



Development Bank Supervision Report

(FY 2017/2018)



Nepal Rastra Bank
Baluwatar, Kathmandu, Nepal
April 2019

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Table of Contents

Section A

| | |
|---|----|
| Message from the Executive Director | 7 |
| 1. AN OVERVIEW OF DEVELOPMENT BANKS IN NEPAL | 8 |
| Access to Banking Services and Branch Network..... | 12 |
| 2. DEVELOPMENT BANK SUPERVISION | 13 |
| Supervision Function | 13 |
| Supervision Methodology | 14 |
| Organization of Development Bank Supervision Department | 14 |
| On-site Inspection Unit | 15 |
| Off-Site Supervision Unit..... | 18 |
| Policy, Planning and Analysis Unit..... | 20 |
| Enforcement Unit | 21 |
| Internal Administration Unit | 21 |
| 3. OPERATIONAL PERFORMANCE OF DEVELOPMENT BANKS | 22 |
| Assets of the Development Banks | 22 |
| Composition of Assets | 22 |
| Composition of Liabilities | 23 |
| Capital..... | 24 |
| Deposit..... | 24 |
| Loan and Advances..... | 26 |
| Sector-wise Loan and Advances..... | 26 |
| Security-wise Loan and Advances..... | 27 |
| Product-wise Loan and Advances..... | 28 |
| Non- Performing Loans | 29 |
| Non-Banking Assets | 29 |
| Investment..... | 30 |
| Profitability | 31 |
| Liquidity | 32 |
| Deprived Sector | 33 |
| Base Rates and Spread Rates | 33 |
| Electronic Banking | 33 |
| Stress Testing of Development Banks | 34 |

| | |
|---|----|
| Credit Shock | 34 |
| Liquidity Shock | 34 |
| Other Shocks..... | 34 |
| Release from Problematic Institution List | 36 |
| Actions and Penalties..... | 37 |
| Annex 1: Numbers of Banks and Financial Institutions | 39 |
| Annex 2: Asset Size of Banks and Financial Institutions | 40 |
| Annex 3: List of Development Banks (As of Mid July, 2018)..... | 41 |
| Annex 4: Consolidated Onsite Inspection Carried Out during FY 2017/18..... | 42 |
| Annex 5: Special Inspection Carried Out during FY 2017/18..... | 42 |
| Annex 6: Follow up Inspection Carried Out during FY 2017/18 | 43 |
| Annex 7: Participation from DBSD in International Training and Seminar..... | 44 |
| Annex 8 : Organization Chart..... | 46 |
| Annex 9: Balance Sheet of Development Banks (F/Y 2017/18) | 47 |
| Annex 10: Profit & Loss Account of Development Banks (F/Y 2017/18)..... | 50 |
| Annex 11: Loan & Advance of Development Banks (F/Y 2017/18) | 53 |
| Annex 12: Sector-wise Statement of Loan of Development Banks..... | 54 |
| Annex 13: Product-wise Statement of Loan of Development Banks | 55 |
| Annex 14: Investment Details of Development Banks | 56 |
| Annex 15: Industry Statistics..... | 57 |
| Annex 15.1: DB's Operations..... | 57 |
| Annex 15.2: Capital Fund | 57 |
| Annex 15.3: Deposit Mix | 57 |
| Annex 15.4: Non Performing Loan..... | 58 |
| Annex 15.5: Non Banking Assets | 58 |
| Annex 15.6: Investment | 58 |
| Annex 15.7: Liquid assets to Deposits & Liquid assets to Total assets | 59 |
| Annex 15.8: Operation Efficiency of Development Banks..... | 59 |
| Annex 15.9: Consolidated Financial Figures of Development Banks | 60 |
| Annex 16: Number of Branches, Depositors and Borrowers..... | 61 |
| Annex 17: Circulars issued during FY 2017/18 | 62 |
| Annex 18: Existing Acts, Bylaws and Guidelines..... | 63 |

List of Figures

| | |
|---|----|
| Figure 1.1 Growth of Development Banks | 10 |
| Figure 1.2: Provincial presence of DBs | 12 |
| Figure 3.1: Total Assets of the Development Banks..... | 22 |
| Figure 3.2: Composition of Assets of Development Banks | 23 |
| Figure 3.3: Composition of Liabilities of Development Banks | 23 |
| Figure 3.4: Capital Fund of the Development Banks..... | 24 |
| Figure 3.5: Deposit of the Development Banks | 25 |
| Figure 3.6: Deposit Mix of the Development Banks | 25 |
| Figure 3.7: Loan and Advances of the Development Banks..... | 26 |
| Figure 3.8: Non-performing loans of the Development Banks | 29 |
| Figure 3.9: Non-banking Assets of the Development Banks | 30 |
| Figure 3.10: Investment Portfolio of the Development Banks | 30 |
| Figure 3.11: Operating Efficiency of the Development Banks..... | 31 |
| Figure 3.12: Liquidity Position of the Development Banks | 32 |

List of Tables

| | |
|---|----|
| Table 1.1: List of Merged Development Banks | 10 |
| Table 2.1: Important Directives regarding Capital, Credit and Liquidity | 19 |
| Table 3.1: Sector-wise loan and advances of Development Banks..... | 27 |
| Table 3.2: Securities against Loans and Advances | 28 |
| Table 3.3: Product-wise Loan and Advances..... | 28 |
| Table 3.4: Use of Electronic Banking..... | 33 |
| Table 3.5: Summary on Stress Testing of National Level Development Banks..... | 35 |

Acronyms Used

| | | |
|-------|---|--|
| ADB/N | : | Agricultural Development Bank , Nepal |
| BAFIA | : | Bank and Financial Institutions Act |
| BFI | : | Bank and Financial Institution |
| BFIRD | : | Bank and Financial Institution Regulation Department |
| BSD | : | Bank Supervision Department |
| CRR | : | Cash Reserve Ratio |
| DB | : | Development Bank |
| DBSD | : | Development Bank Supervision Department |
| FINGO | : | Financial Non-governmental Organization |
| KYC | : | Know Your Customer |
| NBA | : | Non-Banking Asset |
| NBL | : | Nepal Bank Limited |
| NFRS | : | Nepal Financial Reporting Standard |
| NIDC | : | Nepal Industrial Development Corporation |
| NPL | : | Non-Performing Loan |
| NRB | : | Nepal Rastra Bank |
| RWA | : | Risk Weighted Asset |
| SACCO | : | Saving & Credit Cooperative |
| SLF | : | Statutory Liquidity Facility |
| SLR | : | Statutory Liquidity Ratio |
| STR | : | Suspicious Transaction Reporting |
| SSA | : | Simplified Standardized Approach |

Message from the Executive Director

Dear Esteemed Readers,

It's a matter of great pleasure to share with you all that performance of the development banks has consistently been satisfactory in FY 2017/18 as well. The Capital Fund ratio stands at a healthy 18.12%, NPL percentage hovers around at 1.09%, liquid asset to total asset ratio is at comfortable 24.8% and growth seems robust with asset, deposit and credit growth rates of 23.41%, 26.33% and 20.99% respectively. Deprived sector lending stands at 9.41%, which is quite higher than the relevant minimum requirement. Furthermore, stress tests results indicate that national level development banks are quite resilient to various shocks which might befall them. Out of the then two problematic declared development banks, Corporate Development Bank has been released from the list of problematic financial institutions after completing due resolution process.

Development banks have been doing a commendable job of creating and enhancing access to financial services among the general public through their 993 branches spread all over the country. People now have more choices to fulfill their banking needs at their doorsteps. Development banks have indeed played crucial role to inculcate the banking habits in day to day life of rural people at mass level.

Major challenges for the Development Bank Supervision Department include implementing Risk Based Supervision in a more comprehensive manner and ensuring robust performance and stability of the industry. The average interest rate spread of development banks stands at 5.30% which is above the set limit for the industry. One-district development banks have to meet the minimum capital requirement within mid-January 2020. These development banks face the dual challenge of raising required additional capital on one hand and expanding their business in commensurate with their increased capital on other hand. Preparing financial statements in compliance with Nepal Financial Reporting Standards is yet another key challenge faced by the development banks.

Development Bank Supervision Report 2018 depicts key performance areas of the development bank industry highlighting both its strengths and areas of improvement. I would like to take this opportunity to thank my colleagues at the Policy Planning Division within the department who have done an excellent job in drafting this report.

Finally, I would like to thank all my colleagues in the department for their diligent and tireless efforts dedicated towards achieving the organizational objective and thereby contributing towards financial stability in the country. I would like to express my regards and respect to the Governor, Deputy Governors for their inspirational instructions, kind guidance and support bestowed to the department.

Bhuban Kadel
Executive Director
Nepal Rastra Bank
Development Bank Supervision Department

1. AN OVERVIEW OF DEVELOPMENT BANKS IN NEPAL

- 1.1 The development of Nepalese financial system started from the early twentieth century. The history of banking in Nepal dates back to the year 1937 AD with the establishment of Nepal Bank Limited as the first commercial bank in Nepal. Later in the year 1956, Nepal Rastra Bank was established as the Central Bank of Nepal. Three government owned financial institutions were established (Nepal Industrial and Development Corporation (NIDC) in 1959, Rastriya Banijya Bank (RBB) in 1966 and Agriculture Development Bank Nepal (ADB/N) in 1968). Till 1980s, the Nepalese banking system was limited to government ownership. The history of Development Banks (DBs) in Nepal is supposed to have commenced with the establishment NIDC prior Industrial Development Bank. ADB/N was established with the motive to develop and support agricultural development of the country.
- 1.2 With the introduction of liberalized economic policies in 1984, Nepalese financial system witnessed major shifts in the policy measures. Some major changes in policies were; interest rate deregulation, indirect monetary control, open market operations and convertibility of current account. As a result, financial sector among with others expanded gradually modern technology and new product/services came into existence. During this period many joint-venture and private banks entered into the financial market. Along with commercial banks, NRB allowed entry of development banks, finance companies and financial institutions with the objective of increasing people's access to financial institutions. After formulation of the unified 'Banks and Financial Institutions Act' for bank and financial institutions, NRB has categorised licensed banks and financial institutions (BFIs) in four categories namely, Commercial Banks as 'A class', Development Banks as 'B Class', Finance Companies as 'C Class' and Micro Credit Financial Institutions as 'D Class'. These institutions are regulated, supervised and monitored by Nepal Rastra Bank (NRB) as per the Section 5 of Nepal Rastra Bank Act, 2058 (Second Amendment 2073). Bank and Financial Institution Act, (BAFIA) 2017, as an umbrella act abolished five other acts related to bank and financial institutions.
- 1.3 Till 1995, there were only a few presence of development banks in Nepalese banking industry. However, after 1999, there was a rapid surge in the number of DBs along with other financial institutions over a decade. The number of DBs reached the highest in history at 88 in 2012. Establishment of banks and financial institution however was not sufficient and balanced to increase the financial access in the country.
- 1.4 NRB imposed a suspension on issuance of licenses for opening of new A, B and C category institutions in December 2009 while the Nepalese BFIs proliferated in number. This resolution was not applicable for those special financial institutions contributing to national priority sectors such as agriculture, energy and infrastructure development. Restriction on issuing of new license for commercial banks, development banks and

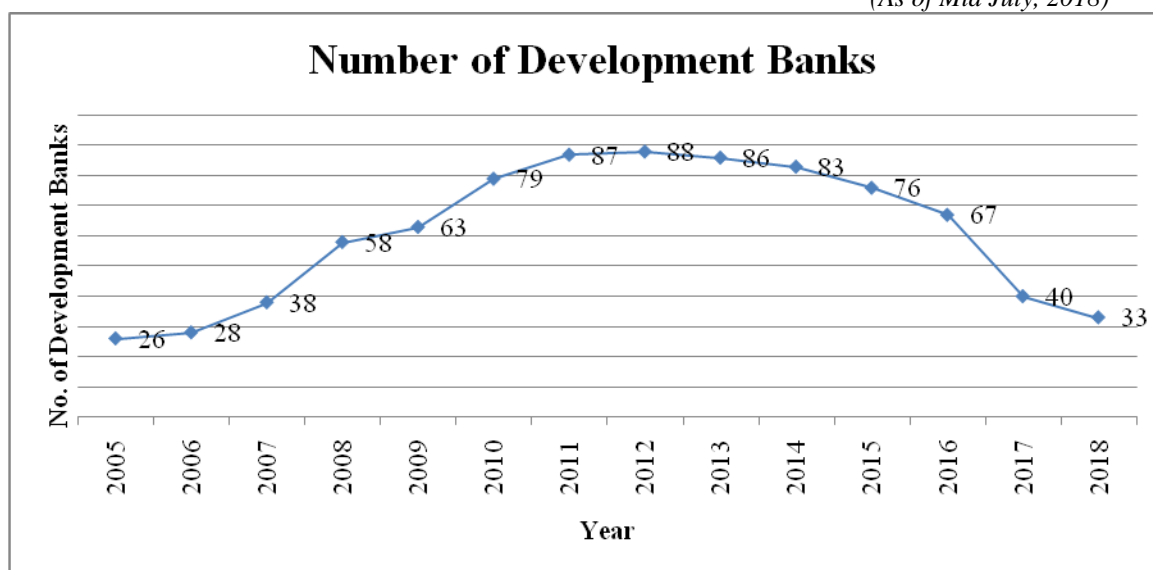
finance companies contributed towards financial sector consolidation through mergers and acquisitions measures.

- 1.5 NRB is focusing on mergers and acquisitions of BFIs for its attempt to promote financial stability. It introduced merger and acquisition policy by launching Merger Bylaw 2068 and Acquisition Bylaw in 2070. Both bylaws were modified and unified to form Merger and Acquisition Bylaw, 2073. The objective of merger and acquisition was to downsize the number of BFIs in order to boost their strength and efficiency through consolidation of existing BFIs. This policy has facilitated BFIs to raise their capital base and that will enhance capacity.
- 1.6 In the recent years, banking system of Nepal is experiencing an encouraging restructuring and consolidation, particularly through the merger and acquisition. As of mid-July 2018, the total number of financial institutions stood at 151 comprising of 28 Commercial Banks, 33 Development Banks, 25 Finance Companies and 65 Microfinance Financial Institutions. The total number of BFIs were 149 in mid-July 2017. However, the number of "D" class financial institutions is in increasing trend as NRB has been adopting progressive licensing policy in favor of financial access to rural areas.
- 1.7 For the last two years, the number of DBs is decreasing due to the merger and acquisition policy adopted by NRB. As of mid July 2017, there were total 40 DBs in Nepal, with 13 'National Level', 2 'Ten Districts Level', 20 'Three Districts Level' and 5 'One District Level' DBs operating within their jurisdictions which was reduced to a total of 33 as of mid July 2018 comprising of 11 'National Level', 1 'Ten Districts Level', 17 'Three Districts Level' and 4 'One District Level' DBs.

1.8 The figure below shows the trend in the growth of development banks in Nepal.

Figure 1.1 Growth of Development Banks

(As of Mid July, 2018)



1.9 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 introduced mandates for 'A', 'B' and 'C' class BFIs to increase the paid up capital at least by four times by the end of FY 2073/74. Thus, in order to meet this requirement, merger and acquisition among BFIs have been on the rise in the recent years which has helped to reduce the number of BFIs and to develop their robustness. At the end of mid-July 2018, the total number of DBs reduced to 33. Since the beginning of the merger time and up to mid July 2018, following DBs were either merged or acquired to form new BFIs.

Table 1.1: List of Merged Development Banks

(As of mid July, 2018)

| Merged BFIs | Name after Merger/ acquisition |
|--|--------------------------------|
| Jyoti Bikas Bank Ltd Jhimruk Bikas Bank Ltd Raptibheri Bikas Bank Ltd | Jyoti Bikas Bank Ltd |
| Vibor Bikas Bank Ltd. Society Development Bank Ltd. Lumbini finance & Leasing Company Ltd | Lumbini Bikas Bank Ltd. |
| Garima Bikas Bank Ltd. Subekshya Bikas Bank Ltd. | Garima Bikas Bank Ltd. |
| NCC Bank Ltd. Infrastructure Development Bank Ltd. Apex Development Bank Ltd. Supreme Development Bank Ltd. International Development Bank Ltd | NCC Bank Ltd. |

| | |
|--|---------------------------------|
| Sanima Bank Ltd. Bagmati Development Bank Ltd. | Sanima Bank Ltd. |
| Laxmi Bank Ltd. Professional Diyalo Bikas Bank Ltd. | Laxmi Bank Ltd. |
| Global IME Bank Ltd. Pacific Development Bank Ltd. Reliable Development Bank Ltd. | Global IME Bank Ltd. |
| Janata Bank Ltd. Triveni Development Bank Ltd. Siddhartha Development Bank Ltd. | Janata Bank Ltd. |
| Prime Commercial Bank Ltd. Biratlaxmi Bikas Bank Ltd. Country Development Bank Ltd. | Prime Commercial Bank Ltd. |
| Century Commercial Bank Ltd. Innovative Development Bank Ltd. Araniko Development Bank Ltd. Alpine Development Bank Ltd. | Century Commercial Bank Ltd. |
| Kumari Bank Ltd. Kasthamandap Development Bank Ltd. Mahakali Bikas Bank Ltd. Kakrebihar Bikas Bank Ltd. Paschimanchal Finance Ltd. | Kumari Bank Ltd. |
| Om Development Bank Ltd. Manaslu Development Bank Ltd. | Om Development Bank Ltd. |
| Fewa Bikas Bank Ltd. Gandaki Bikas Bank Ltd. | Gandaki Bikas Bank Ltd. |
| Nepal Investment Bank Ltd. Ace Development Bank Ltd. | Nepal Investment Bank Ltd. |
| Yeti Development Bank Ltd Malika Bikas Bank Ltd. Mahalaxmi Finance Company Ltd. Siddhartha Finance Company Ltd. | Mahalaxmi Bikas Bank Ltd. |
| Shangrila Development Bank Ltd. Cosmos Development Bank Ltd. | Shangrila Development Bank Ltd. |
| Deva Bikas Bank Ltd. Sajha Bikas Bank Ltd. | Deva Bikas Bank Ltd. |
| Kamana Bikas Bank Ltd. Sewa Bikas Bank Ltd. | Kamana Sewa Bikas Bank Ltd. |
| Rastriya Banijya Bank Ltd. NIDC Development Bank Ltd. | Rastriya Banijya Bank Ltd. |
| Mega Bank Nepal Ltd. Tourism Development Bank Ltd. | Mega Bank Nepal Ltd. |
| Kabeli Bikas Bank Ltd. Mount Makalu Development Bank Ltd. | Kabeli Bikas Bank Ltd. |

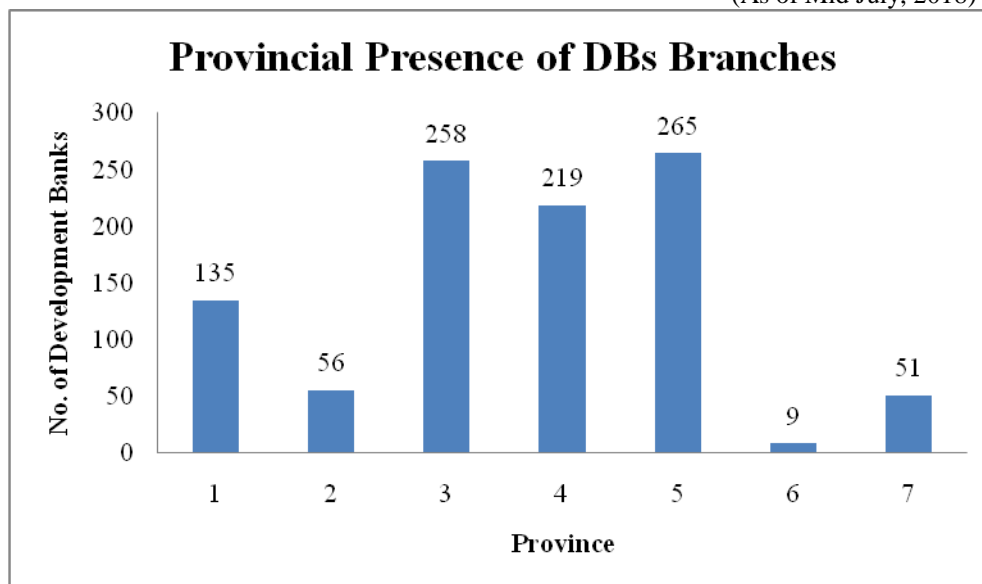
1.10 As at mid July 2018, there are 33 DBs operating in Nepalese banking industry comprising of 11 in 'National Level', 1 in 'Ten Districts Level', 17 in 'Three Districts Level' and 4 in 'One District Level' working areas. See Annex 3.

