

# Financial Sector Performance Review Report September 2018



*This report presents the performance of the Bhutanese financial sector on peer group basis (excluding National Pension & Provident Fund) for the period ended Q3FY'18 in comparison to the previous year's corresponding quarter. This report has been prepared by the Department of Financial Regulation & Supervision of the Royal Monetary Authority of Bhutan (RMA) and the information contained in this report is based on the returns submitted by the Financial Institutions.*

**DEPARTMENT OF FINANCIAL REGULATION & SUPERVISION**



## Overview

The overall soundness of the financial sector remains satisfactory in September 2018 as shown in *Table 1* below. The Risk Weighted Capital Adequacy Ratio (RWCAR) has slightly declined to 16.26% as compared to September 2017 but it is well above the minimum regulatory requirement of 12.5% (including the capital conservation buffer of 2.5%). On the other hand, the Gross NPL Ratio (NPL to loan ratio) stood at 12.43% which is a 0.91% increase from the previous quarter (June 2018). With regard to the earnings of the financial sector, the financial institutions recorded a net profit (after tax) of Nu. 876.18 million in September 2018.

**Table 1**

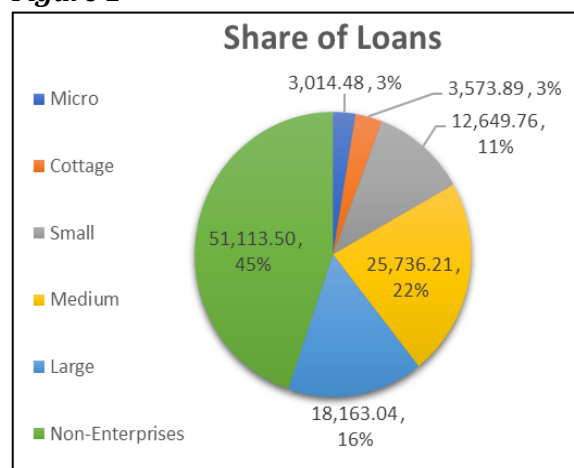
| Highlights of the Financial Institutions (Financial Sector Indicators for last 1 yr) |              |             |             |             |
|--|--------------|-------------|-------------|-------------|
| Indicators   | Sep-17       | Dec-17      | Jun-18      | Sep-18      |
| <b>Capital</b>   |              |             |             |             |
| RWCAR (12.5%)  | 16.28%       | 16.02%      | 16.17%      | 16.26%      |
| Core CAR (7.5%)  | 12.96%       | 13.31%      | 12.95%      | 12.61%      |
| Leverage Ratio (5%)  | 10.01%       | 9.78%       | 9.81%       | 9.53%       |
| <b>Asset Quality</b>   |              |             |             |             |
| Gross NPL Ratio  | 12.93%       | 7.98%       | 11.52%      | 12.43%      |
| Net NPL to Net Loan  | 5.18%        | 1.40%       | 4.34%       | 5.12%       |
| Single Largest Borrower  | 15.25%       | 15.49%      | 15.08%      | 14.25%      |
| Provision to NPL   | 54.13%       | 70.58%      | 54.16%      | 51.87%      |
| Ten Largest Borrower   | 16.38%       | 15.20%      | 15.31%      | 14.13%      |
| NPL  | Nu. 12.78b   | Nu. 8.24b   | Nu. 12.54b  | Nu. 14.2b   |
| Loan   | Nu. 98.86b   | Nu. 103.32b | Nu. 108.81b | Nu. 114.25b |
| <b>Earning</b>   |              |             |             |             |
| Return on Asset (RoA)  | -0.47%       | 0.67%       | 0.52%       | 0.56%       |
| Return on Equity (RoE)   | -3.25%       | 4.80%       | 3.91%       | 4.30%       |
| Profit After Tax (PaT)   | Nu. -679.48m | Nu. 997.36m | Nu. 802.72m | Nu. 876.18m |
| <b>Liquidity</b>   |              |             |             |             |
| Loans to Deposits ratio  | 77.84%       | 77.02%      | 78.86%      | 81.77%      |
| Statutory Liquidity Requirement ratio  | 26.43%       | 27.37%      | 28.65%      | 26.03%      |
| Liquidity Position   | Nu. 9.98b    | Nu. 12.02b  | Nu. 13.96b  | Nu. 10.49b  |
| Statutory Liquidity Requirement  | Nu. 23.68b   | Nu. 25.43b  | Nu. 26.13b  | Nu. 26.52b  |

