



Development Bank Supervision Report

(FY 2018/2019)



Nepal Rastra Bank
Baluwatar, Kathmandu, Nepal
May 2020

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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
DBs	:	Development Banks
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 is a matter of great pleasure to share with you all that performance of the development banks has consistently been satisfactory in FY 2018/19. The Capital Fund ratio stands at a healthy 16.01percent, NPL percentage hovers around at 0.90 percent, liquid asset to total asset ratio is at comfortable 22.12 percent and growth seems robust with asset, deposit and credit growth rates of 28.39 percent, 31.90 percent and 36.30 percent respectively. Deprived sector lending stands at 10.23 percent which is quite higher than the relevant minimum requirements as prescribed by NRB. Furthermore, stress tests results indicate that national level development banks are quite resilient to various shocks which might be fall them.

Development banks have been doing a commendable job of creating and enhancing access to financial services among the general public through their 1,267 branches spread all over the country. People now have more choices to fulfill their banking needs at their door steps. 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 5.08 percent which is above the set limit for the industry. These development banks face the dual challenge of raising required additional capital on one hand, 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, 2019 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 all of my colleagues and greater appreciation goes to colleagues at the Policy Planning & Analysis Unit 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.

Rishikesh Bhatta
Executive Director
Nepal Rastra Bank
Development Bank Supervision Department

1. AN OVERVIEW OF DEVELOPMENT BANKS IN NEPAL

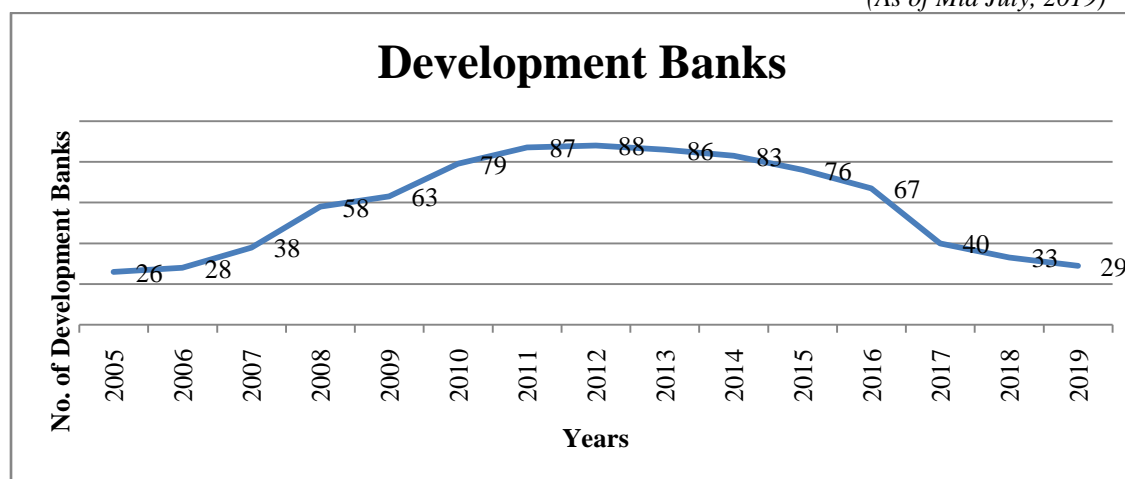
- 1.1 The development of Nepalese financial system started from the early twentieth century. The history of banking in Nepal dates back to the year 1937 AD with the establishment of Nepal Bank Limited as the first commercial bank in Nepal. Later in the year 1956, Nepal Rastra Bank was established as 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. Agricultural Development Bank Nepal 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 umbrella legislation of 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 Microfinance 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, 2002 (Second Amendment 2017). Bank and Financial Institution Act, 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 establishing of new A, B and C category financial 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 2019, the total number of financial institutions stood at 171 comprising of 28 Commercial Banks, 29 Development Banks, 23 Finance Companies and 90 Microfinance Financial Institutions. The total number of BFIs were 151 in mid-July 2018. 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 2018, there were total 33 DBs in Nepal, with 11 'National Level', 1 'Ten Districts Level', 17 'Three Districts Level' and 4 'One District Level' DBs operating within their jurisdictions which was reduced to a total of 29 as of mid July 2019 comprising of 11 'National Level' and 18 'Province/Regional 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, 2019)



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 2019, the total number of DBs reduced to 29. Since the beginning of the merger time and upto mid July 2019, following DBs were either merged or acquired to form new BFIs.

Table 1.1: List of Merged Development Banks

(As of mid July, 2019)

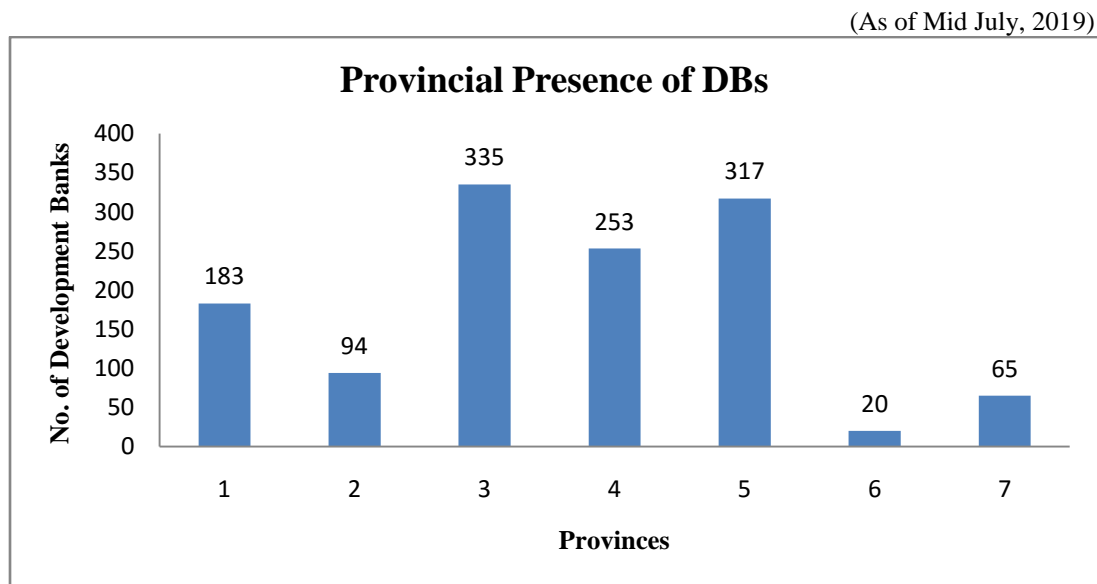
Merged BFIs	Name after Merger/ acquisition
Jyoti Bikas Bank Ltd. Hamro Bikas Bank Ltd.	Jyoti Bikas Bank Ltd.
Saptakoshi Development Bank Ltd. Kabeli Bikas Bank Ltd.	Saptakoshi Development Bank Ltd.
Deva Bikas Bank Ltd. Western Development Bank Ltd.	Deva Bikas Bank Ltd.
Tinau Bikas Bank Ltd. Mission Development Bank Ltd.	Tinau Mission Development Bank Ltd

1.10 As at mid July 2019, there are 29 DBs operating in Nepalese banking industry comprising of 11 in 'National Level' and 18 'Province/Regional Level' working areas. See Annex 3.

Access to Banking Services and Branch Network

1.11 The total number of DB branches stood at 1,267 in mid-July 2019. NRB has been encouraging BFIs to open branches to rural areas in order to inclusive expand financial access. While the numbers of DBs (including head office/corporate office, branches and extension counters) 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 3 (335 Branches) followed by Province 5 (317 Branches) and nominal in Province 6 where there are only 20 branches of development banks as on mid July 2019. The major reasons behind weak presence in Province 6 are geographical complexities, poor infrastructure and insignificant economic activities.

Figure 1.2: Provincial Presence of DBS



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

1.12 Development banks have been serving numerous customers throughout the nation. As on mid July 2019, the number of depositors of the development banks stood at 4,778,899. Similarly, number of borrowers stood at 349,728. 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. Inspection and 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 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 The DBSD conducted a number of supervisory activities and initiatives aimed at promoting robust, resilient and inclusive banking sector. The 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 senior management 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 for effective banking supervision (core principles) prescribed by the Basel Committee on Banking Supervision (BCBS). Development banks are supervised through onsite and offsite surveillance. Onsite inspection has adopted risk based approach for the national level development banks and compliance based approach for other level development banks. NRB has implemented BASEL II for all level DBs and required to calculate their capital fund according to Capital Adequacy Framework, 2007 (updated July, 2008). However, 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 this, DBSD also reviews and analyzes the audited financials of development banks and provides approval for distribution of dividends and publication of audited financials. Development Banks 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. Development Banks are encouraged to follow Stress Testing Guideline for proper management of assets and liabilities.

Organization of Development Bank Supervision Department

- 2.5 Nepal Rastra Bank 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 Enforcement Unit.

Divisions/Units 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 DBs.
- *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 possible wrong action by DBs, undertaken against general welfare of public interest and any pertinent 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. 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 2018/19 are summarized below:

2.9.1 Capital Adequacy:

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

2.9.2 Asset Quality:

- Lack of robust credit appraisal system and absence of analysis of business plan of institutional borrowers
- 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.).
- Wrong categorization of credit in sectoral classification and product wise classification
- 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.
- Lack of Credit Risk Management Policy
- Lack of tagging the group exposure of related parties in system and credit files.
- Absence of proactive and robust loan loss provisioning system
- Lack of regular inspection of business and stock for working capital loans.
- Unrealistic presentation of financial projections of institutional borrowers.
- Deviation between Credit Policy Guidelines (CPG) and Nepal Rastra Bank directives
- Non-compliance of NRB Directives regarding credit information and multiple banking. Credit information were not analyzed properly for renewal or extension of facilities.
- Inadequate monitoring of credit utilization by the customers

- Unrealistic and mismatch in the financial statements of borrowers.
- 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.
- Irregularities in Credit Management Practice, lack of proper mechanism to identify, measure, monitor and control or mitigate the risks.
- BOD decisions against policy guidelines and manuals.
- 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:

- Board oversight is inadequate in terms of policy, framework and tolerance limit.
- Corporate governance issues of BOD members and senior management.
- Succession gap/Vacant position at top level management.
- Lack of performance appraisal of senior level management.
- 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.
- Lack of strategic plans, risk management policies and procedures, succession planning and other policies. Lack of timely review of the existing policies.
- Risk Appetite and Risk Exposure not determined by the management.
- Absence of proper disclosure of Risk Taker as required by Unified Directives.
- Weak and inadequate human resources management practices. Lack of best practices in terms of staff recruitment and selection.
- 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 directives.

2.9.4 Earning:

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

2.9.5 Liquidity:

- Lack of liquidity contingency plan.

- Weaknesses in monitoring liquidity profile and gap analysis.
- Huge gap in short term asset and liabilities.
- Concentration on institutional deposits which are highly volatile and comparatively low preference to individual deposits.

2.9.6 Sensitivity To Market:

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

2.9.7 Others

- Lack of Disaster Recovery & Business Continuity Plan
- Operation risk due to high staff turnover/fast career growth due to large number of new branches
- Weak AML/CFT Compliance
- Year end/Quarter End window dressing of loan –unauthorized movement in client account by Staff
- 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 Annual General Meeting. It also monitors whether the proposed dividend is justifiable in accordance with the financial position of th DB. 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 2.1: Important Directives regarding Capital, Credit and Liquidity for Development Banks (Effective for FY 2018/19)

SN	Particulars	Percentage	Days/ Year	Remarks I	Remarks II
1.	Minimum Capital Fund "B" Class Financial Institutions Core Capital \geq 6% Capital Fund \geq 10%			Minimum capital fund to be maintained based on the risk-weight assets/exposures (percent)	
2.	Bank Rate	6.5%			
3.	Repo & Reverse Repos	Max. 21days			
4.	CRR	4%			
5.	SLR	8%			
6.	SLF	6.5% (Bank Rate)	Max 7 days		
7.	Lender of Last Resort	6.5% (Bank Rate)	Max. 1 year		Against deposit at NRB for CRR Purpose / Govt. Securities and Pass Loan
8.	Deprived Sector Lending	5%			
9.	Productive Sector Lending	15%			

Cash Reserve Ratio (CRR)

2.12 BFIs are the backbone of the payment system and are the major counterparts of implementation of monetary policy. As an important monetary instrument, NRB applies CRR to control money supply in the economy. The CRR position of BFIs is monitored on fortnightly basis. For DBs, the cash reserve ratio (CRR) in the review period was four 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. All DBs, except five development banks, were found complying with CRR aforementioned in the review year.

Directed Lending (Deprived Sector Lending)

2.13 Bank and Financial Institutions must allocate certain portion of their total loan portfolio in the deprived sector as directed lending. The DBs have a mandatory requirement to disburse five percent of total loan of two previous quarters. The average deprived sector lending of the DBs stands at 10.23 percent in the review year. The 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, except Corporate Development Bank Ltd., were 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 eight 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 were 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 all level development banks shall be as calculated on the basis of Capital Adequacy Framework, 2007 (Updated July 2008). The overall Core Capital Ratio of the DBs in the review year is 14.91 percent and Capital Fund ratio is 16.01 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 reports of the department as prescribed in the Inspection and Supervision Byelaw. This unit also works as the secretariat of the Policy Direction Implementation Committee and Resolution Committee regarding the issues of DBs.

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 half yearly reports of individual development banks focusing on major financial indicators and the compliance status of the directions given to the concerned financial 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.

3. OPERATIONAL PERFORMANCE OF DEVELOPMENT BANKS

Performance of Development Banks

- 3.1 Development banks have maintained buffers of capital and liquidity over current regulatory requirements. They have also remained profitable and largely able to withstand various shocks. There has been significant increase in their deposits and lending during FY 2018/19. Increment in business volumes of the development banks has led to increment of profit. Even though, the development banks have enough capital and liquidity to withstand any unfavorable changes in economy, there still seems to be a need for greater resilience among development banks to withstand possible liquidity shocks.

There has been slight decrease in base rate and interest rate spread as compared to the previous FY. Such decline majorly owes to the regulatory requirements and the prevailing market conditions. Mergers and acquisitions have continued this year as well such that the number of development banks has decreased to 29 this year (as on mid-July 2019) from 33 as at the end of last FY.

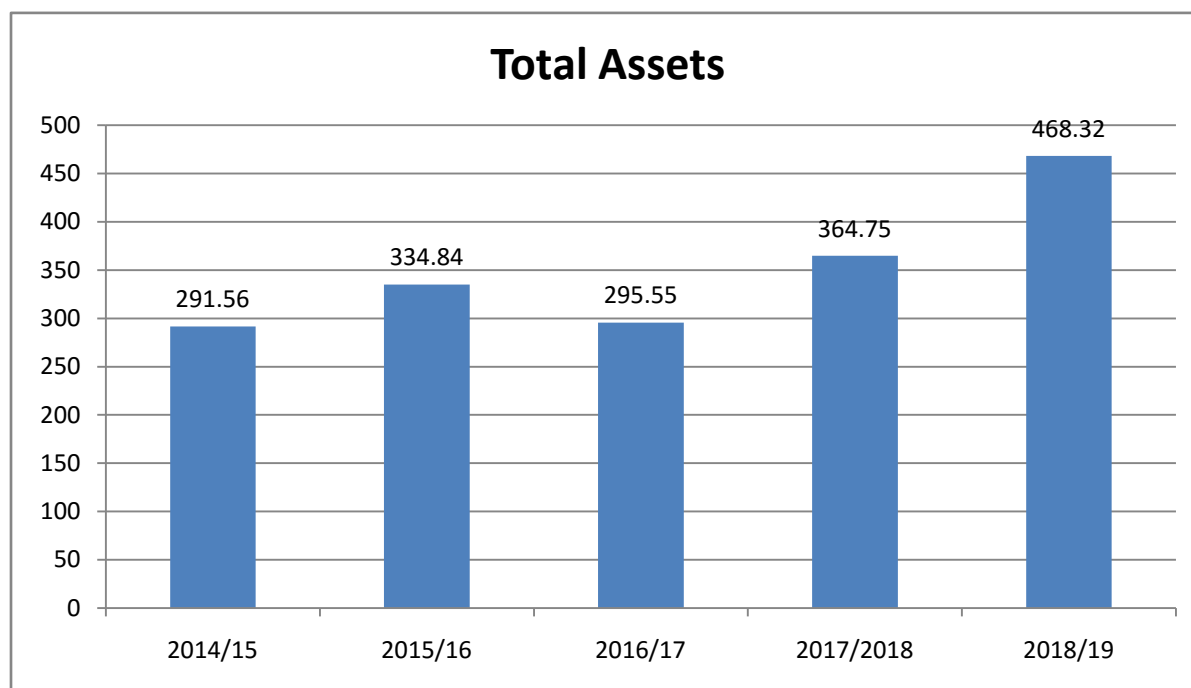
Assets of Development Banks

- 3.2 Asset quality impacts on many facets of a bank's operation and is a critical factor in the assessment of the financial soundness of development banks. A high asset quality generally reflects in the liquidity, profitability, strong networth and the overall financial strength of DBs. The development bank sector's total assets increased by 28.39 percent from Rs.364.75 billion in mid July 2018 to Rs.468.32 billion in mid July 2019.