Access to Banking Services and Branch Network

1.11 The total number of DB branches stood at 993 in mid-July 2018. NRB has been encouraging BFIs to open branches to rural areas in order to increase financial access. While the numbers of DB branches are increasing each year, the banking services have been widely expanded in urban areas and is focused on elite group of the society. Wide presence of development banks is in Province 5 (265 Branches) followed by Province 3 (258 Branches) and nominal in Province 6 where there are only 6 branches of development banks as on Mid July 2018. The major reasons behind weak presence in Province 6 are geographical complexities, poor infrastructure and insignificant economic activities

1.12 Figure 1.2: Coverage of DBs Branches

(As of Mid July, 2018)



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

1.13 Development bank has been serving numerous customers throughout the nation. As on mid July 2018, the number of depositors of the development banks stood out to be 3,736,798. Similarly, number of borrowers stood out to be 305,272. The development bank wise details of depositors and borrowers have been presented in Annex 16.

2. DEVELOPMENT BANK SUPERVISION

Supervision Function

- 2.1 With the legal jurisdiction defined by Nepal Rastra Bank Act, 2002 (Second Amendment 2017) and the Bank and Financial Institution Act, 2017, NRB regulates, supervises and monitors licensed BFIs. Supervision byelaw, manuals, guidelines, directives and circulars are the main basis of supervision that promotes fair banking practice in the country. Supervision is an important activity of banking system. NRB supervisory system has been conducted through periodic assessments, including quarterly, semi-annually, and annually, compliance and risk-based supervision and forward looking supervision in order to maintain financial stability and the sound banking system as the whole for building public trust. The supervision activities focus on financial situation, good governance, compliance with laws and regulations, and risks that may affect the business. Supervision of BFIs promotes prudent banking system by continuous feedback and monitoring of their activities. Regular supervision and monitoring effort provides early warning signals (EWS) and proactive measures to maintain overall financial stability.
- 2.2 DBSD conducted a number of supervisory activities and initiatives aimed at promoting robust, resilient and inclusive banking sector. DBSD is responsible for executing the supervisory policies and practices over DBs as per governing laws, regulations and policies. These included on-site examinations and off-site monitoring of banks through the use of a compliance and risk-based supervision approach and off-site supervision system. Compliance based supervision focuses on both qualitative and quantitative aspects of development banks and ensures compliance with the governing laws, regulations and policies. Risk-based supervision is a structured supervisory process designed to identify key risk factors through qualitative and quantitative assessment of an institution's risk profile, assess the adequacy of the risk management policies and practices that are used to mitigate risk; and focus supervisory resources (including examination time) based on the risk characteristics of the institutions.
- 2.3 The DBSD prepares an annual onsite supervision plan before the new calendar year and supervises banks as per the plan approved by the competent authority of the bank. 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 prepares 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 progress regarding corrective action for the remarks and observations made by onsite inspection. The work division and staff composition of DBSD is detailed in organization structure in Annex 8.

Supervision Methodology

- 2.4 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 has executed Risk Based Supervision (RBS) approach for some 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, basic elements of Capital Adequacy, Asset Quality, Management Competence, Earning, Liquidity, and Sensitivity to Market Risk (CAMELS) are closely observed to assess compliance, stability, sustainability, governance and overall risk exposure of class B institutions.

DBSD collects and compiles information regarding liquidity and monitors liquidity position of DBs on a daily basis. It also reviews and analyzes returns of DBs and then, 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 primary source 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 analyzes the audited financials of DBs and provides approval for distribution of dividends and publication of audited financials. DBs are required to make online reporting of transactions through <https://reporting.nrb.org.np> on daily, monthly and quarterly basis. Data received through such online reporting portal have become basis for reviewing and analyzing the financial position of development banks. DBs are encouraged to follow Stress Testing Guideline for proper management of assets and liabilities.

Organization of Development Bank Supervision Department

- 2.5 NRB Inspection and Supervision Bylaw defines organizational structure of the DBSD which is similar with other supervision departments including BSD. Based on NRB Inspection and Supervision Bylaw, 2017, DBSD is organized into Internal Administration Unit, Policy Planning and Analysis Unit, On-site Supervision Unit , Off-site Supervision Unit and Report Enforcement Unit.

Divisions/sections in DBSD and their functions:

On-site Inspection Unit

- 2.6 Onsite inspection of DBs is conducted as per the approved annual plan based on the Onsite Inspection Manual. It forms an integral part of the comprehensive supervision process. The objective of onsite inspection are to determine the financial conditions of the development banks as well as adequacy of their risk management systems.
- 2.7 On-site examination includes the following:
- *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 a year.
 - *Targeted inspection*, which addresses on specific areas of operation or transaction based on the risk profile of BFIs.
 - *Special inspection*, carried out based on offsite reports, press allegation, legal charges or any information obtained from external sources that appear as a complaint against wrong action by BFIs, undertaken against general welfare of public interest and any important issue felt by the bank. The special inspection undertaken by the department in the review year is summarized in Annex 5.
 - *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 6.
- 2.8 The on-site examination unit obtains feedback from the offsite unit, studies past reports and reviews current financial positions of DBs. A dedicated inspection team analyzes risk levels of DBs including compliance issues and guidelines issued by NRB, ensuring proper implementation of contemporary laws, acts and other regulations, adequacy of in-house guidelines and manuals. Issues regarding corporate governance, internal control and budget are also scrutinized comprehensively. After completing inspection of the bank and then obtaining necessary approval from competent authority, the findings of the onsite inspection are forwarded to respective DB and necessary direction is provided to address the areas that requires further compliance and improvement. On-site inspection undertaken in the review year is summarized in Annex 4.

2.9 The major shortcomings and non-compliance observed at the DBs during on-site examinations in FY 2017/18 are summarized below:

2.9.1 Capital Adequacy:

- ICAAP Policy not formulated
- Errors in calculation of Risk Weighted Asset (RWA).
- Lack of proportionate increase in paid up capital of DBs with one district jurisdiction.
- Insufficient provisioning for credit and investment which creates pressure in CAR.
- Mistakes on amount of irrevocable loan commitment while calculating RWA.
- Lapses in deducting fictitious assets, related party lending, lease expenditure, deferred tax assets and investment in related business activities.
- Lack of long term strategic plan

2.9.2 Asset Quality:

- Absence of proactive and robust loan loss provisioning system
- Lack of Credit Risk Management Policy
- 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, frequent revaluation of property, inadequate insurance of collateral and assets etc.).
- Loan not utilized as per intended purpose. Short term loan to purchase fixed assets such as land and building or development of real estate and long term loan disbursed for short term requirements. Personal loans are disbursed without proper assessment of the purpose. Disbursements of term loan without identifying needs of borrower.
- Non-compliance of NRB Directives regarding credit information and multiple banking. Credit information were not analyzed properly for renewal or extension of facilities.
- Lack of regular inspection of business and stock for working capital loans.
- Lack of tagging the group exposure of related parties in system and credit files.
- Wrong categorization of credit in sectoral classification and product wise classification
- Lack of robust credit appraisal system and absence of analysis of business plan of institutional borrowers
- Unrealistic presentation of financial projections of institutional borrowers
- Inadequate monitoring of credit utilization by the customers
- Disagreement between Credit Policy Guidelines (CPG) and Nepal Rastra Bank directives

- Irregularities in Credit Management Practice, lack of proper mechanism to identify, measure, monitor and control the risks.
- Unrealistic and mismatch in the financial statements of loanee
- 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 with respect to rates, ownership pattern and road access.
- Lack of monitoring in case of deprived sector loan and wrong reporting of deprived sector loans.
- Renewal process of the credit files is observed to be sluggish and several files are found with periodic extension or temporary renewal.

2.9.3 Management:

- Corporate governance issues of BOD members themselves.
- Board oversight is inadequate in terms of policy, framework and tolerance limit.
- Risk Appetite and Risk Exposure not determined by the management.
- Absence of proper disclosure of Risk Taker as required by Unified Directives.
- Lack of performance appraisal of senior level management.
- Succession gap/Vacant position at top level management.
- Lack of strategic plans, risk management policies and procedures, succession planning and other policies. Lack of 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 spends most of the time in discussion of credit files rather than policy making.
- 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.

2.9.4 Earning

- Issues on income recognition, lack of diversification in income.
- Higher interest spread rate.
- Non-compliance of service fee related guidelines.
- Absence of analyzing core deposits on timely basis

2.9.5 Liquidity:

- Weaknesses in monitoring liquidity profile and gap analysis.
- Huge gap in short term asset and liabilities.

- Lack of liquidity contingency plan.
- Concentration on institutional deposits which are highly volatile and comparatively low preference to individual deposits.

2.9.6 Sensitivity To Market:

- Investment Policy not formulated/implemented.
- Incompetency in analyzing external market conditions.
- Weak board oversight regarding the overall inherent risks.
- Challenging macroeconomic and global environment

2.9.7 Others

- Weak AML/CFT Compliance
- Lack of Disaster Recovery & Business Continuity Plan
- Year end/Quarter End window dressing of loan –unauthorized movement in client account by Staff
- Operation risk due to high staff turnover/fast career growth due to large no. of new branches
- Ignorance towards threats from operational risks

Off-Site Supervision Unit

- 2.10 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 compliance situation of an organization as per directives issued by the Bank and prevailing laws.
- 2.11 The off-site supervision unit is responsible for supervision of DB operations on the basis of returns submitted, review data and deal with the deviations if any. The unit also monitors key ratios of each DB and prepares quarterly consolidated financial report. Another important function of an offsite supervision unit is providing approval for publication of audited financials through AGM. It also monitors whether the proposed dividend is justifiable in accordance with the financial position 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 if any. Table no. 2 shows important directives implemented during the review year.

Table 2: Important Directives regarding Capital, Credit and Liquidity for Development Banks (Effective for FY 2017/18)

| SN | Particulars | Percentage | Days/ Month | Remarks I | Remarks II |
|----|---|---|----------------|---|---|
| 1. | Minimum Capital Fund National Level "B" Class | Core Capital \geq 6% Capital Fund \geq 10% | | Minimum capital fund to be maintained based on the risk-weight assets/exposures (percent) | |
| | Regional "B" Class & "C" Class | Core Capital \geq 5.5% Capital Fund \geq 11% | | | |
| 2. | Bank Rate | 7% | | | |
| 3. | Repo & Reverse Repos | Max. 21days | | | |
| 4. | CRR | 5% | | | |
| 5. | SLR | 9% | | | 6% for "B" and "C" Class that do not take call & current deposit |
| 6. | SLF | 7% (Bank Rate) | Max 7 days | | Upto 90% against Government T-Bills and Development Bonds |
| 7. | Lender of Last Resort | 7% (Bank Rate) | Max. 6 Months | | Against deposit at NRB for CRR Purpose / Govt. Securities and Pass Loan |
| 8. | Deprived Sector | 4.5% | | | |
| 9. | Productive Sector lending | 15% | | | |

Cash Reserve Ratio (CRR)

2.12 BFIs are the backbone of the payment system and are the main counterparts of monetary policy. As an important monetary instrument, NRB applies CRR to control money supply in the economy. CRR position of BFIs is monitored on fortnightly basis. For DBs, the cash reserve ratio (CRR) in the review period was 5 percent of total local currency deposits. Banks that fail to maintain such reserves shall be imposed fines as per directives. The penalty rate escalates for repeated violations. In the review year, all DBs except one development bank are found complying with CRR aforementioned.

Directed Lending (Deprived Sector Lending)

2.13 BFIs must allocate certain 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 two previous quarters. The average deprived sector lending of the DBs stands at 9.41 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, all DBs are found with meeting the minimum threshold for deprived sector lending.

Statutory Liquidity Ratio (SLR)

2.14 DBs have a regulatory obligation to maintain statutory liquidity ratio (SLR) of 9 percent (including CRR) of their total domestic deposit liabilities. Failure to meet such obligation results in monetary penalties - computed on the basis of bank rate as per directives. During the review year all DBs are found complying with directives regarding SLR.

Capital Adequacy Ratio (CAR)

2.15 Capital adequacy ratio is the measure of the adequacy of a bank's capital resources in relation to its risk-weighted assets. It is based on the concept of weighing the on and off-balance sheet exposures according to the perceived level of risks and, ultimately, measuring the capital base against total risk-weighted assets.

The minimum capital requirements for national level development banks shall be as calculated on the basis of Capital Adequacy Framework, 2007 (Updated July 2008). The minimum capital adequacy requirements of other development banks – core capital shall be least 5.5 and capital fund shall be 11 percent of Risk Weighted Exposures (RWE) of the DBs. The overall Core Capital Ratio of the DBs in the review year is 17.07 percent and Capital Fund ratio is 18.12 percent which reflects favourable capital adequacy among development banks.

Policy, Planning and Analysis Unit

2.16 The Policy, Planning and Analysis Unit reviews and formulates the annual plans of DBSD in line with NRB's strategic plan. It 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 periodical data of the industry and explores best practices and emerging issues in a global supervision and regulation arena. Furthermore, this unit works with Policy, Planning and Analysis Unit of BSD and Bank and Financial Institutions Regulation Department to explore the areas of new initiatives and global practices on supervision. This unit is responsible for preparation of quarterly and annual report of the department as prescribed in the Inspection and Supervision Byelaw.

Enforcement Unit

2.17 Enforcement Unit is responsible for ensuring the compliance of directives issued to BFIs and position of execution of the directions given to the individual banks through on-site reports and implementation of punishment related issues such as imposed fines and penalties. This unit mainly prepares quarterly report of individual banks focusing on major financial indicators and the compliance status of the directions given to the concerned institution.

Internal Administration Unit

2.18 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 serves 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 and efficiently. This unit also works as the secretariat of the Policy Direction and Implementation Committee regarding the issues of DBs.

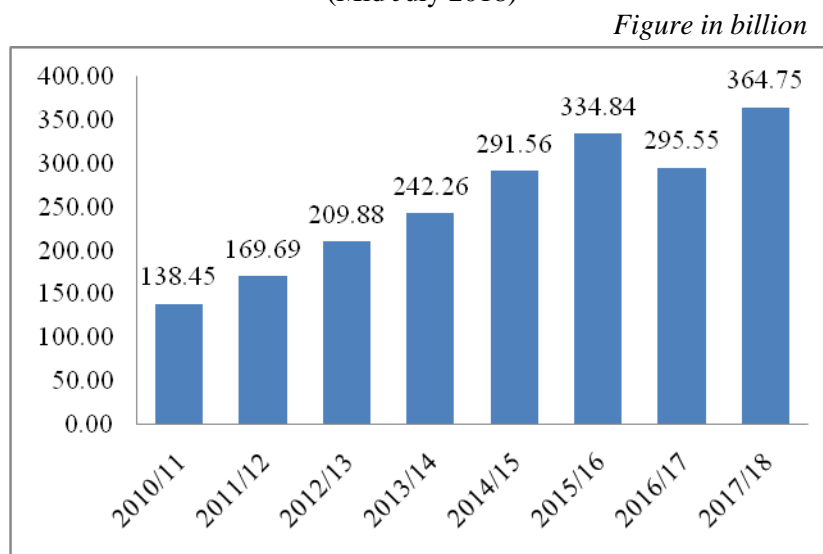
3. OPERATIONAL PERFORMANCE OF DEVELOPMENT BANKS

Assets of the Development Banks

3.1 Asset quality impacts on many facets of a bank’s operation and is a critical factor in the assessment of the soundness of a bank. A high asset quality generally reflects in the liquidity, profitability and the overall financial strength of a bank. The development bank sector's total assets increased by 23.41 percent from Rs.295.55 billion in mid July 2017 to Rs.364.75 billion in mid July 2018.

Assets of overall development banks comprise of loan and advances, cash balance, balance maintained with NRB and other BFIs, money at call, investment, fixed assets, non banking assets and other assets. Loans and advances of overall DBs has increased by 20.99 percent in the review year compared to the previous year. Aggregate figures are shown in Annex 15.1 and 15.9. The total asset of the DBs (industry) has increased owing to increase in loans and advance disbursed by the development banks.

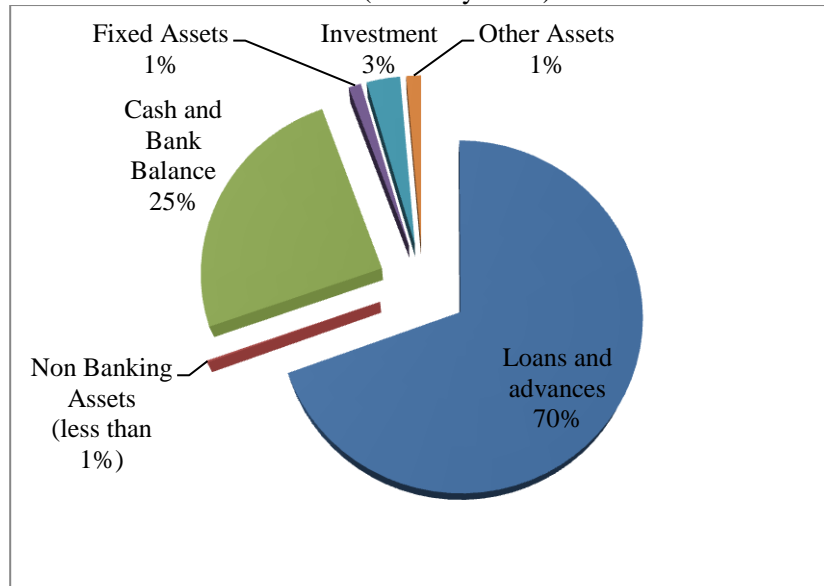
Figure 3.1: Total Assets of the Development Banks
(Mid July 2018)



Composition of Assets

3.2 Loans and advances constitute the largest portion of the total assets – 70 percent followed by Cash and Bank Balance – 25%, Investments – 3%, Fixed Assets – 1% and Other Assets – 1%. Non-banking assets of DBs constitute nominal portion of total assets of DBs. Detailed figures are shown in Annex 15.9.

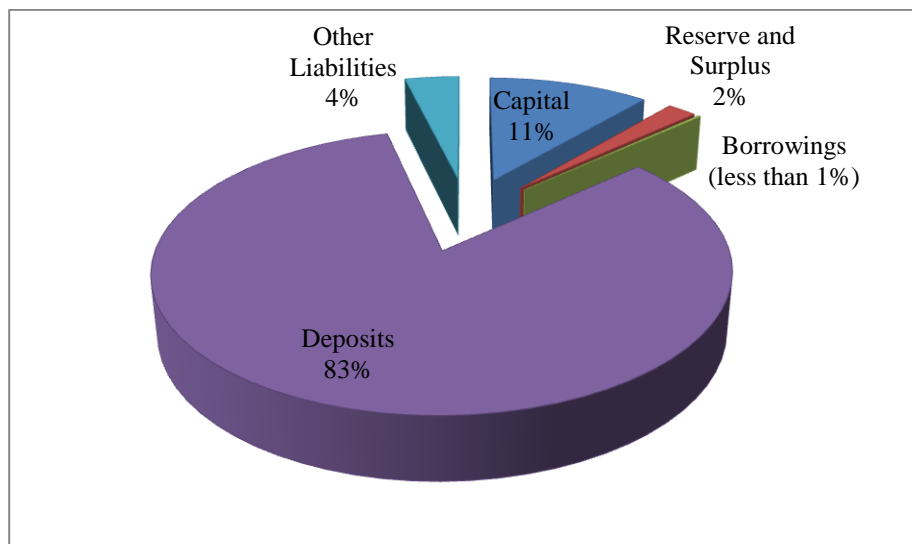
Figure 3.2: Composition of Assets of Development Banks
(Mid July 2018)



Composition of Liabilities

3.3 As on mid July 2018, the total deposit liabilities of the development bank sector amounted to Rs.301.99 billion, a significant increase of 26.33 percent compared to the Rs.239.04 billion in mid July 2017. Major source of funding for DBs assets continues to be customer deposits. Other sources of funds comprised reserve and surplus, and other liabilities. Detail composition of liabilities is shown below.