The asset base of the financial sector has increased by 11% for the period ended September 2018. The majority of the total asset comprises of loans with

64.31%. Financial sector's total loans to the economy stands at Nu. 114.25 billion, as compared to Nu. 98.86 billion in September 2017, showing an increase of 15.57%. Housing sector has the highest loan exposure with Nu. 27.44 billion, followed by Service & Tourism and Trade & Commerce sectors with Nu. 26.99 billion and Nu. 16.18 billion respectively.

As depicted by *Figure 1* below, the share of loan to Medium enterprises constitutes 22% (Nu. 25.74 billion), followed by Large and Small enterprises with 16% (Nu. 18.16 billion) and 11% (Nu. 12.65 billion) respectively. The loans to Micro and Cottage enterprises accounted for a total of only 6% (Nu. 6.59 billion). Remaining 45% (Nu. 51.11 billion) of the loans went towards Non-enterprise sector.

**Figure 1**



Total deposit of the banks stood at Nu. 115.27 billion, which is an increase by 12.16% as compared to September quarter of 2017. Statutory Liquidity Requirement (SLR) for Banks stood at

28.54% which is maintained well above the minimum regulatory requirement of 20%. But for non-banks, the SLR stands at 9.92%, which is slightly below the minimum regulatory requirement of 10%.

## 1. Assets/ Liabilities

The total asset of the financial sector has increased by 11% (Nu. 16.24 billion), which stood at Nu. 163.77 billion in September 2018 as compared to Nu. 147.54 billion in September 2017. Around 64.31% of the expansion in total assets has been contributed by loans (net of specific provision and interest in suspense). In terms of asset composition, 86% of the total assets are held by banks and the remaining 14% by the non-banks.

### 1.1 Banks

Total asset of the banking sector has increased by 12.18%, from Nu. 125.75 billion in September 2017 to Nu. 141.07 billion in September 2018. Growth in loans (net of specific provision and interest in suspense) by Nu. 14.05 billion has contributed significantly in the growth of asset of the banking sector.

### 1.2 Non-Banks

The non-banking sector continued to grow with an increase in total asset by 4.2% (Nu. 913.98 million). Total asset increased from Nu. 21.79 billion in September 2017 to Nu. 22.7 billion in September 2018. Similar to the Banking sector, the increase in asset size was

brought about by an increase in total loans (net of specific provision and interest in suspense) by Nu. 482.12 million.

**Table 2**

| Asset   | Sep-17 (Nu. millions) | Sep-18 (Nu. millions) |
|---|-----------------------|-----------------------|
| <b>Cash &amp; Bank balances</b>                 | 39,289.62             | 42,167.85             |
| <b>Marketable securities</b>                    | 12,148.81             | 10,676.91             |
| <b>Loans &amp; Advances (net of provisions)</b> | 90,793.86             | 105,322.14            |
| <b>Equity Investment</b>                        | 631.92                | 648.65                |
| <b>Fixed Assets</b>                             | 1,798.77              | 2,002.29              |
| <b>Other Assets</b>                             | 2,873.91              | 2,955.37              |
| <b>Total</b>                                    | <b>147,536.89</b>     | <b>163,773.21</b>     |

On the liability side, substantial growth in deposits by Nu. 12.5 billion was the major reason for the increase in liabilities of the financial sector. Around 82% of the banking sector liability was constituted by the deposit liabilities. Likewise, the major component of the non-banking sector was the insurance fund with 48% followed by current and other liabilities with 21%. As of September 2018, the Insurance Fund stood at Nu. 11 billion which comprised of Life Insurance, General Insurance, Group Insurance, and other funds.

