 1995 AD, the development banking industry was still in a passive stage with few players in operation. However, after 1999 AD, there had been a steady increase in the number of DBs along with other financial institutions for next 13 years. The year 2012 AD reported all time highest 88 DBs.
- 1.5 Opening of banks and financial institution however was not enough to address the NRB's motive to promote financial inclusion and development. Majorities of bank and financial institution were concentrated in urban area and are having ruthless competition to same chunk of small market. The overcrowding presence of BFIs in urban area lead to unproductive lending, severe banking offence activities, and results to collapse of some BFIs. NRB realized the situation and stopped licensing to 'A','B' & 'C' category institutions in 2009 AD. For the same objective, NRB also launched Merger Bylaw 2068, Acquisition Bylaw in 2070 which was introduced after in a united form as Merger and Acquisition Bylaw 2073. The objective of merger and acquisition was to resize and adjust the number of BFIs to the efficient and strong by consolidating the existing BFIs

effectively and efficiently. In the recent years, the number of DBs is decreasing due to the merger and acquisition as per the NRB expectation. As of mid July 2016, there were total 67 DBs in Nepal, with 22 'National Level' DBs, 9 'Ten Districts Level', 25 'Three Districts Level' and 11 'One District Level' operating within their jurisdictions.

1.6 The figure below shows the trend of number of development banks in Nepal. The growth of financial institutions in Nepal is summarized in Annex 1



1.7 NRB has encouraged merger and acquisition of BFIs in order to enhance the capability of BFIs and also to promote financial sector stability. NRB has mandated 'A', 'B' and 'C' class banks and financial institutions to enhance capital by four times by the end of FY 2073/74. Thus, in order to meet this requirement, the merger and acquisitions among BFI's have been vibrant in the recent times that absolutely minimize the number of BFIs and develop their robustness at the same time. At the end of FY 2072/73 the total number of B-class institutions reduced to 67. In the review year, following DBs have merged or acquired to form new BFIs.

Table 1.1
List of Merged Development Banks
(As of mid July, 2016)

Merged BFIs	Name after Merger/ acquisition
Gorkha Development Bank Ltd Kathmandu Finance Ltd	Gorkhas Finance Limited
NMB Bank Ltd. Pathivara Bikas Bank Ltd. Bhrikuti Bikas Bank Ltd Clean Energy Development Bank Ltd. Prudential Finance Company Ltd.	NMB Bank Ltd.
Business Universal Development Bank Ltd. Siddhartha Bank Ltd.	Siddhartha Bank Ltd.
Paschimanchal Development Bank Ltd. Mega Bank Ltd.	Mega Bank Ltd.
Ekata Bikas Bank Ltd. Siddhartha Development Bank Ltd. Nepal Aabas Finance Ltd	Siddhartha Development Bank Ltd.
Gaumukhi Bikas Bank Ltd. Shine Resunga Development Bank Ltd.	Shine Resunga Development Bank Ltd.
Kailash Bikas Bank Ltd Metro Development Bank Ltd Nepal Express Finance Ltd.	Kailash Bikas Bank Ltd.
City Development Bank Ltd Om Finance Comany Ltd	Om Development Bank Ltd (upgraded to national level from 10 district level)

Nepal Rastra Bank as a Regulator and Supervisor

Nepal Rastra Bank Act, 2002 grant full authority to the Nepal Rastra Bank regarding regulation, inspection, monitoring and supervision of the banks and financial institutions. The operational provisions for BFIs are interpreted in Bank & Financial Institutions Act, 2006. The preambles of NRB act states:

Whereas, it is expedient to establish a NRB to function as the Central Bank to formulate necessary monetary and foreign exchange policies, to maintain the stability of price, to consolidate balance of payment for sustainable development of the economy of Nepal, and to develop a secure, healthy and efficient system of payment; to appropriately regulate, inspect and supervise in order to maintain the stability and healthy development of banking and financial system; and for the enhancement of public credibility towards the entire banking and financial system of the country.

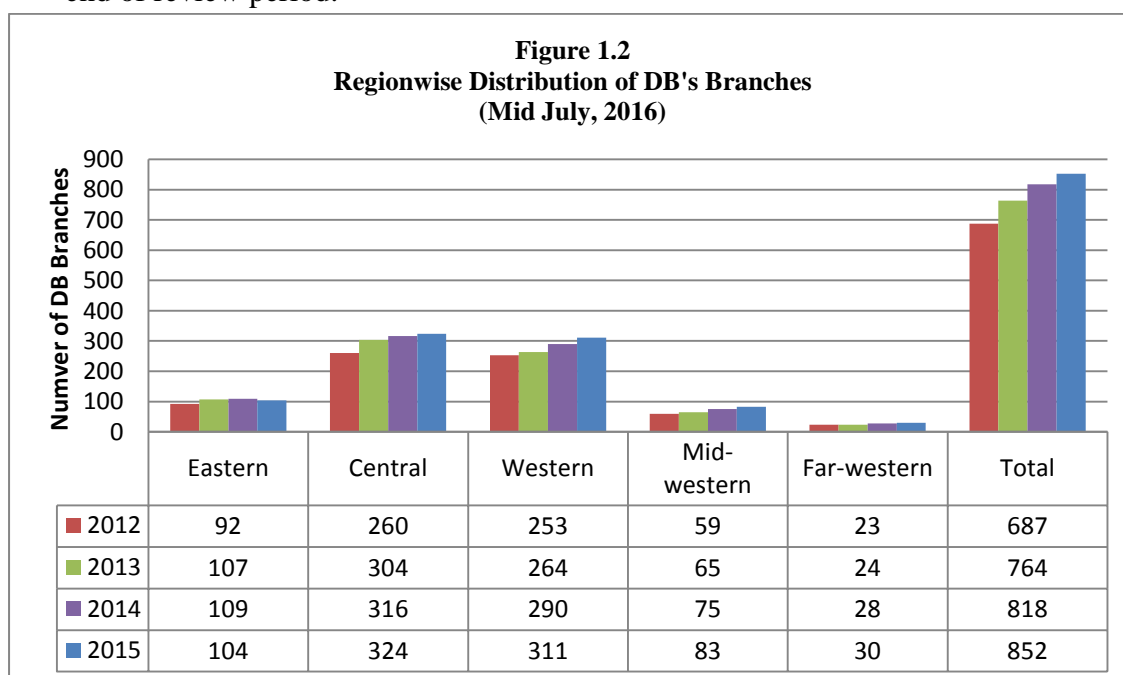
- 1.1 Section 84, subsection (2), of the Nepal Rastra Bank Act, 2002 states that NRB may at *'any time, inspect and supervise or cause to inspect and supervise any of the offices of commercial banks or financial institutions.*
- 1.2 Similarly, the Bank and Financial Institution Act, 2006 empowers NRB to regulate and supervise the BFIs. Section 49, subsection (1) of the Act states *'The Nepal Rastra Bank shall have full powers to regulate and systematize the functions and activities of licensed institutions.'* Also section 52, subsection (1) of the act states *'The Nepal Rastra Bank may inspect and supervise, or cause to be inspected and supervised, any office of a licensed institution at any time.*
- 1.3 As a regulator and supervisor of BFIs, NRB has been continuously formulating and implementing various policies, guidelines and directives to the licensed institutions, adopting international best practices and norms. A dedicated department "Bank and Financial Institutions Regulation Department" is set in NRB's organizational structure to regulate policies, directives and guidelines.
- 1.4 As a supervisor, NRB supervises the activities of the licensed banks and financial institutions based on the existing legal framework, directives and guiding polices. To discharge the responsibilities of supervisor, NRB has set four departments, as per the class of institution, in its structure viz. Bank Supervision Department (BSD) for 'A Class' Banks, Development Bank Supervision Department (DBSD) for 'B Class' Developments Banks, Finance Company Supervision Department for 'C Class' Finance Companies and Micro Finance Promotion and Supervision Department for 'D Class' Micro Finance Institutions.
- 1.5 Regulation and supervision of the financial system is a key tool for the safeguarding of financial stability. Taking this into consideration, NRB continued to centre of attention on proactive regulation and supervision. DBSD in line of NRB aims to become more proactive with regulatory and supervisory mechanisms that are forward looking and analytical.

The Development Banks

- 1.8 As at mid July 2016, there are 67 DBs operating in development industry comprising of 22 in 'National Level' DBs, 9 in 'Ten Districts Level', 25 in 'Three Districts Level' and 11 in 'One District Level' working areas. The detail of DBs is stated on Annex 1.

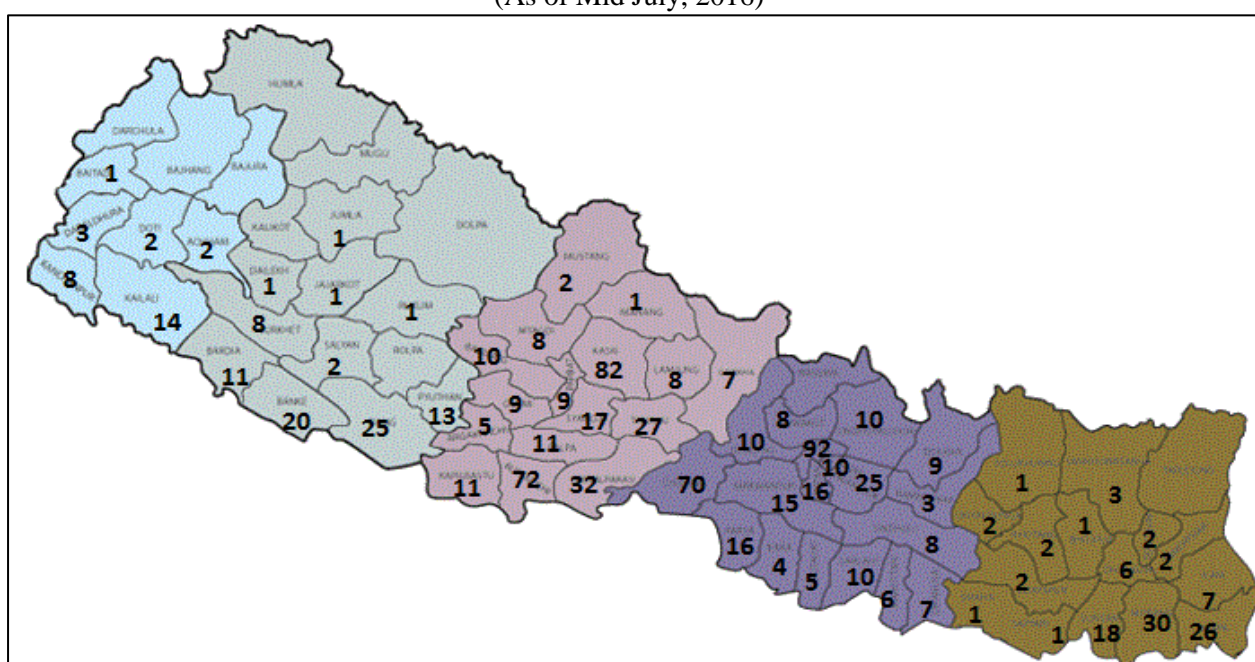
Access to Banking Services and Branch Network

1.1 The total number of DBs branches stood 852 in mid-July 2016. NRB has been encouraging BFIs to open branches to rural areas in order to increase the financial access. While the numbers of DB branches are increasing each year, chunk of banking services is still concentrated in urban areas. Bagmati Zone has largest number of DBs branches, 171, followed by Gandaki 142 and Lumbini 140, while Karnali has a single DBs Branch till the end of review period.



(Source: Bank and Financial Institutions Regulation Department, NRB)

Figure 1.3
District and Zone presence of DBs
(As of Mid July, 2016)



1.2 Table Considering the district-wise operations, Kathmandu have highest number of branches with 92, Kaski stand in the second position with 82 branches each and Rupandehi and Chitwan are in third and fourth position respectively with 72 and 70 branches. On the contrary, 10 districts do not even have a single DB branch and 10 districts have only a single DB branch. As depicted in the picture above, the numbers of DB branches have a dominating presence in Terai districts and clustered in urban areas of central and western hills. While, mid western and far western regions have a limited presence of DBs.

Assets Size of Banks and Financial Institutions

1.3 The respective shares of BFIs (licensed by NRB) in the total assets of banking industry as of Mid July for five consecutive years are depicted in the [table 1.3](#).

Table 1.2
Total Assets/Liabilities of banks and financial institutions
(Mid July 2015)

Banks and Financial Institutions	Share Percentage					
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Commercial Banks	75.3	77.3	78.2	77.9	78.73	79.74
Development Banks	12.0	12.4	13	13.7	13.34	12.81
Finance Companies	10.9	8.2	6.6	5.8	4.79	3.77
Micro Finance Development	1.8	2.2	2.2	2.6	3.14	3.68
Total	100	100	100	100	100	100

(Source: Bank and Financial Institutions Regulation Department, NRB)

1.4 Table 1.3 shows the dominance of commercial banks, with the share of 79.74 percent of total assets of Nepalese banking industry, while the DBs have 12.81 percent total assets in mid July 2016. From 2010/11 to 2013/14, the total share of DBs sees increasing but from 2013/14 to 2015/16 the same is seen decreasing on point to point basis.

Existing Acts, by-laws and guidelines

1.5 As a Central Bank of Nepal, NRB has a clear mandate to regulate, supervise and monitor the banks and financial institutions in Nepal. NRB continuously issues regulations, circulars and guidelines and amends directives issued to the licensed BFIs as per the requirement. Likewise, NRB continuously conducts onsite inspections and offsite supervisions both on a regular and need-based ways to assess their compliance with the existing laws, regulations and prudential norms.

1.6 The following are the key documents that guides NRB's regulatory and supervision function:

- Nepal Rastra Bank Act, 2002
- Bank and Financial Institutions Act, 2006
- Company Act, 2006
- Bank and Financial Institution Debt Recovery Act, 2000
- Banking Offense and Punishment Act, 2007
- Asset (Money) Laundering Prevention Act, 2008

- Act Relating to Institutions Acting as Financial Intermediary, 1999 (Amended, 2002)
- Foreign Exchange (Regulation) Act, 2019
- Insolvency Act, 2063
- Secured Transaction Act, 2063
- Nepal Rastra Bank, Inspection and Supervision By-Laws, 2013
- Nepal Rastra Bank, Banks and Financial Institutions Prompt Corrective Action **By-rule**, 2007
- Unified Directives to Licensed Bank and Financial Institutions
- New Capital Adequacy Framework, 2007 (Updated, 2008)
- Monetary Policy
- Banking Service Fee Guidelines
- Risk Management Guidelines, 2010
- Stress Testing Guidelines, 2012
- Internal Capital Adequacy Assessment Process - ICAAP Guidelines, 2012 (Updated 2013)
- Information Technology Guidelines, 2012
- Other circulars issued for the BFIs

Apart from above, NRB regularly issues circulars to BFIs on a need basis. The details of circulars issued during the review period are summarized in Annex 6.

DEVELOPMENT BANK SUPERVISION

Supervision Function

2.1 With the legal jurisdiction defined by Nepal Rastra Bank Act, 2002 and the Bank and Financial Institution Act, 2006, NRB regulates, supervises and monitors the licensed Banks and Financial Institutions (BFIs). Supervision bylaw, manuals, guidelines, directives and circulars are the main basis of supervision that promotes the fair banking practice in the country. Supervision is an important component of banking system as it promotes prudent banking system by continuous feedback and monitoring of BFIs. Regular supervision and monitoring effort provides the early warning signals (EWS) and proactive measures to maintain overall financial stability.