Assets of overall development banks comprise of loan and advances, cash balance, balance maintained with NRB and other BFIs, money at call, investment, property and equipment, non banking assets and other assets. Loans and advances of overall DBs has increased by 36.30 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 advances disbursed by the development banks.

Figure 3.1: Total Assets of the Development Banks
(Mid July 2019)

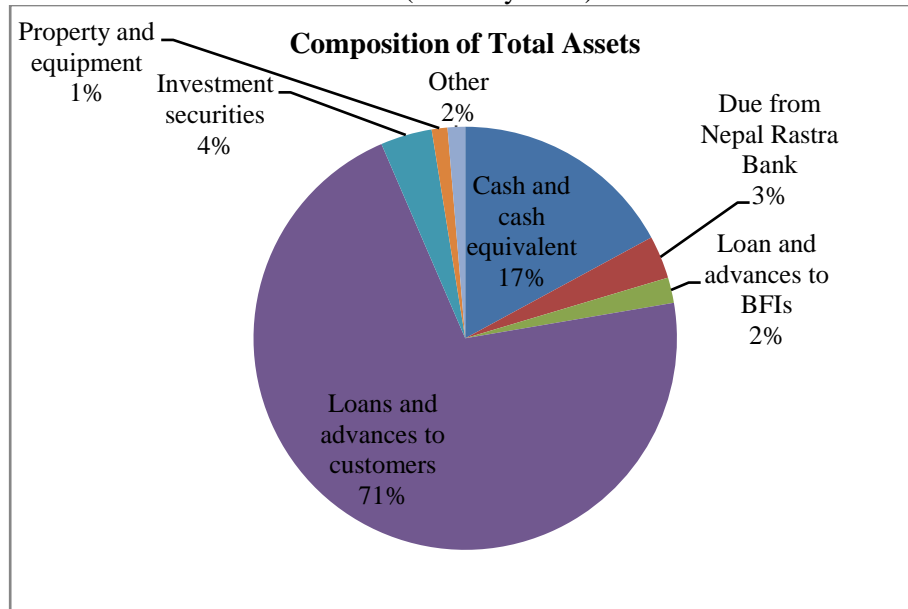
Figure in billion



Composition of Assets

3.3 Loans and advances to customers constitute the largest portion of the total assets – 71 percent followed by Cash and cash equivalent – 17 percent, Investment securities – 4 percent, Due from Nepal Rastra Bank– 3 percent, Loans and advances to BFIs – 2 percent, and Property and equipment – 1 percent respectively. Similarly, Other – 2 percent which comprises Placement with bank and financial institutions, derivative financial instruments, other trading assets, current tax assets, investment in subsidiaries, investment in associates, investment property, goodwill and intangible assets, deferred tax assets and other assets of Development Banks. Detailed figures are shown in Annex 15.9.

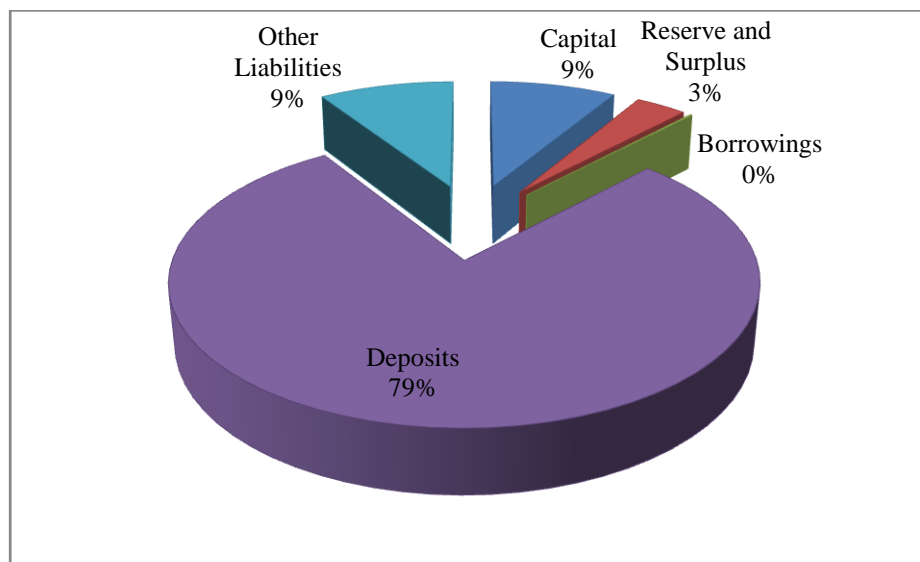
Figure 3.2: Composition of Assets of Development Banks
(Mid July 2019)



Composition of Liabilities

3.4 As on mid July 2019, the total liabilities of the development bank sector amounted to Rs.468.32 billion, a significant increased of 28.39 percent compared to the Rs.364.75 billion in mid July 2018. Major sources 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.

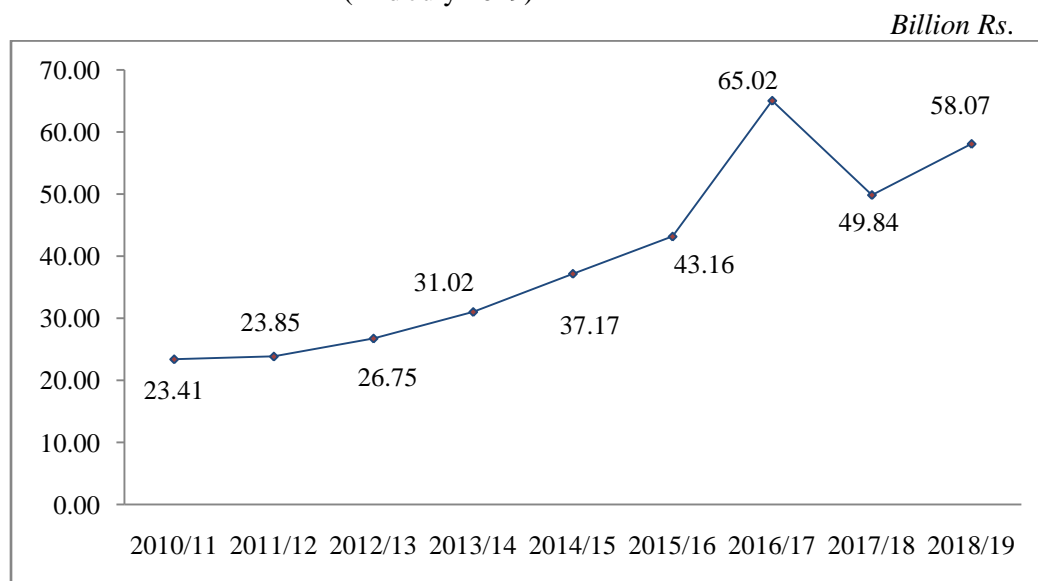
Figure 3.3: Composition of Liabilities of Development Banks
(Mid July 2019)



Capital

- 3.5 Total Capital Fund of the DBs has increased to Rs.58.07 billion on mid July 2019 from Rs.49.84 billion as on mid July 2018. This increment is mainly due to the capital increment plan as required by NRB through issuance of right shares, bonus shares and increase in profit during the review period. 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 2019)

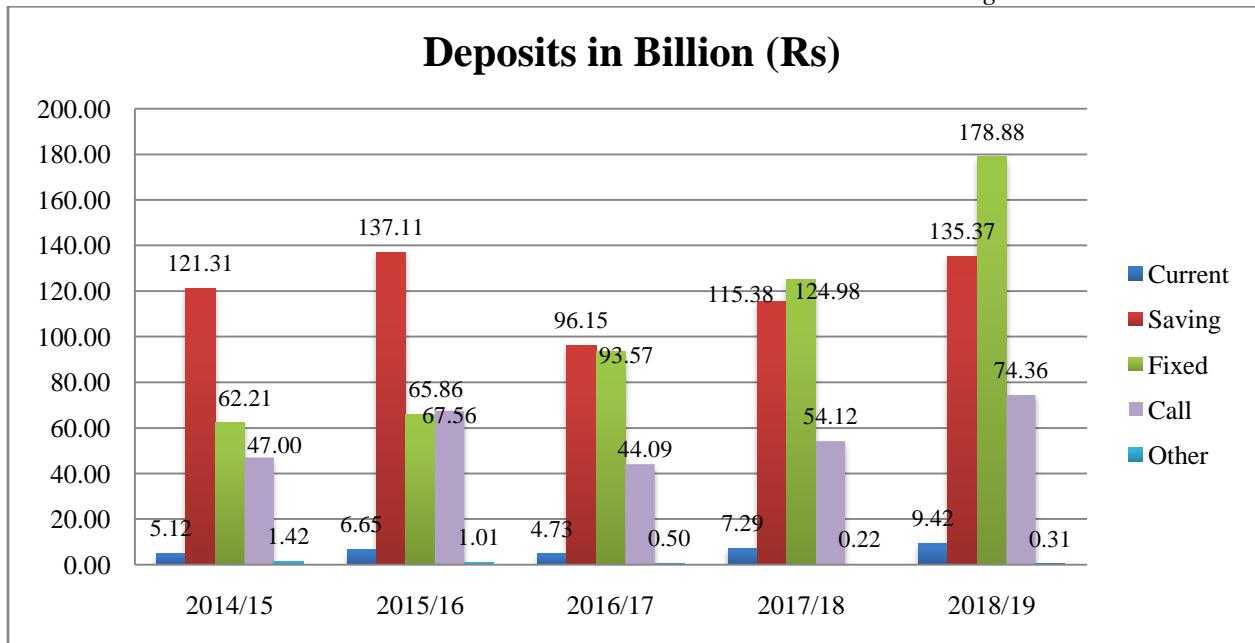


Deposit

- 3.6 Total deposits have increased by 31.90 percent to Rs. 398.34 billion from Rs. 301.99 billion during FY 2018/19 while gross loans have increased by 36.30 percent to Rs. 345.17 billion from Rs. 253.24 billion. However, these figures have to be understood in the context of expansion in branch networks, increased in deposits rates, financial literacy programs, financial access and inclusion, and remittance inflows during the review year.
- 3.7 Out of total deposits, fixed deposit comprises the highest portion of Rs.178.88 billion, followed by saving deposits of Rs.135.37 billion as at mid July 2019. 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.

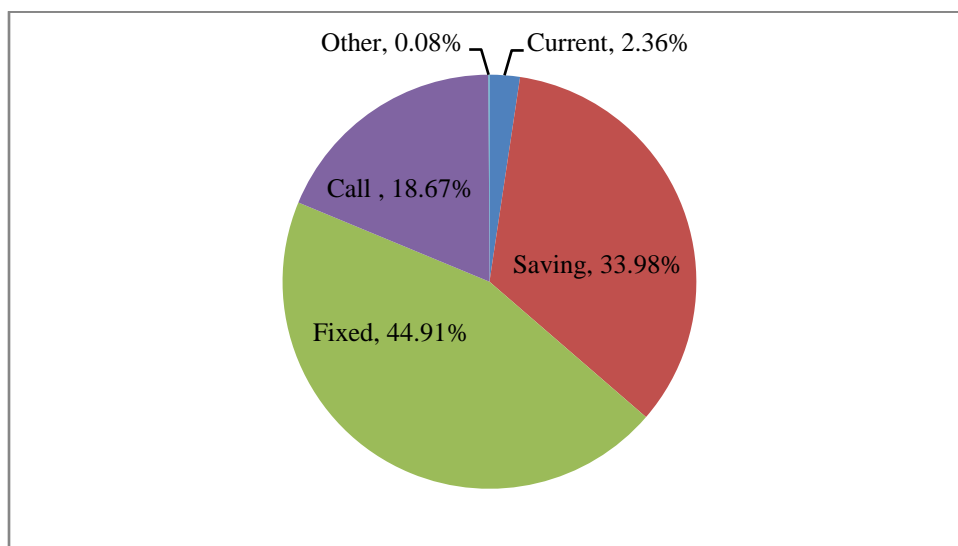
Figure 3.5: Deposit of the Development Banks
(Mid July 2019)

Figures in billion



In the DB industry, saving and fixed deposits dominated (78.89 percent) the deposit of the DBs over the year. Fixed deposit contributed 44.91 percent, saving deposits 33.98 percent, call deposit 18.67 percent and current deposit 2.36 percent. Other deposits comprises nominal amount of total deposits. Detailed figures are shown in Annex 15.3.

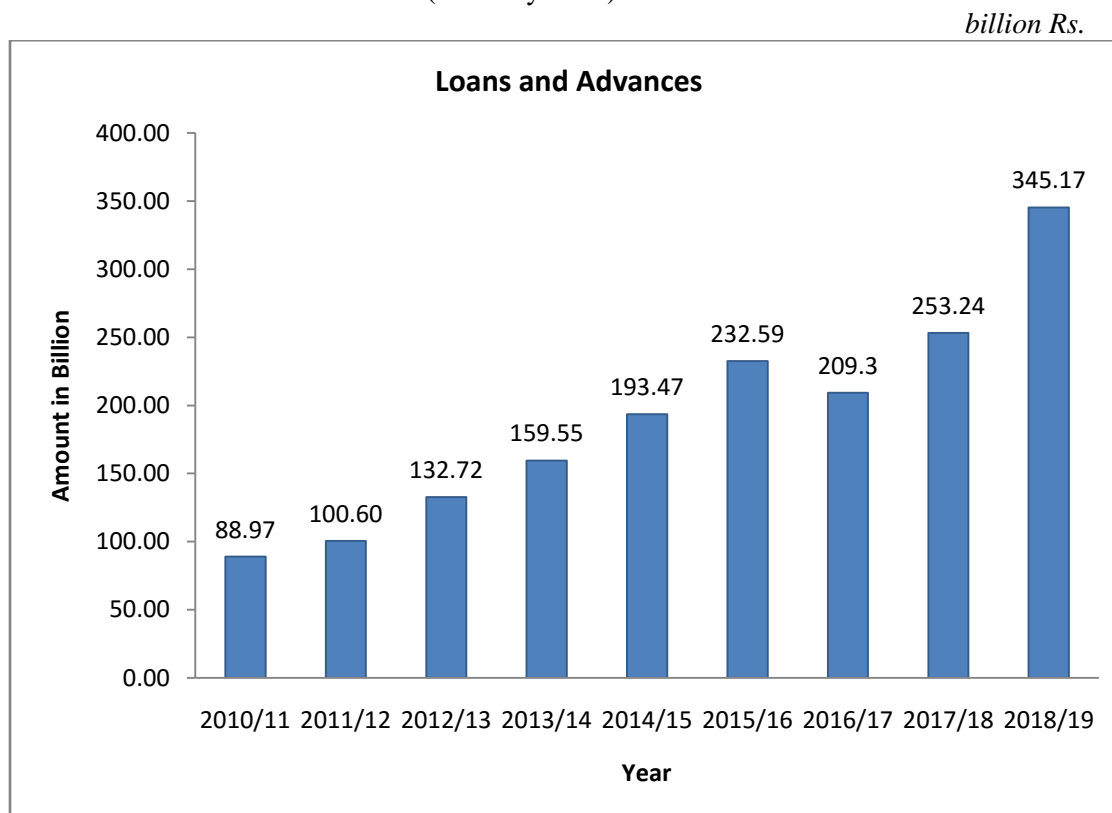
Figure 3.6: Deposit Mix of the Development Banks
(Mid July 2019)



Loan and Advances

3.8 Loan and advances of the DBs grew by 36.30 percent from Rs.253.24 billion in FY 2017/18 to Rs. 345.17 billion in FY 2018/19. Performing loan constitutes 99.10 percent which amounts to Rs.342.06 billion and Non-performing loan constitutes 0.90 percent which amounts to Rs.3.11 billion. Detailed figures are shown in Annex 15.1 and 15.4.