Table 3

| Liabilities         | Sep-17 (Nu. Millions) | Sep-18 (Nu. Millions) |
|---------------------|-----------------------|-----------------------|
| Paid up capital     | 8,949.25              | 9,323.25              |
| Reserves            | 11,687.30             | 12,775.95             |
| Deposit Liabilities | 102,768.24            | 115,265.14            |
| Bonds & borrowing   | 5,734.73              | 4,236.73              |
| Interest provision  | 3,365.58              | 3,446.61              |
| Insurance Fund      | 9,341.06              | 10,997.78             |
| Other liabilities   | 5,690.72              | 7,727.74              |
| <b>Total</b>        | <b>147,536.89</b>     | <b>163,773.21</b>     |

## 2. Capital and Reserves

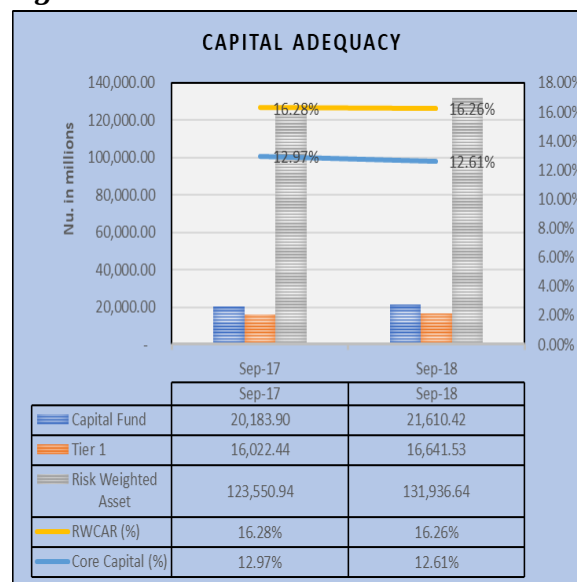
Capital is the main source of financial support and acts as a buffer that enables financial institutions to absorb a level of losses without the interest of creditors and depositors being adversely affected, and thus protects the interest of the creditors and depositors in the event of liquidation. Besides absorbing the unanticipated shocks, it also signals that the institution will continue to honor its obligations.

Capital fund<sup>1</sup> of the financial sector as of September 2018 stood at Nu. 21.61 billion, as compared to Nu. 20.18 billion in September 2017, indicating an increase by Nu. 1.4 billion. The capital fund of banking sector amounted to Nu. 18.09 billion and for non- banking sector,

<sup>1</sup>In this case, the capital fund is the total capital fund without deducting the NPL of related party. But for calculation of CAR ratio, the NPL of related party needs to be deducted as required under section 1.5 (iv) of Prudential Regulations 2017.

it amounted to Nu. 3.5 billion during the period under review.

Figure 2



### 2.1 Capital Adequacy

Risk-Weighted Capital Adequacy Ratio (RWCAR) of the financial sector for September 2018 stood at 16.26% as compared to 16.28% in September 2017 showing a slight decrease of 0.02% (as depicted in Figure 2). The decrease in RWCAR is primarily on account of increase in total Risk Weighted Assets (RWA) by Nu. 8.39 billion. The analysis of components reveals that the increase in RWAs has been exclusively contributed by the increase in NPL by Nu. 1.42 billion requiring a higher risk weight of 150%.

Similarly, Core capital ratio<sup>2</sup> of the financial sector has also decreased from

<sup>2</sup>With effect from September 2016, financial institutions are required to maintain a minimum core capital of 7.5%., including a capital conservation buffer of 2.5% from Tier 1 capital.

12.97% in September 2017 to 12.61% in September 2018.

**2.2 Capital Adequacy, Banking and Non-banking sectors**

The RWCAR<sup>3</sup> of the banking sector has increased by 0.36% whereas it has decreased by 1.8% for non-banks. For September 2018, the RWCAR of banking sector stood at 16.41% while for non-banks, the ratio stood at 15.51%.

The core capital ratio for banks stood at 12.85% while for non-banks it stood at 11.47% during the period under review.

**2.3 Leverage Ratio**

Leverage ratio acts as a supplementary measure to capital adequacy ratio by ensuring that the financial institutions maintain adequate levels of capital at all times. The Leverage ratio for the financial sector for the period ended September 2018 stood at 9.53%, maintaining 4.53% higher than the regulatory requirement of 5%. The Leverage ratio of banking and non-banking sectors stood at 9.27% and 11.22% respectively.