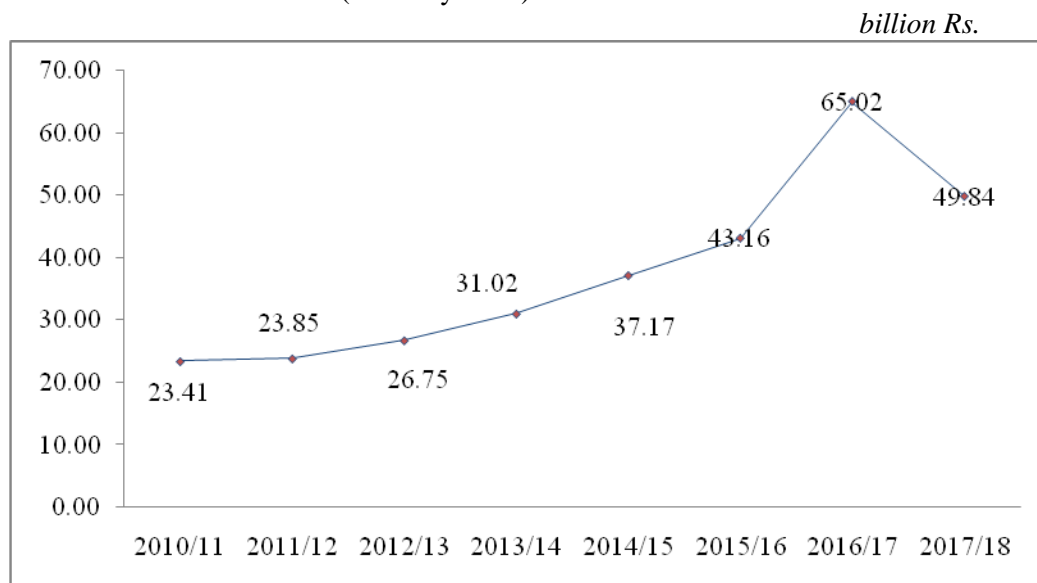
Figure 3.3: Composition of Liabilities of Development Banks
(Mid July 2018)



Capital

- 3.4 Total Capital Fund of the DBs has declined to Rs.49.84 billion on mid July 2018 from Rs.65.02 billion as on mid July 2017. This decrease is due to merger and acquisition of DBs with commercial banks. Year 2017 experienced the year with the highest capital due to capital increment as required by the central bank. Detailed figures are presented in Annex 15.2.

Figure 3.4: Capital Fund of the Development Banks
(Mid July 2018)

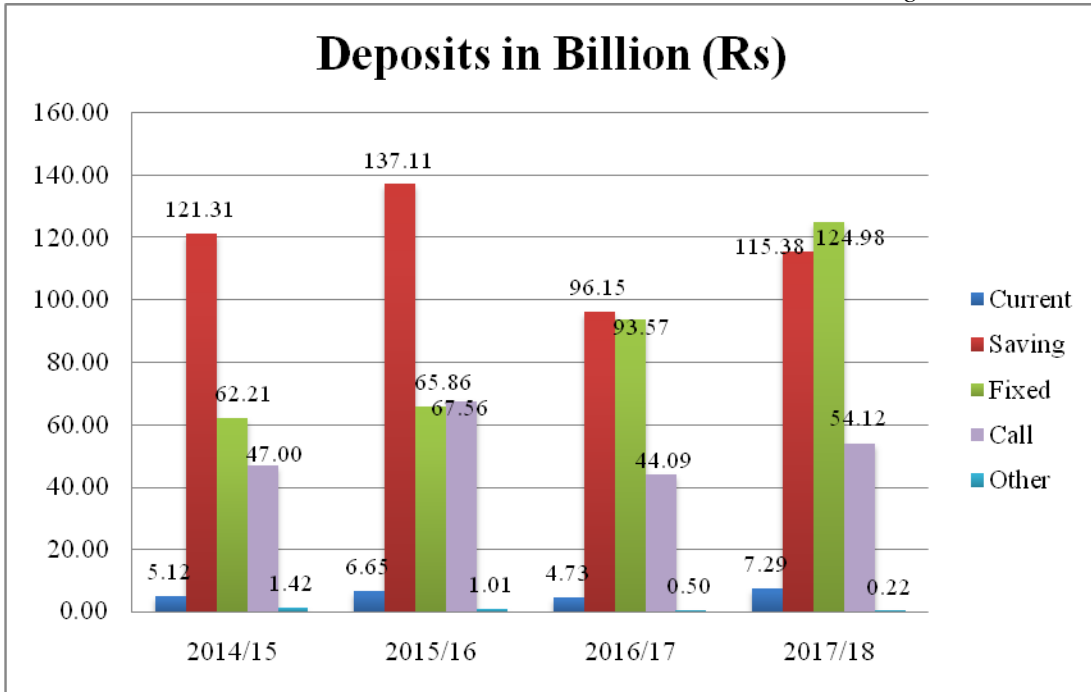


Deposit

- 3.5 Total deposit of the DBs has increased by 26.33 percent to Rs. 301.99 billion as at mid July 2018 from Rs.239.04 billion as at mid-July 2017. Previous four years data depicts deposit is in increasing trend except in FY 2016/17 owing to the mergers of development banks with commercial banks.
- 3.6 Out of total deposits, fixed deposit comprises the highest portion of Rs.124.98 billion, followed by saving deposits of Rs.115.38 billion as at mid July 2018. Previous three years data reflect excess of saving deposits over fixed deposit. However in the review year, fixed deposit has exceeded the saving deposit. There was heavy shift of saving depositor to the fixed deposit as DBs aggressively opened up campaign offering high interest rate to ease liquidity crisis situation. Deposit figures are shown in Annex 15.1.

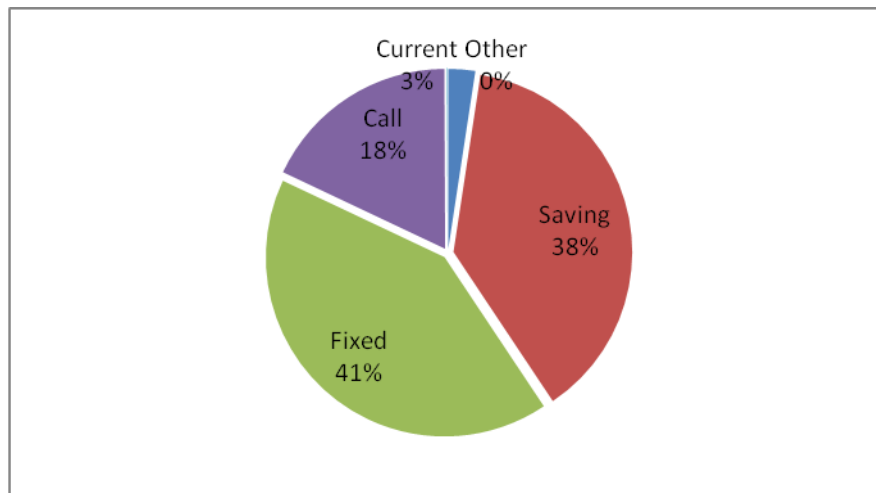
**Figure 3.5: Deposit of the Development Banks
(Mid July 2018)**

Figures in billion



In the DB industry, saving and fixed deposits dominated (79.59%) the deposit of the DBs over the year. Fixed deposit contributed 41 percent, Saving deposits 38 percent, call deposit 18% and current deposit 3%. Other deposits comprises nominal amount of total deposits. Detailed figures are shown in Annex 15.3.

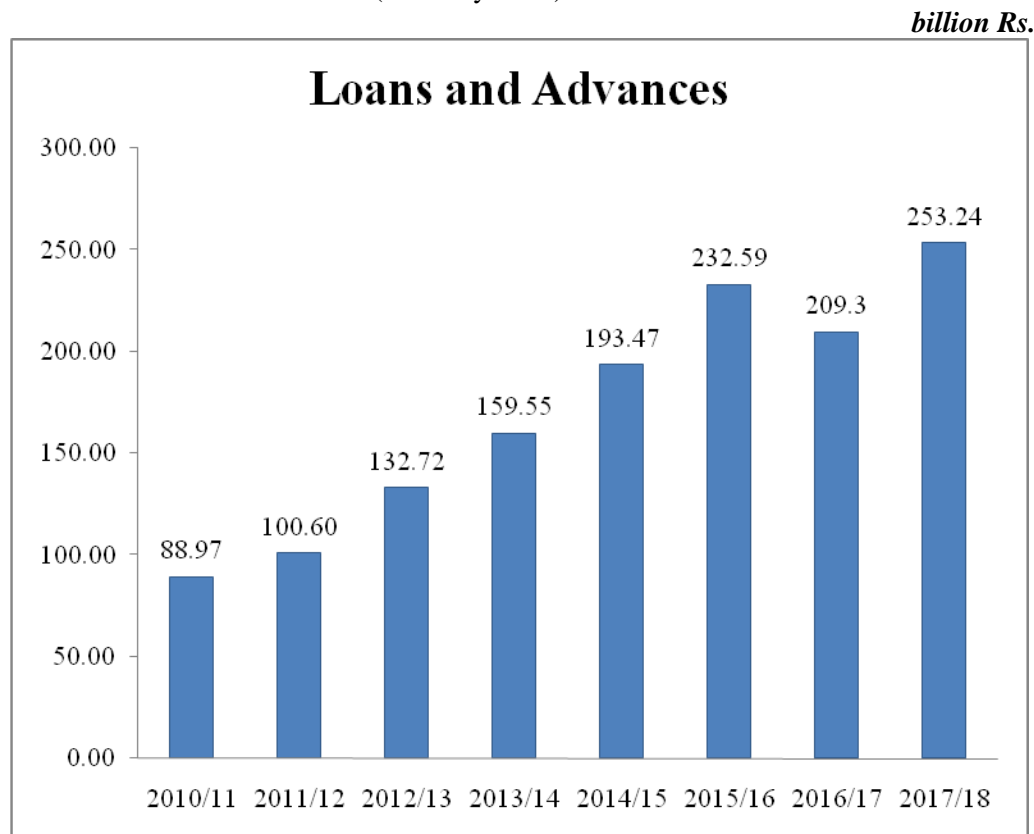
**Figure 3.6: Composition of Deposits
(Mid July 2018)**



Loan and Advances

3.7 Loan and advances of the DBs grew by 20.99 percent, from Rs.209.30 billion in FY 2016/17 to Rs. 253.24 billion in FY 2017/18. Performing loan constitutes 98.91% which amounts to Rs.250.47 billion and Non-performing loan constitutes 1.09% which amounts to Rs.2.76 billion. Detailed figures are shown in Annex 15.1 and 15.4.

Figure 3.7: Loan and Advances of the Development Banks
(Mid July 2018)



Sector-wise Loan and Advances

3.8 Sectoral distribution of loans and advances reflects different sectors where development banks have invested their loanable funds. Development banks are also exposed to sectoral credit concentration, which shows exposure of banks to specific sectors of the economy. Wholesalers and retailers account for 16.05 percent, Construction sector 12.86 percent, Consumable Loans 8.17 percent, Transport, Warehousing and Communication 8.27 percent, Finance, insurance and real estate sector 7.32 percent and of industry's loans and advances. Other sectors continue to account for the largest share of the industry's loans and advances, which was 25.05 percent as at mid-July 2018. Table 3.1 shows Sector-wise loan and advances of the Development Banks.

Table 3.1: Sector-wise loan and advances of Development Banks
(Mid July 2018)

Figures in percentage

| S.N. | Sector | % of Total Loan (Mid-July) | | | | | | | |
|------|---|----------------------------|---------|---------|---------|---------|---------|---------|---------|
| | | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| 1 | Agriculture Forest | 2.87 | 3.65 | 4.70 | 5.21 | 6.24 | 6.52 | 5.50 | 5.96 |
| 2 | Fishery | 0.03 | 0.04 | 0.10 | 0.13 | 0.21 | 0.18 | 0.13 | 0.13 |
| 3 | Mining | 0.26 | 0.19 | 0.20 | 0.17 | 0.20 | 0.17 | 0.21 | 0.23 |
| 4 | Agriculture, Forestry & Beverage Production Related | | | | | | 3.09 | 2.71 | 2.63 |
| 5 | * Non-food Production Related | | | | | 6.33 | 3.23 | 2.83 | 3.19 |
| 5 | Manufacturing | 8.05 | 7.08 | 6.93 | 6.61 | | | | |
| 6 | Construction | 11.54 | 12.00 | 11.49 | 12.06 | 13.49 | 14.01 | 13.18 | 12.86 |
| 7 | Electricity, Gas and Water | 1.25 | 1.31 | 1.58 | 2.24 | 2.56 | 1.72 | 1.91 | 1.76 |
| 8 | Metal Products, Machineries, Electronics and Installation | 1.71 | 1.55 | 1.55 | 1.47 | 1.54 | 1.03 | 0.74 | 0.89 |
| 9 | Transport, Warehousing and Communication | 9.91 | 9.01 | 8.46 | 7.97 | 7.84 | 7.66 | 9.02 | 8.27 |
| 10 | Wholesalers and Retailers | 18.98 | 21.13 | 20.40 | 18.31 | 16.91 | 15.40 | 15.63 | 16.05 |
| 11 | Finance, Insurance and Real Estate | 10.73 | 9.87 | 9.48 | 7.91 | 6.95 | 6.98 | 6.76 | 7.32 |
| 12 | Tourism (Hotel and Restaurant) | 3.31 | 3.83 | 3.57 | 3.88 | 3.76 | 3.99 | 4.00 | 3.93 |
| 13 | Other Services | 6.08 | 5.32 | 4.74 | 4.89 | 4.50 | 4.03 | 3.99 | 3.55 |
| 14 | Consumable Loans | 5.78 | 6.08 | 7.36 | 7.87 | 8.09 | 7.31 | 9.24 | 8.17 |
| 15 | Local Government | 0.83 | 0.03 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 |
| 16 | Others | 18.67 | 18.90 | 19.37 | 21.26 | 21.37 | 24.67 | 24.13 | 25.05 |
| | Total Loan | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

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

Security-wise Loan and Advances

3.9 Majority of loans and advances of DBs are secured against properties. In the review year, weightage of property back-up is 89.28 percent of the total loan disbursed. Proportion of loans against guarantee has been gradually increasing since 2010 and covers around 4.72 percent in the review year. All other forms of collateral comes below 2 percent and therefore does not cover significant portion of loans and advances. Table 3.2 shows security wise loan and advance position of DBs as on mid-July 2018.

Table 3.2: Securities against Loans and Advances
(Mid July 2018)

Figures in percentage

| S.N. | Security | % of Total Loan (Mid-July) | | | | | | | |
|------|---------------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| 1 | Gold and Silver | 1.02 | 1.77 | 2.53 | 2.27 | 2.13 | 1.80 | 2.06 | 1.92 |
| 2 | Government Bonds | 0.02 | 0.05 | 0.02 | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 |
| 3 | Non Government Securities | 1.70 | 1.52 | 1.52 | 1.97 | 1.72 | 1.99 | 1.81 | 2.22 |
| 4 | Fixed Deposit | 1.85 | 1.34 | 1.23 | 1.06 | 1.04 | 0.93 | 2.51 | 1.58 |
| 5 | Property as Collateral | 86.62 | 90.60 | 91.83 | 90.98 | 91.93 | 91.50 | 89.01 | 89.28 |
| 6 | Security of Bills | 0.03 | 0.01 | 0.02 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 |
| 7 | Guarantee | 1.53 | 1.74 | 1.98 | 2.24 | 2.78 | 3.39 | 4.39 | 4.72 |
| 8 | Credit/Debit Card | 0.00 | 0.00 | 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 | 0.21 | 0.27 |
| | Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Product-wise Loan and Advances

3.10 DBs have classified their loan products as per NRB directives. The highest portion (24.39 percent) of the loans and advances is covered by Overdraft Facilities. Similarly, Term Loan comprises 17.97 percent, Hire Purchase Loan comprises 10.87 percent and Personal Residential Home Loan comprises around 10.43 percent respectively. There is a gradual rise of deprived sector loans through previous years owing to regulatory requirement. There has been a steady rise in case of term loans in last six years but the portion of demand and other working capital loans has been in decreasing trend since last six years. Real estate loan has declined significantly in review years. Table 3.3 shows the composition of product wise loan and advances of DBs in previous eight fiscal years.

Table 3.3: Product-wise Loan and Advances
Mid July 2018

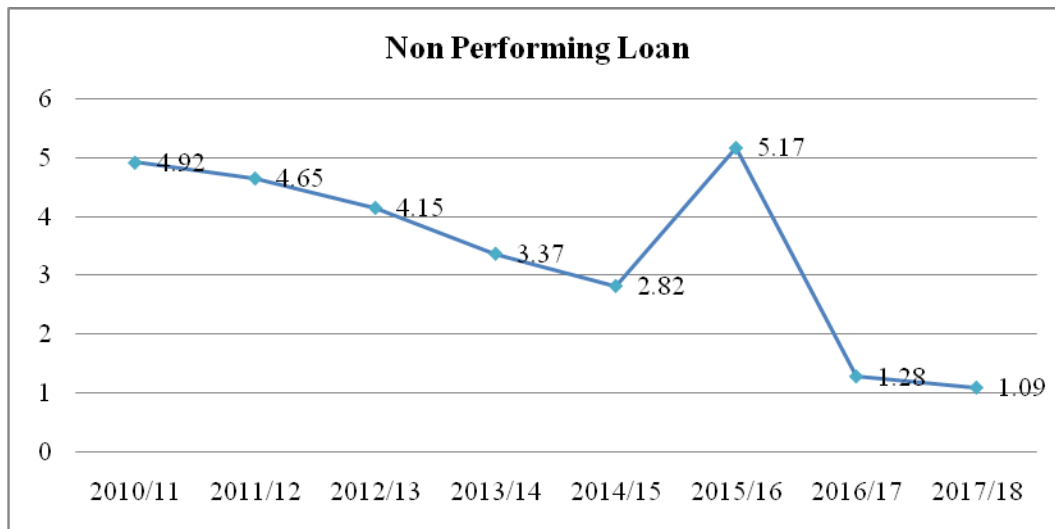
| S.N. | Loan Products | % of Total Loan | | | | | | | |
|------|---------------------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|
| | | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| 1 | Term Loan | 11.83 | 12.51 | 11.35 | 13.25 | 14.47 | 16.01 | 15.79 | 17.97 |
| 2 | Overdraft | 23.77 | 26.04 | 25.85 | 25.03 | 23.72 | 23.32 | 24.56 | 24.39 |
| 3 | Trust Receipt Loan/Import Loan | 0.02 | 0.10 | 0.00 | 0.00 | 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 | 5.05 | 3.83 |
| 5 | Personal Residential Home Loan | 6.34 | 9.24 | 9.27 | 10.40 | 11.62 | 11.50 | 10.50 | 10.43 |
| 6 | Real Estate Loan | 14.68 | 11.85 | 9.69 | 7.89 | 6.78 | 7.42 | 8.02 | 7.74 |

| | | | | | | | | | |
|----|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| 7 | Margin Loan | 2.58 | 1.99 | 2.04 | 2.54 | 1.98 | 2.23 | 1.83 | 2.25 |
| 8 | Hire Purchase Loan | 11.26 | 10.35 | 10.02 | 9.83 | 9.81 | 10.17 | 11.71 | 10.87 |
| 9 | Deprived Sector Loan | 3.25 | 3.56 | 3.93 | 4.68 | 5.27 | 5.56 | 7.83 | 8.18 |
| 10 | Bills Purchased | 0.05 | 0.01 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11 | Other Product | 11.58 | 11.68 | 13.74 | 14.11 | 15.76 | 15.14 | 14.69 | 14.34 |
| | Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Non- Performing Loans

3.11 The assets quality of overall development banks has been improved. The ratio of NPLs to Gross Loans and Advances has been declined from 1.28 percent in mid July 2017 to 1.09 percent in mid July 2018.

Figure 3.8: Non-performing loans of the Development Banks
(Mid July 2018)

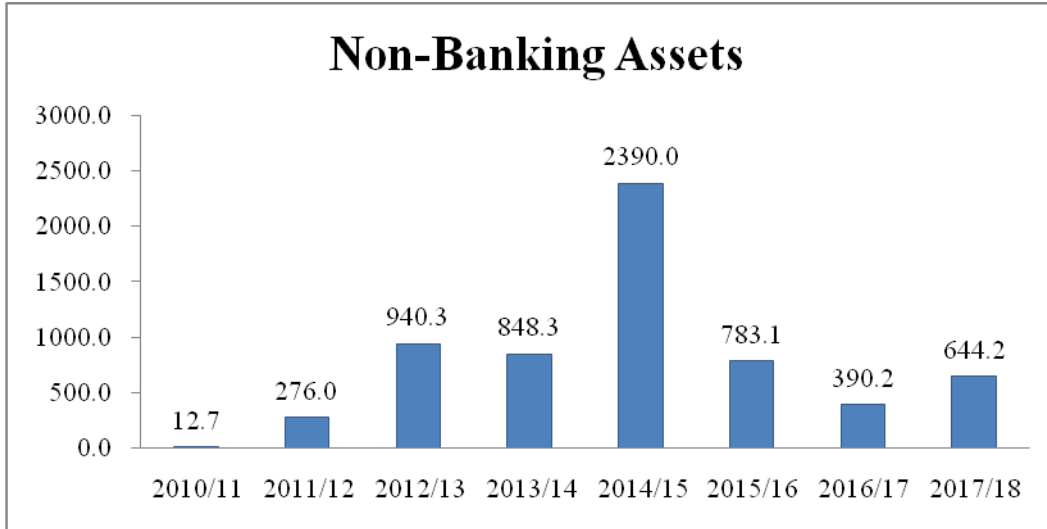


Non-Banking Assets

3.12 The total amount of non-banking assets (NBA) of DBs for the FY 2017/18 stands at Rs 644.17 million. As on mid-July 2018, NBA of Mahalaxmi Development Bank Limited (Rs.322.54 million) continue to account for the largest share of the industry's NBA, followed by Corporate Development Bank (Rs.196.56 million). The level and structure of NBA during the previous seven years is presented in the figure 3.9. Details on Non-Banking Assets for various years are shown in Annex 15.5.