Figure 3.7: Loan and Advances of the Development Banks
(Mid July 2019)



Sector-wise Loan and Advances

3.9 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 14.09 percent, Finance, insurance and real estate sector 7.57 percent, Transport, Warehousing and Communication 7.21 percent, Consumable Loans 6.25 percent, Agriculture forest 6.24 percent of industry's loans and advances respectively. Other sectors continue to account for the largest share of the industry's loans and advances, which was 25.35 percent as at mid-July 2019. 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 2019)

Figures in percentage

S.N.	Sector	% of Total Loan (Mid-July)				
		2014/15	2015/16	2016/17	2017/18	2018/19
1	Agriculture Forest	6.24	6.52	5.50	5.96	6.24
2	Fishery	0.21	0.18	0.13	0.13	0.21
3	Mining	0.20	0.17	0.21	0.23	0.10
4	Agriculture, Forestry & Beverage Production Related		3.09	2.71	2.63	2.78
5	* Non-food Production Related	6.33	3.23	2.83	3.19	3.96
5	Manufacturing					
6	Construction	13.49	14.01	13.18	12.86	14.09
7	Electricity, Gas and Water	2.56	1.72	1.91	1.76	1.91
8	Metal Products, Machineries, Electronics and Installation	1.54	1.03	0.74	0.89	1.05
9	Transport, Warehousing and Communication	7.84	7.66	9.02	8.27	7.21
10	Wholesalers and Retailers	16.91	15.40	15.63	16.05	16.05
11	Finance, Insurance and Real Estate	6.95	6.98	6.76	7.32	7.57
12	Tourism (Hotel and Restaurant)	3.76	3.99	4.00	3.93	3.92
13	Other Services	4.50	4.03	3.99	3.55	3.32
14	Consumable Loans	8.09	7.31	9.24	8.17	6.25
15	Local Government	0.02	0.02	0.02	0.01	0.01
16	Others	21.37	24.67	24.13	25.05	25.35
	Total Loan	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

3.10 Majority of loans and advances of DBs are secured against properties. In the review year, weightage of property back-up is 89.79 percent of the total loan disbursed. Proportion of loans against guarantee has been gradually increasing since 2014/15 and covers around 4.79 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 2019.

Table 3.2: Securities against Loans and Advances
(Mid July 2019)

Figures in percentage

S.N.	Security	% of Total Loan (Mid-July)				
		2014/15	2015/16	2016/17	2017/18	2018/19
1	Gold and Silver	2.13	1.80	2.06	1.92	1.57
2	Government Bonds	0.01	0.00	0.00	0.01	0.01
3	Non Government Securities	1.72	1.99	1.81	2.22	2.16
4	Fixed Deposit	1.04	0.93	2.51	1.58	1.18
5	Property as Collateral	91.93	91.50	89.01	89.28	89.79
6	Security of Bills	0.01	0.00	0.00	0.00	0.00
7	Guarantee	2.78	3.39	4.39	4.72	4.79
8	Credit/Debit Card	0.00	0.00	0.00	0.00	0.00
9	Others	0.39	0.39	0.21	0.27	0.47
	Total	100.00	100.00	100.00	100.00	100.00

Product-wise Loan and Advances

3.11 DBs have classified their loan products as per NRB directives. The highest portion (22.07 percent) of the loans and advances is covered by Overdraft Facilities. Similarly, Term Loan comprises 20.96 percent, Personal Residential Home Loan comprises around 12.30 percent and Hire Purchase Loan comprises 9.56 percent respectively. There is a gradual rise of deprived sector loans through previous years owing to regulatory requirements. There has been a steady rise in case of term loans in last five years but the portion of demand and other working capital loans has been in decreasing trend since five years. Real estate loan has declined significantly in review year. Table 3.3 shows the composition of product wise loan and advances of DBs in previous five fiscal years.

Table 3.3: Product-wise Loan and Advances
(Mid July 2019)

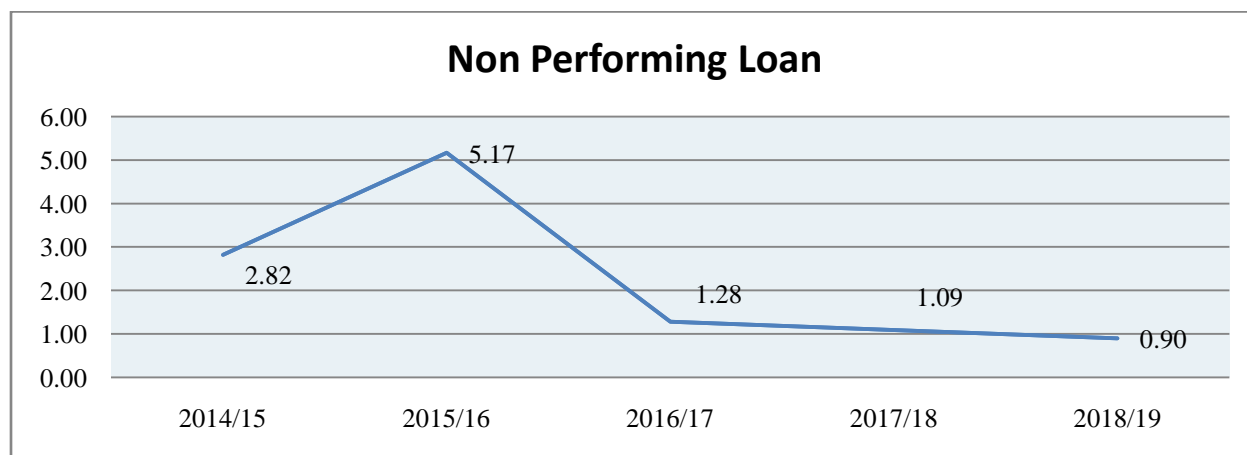
Figures in percentage

S.N.	Loan Products	% of Total Loan (Mid July)				
		2014/15	2015/16	2016/17	2017/18	2018/19
1	Term Loan	14.47	16.01	15.79	17.97	20.96
2	Overdraft	23.72	23.32	24.56	24.39	22.07
3	Trust Receipt Loan/Import Loan	0.00	0.00	0.00	0.00	0.00
4	Demand and Other Working Capital Loan	10.60	8.66	5.05	3.83	3.39
5	Personal Residential Home Loan	11.62	11.50	10.50	10.43	12.30
6	Real Estate Loan	6.78	7.42	8.02	7.74	6.08
7	Margin Loan	1.98	2.23	1.83	2.25	2.20
8	Hire Purchase Loan	9.81	10.17	11.71	10.87	9.56
9	Deprived Sector Loan	5.27	5.56	7.83	8.18	8.85
10	Bills Purchased	0.00	0.00	0.00	0.00	0.00
11	Other Product	15.76	15.14	14.69	14.34	14.59
	Total	100.00	100.00	100.00	100.00	100.00

Non- Performing Loans

3.12 The assets quality of overall development banks has been gradually improved. The ratio of NPLs to Gross loans and advances has been decreased by 0.19 percentage point and stood at 0.90 percent in mid July 2019 compared to 1.09 percent in mid July 2018.

Figure 3.8: Non-performing loans of the Development Banks
(Mid July 2019)

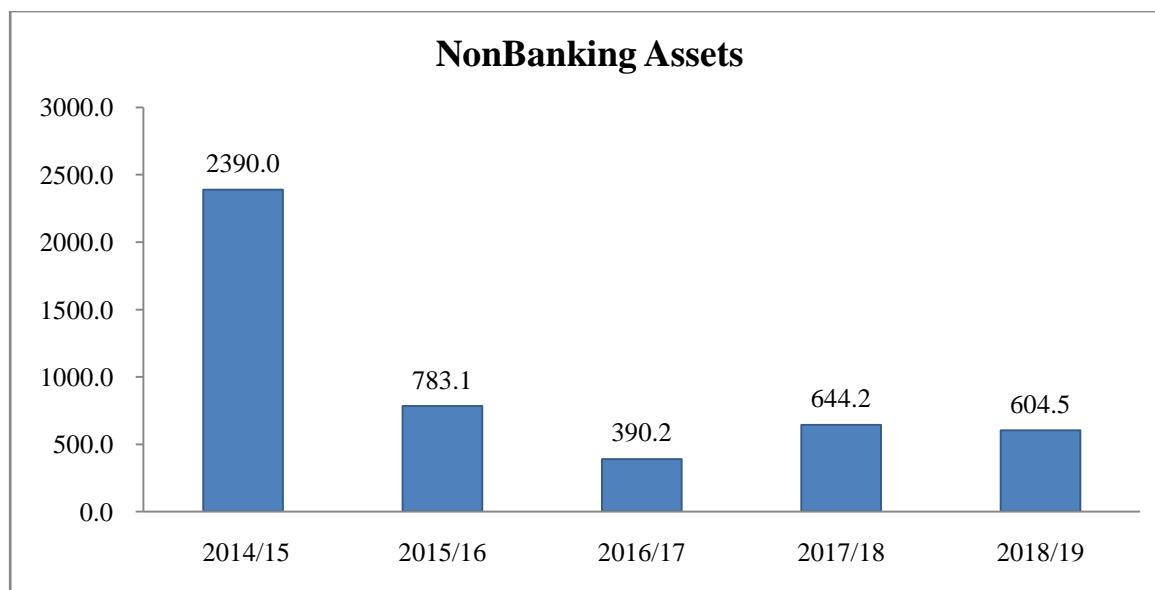


Non-Banking Assets

3.13 The total amount of non banking assets of DBs as on mid-July 2019, stood at Rs. 604.47 million. The total amount of non-banking assets (NBA) of DBs for the FY 2017/18 stood at Rs. 644.17 million. As on mid-July 2019, non banking assets of Mahalaxmi Development Bank Limited (Rs.336.37 million) accounted for the largest share of the industry's NBA followed by Corporate Development Bank Limited (Rs.161.77 million).The level and structure of NBA during the previous five years is presented in the figure 3.9. Details on NBA for various years are shown in Annex 15.5.

Figure 3.9: Non-banking Assets of the Development Banks
Mid-July 2019

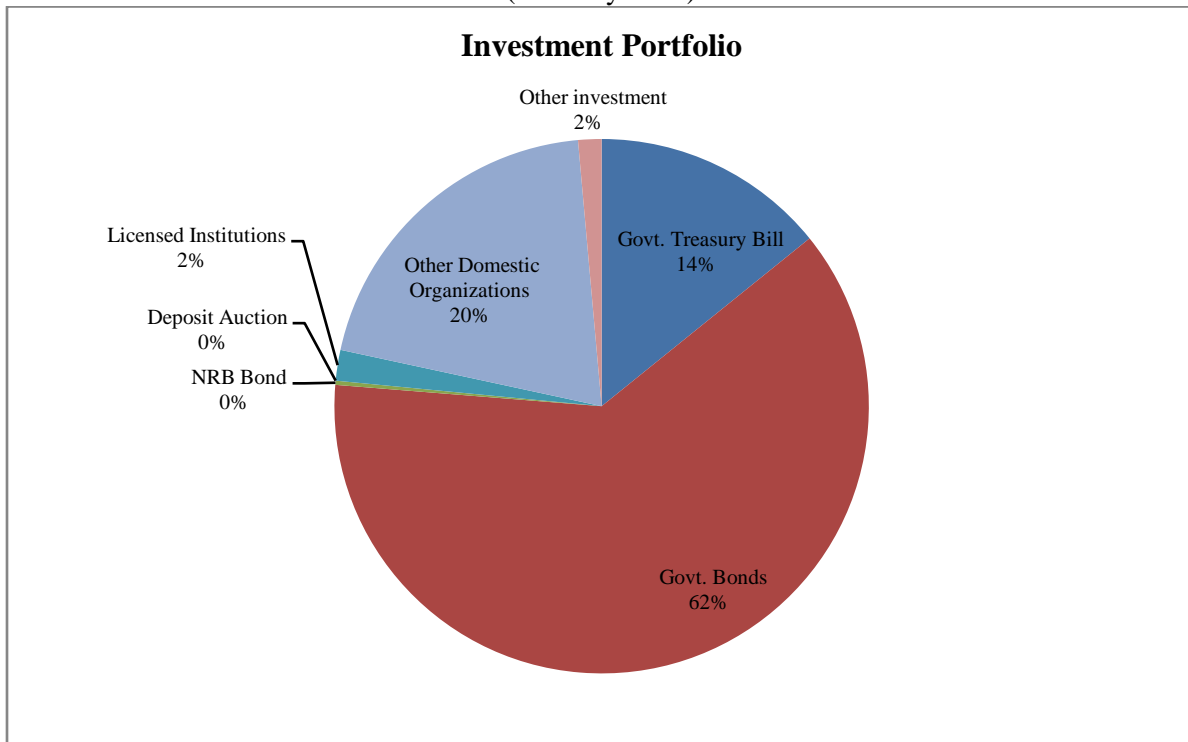
Figures in million



Investment

3.14 The largest portion of investment made by DBs is in government bond and government treasury bills. This category accounted 62 percent and 14 percent respectively of total investment of DBs in the review year. Investment in other domestic organizations, licensed institutions and other investment amounted to 20 percent, 2 percent and 2 percent respectively of total investment. The total investment of DBs has increased by 78.10 percent and has reached Rs. 20,050.86 million as at mid-July 2019 from Rs. 11,258.03 million as at mid-July 2018. Details of investment of DBs are shown in Annex 15.6.

Figure 3.10: Investment Portfolio of the Development Banks
(Mid July 2019)



Profitability

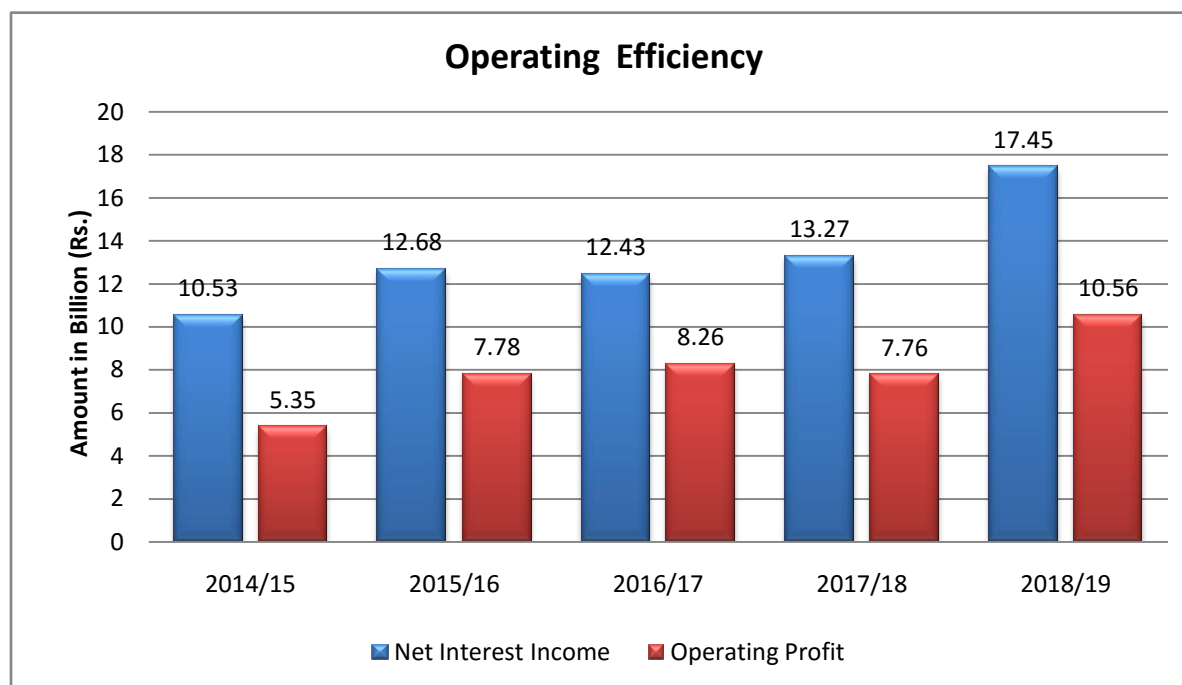
- 3.15 Consolidated profitability of overall development banks during FY 2018/19 amounted to Rs.7,410.80 million. It amounted to Rs.6,116.47 million during FY 2017/18. The overall profitability of DBs has been increased by 21.16 percent during the review period. All the development banks were operated in profits except Narayani Development Bank Ltd. and Salapa Bikas Bank Ltd. in the review period.
- 3.16 The interest spread of overall development banks has been declined to 5.08 percent as at mid-July 2019 from 5.30 percent as of mid-July 2018. Decline in interest spread has highly influences the profitability of overall development banks.
- 3.17 Interest income of all development banks accounted to Rs.45,722.99 million as on mid-July 2019 which has been increased by 33.80 percent from mid-July 2018. Similarly, interest expenses accounted to Rs.28,274.18 million as on mid-July 2019 which has been increased by 34.96 percent from that of mid-July 2018. Net interest income has been increased by 23.96 percent to Rs.17,448.81 million as on mid-July 2019 from Rs.13,267.59 million as on mid-July 2018.

Operating profit of development banks has been increased from Rs.7.76 billion as on mid-July 2018 to Rs.10.56 billion by 36.08 percent as on mid-July 2019. Net interest income

and operating profit of development banks of previous five years are shown in the Annex 15.8.

Figure 3.11: Operating Efficiency of the Development Banks
(Mid July-2019)

billion Rs.