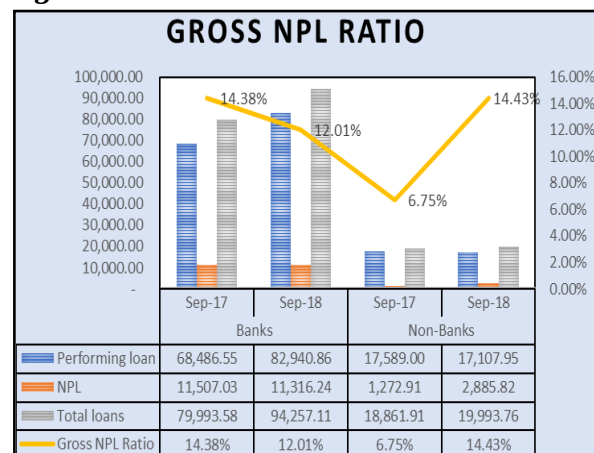
**3. Asset Quality**

Analysis on the loan classification of the financial sector indicated that both loans and NPL have increased by Nu. 15.4 billion and Nu. 1.42 billion respectively. Financial sector’s total loan to the economy amounted Nu. 114.25 billion in

<sup>3</sup> The RWCAR signifies the availability of capital to support the business of the financial institutions. The NPL of related parties has been deducted from the capital fund when assessing RWCAR.

September 2018 while the NPL amounted to Nu. 14.2 billion. Gross NPL ratio (NPL to total loans) of the financial sector slightly decreased to 12.43% in September 2018 as compared to 12.93% in September 2017.

**Figure 3**



Gross NPL ratio of banking sector has decreased by 2.37%, from 14.38% to 12.01% during the period under review. Whereas, the Gross NPL ratio for non-banking sector has increased by 7.68%, from 6.75% in September 2017 to 14.43% in September 2018.

During September 2018, out of the total NPL of Nu. 14.2 billion, NPL classified under the Loss category<sup>4</sup> (which includes the term expired loans and loans under litigation cases) comprised of 42.91% amounting to Nu. 6.09 billion followed by the Substandard category<sup>5</sup> with 37.77%

<sup>4</sup>principal and interest overdue by more than 365 days with 100% provisioning.

<sup>5</sup>principal and interest payment overdue by 91 days to 180 days with 20% provisioning.

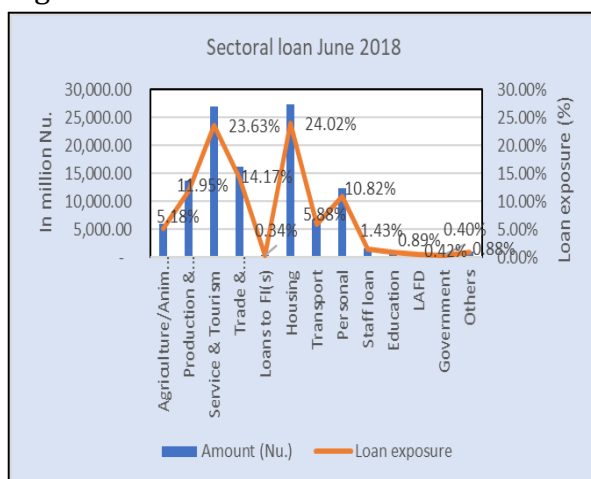
amounting to Nu. 5.36 billion, and Doubtful category<sup>6</sup> with 19.32% (Nu. 2.74 billion).

### 3.1 Sectoral Loans and Advances

Loans and advances of the financial sector increased by Nu. 15.4 billion during the period under review. Relatively, loans are highly concentrated in Housing, Service & Tourism and Trade & Commerce sectors.

The sector-wise analysis reveals that out of the total loans of Nu. 114.25 billion, the Housing sector has the highest exposure with Nu. 27.44 billion (24.02%) followed by Service & Tourism sector with Nu. 26.99 billion (23.63%) and Trade & Commerce sector with Nu. 16.18 billion (14.17%).