Development Bank Supervision Department

2.2 The DBSD is responsible for executing the supervisory policies and practices as per governing laws, regulations and policies. The DBSD prepares an annual onsite supervision plan before the new calendar year and supervises banks as per the plan approved by the Governor. The supervisory process includes mainly full-fledged on-site examination once a year, and, special inspection, targeted inspection and follow up inspection as per requirement. An onsite inspection is supported by an offsite supervision function which is responsible for continuous monitoring the financial statements of DBs and develops the indicators related to financial soundness and stability. Offsite supervision section regularly observes the early warning signals and ensures that the DBs to comply all regulatory norms and compliance along with managing the overall inherent risks adequately. Furthermore, enforcement system facilitates correction if any and continuously monitors the progress regarding the corrective action for the remarks and observations made by onsite inspection. The DBSD is responsible for carrying out inspection and supervision of all DBs licensed by NRB. The work division and staff composition is detailed in organization structure in Annex 7.

Supervision Methodology

2.3 The DBSD continues to adopt and implement the core principles framed by the Basel Committee on Banking Supervision (BCBS). Onsite inspection is mainly compliance based for all DBs. However, DBSD will adopt Risk Based Supervision (RBS) Approach from next fiscal year on a parallel run for national level development banks. Further, NRB has adopted the Simplified Standardized Approach (SSA) based on BASEL II principles for offsite reporting of national level DBs. The regional level DBs are still observed under BASEL I core principles. Though supervision is compliance based, the different elements of CAMELS (Capital Adequacy, Asset Quality, Management Competence, Earning, Liquidity, and Sensitivity to Market Risk) are closely observed to assess compliance, stability, sustainability, governance and overall risk exposure of "B - class" institutions.

DBSD collects and compiles information regarding liquidity and monitor the liquidity position of DBs on a daily basis. It also reviews and analyses returns of DBs and prepares reports to detect emerging problems and early warning signals. The returns are used to evaluate the exposure to risks and the effect that could have on profits. The statutory returns are the basis for computing basic ratios (financial soundness indicators) to analyze capital adequacy, assets quality, earnings, liquidity and sensitivity to market risk (CAELS). Beside it, DBSD also reviews and analyze the audited financials of DBs and provide approval for dividends as well as clearance for publicity of audited financials through AGM of DBs with proper feedback if required. Adequate numbers of return forms are used to receive the data from BFIs. DBs are encouraged to follow Stress Testing System for proper management of assets and liabilities.

Organization of Development Bank Supervision Department

2.4 The department closely co-ordinates with BSD when further complement is required from on a need based approach. As per NRB Inspection and Supervision Bylaw, 2013, DBSD is organized into following five units: The DBSD comprises of Internal Administration Unit, Policy Planning and Forward Looking Analysis Unit, On-site Reports and Coordination unit, Off-site Supervision Unit and Enforcement Unit.

On-site Inspection Unit

2.5 Onsite inspection of DBs is conducted as per the approved annual plan based on the Onsite Inspection Manual.

2.6 The on-site examinations include:

- *Initial examination*, generally conducted within six months of commencement of operation for a newly established institution.
- *Routine full-fledged*, corporate-level inspection, which is the regular examination, generally carried out once in a year.
- *Targeted inspection*, which addresses on specific areas of operation or transaction.
- *Special inspection*, carried out based on offsite reports, press charges, legal charges or any information obtained from external sources that come as a complaint against company's action, undertaken against general welfare of public interest. The special inspection undertaken by the department in the review year is summarized in Annex 3.
- *Follow-up* inspection is carried out to examine on adherence on the enforcement instructions given to institution in a previous inspection. The follow-up inspection undertaken by the department in the review year is summarized in Annex 4.

2.7 The on-site examination unit obtains feedback from the offsite unit, analyzes past inspection reports and reviews current financial figures of DBs before commencement of onsite inspections. A typical inspection team analyzes the compliance with the regulations and guidelines issued by NRB, contemporary laws and approved act, guidelines and manuals of the same DB. Issues with corporate governance are scrutinized in a detailed manner as well. The findings of the onsite inspection is communicated to respective DB institutions and directed to address in the areas that requires further compliance and improvement. This is further complemented by off-site supervision and enforcement unit to strengthen the capacity of an organization. The on-site inspection undertaken in the review year is summarized in Annex 2.

2.8 The major shortcomings as well as non-compliance observed at the DBs during on-site examinations in FY 2015/16 are summarized as follows:

2.8.1 **Capital Adequacy:**

- Errors in calculation of Risk Weighted Asset (RWA).
- Lack of proportional capital increments as per NRB Directives.
- Insufficient provisioning for credit and investment which creates pressure in CAR.
- Omitted the capital charge for operational risk while calculating RWA.
- Mistakes on calculating irrevocable loan commitment while calculate RWA.
- Lack of deducting the fictitious assets, related parties lending, lease expenditure and investment in related business activities.

2.8.2 **Asset Quality:**

- Lack of adequate documents in credit files (e.g. credit information report, tax clearance certificate, audited financial statements of the borrower, stock and project inspection report, valuation report, cash flow, inadequate insurance of collateral and assets, etc.).
- Match in purpose and types of loans are (e.g. DBs are providing overdrafts loans to finance purchase of fixed assets such as land and building or development of real estate. Personal loans are disbursed without proper assessment of the purpose. Size of loan has found extending year by year while no change in the size and transaction of business even somewhere to settle the existing loan. Term loans issued without identifying the needs of borrower.
- Non-compliance of NRB Directives regarding credit information and multiple banking. Credit information was not followed prior to renewal or extension of facilities. Not paying adequate attention to the parties enjoying multiple banking credit facilities. Pari-Passu is not taken as per Unified Directives, Direction 2(32) and DBs are lacking to report multiple banking credit facilities as per Unified directives, Annex 2.5.
- Regular business and stock inspection is lapsing for working capital type loans.

- The information contained in audited financial statement and other relevant documents are varying. Sales, tax provision are not matched between audit report and tax clearance certificate.
- DBs are lacking information system that can report all the related parties under one group showing its group exposure so a true picture of Sol calculation doesn't seen and no groups reporting have been done as per Unified Directives, Annex 2.2.
- Wrong categorization of credit for provision purpose, under reporting of provisions, loan ever greening and window dressing.
- Insufficient analysis of borrower's background and need of credit. Know-your-customer (KYC) not observed as per NRB guidelines.
- Contradiction in Credit Policy Guidelines (CPG) with Nepal Rastra Bank directives, reluctance to modify it.
- Irregularities in Credit Management Practice, lack of proper mechanism to Identify, Measure, Monitor and Control the risks.
- BOD decisions against policy guidelines and manuals.
- Lack of adequate disclosure and transparency regarding fees, interest rate, penalties and other tariffs.
- Lapses in valuation of collateral in case of rates, ownership pattern and road access.
- Lack of monitoring in case of deprived sector loan, excess reporting and misreporting of deprived sector loans.
- Renewal process of the credit files is observed sluggish and several files are found with periodic extension or temporary renew.

2.8.3 **Management:**

- Lack of strategic plan, medium term business plans, risk management policies and procedures, succession planning and other policies which are essential for the effective management. Lack o timely review of the existing policies.
- Weak and inadequate human resources management practices. Lack of best practices in terms of staff recruitment and selection.
- Inadequate qualification and experiences of board members. Insufficient quorum of BOD. Board is functioning mere like a credit committee spending most of the time in discussion of credit files rather than policy making.
- Inadequate MIS, IT infrastructure, Disaster Recovery Site (DRT), information security policy, weak data access control.
- Lapses in internal control and less effective internal audit as well as weak compliance department. Non-compliance of issues raised in internal audit reports, NRB reports and directive.
- Inadequate efforts made to recover written off loans and black listing process not initiated timely.
- Discriminating decisions made for waiving interest, penal interest and other fees.

2.8.4 **Earning**

- Issues on income recognition, lack of diversification in income.
- Higher interest spread rate.
- Non-compliance of service fees related guidelines.
- Unplanned and irrational expenses.

2.8.5 **Liquidity:**

- Weaknesses in monitoring liquidity profile and gap analysis.
- Heavy gap in short term asset and liabilities and no revival plan.
- Lack of proper liquidity management plan in tough times.

2.8.6 **Sensitivity To Market:**

- Investment Policy not formulated/implemented.
- Incompetency to analyse external market conditions.
- Weak board oversight regarding the overall inherent risks.

2.8.7 **Others:**

- Threshold Transaction Reporting (TTR) is lacking proper analysis and reporting is limited to the regulatory requirements.
- DBs are lacking to maintain suspicious transaction reporting at the operation level of branch offices. Staffs are not adequately trained regarding STR and lower numbers of staffs are deputed in branch offices.
- Lack of defined methodology and mechanism to identify the Beneficial Owner and the Politically Exposed Persons (PEPs).
- Lack of Risk Identification, Measurement, Monitoring and Control (IMMC).

Off-site Supervision Unit

2.9 The offsite supervision unit carries out off-site surveillance of the DBs. The core objective of this function is to conduct periodic financial reviews of DBs in order to identify potential problems and to assess whether an organization is in compliance as per directives and laws.

2.10 The off-site supervision unit is responsible for supervision of DBs operations on the basis of returns submitted, review data and deal with the deviations if any. The unit also monitors key ratios of each DBs and submit the quarterly consolidated report. Another important function of an offsite supervision unit is approval of audited financials for disclosure purpose through AGM. It also works for accuracy of proposed dividend of DBs. Apart from these, the unit reviews compliance in terms of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Productive Sector Lending and Deprived Sector Lending and impose fine as per directive in case of non-compliance. Table 2.2 shows important directives issued for compliance during the review year.

Table 2.1

Important Directives regarding Capital, Credit and Liquidity (Effective for 2015/16)

SN	Particulars	Rate or Percentage	Days/Month	Remarks I	Remarks II
1.	Minimum Capital fund "A" class	Core Capital =6% & Capital Fund =11%		Minimum capital fund to be maintained based on the risk-weight assets (percent)	
	"B" class & "C" class	Core Capital = 5.5% & Capital Fund = 11%			
2.	Refinance Facility (i) General Refinance Hydro, Agro, productive and, infrastructure industry or business run by youths returned from abroad.	4%	Max. 6 months	Cannot charge more than 9% to customers	i. provided against good loan.
	(ii) Special Refinance Sick industries, Cottage & small industries, foreign emp. Small business run by <i>Dalits, janajati, utpidit</i> , women, deprive class and community	1%		Cannot charge more than 4.5% to customers	ii. not exceed the 80% of core capital of BFIS
	(iii) Export credit refinance	1%		Cannot charge more than 4.5%	iii. max. of 6 months.
	(iv) Small & Medium Ent. Refinance (limit up to 10 lakhs)	5%		Cannot charge more than 10% to customers	
	(v) Home loan to earthquake victims (Limit upto 25 lakhs for Kathmandu valley and upto 15 lakhs for outside Kathmandu valley)	0%		Cannot charge more than 2% to customers	
	(vi) Export on foreign currency	Libor + 0.25%			
3.	Bank Rate	7%			
4.	SLF Rate (For A, B & C)	Bank rate	Max. 5 days	Merger 30 days	Upto 90% against govt. T-Bills & Govt. Bonds
5.	Lender of Last Resort		Max. 6 months		Against deposit at NRB for CRR purpose/ Govt. Securities & Good loan
6.	Repo & Reverse Repos	Max. 21days			
7.	CRR "A" class	6%			
	"B" class	5%			
	"C" class	4%			
8.	SLR "A" class	12%			
	"B" class (taking call n current deposit)	9%			
	"C" class (taking call n current deposit)	8%			
9.	Deprived Sector "A" class	5%			
	"B" class	4.5%			

	"C" class	4%			
10.	Productive Sector lending "A" class in productive & Agriculture +Energy "B" & "C" class	20% & 12% 15% & 10%			

Cash Reserve Ratio (CRR)

2.11 BFIs are the backbone of the payment system and are the main agents of monetary policy. As an indirect monetary instrument, NRB uses CRR to control money supply in the economy, and for this NRB sets a minimum CRR for different class of institutions. CRR position of BFIs is monitored weekly. For DBs, the cash reserve ratio in the review period was 5 percent of total local currency deposits. Banks that fail to maintain such reserves should charge fines as per directives based on the bank rate. The penalty rate escalates for repeated violations. In the review year, following DBs were fined for not complying with CRR aforementioned.

Table 2.2
DB's penalized for non-compliance of CRR
(FY 2015/16)

S.No	Name of Development Bank	Area of Operation	Amount (Rs)
1	Kankai Bikas Bank Ltd.	3 Districts	5,298.46
2	Alpine Development Bank Ltd.	3 Districts	235.57

Directed Lending (Deprived Sector Lending)

2.12 BFIs are required to disburse prescribed portion of their total loan portfolio in the deprived sector as directed lending. DBs have a mandatory requirement to disburse 4.5 percent of total loan of six months previous quarter. The average deprived sector lending of the DBs is 6.82 percent in the review year. DBs that fail to maintain the minimum requirement in deprived sector lending as per regulatory requirement is entitled to monetary penalty. In the review year, following are the institutions that did not meet the minimum threshold for deprived sector lending and penalized were as follows:

Table 2.3
DB's Penalized for non-compliance of Deprived Sector Lending
(FY 2015/16)

S.N.	Name of Development Bank	Area of Operation	Amount
1	Fewa Bikas Bank Limited	National Level	1,72,624.30
2	Kankai Bikas Bank Ltd.	3 Districts	17,297.50

Statutory Liquidity Ratio (SLR)

2.13 DBs have a regulatory obligation to maintain statutory liquidity ratio (SLR) of 9 percent (including CRR) of their total domestic deposit liabilities. Failed to meet such obligation results in monetary penalties- computed on the basis of bank rate as per directives. During the review year following institutions did not comply with SLR directive and were penalized.

Table 2.4
DB's Penalized for non-compliance of SLR
(FY 2015/16)

S.N.	Name of Development Bank	Area of Operation	Amount
1	Fewa Bikas Bank Limited	National Level	12,79,829.07

Capital Adequacy Ratio (CAR)

2.14 The Capital Adequacy Framework requires BFIs to maintain minimum capital requirements where the DBs need to maintain at least 5.5 percent of core capital and 11 percent of Capital Fund. The minimum capital adequacy requirements are based on Risk Weighted Assets (RWA) of the DBs. The overall Core Capital Ratio of the DBs in the review year is 14.26 percent and Capital Fund is 15.19 percent.

Policy, Planning and Forward Looking Analysis Unit

2.15 The Policy, Planning and Forward Looking Analysis Unit reviews and formulates the annual plans of DBSD in line with NRB’s strategic plan. It also facilitates inter departmental communication and exchanges information relating to the department. The unit also reviews the progress of annual plan on a quarterly basis, analyses the periodical data of the industry and explores the best practices and emerging issues in a global supervision and regulation arena. Furthermore, this unit works with Policy, Planning and Analysis Unit of BSD to explore the areas of new initiatives and global practices on supervision. This unit also prepares quarterly and annual report for the department.