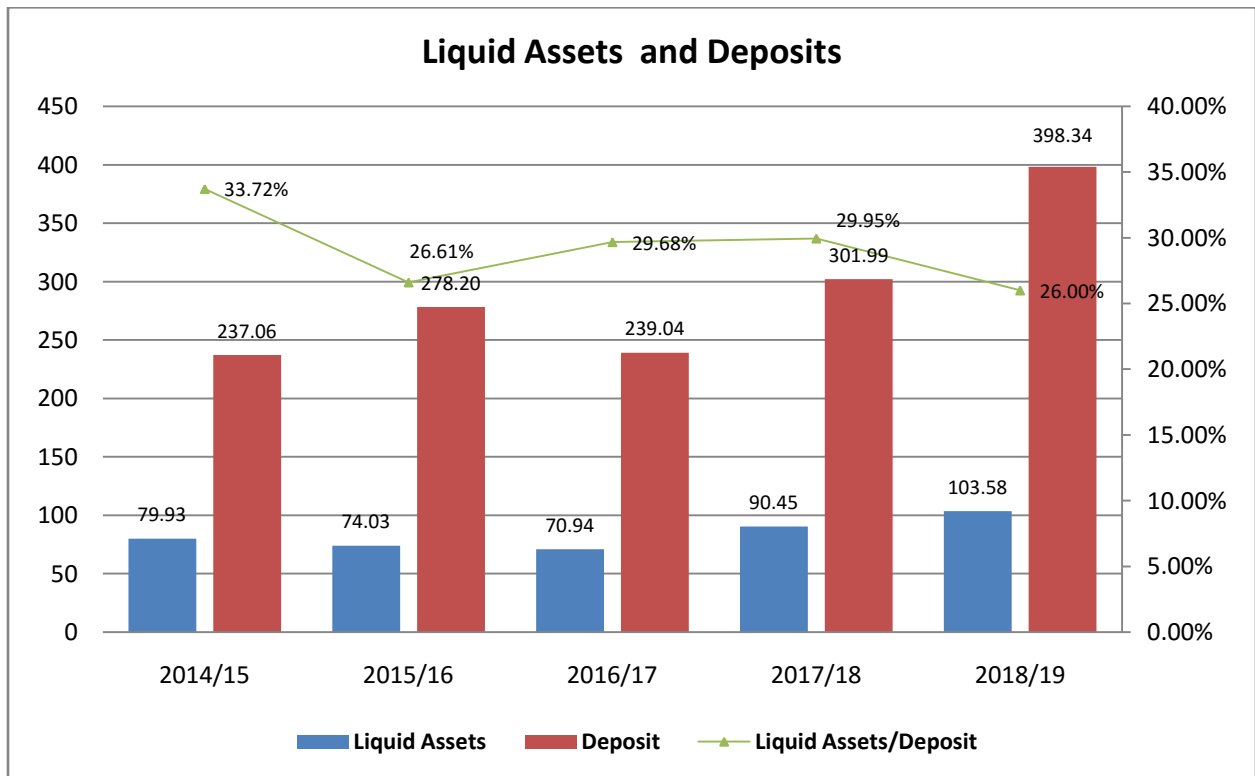
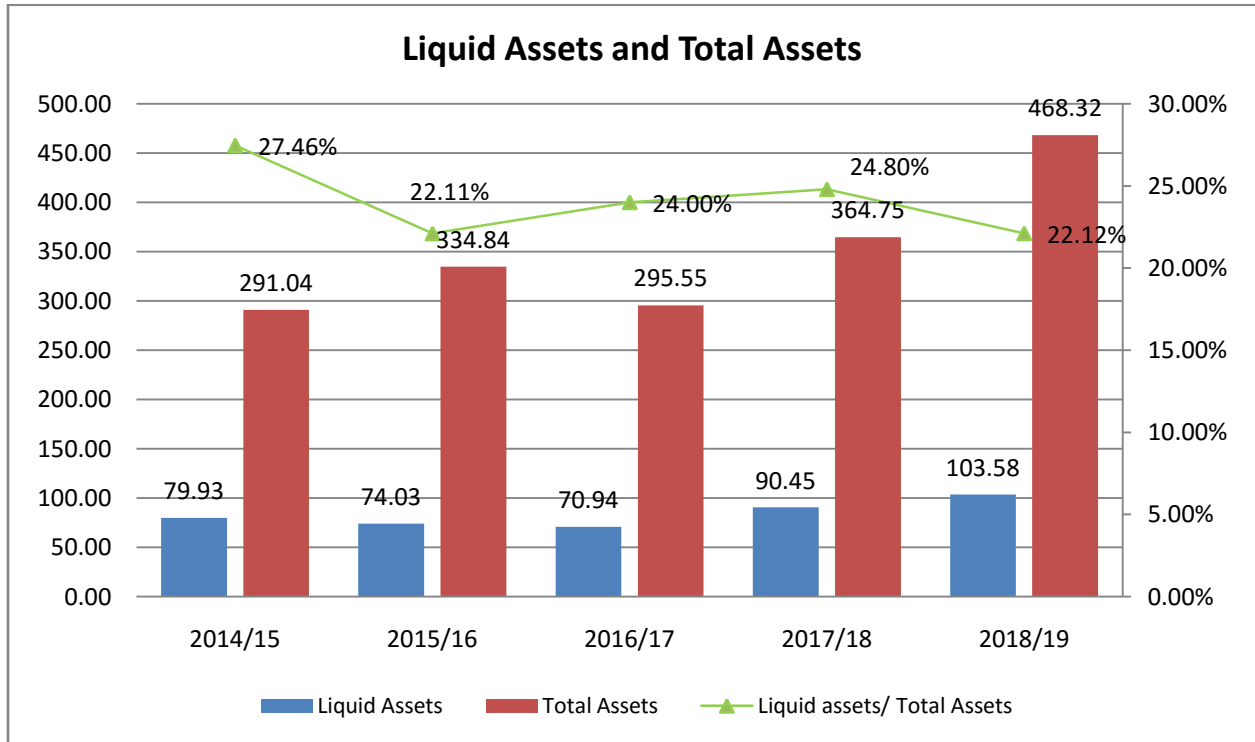


Liquidity

3.18 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 14.51 percent from Rs.90.45 billion at mid-July 2018 to Rs.103.58 billion at mid-July 2019. The share of these liquid assets to total deposits (Rs. 398.34 billion) decreased by 3.95 percentage point from 29.95 percent at mid-July 2018 to 26.00 percent at mid-July 2019. Similarly, the share of these liquid assets to total assets (Rs.468.32 billion) decreased by 2.68 percentage point from 24.8 percent at mid-July 2018 to 22.12 percent at mid-July 2019. 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 2019)

Figures in billion



Deprived Sector Lending

3.19 The overall position of deprived sector lending of DBs in FY 2018/19 was 10.23 percent while the figure stood at 9.41 percent in the previous year. However, except Corporate Development Bank Limited, the deprived sector lending of other DBs is above NRB minimum requirement of five percent in the review year.

Base Rates and Spread Rates

3.20 Base rate of all development banks was 11.22 percent as on mid-July 2019 whereas it was 12.44 percent in mid-July 2018. The overall base rate of national level development banks stood at 11.25 percent in mid-July 2019, whereas it was 10.75 percent in mid-July 2018. Similarly, such rate was 11.34 percent of regional level development banks during the review year.

3.21 Interest spread of overall development banks stood at 5.08 percent as at mid July 2019 whereas it was 5.30 percent in mid-July 2018. Interest spread of national and regional levels development banks were 4.89 percent and 5.90 percent respectively during the review year. 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

3.22 Electronic banking is gaining popularity because of the 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 the banking sector. Mostly, the transactions of electronic banking is limited to internet banking, in which customers are able to access their accounts balances only. Other electronic banking services are mobile banking, Debit Card and Automated Teller Machines (ATMs) services. Only one development bank (Om Development Bank) provides Branchless Banking Service during FY 2018/19 which is capable of providing retail banking features such as cash deposit/withdrawal, bill payments, remittance payments, fund transfers and balance inquiries. The table below depicts the data regarding use of electronic banking in the class 'B' financial institutions. The number of customers using electronic banking services is in increasing trend. In the FY 2018/19, 909,512 customers used mobile banking services, 24,124 used internet banking services. Number of Automated Teller Machines during FY 2017/18 was 209, which has been gradually increased to 318 during FY 2018/19. Similarly, Debit Card users in case of development banks is in increasing trend.

Table 3.4: Use of Electronic Banking
(Mid July 2019)

S. No.	Particulars	2015/16	2016/17	2017/18	2018/19
1	No. of Branchless Banking Centers	-	-	1	1
2	No. of Customers (Branchless Banking)	-	-	107	143
3	No. of Customers (Mobile Banking)	133561	217432	351796	909,512
4	No. of Internet Banking Customers	23036	14634	14634	24,124
5	No. of ATMs	230	177	209	318
6	No. of Debit Cards	479318	260225	206589	216,991

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

Stress Testing of Development Banks

3.23 Stress test results indicate that national level development banks remain sound and resilient to various kinds of shocks though greater resilience seems necessary for liquidity shocks. Results indicate that national level development banks have adequate buffer capital to absorb various shocks as detailed below:

Credit Shock

3.24 Standard credit shock test results indicated that all national level development banks would be able to withstand all except three among nine standard credit shocks to which they were subjected in stress testing scenario. Only one out of eleven national level development banks would not comply with the minimum capital adequacy ratio requirement if 15 percent of performing loans deteriorated to substandard loans.

Liquidity Shock

3.25 Standard liquidity shock test results suggested that few national level development banks would fall below mandatory liquidity ratio in stress scenarios. Stress test results indicate that seven national development banks would see its capital adequacy dip below minimum level if there were a withdrawal of deposits by 2 percent, 5 percent, 10 percent, 10 percent and 10 percent per day for five consecutive days. Similarly, none of the national level development banks were found to have their liquid assets to deposit ratio fall below the regulatory minimum of 20 percent if top individual depositors withdrew their deposits.

Other Shocks

3.26 All national level development banks were found to be resilient to standard interest rate, exchange rate and equity price shocks such that none of the national level development banks would have their capital adequacy ratio fall below the regulatory minimum of 10 percent following these shocks.

Table 3.5: Summary Result on Stress Testing of National Level Development Banks
As on Mid July 2019

Events		Number of Banks with CAR		
		< 0%	0% - <10%	>=10%
Pre Shock		0	0	11
<u>A. After Credit Shock</u>		Post Shocks		
		< 0%	0% - <10%	>=10%
C1	15 Percent of Performing loans deteriorated to substandard	0	1	10
	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	2	9
C2	All NPLs under substandard category downgraded to doubtful.	0	0	11
	All NPLs under doubtful category down graded to loss.	0	0	11
C3	25 Percent of performing loan of Real Estate & Housing sector loan directly downgraded to substandard category of NPLs.	0	0	11
C4	25 Percent of performing loan of Real Estate & Housing sector loan directly downgraded to Loss category of NPLs.	0	1	10
C5	Top 5 Large exposures downgraded: Performing to Substandard	0	0	11
<u>B. After Market Shocks</u>				
(a) Interest Rate Shocks		< 0%	0% - <10%	>=10%
IR-1a	Deposits interest rate changed by 1.0 percentpoint on an average.	0	0	11
IR-1b	Deposits interest rate changed by 1.5 percentpoint on an average.	0	0	11
IR-1c	Deposits interest rate changed by 2.0 percentpoint on an average.	0	0	11
IR-2a	Loan interest rate changed by -1.0 percentpoint on an average.	0	0	11
IR-2b	Loan interest rate changed by -1.5 percentpoint on an average.	0	0	11
IR-2c	Loan interest rate changed by -2.0 percentpoint 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 by20%	0	0	11
ER-1b	Appreciation of currency exchange rate by25%	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%		7	
Number of Banks with Liquid Assets to Deposit Ratio			< 0%	0% - <20%
				>=20%
		Pre-shocks	0	0
			After Shocks	
L-2a	Withdrawal of deposits by 5%		0	4
L-2b	Withdrawal of deposits by 10%		0	10
L-2c	Withdrawal of deposits by 15%		0	11
L-2d	Withdrawal of deposits by 20%		0	11
L-3a	Withdrawal of deposits by top 1 institutional depositors.		0	0
L-3b	Withdrawal of deposits by top 2 institutional depositors.		0	2
L-3c	Withdrawal of deposits by top 3 institutional depositors.		0	3
L-3d	Withdrawal of deposits by top 4 institutional depositors.		0	5
L-3e	Withdrawal of deposits by top 5 institutional depositors.		0	5
L-4a	Withdrawal of deposits by top 1 individual depositors.		0	0
L-4b	Withdrawal of deposits by top 2 individual depositors.		0	0
L-4c	Withdrawal of deposits by top 3 individual depositors.		0	0
L-4d	Withdrawal of deposits by top 4 individual depositors.		0	0
L-4e	Withdrawal of deposits by top 5 individual depositors.		0	0

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, five financial institutions (development banks) were penalized for the period of such failure due to non compliance of maintaining compulsory reserve requirement as per Nepal Rastra Bank Act, 2002 Section 47 and provision of directive no.13/075, point 1(3) of unified directive-2075.

**Development Bank Supervision Report
(FY- 2018/19)**

Annexure

Annex 1: Number of Banks and Financial Institutions

Types of Financial Institutions	Mid July										
	1985	1990	1995	2000	2005	2010	2015	2016	2017	2018	2019
Commercial Banks	3	5	10	13	17	27	30	28	28	28	28
Development Banks	2	2	3	7	26	79	76	67	40	33	29
Finance Companies			21	45	60	79	48	42	28	25	23
Micro finance Financial Institutions			4	7	11	18	38	42	53	65	90
Infrastructure Development Bank											1
Total	5	7	38	72	114	203	192	179	149	151	171

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

Annex 2: Asset Size of Banks and Financial Institutions

(Mid July)

Banks and Financial Institutions	Share in Percentage				
	2014/15	2015/16	2016/17	2017/18	2018/19
Commercial Banks	78.73	79.74	83.41	82.76	80.87
Development Banks	13.34	12.81	9.71	9.99	10.67
Finance Companies	4.79	3.77	2.63	2.56	2.47
Micro Finance Financial Institutions	3.14	3.68	4.25	4.69	5.99
Total	100	100	100	100	100

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

Annex 3: List of Development Banks (as of Mid July, 2019)

S.N.	NATIONAL LEVEL	S.N.	PROVINCE/REGIONAL LEVEL
1	Muktinath Bikas Bank Ltd.	12	Shine Resunga Development Bank Ltd.
2	Sangrila Development Bank Ltd.	13	Narayani Development Bank Ltd.
3	Deva Bikas Bank Ltd.	14	Sahayogi Bikas Bank Ltd.
4	Kailash Bikash Bank Ltd	15	Karnali Bikas Bank Ltd.
5	Jyoti Bikas Bank Ltd.	16	Excel Development Bank Ltd.
6	Garima Bikas Bank Ltd.	17	Miteri Development Bank Ltd.
7	Om Development Bank Ltd.	18	Kankai Bikas Bank Ltd.
8	Mahalaxmi Bikas Bank Ltd.	19	Bhargav Bikas Bank Ltd.
9	Gandaki Bikas Bank Ltd.	20	Corporate Development Bank Ltd.
10	Lumbini Bikas Bank Ltd.	21	Purnima Bikas Bank Ltd.
11	Kamana Sewa Bikas Bank Ltd	22	Kanchan Development Bank Ltd.
		23	Tinau Mission Development Bank Ltd.
		24	Sindhu Bikas Bank Ltd.
		25	Nepal Community Development Bank Ltd
		26	Saptakoshi Development Bank Ltd
		27	Green Development Bank Ltd.
		28	Sahara Bikas Bank Ltd.
		29	Salapa Bikas Bank Ltd.