Figure 4



In terms of absolute increase in loans for the period ended September 2018, the loans to Service & Tourism sector

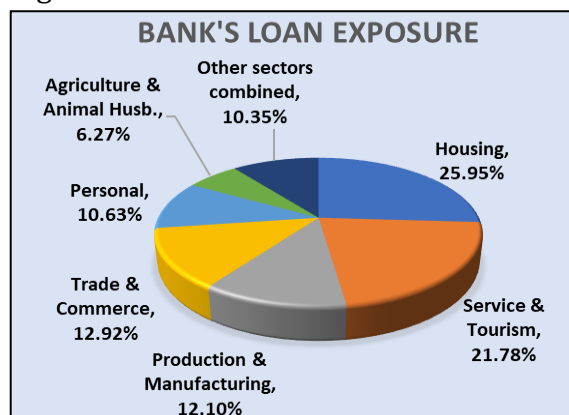
experienced the most rapid increase by Nu. 6.02 billion followed by loans to Housing sector by Nu. 4.93 billion and Trade & Commerce by Nu. 2.5 billion.

From the total loan outstanding, 82.5% (Nu. 94.26 billion) comprises of loans provided by the banking sector and remaining 17.5% (Nu. 19.99 billion) by non-banking sector. Both banking and non-banking sector total loans has increased by Nu. 14.26 billion and Nu. 1.13 billion respectively.

#### 3.1.1 Banks

The analysis of the loan portfolio for September 2018 shows that the banking sector has loans highly exposed towards Housing sector with 25.95% (Nu. 24.46 billion) and Service & Tourism sector with 21.78% (Nu. 20.53 billion), followed by Trade & Commerce sector with 12.92% (Nu. 12.18 billion) and Production & Manufacturing with 12.10% (Nu. 11.4 billion) as illustrated by Figure 5 below.

Figure 5

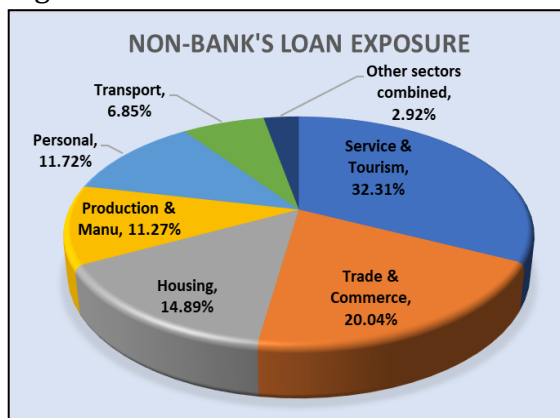


<sup>6</sup>principal and interest payment overdue by 181 days to 365 days with 50% provisioning.

### 3.1.2 Non-Banks

For the non-banking sector, the highest loan exposure was observed in Service & Tourism sector with 32.31% (to Nu. 6.46 billion), followed by Trade & Commerce and Housing sectors with 20.04% (Nu. 4.01 billion) and 14.89% (Nu. 2.98 billion) respectively as depicted in Figure 6 below.

Figure 6

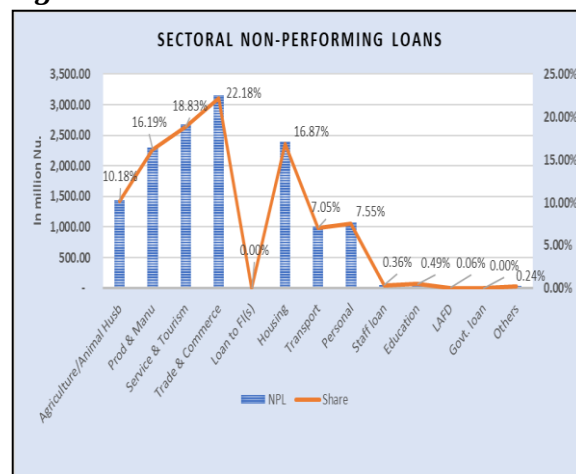


## 4. Credit Quality/ Sectoral NPL of Financial sector

Asset quality has deteriorated with the increase in NPL from Nu. 12.78 billion in September 2017 to Nu. 14.2 billion in September 2018, showing an increase by Nu. 1.42 billion.

Analysis on the sectoral NPL of the financial sector for September 2018 reveals that Trade/Commerce has the highest share with 22.18%, followed by Service/Tourism with 18.83%, Housing sector with 16.87% and Production & Manufacturing with 16.19%.