Enforcement Unit

2.16 Enforcement Unit is responsible for ensuring the compliance of directions given to the individual banks through the on-site reports and implementation of punishment related issues. This unit mainly prepares quarterly report of individual bank focusing on the major financial indicators and the compliance status of the given directions.

Internal Administration Unit

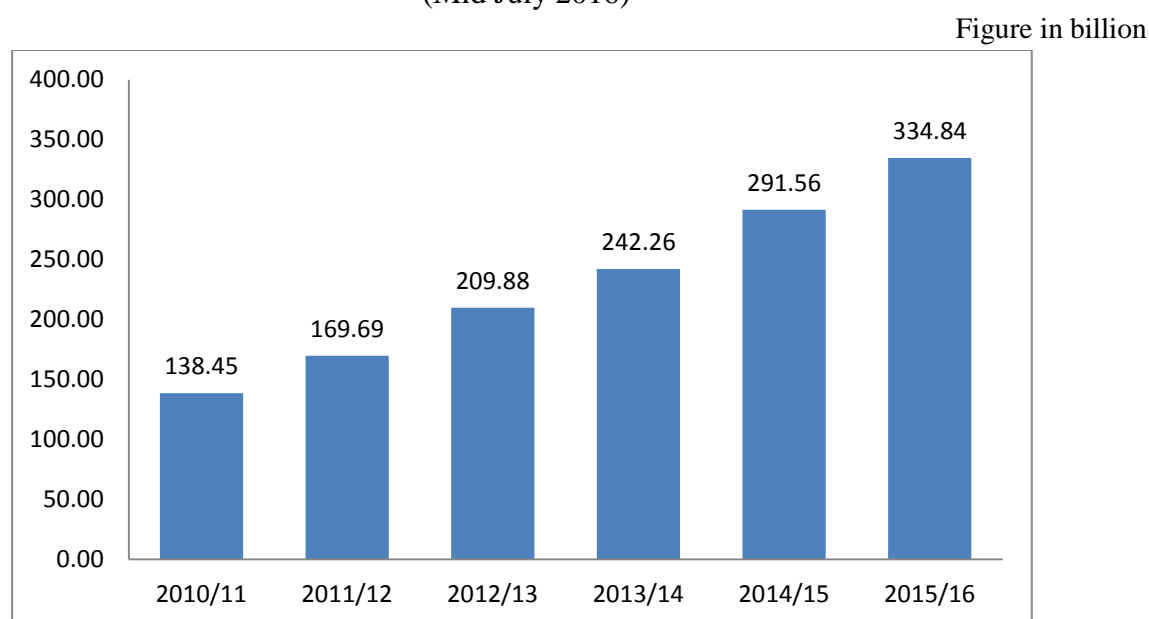
2.17 The Internal Administration Unit performs the functions related to human resources management and internal administration within the DBSD. It includes internal placement, issuance of travel orders, maintaining leave records and also serving as the back office. This unit also looks after procurement for the DBSD such as supply of office logistics and stationery in coordination with the General Services Department of NRB. This unit also carries out coordination to assist other units to carry out the functions more effectively.

OPERATIONAL PERFORMANCE OF DEVELOPMENT BANKS

Assets of the Development Banks

3.1 The total assets of the DBs have increased by 14.84 percent to Rs.334.84 billion in the review year from that of previous year. The same was as increased by 20.35 percent to Rs 291.56 billion in FY 2014/15 in comparison to FY 2013/14. The total assets of the DBs have increased mainly due to an increase in DBs loan portfolio. The loan and advances has increased by 20.22 percent. A part of it the cash balance, balance with NRB and money at call have also increased consecutively by 13.04 percent, 13.06 percent and 12.42 percent, Aggregate figures are shown in Annex 9.1 and 9.9.

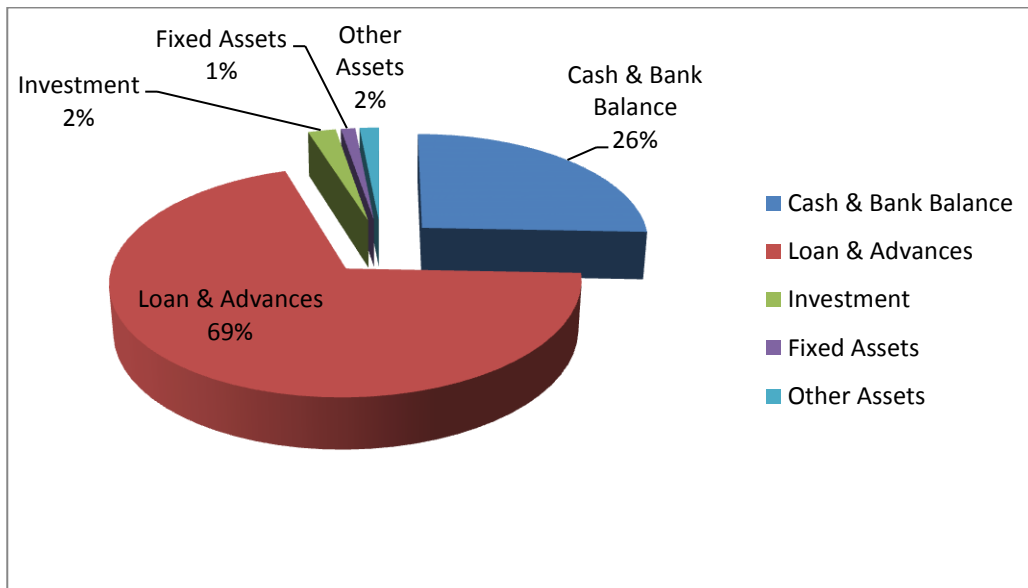
Figure 3.1
Total Assets of the Development Banks
(Mid July 2016)



Composition of Assets

3.2 The major portion of the assets of the DBs is covered by the loans and advances which comprises 69 percent of total asset i.e. Rs 232.59 billion, followed by cash and bank balance with 26 percent of total assets composition. Investment, fixed assets and other assets altogether craft 5 percent contribution on a total assets composition. Detail figures are shown in Annex 9.9.

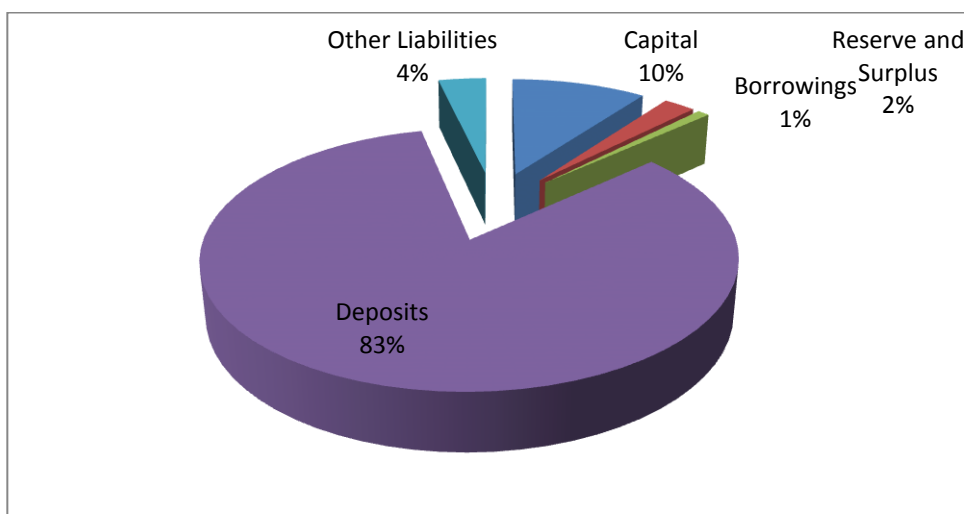
Figure 3.2
Composition of Assets of Development Banks
 (Mid July 2016)



Composition of Liabilities

3.3 The composition of liability is obtained by adding up various sources of funds like share capital, reserves, deposits and borrowings. In the review period, deposits were the largest component of liabilities accounting to 83 percent, i.e. Rs 278.20 billion. Detail figures are shown in Annex 9.9.

Figure 3.3
Composition of Liabilities of Development Banks
 (Mid July 2016)

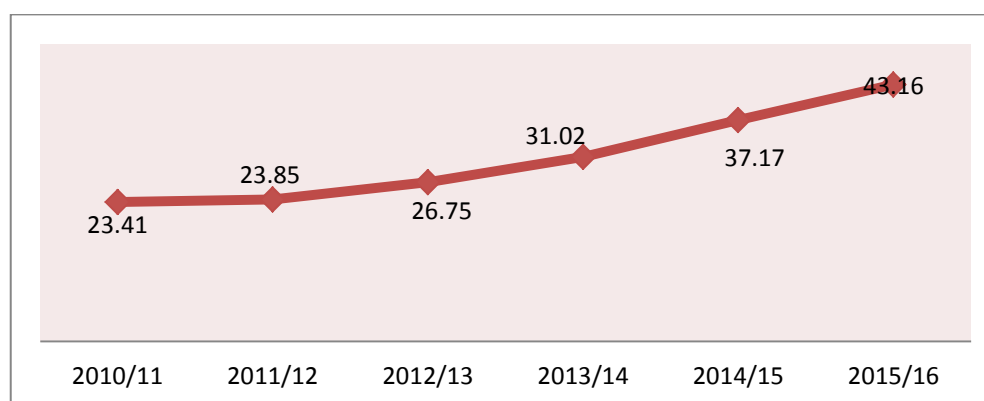


Capital

3.4 The consolidated total capital of the DBs showed a positive growth during the review year. Capital fund increased by 16.12 percent to Rs 43.16 billion in the fiscal year 2015/16. The same had increased by 19.83 percent and 15.96 percent in FY 2014/15 and 2013/14 respectively. The detailed figures are presented in Annex 9.2.

Figure 3.4
Capital Funds of the Development Banks
 (Mid July 2016)

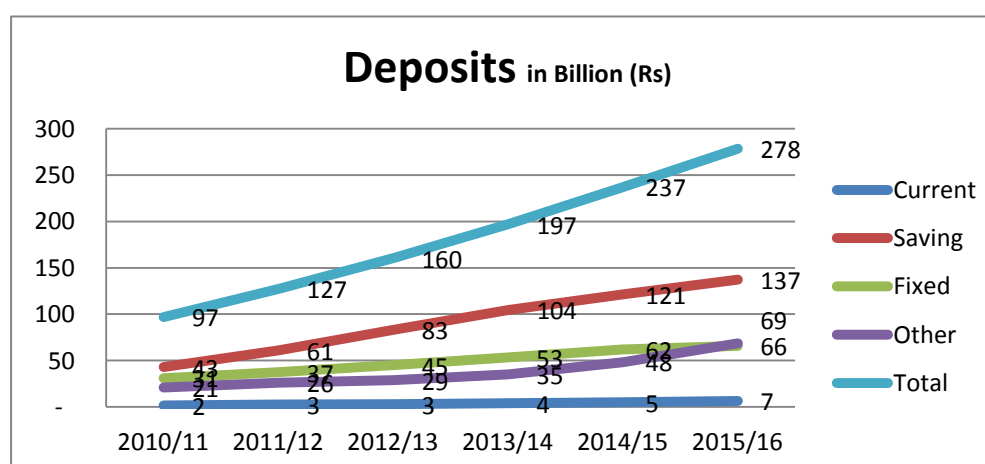
Figures on billion



Deposits

3.5 Total deposits of the DBs increased by 17.35 percent to Rs. 278.19 billion in mid-July 2016 compared to mid July 2015 where the aggregate deposits were Rs. 237.06 billion. Aggregate deposit figures are shown in Annex 9.1.

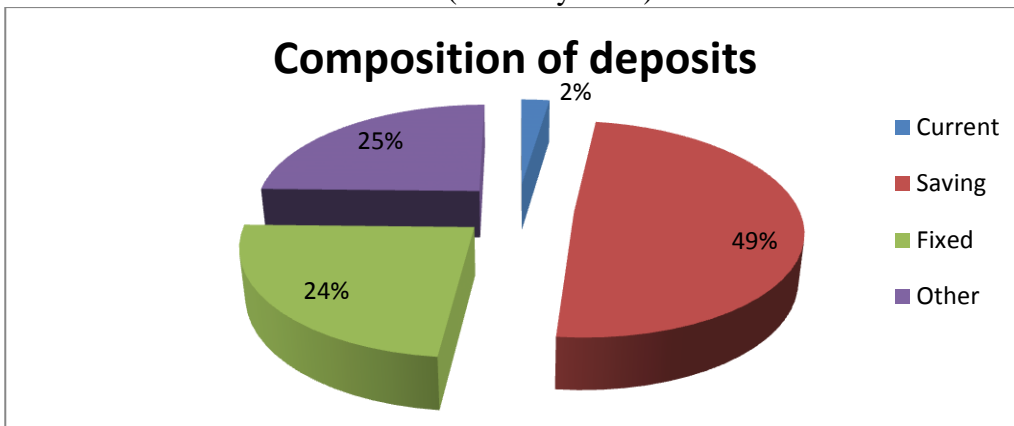
Figure 3.5
Deposit Mix of the Development Banks
 (Mid July)



In an aggregate scenario of DBs industry, saving and fixed deposits dominated the deposit of the DBs over the year. However, other deposit has overlapped the fixed deposit at mid-

July, 2016. It is due to increasing trend of call deposit. Saving deposits contributed about the half of total deposits with 49 percent while fixed deposits comprised 24 percent of total deposits and the other deposit including call, margin and other comprised 25 percent. The status of current deposit seems minimal i.e. 2 percent only. Detailed figures are shown in Annex 9.3.

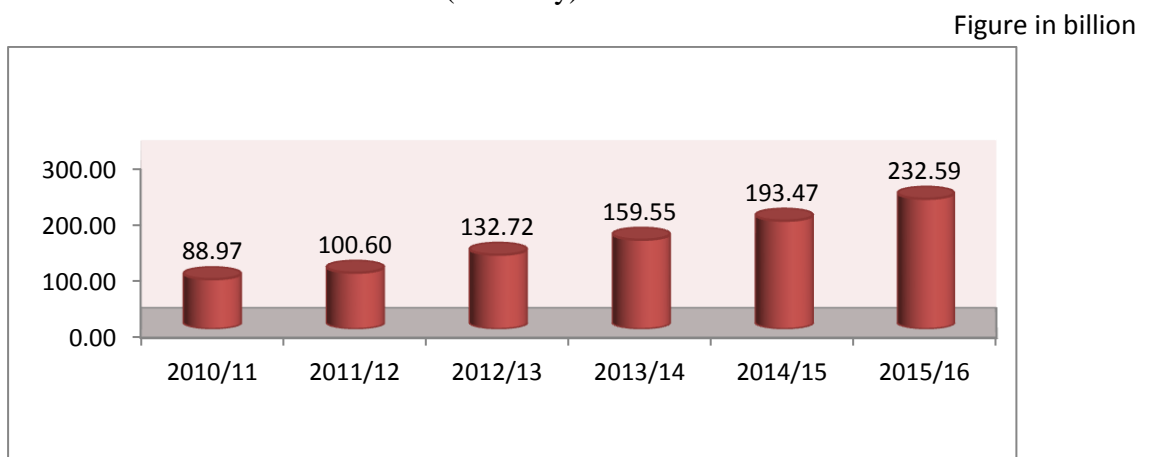
Figure 3.6
Deposit Mix of the Development Banks
 (Mid July 2016)



Loan and Advances

3.6 Loan and advances of the DBs increased by 20.22 percent to Rs. 232.59 billion in the review year compared to 21.26 percent growth to Rs 193.47 billion in the previous year. Of total Rs 232.59 billion in the review year, Rs 229.01 billion is performing loan while the rest 5.17 billion is non-performing loan. Detailed figures are shown in Annex 9.1.