Annex 4: Onsite Inspection Details (as of Mid July, 2019)

S.N.	Name	Working Area
1	Sangrila Development Bank Limited	National Level
2	Karnali Development Bank Limited	1-3 District Level (Banke, Bardiya, Dang)
3	Deva Bikas Bank Limited	National Level
4	Sahayogi Bikas Bank Limited	1-3 District Level (Dhanusa, Mahottari, Sindhuli)
5	Corporate Development Bank Limited	1-3 District Level (Parsa, Makawanpur, Kavrepalanchowk)
6	Saptakoshi Development Bank Limited	1-7 District Level (Morang, Ilam, Panchthar, Jhapa, Sunsari, Dhankuta, Terhathum)
7	Kamana Sewa Bikas Bank Limited	National Level
8	Excel Development Bank Limited	1-5 District Level (Ilam, Jhapa, Morang, Sunsari, Panchthar)
9	Bhargab Bikas Bank Limited	1-5 District Level (Banke, Dang, Bardiya, Rupandehi, Kapilbastu)
10	Mission Development Bank Limited	3 Districts
11	Garima Bikas Bank Limited	National Level
12	Lumbini Bikas Bank Limited	National Level
13	Miteri Development Bank Limited	1-5 District Level (Jhapa, Morang, Sunsari, Dhankuta, Udaypur)
14	Sahara Bikas Bank Limited	1 District Level (Sarlahi)
15	Mahalaxmi Bikas Bank Limited	National Level
16	Purnima Bikas Bank Limited	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
17	Green Development Bank Limited	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
18	Nepal Community Development Bank Limited	1-3 District Level (Rupandehi, Nawalparasi, Chitwan)
19	Kankai Bikas Bank Limited	1-5 District Level (Jhapa, Ilam, Morang, Pachthar, Sunsari)
20	Kabeli Bikas Bank Limited	1 District
21	Om Development Bank Limited	National Level
22	Sindhu Bikas Bank Limited	1-5 District Level (Sindhupalchowk, Kavre, Dolkha, Makawanpur, Chitwan)
23	Muktinath Bikas Bank Limited	National Level
24	Gandaki Bikas Bank Limited	National Level
25	Tinau Bikas Bank Limited	1-7 District Level (Rupandehi, Nawalparasi East, Nawalparasi West, Chitwan, Palpa, Dang, Kapilvastu)

Annex 5: Special Inspection of Development Banks (as of Mid July, 2019)

S.No.	Name	No. of Inspection	Working Area
1	Sangrila Development Bank Limited	3	National Level
2	Kailash Bikas Bank limited	4	National Level
3	Sahara Bikas Bank Limited	1	1 District Level (Sarlahi)
4	Lumbini Bikas Bank Limited	2	National Level
5	Mahalaxmi Bikas Bank Limited	1	National Level
6	Garima Bikas Bank Limited	1	National Level
9	Kamana Sewa Bikas Bank Limited	2	National Level
10	Deva Bikas Bank Limited	2	National Level
12	Jyoti Bikas Bank Limited	3	National Level

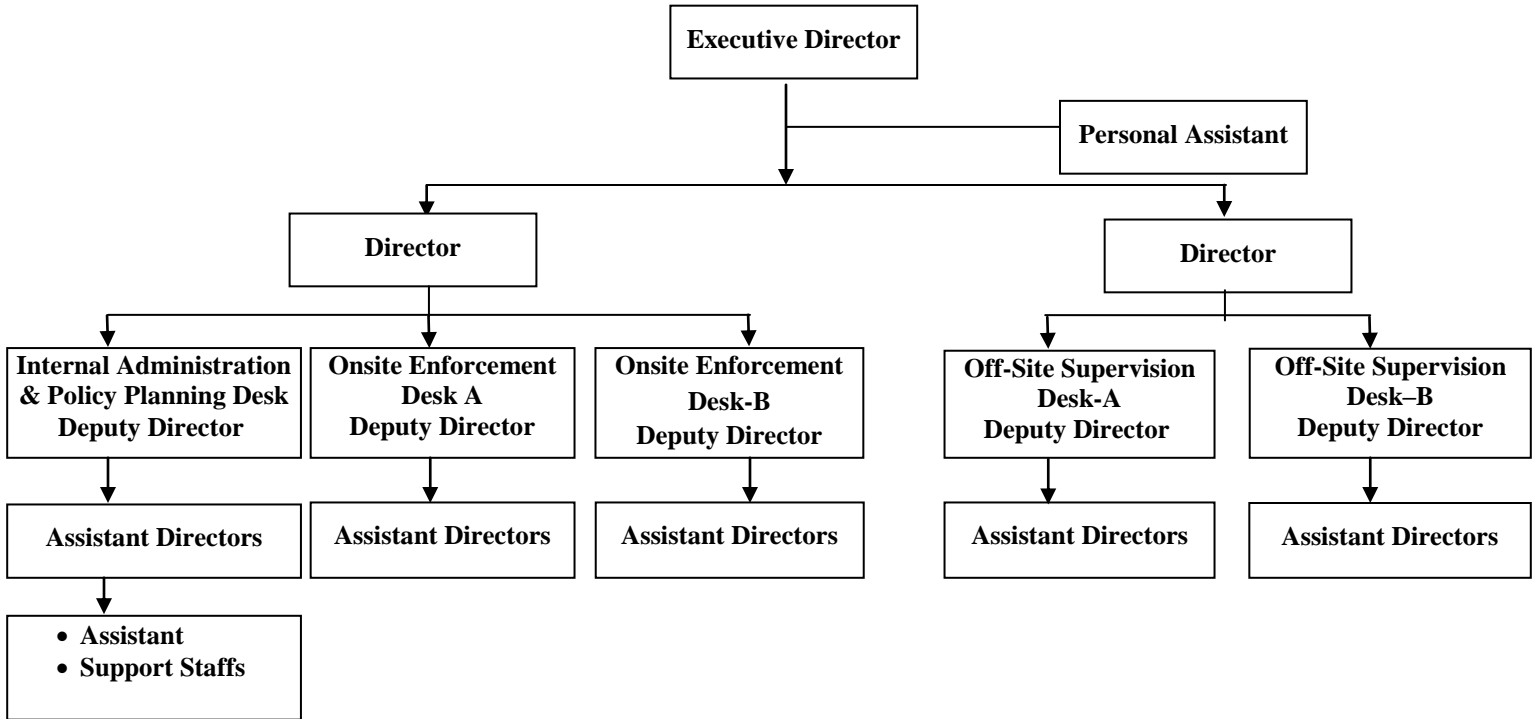
Annex 6: Follow up Inspection of Development Banks (as of Mid July, 2019)

S.No.	Name	No. of Inspection	Working Area
1	Narayani Development Bank Limited	1	1-3 District Level (Nawalparasi, Chitwan, Makawanpur)
2	Muktinath Bikas Bank Limited	1	National Level
3	Mission Development Bank Limited	1	3 Districts
4	Sahayogi Bikas Bank limited	1	1-3 District Level (Dhanusa, Mahottari, Sindhuli)
5	Salapa Bikas Bank limited	1	1 District Level (Khotang)

Annex 7: International Training and Seminar Participation from DBSD

S. No.	Title	Organizer	Country	No. of days	No. of Participants
1.	Macro-Prudential Supervision	SEACEN	Indonesia	5	1
2.	Financial Cycles and Crises	SEACEN	Manila, Philippines	5	1
3.	Liquidity Risk Management and Funding Risk	SEACEN	Yogyakarta, Indonesia	4	1
4.	International Programme on Banking Regulation	RBI Staff College	Chennai, India	7	1
5.	On-site Banking Supervision	Deutsche Bundesbank	Munich, Germany	5	1
6.	Financial Crisis Management	Bank Of Indonesia	Yogyakarta, Indonesia	6	1
7.	Interest Risk in the Banking Book and Market Risk	Bank of International Settlement	Seoul, South Korea	4	1
8.	Financial Stability, Systematic Risk and Macroprudential Policy	Deutsche Bundesbank	Frankfurt, Germany	5	1
9.	SEACEN High Level Seminar and Meeting for Deputy Governors	SEACEN	Kuala Lumpur, Malaysia	4	1

Annex 8 : Organization Chart



Annex 9: Consolidated Statement of Financial Position of DBs (FY 2018/19)

Rs in '000

Particulars	Bhargav	Corporate	Deva	Excel	Gandaki	Garima	Green
Assets	Mid July 2019 (as on Asar end, 2076)						
Cash and cash equivalent	1,016,475.73	175,941.97	5,362,670.41	1,599,284.36	6,221,640.14	6,452,851.99	425,825.12
Due from Nepal Rastra Bank	206,737.81	8,245.14	881,336.83	140,599.57	1,140,450.63	1,219,671.09	32,369.33
Placement with BFIs	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	667,143.29	-
Other trading assets	-	-	-	-	-	-	-
Loan and advances to B/FIs	138,614.25	-	576,248.03	-	377,255.02	227,700.00	125,923.71
Loans and advances to customers	2,867,308.08	261,330.27	19,580,449.33	6,369,065.35	25,353,880.05	28,210,992.19	973,657.22
Investment securities	36,950.11	-	815,656.15	140,401.44	831,136.38	1,390,879.58	35,000.00
Current tax assets	8,458.27	11,495.36	105,106.89	-	8,058.49	656.68	-
Investment in subsidiaries	-	-	-	-	-	-	-
Investment in associates	-	-	155,704.88	-	-	2,792.76	-
Investment property	3,676.47	161,774.24	22,742.60	-	-	32,114.80	-
Property and equipment	59,540.08	8,990.57	338,319.51	230,459.91	353,610.54	359,688.01	21,718.18
Goodwill and Intangible assets	2,434.93	135.60	22,290.92	842.95	1,971.28	7,582.17	1,450.17
Deferred tax assets	3,366.92	28,326.10	45,036.62	12,819.45	24,749.20	21,290.14	427.78
Other assets	15,741.26	7,913.29	108,392.14	95,516.20	76,118.78	155,744.54	4,714.76
TOTAL ASSETS	4,359,303.89	664,152.55	28,013,954.30	8,588,989.23	34,388,870.50	38,749,107.24	1,621,086.27

Particulars	Bhargav	Corporate	Deva	Excel	Gandaki	Garima	Green
EQUITY AND LIABILITIES	Mid July 2019 (as on Asar end, 2076)						
Liabilities	3,752,208.50	212,072.92	24,036,276.16	7,559,185.17	30,382,506.38	34,958,594.08	1,099,937.20
Due to Bank and Financial Institutions	460,374.97	-	1,641,382.99	-	2,269,418.86	3,371,683.21	82,536.47
Due to Nepal Rastra Bank	-	-	3,376.74	-	3,000.00	500,000.00	-
Derivative financial instruments	-	-	-	-	-	695,925.00	-
Deposits from customers	3,257,143.01	188,581.03	21,760,858.97	7,437,512.68	27,650,667.85	29,762,509.26	1,007,983.50
Borrowing	-	-	300,000.00	-	-	-	-
Current Tax Liabilities	-	-	-	2,213.56	-	-	184.54
Provisions	-	-	-	21,314.14	868.32	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	34,690.52	23,491.89	330,657.47	98,144.79	458,551.36	628,476.62	9,232.68
Debt securities issued	-	-	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-	-	-
Equity	607,095.39	452,079.63	3,977,678.14	1,029,804.06	4,006,364.12	3,790,513.16	521,149.07
Share capital	501,600.00	200,000.00	3,177,100.93	692,673.98	2,750,000.00	2,788,368.00	500,000.00
Share premium	2,465.45	-	5.33	4,890.59	27,897.04	97.07	5,001.81
Retained earnings	49,134.44	(95,410.41)	272,054.12	126,089.06	476,471.61	484,724.31	909.08
Reserves	53,895.49	347,490.04	528,517.77	206,150.43	751,995.47	517,323.78	15,238.18
TOTAL EQUITY AND LIABILITIES	4,359,303.89	664,152.55	28,013,954.30	8,588,989.23	34,388,870.50	38,749,107.24	1,621,086.27
Contingent Liabilities and Commitments	251,694.09	-	2,171,669.12	403,081.79	1,233,995.71	2,277,109.57	17,969.78

Particulars	Jyoti	Kailash	Kamana	Kanchan	Kankai*	Karnali*	Lumbini
Assets	Mid July 2019 (as on Asar end, 2076)						
Cash and cash equivalent	6,613,436.38	5,364,247.81	3,881,341.09	1,629,586.85	762,089.71	1,522,557.00	4,125,966.77
Due from Nepal Rastra Bank	950,957.92	1,424,745.82	1,114,715.03	79,399.04	33,385.35	136,800.00	832,739.82
Placement with Bank and Financial Institutions	-	-	-	-	-	-	-
Derivative financial instruments	1,044,525.00	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-	-
Loan and advances to B/FIs	980,327.27	988,383.50	1,329,967.80	269,129.17	-	-	1,206,137.61
Loans and advances to customers	24,774,214.55	26,666,986.13	18,906,601.31	4,525,045.65	1,890,022.95	2,054,079.00	21,144,418.52
Investment securities	1,502,595.08	1,717,160.31	768,655.47	45,532.36	29,873.06	-	1,666,989.84
Current tax assets	16,682.48	-	-	-	-	-	109,783.10
Investment in subsidiaries	-	-	-	-	-	-	-
Investment in associates	-	11,770.00	-	-	-	-	408,866.85
Investment property	17,744.18	1,005.97	-	-	-	-	54,292.58
Property and equipment	352,180.56	294,771.31	483,935.44	113,993.49	35,150.01	103,007.00	322,691.12
Goodwill and Intangible assets	14,705.77	5,946.56	9,869.59	4,385.21	1,937.61	-	3,985.69
Deferred tax assets	36,311.20	16,474.02	31,673.89	4,228.37	689.72	78.00	34,435.65
Other assets	156,261.33	76,020.75	165,131.54	36,114.11	12,474.59	140,272.00	117,010.98
TOTAL ASSETS	36,459,941.71	36,567,512.18	26,691,891.15	6,707,414.26	2,765,622.98	3,956,793.00	30,027,318.52

Particulars	Jyoti	Kailash	Kamana	Kanchan	Kankai*	Karnali*	Lumbini
EQUITY AND LIABILITIES	Mid July 2019 (as on Asar end, 2076)						
Liabilities	32,453,020.46	32,768,365.54	23,446,670.89	5,994,299.42	2,146,827.35	3,423,733.00	25,819,298.45
Due to Bank and Financial Institutions	4,543,732.42	4,568,844.61	-	389,558.42	-	-	3,310,110.76
Due to Nepal Rastra Bank	148,365.41	-	-	-	-	-	681,687.11
Derivative financial instruments	1,087,375.00	-	-	-	-	-	-
Deposits from customers	25,995,200.70	27,717,236.07	22,975,888.84	5,536,509.88	2,121,196.05	3,373,514.00	21,496,400.63
Borrowing	384,825.00	-	-	-	-	-	-
Current Tax Liabilities	-	14,165.26	46,533.75	6,328.09	-	-	-
Provisions	-	-	11,266.94	-	1,045.40	-	-
Deferred tax liabilities	-	-	-	0.00	-	-	-
Other liabilities	293,521.93	468,119.61	412,981.37	61,903.02	24,585.90	50,219.00	331,099.95
Debt securities issued	-	-	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-	-	-
Equity	4,006,921.25	3,799,146.63	3,245,220.26	713,114.84	618,795.63	533,060.00	4,208,020.06
Share capital	3,100,038.53	2,520,636.00	2,540,195.35	531,300.00	515,000.00	502,830.00	2,209,766.31
Share premium	4,888.66	-	-	-	644.82	-	14,272.68
Retained earnings	396,923.10	473,303.49	173,655.16	92,443.13	45,968.32	11,065.00	522,039.60
Reserves	505,070.97	805,207.14	531,369.74	89,371.72	57,182.49	19,165.00	1,461,941.47
TOTAL EQUITY AND LIABILITIES	36,459,941.71	36,567,512.18	26,691,891.15	6,707,414.26	2,765,622.98	3,956,793.00	30,027,318.52
Contingent Liabilities and Commitments	827,873.17	1,040,869.45	888,031.20	304,554.66	56,637.00	43,809.00	2,100,191.49

Particulars	Mahalaxmi	Miteri	Muktinath	Narayani*	N.Communi ty	Om	Purnima	Sahara*
Assets	Mid July 2019 (as on Asar end, 2076)							
Cash and cash equivalent	6,405,057.23	769,961.76	8,526,257.06	52,639.00	888,617.96	4,573,597.78	1,137,024.14	350,630.63
Due from Nepal Rastra Bank	1,189,422.03	142,080.73	1,718,104.53	4,460.00	147,017.51	1,148,397.93	147,654.39	32,857.42
Placement with Bank and Financial Institutions	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other trading assets	340,835.21	-	-	-	-	-	-	-
Loan and advances to B/FIs	842,151.91	19,800.00	-	-	235,842.67	568,088.48	59,400.00	-
Loans and advances to customers	26,157,196.40	4,037,914.66	38,144,321.49	498.00	3,115,251.01	22,360,606.12	3,176,339.03	636,216.46
Investment securities	2,157,334.08	735,088.14	2,516,853.93	5,987.00	32,689.07	919,797.10	46,062.63	-
Current tax assets	54,049.25	-	-	9,266.00	22,694.06	26,903.43	-	-
Investment in susidiaries	-	-	117,500.00	-	-	-	-	-
Investment in associates	4,733.90	-	53,220.76	-	-	-	-	-
Investment property	386,774.68	-	-	7,983.00	-	-	-	-
Property and equipment	318,537.07	36,865.95	720,323.25	1,479.00	58,251.87	184,187.64	27,592.12	6,350.70
Goodwill and Intangible assets	3,735.46	986.09	7,717.79	-	2,157.78	4,384.56	1,006.53	-
Deferred tax assets	-	6,845.89	39,066.94	-	846.17	18,073.48	8,120.44	-
Other assets	65,899.06	10,435.80	148,030.54	5,910.00	34,499.28	56,547.93	7,973.93	22,496.10
TOTAL ASSETS	37,925,726.26	5,759,979.01	51,991,396.29	88,222.00	4,537,867.39	29,860,584.45	4,611,173.21	1,048,551.31