Figure 3.9: Non-banking Assets of the Development Banks
Mid-July 2018

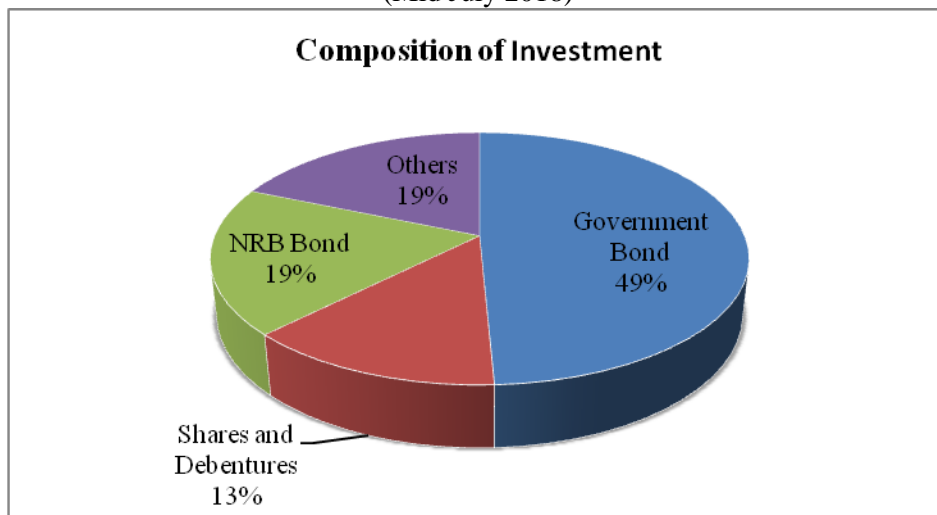
Figures in million



Investment

3.13 The largest portion of investment made by DBs is in government securities. This category accounts 49 percent of total investment of DBs in the review year. Investment in NRB bond and Listed shares and debentures amounted to 19 and 13 percent respectively of total investment. The total investment of DBs has increased by 41.11 percent and has reached Rs.11,258.03 million as at mid-July 2018 from Rs. 6,629.72 million as at mid-July 2017. Details of investment of DBs are shown in Annex 15.6.

Figure 3.10: Investment Portfolio of the Development Banks
(Mid July 2018)

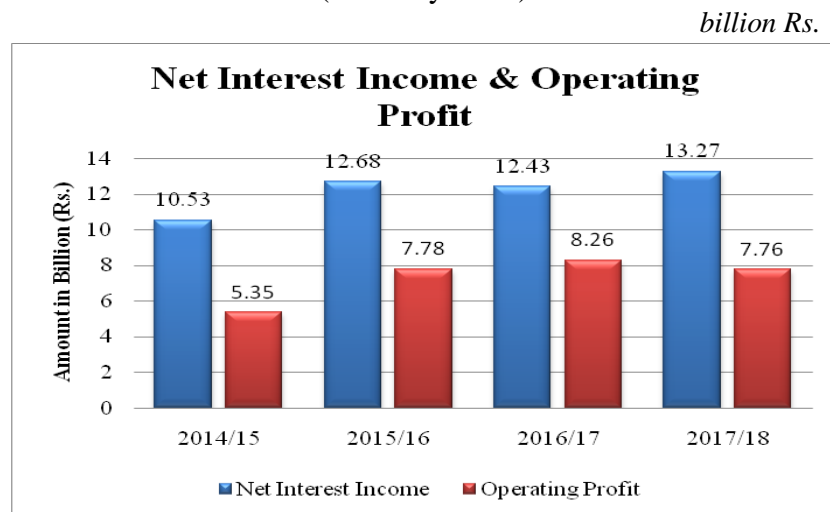


Profitability

- 3.14 Consolidated profitability of overall development banks during FY 2017/18 amounted to Rs.6,010.86 million. It amounted to Rs.6,118.83 million during FY 2016/17. The overall profitability has been decreased due to decline in number of development banks. During review year, Tourism Development Bank Limited has been merged with Mega Bank Nepal Limited, NIDC Development Bank Limited with Rastriya Banijya Bank Limited and Alpine Development Bank Limited with Century Commercial Bank Limited. Merger with different class institutions will have impact on industry figures of both commercial banks and development banks.
- 3.15 The interest spread of overall development banks has been declined to 5.3% as at mid-July 2018 from 6.4% as of mid-July 2017. Decline in interest spread has highly influences the profitability of overall development banks.
- 3.16 Interest income of all development banks accounted to Rs.34,173.53 million as on mid-July 2018 which has been increased by 40.65 percent from mid-July 2017. Similarly, interest expenses accounted to Rs.20,905.94 million as on Mid-July 2018 which has been increased by 76.24 percent from that of mid-July 2017. Net interest income has been increased by 6.70% to Rs.13,267.59 million as on mid-July 2018 from Rs.12,434.47 million as on mid-July 2017.

Operating profit of development banks has been decreased from Rs.8.26 billion as on mid-July 2017 to Rs.7.76 billion by 6.44% as on mid-July 2018. Net interest income and Operating Profit of development banks of previous four years are shown in the Annex 15.8.

Figure 3.11: Operating Efficiency of the Development Banks
(Mid July-2018)

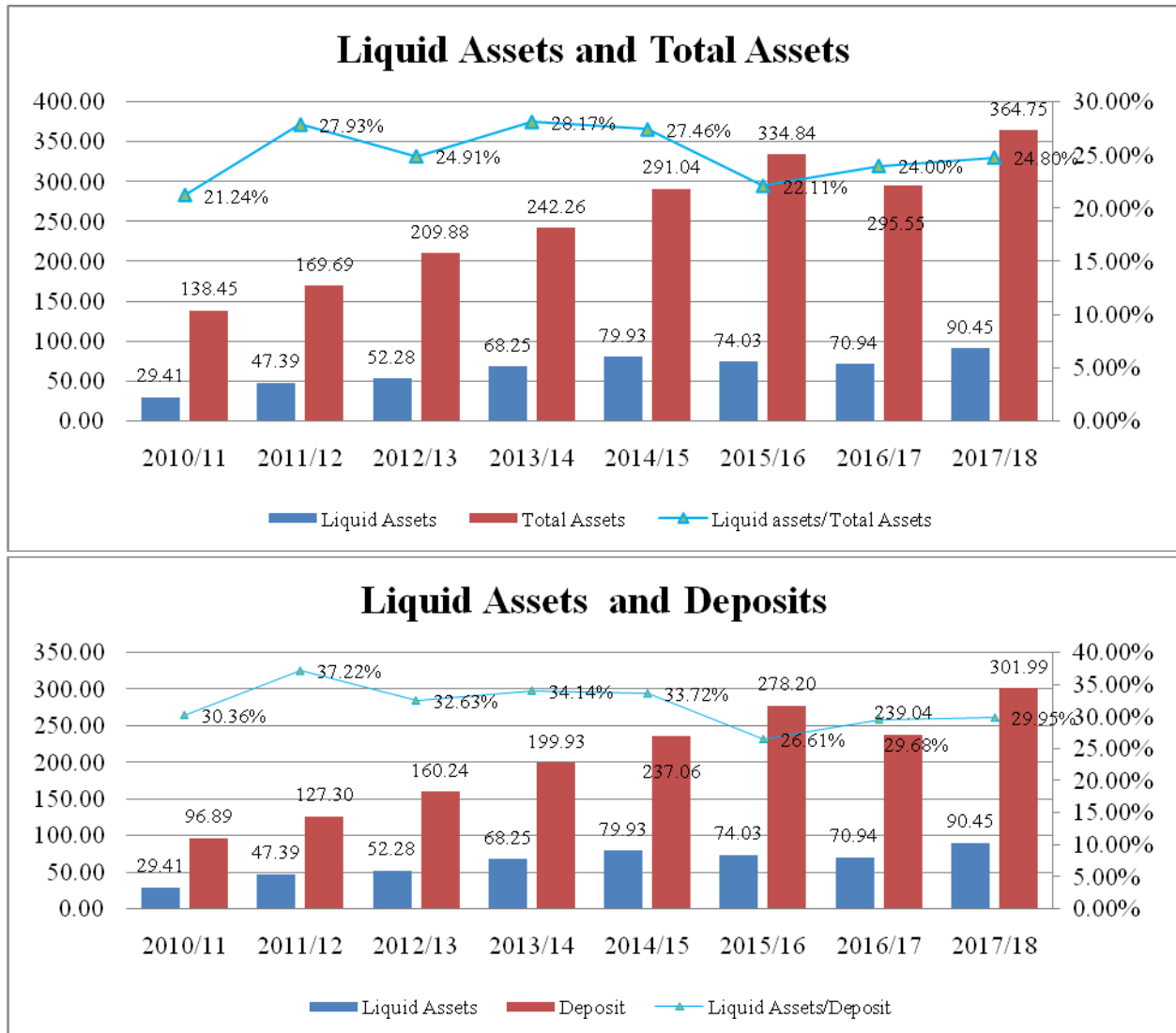


Liquidity

3.17 Total liquidity comprises of cash balance, bank balances with NRB and other BFIs, money at call and investment in treasury bills. Liquid assets of development banks has been increased by 27.50 percent from Rs.70.94 billion at mid-July 2017 to Rs.90.45 billion at mid-July 2018. The share of these liquid assets to total deposits (Rs. 301.99 billion) increased by 0.92% from 29.68 percent at mid-July 2017 to 29.95 percent at mid-July 2018. Similarly, the share of these liquid assets to total assets (Rs.364.75 billion) increased by 3.31% from 24 percent at mid-July 2017 to 24.80 percent at mid-July 2018. Detailed figures as indicated in figure 3.12 are shown in Annex 15.7.

Figure 3.12: Liquidity Position of the Development Banks
Mid July - 2018

Figures in billion



Deprived Sector

3.18 The overall position of deprived sector lending of DBs in FY 2017/18 was 9.41 percent while the figure stood at 5.95 percent in FY 2016/17. Deprived sector lending is above NRB minimum requirement of 4.5 percent in the review year.

Base Rates and Spread Rates

3.19 Base rate of all development banks was 12.44 percent as on mid-July 2018. The overall base rate of national level development banks stood at 10.75 percent in mid-July 2018, whereas it was 12.18 percent in mid-July 2017.

3.20 Interest spread of overall development banks stood at 5.30% as at mid July 2018. Base rate and interest spread is being regularly monitored by Off-Site Unit. Necessary directions are timely given to the institutions if irregularities have been identified.

Electronic Banking

3.21 Electronic banking is becoming increasingly popular as transactions can be carried out faster, and in a safe and secured manner. With the advancement of technology, different forms of electronic banking have been used in Nepalese banking sector. Development banks have been deliberating electronic banking services in the form of Internet Banking, Mobile Banking, Debit Card Services and Automated Teller Machines (ATMs). Only one development bank (Om Development Bank) provides Branchless Banking Service during FY 2017/18 which is capable of providing retail banking features such as cash deposit/withdrawal, Bill Payments, remittance payments, fund transfers and inquiries. The table below depicts the data regarding use of electronic banking in development sector. The number of customers using electronic banking services is in increasing trend. In the FY 2017/18, 351,796 customers used mobile banking services, 14,634 used internet banking services. Number of ATMs during FY 2016/17 was 177, which has been gradually increased to 209 during FY 2017/18. However, Debit Card users in case of development banks is in decreasing trend.

Table 3.4: Use of Electronic Banking
Mid July 2018

| S. No. | Particulars | 2015/16 | 2016/17 | 2017/18 |
|--------|---------------------------------------|---------|---------|---------|
| 1 | No. of Branchless Banking Centers | - | - | 1 |
| 2 | No. of Customers (Branchless Banking) | - | - | 107 |
| 3 | No. of Customers (Mobile Banking) | 133561 | 217432 | 351796 |
| 4 | No. of Internet Banking Customers | 23036 | 14634 | 14634 |
| 5 | No. of ATMs | 230 | 177 | 209 |
| 6 | No. of Debit Cards | 479318 | 260225 | 206589 |

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

Stress Testing of Development Banks

3.22 National level development banks have emerged as strong institutions in the recent stress testing procedure conducted by NRB. Based on the data as of mid-July 2018, it was revealed that the banks have adequate buffer capital over the minimum capital requirement to absorb perceived shocks. These data indicate that the banks can withstand severe shocks under a range of assumptions. Results from stress tests of 11 national level DBs on various shocks have been observed as follows.

Credit Shock

3.23 The stress testing results of national level DBs as of mid July 2018 revealed that a standard credit shock (if 5 percent performing loans were to deteriorate as loss loans) would push the capital adequacy ratio of one DB below the regulatory minimum benchmark.

Liquidity Shock

3.24 The stress test results indicated that one DB would see their liquidity dip below minimum level (become illiquid) if there were a withdrawal of deposit by 2 percent, 5 percent, 10 percent, 10 percent and 10 percent for five consecutive days as per liquidity maintained on mid July 2018.

Similarly, if there were a withdrawal of deposit by 10 percent, 15 percent and 20 percent the number of banks with liquid assets to deposit ratio below the regulatory minimum of 20 percent would stand at 2, 7 and 11 respectively as on mid-July 2018.

No development bank would face liquidity problem if up to five top institutional depositors opt to withdraw their deposits. Furthermore, no development bank would face liquidity problem if up to five top individual depositors opt to withdraw their deposits.

Other Shocks

3.25 The stress testing results revealed that CAR of all 11 national level DBs was above the regulatory requirement when calibrating through interest rate, exchange rate and equity price shocks. Development banks do not bear interest rate risk as they pass it directly to their clients. Owing to minimal foreign exchange transactions, there is low foreign exchange risk.

The resilience of national level DB towards key stress test analysis showed an improved, sound and strong financial condition for all three kinds of shocks - credit, liquidity and market in stress testing analysis. The overall vulnerability test in aggregate in all 11 national level DB found those DBs to be in less vulnerable position.

Table 3.5: Summary Result on Stress Testing of National Level Development Banks
As on Mid July 2018

| Events | | Number of Banks with CAR | | |
|---------------------------------|--|--------------------------|-----------|-------|
| | | < 0% | 0% - <10% | >=10% |
| Pre Shock | | 0 | 0 | 11 |
| A. After Credit Shock | | Post Shocks | | |
| | | < 0% | 0% - <10% | >=10% |
| C1 | 15 Percent of Performing loans deteriorated to substandard | 0 | 0 | 11 |
| | 15 Percent of Substandard loans deteriorated to doubtful loans | 0 | 0 | 11 |
| | 25 Percent of Doubtful loans deteriorated to loss loans | 0 | 0 | 11 |
| | 5 Percent of Performing loans deteriorated to loss loans | 0 | 1 | 10 |
| C2 | All NPLs under substandard category downgraded to doubtful. | 0 | 0 | 11 |
| | All NPLs under doubtful category downgraded to loss. | 0 | 0 | 11 |
| C3 | 25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to substandard category of NPLs. | 0 | 0 | 11 |
| C4 | 25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to Loss category of NPLs. | 0 | 0 | 11 |
| C5 | Top 5 Large exposures down graded: Performing to Substandard | 0 | 0 | 11 |
| B. After Market Shocks | | | | |
| (a) Interest Rate Shocks | | < 0% | 0% - <10% | >=10% |
| IR-1a | Deposits interest rate changed by 1.0 percent point on an average. | 0 | 0 | 11 |
| IR-1b | Deposits interest rate changed by 1.5 percent point on an average. | 0 | 0 | 11 |
| IR-1c | Deposits interest rate changed by 2.0 percent point on an average. | 0 | 0 | 11 |
| IR-2a | Loan interest rate changed by -1.0 percent point on an average. | 0 | 0 | 11 |
| IR-2b | Loan interest rate changed by -1.5 percent point on an average. | 0 | 0 | 11 |
| IR-2c | Loan interest rate changed by -2.0 percent point on an average. | 0 | 0 | 11 |
| IR-3 | Combine Shocks (IR-1a & IR-2a) | 0 | 0 | 11 |
| (b) Exchange Rate Shocks | | | | |
| ER-1a | Depreciation of currency exchange rate by 20% | 0 | 0 | 11 |
| ER-1b | Appreciation of currency exchange rate by 25% | 0 | 0 | 11 |
| (c) Equity Price Shocks | | | | |
| EQ-1 | Fall in the equity prices by 50% | 0 | 0 | 11 |

C. After Liquidity Shocks

Events

| | | | | |
|--|--|----------------|---------------------|-----------------|
| L-1a | Number of BFIs illiquid after on 1st day while withdrawal of deposits by 2% | 0 | | |
| | Number of BFIs illiquid after on 2nd day while withdrawal of deposits by 5% | 0 | | |
| | Number of BFIs illiquid after on 3rd day while withdrawal of deposits by 10% | 0 | | |
| | Number of BFIs illiquid after on 4th day while withdrawal of deposits by 10% | 0 | | |
| | Number of BFIs illiquid after on 5th day while withdrawal of deposits by 10% | 1 | | |
| Number of Banks with Liquid Assets to Deposit Ratio | | < 0% | 0% - <20% | >=20% |
| Pre-shocks | | 0 | 0 | 11 |
| After Shocks | | | | |
| L-2a | Withdrawal of deposits by 5% | 0 | 0 | 11 |
| L-2b | Withdrawal of deposits by 10% | 0 | 2 | 9 |
| L-2c | Withdrawal of deposits by 15% | 0 | 7 | 4 |
| L-2d | Withdrawal of deposits by 20% | 0 | 11 | 0 |
| L-3a | Withdrawal of deposits by top 1 institutional depositors. | 0 | 0 | 11 |
| L-3b | Withdrawal of deposits by top 2 institutional depositors. | 0 | 0 | 11 |
| L-3c | Withdrawal of deposits by top 3 institutional depositors. | 0 | 0 | 11 |
| L-3d | Withdrawal of deposits by top 4 institutional depositors. | 0 | 0 | 11 |
| L-3e | Withdrawal of deposits by top 5 institutional depositors. | 0 | 0 | 11 |
| L-4a | Withdrawal of deposits by top 1 individual depositors. | 0 | 0 | 11 |
| L-4b | Withdrawal of deposits by top 2 individual depositors. | 0 | 0 | 11 |
| L-4c | Withdrawal of deposits by top 3 individual depositors. | 0 | 0 | 11 |
| L-4d | Withdrawal of deposits by top 4 individual depositors. | 0 | 0 | 11 |
| L-4e | Withdrawal of deposits by top 5 individual depositors. | 0 | 0 | 11 |

Release from Problematic Institution List

3.26 NRB has released Corporate Development Bank Limited from the list of Problematic Institution through the Board Decision on February 2018 by assigning certain terms and conditions. The institution was declared problematic 3 years ago.

Actions and Penalties

3.27 Following actions were taken against DBs according to Nepal Rastra Bank Act, 2002 in the review year.

- During the review period a director of one institution was removed by NRB Board from the post, as per Section 19(1)(a) of Banks and Financial Institutions Act, 2017 for not having qualifications as referred to in Section 16 of the Act.
- Chairman of one institution was given written admonition with the decision of the NRB Board on 31 May 2018 as per Nepal Rastra Bank Act, 2002, Section 100, Sub-section 2(a) for violating the provision of Unified Directives 2074 and for acting against the provision mentioned in Point 5(3) (Kha) of Chapter 2 of Merger and Acquisition Byelaws, 2016.