Figure 3.7
Loan and Advances of the Development Banks
 (Mid July)



Sector-wise Loan and Advances

3.7 The DBs loans are diversified in different economic groups. For the review year, the highest concentration falls under wholesale and retail sector with 15.40 percent followed

by construction sector by 14.01 percent of total disbursement. The table below shows a declining trend on borrowing from Sector 5 (Manufacturing sector), sector 8 (Metal Products, Machineries, Electronics and Installation), Sector 9 (Transport, Warehousing and Communication) and Sector 10 (Wholesalers and Retailers) while, there is a gradual rise in borrowings by Sector 1 (agriculture and forest) owing to regulatory requirement. Further, Sector 6 (Construction) and Sector 17 (Others) are also in increasing trend. Table 3.1 shows Sector-wise loan and advances of the Development Banks.

Table 3.1
Sector-wise loan and advances of the Development Banks

S.No.	Sector	% of Total Loan (mid-July)					
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1	Agriculture Forest	2.87	3.65	4.70	5.21	6.24	6.52
2	Fishery	0.03	0.04	0.10	0.13	0.21	0.18
3	Mining	0.26	0.19	0.20	0.17	0.20	0.17
4	Agriculture, Forestry & Beverage Production Related	-	-	-	-	-	3.09
5	Non-food Production Related	-	-	-	-	6.33	3.23
5	Manufacturing	8.05	7.08	6.93	6.61	-	-
6	Construction	11.54	12.00	11.49	12.06	13.49	14.01
7	Electricity, Gas and Water	1.25	1.31	1.58	2.24	2.56	1.72
8	Metal Products, Machineries, Electronics and Installation	1.71	1.55	1.55	1.47	1.54	1.03
9	Transport, Warehousing and Communication	9.91	9.01	8.46	7.97	7.84	7.66
10	Wholesale and Retail	18.98	21.13	20.40	18.31	16.91	15.40
11	Finance, Insurance and Real Estate	10.73	9.87	9.48	7.91	6.95	6.98
12	Tourism (Hotel and Restaurant)	3.31	3.83	3.57	3.88	3.76	3.99
13	Other Services	6.08	5.32	4.74	4.89	4.50	4.03
14	Consumable Loans	5.78	6.08	7.36	7.87	8.09	7.31
15	Local Government	0.83	0.03	0.02	0.02	0.02	0.02
16	Others	18.67	18.90	19.37	21.26	21.37	24.67
	Total Loan	100.00	100.00	100.00	100.00	100.00	100.00

Source: Offsite Supervision Report 2073

* Manufacturing has been replaced by Food and non-food production related

Security-wise Loan and Advances

3.8 Of the total loans and advances disbursed by the DBs, loans being secured by property as collateral are widely used. In the review year, this comprised of 91.50 percent of the total loan disbursed. Portion of loan against guarantee has gradually increased for the last six year and reach 3.39 percent for the review year. All the other forms of security used are negligible hovering around 1 to 2 percent. Table 3.2 shows the security wise loan and advances position of the development banks as at mid-July 2015.

Table 3.2
Security used to Secure Loan and Advances

S.N.	Security	% of total loan (mid-July)					
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1	Gold and Silver	1.02	1.77	2.53	2.27	2.13	1.80
2	Government Bonds	0.02	0.05	0.02	0.00	0.01	0.00
3	Non Government Securities	1.70	1.52	1.52	1.97	1.72	1.99
4	Fixed Deposit	1.85	1.34	1.23	1.06	1.04	0.93
5	Property as Collateral	86.62	90.60	91.83	90.98	91.93	91.50
6	Security of Bills	0.03	0.01	0.02	0.00	0.01	0.00
7	Guarantee	1.53	1.74	1.98	2.24	2.78	3.39
8	Credit/Debit Card	0.00	0.00	0.00	0.00	0.00	0.00
9	Others	7.22	2.97	0.87	1.48	0.39	0.39
	TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: Offsite Supervision Report 2073

Product-wise Loan and Advances

3.9 The DBs have classified their loan products as per the NRB's directives. The highest portion of the loan and advances, i.e. 23.32 percent is covered by overdraft products. Similarly, term, demand and working capital loan comprises 16.01 percent, personal residential home loan is around 11.50 percent, and hire purchase loan is 10.17 percent respectively. There is a gradual rise of deprived sector loan in last six years owing to regulatory requirement. There is a steady rise in term loan in last six years but the portion of demand and other working capital loan is decreasing trend since last 4 years. Table 3.3 shows the composition of product wise loan and advances of the development banks for last five fiscal years.

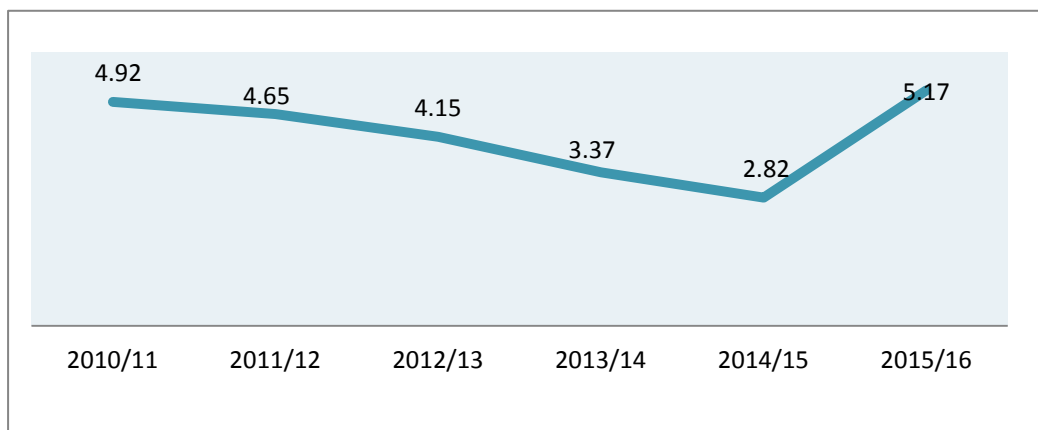
Table 3.3
Product-wise Loan and Advances

S.N.	Loan Products	% of total loan					
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1	Term Loan	11.83	12.51	11.35	13.25	14.47	16.01
2	Overdraft	23.77	26.04	25.85	25.03	23.72	23.32
3	Trust Receipt Loan/Import Loan	0.02	0.10	0.00	0.00	0.00	0.00
4	Demand and Other Working Capital Loan	14.63	12.67	14.09	12.27	10.60	8.66
5	Personal Residential Home Loan	6.34	9.24	9.27	10.40	11.62	11.50
6	Real Estate Loan	14.68	11.85	9.69	7.89	6.78	7.42
7	Margin Loan	2.58	1.99	2.04	2.54	1.98	2.23
8	Hire Purchase Loan	11.26	10.35	10.02	9.83	9.81	10.17
9	Deprived Sector Loan	3.25	3.56	3.93	4.68	5.27	5.56
10	Bills Purchased	0.05	0.01	0.01	0.00	0.00	0.00
11	Other Product	11.58	11.68	13.74	14.11	15.76	15.14
		100.00	100.00	100.00	100.00	100.00	100.00

Non-Performing Loans

3.10 Non-performing loans (NPL) of Development Banks has been gradually declining from 2010/11 to 2014/15 but seen increased during the review period. In the review period the non-performing loans of DBs inclined from 2.82 percent to 5.17 percent.

Figure 3.8
Non-performing loans of the Development Banks
 (Mid July)

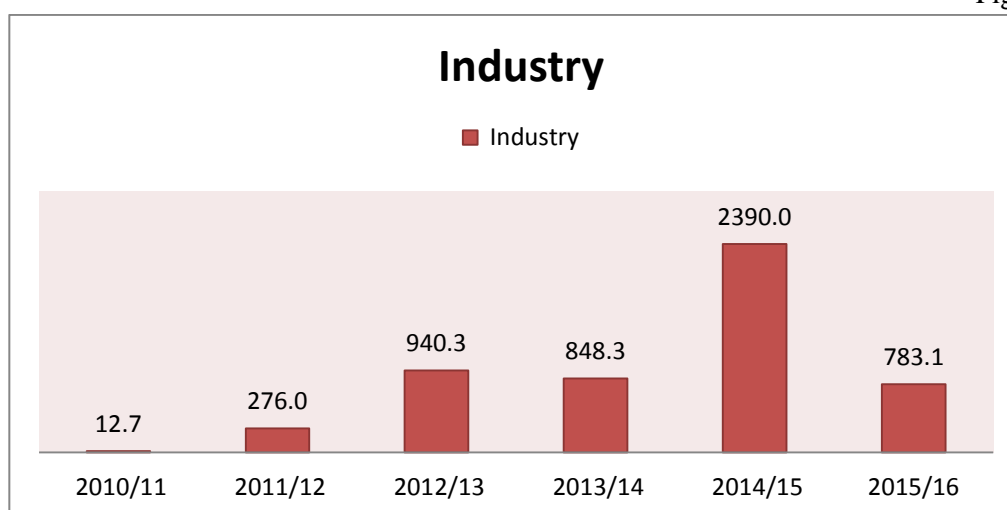


Non-Banking Assets

3.13 The total amount of non-banking assets (NBA) for the review year is Rs 783.05 million. The substantial increase of Non Banking Asset in the year 2014/15 from previous i.e. from Rs. 848.3 million to Rs.2390 million and declined for the review year to 783.05 million. It is due to NBA figures of then three problematic bank Corporate Development Bank, Gurkha Bikas Bank and Narayani Development Bank since they are excluded for the study. Apex Development bank apparently bearing highest NBAs for previous year has reduced it from Rs.566 million to Rs.18.29 million for review year. In the review year Yeti Development Bank have higher non banking asset of Rs.488.68 million which was Rs.566 million for previous year. The level and structure of NBA during the last six years is presented in the figure 3.9. Details on Non-Banking Assets for various years are shown in Annex 9.5.

Figure 3.9
Non-banking Assets of the Development Banks

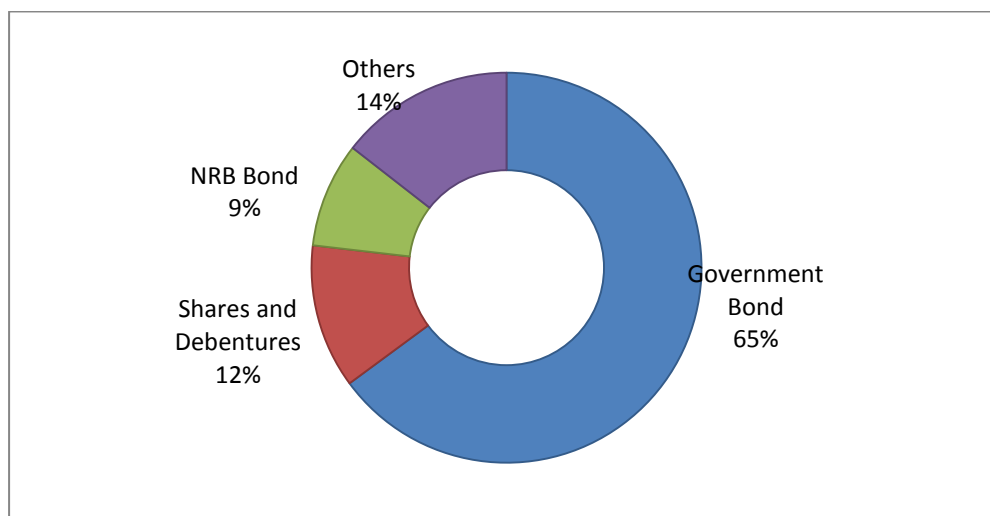
Figure in million



Investment

3.14 DBs predominantly invest in government securities accounting to 65 percent in the review year. The investment on shares and debentures has is amounted total of 12 percent of the total investment. The total investment of DBs increased by 27 percent and reached to Rs.7456.39 million from Rs.5420.26 million of 2014/15. The details are shown in Annex 9.6.

Figure 3.10
Investment Portfolio of the Development Banks
(Mid July 2015)



Earnings

3.15 Earning is the backbone of organisation's sustainability. In the review period, out of 65 (two problematic two bank excluded) development banks following reported loss on their financial statements:

Table 3.4
List of Development Banks that Reported Losses
(FY 2015/16)

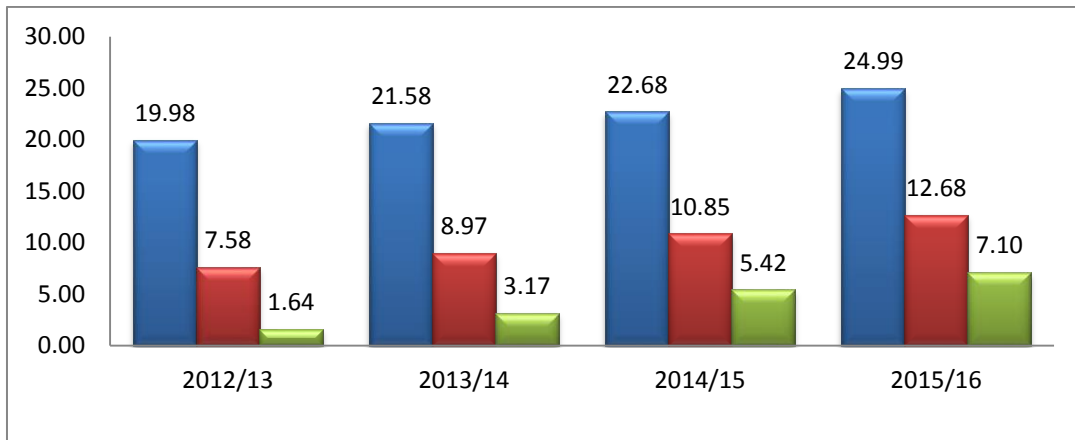
Rs. in thousand

SN	Name of Institution	Operation Area	Net Loss
1	Apex Development Bank	National Level	17,87,04
2	Green Development Bank	3 Districts	2,758

3.16 Interest is a major component of income as well as expenses of DBs. Thus, the total interest income of DBs increased by 10.18 percent to Rs. 24.99 billion in 2015/16 from previous year. However, the net interest income has increased by 16.87 percent from Rs.10.85 billion to Rs.12.68 billion. The net profit of an industry has improved by 31.09 percent mainly because of few organizations recovering from their huge losses and partially from rise in operational profit. Earnings of the development banks over two years are shown in the Annex 9.8.