Particulars	Mahalaxmi	Miteri	Muktinath	Narayani*	N.Community	OmDB	Purnima	Sahara*
EQUITY AND LIABILITIES	Mid July 2019 (as on Asar end, 2076)							
Liabilities	33,256,442.17	4,917,800.65	47,541,892.87	69,882.00	3,967,967.62	26,005,668.84	3,902,925.95	812,234.36
Due to Bank and Financial Institutions	1,963,102.41	111,876.44	5,305,848.13	-	-	1,496,132.38	373,447.85	-
Due to Nepal Rastra Bank	66,209.30	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Deposits from customers	30,591,110.81	4,717,315.23	41,470,704.75	25,768.00	3,905,616.75	24,153,016.53	3,451,215.46	788,217.23
Borrowing	-	-	-	-	-	-	-	-
Current Tax Liabilities	-	4,764.65	30,319.06	-	-	-	850.76	-
Provisions	34,230.24	-	6,917.91	7,964.00	-	-	-	-
Deferred tax liabilities	53,589.12	-	-	3,102.00	-	-	-	-
Other liabilities	548,200.29	83,844.32	728,103.01	33,048.00	62,350.87	356,519.92	77,411.88	24,017.13
Debt securities issued	-	-	-	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-	-	-	-
Equity	4,669,284.09	842,178.37	4,449,503.42	18,340.00	569,899.77	3,854,915.61	708,247.25	236,316.95
Share capital	2,844,501.23	585,000.00	3,064,760.12	71,739.00	531,658.90	2,515,235.60	551,283.01	163,366.93
Share premium	-	-	-	-	-	28,614.71	-	8,737.57
Retained earnings	510,390.03	114,865.64	699,476.36	-	7,188.82	548,909.52	52,948.78	19,311.36
Reserves	1,314,392.83	142,312.73	685,266.94	(53,399.00)	31,052.05	762,155.78	104,015.46	44,901.09
TOTAL EQUITY AND LIABILITIES	37,925,726.26	5,759,979.01	51,991,396.29	88,222.00	4,537,867.39	29,860,584.45	4,611,173.21	1,048,551.31
Contingent Liabilities and Commitments	1,319,611.07	57,847.61	224.06	99,000.00	70,465.17	411,043.85	292,874.54	-

Particulars	Sahayogi	Salapa*	Shangrila	Saptakoshi	Shine	Sindhu	Tinau	Total
Assets	Mid July 2019 (as on Asar end, 2076)							
Cash and cash equivalent	1,192,090.00	129,321.31	3,876,141.40	817,302.35	2,828,018.59	989,310.07	2,383,651.41	80,073,536.02
Due from Nepal Rastra Bank	167,099.60	17,500.00	832,083.24	151,415.07	890,428.42	86,225.73	474,939.34	15,351,839.32
Placement with Bank and Financial Institutions	-	-	2,515.28	-	-	-	-	2,515.28
Derivative financial instruments	-	-	-	-	-	-	-	1,711,668.29
Other trading assets	-	-	-	-	-	-	-	340,835.21
Loan and advances to B/FIs	10,252.65	-	429,950.53	29,004.30	262,388.60	336,792.04	74,250.00	9,087,607.53
Loans and advances to customers	3,956,972.01	354,294.43	19,006,575.72	2,534,133.49	15,883,792.39	1,689,049.81	8,814,308.45	333,445,520.06
Investment securities	2,000.00	-	1,582,570.96	2,249.50	1,221,365.45	25,972.06	208,875.76	18,437,675.45
Current tax assets	-	2,828.64	-	-	558.95	-	4,138.29	380,679.88
Investment in subsidiaries	-	-	-	-	-	-	-	117,500.00
Investment in associates	-	-	10,000.00	-	-	-	-	647,089.15
Investment property	-	-	-	2,487.16	-	-	-	690,595.68
Property and equipment	78,036.45	18,640.93	427,700.15	63,758.93	260,388.98	87,993.23	277,037.68	5,645,199.67
Goodwill and Intangible assets	2,973.08	843.26	7,110.39	3,509.74	7,924.82	2,338.20	3,960.67	126,186.81
Deferred tax assets	381.34	661.12	31,716.50	4,587.85	22,064.82	2,302.32	15,904.20	410,478.09
Other assets	17,810.67	6,392.80	77,287.84	86,906.35	90,121.70	26,947.94	24,091.98	1,848,778.20
TOTAL ASSETS	5,427,615.80	530,482.50	26,283,652.00	3,695,354.72	21,467,052.73	3,246,931.41	12,281,157.79	468,317,704.63

Particulars	Sahayogi	Salapa*	Shangrila	Saptakoshi	Shine	Sindhu	Tinau	Total
EQUITY AND LIABILITIES	Mid July 2019 (as on Asar end, 2076)							
Liabilities	4,661,684.64	472,745.79	22,948,494.82	2,783,072.34	19,082,391.12	2,647,547.19	10,821,803.13	411,945,549.02
Due to Bank and Financial Institutions	144,414.94	5,747.34	3,146,691.59	156,866.14	59,995.05	-	-	33,401,764.99
Due to Nepal Rastra Bank	-	-	3,739.59	-	-	-	-	1,406,378.15
Derivative financial instruments	-	-	-	-	-	-	-	1,783,300.00
Deposits from customers	4,466,994.49	461,187.88	19,423,833.45	2,561,806.14	18,850,015.77	2,616,230.14	10,602,263.61	368,366,498.70
Borrowing	-	-	-	-	-	-	-	684,825.00
Current Tax Liabilities	6,553.78	-	15,176.09	3,741.27	-	3,079.39	-	133,910.20
Provisions	262.00	-	-	-	-	1,565.65	1,248.79	86,683.39
Deferred tax liabilities	-	-	-	-	-	-	-	56,691.12
Other liabilities	43,459.43	5,810.57	359,054.11	60,658.78	172,380.30	26,672.02	218,290.73	6,025,497.47
Debt securities issued	-	-	-	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-	-	-	-
Equity	765,931.16	57,736.70	3,335,157.18	912,282.38	2,384,661.61	599,384.22	1,459,354.65	56,372,155.61
Share capital	509,668.20	43,087.00	2,606,640.40	787,111.73	1,622,665.26	500,027.32	1,144,168.13	40,070,421.92
Share premium	4,124.40	-	-	-	-	6,009.61	-	107,649.74
Retained earnings	99,634.72	8,530.50	233,537.30	35,241.29	319,330.41	54,541.10	137,512.59	5,870,788.41
Reserves	152,503.84	6,119.20	494,979.48	89,929.36	442,665.95	38,806.20	177,673.94	10,323,295.54
TOTAL EQUITY AND LIABILITIES	5,427,615.80	530,482.50	26,283,652.00	3,695,354.72	21,467,052.73	3,246,931.41	12,281,157.79	468,317,704.63
Contingent Liabilities and Commitments	332,385.76	300.00	1,163,406.98	60,838,456.72	983,590.40	8,924.83	324,462.44	77,520,079.46

Annex 10: Consolidated Statement of Profit & Loss A/C of DBs (as of Mid July, 2019)

Rs. in '000

Particulars	Bhargav	Corporate	Deva	Excel	Gandaki	Garima	Green
Income & Expenditure	Mid July 2019 (For the year ended Asar, 2076)						
Interest Income	439,282.10	52,524.09	2,447,912.05	810,294.38	3,561,560.50	3,675,566.83	131,828.74
Interest Expenses	268,521.17	11,109.28	1,528,477.90	413,027.94	2,244,620.88	2,273,633.59	60,311.66
Net Interest Income	170,760.92	41,414.80	919,434.15	397,266.44	1,316,939.62	1,401,933.24	71,517.08
Fee and commission income	30,264.37	103.33	128,589.89	58,119.26	222,296.89	298,984.00	8,246.83
Fee and commission expense	323.56	-	-	34.70	4,684.78	5,457.25	213.19
Net Fee and commission income	29,940.82	103.33	128,589.89	58,084.56	217,612.11	293,526.75	8,033.65
Net Interest, Fee and commission income	200,701.74	41,518.13	1,048,024.04	455,351.00	1,534,551.74	1,695,459.99	79,550.73
Net trading income	-	-	262.56	-	15.64	-	-
Other operating income	-	2,412.69	45,982.16	10,540.83	57,284.43	2,673.67	844.22
Total operating income	200,701.74	43,930.82	1,094,268.75	465,891.83	1,591,851.81	1,698,133.66	80,394.95
Impairment charge/(reversal) for loans and other losses	6,447.37	(48,284.47)	47,624.17	27,096.82	67,448.57	98,875.97	16,073.20
Net operating income	194,254.37	92,215.29	1,046,644.58	438,795.01	1,524,403.23	1,599,257.69	64,321.75
Personnel expenses	60,357.84	23,166.92	301,429.00	116,634.92	421,343.71	424,881.40	23,422.59
Other operating expenses	37,507.83	11,702.29	188,084.11	63,332.10	200,678.72	241,221.63	13,978.04
Depreciation & Amortisation	10,534.45	1,239.19	32,889.95	16,792.02	54,017.45	68,532.97	4,730.72
Operating Profit	85,854.25	56,106.89	524,241.53	242,035.96	848,363.36	864,621.68	22,190.41
Non operating income	9,903.41	722.63	127.15	-	2,613.50	7,578.46	-
Non operating expense	1,239.14	-	1,254.40	-	-	-	-
Profit before income tax	94,518.52	56,829.52	523,114.28	242,035.96	850,976.86	872,200.14	22,190.41
Income Tax Expense	28,457.68						
Current Tax	31,445.87	2,809.41	132,549.27	75,274.18	281,966.63	275,516.61	7,583.12
Deferred Tax	(2,988.19)	17,469.91	27,785.62	(1,715.46)	(25,400.84)	2,259.60	(2,419.83)
Profit/Loss for the period	66,060.84	36,550.20	362,779.39	168,477.24	594,411.07	594,423.93	17,027.12

Particulars	Jyoti	Kailash	Kamana	Kanchan	Kankai	Karnali	Lumbini
Income & Expenditure	Mid July 2019 (For the year ended Asar, 2076)						
Interest Income	3,384,495.43	3,707,914.76	2,471,322.20	626,731.37	301,445.31	310,589.00	3,243,024.47
Interest Expenses	2,090,113.84	2,312,634.05	1,606,557.12	372,686.77	145,431.10	232,145.00	2,078,370.13
Net Interest Income	1,294,381.59	1,395,280.71	864,765.09	254,044.60	156,014.21	78,444.00	1,164,654.33
Fee and commission income	238,198.55	244,799.02	182,426.71	44,191.72	20,456.28	36,161.00	140,049.58
Fee and commission expense	4,167.30	12,814.33	6,409.81	453.67	1,137.92	-	3,070.86
Net Fee and commission income	234,031.25	231,984.70	176,016.90	43,738.05	19,318.36	36,161.00	136,978.72
Net Interest, Fee and commission income	1,528,412.85	1,627,265.41	1,040,781.99	297,782.65	175,332.57	114,605.00	1,301,633.06
Net trading income	7,465.87	189.97	21.15	-	-	-	24.51
Other operating income	30,226.29	16,484.99	20,491.05	2,098.58	406.33	-	39,549.08
Total operating income	1,566,105.01	1,643,940.37	1,061,294.19	299,881.23	175,738.90	114,605.00	1,341,206.65
Impairment charge/(reversal) for loans and other losses	98,710.18	95,173.34	61,393.04	8,910.95	858.24	810.00	(103,755.84)
Net operating income	1,467,394.83	1,548,767.03	999,901.14	290,970.27	174,880.66	113,795.00	1,444,962.49
Personnel expenses	405,183.45	410,270.88	342,121.26	88,328.30	52,155.85	47,043.00	349,332.33
Other operating expenses	261,721.96	196,399.95	195,816.92	46,127.43	29,951.61	49,198.00	196,653.92
Depreciation & Amortisation	53,415.26	48,362.58	39,369.05	9,401.17	8,748.62	-	51,162.58
Operating Profit	747,074.16	893,733.62	422,593.92	147,113.38	84,024.59	17,554.00	847,813.67
Non operating income	94.61	-	-	-	-	-	7,836.11
Non operating expense	34.71	-	-	-	-	-	503.56
Profit before income tax	747,134.06	893,733.62	422,593.92	147,113.38	84,024.59	17,554.00	855,146.21
Income Tax Expense						-	
Current Tax	242,596.34	275,959.48	156,148.06	46,860.60	25,464.68	5,266.00	257,767.32
Deferred Tax	(26,803.84)	(7,590.66)	(18,136.17)	(1,861.70)	(251.21)	-	(23,302.67)
Profit/Loss for the period	531,341.55	625,364.80	284,582.02	102,114.48	58,811.12	12,288.00	620,681.56

Particulars	Mahalaxmi	Miteri	Muktinath	Narayani	N.Community	Om	Purnima	Sahara
Income & Expenditure	Mid July 2019 (For the year ended Asar, 2076)							
Interest Income	3,805,972.33	657,480.62	5,118,603.99	2,374.00	455,766.24	3,313,657.48	469,194.23	96,566.38
Interest Expenses	2,379,900.50	379,857.61	3,223,828.56	716.00	276,105.08	2,087,924.03	275,914.52	51,970.27
Net Interest Income	1,426,071.83	277,623.01	1,894,775.43	1,658.00	179,661.16	1,225,733.46	193,279.71	44,596.11
Fee and commission income	228,726.16	54,886.46	615,635.93	-	35,120.37	202,407.43	35,231.13	-
Fee and commission expense	5,514.20	1,131.93	13,739.80	-	-	8,214.49	2,947.22	-
Net Fee and commission income	223,211.96	53,754.53	601,896.13	-	35,120.37	194,192.95	32,283.91	-
Net Interest, Fee and commission income	1,649,283.80	331,377.54	2,496,671.56	1,658.00	214,781.53	1,419,926.40	225,563.63	44,596.11
Net trading income	-	-	8,060.58	-	-	3,735.70	-	-
Other operating income	46,795.57	4,514.03	13,298.94	1,671.00	382.64	1,033.11	259.21	17,533.77
Total operating income	1,696,079.36	335,891.57	2,518,031.09	3,329.00	215,164.17	1,424,695.21	225,822.83	62,129.88
Impairment charge/(reversal) for loans and other losses	(34,141.62)	9,063.22	146,046.23	(823.00)	81,134.55	182,205.53	12,556.17	3,317.35
Net operating income	1,730,220.98	326,828.35	2,371,984.86	4,152.00	134,029.62	1,242,489.67	213,266.66	58,812.53
Personnel expenses	496,397.34	77,333.32	684,491.70	3,103.00	60,531.90	308,392.88	57,205.39	16,770.09
Other operating expenses	241,601.09	29,063.36	363,156.41	6,571.00	46,360.51	156,494.14	30,451.96	12,874.28
Depreciation & Amortisation	52,982.43	9,065.84	106,280.79	728.00	8,985.16	57,436.70	8,721.14	1,527.55
Operating Profit	939,240.12	211,365.83	1,218,055.96	(6,250.00)	18,152.05	720,165.96	116,888.18	27,640.62
Non operating income	11,315.83	-	527.98	-	-	19.99	-	-
Non operating expense	46,623.18	-	-	-	-	-	-	-
Profit before income tax	903,932.77	211,365.83	1,218,583.93	(6,250.00)	18,152.05	720,185.95	116,888.18	27,640.62
Income Tax Expense							35,285.41	-
Current Tax	300,537.84	65,614.91	417,620.77	-	7,234.61	205,466.36	36,220.46	8,329.25
Deferred Tax	(54,377.62)	(1,518.84)	(55,203.31)	(2,142.00)	42.43	(20,728.17)	(935.05)	-
Profit/Loss for the period	657,772.55	147,269.76	856,166.48	(4,108.00)	10,875.01	535,447.76	81,602.77	19,311.37