**Development Bank Supervision Report
(FY- 2017/018)**

Annexure

Annex 1: Numbers of Banks and Financial Institutions

| Types of Financial Institutions | Year (<i>mid July</i>) | | | | | | | | | | | | | | | | | |
|---------------------------------|--------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 1985 | 1990 | 1995 | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Commercial Banks | 3 | 5 | 10 | 13 | 17 | 18 | 20 | 25 | 26 | 27 | 31 | 32 | 31 | 30 | 30 | 28 | 28 | 28 |
| Development Banks | 2 | 2 | 3 | 7 | 26 | 28 | 38 | 58 | 63 | 79 | 87 | 88 | 86 | 83 | 76 | 67 | 40 | 33 |
| Finance Companies | | | 21 | 45 | 60 | 70 | 74 | 78 | 77 | 79 | 79 | 69 | 59 | 53 | 48 | 42 | 28 | 25 |
| Micro finance Development Banks | | | 4 | 7 | 11 | 11 | 12 | 12 | 15 | 18 | 21 | 24 | 31 | 37 | 38 | 42 | 53 | 65 |
| Total | 5 | 7 | 38 | 72 | 114 | 127 | 144 | 173 | 181 | 203 | 218 | 213 | 207 | 203 | 192 | 179 | 149 | 151 |

Annex 2: Asset Size of Banks and Financial Institutions

(Mid July 2018)

| Banks and Financial Institutions | Share in Percentage | | | | | | | |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Commercial Banks | 75.3 | 77.3 | 78.2 | 77.9 | 78.73 | 79.74 | 83.41 | 82.76 |
| Development Banks | 12.0 | 12.4 | 13 | 13.7 | 13.34 | 12.81 | 9.71 | 9.99 |
| Finance Companies | 10.9 | 8.2 | 6.6 | 5.8 | 4.79 | 3.77 | 2.63 | 2.56 |
| Micro Finance | 1.8 | 2.2 | 2.2 | 2.6 | 3.14 | 3.68 | 4.25 | 4.69 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

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

Annex 3: List of Development Banks (As of Mid July, 2018)

| NATIONAL LEVEL | 10 DISTRICTS LEVEL | 3 DISTRICTS LEVEL | 1 DISTRICT LEVEL |
|--------------------------------|-------------------------------------|---------------------------------------|-------------------------|
| Muktinath Bikas Bank Ltd. | Shine Resunga Development Bank Ltd. | Narayani Development Bank Ltd. | Kabeli Bikas Bank Ltd. |
| Sangrila Development Bank Ltd. | | Sahayogi Bikas Bank Ltd. | Hamro Bikas Bank Ltd. |
| Deva Bikash Bank Ltd. | | Karnali Bikash Bank Ltd. | Sahara Bikas Bank Ltd. |
| Kailash Bikash Bank Ltd. | | Excel Development Bank Ltd. | Salapa Bikash Bank Ltd. |
| Jyoti Bikas Bank Ltd. | | Miteri Development Bank Ltd. | |
| Garima Bikas Bank Ltd. | | Tinau Bikas Bank Ltd. | |
| Om Development Bank Ltd. | | Kankai Bikas Bank Ltd. | |
| Mahalaxmi Bikas Bank Ltd. | | Bhargav Bikas Bank Ltd. | |
| Gandaki Bikas Bank Ltd. | | Corporate Development Bank Ltd. | |
| Lumbini Bikas Bank Ltd. | | Purnima Bikas Bank Ltd. | |
| Kamana Sewa Bikas Bank Ltd. | | Kanchan Development Bank Ltd. | |
| | | Mission Development Bank Ltd. | |
| | | Sindhu Bikas Bank Ltd. | |
| | | Nepal Community Development Bank Ltd. | |
| | | Saptakoshi Development Bank Ltd. | |
| | Green Development Bank Ltd. | | |
| | Western Development Bank Ltd. | | |
| 11 | 1 | 17 | 4 |
| Grand Total | | 33 | |

Annex 4: Consolidated Onsite Inspection Carried Out during FY 2017/18

| S.N. | Name | Working Area |
|------|----------------------------------|--------------|
| 1 | Kamana Sewa Bikas Bank | National |
| 2 | Kailash Bikas Bank | National |
| 3 | Jyoti Bikas Bank | National |
| 4 | Garima Bikas Bank | National |
| 5 | Om Development | National |
| 6 | Mahalaxmi Bikas Bank | National |
| 7 | Gandaki Bikas Bank | National |
| 8 | Lumbini Bikas Bank | National |
| 9 | Tourism Development Bank | National |
| 10 | Shine Resunga Development Bank | 10 Districts |
| 11 | Western Development Bank | 3 Districts |
| 12 | Bhargab Bikas Bank | 3 Districts |
| 13 | Excel Development Bank | 3 Districts |
| 14 | Saptakoshi Development Bank | 3 Districts |
| 15 | Miteri Development Bank | 3 Districts |
| 16 | Tinau Bikas Bank | 3 Districts |
| 17 | Kankai Bikas Bank | 3 Districts |
| 18 | Purnima Bikas Bank | 3 Districts |
| 19 | Kanchan Development Bank | 3 Districts |
| 20 | Mission Development Bank | 3 Districts |
| 21 | Sindhu Bikas Bank | 3 Districts |
| 22 | Nepal Community Development Bank | 3 Districts |
| 23 | Green Development Bank | 3 Districts |
| 24 | Sahayogi Bikas Bank | 3 Districts |
| 25 | Hamro Bikas Bank | 1 District |
| 26 | Salapa Bikas Bank | 1 District |

Annex 5: Special Inspection Carried Out during FY 2017/18

| S.No. | Name | Working Area |
|-------|--|--------------|
| 1 | Kailash Bikas Bank Limited | National |
| 2 | Shine Resunga Development Bank Limited | 10 Districts |
| 3 | Mission Development Bank Limited | 3 Districts |
| 4 | Sindhu Bikas Bank Limited | 3 Districts |

Annex 6: Follow up Inspection Carried Out during FY 2017/18

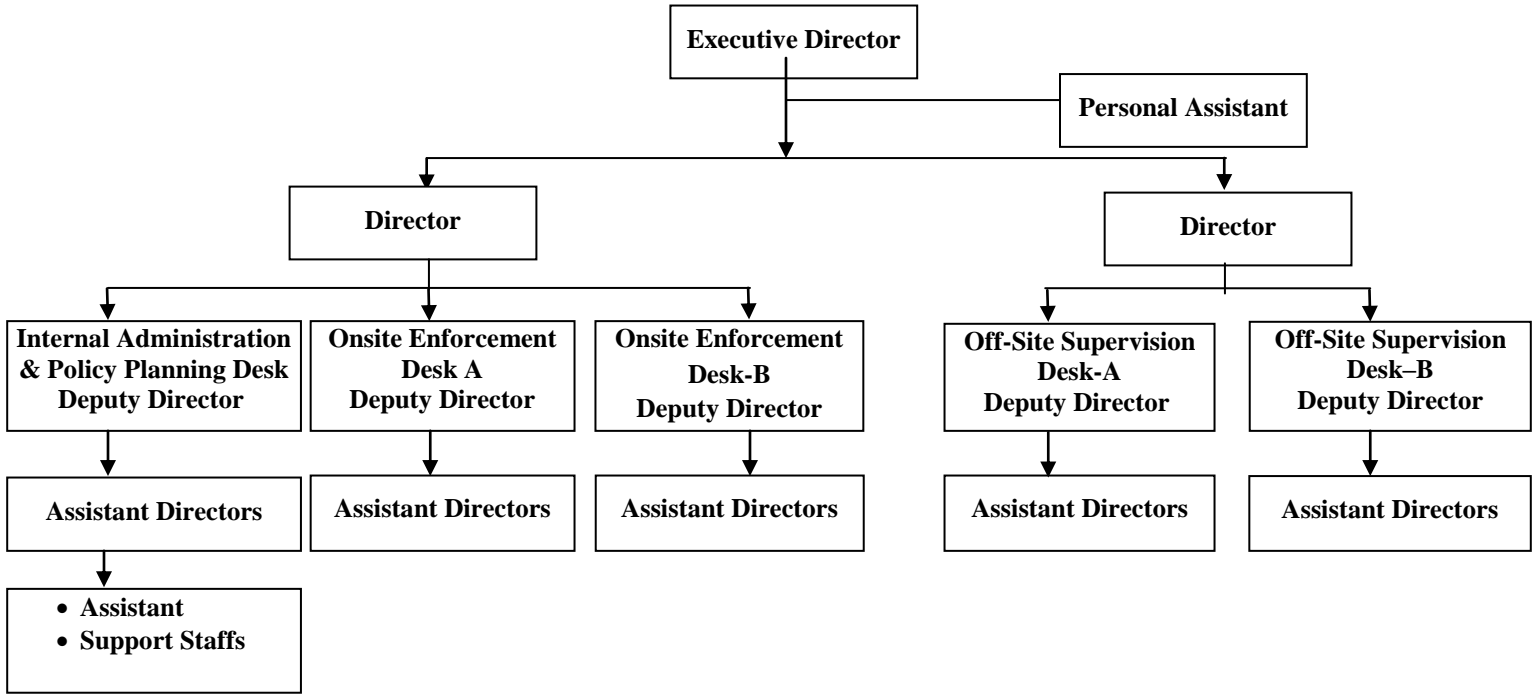
| S.No. | Name | Working Area |
|--------------|--|---------------------|
| 1 | Deva Bikas Bank Limited | National |
| 2 | Muktinath Bikas Bank Limited | National |
| 3 | Sangrila Development Bank | National |
| 4 | Om Development Bank Limited | National |
| 5 | Gandaki Bikas Bank Limited | National |
| 6 | Kamana Sewa Bikas Bank Limited | National |
| 7 | Shine Resunga Development Bank Limited | 10 Districts |
| 8 | Karnali Bikas Bank Limited | 3 Districts |
| 9 | Corporate Development Bank Limited | 3 Districts |
| 10 | Mission Development Bank Limited | 3 Districts |
| 11 | Green Development Bank Limited | 3 Districts |
| 12 | Kabeli Bikas Bank Limited | 1 District |
| 13 | Sahara Bikas Bank Limited | 1 District |

Annex 7: Participation from DBSD in International Training and Seminar

| S. No. | Title | Organizer | Country | No. of days | No. of Participants |
|--------|--|---|---------------------|-------------|---------------------|
| 1. | SEACEN Course on "Financial Cycles and Crises" | SEACEN | Seoul, South Korea | 6 | 1 |
| 2. | 24 th Banking Supervisors Training Programme | Monetary Authority of Singapore | Singapore | 6 | 1 |
| 3. | Seminar on "Macro-Stress Testing II" | IMF-Singapore Regional Training Institute (STI) | Singapore | 5 | 1 |
| 4. | "Financial Stability" | International Affairs Department, The Bank of Korea | Seoul, South Korea | 4 | 1 |
| 5. | SEACEN High-Level Seminar and Meeting for Deputy Governors and SEACEN Policy Summit on Shadow Banking and its Financial Stability Implications | SEACEN | Kualalumpur | 3 | 1 |
| 6. | International Programme on "Agriculture & Rural Development through Cooperative Business Model" | VM National Institute of Cooperative Management Complex | Haryana, India | 4 | 1 |
| 7. | SEACEN Advanced Course for Bank Examiners | SEACEN | Malaysia | 4 | 1 |
| 8. | International Program on Management of Rural Financing Institutions and Co-operatives for Rural Development | CICTAB | Hyderabad | 5 | 1 |
| 9. | Financial Sector Surveillance | IMF-SARTTAC | New Delhi | 9 | 1 |
| 10. | Joint Learning Event on Sustainable Finance Initiative | International Finance Corporation | Dhaka, Bangladesh | 3 | 1 |
| 11. | Program on Technology Risks in Banks including Cyber security | SEACEN | Manila, Philippines | 5 | 1 |
| 12. | Course on "On-Site Banking Supervision" | Deutsche Bundesbank | Frankfurt, Germany | 5 | 1 |
| 13. | Training on "Banking Supervision" – Batch II | BSP Institute, Bangko Sentral ng Philipinas | Manila, Philippines | 4 | 8 |
| 14. | SAARCFINANCE Seminar on "Digital Financial Services" | State Bank of Pakistan | Islamabad, Pakistan | 3 | 1 |
| 15. | Conference on Bank Resolution, Crisis Management and Deposit Insurance | Bank for International Settlements | Basel, Switzerland | 3 | 1 |

| | | | | | |
|----------------------------------|---|---|---------------------|----|----|
| 16. | Training on "General Central Banking" – Batch III | BSP Institute, Bangko Sentral ng Philipinas | Manila, Philippines | 10 | 1 |
| 17. | "45 th International Commercial Banking Course" | National Institute of Banking & Finance, State Bank of Pakistan | Islamabad, Pakistan | 19 | 1 |
| 18. | Course on On-Site Banking Supervision | Deutsche Bundesbank | Munich, Germany | 5 | 1 |
| 19. | SEACEN-Signature Course on Undertaking Effective Supervisory Review and Evaluation Process (SREP) Reviews | SEACEN | Manila, Philippines | 5 | 1 |
| 20. | Training on Agri Value Chain Financing | CICTAB | Pune, India | 5 | 1 |
| 21. | SEACEN-FSI Conference of the Directors of Supervision of Asia Pacific Economies and 31 st Meeting of Director of Supervision of SEACEN Members | SEACEN | Hongkong, China | 2 | 1 |
| Total No. of Participants | | | | | 28 |

Annex 8 : Organization Chart



Annex 9: Balance Sheet of Development Banks (F/Y 2017/18)

(Rs. in thousands)

| Particulars | Bhargav | Corporate | Deva | Excel | Gandaki | Garima | Green | Hamro | Jyoti | Kabeli | Kailash |
|---------------------------------------|------------------|----------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|
| Liabilities | | | | | | | | | | | |
| 1. Share Capital | 434,829 | 362,250 | 2,533,680 | 692,674 | 2,750,000 | 2,788,368 | 500,000 | 504,053 | 2,593,609 | 284,297 | 2,520,636 |
| 2. Reserves and Funds | 36,228 | (111,385) | 443,525 | 162,972 | 617,831 | 378,945 | 5,716 | 41,548 | 287,014 | 31,037 | 662,440 |
| 3. Bond & Debenture | - | - | - | - | - | - | - | - | - | - | - |
| 4. Borrowings | - | - | - | - | - | 218,500 | - | - | 510,000 | - | - |
| 5. Deposits | 3,113,550 | 71,909 | 15,697,495 | 5,235,336 | 23,520,372 | 21,221,205 | 598,982 | 1,839,916 | 19,554,267 | 816,341 | 22,862,105 |
| 5.1 Current | 128,865 | - | 291,107 | 134,930 | 388,214 | 428,015 | 22,903 | 81,451 | 932,439 | 20,774 | 339,012 |
| 5.2 Saving | 1,194,194 | 42,291 | 6,036,293 | 2,229,904 | 7,563,924 | 8,511,186 | 79,511 | 767,007 | 5,744,813 | 535,296 | 6,310,729 |
| 5.3 Fixed | 1,158,316 | 5,862 | 7,027,457 | 1,929,025 | 10,828,025 | 8,445,720 | 252,655 | 576,054 | 7,838,951 | 184,367 | 10,056,889 |
| 5.4 Call Deposit | 605,864 | 14,482 | 2,336,473 | 939,911 | 4,715,048 | 3,815,074 | 243,413 | 413,794 | 5,004,363 | 75,905 | 6,137,848 |
| 5.5 Margin Accounts | - | 150 | 6,166 | 1,566 | 11,382 | 160 | 500 | - | 33,701 | - | 17,627 |
| 5.6 Others | 26,310 | 9,125 | - | - | 13,779 | 21,051 | - | 1,610 | - | - | - |
| 5a. Individual Deposits | 2,378,820 | 50,003 | 11,884,189 | 3,924,687 | 16,158,097 | 15,078,891 | 262,126 | 1,142,432 | 12,886,667 | 610,810 | 13,801,007 |
| 5b. Institutional Deposits | 734,730 | 21,906 | 3,813,307 | 1,310,649 | 7,362,275 | 6,142,314 | 336,856 | 697,483 | 6,667,600 | 205,531 | 9,061,099 |
| 6. Proposed Cash Dividend | 31,485 | | | 117,755 | 390,500 | 95,058 | | 38,958 | 218,063 | | 428,508 |
| 7. Bills Payable | 45 | | 5,635 | | 9,054 | 332 | | | | | 7,504 |
| 8. Tax payable | | 13,815 | | | | 12,526 | | | | | 8,414 |
| 9. Other Liabilities | 66,706 | 565,938 | 831,888 | 143,230 | 721,505 | 814,664 | 24,859 | 104,301 | 478,978 | 45,102 | 661,947 |
| Total Liabilities | 3,682,844 | 902,527 | 19,512,224 | 6,351,967 | 28,009,262 | 25,529,599 | 1,129,557 | 2,528,776 | 23,641,931 | 1,176,777 | 27,151,556 |
| Assets | | | | | | | | | | | |
| 1. Cash Balance | 67,691 | 2,140 | 589,729 | 227,749 | 630,075 | 448,124 | 14,839 | 63,316 | 532,724 | 34,821 | 417,932 |
| 2. Balance at NRB | 140,985 | 29,170 | 707,061 | 82,910 | 1,134,916 | 1,078,038 | 30,315 | 80,434 | 661,370 | 21,390 | 1,134,644 |
| 3. Balance at Other BFIs | 15,665 | | 20,242 | 323,078 | 4,984,887 | 20,631 | 462,101 | 64,540 | 30,888 | 37,845 | 91,053 |
| 4. Money at Call | 897,242 | 114,536 | 3,325,058 | 1,054,170 | | 4,136,269 | | 497,679 | 5,051,447 | 233,547 | 4,107,613 |
| 5. Investment | 29,342 | - | 744,710 | 62,064 | 636,631 | 501,862 | 10,000 | 44,261 | 776,884 | - | 882,162 |
| 6. Loans & Advances | 2,398,162 | 254,383 | 13,591,147 | 4,297,583 | 20,065,094 | 18,851,037 | 590,899 | 1,678,917 | 16,100,413 | 800,109 | 20,126,956 |
| 7. Fixed Assets | 87,166 | 5,422 | 230,985 | 130,698 | 266,983 | 254,126 | 10,326 | 37,400 | 157,078 | 18,931 | 178,011 |
| 8. Non-banking Assets | | 196,560 | 26,070 | | 7,938 | | | | 11,606 | | 1,006 |
| 9. Other Assets | 46,592 | 300,317 | 277,221 | 173,714 | 282,739 | 239,512 | 11,077 | 62,229 | 319,522 | 30,134 | 212,179 |
| Total Assets | 3,682,844 | 902,527 | 19,512,224 | 6,351,967 | 28,009,262 | 25,529,599 | 1,129,557 | 2,528,776 | 23,641,931 | 1,176,777 | 27,151,556 |
| Total Off Balance Sheet Assets | 100,595 | 951 | 167,755 | 437,505 | 1,265,604 | 1,220,140 | 17,809 | 66,885 | 522,761 | 16,508 | 736,725 |