Figure 3.11
Operating Efficiency of the Development Banks
 (Mid July)

Figure in billion

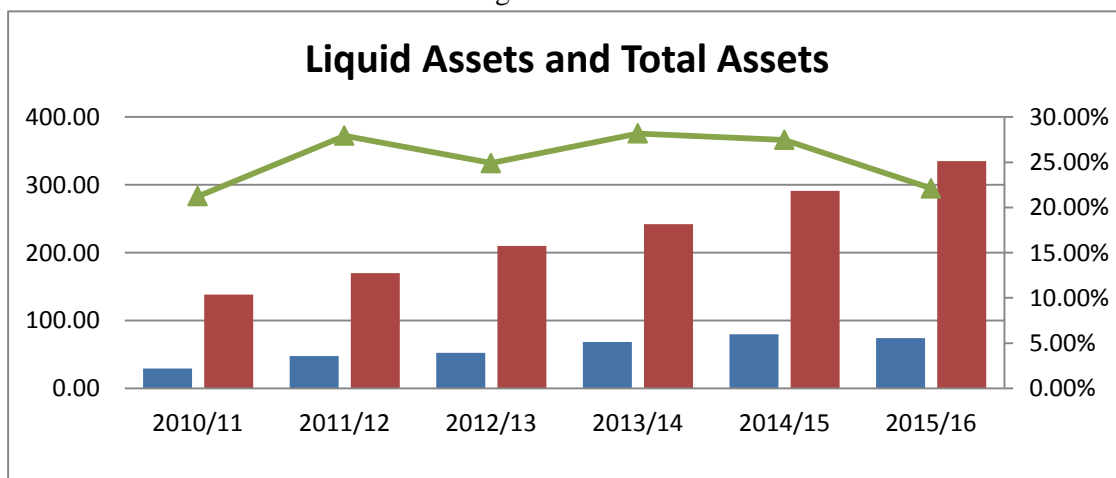


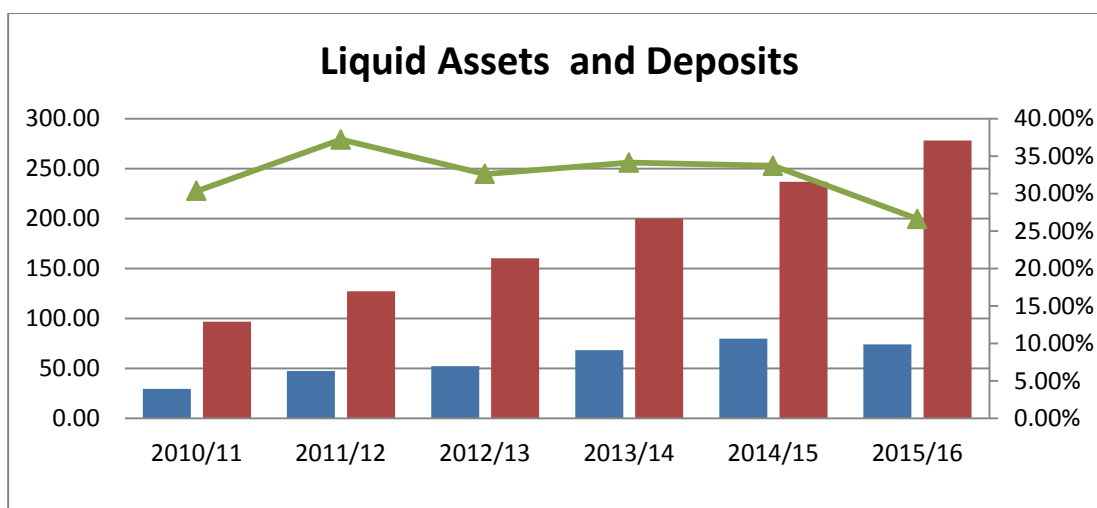
Liquidity

3.17 Total liquidity is calculated by summing up the cash balance, bank balances with NRB and other banks and financial institutions, money at call and the investment in the government securities. The total liquid assets of the development banks has decreased by 7.38 percent to Rs. 74.03 billion in 2015/16 compared to 2013/14. The proportion of liquid assets to total deposits of the DBs in 2015/16 is 26.61 percent which was 33.72 percent in 2014/15. Similarly, the proportion of liquid assets to total assets of the DBs in 2015/16 is 22.11 percent, which was 27.46 percent in 2014/15. Detailed figures as indicated in figure 3.12 are shown in Annex 9.7.

Figure 3.12
Liquidity Position of the Development Banks

Figure in billion





Deprived Sector

3.18 The deprived sector lending average for development banks for the fiscal year 2015/16 is 6.82 percent which was 6.06 percent at previous year 2014/15. The deprived sector lending is above the NRB minimum requirement of 4.5 percent in the review year.

Actions and Penalties

3.19 Following actions were taken to DBs according to the Nepal Rastra Bank Act, 2002 in the review year:

- Siddhartha Development Bank Limited was enforced PCA as per Prompt Corrective Action By Law, 2007 sub rule 3 'Ka' for not maintaining capital adequacy ratio as per the regulatory requirement. The action was imposed at 2072/04/07 BS and retrieved at 2072/04/20 BS.
- Innovative Development Bank Limited was enforced PCA as Prompt Corrective Action By Law, 2007 sub rule 3 'Ka' for not maintaining capital adequacy ratio as per the regulatory requirement. The action was imposed at 2072/04/20 BS and retrieved at 2072/05/02 BS.
- Sajha Bikas Bank Limited was imposed PCA as Prompt Corrective Action By Law, 2007 sub rule 3 'Ka' for not maintaining capital adequacy ratio as per the regulatory requirement. The action was imposed at 2072/05/08 BS and retrieved at 2072/05/08 BS.
- CEO of Innovative Development Bank was fined Rs.50,000/- with the decision of 2072/10/21 as per Nepal Rastra Bank Act 2002, section 100, Sub-section 2(c) for non-complying the provision of Unified Directives 2072, Direction 9/072 point 8 reporting of wrong statistics regarding loan loss provision and risk weighted assets.
- CEO of Kakrebihar Bikas Bank was given admonition with the decision of 2073/03/22 BS as per Nepal Rastra Bank Act, 2002, Section 100, Sub-section 2(a) for violating the

provision of Unified Directives 2072, Direction 15/072 point 5 by providing higher interest rate than the published rate to the depositors.

- CEO of Cosmos Development Bank was given admonition with the decision of 2073/03/24 BS as per Nepal Rastra Bank Act 2002, Section 100, Sub-section 2(a) for non-complying the provision of Bank and Financial Institutions Act – 2006, section 48.
- CEO of Sewa Bikas Bank was given admonition with the decision of 2073/01/29 as per Nepal Rastra Bank Act, Section 100, Sub section 2(a) for non-complying the provision of prevailing Act and Directives issued by NRB.
- Board of Directors of Sewa Bikas Bank was given admonition with the decision of 2073/01/29 as per Nepal Rastra Bank Act, section 100, sub section 2(a) for non-complying the provision of usual Act and Directives issued by NRB.
- Director of Cosmos Development Bank was given admonition with the decision of 2073/03/24 BS as per Nepal Rastra Bank Act 2002, Section 100, Sub-section 2(a) for non-complying the provision of Unified Directives issued by NRB.

Development Bank Supervision Report, 2016

Annexure

Annex 1

List of Development Banks (As of mid July, 2016)

S.N.	NATIONAL LEVEL	10 DISTRICTS LEVEL	3 DISTRICTS LEVEL	1 DISTRICT LEVEL
1	NIDC Development Bank Ltd.	Malika Bikash Bank Ltd.	Narayani Development Bank Ltd.	Kabeli Bikas Bank Ltd.
2	Siddhartha Development Bank Ltd.	Gandaki Development Bank Ltd.	Sahayogi Bikas Bank Ltd.	Bagmati Development Bank Ltd.
3	Muktinath Bikas Bank Ltd.	Sewa Bikas Bank Ltd.	Karnali Bikash Bank Ltd.	Hamro Bikas Bank Ltd.
4	Ace Development Bank Ltd.	Country Development Bank Ltd.	Shubhechhha Bikas Bank Ltd.	Kakre Bihar Bikas Bank Ltd.
5	Jyoti Bikas Bank Ltd.	Kamana Bikas Bank Ltd.	Excel Development Bank Ltd.	Pacific Development Bank Ltd.
6	International Development Bank Ltd.	Shine Resunga Development Bank Ltd.	Western Development Bank Ltd.	Matribhumi Bikas Bank Ltd.
7	Tourism Development Bank Ltd.	Professional Diyalo Bikas Bank Ltd.	Miteri Development Bank Ltd.	Jhimruk Bikas Bank Ltd.
8	Society Development Bank Ltd.	Arniko Development Bank Ltd.	Tinau Bikas Bank Ltd.	Mount Makalu Development Bank Ltd.
9	Kasthamandap Development Bank Ltd.	Biratlaxmi Bikas Bank Ltd.	Kankai Bikas Bank Ltd.	Sahara Bikas Bank Ltd.
10	Kailsh Bikash Bank Ltd.		Mahakali Bikas Bank Ltd.	Cosmos Development Bank Ltd.
11	Infrastructure Development Bank Ltd.		Bhargav Bikas Bank Ltd.	Salapa Bikash Bank Ltd.
12	Supreme Development Bank Ltd.		Alpine Development Bank Ltd.	
13	Vibor Bikas Bank Ltd.		Corporate Development Bank Ltd.	
14	Yeti Development Bank Ltd.		Purnima Bikas Bank Ltd.	
15	Apex Development Bank Ltd.		Kanchan Development Bank Ltd.	
16	Reliable Development Bank Ltd.		Innovative Development Bank Ltd.	
27	Sangrila Development Bank Ltd.		Raptibheri Bikas Bank Ltd.	
18	Triveni Bikas Bank Ltd.		Mission Development Bank Ltd.	
19	Deva Bikash Bank Ltd.		Sindhu Bikas Bank Ltd.	
20	Fewa Bikas Bank Ltd.		Nepal Community Development Bank Ltd.	
21	Garima Bikas Bank Ltd.		Manasalu Bikash Bank Ltd.	
22	Om Development Bank		Kalinchowk Development Bank Ltd.	
23			Saptakoshi Development Bank Ltd.	
24			Sajha Bikash Bank Ltd.	
25			Green Development Bank Ltd.	

Numbers of Financial Institutions

Types of Financial Institutions	Mid july															
	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Commercial Banks	3	5	10	13	17	18	20	25	26	27	31	32	31	30	30	28
Development Banks	2	2	3	7	26	28	38	58	63	79	87	88	86	83	76	67
Finance Companies			21	45	60	70	74	78	77	79	79	69	59	53	48	42
Micro finance Development Banks			4	7	11	11	12	12	15	18	21	24	31	37	38	42
Total	5	7	38	72	114	127	144	173	181	203	218	213	207	203	192	179

Annex 2: Onsite Inspection Detail for F/Y 2015/16

F/Y 2015/16				
SN	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
1	Country Development Bank Limited	Araniko Development Bank Limited	Bagmati Development Bank Limited	Alpine Development Bank Limited
2	Fewa Bikas Bank Limited	Biratlaxmi Bikas Bank Limited	Bhargab Bikas Bank Limited	Green Development Bank Limited
3	Gandaki Bikas Bank Limited	Kalinchowk Development Bank Limited	Cosmos Development Bank Limited	Kanchan Development Bank Limited
4	Kabeli Bikas Bank Limited	Miteri Development Bank Limited	Deva Bikas Bank Limited	Karnali Bikash Bank Limited
5	Reliable Development Bank Limited	Mount Makalu Development Bank Limited	Innovative Development Bank Limited	Kasthamandap Development Bank Limited
6	Saptakoshi Development Bank Limited	Nepal Community Development Bank Limited	Jhimruk Bikas Bank Limited	Mahakali Bikas Bank Limited
7	Shine Resunga Development Bank Limited	Professional Diyalo Bikas Bank Limited	Jyoti Development Bank Limited	Sajha Bikash Bank Limited
8	Triveni Bikas Bank Limited	Sindhu Bikas Bank Limited	Kakrebihar Bikas Bank Limited	Salapa Bikas Bank Limited
9		Tinau Bikas Bank Limited	Kankai Bikas Bank Limited	Siddhartha Development Bank Limited
10		Western Development Bank Limited	Manasalu Development Bank Limited	Yeti Development Bank Limited
11			Muktinath Bikas Bank Limited	
12			Raptibheri Bikas Bank Limited	
13			Sahayogi Bikas Bank Limited	
14			Sangrila Bikas Bank Limited	
15			Sewa Bikas Bank Limited	
16			Shubhechchha Bikas Bank Limited	
17			Tourism Development Bank Limited	

Annex 3: Special Inspection of Development Banks (FY 2015/16)

S.N.	Name	Working Area
1	Muktinath Bikas Bank Limited	National
2	Vibor Bikas Bank Limited.	National
3	Jyoti Development Bank Limited	National
4	Kailash Development Bank Limited.	National
5	NIDC Development Bank Limited.	National
6	Infrastructure Development Bank Limited.	National
7	Kasthamandap Development Bank Limited	National
8	Supreme Development Bank Limited.	National
9	Deva Bikas Bank Limited	National
10	Apex Development Bank Limited.	National
11	Reliable Development Bank Limited	National
12	Biratlaxmi Bikas Bank Limited	10 District
13	Professional Diyalo Bikas Bank Limited	10 District

Annex 4: Follow up Inspection of Development Banks (FY 2015/16)

S.N.	Name	Working Area
1	Triveni Bikas Bank Limited.	National
2	Narayani Development Bank Limited.	3 Districts
3	Western Development Bank Limited.	3 Districts

Annex 5: International Training and Seminar Participation from DBSD (FY 2015/16)