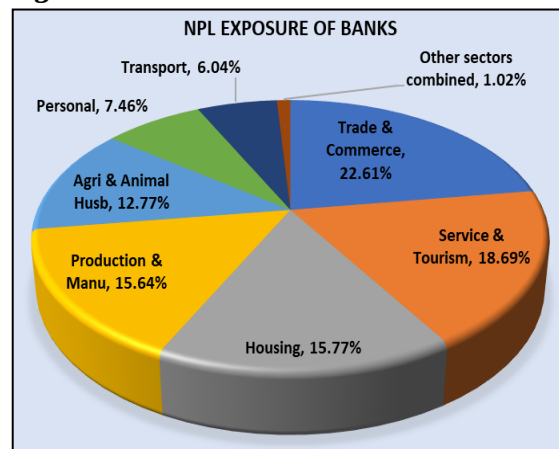
Figure 7



### 4.1 Banks

Non-Performing Loans of the banking sector has decreased by Nu. 190.79 million, from Nu. 11.51 billion in September 2017 to Nu. 11.32 billion in September 2018 against the loan growth of Nu. 14.26 billion. Figure 8 depicts the NPL of the banking sector. Highest NPL was seen in Trade & Commerce sector with Nu. 2.56 billion (22.61%), followed by Service & Tourism with Nu. 2.11 billion (18.69%) and Housing sector with Nu. 1.78 billion (15.77%).

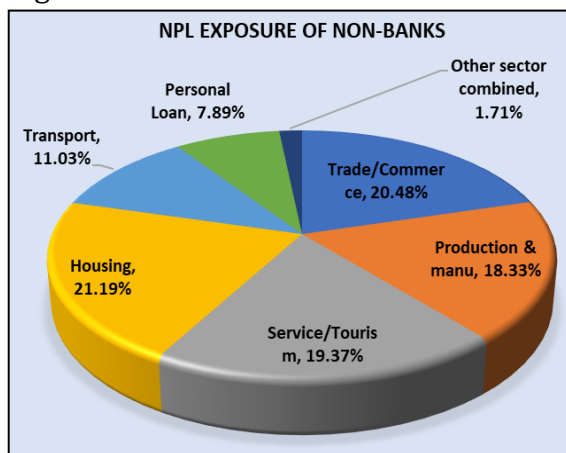
Figure 8



### 4.2 Non-Banks

The NPL of the non-banking sector has increased by Nu. 1.61 billion; from Nu. 1.27 billion in September 2017 to Nu. 2.89 billion in September 2018. The highest NPL during the period under review was recorded in Housing with Nu. 611.5 million (21.19%) followed by Trade & Commerce with Nu. 591.13 million (20.48%) and Service & Tourism with Nu. 559.06 million (19.37%) as depicted in *Figure 9*.

Figure 9



### 5. Loans to Micro, Cottage, Small, Medium and Large enterprises (MCSML)

MCSML sector contributes significantly towards national GDP, employment generation and export earnings.

<sup>7</sup> MCSML comprise of Agriculture, Production & Manufacturing, Trade & commerce, Service & Tourism and Loans to FIs sector.

Figure 10

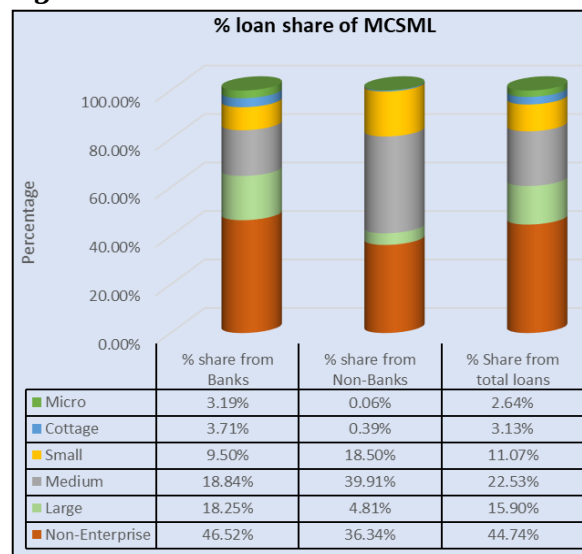


Figure 10 depicts loan exposure to Micro, Cottage, Small, Medium and Large (MCSML)<sup>7</sup> enterprises and loans to the non-enterprise<sup>8</sup>. As of September 2018, the loans to MCSML amounted to Nu. 63.14 billion and loan to non-enterprise stood at Nu. 51.11 billion. The loan to MCSML has increased to Nu. 63.14 billion in September 2018 from Nu. 53.89 billion in September 2017, showing a growth of 17.16% (↑Nu. 9.25 billion).