| Particulars | Kamana | Kanchan | Kankai | Karnali | Lumbini | Mahalaxmi | Mission | Miteri | Muktinath | Narayani | Nepal Community |
|---------------------------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|----------------|------------------|
| Liabilities | | | | | | | | | | | |
| 1. Share Capital | 2,502,656 | 531,300 | 515,000 | 502,830 | 2,550,480 | 2,844,501 | 576,401 | 585,000 | 3,064,760 | 71,740 | 531,659 |
| 2. Reserves and Funds | 662,549 | 68,867 | 42,631 | 32,831 | 744,275 | 945,798 | 63,852 | 111,587 | 450,074 | (61,981) | 25,317 |
| 3. Bond & Debenture | - | - | - | - | - | - | - | - | - | - | - |
| 4. Borrowings | - | - | - | - | - | - | - | - | - | - | - |
| 5. Deposits | 15,750,254 | 4,002,194 | 1,889,554 | 2,481,769 | 22,182,553 | 27,276,844 | 4,056,159 | 3,814,289 | 30,354,845 | 100,855 | 2,385,335 |
| 5.1 Current | 244,619 | 241,661 | 56,950 | 24,758 | 419,790 | 664,894 | 9,383 | 75,856 | 736,328 | - | 36,874 |
| 5.2 Saving | 5,716,533 | 2,167,515 | 718,449 | 1,200,602 | 6,093,182 | 11,288,403 | 1,779,805 | 1,219,791 | 11,516,138 | 76,697 | 917,509 |
| 5.3 Fixed | 6,785,467 | 986,675 | 572,603 | 875,157 | 10,542,134 | 11,703,035 | 1,536,816 | 1,984,789 | 12,154,267 | 24,030 | 917,781 |
| 5.4 Call Deposit | 3,003,635 | 606,343 | 541,427 | 381,252 | 5,097,928 | 3,617,846 | 730,156 | 533,525 | 5,936,184 | - | 513,070 |
| 5.5 Margin Accounts | - | - | 125 | - | 14,096 | 2,666 | - | 328 | 11,927 | 128 | 100 |
| 5.6 Others | - | - | - | - | 15,423 | - | - | - | - | - | - |
| 5a. Individual Deposits | 11,425,762 | 2,938,025 | 1,246,859 | 1,963,259 | 14,326,309 | 22,686,103 | 2,886,177 | 2,978,335 | 19,362,420 | 18,764 | 1,678,528 |
| 5b. Institutional Deposits | 4,324,493 | 1,064,169 | 642,695 | 518,510 | 7,856,243 | 4,590,741 | 1,169,982 | 835,954 | 10,992,424 | 82,091 | 706,807 |
| 6. Proposed Cash Dividend | | 31,815 | 32,500 | | | 184,366 | 3,006 | 4,474 | 24,895 | | 33,788 |
| 7. Bills Payable | 13,157 | | | | 1,903 | 4,100 | | | 5,511 | | |
| 8. Tax payable | 17,488 | 2,830 | | 89 | | | | 3,004 | - | | |
| 9. Other Liabilities | 722,100 | 87,672 | 42,785 | 87,724 | 1,228,622 | 1,620,838 | 160,208 | 89,411 | 1,181,071 | 69,302 | 91,821 |
| Total Liabilities | 19,668,203 | 4,724,679 | 2,522,470 | 3,105,243 | 26,707,831 | 32,876,448 | 4,859,626 | 4,607,765 | 35,081,155 | 179,916 | 3,067,919 |
| Assets | | | | | | | | | | | |
| 1. Cash Balance | 442,689 | 52,892 | 82,210 | 146,663 | 442,774 | 421,786 | 102,115 | 87,478 | 693,214 | 2,064 | 52,290 |
| 2. Balance at NRB | 824,626 | 83,646 | 80,900 | 150,758 | 972,153 | 1,352,234 | 241,882 | 153,280 | 1,439,801 | 36,251 | 105,586 |
| 3. Balance at Other BFIs | 45,346 | 140,000 | 17,358 | 17,675 | 4,236,027 | 190,237 | | 40,000 | 108,325 | 83,334 | 739,243 |
| 4. Money at Call | 4,081,211 | 877,252 | 591,802 | 1,367,968 | | 6,458,873 | 1,071,626 | 1,128,467 | 6,084,235 | | |
| 5. Investment | 372,612 | 45,495 | 31,371 | - | 1,750,902 | 1,767,357 | 206 | 10,031 | 703,554 | 3,891 | 1,123 |
| 6. Loans & Advances | 13,442,182 | 3,351,607 | 1,659,812 | 1,210,264 | 18,386,131 | 21,659,523 | 3,336,880 | 3,121,014 | 25,260,012 | 15,526 | 2,049,531 |
| 7. Fixed Assets | 296,825 | 92,958 | 34,002 | 90,650 | 342,783 | 298,911 | 45,810 | 34,150 | 473,550 | 2,264 | 42,936 |
| 8. Non-banking Assets | | | | | 65,579 | 322,535 | | | - | 7,985 | |
| 9. Other Assets | 162,711 | 80,829 | 25,015 | 121,265 | 511,482 | 404,992 | 61,107 | 33,345 | 318,463 | 28,601 | 77,210 |
| Total Assets | 19,668,203 | 4,724,679 | 2,522,470 | 3,105,243 | 26,707,831 | 32,876,448 | 4,859,626 | 4,607,765 | 35,081,155 | 179,916 | 3,067,919 |
| Total Off Balance Sheet Assets | 642,628 | 263,192 | 48,229 | 48,229 | 1,377,724 | 1,023,455 | 85,563 | 54,051 | 504,299 | - | 84,574 |

| Particulars | Om | Purnima | Sahara | Sahayogi | Salpa | Saptakoshi | Shangrila | Shine | Sindhu | Tinau | Western | Total |
|---------------------------------------|-------------------|------------------|----------------|------------------|----------------|------------------|-------------------|-------------------|------------------|------------------|------------------|--------------------|
| Liabilities | | | | | | | | | | | | |
| 1. Share Capital | 2,834,671 | 551,283 | 98,762 | 509,668 | 43,087 | 523,765 | 2,606,640 | 1,622,665 | 500,027 | 567,767 | 504,068 | 40,603,128 |
| 2. Reserves and Funds | 484,389 | 79,624 | 12,153 | 127,954 | 14,691 | 17,999 | 351,435 | 331,455 | 61,066 | 89,063 | 74,351 | 7,285,851 |
| 3. Bond & Debenture | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Borrowings | - | - | - | - | - | - | 2,500 | - | - | - | - | 731,000 |
| 5. Deposits | 21,455,191 | 2,875,441 | 488,394 | 3,751,118 | 325,686 | 1,552,707 | 17,788,231 | 14,539,917 | 2,274,731 | 4,915,765 | 3,198,470 | 301,991,782 |
| 5.1 Current | 277,095 | 138,308 | 6,558 | 176,911 | 7,502 | 78,008 | 323,317 | 363,680 | 454,055 | 99,310 | 82,942 | 7,286,507 |
| 5.2 Saving | 7,609,741 | 1,576,047 | 338,821 | 2,608,586 | 263,352 | 440,475 | 7,087,693 | 8,133,821 | 1,512,386 | 2,242,828 | 1,856,476 | 115,379,996 |
| 5.3 Fixed | 10,445,593 | 926,163 | 39,477 | 842,906 | 31,784 | 509,929 | 7,184,973 | 5,310,845 | 307,669 | 2,126,253 | 868,953 | 124,980,620 |
| 5.4 Call Deposit | 3,119,399 | 233,973 | 103,488 | 122,715 | 20,715 | 524,295 | 3,176,047 | 729,629 | - | 447,339 | 383,183 | 54,124,325 |
| 5.5 Margin Accounts | 3,364 | 950 | 50 | - | - | - | 16,201 | 1,942 | 620 | 35 | 11 | 123,796 |
| 5.6 Others | - | - | - | - | 2,334 | - | - | - | - | - | 6,906 | 96,537 |
| 5a. Individual Deposits | 15,759,096 | 2,395,674 | 383,322 | 3,525,385 | 289,907 | 855,828 | 12,702,314 | 12,936,987 | 1,606,772 | 3,936,685 | 2,732,335 | 216,812,574 |
| 5b. Institutional Deposits | 5,696,096 | 479,767 | 105,073 | 225,734 | 35,779 | 696,878 | 5,085,917 | 1,602,930 | 667,959 | 979,080 | 466,135 | 85,179,208 |
| 6. Proposed Cash Dividend | | 33,444 | 1,356 | 86,644 | | 25,611 | 136,642 | 12,845 | | 3,202 | 74,300 | 2,009,212 |
| 7. Bills Payable | 760 | | | | | | 21,053 | | | | | 69,056 |
| 8. Tax payable | 13,522 | | 4,477 | | | | | 5,321 | - | | 2,277 | 83,765 |
| 9. Other Liabilities | 688,979 | 98,803 | 21,561 | 99,329 | 11,670 | 41,192 | 581,172 | 289,560 | 87,936 | 126,589 | 93,306 | 11,980,765 |
| Total Liabilities | 25,477,512 | 3,638,595 | 626,702 | 4,574,713 | 395,134 | 2,161,274 | 21,487,673 | 16,801,763 | 2,923,760 | 5,702,386 | 3,946,772 | 364,754,559 |
| Assets | | | | | | | | | | | | |
| 1. Cash Balance | 535,418 | 47,346 | 21,883 | 83,405 | 23,324 | 42,569 | 399,832 | 288,373 | 100,357 | 122,593 | 115,406 | 7,335,819 |
| 2. Balance at NRB | 1,122,470 | 196,286 | - | 164,601 | | 79,598 | 818,651 | 837,247 | 62,498 | 175,714 | 44,748 | 14,044,164 |
| 3. Balance at Other BFIs | 7,098 | 872,632 | 226,490 | 42,704 | 108,063 | 26 | 64,238 | 21,418 | 122,450 | 1,044,440 | 148,539 | 14,326,573 |
| 4. Money at Call | 4,064,239 | | | 1,195,923 | | 593,127 | 4,268,440 | 1,787,348 | 902,677 | 58,403 | 793,622 | 54,742,771 |
| 5. Investment | 864,071 | 47,659 | - | 2,000 | - | 2,285 | 745,402 | 1,058,078 | 29,690 | 134,359 | - | 11,258,003 |
| 6. Loans & Advances | 18,361,139 | 2,429,121 | 363,546 | 2,982,664 | 246,377 | 1,363,052 | 14,659,124 | 12,387,423 | 1,602,423 | 3,930,230 | 2,664,852 | 253,237,133 |
| 7. Fixed Assets | 211,159 | 22,317 | 5,172 | 67,304 | 7,034 | 31,146 | 212,723 | 222,223 | 59,430 | 184,325 | 64,254 | 4,219,051 |
| 8. Non-banking Assets | 3,143 | | | | | | | | 1,752 | | | 644,174 |
| 9. Other Assets | 308,776 | 23,234 | 9,612 | 36,112 | 10,335 | 49,471 | 319,263 | 199,653 | 42,483 | 52,323 | 115,351 | 4,946,871 |
| Total Assets | 25,477,512 | 3,638,595 | 626,702 | 4,574,713 | 395,134 | 2,161,274 | 21,487,673 | 16,801,763 | 2,923,760 | 5,702,386 | 3,946,772 | 364,754,559 |
| Total Off Balance Sheet Assets | 548,635 | 79,823 | 500 | 258,313 | 11,502 | 19,984 | 1,106,481 | 699,010 | 41,790 | 250,259 | 34,461 | 11,735,939 |

Annex 10: Profit & Loss Account of Development Banks (F/Y 2017/18)

(Rs. in thousands)

| Income & Expenditure | Bhargav | Corporate | Deva | Excel | Gandaki | Garima | Green | Hamro | Jyoti | Kabeli | Kailash |
|---|---------------|---------------|----------------|----------------|----------------|----------------|--------------|---------------|----------------|---------------|----------------|
| 1. Interest Income | 314,608 | 34,865 | 1,786,641 | 595,779 | 2,770,874 | 2,447,964 | 79,292 | 221,815 | 1,931,724 | 99,574 | 2,691,591 |
| 2. Interest Expenses | 206,500 | 3,113 | 1,086,809 | 256,887 | 1,725,128 | 1,443,897 | 47,965 | 108,664 | 1,163,170 | 36,721 | 1,728,930 |
| Net Interest Income | 108,108 | 31,752 | 699,833 | 338,892 | 1,045,746 | 1,004,067 | 31,326 | 113,151 | 768,554 | 62,853 | 962,661 |
| 3. Commission and Discount | 3,619 | 211 | 16,507 | 8,617 | 10,441 | 15,915 | 179 | 2,770 | 8,918 | 1,459 | 10,849 |
| 4. Other Operating Income | 26,774 | 743 | 101,356 | 28,872 | 164,155 | 176,044 | 6,011 | 22,404 | 138,873 | 4,517 | 141,651 |
| 5. Exchange Fluctuation Income | - | | 2,564 | | 3 | 0 | | | 10,217 | | 474 |
| Total Operating Income | 138,501 | 32,706 | 820,260 | 376,380 | 1,220,345 | 1,196,026 | 37,516 | 138,325 | 926,561 | 68,829 | 1,115,635 |
| 6. Employees Expenses | 34,132 | 6,621 | 137,982 | 66,238 | 211,326 | 234,739 | 10,729 | 18,118 | 186,368 | 13,933 | 201,011 |
| 7. Other Operating Expenses | 34,604 | 9,522 | 176,452 | 63,216 | 185,379 | 198,961 | 11,710 | 22,229 | 187,997 | 11,600 | 151,765 |
| 8. Exchange Fluctuation Loss | - | | - | | - | - | | | | | - |
| Operating Profit Before Provision | 69,764 | 16,562 | 505,826 | 246,926 | 823,640 | 762,326 | 15,078 | 97,978 | 552,197 | 43,296 | 762,859 |
| 9. Provisions for Possible Losses | 11,127 | | 172,275 | 7,310 | 43,134 | 97,874 | 8,466 | 11,806 | 85,549 | 12,260 | 58,511 |
| Operating Profit | 58,637 | 16,562 | 333,551 | 239,616 | 780,506 | 664,452 | 6,612 | 86,172 | 466,649 | 31,036 | 704,348 |
| 10. Non-Operating Income/ Expenses | (11) | | 1,188 | 1,812 | 14,833 | 3,986 | (20) | 303 | 5,992 | | 99,427 |
| 11. Write back From Possible Loss Provision | - | 12,124 | 172,822 | 3,765 | - | 10,449 | 2,506 | | - | 1,444 | 63,611 |
| Profit From Ordinary Activities | 58,626 | 28,687 | 507,562 | 245,193 | 795,339 | 678,887 | 9,098 | 86,475 | 472,640 | 32,480 | 867,386 |
| 12. Extra Ordinary Income /Expenses | - | | (29,427) | | - | | - | | (6,719) | | - |
| Net Profit including All Activities | 58,626 | 28,687 | 478,134 | 245,193 | 795,339 | 678,887 | 9,098 | 86,475 | 465,921 | 32,480 | 867,386 |
| 13. Provision For Staff Bonus | 5,330 | 2,608 | 43,467 | 22,290 | 79,534 | 61,717 | 827 | 7,861 | 42,356 | 2,953 | 78,853 |
| 14. Provision For Income Tax | 17,185 | 8,135 | 196,920 | 67,267 | 220,291 | 175,310 | (90) | 26,495 | 127,270 | 6,771 | 239,126 |
| This Year | 17,827 | | 137,082 | 69,545 | 218,727 | 193,139 | | 25,075 | 137,566 | 9,242 | 237,718 |
| Up to Last Year | | 4,657 | | | 3,450 | | | 725 | 13 | (2,037) | 1,211 |
| Deferred Tax | (642) | 3,478 | 59,838 | (2,278) | (1,885) | (17,830) | (90) | 695 | (10,310) | (434) | 197 |
| Net Profit / Loss | 36,111 | 17,944 | 237,747 | 155,635 | 495,513 | 441,860 | 8,360 | 52,118 | 296,295 | 22,756 | 549,407 |

| Income & Expenditure | Kamana | Kanchan | Kankai | Karnali | Lumbini | Mahalaxmi | Mission | Mite ri | Muktinath | Narayani | Nepal Community |
|---|----------------|---------------|---------------|--------------|----------------|----------------|---------------|----------------|----------------|----------------|-----------------|
| 1. Interest Income | 1,911,165 | 444,226 | 238,045 | 214,349 | 2,501,111 | 3,180,385 | 474,780 | 494,697 | 3,100,549 | 13,494 | 292,239 |
| 2. Interest Expenses | 1,173,161 | 256,312 | 109,856 | 146,540 | 1,717,101 | 2,121,084 | 288,735 | 281,684 | 1,842,410 | 2,615 | 166,690 |
| Net Interest Income | 738,004 | 187,914 | 128,189 | 67,809 | 784,010 | 1,059,302 | 186,045 | 213,013 | 1,258,139 | 10,879 | 125,549 |
| 3. Commission and Discount | 12,872 | 9,591 | 2,228 | 2,148 | 8,863 | 9,901 | 2,399 | 3,403 | 66,431 | | 2,366 |
| 4. Other Operating Income | 90,724 | 28,201 | 18,191 | 17,993 | 110,326 | 145,191 | 48,279 | 44,179 | 339,736 | 12 | 18,259 |
| 5. Exchange Fluctuation Income | - | | | | 721 | 24 | | | 254 | | |
| Total Operating Income | 841,600 | 225,706 | 148,608 | 87,950 | 903,920 | 1,214,418 | 236,723 | 260,595 | 1,664,560 | 10,891 | 146,174 |
| 6. Employees Expenses | 156,363 | 57,147 | 39,064 | 34,952 | 238,540 | 298,273 | 67,973 | 43,216 | 348,961 | 3,985 | 33,932 |
| 7. Other Operating Expenses | 135,034 | 49,781 | 33,326 | 38,796 | 230,288 | 251,929 | 38,416 | 28,386 | 289,235 | 6,798 | 41,188 |
| 8. Exchange Fluctuation Loss | - | | | | | - | | | - | | |
| Operating Profit Before Provision | 550,203 | 118,778 | 76,218 | 14,202 | 435,092 | 664,216 | 130,334 | 188,994 | 1,026,364 | 108 | 71,054 |
| 9. Provisions for Possible Losses | 125,530 | 16,023 | 8,515 | 7,251 | 35,555 | 605,330 | 10,330 | 8,802 | 138,379 | 16,174 | 14,359 |
| Operating Profit | 424,674 | 102,755 | 67,703 | 6,951 | 399,537 | 58,885 | 120,004 | 180,191 | 887,985 | (16,066) | 56,695 |
| 10. Non-Operating Income/ Expenses | 8,945 | 4,871 | 111 | (132) | 109,997 | 61,268 | (34) | (2) | 13,894 | 23,434 | |
| 11. Write back From Possible Loss Provision | 147,146 | 10,054 | | 4,000 | 99,580 | 705,728 | | | 5,794 | 92,403 | 13,115 |
| Profit From Ordinary Activities | 580,764 | 117,680 | 67,814 | 10,819 | 609,114 | 825,882 | 119,970 | 180,189 | 907,673 | 99,771 | 69,809 |
| 12. Extra Ordinary Income /Expenses | (9,637) | | | | 889 | (14,817) | | | - | 158 | 103 |
| Net Profit including All Activities | 571,127 | 117,680 | 67,814 | 10,819 | 610,003 | 811,065 | 119,970 | 180,189 | 907,673 | 99,929 | 69,912 |
| 13. Provision For Staff Bonus | 51,921 | 11,768 | 6,165 | 1,082 | 55,455 | 73,733 | 10,906 | 16,381 | 82,516 | | 6,356 |
| 14. Provision For Income Tax | 156,053 | 32,040 | 18,434 | 3,190 | 179,822 | 230,235 | 28,596 | 49,117 | 249,628 | (108) | 19,067 |
| This Year | 178,386 | 34,261 | 18,720 | 1,424 | 94,959 | 183,297 | 35,339 | 50,174 | 258,304 | | 18,928 |
| Up to Last Year | - | | | 257 | 518 | 15,638 | | | 2,894 | | |
| Deferred Tax | (22,333) | (2,221) | (286) | 1,509 | 84,345 | 31,299 | (6,744) | (1,057) | (11,570) | (108) | 139 |
| Net Profit / Loss | 363,153 | 73,872 | 43,215 | 6,547 | 374,727 | 507,097 | 80,468 | 114,691 | 575,529 | 100,037 | 44,490 |

| Income & Expenditure | Om | Purnima | Sahara | Sahayogi | Salpa | Saptakoshi | Shangrila | Shine | Sindhu | Tinau | Western | Total |
|---|------------------|----------------|---------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|
| 1. Interest Income | 2,411,004 | 363,513 | 66,877 | 508,504 | 41,595 | 183,399 | 1,972,852 | 1,599,233 | 220,155 | 560,325 | 406,305 | 34,173,527 |
| 2. Interest Expenses | 1,563,395 | 197,975 | 31,764 | 284,502 | 18,453 | 80,870 | 1,182,770 | 940,613 | 111,102 | 377,320 | 203,203 | 20,905,941 |
| Net Interest Income | 847,609 | 165,537 | 35,112 | 224,002 | 23,141 | 102,529 | 790,081 | 658,620 | 109,053 | 183,004 | 203,101 | 13,267,586 |
| 3. Commission and Discount | 26,153 | 1,609 | 2,121 | 8,442 | 1,375 | 885 | 18,472 | 19,618 | 3,097 | 5,720 | 7,653 | 294,834 |
| 4. Other Operating Income | 147,735 | 25,475 | 8,945 | 27,355 | 2,993 | 20,071 | 118,578 | 92,043 | 12,381 | 37,992 | 33,236 | 2,199,295 |
| 5. Exchange Fluctuation Income | 232 | | | | | | 2 | | | | | 14,491 |
| Total Operating Income | 1,021,730 | 192,621 | 46,179 | 259,799 | 27,509 | 123,486 | 927,133 | 770,280 | 124,532 | 226,716 | 243,990 | 15,776,206 |
| 6. Employees Expenses | 186,553 | 32,593 | 14,450 | 37,901 | 10,937 | 28,000 | 170,482 | 123,833 | 37,053 | 58,365 | 51,410 | 3,195,181 |
| 7. Other Operating Expenses | 185,425 | 33,228 | 10,562 | 37,361 | 5,749 | 30,361 | 181,976 | 117,095 | 40,837 | 54,211 | 45,102 | 2,938,519 |
| 8. Exchange Fluctuation Loss | | | - | | | | - | | | | | - |
| Operating Profit Before Provision | 649,752 | 126,801 | 21,167 | 184,537 | 10,823 | 65,124 | 574,675 | 529,353 | 46,641 | 114,140 | 147,478 | 9,642,506 |
| 9. Provisions for Possible Losses | 52,838 | 16,573 | 119 | 69,867 | 6,753 | 6,499 | 140,907 | 46,258 | 21,546 | 21,478 | | 1,877,399 |
| Operating Profit | 596,914 | 110,228 | 21,048 | 114,670 | 4,069 | 58,625 | 433,768 | 483,095 | 25,095 | 92,662 | 147,478 | 7,765,107 |
| 10. Non-Operating Income/ Expenses | 15,408 | 3,542 | - | - | | (48) | 828 | 3,913 | 71 | 1,449 | 73 | 375,101 |
| 11. Write back From Possible Loss Provision | | 158 | - | 56,619 | 5,303 | | | 19,698 | - | 18,419 | 3,974 | 1,448,713 |
| Profit From Ordinary Activities | 612,323 | 113,928 | 21,048 | 171,289 | 9,373 | 58,578 | 434,596 | 506,707 | 25,167 | 112,531 | 151,526 | 9,588,921 |
| 12. Extra Ordinary Income /Expenses | | | - | | | | | | | | | (59,450) |
| Net Profit including All Activities | 612,323 | 113,928 | 21,048 | 171,289 | 9,373 | 58,578 | 434,596 | 506,707 | 25,167 | 112,531 | 151,526 | 9,529,471 |
| 13. Provision For Staff Bonus | 61,232 | 10,357 | 1,913 | 15,572 | 852 | 5,325 | 39,509 | 46,064 | 2,288 | 10,230 | 13,775 | 871,196 |
| 14. Provision For Income Tax | 160,047 | 30,866 | 6,723 | 46,887 | 2,556 | 15,946 | 119,437 | 137,664 | 7,840 | 26,058 | 42,640 | 2,647,418 |
| This Year | 180,068 | 33,854 | 6,311 | 46,990 | 2,807 | 16,185 | 128,711 | 142,489 | 7,630 | 30,934 | 41,325 | 2,557,021 |
| Up to Last Year | (1,207) | | 479 | | | | - | 380 | - | | - | 26,978 |
| Deferred Tax | (18,814) | (2,988) | (67) | (103) | (250) | (240) | (9,274) | (5,206) | 209 | (4,876) | 1,315 | 63,420 |
| Net Profit / Loss | 391,044 | 72,705 | 12,412 | 108,831 | 5,965 | 37,307 | 275,650 | 322,978 | 15,039 | 76,243 | 95,110 | 6,010,857 |