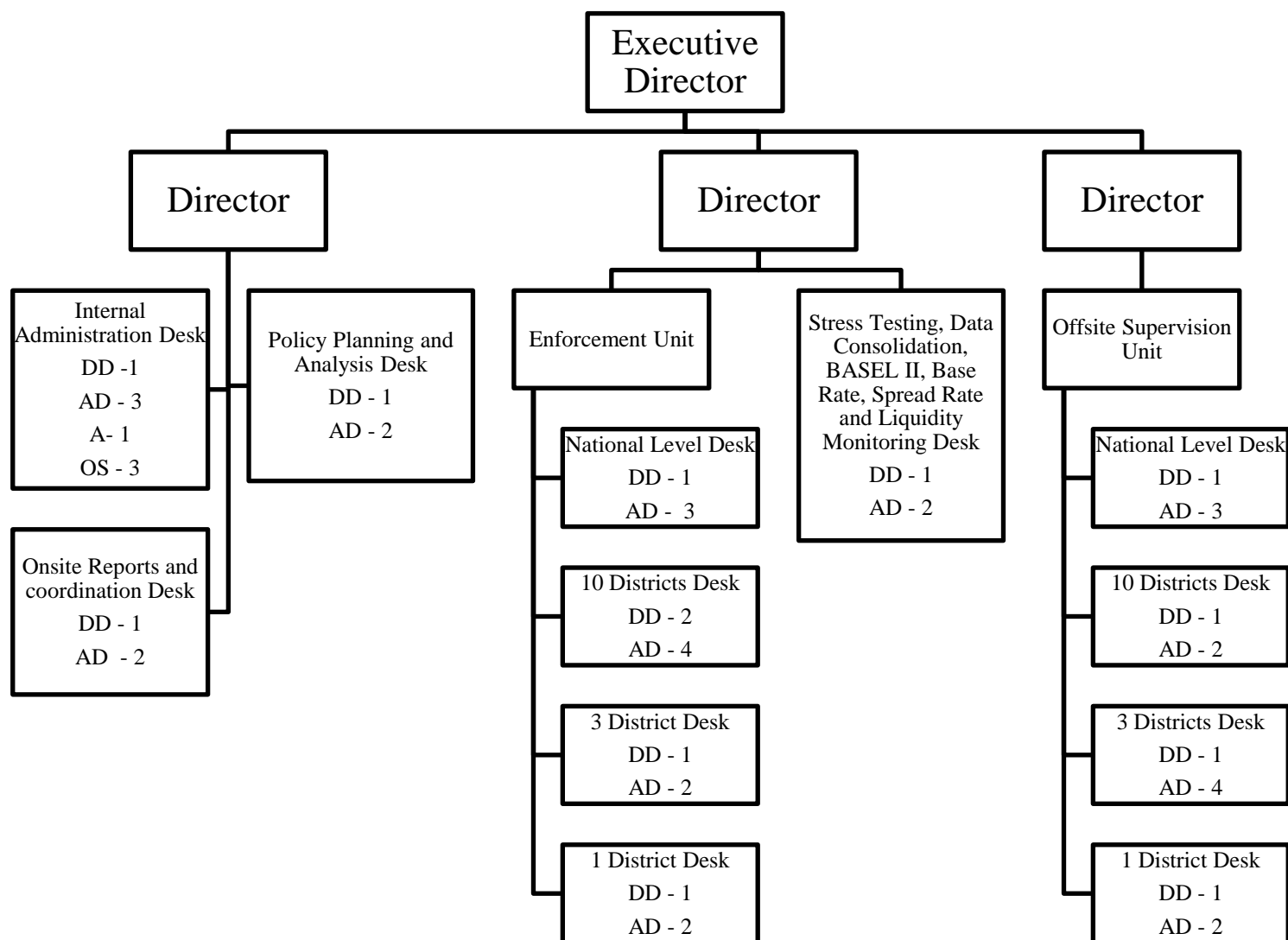
SN	Title	Organizer	Country	No of days	No. of Participants
1	Promoting Banking System Stability in a Changing Environment	SEACEN Centre	Thailand	8	2
2					
3	Regional Seminar on the Regulation and Supervision of Systematically Important Banks	FSI - SEANZA	Mumbai, India	7	1
4	HR & Legal Aspects of Business for Cooperatives and Rural Financing		Pune, India	9	1
5	Programme on Basel II and Risk		Srilanka	7	1

	Management				
6	FIS-EMEAP Regional Seminar on the Latest Development from the Basel Committee	BIS/FSI	Indonesia	6	1
7	Programme on Fundamentals of Portfolio at Risk and Bank failures	Central Bank of Srilanka	Srilanka	7	1
8	Shadow Banking Conference	Alliance For Financial Inclusion	Moscow	8	1
9	Intermediate Course on Bank Examiner.	The SEACEN Centre	Malaysia	13	1
10	Financial Programming and Policies.	IMF-STI	Singapore	12	1
11	Study Visit to the AMLC And Relevant Philippine Government Agencies.	Bank of PHILIPPINES	Manila	9	1
12	The Program on Central Banking.	Bank of Indonesia	Indonesia	9	1
13	Supervision	Federal Reserve Bank of NEW York	USA	9	1
14	SEACEN -IMF Course on Macro Economic Diagnostics.	SEACEN	Cambodia	16	1
15	Regional Seminar on Bank Analysis And Supervision	APEC/FRTI	Manila, Philippines	9	1
16	The regulation & Supervision of Liquidity	SEACEN-FSI Regional Seminar	Philippines	8	2
17	Regional Supervision on Technology Risk Supervision		South Korea	9	2
18	International Programme on Women Development Through Income Generation Activities		Pune, India	9	1
19	High Level Seminar on Law & Financial Stability	Law & financial Stability	Washington DC	8	1
20	Mass Banking Supervisors Training Program	Supervisor Training Program	Singapore	10	1
21	FSI-EMEAP Regional Seminar on Regulation & Supervision on Market Risk & Interest Rate Risk	Market Risk & Interest Rate Risk	Hong Kong	7	1
22	SEACEN Intermediate Course for Bank Examiners	Bank Examiners Course	Brunai	10	1
23	Risk Based Supervision	SEACEN Toronto Centre Course	Malaysia	10	1
24	Risk focused Supervision & Risk Assessment	Risk focused Supervision	Hong Kong	9	1
25	Good Governance for the BOD of Cooperative Rural Financing	Cooperative Rural Financing	Pune, India	9	1

Annex 6: Circulars issued to Bank and Financial Institutions (FY 2015/16)

SN	Name and Link to the Circular Issued to A, B & C Class Financial Institutions
1	Circular 01-Attachment Amendment in Unified Directives
2	Circular 01-Attachment Unified Directives 2072
3	Circular 01-Unified Directives 2072
4	Circular 02-Bank Rate, Capital, Deprived Sector
5	Circular 03- Branch, SLR, Refinance, Productive Sector Related
6	Circular 04-Capital Plan Disclosure
7	Circular 05-Additional Express Session for ECC
8	Circular 06-Branch Counter Opening during Dashain Festival Holiday
9	Circular 07-Relaxation in Credit Regulation and CRR
10	Circular 08-Branch Counter Opening during Dipawali & Chhatha Festival Holiday
11	Circular 09-Contingency Management Framework, Multiple Banking and Deprived sector Related
12	Circular 10-CRR Related
13	Circular 11-Attachment New Capital Adequacy Framework 2015
14	Circular 11-Capital Adequacy Framework, Earthquake Relief Refinance Procedure Related
15	Circular 12-Extension of Relaxation in Credit Regulation
16	Circular 13- Arthik Punarudhar Kosh
17	Circular 14-SWIFT Transaction Hours
18	Circular 15- Earthquake Refinance Procedure Revision, SLR & Account Opening

Annex 7 : Organization Chart of Development Bank Supervision Department



- DD – Deputy Director; AD – Assistant Director; A – Assistant ; OS – Office subordinates.
- Numbers in parentheses include number of staff.

Annex 8: Major Indicators of Development Banks (F/Y 2015/16)

	Development Bank	Ace	Alpine	Apex	Araniko	Bagmati	Bhargav
SN	Particulars	12041000	12048000	12098000	12030000	12061000	12042000
1	Paid of Capital	1,202,983	178,075	666,563	301,662	65,550	144,000
2	Core Capital	1,396,309	210,056	317,215	323,266	72,571	160,879
3	Capital Fund	1,471,997	225,298	380,819	342,193	76,155	172,544
4	Total Assets	11,034,969	1,904,392	8,210,317	2,474,766	661,063	1,725,568
5	Total Deposits	7,589,068	1,603,298	7,292,332	2,012,854	581,377	1,540,225
6	Total Borrowing	1,346,018	-	-	-	-	-
7	Loan & Advances (Gross)	6,908,311	1,316,700	6,009,428	1,765,120	357,878	1,147,892
8	Deprived Sector Lending	324,486	56,256	262,291	80,935	17,112	39,322
9	Total Liquid Assets	3,664,474	538,029	1,929,202	642,067	289,056	515,040
10	Net Liquid Assets	2,318,456	538,029	1,929,202	642,067	289,056	515,040
11	Total Investment	565,291	206	123,638	31,140	1,714	6,860
12	Net Operating Income	245,432	67,827	(105,109)	68,763	11,072	36,942
13	Net Profit/(Net Loss)	251,361	43,018	(28,935)	59,702	9,993	25,733

Ratios

1	Core Capital to RWA (%)	15.32%	12.67%	4.80%	15.63%	15.90%	11.35%
2	Capital Fund to RWA (%)	16.15%	13.59%	5.76%	16.54%	16.69%	12.18%
3	Credit to Deposit (LCY) Ratio (%)	91.03%	82.12%	82.41%	87.69%	61.56%	74.53%
4	Credit to Deposit (LCY) & Core Capital (%)	76.88%	72.61%	78.97%	75.56%	54.73%	67.48%
5	Non Performing Loan to Total Loan (%)	1.72%	2.89%	11.68%	0.98%	0.00%	0.12%
6	Net Liquid Asset /Total Deposit (%)	30.55%	33.56%	26.46%	31.90%	49.72%	33.44%
7	Liquid Assets to Total Deposits (%)	48.29%	33.56%	26.46%	31.90%	49.72%	33.44%
8	Weighted Average Interest on Credit (%)	9.97%	9.50%	0.00%	12.73%	14.97%	13.88%
9	Weighted Average Interest on Deposit (%)	3.93%	4.12%	6.03%	5.24%	4.61%	6.46%
10	Weighted Average Interest on Govt. Sec. (%)	3.52%	0.00%	9.14%	0.00%	0.00%	0.00%
11	Spread Rate (%)	5.69%	5.37%	-5.83%	7.33%	10.36%	7.42%
12	Base Rate (%)	6.26%	9.16%	10.06%	6.52%	9.18%	10.28%

Other Information

1	Total No. of Branches		14	20	13		7
2	Total No. of ATMs		1	7	0		0
3	Total No. of Debit cards		468	4037	0		0
4	Total No. of Credit Cards		0	0	0		0
5	Total No. of Depositors	45419	27069	50546	23931	13402	15030
6	Total No. of Borrowers	2031	3536	3557	2644	796	1200
7	Total No. of Staffs	140	108	171	133	43	44

	Development Bank	Country	Deva	Excel	Fewa	Gandaki	Garima
SN	Particulars	12047000	12031000	12027000	12053000	12023000	12051000
1	Paid of Capital	387,088	1,004,440	384,563	1,199,970	643,956	1,030,659
2	Core Capital	423,636	1,140,834	465,245	1,473,736	720,759	1,193,770
3	Capital Fund	442,070	1,216,735	497,167	1,579,456	767,980	1,277,934
4	Total Assets	2,056,196	9,045,726	4,265,451	13,624,730	6,430,790	10,677,090
5	Total Deposits	1,575,927	7,470,153	3,639,763	11,730,955	5,536,047	9,228,600
6	Total Borrowing	-	-	20,000	-	-	-
7	Loan & Advances (Gross)	1,417,670	6,095,105	3,187,497	10,227,462	4,613,455	8,007,400
8	Deprived Sector Lending	64,852	347,153	130,603	348,486	184,636	343,710
9	Total Liquid Assets	601,396	2,455,884	967,371	3,113,553	1,639,110	2,475,404
10	Net Liquid Assets	601,396	2,455,884	947,371	3,113,553	1,639,110	2,475,404
11	Total Investment	61,427	153,558	7,364	217,102	7,840	100,925
12	Net Operating Income	52,007	113,904	150,022	468,062	199,708	356,277
13	Net Profit/(Net Loss)	39,469	148,137	99,841	298,955	130,050	222,017

Ratios

1	Core Capital to RWA (%)	24.01%	14.49%	11.55%	12.20%	12.44%	12.59%
2	Capital Fund to RWA (%)	25.06%	15.46%	12.34%	13.08%	13.25%	13.47%
3	Credit to Deposit (LCY) Ratio (%)	89.96%	81.59%	87.57%	87.18%	83.33%	86.77%
4	Credit to Deposit (LCY) & Core Capital (%)	70.90%	70.78%	77.65%	77.45%	73.73%	76.83%
5	Non Performing Loan to Total Loan (%)	1.95%	3.26%	1.09%	0.54%	0.19%	0.31%
6	Net Liquid Asset /Total Deposit (%)	38.16%	32.88%	26.03%	26.54%	29.61%	26.82%
7	Liquid Assets to Total Deposits (%)	38.16%	32.88%	26.58%	26.54%	29.61%	26.82%
8	Weighted Average Interest on Credit (%)	12.08%	10.67%	11.17%	12.26%	12.61%	11.89%
9	Weighted Average Interest on Deposit (%)	5.80%	3.75%	2.42%	5.52%	5.37%	5.11%
10	Weighted Average Interest on Govt. Sec. (%)	3.04%	0.00%	0.00%	4.44%	0.00%	3.72%
11	Spread Rate (%)	5.91%	6.90%	8.75%	6.61%	7.24%	6.70%
12	Base Rate (%)	10.29%	7.65%	7.16%	8.24%	8.03%	8.94%

Other Information

1	Total No. of Branches	5	27		27		24
2	Total No. of ATMs	1	9		16		5
3	Total No. of Debit cards	633	17494		11494		9662
4	Total No. of Credit Cards	0	0		0		0
5	Total No. of Depositors	12896	98119	56761	109422	50517	107895
6	Total No. of Borrowers	1719	7338	4007	12630	3927.2	12226
7	Total No. of Staffs	48	291	122	218	130	193

	Development Bank	Infrastructure	Innovative	IDBL	Jhimruk	Jyoti	Kabeli
SN	Particulars	12024000	12072000	12067000	12073000	12060000	12055000
1	Paid of Capital	940,907	353,684	770,880	70,036	1,031,523	84,459
2	Core Capital	1,173,865	382,380	944,371	90,724	1,151,194	107,227
3	Capital Fund	1,242,522	404,150	1,019,230	98,496	1,218,046	113,077
4	Total Assets	7,259,996	2,869,357	7,459,617	914,152	9,035,720	761,879
5	Total Deposits	5,837,350	2,411,830	6,280,018	807,394	7,677,185	637,586
6	Total Borrowing	-	-	-	-	-	-
7	Loan & Advances (Gross)	4,659,682	1,985,450	4,973,907	708,936	6,009,533	550,112
8	Deprived Sector Lending	206,689	80,011	253,146	25,296	488,613	44,105
9	Total Liquid Assets	2,383,154	854,437	2,260,802	196,742	2,759,201	187,029
10	Net Liquid Assets	2,383,154	854,437	2,260,802	196,742	2,759,201	187,029
11	Total Investment	132,207	1,000	282,380	100	455,478	-
12	Net Operating Income	115,561	78,418	118,548	27,043	177,073	34,042
13	Net Profit/(Net Loss)	140,979	60,281	119,204	19,954	151,948	22,414

Ratios

1	Core Capital to RWA (%)	18.98%	15.91%	14.34%	11.03%	15.84%	16.21%
2	Capital Fund to RWA (%)	20.09%	16.81%	15.48%	11.98%	16.76%	17.09%
3	Credit to Deposit (LCY) Ratio (%)	79.83%	82.32%	79.20%	87.81%	78.28%	86.28%
4	Credit to Deposit (LCY) & Core Capital (%)	66.46%	71.06%	68.85%	78.94%	68.07%	73.86%
5	Non Performing Loan to Total Loan (%)	2.09%	0.22%	0.71%	0.65%	1.39%	0.37%
6	Net Liquid Asset /Total Deposit (%)	40.83%	35.43%	36.00%	24.37%	35.94%	29.33%
7	Liquid Assets to Total Deposits (%)	40.83%	35.43%	36.00%	24.37%	35.94%	29.33%
8	Weighted Average Interest on Credit (%)	11.00%	12.92%	10.52%	14.62%	10.93%	13.89%
9	Weighted Average Interest on Deposit (%)	5.24%	5.24%	4.77%	6.90%	5.00%	3.84%
10	Weighted Average Interest on Govt. Sec. (%)	3.16%	0.00%	3.51%	0.00%	4.04%	0.00%
11	Spread Rate (%)	5.62%	7.68%	5.47%	7.71%	5.56%	10.05%
12	Base Rate (%)	10.75%	6.51%	9.69%	14.13%	8.17%	7.52%