Particulars	Sahayogi	Salapa	Shangrila	Saptakoshi	Shine	Sindhu	Tinau	Grand Total
Income & Expenditure	Mid July 2019 (For the year ended Asar, 2076)							
Interest Income	556,513.22	57,308.71	2,585,848.09	292,679.32	2,174,959.94	285,161.46	686,420.14	45,722,997.38
Interest Expenses	324,613.08	(29,761.68)	1,592,238.81	131,451.46	1,264,696.76	149,063.28	468,501.36	28,274,183.41
Net Interest Income	231,900.14	27,547.03	993,609.28	161,227.86	910,263.19	136,098.19	217,918.78	17,448,813.98
Fee and commission income	50,612.61	5,833.96	182,826.44	22,664.08	130,354.70	17,962.14	49,674.19	3,284,823.04
Fee and commission expense	-	(135.21)	-	-	3,588.81	557.34		74,596.34
Net Fee and commission income	50,612.61	5,698.75	182,826.44	22,664.08	126,765.89	17,404.80	49,674.19	3,210,226.71
Net Interest, Fee and commission income	282,512.76	33,245.78	1,176,435.71	183,891.94	1,037,029.08	153,502.99	267,592.97	20,659,040.68
Net trading income	-		-	-	-	-		19,775.98
Other operating income	4,410.23	24.30	708.81	1,954.60	1,856.63	862.70	1,051.30	325,351.16
Total operating income	286,922.98	33,270.08	1,177,144.52	185,846.54	1,038,885.70	154,365.70	268,644.27	21,004,167.82
Impairment charge/(reversal) for loans and other losses	(3,115.03)	4,232.81	9,169.98	6,105.15	65,104.90	(2,442.25)	(3,434.76)	852,360.81
Net operating income	290,038.01	29,037.26	1,167,974.54	179,741.39	973,780.81	156,807.94	272,079.03	20,151,807.01
Personnel expenses	65,246.08	(19,970.82)	358,662.87	63,870.38	229,612.32	61,378.05	82,087.47	5,650,725.06
Other operating expenses	37,618.33	(6,861.51)	253,532.98	32,502.40	116,750.54	27,313.06	52,074.77	3,145,600.84
Depreciation & Amortisation	9,054.97	(2,203.25)	65,010.66	10,079.27	35,475.89	9,587.52	13,338.49	789,673.65
Operating Profit	178,118.63	1.68	490,768.03	73,289.33	591,942.05	58,529.32	124,578.31	10,565,807.47
Non operating income	402.27		99.38	24,259.17	-	-		65,500.49
Non operating expense	-		1,785.56	-	-	-	1,248.79	52,689.33
Profit before income tax	178,520.90	1.68	489,081.85	97,548.50	591,942.05	58,529.32	123,329.52	10,578,618.62
Income Tax Expense					173,481.78			237,224.87
Current Tax	56,137.77	-	173,938.37	31,169.05	187,891.64	19,202.84	38,926.81	3,365,498.26
Deferred Tax	(2,111.48)	73.74	(26,675.87)	913.59	(14,409.86)	(1,299.45)	43,645.85	(197,681.48)
Profit/Loss for the period	124,494.61	(72.06)	341,819.35	65,465.87	418,460.27	40,625.93	40,756.86	7,410,801.84

Annex 11: Loan & Advances of Development Banks (FY 2018/19)

Rs. in' 000

Particulars	Good (1%)	Watch List (5%)	Rescheduled / Restructured (12.5%)	Substandard (25%)	Doubtful (50%)	Bad (100%)	Additional Provision	Total Loan	Total Non - Performing Loan (NPL)
Bhargav	2,941,653.14	46,803.54	455.50	13,359.01	1,642.32	-	-	3,003,913.51	15,456.83
Corporate	253,819.45	7,665.29	-	1,182.19	154.90	108,926.00	-	371,747.83	110,263.10
Deva	19,658,017.95	478,441.78	-	36,374.64	16,846.13	360,428.34	-	20,550,108.84	413,649.10
Excel	6,322,644.59	39,326.07	-	7,056.23	14,183.94	18,369.80	-	6,401,580.63	39,609.97
Gandaki	25,379,193.51	419,476.67	-	52,788.09	17,294.44	16,184.32	-	25,884,937.03	86,266.85
Garima	28,179,947.38	354,027.00	-	30,620.42	7,851.79	18,018.56	-	28,590,465.15	56,490.78
Green	1,045,364.26	43,836.94	-	12,431.05	7,454.07	12,281.68	-	1,121,368.00	32,166.80
Jyoti	24,930,524.04	714,421.73	-	32,651.82	61,959.60	45,717.78	-	25,785,274.97	140,329.20
Kailash	27,590,138.53	122,741.19	-	36,851.19	3,660.06	27,355.14	-	27,780,746.11	67,866.38
Kamana	20,015,020.04	185,277.42	-	63,636.11	51,838.05	82,189.64	-	20,397,961.26	197,663.79
Kanchan	4,778,623.13	8,740.10	-	4,598.49	2,933.57	3,666.26	-	4,798,561.55	11,198.32
Kankai	1,862,658.84	33,434.00	-	-	849.00	1,123.00	-	1,898,064.84	1,972.00
Karnali	2,054,432.00	9,345.00	-	10,434.00	6,977.00	7,928.00	-	2,089,116.00	25,339.00
Lumbini	21,397,540.87	998,821.26	-	68,237.85	56,626.55	248,637.96	-	22,769,864.49	373,502.36
Mahalaxmi	25,268,317.16	1,520,247.46	38,947.99	276,188.08	136,790.41	260,316.51	-	27,500,807.61	712,000.00
Miteri	4,061,496.46	-	-	-	-	-	-	4,061,496.46	-
Muktinath	37,792,328.40	302,637.97	-	20,948.18	2,862.39	1,281.31	-	38,120,058.25	25,091.88
Narayani	-	-	-	-	-	12,024.00	-	12,024.00	12,024.00
N.Community	3,320,381.15	21,932.51	3,684.32	1,057.58	535.41	70,637.30	-	3,418,228.27	75,914.62
Om	21,170,584.92	1,619,522.36	73,195.52	96,057.90	30,016.59	104,156.53	-	23,093,533.82	303,426.54
Purnima	3,211,750.28	50,245.80	-	1,252.95	2,704.78	2,000.00	-	3,267,953.81	5,957.73
Sahara	627,330.85	14,042.00	-	2,425.00	-	1,200.00	-	644,997.85	3,625.00
Sahayogi	3,947,828.79	44,667.56	-	6,821.97	2,166.94	3,706.63	-	4,005,191.89	12,695.54
Salapa	325,467.65	15,041.97	-	8,464.42	3,960.00	2,392.00	-	355,326.04	14,816.42
Shangrila	18,911,843.19	402,379.59	3,576.17	95,046.74	37,926.85	19,032.05	-	19,469,804.59	155,581.81
Saptakoshi	2,410,883.30	121,086.95	-	37,834.50	5,354.47	13,898.04	-	2,589,057.26	57,087.00
Shine	15,718,321.12	430,007.62	60,000.00	11,984.65	2,974.90	4,433.46	-	16,227,721.75	79,393.01
Sindhu	1,969,617.89	40,333.98	-	9,839.90	13,154.57	10,341.29	-	2,043,287.63	33,335.76
Tinau	8,817,785.69	68,949.47	-	24,972.55	4,358.85	1,061.45	-	8,917,128.01	30,392.85
Total	333,963,514.58	8,113,453.23	179,859.50	963,115.51	493,077.58	1,457,307.05		345,170,327.45	3,093,116.64

Annex 12: Sector-wise Statement of Loan of Development Banks (FY 2018/19)

Rs. in '000

Particulars	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	207,392.84	4,730.01	-	118,663.59	103,027.93	376,232.88	9,043.40	-	176,922.76	965,073.71	-	66,985.24	128,670.79	59,505.31	-	787,665.06	3,003,913.51
Corporate	9,338.74	3,021.66	-	29,925.03	88,342.82	116,905.88	-	8,375.41	15,326.54	24,268.98	5,691.17	716.41	1,714.68	16,604.19	-	51,516.33	371,747.83
Deva	1,231,117.86	54,275.69	-	446,595.16	687,824.20	2,780,296.08	800,025.72	175,656.64	1,404,136.55	2,832,271.25	1,332,725.69	479,388.98	568,073.75	1,752,293.55	10,329.67	5,995,098.05	20,550,108.84
Excel	289,983.67	12,325.87	-	456,421.51	378,412.68	1,109,957.48	20,321.47	79,167.55	116,855.39	1,665,459.48	753,989.68	190,234.30	393,983.12	215,297.54	-	719,170.88	6,401,580.63
Gandaki	990,484.25	59,804.16	-	769,660.21	992,376.62	3,690,785.43	54,646.06	272,731.69	1,614,899.38	3,768,312.64	1,360,477.14	1,205,777.78	629,808.49	1,500,368.72	-	8,974,804.45	25,884,937.03
Garima	1,402,669.22	56,212.08	30,659.35	621,338.34	841,574.79	4,361,830.69	89,772.31	321,874.29	2,799,850.48	2,870,280.59	839,312.30	1,120,411.60	470,042.93	2,006,442.33	33.80	10,758,160.05	28,590,465.15
Green	89,905.00	4,347.00	4,581.00	17,422.00	9,560.00	20,670.00	2,411.00	-	112,957.00	95,395.00	130,854.00	38,068.00	18,950.00	70,176.00	-	506,072.00	1,121,368.00
Jyoti	1,657,142.67	43,893.40	68,613.47	1,055,609.55	1,748,216.54	3,740,244.73	639,687.14	559,089.40	600,393.07	3,073,232.38	2,650,497.28	645,707.88	674,401.45	2,774,612.62	4,600.00	5,849,333.38	25,785,274.97
Kailash	378,911.15	74,037.52	-	361,954.19	1,299,130.55	3,291,823.27	1,349,150.51	411,889.22	1,952,071.31	3,488,752.18	3,296,951.98	826,992.61	630,282.15	1,082,852.41	-	9,335,947.05	27,780,746.11
Kamana	774,898.85	31,919.91	13,196.29	508,794.93	687,119.66	1,899,556.50	74,246.72	493,489.87	1,602,385.72	3,790,955.33	1,004,855.51	681,253.61	676,877.41	1,020,798.10	-	7,137,612.85	20,397,961.26
Kanchan	190,461.07	3,391.81	762.89	291,054.26	218,769.75	335,276.25	191.27	39,540.10	270,324.80	1,932,479.67	289,236.38	116,975.24	326,153.30	88,172.59	-	695,772.17	4,798,561.55
Kankai	199,354.00	464.00	-	90,706.00	30,453.00	320,280.00	4,889.00	17,416.00	27,133.00	448,252.00	30,129.00	28,573.00	20,730.00	88,972.00	462.00	590,251.84	1,898,064.84
Karnali	269,523.00	-	-	213,031.00	-	73,871.00	-	-	228,509.00	447,168.00	-	-	800,800.00	56,214.00	-	-	2,089,116.00
Lumbini	865,741.69	35,131.67	39,988.80	691,419.40	418,597.46	2,939,980.46	2,163,992.80	35,547.54	976,769.53	3,276,009.83	3,194,566.33	901,322.29	1,503,486.71	1,526,950.52	-	4,200,359.46	22,769,864.49
Mahalaxmi	1,677,939.33	41,900.71	61,783.83	1,053,979.77	1,042,599.31	2,812,513.47	549,581.47	173,716.20	2,598,361.55	3,551,128.20	3,703,129.55	1,509,244.18	660,887.64	2,881,940.96	-	5,182,101.43	27,500,807.61
Miteri	335,214.24	6,409.04	1,626.50	235,805.15	125,261.09	841,529.50	-	45,140.23	218,545.43	414,660.57	141,523.19	172,809.35	61,356.47	165,109.74	1,500.00	1,295,005.96	4,061,496.46
Muktinath	4,594,885.81	60,385.54	-	408,173.30	786,493.05	8,681,391.41	172,750.03	130,095.05	4,358,958.01	6,946,437.36	1,534,259.97	1,443,028.21	455,689.20	1,859,021.29	-	6,688,490.01	38,120,058.25
N.Community	424,071.72	16,824.25	-	208,745.90	289,234.33	445,427.86	-	58,204.67	243,101.42	437,500.17	341,816.95	92,624.31	197,104.07	75,865.21	-	587,707.41	3,418,228.27
Narayani	1,036.00	-	-	-	-	1,637.00	-	-	3,910.00	-	-	-	-	-	2,722.00	2,719.00	12,024.00
OM	800,481.63	15,409.69	12,611.43	330,026.11	775,124.03	4,810,768.61	202,610.61	293,423.54	1,917,529.03	3,065,546.69	1,780,154.08	1,424,135.24	552,313.63	1,850,596.01	-	5,262,803.50	23,093,533.82
Purnima	303,834.66	8,038.59	14,839.86	99,427.83	117,922.76	420,654.36	16,479.00	68,622.51	258,055.53	690,562.50	162,023.28	202,364.11	47,983.41	174,545.60	-	682,599.82	3,267,953.81
Sahara	68,754.31	11,445.00	-	32,517.60	43,497.60	14,851.95	-	9,159.52	399.00	158,681.23	4,443.15	6,400.00	49,112.71	740.04	-	244,995.74	644,997.85
Sahayogi	477,821.26	18,540.21	-	106,944.74	189,837.51	123,771.53	5,003.91	-	77,042.65	1,406,335.96	127,282.19	38,203.54	71,256.57	34,895.34	-	1,328,256.48	4,005,191.89
Salapa	132,624.90	3,443.30	-	39,104.29	5,177.93	-	-	3,485.77	1,093.89	46,692.24	-	38,497.42	183.23	6,782.77	121.17	78,119.13	355,326.04
Saptakoshi	726,541.14	-	-	-	-	147,237.60	-	155,033.36	10,397.32	645,293.56	102,800.82	9,506.33	8,423.42	198,960.49	-	584,863.22	2,589,057.26
Shangrila	661,912.97	10,468.91	40,387.47	343,550.49	870,442.55	2,607,576.38	437,822.96	196,352.05	1,300,132.20	2,915,201.96	1,550,721.04	612,546.90	868,604.86	984,216.06	3,337.51	6,066,530.29	19,469,804.59
Shine	1,498,130.85	90,889.29	-	781,988.46	1,530,550.65	1,592,134.58	-	-	997,613.59	3,880,848.82	906,372.79	1,186,097.34	1,033,561.90	630,035.44	-	2,099,498.06	16,227,721.75
Sindhu	33,731.70	-	-	49,416.02	9,426.72	522,506.17	-	2,567.49	252,780.58	319,364.83	348,620.73	56,078.85	8,591.41	119,683.90	-	320,519.23	2,043,287.63
Tinau	1,245,476.89	55,888.78	72,000.00	226,344.15	385,802.72	553,600.99	4,146.20	59,711.95	736,597.74	2,241,759.04	523,407.94	428,145.39	598,181.59	327,613.60	-	1,458,451.02	8,917,128.01
Grand Total	21,539,381.40	723,198.08	361,050.90	9,588,618.99	13,674,776.29	48,633,312.06	6,596,771.59	3,610,290.07	24,873,052.47	55,397,924.16	26,115,842.14	13,522,088.11	11,457,224.88	21,569,266.30	23,106.15	87,484,423.86	345,170,327.45

Annex 13: Product-wise Statement of Loan of Development Banks (FY 2018/19)