Annex 11: Loan & Advance of Development Banks (F/Y 2017/18)

(Rs. in thousands)

| Particulars | Pass Loan | Watch List | Performing Loan | Rescheduling/Restructuring | Sub-Standard | Doubtful | Loss | Non-Performing Loan | Total |
|-----------------|------------|------------|-------------------|----------------------------|--------------|----------|---------|---------------------|-------------------|
| Bhargav | 2,346,761 | 44,247 | 2,391,008 | - | 3,722 | 1,031 | 2,402 | 7,154 | 2,398,162 |
| Corporate | 92,514 | 337 | 92,852 | - | 1,557 | 1,403 | 158,571 | 161,531 | 254,383 |
| Deva | 13,246,846 | 127,011 | 13,373,857 | - | 31,358 | 57,440 | 128,492 | 217,290 | 13,591,147 |
| Excel | 4,238,875 | 32,137 | 4,271,013 | - | 2,756 | 6,354 | 17,460 | 26,570 | 4,297,583 |
| Gandaki | 19,785,943 | 197,809 | 19,983,752 | - | 43,490 | 22,257 | 15,595 | 81,342 | 20,065,094 |
| Garima | 18,582,457 | 217,870 | 18,800,328 | - | 16,530 | 7,710 | 26,470 | 50,710 | 18,851,037 |
| Green | 566,404 | 8,765 | 575,169 | - | 5,116 | 8,049 | 2,565 | 15,730 | 590,899 |
| Hamro | 1,662,012 | 14,829 | 1,676,842 | - | 300 | 516 | 1,259 | 2,075 | 1,678,917 |
| Jyoti | 15,410,986 | 625,614 | 16,036,600 | - | 21,358 | 18,163 | 24,293 | 63,814 | 16,100,413 |
| Kabeli | 734,825 | 31,136 | 765,961 | - | 17,770 | 9,104 | 7,274 | 34,148 | 800,109 |
| Kailash | 19,995,736 | 67,101 | 20,062,837 | 35,876 | 9,676 | 7,041 | 11,527 | 64,119 | 20,126,956 |
| Kamana | 13,148,449 | 200,523 | 13,348,972 | - | 21,221 | 27,209 | 44,780 | 93,211 | 13,442,182 |
| Kanchan | 3,292,037 | 37,690 | 3,329,727 | - | 5,800 | 10,724 | 5,356 | 21,880 | 3,351,607 |
| Kankai | 1,618,803 | 33,648 | 1,652,451 | - | 4,673 | 1,465 | 1,223 | 7,361 | 1,659,812 |
| Karnali | 1,111,805 | 57,748 | 1,169,553 | - | 21,638 | 10,772 | 8,301 | 40,711 | 1,210,264 |
| Lumbini | 17,190,990 | 653,611 | 17,844,602 | - | 148,402 | 62,715 | 330,412 | 541,529 | 18,386,131 |
| Mahalaxmi | 19,968,694 | 842,621 | 20,811,315 | 8,682 | 328,206 | 220,472 | 290,849 | 848,209 | 21,659,523 |
| Mission | 3,329,714 | 678 | 3,330,392 | - | 1,793 | 4,009 | 686 | 6,488 | 3,336,880 |
| Miteri | 3,119,591 | - | 3,119,591 | - | 1,423 | - | - | 1,423 | 3,121,014 |
| Muktinath | 25,168,184 | 90,721 | 25,258,905 | - | 92 | 544 | 471 | 1,107 | 25,260,012 |
| Narayani | 2,722 | - | 2,722 | - | - | - | 12,804 | 12,804 | 15,526 |
| Nepal Community | 2,029,924 | 7,554 | 2,037,478 | 3,907 | 251 | 7,747 | 148 | 12,053 | 2,049,531 |
| Om | 17,785,153 | 481,187 | 18,266,340 | - | 59,763 | 9,977 | 25,058 | 94,798 | 18,361,139 |
| Purnima | 2,409,334 | 16,818 | 2,426,152 | - | 2,717 | 251 | - | 2,968 | 2,429,121 |
| Sahara | 356,085 | 4,540 | 360,625 | - | 1,721 | - | 1,200 | 2,921 | 363,546 |
| Sahayogi | 2,935,552 | 25,243 | 2,960,795 | - | 977 | 873 | 20,019 | 21,869 | 2,982,664 |
| Salpa | 230,869 | 8,264 | 239,133 | - | 3,951 | 1,441 | 1,852 | 7,244 | 246,377 |
| Saptakoshi | 1,339,797 | 17,027 | 1,356,824 | - | 3,850 | 896 | 1,482 | 6,228 | 1,363,052 |
| Shangrila | 14,152,369 | 269,324 | 14,421,693 | - | 142,945 | 32,164 | 62,322 | 237,431 | 14,659,124 |
| Shine | 12,364,801 | 14,484 | 12,379,285 | - | 2,946 | 610 | 4,582 | 8,138 | 12,387,423 |
| Sindhu | 1,541,382 | 14,328 | 1,555,710 | - | 5,031 | 31,072 | 10,610 | 46,713 | 1,602,423 |
| Timau | 3,912,666 | 5,904 | 3,918,570 | - | 9,976 | 1,684 | - | 11,660 | 3,930,230 |
| Western | 2,621,669 | 32,066 | 2,653,735 | - | 2,069 | 2,808 | 6,240 | 11,117 | 2,664,852 |

Annex 12: Sector-wise Statement of Loan of Development Banks

(Rs. in thousands)

| Sectors | Agricultural and Forest Related | Fishery Related | Mining Related | Agriculture, Forestry & Beverage Production Related | Non-food Production Related | Construction | Power, Gas and Water | Metal Products, Machinery & Electronic Equipment & Assemblage | Transport, Communication and Public Utilities | Wholesaler & Retailer | Finance, Insurance and Real Estate | Hotel or Restaurant | Other Services | Consumption Loans | Local Government | Others | Total |
|--------------------|---------------------------------|-----------------|----------------|---|-----------------------------|-------------------|----------------------|---|---|-----------------------|------------------------------------|---------------------|------------------|-------------------|------------------|-------------------|--------------------|
| Bhargav | 162,724 | 3,946 | - | 78,799 | 77,630 | 334,129 | 8,948 | - | 181,081 | 692,516 | - | 51,676 | 102,133 | 41,431 | - | 663,149 | 2,398,162 |
| Corporate | 1,711 | - | - | 36,769 | 79,362 | 47,068 | - | 5,928 | 8,487 | 42,166 | - | - | - | 7,996 | - | 24,897 | 254,383 |
| Deva | 822,245 | 18,051 | - | 400,011 | 400,191 | 2,217,058 | 575,686 | 79,533 | 971,987 | 1,754,742 | 773,721 | 283,008 | 595,821 | 1,542,119 | 10,330 | 3,146,643 | 13,591,147 |
| Excel | 216,870 | 3,722 | - | 288,947 | 132,063 | 701,020 | - | 5,217 | 76,826 | 1,139,182 | 503,838 | 181,465 | 256,170 | 244,185 | - | 548,079 | 4,297,583 |
| Gandaki | 595,923 | 32,124 | - | 646,684 | 436,373 | 2,845,071 | 24,916 | 253,288 | 1,494,598 | 2,602,336 | 1,013,557 | 1,021,744 | 483,106 | 1,233,283 | - | 7,382,090 | 20,065,094 |
| Garima | 768,902 | 12,549 | 9,800 | 445,847 | 312,202 | 2,745,929 | 63,221 | 170,203 | 2,298,237 | 1,610,954 | 574,093 | 614,666 | 262,115 | 1,638,055 | 34 | 7,324,230 | 18,851,037 |
| Green | 69,075 | - | - | 1,180 | 10,369 | 3,091 | - | - | 98,277 | 65,688 | 12,327 | 24,844 | 19,662 | 82,001 | - | 204,385 | 590,899 |
| Hamro | 272,664 | 1,310 | 310 | 45,650 | 50,111 | 272,743 | - | 43,369 | 246,277 | 141,528 | 27,991 | 38,082 | 6,616 | 36,769 | - | 495,495 | 1,678,917 |
| Jyoti | 914,289 | - | 188,843 | 541,911 | 655,336 | 1,580,425 | 486,207 | 189,312 | 1,319,994 | 2,039,290 | 1,020,011 | 353,192 | 360,082 | 2,190,014 | 4,599 | 4,256,907 | 16,100,413 |
| Kabeli | 131,469 | - | - | 540 | 381 | 135,127 | - | 518 | 52,887 | 172,167 | - | 24,228 | 22,753 | 171,273 | - | 88,765 | 800,109 |
| Kailash | 248,278 | 22,620 | - | 112,938 | 818,228 | 2,535,548 | 816,781 | 332,606 | 1,713,633 | 2,420,108 | 2,495,654 | 842,007 | 595,065 | 749,135 | - | 6,424,353 | 20,126,956 |
| Kamana | 656,392 | 43,607 | - | 432,179 | 730,476 | 1,690,169 | 759 | 406,369 | 858,551 | 2,614,714 | 1,036,635 | 430,964 | 595,004 | 847,720 | - | 3,098,644 | 13,442,182 |
| Kanchan | 267,394 | 2,071 | - | 125,598 | 122,900 | 224,588 | - | 19,704 | 231,871 | 1,312,575 | 99,849 | 117,581 | 237,641 | 48,076 | - | 541,758 | 3,351,607 |
| Kankai | 205,665 | 650 | - | 36,822 | 13,695 | 233,449 | 2,474 | 15,913 | 19,769 | 355,598 | 73,323 | 32,887 | 26,411 | 136,838 | 462 | 505,856 | 1,659,812 |
| Karnali | 195,272 | - | - | 23,445 | - | 53,500 | - | - | 229,318 | 294,727 | - | - | 377,170 | 36,831 | - | - | 1,210,263 |
| Lumbini | 590,292 | 26,348 | 68,314 | 487,572 | 303,148 | 2,076,035 | 1,703,017 | 57,125 | 1,010,967 | 2,816,027 | 2,656,180 | 642,072 | 1,429,089 | 1,917,609 | - | 2,602,334 | 18,386,131 |
| Mahalaxmi | 189,410 | 13,271 | 177,278 | 690,437 | 590,598 | 1,167,783 | 465,133 | 117,515 | 1,184,675 | 2,530,344 | 2,320,606 | 1,395,999 | 261,616 | 4,678,904 | 0 | 5,875,954 | 21,659,523 |
| Mission | 573,351 | 8,319 | 86,476 | 33,826 | 14,124 | 140,680 | - | 9,046 | 385,632 | 821,684 | 69,284 | 112,784 | 332,053 | 142,919 | - | 606,701 | 3,336,880 |
| Miteri | 253,731 | 2,653 | 1,375 | 187,478 | 65,786 | 478,938 | 1,343 | 37,250 | 174,027 | 343,338 | 142,468 | 66,716 | 61,823 | 220,154 | 1,500 | 1,082,435 | 3,121,014 |
| Muktinath | 3,909,495 | 40,009 | 2,439 | 318,468 | 672,002 | 4,107,582 | 20,878 | 169,438 | 3,112,940 | 4,777,922 | 1,416,212 | 1,145,974 | 394,111 | 1,151,471 | - | 4,021,073 | 25,260,012 |
| N.Community | 238,919 | - | - | 105,537 | 218,894 | 322,316 | - | 20,161 | 121,383 | 349,251 | 156,154 | 53,468 | 42,510 | 40,299 | - | 380,639 | 2,049,531 |
| Narayani | 878 | - | - | - | - | 2,196 | - | - | 3,925 | 1,430 | - | 3,658 | - | 300 | - | 3,139 | 15,526 |
| OM | 638,536 | 982 | - | 412,228 | 431,035 | 3,963,334 | 147,569 | 151,867 | 2,284,509 | 2,079,766 | 1,100,862 | 798,885 | 481,725 | 1,643,588 | - | 4,226,253 | 18,361,139 |
| Purnima | 178,519 | - | - | 64,661 | 95,282 | 231,114 | - | - | 148,096 | 566,077 | 140,095 | 21,459 | 41,411 | 136,980 | - | 805,427 | 2,429,121 |
| Sahara | 34,506 | 2,750 | - | 19,277 | - | 10,398 | - | - | 9,160 | 73,990 | - | 2,248 | 9,546 | 6,386 | - | 195,284 | 363,546 |
| Sahayogi | 275,181 | 11,990 | - | 80,341 | 91,873 | 90,250 | 756 | - | 68,593 | 1,047,291 | 114,446 | 18,086 | 69,517 | 51,324 | - | 1,063,016 | 2,982,664 |
| Salpa | 83,309 | 1,495 | - | 28,584 | 194 | - | - | 1,698 | - | 48,042 | - | 24,540 | 2,541 | 2,687 | 173 | 53,114 | 246,377 |
| Saptakoshi | 430,501 | - | - | - | - | 58,101 | - | 2,058 | - | 450,819 | 68,216 | 6,378 | 6,771 | 60,156 | - | 280,051 | 1,363,052 |
| Shangrila | 539,061 | 12,221 | 43,320 | 238,636 | 423,332 | 2,014,274 | 151,656 | 134,295 | 1,075,579 | 2,261,455 | 1,374,666 | 564,214 | 768,950 | 801,245 | 3,338 | 4,252,882 | 14,659,124 |
| Shine | 889,475 | 74,209 | - | 582,429 | 1,167,454 | 1,282,031 | - | - | 773,591 | 3,155,324 | 833,654 | 769,175 | 744,573 | 507,795 | - | 1,607,713 | 12,387,423 |
| Sindhu | 40,390 | - | - | 5,256 | 2,814 | 363,986 | - | - | 320,378 | 458,610 | 115,662 | 37,413 | 11,677 | 89,968 | - | 156,268 | 1,602,423 |
| Tinau | 407,073 | 5,683 | 13,658 | 93,873 | 96,009 | 452,522 | - | 32,016 | 361,780 | 945,891 | 407,099 | 147,723 | 294,307 | 176,206 | - | 496,389 | 3,930,230 |
| Western | 277,184 | - | - | 103,549 | 57,420 | 190,954 | - | - | 103,710 | 651,368 | - | 121,070 | 95,769 | 49,690 | - | 1,014,137 | 2,664,852 |
| Total | 15,078,686 | 340,581 | 591,815 | 6,669,473 | 8,069,278 | 32,571,409 | 4,469,344 | 2,254,430 | 20,940,738 | 40,636,921 | 18,546,605 | 9,948,207 | 8,987,738 | 20,683,411 | 20,435 | 63,428,061 | 253,237,132 |

Annex 13: Product-wise Statement of Loan of Development Banks

(Rs. in thousands)

| Product-wise Statement of Loan | Term Loan | Overdraft | Trust Receipt Loan / Import Loan | Demand & Other Working Capital Loan | Residential Personal Home Loan (Up to Rs. 10 million) | Real Estate Loan | Margin Nature Loan | Hire Purchase Loan | Deprived Sector Loan | Bills Purchased | Other Product | Total Loans & Advances |
|--------------------------------|-------------------|-------------------|----------------------------------|-------------------------------------|---|-------------------|--------------------|--------------------|----------------------|-----------------|-------------------|------------------------|
| Bhargav | 826,957 | 798,921 | - | - | 315,277 | - | - | 180,048 | 190,164 | - | 86,795 | 2,398,162 |
| Corporate | 14,026 | 97,959 | - | 68,991 | 39,024 | - | - | 21,981 | 9,145 | - | 3,257 | 254,383 |
| Deva | 1,291,924 | 1,006,309 | - | 316,655 | 1,598,730 | 1,085,437 | 863,116 | 1,353,273 | 513,509 | - | 5,562,194 | 13,591,147 |
| Excel | 891,728 | 740,271 | - | 964,986 | 597,764 | 522,766 | 36,458 | 100,517 | 211,273 | - | 231,821 | 4,297,583 |
| Gandaki | 1,199,503 | 8,140,448 | - | 5,000 | 2,428,468 | 1,788,255 | 63,751 | 1,984,923 | 804,654 | - | 3,650,092 | 20,065,094 |
| Garima | 5,582,722 | 4,718,160 | - | 11,900 | 2,161,101 | 912,570 | 93,232 | 3,108,897 | 1,109,445 | - | 1,153,011 | 18,851,037 |
| Green | 136,025 | 214,556 | - | - | 23,322 | - | 19,361 | 106,824 | 33,990 | - | 56,821 | 590,899 |
| Hamro | 197,539 | 312,575 | - | 994 | 198,139 | - | 10,085 | 238,761 | 92,495 | - | 628,329 | 1,678,917 |
| Jyoti | 2,799,243 | 4,568,286 | - | 304,740 | 1,377,605 | 435,694 | 1,044,550 | 1,408,744 | 804,634 | - | 3,356,916 | 16,100,413 |
| Kabeli | 255,194 | - | - | 192,433 | 74,074 | - | - | 51,984 | 35,161 | - | 191,263 | 800,109 |
| Kailash | 2,606,292 | 4,508,299 | - | 205,168 | 2,450,753 | 2,487,629 | 1,028,002 | 2,348,108 | 1,120,143 | - | 3,372,562 | 20,126,956 |
| Kamana | 4,249,022 | 4,139,695 | - | 17,757 | 1,327,591 | 1,007,799 | 3,789 | 1,547,581 | 637,952 | - | 510,996 | 13,442,182 |
| Kanchan | 303,950 | 1,232,458 | - | 59,851 | 237,928 | 12,669 | 18,743 | 250,059 | 408,446 | - | 827,501 | 3,351,607 |
| Kankai | 537,758 | 505,452 | - | - | 187,820 | 88,840 | - | 73,862 | 70,969 | - | 195,111 | 1,659,812 |
| Karnali | 318,172 | 461,898 | - | - | 53,500 | - | - | 229,318 | 59,952 | - | 87,423 | 1,210,263 |
| Lumbini | 3,569,689 | 4,524,113 | - | 263,544 | 1,600,043 | 1,959,468 | 727,855 | 1,503,849 | 1,849,302 | - | 2,388,268 | 18,386,131 |
| Mahalaxmi | 4,849,094 | 7,431,892 | - | - | 1,600,643 | 1,936,349 | 994,042 | 2,572,830 | 1,278,251 | - | 996,423 | 21,659,523 |
| Mission | 354,011 | 1,145,367 | - | - | 67,811 | 74,911 | - | 375,841 | 651,929 | - | 667,010 | 3,336,880 |
| Miteri | 45,402 | 412,673 | - | - | 421,897 | 138,727 | - | 253,454 | 161,856 | - | 1,687,004 | 3,121,014 |
| Muktinath | 4,367,471 | 4,795,029 | - | - | 2,653,835 | 1,447,726 | 274,272 | 3,110,921 | 7,499,671 | - | 1,111,087 | 25,260,012 |
| Nepal Community | 496,213 | 880,922 | - | 7,841 | 243,170 | 128,154 | - | 160,405 | 101,710 | - | 31,117 | 2,049,531 |
| Narayani | 903 | 3,139 | - | 1,430 | 2,196 | - | 300 | 3,925 | 3,633 | - | - | 15,526 |
| OM | 1,681,060 | 2,702,820 | - | 335,500 | 2,904,165 | 2,443,003 | 221,570 | 2,681,660 | 716,366 | - | 4,674,994 | 18,361,139 |
| Purnima | - | 268,553 | - | 647,291 | 231,114 | 140,095 | 250 | 246,187 | 138,484 | - | 757,147 | 2,429,121 |
| Sahara | - | - | - | 331,068 | - | - | - | 3,706 | 22,814 | - | 5,958 | 363,546 |
| Sahayogi | - | - | - | 1,274,187 | 36,186 | 163,320 | - | 22,374 | 137,678 | - | 1,348,920 | 2,982,664 |
| Salpa | 71,989 | 87,672 | - | - | - | - | - | - | 24,133 | - | 62,583 | 246,377 |
| Saptakoshi | 590,456 | 479,318 | - | - | 58,101 | 68,216 | - | 17,336 | 102,336 | - | 47,288 | 1,363,052 |
| Shangrila | 4,437,397 | 4,077,498 | - | - | 1,426,131 | 1,446,167 | 247,797 | 1,737,884 | 901,698 | - | 384,552 | 14,659,124 |
| Shine | 2,258,805 | 618,140 | - | 4,345,156 | 1,057,724 | 1,058,877 | 12,299 | 1,157,188 | 532,943 | - | 1,346,291 | 12,387,423 |
| Sindhu | 146,943 | 327,950 | - | 230,888 | 363,986 | - | 30,225 | 314,714 | 123,917 | - | 63,799 | 1,602,423 |
| Tinau | 562,237 | 1,343,226 | - | - | 473,252 | 262,801 | 1,872 | 258,217 | 242,816 | - | 785,810 | 3,930,230 |
| Western | 873,095 | 1,225,764 | - | 103,724 | 190,954 | - | - | 103,710 | 112,465 | - | 55,141 | 2,664,852 |
| Total | 45,514,819 | 61,769,362 | - | 9,689,105 | 26,402,303 | 19,609,473 | 5,691,570 | 27,529,082 | 20,703,933 | - | 36,327,484 | 253,237,132 |