Other Information

1	Total No. of Branches	18	6	14		24	5
2	Total No. of ATMs	10	1	13		7	
3	Total No. of Debit cards	2964	1846	4796			
4	Total No. of Credit Cards	0	0	0			
5	Total No. of Depositors	44145	34724	48414	19378	59504	13536
6	Total No. of Borrowers	2650	2042	1679	3036	3457	1779
7	Total No. of Staffs	153	58	139	58	197	34

	Development Bank	Kamana	Kanchan	Kankai	Kakre	Karnali	Kastamandap
SN	Particulars	12056000	12069000	12038000	12063000	12014000	12050000
1	Paid of Capital	804,379	247,500	150,000	72,462	143,080	836,273
2	Core Capital	922,307	280,285	172,872	77,883	156,584	896,636
3	Capital Fund	988,156	299,174	183,706	82,785	164,771	983,551
4	Total Assets	8,084,415	2,262,077	1,479,964	890,249	2,032,325	8,020,148
5	Total Deposits	6,906,141	1,914,241	1,279,100	798,113	1,826,581	6,719,390
6	Total Borrowing	-	-	-	-	-	112,876
7	Loan & Advances (Gross)	5,983,174	1,644,384	1,033,816	482,740	859,494	5,849,569
8	Deprived Sector Lending	243,588	186,527	42,115	102,535	67,374	282,028
9	Total Liquid Assets	1,949,708	499,697	419,556	379,221	970,659	1,967,206
10	Net Liquid Assets	1,949,708	499,697	419,556	379,221	970,659	1,854,330
11	Total Investment	66,996	20,231	100	100	-	245,681
12	Net Operating Income	168,118	68,551	52,319	8,927	18,322	125,315
13	Net Profit/(Net Loss)	105,023	63,216	33,288	6,748	12,381	299,491

Ratios

1	Core Capital to RWA (%)	13.30%	13.74%	14.28%	12.89%	11.78%	12.61%
2	Capital Fund to RWA (%)	14.25%	14.67%	15.17%	13.70%	12.39%	13.83%
3	Credit to Deposit (LCY) Ratio (%)	86.64%	85.90%	80.82%	60.49%	47.05%	87.06%
4	Credit to Deposit (LCY) & Core Capital (%)	76.43%	74.93%	71.20%	55.11%	43.34%	76.81%
5	Non Performing Loan to Total Loan (%)	1.03%	1.94%	0.35%	1.54%	3.12%	0.93%
6	Net Liquid Asset /Total Deposit (%)	28.23%	26.10%	32.80%	47.51%	53.14%	27.60%
7	Liquid Assets to Total Deposits (%)	28.23%	26.10%	32.80%	47.51%	53.14%	29.28%
8	Weighted Average Interest on Credit (%)	12.18%	13.65%	14.45%	10.93%	28.17%	10.14%
9	Weighted Average Interest on Deposit (%)	5.23%	5.28%	4.73%	5.24%	5.20%	4.91%
10	Weighted Average Interest on Govt. Sec. (%)	0.98%	0.00%	0.00%	0.00%	0.00%	2.27%
11	Spread Rate (%)	6.86%	8.37%	9.72%	5.69%	22.97%	4.98%
12	Base Rate (%)	7.90%	8.89%	9.15%	5.99%	14.53%	8.12%

Other Information

1	Total No. of Branches	10	6	8	3	11	19
2	Total No. of ATMs	7	0	0		5	8
3	Total No. of Debit cards	11766		0		945	15237
4	Total No. of Credit Cards	0		0		0	0
5	Total No. of Depositors	41531	29842	18064	9631	51048	46309
6	Total No. of Borrowers	4540	2168	1661	810	1443	2343
7	Total No. of Staffs	79	73	53	31	85	169

	Development Bank	Manaslu	Matribhumi	Mission	Miteri	Mt. Makalu	Muktinath
SN	Particulars	12089000	12070000	12081000	12033000	12083000	12036000
1	Paid of Capital	231,333	63,123	237,809	274,656	30,160	1,123,500
2	Core Capital	248,973	69,159	259,951	345,772	32,989	1,337,967
3	Capital Fund	265,089	72,410	277,555	366,044	34,344	1,441,427
4	Total Assets	2,406,886	550,805	2,409,282	2,720,981	190,931	13,042,913
5	Total Deposits	2,125,667	474,528	2,050,932	2,312,311	152,221	11,276,653
6	Total Borrowing	-	-	-	-	-	-
7	Loan & Advances (Gross)	1,610,854	314,086	1,758,741	2,022,810	132,865	9,904,774
8	Deprived Sector Lending	125,863	14,040	270,763	95,683	14,910	2,463,586
9	Total Liquid Assets	750,569	228,968	611,145	667,381	51,327	2,669,731
10	Net Liquid Assets	750,569	228,968	611,145	667,381	51,327	2,669,731
11	Total Investment	531	145	206	471	-	114,960
12	Net Operating Income	69,410	13,012	79,756	147,199	7,855	528,609
13	Net Profit/(Net Loss)	43,460	8,461	50,137	97,334	4,926	361,369

Ratios

1	Core Capital to RWA (%)	13.54%	16.35%	12.58%	14.81%	21.32%	11.40%
2	Capital Fund to RWA (%)	14.41%	17.11%	13.44%	15.68%	22.20%	12.28%
3	Credit to Deposit (LCY) Ratio (%)	75.78%	66.19%	85.75%	87.48%	87.28%	87.83%
4	Credit to Deposit (LCY) & Core Capital (%)	67.84%	57.77%	76.11%	76.10%	71.74%	78.52%
5	Non Performing Loan to Total Loan (%)	0.00%	0.21%	0.07%	0.03%	0.03%	0.09%
6	Net Liquid Asset /Total Deposit (%)	35.31%	48.25%	29.80%	28.86%	33.72%	23.67%
7	Liquid Assets to Total Deposits (%)	35.31%	48.25%	29.80%	28.86%	33.72%	23.67%
8	Weighted Average Interest on Credit (%)	13.68%	13.82%	13.56%	15.02%	15.26%	14.05%
9	Weighted Average Interest on Deposit (%)	5.59%	4.64%	4.95%	5.73%	4.60%	4.97%
10	Weighted Average Interest on Govt. Sec. (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Spread Rate (%)	8.09%	9.18%	8.61%	9.29%	10.66%	9.08%
12	Base Rate (%)	10.26%	10.41%	8.50%	10.25%	9.27%	8.57%

Other Information

1	Total No. of Branches	8	2	9		2	81
2	Total No. of ATMs	1		1			5
3	Total No. of Debit cards	2736		1800			8484
4	Total No. of Credit Cards	0		0			0
5	Total No. of Depositors	22102	7588	25307	22901	2541	177090
6	Total No. of Borrowers	4945	436	8594	2814	1084	57792
7	Total No. of Staffs	58	25	97	56	11	479

	Development Bank	OM	Pacific	diyalo	Purnima	Raptiveri	Reliable
SN	Particulars	12052000	12065000	12046000	12059000	12077000	12101000
1	Paid of Capital	1,360,282	132,993	240,350	251,531	157,063	1,010,471
2	Core Capital	1,617,965	154,161	301,293	288,765	169,534	1,088,638
3	Capital Fund	1,726,906	163,277	320,059	305,811	177,583	1,164,691
4	Total Assets	13,806,158	1,221,671	2,364,920	2,678,403	1,100,913	10,057,791
5	Total Deposits	11,853,839	1,051,253	2,019,401	2,321,844	910,667	8,133,227
6	Total Borrowing	-	-	-	-	-	370,000
7	Loan & Advances (Gross)	9,927,265	910,471	1,720,406	1,704,546	784,500	6,665,586
8	Deprived Sector Lending	452,548	47,191	63,673	82,773	47,734	221,091
9	Total Liquid Assets	3,601,396	292,519	607,659	935,714	277,614	2,870,180
10	Net Liquid Assets	3,601,396	292,519	607,659	935,714	277,614	2,500,180
11	Total Investment	504,859	-	200	10,603	-	412,260
12	Net Operating Income	356,263	46,336	58,943	95,476	23,481	244,487
13	Net Profit/(Net Loss)	296,530	29,479	37,391	66,240	16,155	270,480

Ratios

1	Core Capital to RWA (%)	13.86%	14.34%	14.15%	13.10%	17.84%	12.74%
2	Capital Fund to RWA (%)	14.79%	15.18%	15.03%	13.87%	18.68%	13.63%
3	Credit to Deposit (LCY) Ratio (%)	83.75%	86.61%	85.19%	73.41%	86.15%	81.96%
4	Credit to Deposit (LCY) & Core Capital (%)	73.69%	75.53%	74.13%	65.29%	72.63%	72.28%
5	Non Performing Loan to Total Loan (%)	0.72%	0.00%	0.31%	0.08%	0.13%	2.03%
6	Net Liquid Asset /Total Deposit (%)	30.38%	27.83%	30.09%	40.30%	30.48%	30.74%
7	Liquid Assets to Total Deposits (%)	30.38%	27.83%	30.09%	40.30%	30.48%	35.29%
8	Weighted Average Interest on Credit (%)	11.29%	13.18%	12.26%	13.07%	19.46%	10.95%
9	Weighted Average Interest on Deposit (%)	5.49%	5.79%	5.74%	4.36%	9.59%	5.60%
10	Weighted Average Interest on Govt. Sec. (%)	4.69%	0.00%	0.00%	0.00%	0.00%	7.70%
11	Spread Rate (%)	5.52%	7.39%	6.52%	8.71%	9.87%	5.20%
12	Base Rate (%)	8.04%	10.25%	7.05%	10.39%	11.28%	9.22%

Other Information

1	Total No. of Branches	17	3		6	3	16
2	Total No. of ATMs	3	1		1	0	3
3	Total No. of Debit cards	6681			2632	0	3109
4	Total No. of Credit Cards	0			0	0	0
5	Total No. of Depositors	60783	12682	14925	32244	8765	43001
6	Total No. of Borrowers	6856	2229	1499	2003.058	1359	4499
7	Total No. of Staffs	129	25	67	56	43	153

	Development Bank	Sajha	Salpa	Shangrila	Saptakoshi	Sewa	Shine
SN	Particulars	12096000	12094000	12019000	12095000	12037000	12064000
1	Paid of Capital	100,000	25,409	1,149,222	111,000	506,411	1,102,892
2	Core Capital	68,396	27,734	1,320,107	114,345	581,416	1,285,105
3	Capital Fund	72,263	29,246	1,420,996	120,662	623,531	1,365,370
4	Total Assets	609,899	293,870	12,087,120	874,599	5,553,012	9,855,660
5	Total Deposits	511,136	259,529	10,361,018	746,437	4,816,494	8,386,759
6	Total Borrowing	-	-	-	-	-	-
7	Loan & Advances (Gross)	349,354	150,556	9,152,467	601,086	4,136,531	7,288,977
8	Deprived Sector Lending	18,063	8,758	445,951	42,728	223,713	302,915
9	Total Liquid Assets	232,613	133,332	2,656,727	254,618	1,294,851	2,323,691
10	Net Liquid Assets	232,613	133,332	2,656,727	254,618	1,294,851	2,323,691
11	Total Investment	1,526	-	301,910	-	58,942	28,302
12	Net Operating Income	(12,586)	3,769	312,500	14,869	168,143	404,012
13	Net Profit/(Net Loss)	(11,318)	3,947	215,446	9,622	108,266	269,644

Ratios

1	Core Capital to RWA (%)	14.93%	13.46%	12.18%	16.58%	11.71%	14.54%
2	Capital Fund to RWA (%)	15.78%	14.19%	13.02%	17.45%	12.54%	15.38%
3	Credit to Deposit (LCY) Ratio (%)	68.35%	58.01%	88.34%	80.53%	85.88%	86.91%
4	Credit to Deposit (LCY) & Core Capital (%)	60.28%	52.41%	78.35%	69.83%	76.63%	75.36%
5	Non Performing Loan to Total Loan (%)	6.12%	1.02%	0.65%	0.55%	0.42%	0.31%
6	Net Liquid Asset /Total Deposit (%)	45.51%	51.37%	25.64%	34.11%	26.88%	27.71%
7	Liquid Assets to Total Deposits (%)	45.51%	51.37%	25.64%	34.11%	26.88%	27.71%
8	Weighted Average Interest on Credit (%)	14.77%	16.45%	11.91%	15.10%	12.75%	11.80%
9	Weighted Average Interest on Deposit (%)	5.23%	6.02%	4.91%	5.48%	5.28%	4.10%
10	Weighted Average Interest on Govt. Sec. (%)	0.00%	0.00%	3.85%	0.00%	0.00%	4.00%
11	Spread Rate (%)	9.54%	10.43%	6.75%	9.62%	7.41%	7.70%
12	Base Rate (%)	73.24%	10.86%	9.31%	11.73%	9.09%	6.63%

Other Information

1	Total No. of Branches	8		26	6	13	17
2	Total No. of ATMs	0		9		7	
3	Total No. of Debit cards	0		14002		9602	
4	Total No. of Credit Cards	0		0		0	
5	Total No. of Depositors	13501	5285	138351	8473	56210	98471
6	Total No. of Borrowers	342	279	11787	753	5181	4357
7	Total No. of Staffs	65	16	265	37	132	138

	Development Bank	Society	Suvekchha	Suprim	Tinau	Tourism	Triveni
SN	Particulars	12029000	12018000	12016000	12034000	12080000	12015000
1	Paid of Capital	897,930	265,954	933,365	341,370	942,759	975,818
2	Core Capital	911,215	299,927	1,192,708	377,866	1,061,545	1,087,557
3	Capital Fund	999,308	320,477	1,259,951	405,265	1,136,236	1,170,594
4	Total Assets	8,929,767	2,628,662	10,658,812	3,789,915	10,038,222	10,617,177
5	Total Deposits	7,593,067	2,209,125	8,302,855	3,288,403	8,266,041	9,115,376
6	Total Borrowing	-	-	890,000	-	250,000	-
7	Loan & Advances (Gross)	6,126,413	1,858,664	6,412,177	2,725,035	7,049,433	7,302,069
8	Deprived Sector Lending	295,796	80,389	211,996	103,171	294,552	320,667
9	Total Liquid Assets	2,343,990	699,466	4,049,538	976,476	2,630,100	2,990,664
10	Net Liquid Assets	2,343,990	699,466	3,159,538	976,476	2,380,100	2,990,664
11	Total Investment	135,039	1,373	957,648	87,396	100,062	308,358
12	Net Operating Income	95,350	52,783	167,204	91,682	247,132	244,069
13	Net Profit/(Net Loss)	163,286	38,808	184,667	80,160	190,854	189,886