Rs. in '000

Particulars	Term Loan	Overdraft	Trust Receipt Loan / Import 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 LOAN & ADVANCES
Bhargav	940,515.31	1,146,620.95	-	353,100.84	-	-	176,265.94	278,873.57	-	108,536.90	3,003,913.51
Corporate	26,277.51	111,588.29	-	95,342.01	11,482.98	-	39,036.45	12,120.45	3,051.80	5,107.21	371,747.83
Deva	1,555,154.73	1,098,194.89	-	2,242,070.29	1,190,652.55	869,639.26	1,943,130.05	935,464.57	-	10,494,805.83	20,550,108.84
Excel	1,749,493.51	975,805.27	-	848,226.69	586,510.29	88,499.51	152,545.87	272,475.28	-	212,156.18	6,401,580.63
Gandaki	2,066,631.85	9,510,865.41	-	3,619,398.00	1,679,659.78	78,703.20	2,181,087.12	1,430,526.29	-	5,318,065.38	25,884,937.03
Garima	9,449,673.83	7,435,971.11	-	3,288,774.70	959,409.26	259,216.58	3,989,928.39	1,693,748.55	-	1,488,742.75	28,590,465.15
Green	345,117.00	340,533.00	-	99,785.00	3,849.00	19,372.00	133,100.00	143,108.00	-	36,504.00	1,121,368.00
Jyoti	5,857,424.29	8,021,776.28	-	3,082,642.92	1,358,922.24	1,003,587.71	2,155,807.90	1,775,959.57	-	2,529,154.08	25,785,274.97
Kailash	3,617,838.78	6,622,227.93	-	3,128,591.63	3,186,031.04	1,374,146.31	3,058,095.67	1,514,846.48	-	4,991,086.64	27,780,746.11
Kamana	7,571,261.38	4,940,974.69	-	1,509,194.25	972,654.89	97,879.33	2,140,034.71	2,477,157.82	-	529,420.90	20,397,961.26
Kanchan	488,294.83	2,111,585.73	-	343,069.64	29,834.19	39,046.09	321,683.06	357,183.27	-	1,046,258.37	4,798,561.55
Kankai	669,493.84	591,532.00	-	250,521.00	46,713.00	-	73,002.00	98,816.00	-	167,987.00	1,898,064.84
Karnali	660,199.00	824,936.00	-	73,871.00	-	-	228,509.00	108,798.00	-	192,803.00	2,089,116.00
Lumbini	4,591,955.16	4,853,678.30	-	2,234,768.39	1,863,280.74	920,883.85	1,684,106.48	2,314,889.22	-	3,966,389.36	22,769,864.49
Mahalaxmi	5,755,125.68	7,634,576.37	-	4,196,501.18	1,811,256.55	1,320,039.39	2,413,447.51	1,894,606.81	-	2,399,699.43	27,500,807.61
Miteri	46,273.64	431,355.76	-	696,553.01	116,095.27	-	294,562.47	192,890.51	-	2,283,765.79	4,061,496.46
Muktinath	7,279,430.27	6,203,568.31	-	7,399,882.17	1,433,379.46	809,736.20	4,439,127.08	9,488,172.39	-	1,066,762.36	38,120,058.25
N. Community	1,098,124.61	1,147,952.20	-	359,433.89	103,850.72	-	299,398.61	335,980.46	-	67,587.78	3,418,228.27
Narayani	-	2,719.00	-	1,637.00	-	-	3,910.00	1,036.00	-	2,722.00	12,024.00
OM	4,217,065.93	2,091,996.96	-	3,624,483.74	2,389,896.81	308,868.95	2,439,189.50	1,147,587.41	-	6,483,084.68	23,093,533.82
Purnima	644,189.18	275,166.42	-	397,780.88	101,398.28	250.00	408,286.04	155,020.90	-	475,697.00	3,267,953.81
Sahara	5,919.29	22,847.60	-	-	-	-	-	46,185.55	-	14,224.12	644,997.85
Sahayogi	-	-	-	49,258.70	78,707.89	-	49,877.79	213,570.39	-	1,905,553.51	4,005,191.89
Salapa	138,929.17	90,295.08	-	-	-	-	2,718.98	52,389.36	-	70,993.45	355,326.04
Saptakoshi	1,343,643.36	422,970.54	-	147,237.60	102,800.82	-	62,390.23	208,814.54	-	146,967.58	2,589,057.26
Shangrila	6,975,839.94	5,251,749.49	-	2,087,040.62	1,300,710.93	379,599.65	1,972,364.53	1,204,440.35	-	258,490.50	19,469,804.59
Shine	3,584,853.01	712,010.05	-	1,272,007.31	1,227,978.62	20,200.00	1,421,852.95	799,417.00	-	2,099,782.75	16,227,721.75
Sindhu	343,233.54	249,292.79	-	507,988.52	14,259.21	6,993.08	281,270.55	351,814.11	-	87,255.55	2,043,287.63
Tinau	1,306,523.18	3,067,976.20	-	538,753.72	396,076.08	2,900.00	637,655.26	1,044,198.62	-	1,923,044.94	8,917,128.01
Grand Total	72,328,481.83	76,190,766.60	-	42,447,914.69	20,965,410.60	7,599,561.11	33,002,384.13	30,550,091.47	3,051.80	50,372,649.04	345,170,327.45

Annex 14: Investment Details of Development Banks (FY 2018/19)

Rs. in '000

Short Name	Investment	Govt. Treasury Bill	Govt. Bonds	NRB Bond	Deposit Auction	Licensed Institutions	Foreign Bank/Bonds	Other Domestic Organizations	Other investment
Bhargav	32,341.44	-	1,000.00	-	-	14.80	-	10,138.44	21,188.20
Corporate	-	-	-	-	-	-	-	-	-
Deva	974,218.83	50,707.10	470,750.00	-	-	63,905.70	-	368,767.68	20,088.35
Excel	151,615.70	-	-	-	-	23,530.86	-	128,084.83	-
Gandaki	835,221.02	-	700,000.00	-	-	-	-	135,221.02	-
Garima	1,395,952.56	575,065.50	630,000.00	-	-	13,804.60	-	177,082.46	-
Green	35,000.00	-	-	30,000.00	-	-	-	5,000.00	-
Jyoti	1,580,932.26	145,714.50	950,725.00	-	-	-	-	484,492.76	-
Kailash	1,751,211.04	57,882.40	1,389,755.00	-	-	20,770.66	-	282,802.98	-
Kamana	833,001.08	227,955.98	-	-	-	-	-	605,045.10	-
Kanchan	49,367.23	-	-	-	-	2,500.00	-	46,867.23	-
Kankai	31,371.00	-	-	-	-	-	-	-	31,371.00
Karnali	-	-	-	-	-	-	-	-	-
Lumbini	1,821,782.81	-	1,347,075.00	-	-	164,861.75	-	295,719.55	14,126.51
Mahalaxmi	2,511,269.77	-	2,081,875.00	-	-	-	-	236,264.19	193,130.58
Miteri	735,688.14	97,716.84	627,500.00	-	-	-	-	10,471.30	-
Muktinath	3,226,142.57	1,289,865.05	1,450,000.00	-	-	13,467.86	-	472,809.66	-
N.Community	32,623.43	-	-	-	-	7,560.16	-	25,063.27	-
Narayani	1,444.00	-	-	-	-	-	-	1,385.00	59.00
OM	938,368.95	-	617,375.00	-	-	13.90	-	320,980.05	-
Purnima	61,132.89	-	-	20,000.00	-	1,656.30	-	39,476.59	-
Sahara	-	-	-	-	-	-	-	-	-
Sahayogi	2,000.00	-	-	-	-	1,000.00	-	1,000.00	-
Salapa	-	-	-	-	-	-	-	-	-
Saptakoshi	2,505.00	-	-	-	-	-	-	2,505.00	-
Shangrila	1,614,835.66	393,668.20	832,035.00	-	-	39,015.74	-	347,489.77	2,626.94
Shine	1,198,570.71	-	1,133,725.00	-	-	5,000.00	-	59,845.71	-
Sindhu	29,691.05	-	10,000.00	-	-	11,114.97	-	8,576.08	-
Tinau	204,571.82	-	175,000.00	-	-	3,665.10	-	25,906.72	-
Grand Total	20,050,858.95	2,838,575.57	12,416,815.00	50,000.00	-	371,882.40	-	4,090,995.39	282,590.59

Annex 15: Industry Statistics (as on Mid July)

Annex 15.1: DB's Operations

Particulars	Rs. in Billion				
	2014/15	2015/16	2016/17	2017/18	2018/19
Total Assets	291.56	334.84	295.55	364.75	468.32
Percentage Change	20.35	14.84	(14.84)	23.41	28.39
Total Deposits	237.06	278.20	239.04	301.99	398.34
Percentage Change	20.41	17.35	(14.09)	26.33	31.90
Total Loans and Advances	193.47	232.59	209.30	253.24	345.17
Percentage Change	21.26	20.22	(10.01)	20.99	36.30

Annex 15.2: Capital Fund

Particulars	Rs. in Billion				
	2014/15	2015/16	2016/17	2017/18	2018/19
Industry	37.17	43.16	46.42	49.84	58.07
Percentage Change	19.83	16.12	7.55	(23.35)	16.51

Annex 15.3: Deposit Mix

Rs.in Billion

Year	2015/16	2016/17	2017/18	2018/19
Current	6.65	4.73	7.29	9.42
Saving	137.11	96.15	115.38	135.37
Fixed	65.86	93.57	124.98	178.88
Call	67.56	44.09	54.12	74.36
Other	1.01	0.50	0.22	0.31
Total	278.19	239.04	301.99	398.34

Annex 15.4: Non Performing Loan

Particulars	Non Performing Loan to Total Loans and Advances					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Industry	3.37	2.82	5.17	1.28	1.09	0.90
Percentage Change		-18.80	83.33	-75.24	(14.84)	(17.43)

Annex 15.5: Non Banking Assets

Particulars	Rs. in Million					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Industry	848.3	2390.0	783.1	390.2	644.2	604.5
Percentage Change		181.74	(67.23)	(50.17)	65.09	(6.19)

Annex 15.6: Investment

Particulars	Rs. in Million					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Industry	4,846.82	5,420.26	7,456.39	6,629.72	11,258.03	20,050.86
Percentage Change		10.58	27.30	(12.46)	41.11	78.10

Annex 15.7: Liquid assets to Deposits & Liquid assets to Total assets

Year	Rs. in billion					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Liquid Assets	68.25	79.93	74.03	70.94	90.45	103.58
Percentage Change		17.11	(7.38)	(4.17)	27.50	14.51
Deposit	200	237.06	278.20	239.04	301.99	398.34
Percentage Change		18.57	17.35	(14.08)	26.33	31.90
Liquid Assets/Deposit	34.14%	33.72%	26.61%	29.68%	29.95%	26 %

Year	Rs. in billion					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Liquid Assets	68.25	79.93	74.03	70.94	90.45	103.58
Percentage Change		17.11	(7.38)	(4.17)	27.50	14.51
Total Assets	242.26	291.04	334.84	295.55	364.75	468.32
Percentage Change		20.14	15.05	(11.73)	23.41	28.39
Liquid assets/Total Assets	28.17%	28.17%	22.11%	24.00%	24.80%	22.12%

Annex 15.8: Operation Efficiency of Development Banks

Particulars	Rs. in Billion				
	2014/15	2015/16	2016/17	2017/18	2018/19
Net Interest Income	10.53	12.68	12.43	13.27	17.45
Operating Profit	5.35	7.78	8.26	7.76	10.56
Percentage Change		31.23	5.81	-6.44	26.52

Annex 15.9: Consolidated Statement of Financial Position of Development Banks

(Mid July 2019)

Rs.in '000

ASSETS	Year	
	2017/18	2018/19
Cash and cash equivalent	73,354,748.89	80,073,536.02
Due from Nepal Rastra Bank	13,520,751.70	15,351,839.32
Placement with Bank and Financial Institutions	-	2,515.28
Derivative financial instruments	-	1,711,668.29
Other trading assets	331,793.24	340,835.21
Loan and advances to B/FIs	4,560,667.49	9,087,607.53
Loans and advances to customers	237,564,745.88	333,445,520.06
Investment securities	10,785,966.73	18,437,675.45
Current tax assets	232,548.30	380,679.88
Investment in subsidiaries	40,000.00	117,500.00
Investment in associates	324,179.13	647,089.15
Investment in property	736,394.65	690,595.68
Property and equipment	3,935,878.47	5,645,199.67
Goodwill and Intangible assets	90,040.88	126,186.81
Deferred tax assets	185,706.33	410,478.09
Other assets	1,783,719.06	1,848,778.20
TOTAL ASSETS	347,447,140.75	468,317,704.63
EQUITY AND LIABILITIES	-	-
Liabilities	298,560,519.62	411,945,549.02
Due to Bank and Financial Institutions	22,358,987.24	33,401,764.99
Due to Nepal Rastra Bank	221,000.00	1,406,378.15
Derivative financial instruments	-	1,783,300.00
Deposits from customers	270,555,237.34	368,366,498.70
Borrowing	-	684,825.00
Current Tax Liabilities	56,255.99	133,910.20
Provisions	60,440.48	86,683.39
Deferred tax liabilities	149,435.71	56,691.12
Other liabilities	5,159,162.88	6,025,497.47
Debt securities issued	-	-
Subordinated Liabilities	-	-
Equity	48,886,621.13	56,372,155.61
Share capital	36,335,261.24	40,070,421.92
Share premium	261,738.95	107,649.74
Retained earnings	5,209,263.01	5,870,788.41
Reserves	7,080,357.93	10,323,295.54
TOTAL EQUITY AND LIABILITIES	347,447,140.75	468,317,704.63

**Audited figures except in case of Sahara Bikas Bank Ltd, Salapa Bikas Bank Lt, Karnali Bikas Bank Ltd, Kankai Bikas Bank Ltd and Narayani Development Bank Ltd.*

Annex 16: Number of Branches, Depositors and Borrowers (FY 2018/19)

S.No	Particulars	Total No. of Branches	Total No. of Depositors	Total No. of Borrowers
1	Bhargav Bikas Bank Ltd.	17	67,623	2,692
2	Corporate Development Bank Ltd.	4	12,574	122
3	Deva Bikas Bank Ltd	67	292,652	16,435
4	Excel Development Bank Ltd	35	102,831	4,335
5	Gandaki Bikas Bank Ltd.	77	262,237	21,997
6	Garima Bikas Bank Ltd.	77	317,010	28,125
7	Green Development Bank Ltd	9	10,641	1,159
8	Jyoti Bikas Bank Ltd.	96	244,692	20,542
9	Kailash Bikas Bank Ltd.	98	205,419	12,859
10	Kamana Sewa Bikas Bank Ltd.	95	259,304	16,996
11	Kanchan Development Bank Ltd.	16	160,669	4,972
12	Kankai Bikas Bank Ltd.	21	47,501	1,994
13	Karnali Bikas Bank Ltd.	16	78,146	1,729
14	Lumbini Bikas Bank Ltd.	66	216,621	9,841
15	Mahalaxmi Bikas Bank Ltd.	97	481,417	15,785
16	Miteri Bikas Bank Ltd.	18	45,356	5,384
17	Muktinath Bikas Bank Ltd.	117	663,097	111,659
18	Narayani Development Bank Ltd	3	11,204	34
19	Nepal Community Development Bank Ltd	21	42,466	2,083
20	Om Development Bank Ltd.	53	330,363	19,414
21	Purnima Bikas Bank Ltd.	14	67,211	3,157
22	Sahara Bikas Bank Ltd.	5	23,133	869
23	Sahayogi Bikas Bank Ltd.	13	79,553	4,006
24	Salapa Bikas Bank Ltd.	5	12,516	488
25	Saptakoshi Development Bank Ltd	27	71,827	5,449
26	Shangrila Development Bank Ltd	86	284,563	14,177
27	Shine Resunga Development Bank Ltd.	39	216,630	7,082
28	Sindhu Bikas Bank Ltd.	18	81,506	1,910
29	Tinau Mission Development Bank Ltd	38	99,157	14,383
	Total	1,248[#]	4,778,899	349,728

[#] Excluded the extension counters

Annex 17: Circulars issued to Bank and Financial Institutions (FY 2018/19)

S. No.	Name with Link of the Circulars issued to A, B and C Class Financial Institution
1	· Circular 01-Monetary Policy Related
2	· Circular 02-Extension of time for Interim Financial Reporting
3	· Circular 03-Earthquake Victim Refinance Related
4	· Circular 04-Attachment Amendment to Unified Directive, 2075
5	· Circular 04-Unified Directive, 2075
6	· Circular 05-Earthquake Loan Interest Subsidy Related
7	· Circular 06-Interest Subsidy on Subsidised Loan
8	· Circular 07-Increment in Deposit Gurantee Limit
9	· Circular 08-Changes in LTV Ratio of Vehicle
10	· Circular 09-CCD & Interest Rate Spread Related
11	· Circular 10-Attachment Risk Management Guidelines for Banks and Financial Institutions, 2018
12	· Circular 10-Risk Management Guidelines
13	· Circular 11-Margin Lending, Stock Broker, Base Rate Related
14	· Circular 12-Province wise Capital Structure Related
15	· Circular 13-Promoter Share Conversion & Expansion of Work Area
16	· Circular 14-Negotiable Interest Rate Related
17	· Circular 15-Credit Information Related
18	· Circular 16-Cooling Period and Spread Related
19	· Circular 17-Pre Approval Related
20	· Circular 18-CSR and Refinance Related
21	· Circular 19-Attachment to Interim Financial Report
22	· Circular 19-Interim Financial Report
23	· Circular 20-Dormant Account and Deprived Sector Related
24	· Circular 21-Margin Trading Related
25	· Circular 22-Simplified Account Opening Procedure Related
26	· Circular 23-Amendment in Directive & Bylaws
27	· Circular 24-Fixed Deposit Related
28	· Circular 25-Call Deposit Related
29	· Circular 26-Extension Counter Related
30	· Circular 27-Relaxation for Flood, Productive Sector & Management Fee 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, 1962
- Insolvency Act, 2006
- Secured Transaction Act, 2006
- Payment and Settlement Act, 2019
- Payment and Settlement Bylaw, 2015
- Nepal Rastra Bank, Inspection and Supervision Bylaw, 2017
- Nepal Rastra Bank, Banks and Financial Institutions Prompt Corrective Action Bylaw, 2017
- Unified Directives to Licensed Bank and Financial Institutions
- Bank and Financial Institutions Resolution Bylaw, 2017
- 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