Annex 14: Investment Details of Development Banks

(Rs. in thousands)

| Investment Details | Treasury Bill | Government Bonds | NRB Bond | Deposit Auction | Licensed Institutions | Foreign Bank/Bonds | Other Domestic Organizations | Other Investment | Total |
|--------------------|----------------|------------------|------------------|-----------------|-----------------------|--------------------|------------------------------|------------------|-------------------|
| Bhargav | - | 1,000 | - | - | 15 | - | 7,139 | 21,188 | 29,342 |
| Corporate | - | - | - | - | - | - | - | - | - |
| Deva | 29,631 | 348,050 | - | - | 20,088 | - | 125,448 | 221,492 | 744,710 |
| Excel | - | - | - | - | - | - | - | 62,064 | 62,064 |
| Gandaki | - | 525,000 | - | - | 22,321 | - | - | 89,310 | 636,631 |
| Garima | - | 230,000 | - | - | - | - | 271,862 | - | 501,862 |
| Green | - | - | 5,000 | - | - | - | - | 5,000 | 10,000 |
| Hamro | - | - | - | - | 34,845 | - | - | 9,417 | 44,261 |
| Jyoti | - | 527,200 | - | - | - | - | 249,684 | - | 776,884 |
| Kabeli | - | - | - | - | - | - | - | - | - |
| Kailash | - | 530,755 | - | - | - | - | 159,051 | 192,355 | 882,162 |
| Kamana | - | 190,000 | - | - | - | - | - | 182,612 | 372,612 |
| Kanchan | 20,000 | - | - | - | - | - | - | 25,495 | 45,495 |
| Kankai | - | - | - | - | - | - | 24,948 | 6,423 | 31,371 |
| Karnali | - | - | - | - | - | - | - | - | - |
| Lumbini | 49,265 | 1,304,150 | - | - | - | - | - | 397,487 | 1,750,902 |
| Mahalaxmi | - | - | 1,381,875 | - | - | - | - | 385,482 | 1,767,357 |
| Mission | - | - | - | - | - | - | - | 206 | 206 |
| Mite ri | - | - | - | - | - | - | - | 10,031 | 10,031 |
| Muktinath | 142,150 | 250,000 | - | - | - | - | 194,722 | 116,682 | 703,554 |
| Narayani | - | - | - | - | - | - | - | 3,891 | 3,891 |
| Nepal Community | - | - | - | - | - | - | 1,123 | - | 1,123 |
| Om | - | - | 605,625 | - | - | - | - | 258,446 | 864,071 |
| Purnima | - | - | 20,000 | - | - | - | - | 27,659 | 47,659 |
| Sahara | - | - | - | - | - | - | - | - | - |
| Sahayogi | - | - | - | - | - | - | 2,000 | - | 2,000 |
| Salpa | - | - | - | - | - | - | - | - | - |
| Saptakoshi | - | - | - | - | - | - | - | 2,285 | 2,285 |
| Shangrila | - | 400,160 | - | - | 345,242 | - | - | - | 745,402 |
| Shine | - | 999,350 | - | - | - | - | - | 58,728 | 1,058,078 |
| Sindhu | - | - | 10,000 | - | - | - | - | 19,690 | 29,690 |
| Tinau | - | - | 105,000 | - | - | - | 29,359 | - | 134,359 |
| Western | - | - | - | - | - | - | - | - | - |
| Total | 241,046 | 5,305,665 | 2,127,500 | - | 422,510 | - | 1,065,337 | 2,095,945 | 11,258,003 |

Annex 15: Industry Statistics

Annex 15.1: DB's Operations

| Particulars | Rs. in billion | | | | | | | |
|--------------------------|----------------|---------|---------|---------|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Total Assets | 138.45 | 169.69 | 209.88 | 242.26 | 291.56 | 334.84 | 295.55 | 364.75 |
| Percentage Change | | 22.56 | 23.68 | 15.43 | 20.35 | 14.84 | (14.84) | 23.41 |
| Total Deposits | 96.90 | 127.32 | 160.25 | 196.87 | 237.06 | 278.20 | 239.04 | 301.99 |
| Percentage Change | | 31.39 | 25.87 | 22.85 | 20.41 | 17.35 | (14.09) | 26.33 |
| Total Loans and Advances | 88.97 | 100.62 | 132.73 | 159.55 | 193.47 | 232.59 | 209.30 | 253.24 |
| Percentage Change | | 13.09 | 31.91 | 20.21 | 21.26 | 20.22 | (10.01) | 20.99 |

Annex 15.2: Capital Fund

| Particulars | Rs. in billion | | | | | | | |
|-------------------|----------------|---------|---------|---------|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Industry | 23.41 | 23.85 | 26.75 | 31.02 | 37.17 | 43.16 | 46.42 | 49.84 |
| Percentage Change | | 1.88 | 12.16 | 15.96 | 19.83 | 16.12 | 7.55 | (23.35) |

Annex 15.3: Deposit Mix

| Year | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2015/16 | 2016/17 | 2017/18 |
|--------------|---------------|---------------|---------------|---------------|--------------|---------------|--------------|
| Current | 5.12 | 6.65 | 4.73 | 7.29 | 29.88 | -28.87 | 54.12 |
| Saving | 121.31 | 137.11 | 96.15 | 115.38 | 13.02 | -29.87 | 20.00 |
| Fixed | 62.21 | 65.86 | 93.57 | 124.98 | 5.87 | 42.07 | 33.57 |
| Call | 47.00 | 67.56 | 44.09 | 54.12 | 43.74 | -34.74 | 22.75 |
| Other | 1.42 | 1.01 | 0.50 | 0.22 | -28.87 | -50.50 | -56.00 |
| Total | 237.06 | 278.19 | 239.04 | 301.99 | 17.35 | -14.07 | 26.33 |

Annex 15.4: Non Performing Loan

| Particulars | Non Performing Loan to Total Loans and Advances | | | | | | | |
|-------------------|---|---------|---------|---------|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Industry | 4.92 | 4.65 | 4.15 | 3.37 | 2.82 | 5.17 | 1.28 | 1.09 |
| Percentage Change | | -5.49 | -10.75 | -18.80 | -18.80 | 83.33 | -75.24 | (14.84) |

Annex 15.5: Non Banking Assets

| Particulars | Rs. in million | | | | | | | |
|-------------------|----------------|---------|---------|---------|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Industry | 12.7 | 276.0 | 940.3 | 848.3 | 2390.0 | 783.1 | 390.2 | 644.2 |
| Percentage Change | | 2069.46 | 240.70 | (9.78) | 181.74 | (67.23) | (50.17) | 65.09 |

Annex 15.6: Investment

| Particulars | Amount in million | | | | | | | |
|-------------------|-------------------|----------|----------|----------|----------|----------|----------|-----------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Industry | 5,863.20 | 5,354.20 | 5,107.20 | 4,846.82 | 5,420.26 | 7,456.39 | 6,629.72 | 11,258.03 |
| Percentage Change | | (9.51) | (4.84) | (5.37) | 10.58 | 27.30 | (12.46) | 41.11 |

Annex 15.7: 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 | 2016/17 | 2017/18 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Liquid Assets | 29.41 | 47.39 | 52.28 | 68.25 | 79.93 | 74.03 | 70.94 | 90.45 |
| Percentage Change | | 61.12 | 10.33 | 30.54 | 17.11 | (7.38) | (4.17) | 27.50 |
| Deposit | 96.89 | 127.30 | 160.24 | 200 | 237.06 | 278.20 | 239.04 | 301.99 |
| Percentage Change | | 31.39 | 25.88 | 24.77 | 18.57 | 17.35 | (14.08) | 26.33 |
| Liquid Assets/Deposit | 30.36% | 37.22% | 32.63% | 34.14% | 33.72% | 26.61% | 29.68% | 29.95% |

| Year | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Liquid Assets | 29.41 | 47.39 | 52.28 | 68.25 | 79.93 | 74.03 | 70.94 | 90.45 |
| Percentage Change | | 61.12 | 10.33 | 30.54 | 17.11 | (7.38) | (4.17) | 27.50 |
| Total Assets | 138.45 | 169.69 | 209.88 | 242.26 | 291.04 | 334.84 | 295.55 | 364.75 |
| Percentage Change | | 22.56 | 23.68 | 15.43 | 20.14 | 15.05 | (11.73) | 23.41 |
| Liquid assets/ Total Assets | 21.24% | 27.93% | 24.91% | 28.17% | 28.17% | 22.11% | 24.00% | 24.80% |

Annex 15.8: Operation Efficiency of Development Banks

| Particulars | Year | | | |
|---|----------------|----------------|----------------|----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Net Interest Income (<i>Rs. in billion</i>) | 10.53 | 12.68 | 12.43 | 13.27 |
| Operating Profit (<i>Rs. in billion</i>) | 5.35 | 7.78 | 8.26 | 7.76 |
| Percentage Change | | 31.23 | 5.81 | -6.44 |

Annex 15.9: Consolidated Financial Figures of Development Banks

Figures in million

| SN | Particulars | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14* | 2014-15* | 2015/16* | 2016/17* | 2017/18** |
|----|---|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| 1 | Capital | 14,756.4 | 21,006.8 | 21,500.2 | 23,731.0 | 26,977.7 | 27,674.0 | 33687.8 | 34192.3 | 40603.1 |
| 2 | Reserves and Surplus | 2,532.5 | 2,400.5 | 2,347.5 | 3,022.4 | 4,039.3 | 4,933.0 | 7940.6 | 10087.2 | 7285.9 |
| 3 | Borrowings | 4,442.8 | 4,700.0 | 1,193.0 | 2,753.6 | 2,408.5 | 2,454.0 | 2993.9 | 876.4 | 731.0 |
| 4 | Deposits | 76,950.8 | 96,886.7 | 127,300.1 | 160,244.4 | 196,870.4 | 237,063.0 | 278198.0 | 239043.7 | 301991.8 |
| 5 | Bills Payable | 6.0 | 17.8 | 18.9 | 8.4 | 200.2 | 49.0 | 108.6 | 42.6 | 69.1 |
| 6 | Other Liabilities | 9,563.7 | 13,435.7 | 17,332.2 | 20,124.1 | 11,764.0 | 16,186.0 | 11654.1 | 10533.1 | 14073.7 |
| | Total Capital & Liabilities | 90,963.3 | 115,040.2 | 145,844.2 | 183,130.4 | 211,243.0 | 263,880.0 | 292954.6 | 295555.1 | 364754.6 |
| 7 | Cash Balance | 1,932.3 | 2,465.0 | 3,646.2 | 4,833.1 | 6,125.2 | 6,978.0 | 7888.3 | 6805.7 | 7335.8 |
| 8 | Balance With NRB | 2,698.2 | 3,511.9 | 5,968.6 | 7,458.0 | 8,942.6 | 14,006.0 | 15835.4 | 12554.2 | 14044.1 |
| 9 | 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 | 15619.3 | 14326.6 |
| 10 | Money At call | 10,913.5 | 13,716.4 | 23,424.5 | 27,931.3 | 29,401.4 | 36,120.0 | 40609.0 | 35964.2 | 54742.8 |
| 11 | Investment | 6,801.8 | 5,863.2 | 5,354.2 | 5,107.2 | 4,845.8 | 5,420.0 | 7456.4 | 6629.7 | 11258.0 |
| 12 | Loan and Advances | 65,838.1 | 88,969.0 | 100,621.8 | 132,729.4 | 159,547.0 | 193,471.0 | 232589.9 | 209301.9 | 253237.3 |
| 13 | Fixed Assets | 2,774.8 | 3,828.1 | 3,904.5 | 4,742.9 | 4,159.5 | 4,162.0 | 3856.8 | 3484.1 | 4219.1 |
| 14 | Non- Banking Assets | 24.3 | 12.7 | 276.0 | 940.3 | 848.3 | 2,390.0 | 92.9 | 390.3 | 644.2 |
| 15 | Other Assets | 6,776.9 | 10,363.1 | 12,148.0 | 14,080.2 | 4,606.2 | 6,193.0 | 5098.7 | 4805.6 | 4946.8 |
| 16 | Total Assets | 108,252.2 | 138,447.5 | 169,691.9 | 209,883.8 | 242,260.0 | 291,561.0 | 334837.8 | 295555.1 | 364754.6 |

* Audited figures

**Audited figures except in case of Corporate Development Bank, Karnali Development Bank, Deva Bikas Bank and Kamana Sewa Bikas Bank

Annex 16: Number of Branches, Depositors and Borrowers

| Particulars | Total No. of Branches | Total No. of Depositors | Total No. of Borrowers |
|-----------------|-----------------------|-------------------------|------------------------|
| Bhargav | 17 | 47,016 | 2,466 |
| Corporate | 4 | 8,646 | 140 |
| Deva | 50 | 190,396 | 10,083 |
| Excel | 23 | 82,440 | 4,489 |
| Gandaki | 72 | 220,132 | 19,419 |
| Garima | 60 | 252,050 | 22,988 |
| Green | 4 | 6,271 | 920 |
| Hamro | 8 | 32,919 | 2,143 |
| Jyoti | 60 | 143,658 | 12,567 |
| Kabeli | 8 | 26,620 | 3,553 |
| Kailash | 63 | 144,412 | 9,521 |
| Kamana | 56 | 181,090 | 15,337 |
| Kanchan | 16 | 119,804 | 8,775 |
| Kankai | 16 | 39,728 | 2,005 |
| Karnali | 15 | 71,549 | 1,408 |
| Lumbini | 66 | 194,420 | 7,590 |
| Mahalaxmi | 74 | 382,653 | 14,017 |
| Mission | 16 | 41,246 | 10,715 |
| Miteri | 17 | 38,036 | 4,269 |
| Muktinath | 95 | 516,035 | 93,932 |
| Narayani | 5 | 11,225 | 47 |
| Nepal Community | 17 | 29,645 | 1,389 |
| Om | 54 | 215,627 | 20,020 |
| Purnima | 11 | 57,886 | 2,668 |
| Sahara | 4 | 18,773 | 824 |
| Sahayogi | 8 | 66,746 | 3,111 |
| Salpa | 3 | 9,707 | 484 |
| Saptakoshi | 14 | 31,787 | 1,987 |
| Shangrila | 55 | 242,143 | 12,546 |
| Shine | 35 | 175,505 | 6,625 |
| Sindhu | 16 | 30,435 | 1,584 |
| Tinau | 15 | 47,378 | 3,063 |
| Western | 16 | 60,820 | 4,587 |
| Total | 993 | 3,736,798 | 305,272 |

Annex 17: Circulars issued during FY 2017/18

| S. No. | Name with Link of the Circulars issued to A, B and C Class Financial Institution |
|--------|--|
| 1. | Circular 01-Prohibition to be Director Related |
| 2. | Circular 02-Attachment Amendment to Unified Directive, 2073 |
| 3. | Circular 02-Unified Directive, 2074 |
| 4. | Circular 03-Margin Lending, LTV, CCD Ratio Priority Sector Housing Loan Related |
| 5. | Circular 04-Amendments in Directive No. 19 & 23 Related |
| 6. | Circular 05-Clarification on CCD Ratio Related |
| 7. | Circular 06-Flood Victim Relief Fund Related |
| 8. | Circular 07-Policy Provision for BFIs in Resolution Process Related |
| 9. | Circular 08-Earthquake Victim Group Guarantee Loan Bylaws, 2074 |
| 10. | Circular 09-Risk Management Directives |
| 11. | Circular 10-NFRS Compliant FS Related |
| 12. | Circular 11-Minimum Capital of One District FIs |
| 13. | Circular 12-Receipts of Gifts & International Visit Related |
| 14. | Circular 13-Cooling Period of CEO & Board Member Related |
| 15. | Circular 14-Reconstruction & Re-operation Refinance Bylaws, 2074 |
| 16. | Circular 15-Deposit & IPS Related |
| 17. | Circular 16-Amendment in Krishi Karja Karyabidhi |
| 18. | Circular 17-CCD Ratio, Spread, Branch & Provincewise Capital Related |
| 19. | Circular 18-Branch Expansion at Every Local Body Related |
| 20. | Circular 19-Gold & Silver Loan Related |
| 21. | Circular 20-Tourism Sector Redefined Related |
| 22. | Circular 21-Attachment to Uniform Chart of Accounts Related |
| 23. | Circular 21-Uniform Chart of Accounts Related |
| 24. | Circular 22-Attachment to Guideline on Environmental & Social Risk Management for Banks and Financial Institutions Related |
| 25. | Circular 22- Checklist to Guideline on Environmental & Social Risk Management for Banks and Financial Institutions Related |
| 26. | Circular 22- Guideline on Environmental & Social Risk Management for Banks and Financial Institutions Related |
| 27. | Circular 23-Attachment to Format of Financial Statements of Commercial Banks Related |
| 28. | Circular 23-Format of Financial Statements of Commercial Banks Related |

Annex 18: Existing Acts, Bylaws and Guidelines

Key policy documents that guide NRB's regulatory and supervision function:

- Nepal Rastra Bank Act, 2002
- Bank and Financial Institutions Act, 2017
- Company Act, 2006
- Bank and Financial Institution Debt Recovery Act, 2000
- Banking Offense and Punishment Act, 2007 (Amended 2016)
- 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, 2017
- Nepal Rastra Bank, Banks and Financial Institutions Prompt Corrective Action Bylaw, 2017
- Unified Directives to Licensed Bank and Financial Institutions
- New Capital Adequacy Framework, 2007 (Updated, 2008 for DBs) and 2015 for CBs
- 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