Ratios

1	Core Capital to RWA (%)	11.74%	13.28%	16.13%	11.38%	12.37%	11.59%
2	Capital Fund to RWA (%)	12.96%	14.18%	16.98%	12.19%	13.22%	12.48%
3	Credit to Deposit (LCY) Ratio (%)	80.68%	84.14%	77.23%	82.87%	85.28%	80.11%
4	Credit to Deposit (LCY) & Core Capital (%)	72.04%	74.08%	67.53%	74.33%	75.58%	71.57%
5	Non Performing Loan to Total Loan (%)	1.99%	0.65%	0.40%	0.06%	1.74%	1.63%
6	Net Liquid Asset /Total Deposit (%)	30.87%	31.66%	38.05%	29.69%	28.79%	32.81%
7	Liquid Assets to Total Deposits (%)	30.87%	31.66%	48.77%	29.69%	31.82%	32.81%
8	Weighted Average Interest on Credit (%)	10.33%	12.95%	11.30%	12.37%	10.53%	12.14%
9	Weighted Average Interest on Deposit (%)	4.91%	6.21%	5.02%	5.54%	4.93%	5.23%
10	Weighted Average Interest on Govt. Sec. (%)	3.73%	0.00%	4.40%	3.42%	4.38%	0.84%
11	Spread Rate (%)	5.30%	6.73%	5.34%	6.57%	5.51%	6.42%
12	Base Rate (%)	8.99%	7.58%	7.30%	8.72%	7.68%	11.51%

Other Information

1	Total No. of Branches	31	8	20		14	24
2	Total No. of ATMs	3	1	1		11	4
3	Total No. of Debit cards	8694	1072	1581		14701	4766
4	Total No. of Credit Cards	0	0	0		0	0
5	Total No. of Depositors	90864	19872	50644	33094	50171	88028
6	Total No. of Borrowers	3448	2310	5319	2246	3633	6268
7	Total No. of Staffs	261	57	156	88	160	211

	Development Bank	Biratlaxmi	Cosmos	Green	Hamro	Kailash	Kalinchowk
SN	Particulars	12026000	12088000	12099000	12062000	12093000	12092000
1	Paid of Capital	504049	66827	100000	152916	1975420	113800
2	Core Capital	611784	74520	89670	160816	2429378	115070
3	Capital Fund	4085220	607105	372433	1054869	16056780	405981
4	Total Assets	5773717	758742	440427	1235974	18066937	504893
5	Total Deposits	5078567	631469	338450	1042424	15070693	365896
6	Total Borrowing	0	0	0	0	0	0
7	Loan & Advances (Gross)	3074303	499022	312153	858925	13506995	325458
8	Deprived Sector Lending	142773	15698	14789	33002	542416	18153
9	Total Liquid Assets	2579596	248585	115999	334667	4042765	163602
10	Net Liquid Assets	2579596	248585	115999	334667	4042765	163602
11	Total Investment	294406	145	0	11455	459544	0
12	Net Operating Income	157468	22180	-198	45317	423976	14792
13	Net Profit/(Net Loss)	101606	15112	-599	37974	332877	9413

Ratios

1	Core Capital to RWA (%)	14.21%	12.27%	24.08%	15.25%	15.13%	28.34%
2	Capital Fund to RWA (%)	14.98%	13.12%	24.90%	16.09%	16.08%	29.20%
3	Credit to Deposit (LCY) Ratio (%)	60.53%	79.03%	92.23%	82.40%	89.62%	88.95%
4	Credit to Deposit (LCY) & Core Capital (%)	54.03%	70.68%	72.91%	71.38%	77.18%	67.67%
5	Non Performing Loan to Total Loan (%)	0.42%	0.00%	0.88%	0.86%	0.79%	1.87%
6	Net Liquid Asset /Total Deposit (%)	50.79%	39.37%	34.27%	32.10%	26.83%	44.71%
7	Liquid Assets to Total Deposits (%)	50.79%	39.37%	34.27%	32.10%	26.83%	44.71%
8	Weighted Average Interest on Credit (%)	13.10%	11.54%	12.80%	12.71%	11.01%	11.05%
9	Weighted Average Interest on Deposit (%)	4.22%	3.27%	6.55%	4.50%	4.75%	5.82%
10	Weighted Average Interest on Govt. Sec. (%)	4.33%	0.00%	0.00%	0.00%	3.78%	0.00%
11	Spread Rate (%)	8.09%	8.27%	6.25%	8.21%	6.15%	5.23%
12	Base Rate (%)	7.12%	7.61%	11.04%	7.95%	8.84%	14.68%

Other Information

1	Total No. of Branches	17	4				4
2	Total No. of ATMs	1	0				0
3	Total No. of Debit cards	892	0				0
4	Total No. of Credit Cards	0	0				0
5	Total No. of Depositors	60930	13907	1949	14836	97464	5428
6	Total No. of Borrowers	6384	1771	390	1368	7512	427
7	Total No. of Staffs	131	30	20	36	214	29

	Development Bank	Mahakali	Mahalaxmi	N.Community	NIDC	Sahara	Sahayogi
SN	Particulars	12040000	12005000	12087000	12002000	12085000	12012000
1	Paid of Capital	162590	404923	207065	415823	37595	314610
2	Core Capital	176983	496742	214147	3278808	42242	389646
3	Capital Fund	1110622	3966976	1386600	3571415	391163	2873592
4	Total Assets	1307723	4637599	1539219	6401300	589840	3183482
5	Total Deposits	1104086	3954358	1284862	1638479	528622	2717446
6	Total Borrowing	0	0	0	0	0	0
7	Loan & Advances (Gross)	875704	3150129	1089882	2562848	298833	2293658
8	Deprived Sector Lending	38173	175643	37808	152335	16161	128356
9	Total Liquid Assets	409717	1304605	399023	2943908	277653	808287
10	Net Liquid Assets	409717	1304605	399023	2943908	277653	808287
11	Total Investment	2544	13426	0	208668	0	2000
12	Net Operating Income	27013	127623	22431	129939	12388	95782
13	Net Profit/(Net Loss)	17244	117777	14272	443668	7414	76667

Ratios

1	Core Capital to RWA (%)	15.94%	12.52%	15.44%	91.81%	10.80%	13.56%
2	Capital Fund to RWA (%)	16.81%	13.34%	16.24%	92.57%	11.57%	14.38%
3	Credit to Deposit (LCY) Ratio (%)	79.31%	79.66%	84.82%	156.42%	56.53%	84.40%
4	Credit to Deposit (LCY) & Core Capital (%)	68.36%	70.77%	72.71%	52.12%	52.35%	73.82%
5	Non Performing Loan to Total Loan (%)	1.07%	1.79%	0.49%	11.38%	1.39%	0.18%
6	Net Liquid Asset /Total Deposit (%)	37.11%	32.99%	31.06%	179.67%	52.52%	29.74%
7	Liquid Assets to Total Deposits (%)	37.11%	32.99%	31.06%	179.67%	52.52%	29.74%
8	Weighted Average Interest on Credit (%)	10.95%	12.54%	10.68%	9.57%	20.06%	13.87%
9	Weighted Average Interest on Deposit (%)	4.56%	4.24%	4.85%	5.76%	5.54%	4.75%
10	Weighted Average Interest on Govt. Sec. (%)	7.65%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Spread Rate (%)	6.38%	8.30%	5.83%	3.66%	14.52%	9.12%
12	Base Rate (%)	10.12%	8.30%	9.67%	13.86%	43.01%	8.24%

Other Information

1	Total No. of Branches	4	18	7	6	3	
2	Total No. of ATMs	0	8	2	5	0	
3	Total No. of Debit cards	0	4189	2156	2088	0	
4	Total No. of Credit Cards	0	0	0	0	0	
5	Total No. of Depositors	23952	126679	14705	7242	10549	54629
6	Total No. of Borrowers	973	3439	821	812	719	2792
7	Total No. of Staffs	43	174	59	45	31	87

	Development Bank	Siddhartha	Sindhu	Vibor	Western	Yeti
SN	Particulars					
		12006000	12084000	12075000	12028000	12009000
1	Paid of Capital	1419168	141255	917074	188352	1386233
2	Core Capital	1637720	154922	724611	222845	1236423
3	Capital Fund	13032379	1102133	5996194	1862728	1369665
4	Total Assets	14618533	1380207	7524225	2408171	12797512
5	Total Deposits	12327756	1188421	6474362	2156293	10861524
6	Total Borrowing	0	0	5000	0	0
7	Loan & Advances (Gross)	10884139	908258	5284703	1491930	8768662
8	Deprived Sector Lending	478573	36569	254158	85181	365972
9	Total Liquid Assets	3099038	420429	1887336	793425	3487772
10	Net Liquid Assets	3099038	420429	1882336	793425	3487772
11	Total Investment	201968	11694	496008	0	372799
12	Net Operating Income	344422	40579	93845	65059	47363
13	Net Profit/(Net Loss)	308579	26869	158113	42474	333806

Ratios

1	Core Capital to RWA (%)	12.57%	14.06%	12.08%	11.96%	10.79%
2	Capital Fund to RWA (%)	13.50%	14.87%	13.09%	12.80%	11.99%
3	Credit to Deposit (LCY) Ratio (%)	88.29%	76.43%	81.63%	69.19%	80.73%
4	Credit to Deposit (LCY) & Core Capital (%)	77.94%	67.61%	73.41%	62.71%	72.48%
5	Non Performing Loan to Total Loan (%)	2.43%	1.18%	0.79%	0.16%	4.10%
6	Net Liquid Asset /Total Deposit (%)	25.14%	35.38%	29.07%	36.80%	32.11%
7	Liquid Assets to Total Deposits (%)	25.14%	35.38%	29.15%	36.80%	32.11%
8	Weighted Average Interest on Credit (%)	12.12%	9.51%	10.67%	13.83%	11.08%
9	Weighted Average Interest on Deposit (%)	5.06%	2.17%	5.95%	6.01%	5.89%
10	Weighted Average Interest on Govt. Sec. (%)	4.06%	3.27%	4.14%	0.00%	4.50%
11	Spread Rate (%)	6.93%	7.28%	4.31%	7.82%	5.00%
12	Base Rate (%)	9.84%	2.92%	9.04%	12.92%	9.90%

Other Information

1	Total No. of Branches	33	6	6	10	25
2	Total No. of ATMs	19	0	6	0	20
3	Total No. of Debit cards	48385	0	9038	0	16522
4	Total No. of Credit Cards	0	0	0	0	0
5	Total No. of Depositors	77429	22695	16625	38748	72527
6	Total No. of Borrowers	4213	1155	1301	2686	4907
7	Total No. of Staffs	184	57	116	92	216

Annex 9: Industry Statistics

Annex 9.1: DB's Operations: (Mid July 2014)

Particulars	Rs In billion						Percentage Change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Total Assets											
Industry	138.45	169.69	209.88	242.26	291.56	334.84	22.56	23.68	15.43	20.35	14.84
Deposits											
Industry	96.90	127.32	160.25	196.87	237.06	278.20	31.39	25.87	22.85	20.41	17.35
Loans and Advances											
Industry	88.97	100.62	132.73	159.55	193.47	232.59	13.09	31.91	20.21	21.26	20.22

Annex 9.2: Capital Fund

Particulars	Rs. In Billion						Percentage Change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Industry	23.41	23.85	26.75	31.02	37.17	43.16	1.88	12.16	15.96	19.83	16.12

Annex 9.3: Deposit Mix

Particulars	In Billion						Percentage Change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Current	2	3	3	4	5	7	42.82	10.73	35.23	28.68	29.88
Saving	43	61	83	104	121	137	41.79	36.58	25.58	16.09	13.02
Fixed	31	37	45	53	62	66	20.19	20.50	18.27	16.54	5.87
Other	21	26	29	35	48	69	25.68	10.20	20.90	38.28	41.62
Total	97	127	160	197	237	278	31.39	25.87	22.85	20.41	17.35

Annex 9.4: Non Performing Loan

Particulars	Non Performing loan to total loans and advances						Percentage change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Industry	4.92	4.65	4.15	3.37	2.82	5.17	-5.49	-10.75	-18.80	-18.80	83.33

Annex 9.5: Non Banking Assets

Particulars	Rs in Million						Percentage change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Industry	12.7	276.0	940.3	848.3	2390.0	783.1	2069.46	240.70	-9.78	181.74	-67.23

Annex 9.6: Investment

Particulars	Amount in Million						Percentage Change				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2015/16
Year											
Industry	5,863.20	5,354.20	5,107.20	4,846.82	5,420.26	7456.39	-0.10	-0.05	-0.05	0.11	27.31

Annex 9.7: Liquid assets to Deposits & Liquid assets to total assets

Rs. In billion

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Liquid Assets	29.41	47.39	52.28	68.25	79.93	74.03
Deposit	96.89	127.30	160.24	200	237.06	278.20
Liquid Assets/Deposit	30.36%	37.22%	32.63%	34.14%	33.72%	26.61%

Rs. In billion

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Liquid Assets	29.41	47.39	52.28	68.25	79.93	74.03
Total Assets	138.45	169.69	209.88	242.26	291.04	334.84
Liquid assets/ Total Assets	21.24%	27.93%	24.91%	28.17%	28.17%	22.11%

Annex 9.8: Operation efficiency of Development Banks

Particulars	Amount in Billion				Percentage Change		
	2012/13	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Interest Income	19.98	21.58	22.68	24.99	8.04	5.09	10.18
Net Interest Income	7.58	8.97	10.85	12.68	18.36	20.94	16.87
Net Income	1.64	3.17	5.42	7.10	93.27	71.04	31.09

Annex 9.9: Consolidated financial figures of Development Banks

Figures on Million

SN	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14*	2014-15*	2015/16*
1	Capital and Liabilities	108,252.2	138,447.5	169,691.9	209,883.8	242,260.0	291,561.0	334837.8
2	Capital	14,756.4	21,006.8	21,500.2	23,731.0	26,977.7	27,674.0	33687.8
3	Reserves and Surplus	2,532.5	2,400.5	2,347.5	3,022.4	4,039.3	4,933.0	7940.6
4	Borrowings	4,442.8	4,700.0	1,193.0	2,753.6	2,408.5	2,454.0	2993.9
5	Deposits	76,950.8	96,886.7	127,300.1	160,244.4	196,870.4	237,063.0	278198.0
6	Bills Payable	6.0	17.8	18.9	8.4	200.2	49.0	108.6
7	Other Liabilities	9,563.7	13,435.7	17,332.2	20,124.1	11,764.0	16,186.0	11654.1
	Total Liabilities	90,963.3	115,040.2	145,844.2	183,130.4	211,243.0	263,880.0	292954.6
8	Cash Balance	1,932.3	2,465.0	3,646.2	4,833.1	6,125.2	6,978.0	7888.3
9	Balance With NRB	2,698.2	3,511.9	5,968.6	7,458.0	8,942.6	14,006.0	15835.4
10	Balance with other Banks and financial institutions	10,492.3	9,718.0	14,348.1	12,061.3	23,783.9	22,821.0	21410.3
11	Money At call	10,913.5	13,716.4	23,424.5	27,931.3	29,401.4	36,120.0	40609.0
12	Investment	6,801.8	5,863.2	5,354.2	5,107.2	4,845.8	5,420.0	7456.4
13	Loan and Advances	65,838.1	88,969.0	100,621.8	132,729.4	159,547.0	193,471.0	232589.9
14	Fixed Assets	2,774.8	3,828.1	3,904.5	4,742.9	4,159.5	4,162.0	3856.8
15	Non- Banking Assets	24.3	12.7	276.0	940.3	848.3	2,390.0	92.9
16	Other Assets	6,776.9	10,363.1	12,148.0	14,080.2	4,606.2	6,193.0	5098.7
	Total Assets	108,252.2	138,447.5	169,691.9	209,883.8	242,260.0	291,561.0	334837.8

* Audited figures