As depicted in *Figure 10*, from the total loans of Nu. 114.25 billion in the financial sector, the share of loan to medium enterprises has the highest exposure which constitutes of 22.53% (Nu. 25.74 billion) followed by large enterprise and small enterprise with 15.9% (Nu. 18.16 billion) and 11.07% (Nu. 12.65 billion)

<sup>8</sup> Non-Enterprise sector comprises of Housing, Personal, Transport, Staff loan, Education loan, Loan Against Fixed Deposits, Loans to Government and others.



respectively. The loan to micro and cottage enterprises comprised of only 5.77% (Nu. 6.59 billion) of the total loans.

### 5.1 Banks

For the banking sector, the loan to medium enterprises constituted 18.84% (Nu. 17.76 billion) while loan to large enterprises constituted 18.25% (Nu. 17.2 billion). The loans to micro, cottage and small enterprises constituted 16.39% (Nu. 15.45 billion).

### 5.2 Non-Banks

For the non-banking sector, loan to medium and small enterprises constituted of 39.91% (Nu. 7.98 billion) and 18.5% (Nu. 3.7 billion) respectively, while loan to large enterprises constituted 4.81% (Nu. 961.2 million). The loan to micro and cottage enterprises have the minimum share with 0.06% (Nu. 12.01 million) and 0.39% (Nu. 77.92 million) respectively.

The analysis on the loan trend of MCSML and non-enterprise reveals that the loans to MCSML and non-enterprise are on an increasing trend over the quarters. The highest increase was observed in Medium enterprise which has increased by Nu. 2.29 billion as compared to the previous quarter of June 2018. The increase was mainly attributed to the significant increase in loans to Service & Tourism by Nu. 2.37 billion.

However, the loan to Cottage enterprise has decreased by Nu. 710.43 million as compared to June 2018, which was due to

the decrease in loans to Agriculture sector by Nu. 415.85 million.

Figure 11

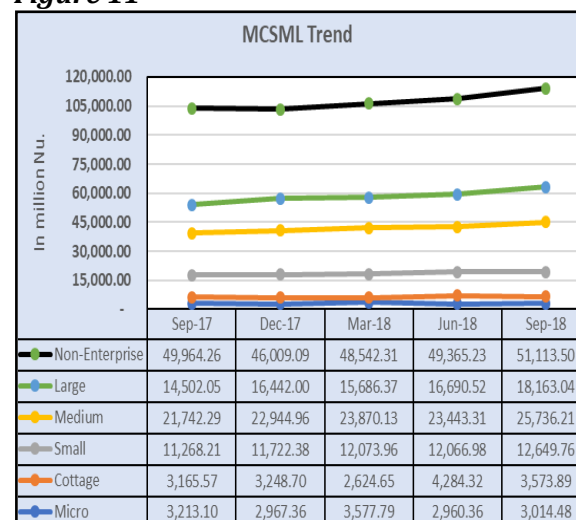


Table 4

| Sectoral MCSML Loans (September 2018) |                            |                 |                 |                  | In million Nu.   |                  |                  | % Share of Total Loan |
|---------------------------------------|----------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|-----------------------|
| Sl no                                 | Sector                     | Micro           | Cottage         | Small            | Medium           | Large            | Total            |                       |
| 1                                     | Agriculture & Animal Husb. | 2,605.79        | 2,498.03        | 556.33           | 258.37           | 0.00             | 5,918.52         | 5.18%                 |
| 2                                     | Prod & Manu                | 47.24           | 97.86           | 1,950.48         | 5,047.42         | 6,511.60         | 13,654.59        | 11.95%                |
| 3                                     | Service                    | 62.92           | 300.45          | 3,860.37         | 13,477.60        | 9,291.68         | 26,993.02        | 23.63%                |
| 4                                     | Trade & Commerce           | 298.54          | 677.54          | 6,282.58         | 6,952.81         | 1,972.60         | 16,184.07        | 14.17%                |
| 5                                     | Loan to FI(s)              | 0.00            | 0.00            | 0.00             | 0.00             | 387.16           | 387.16           | 0.34%                 |
|                                       | <b>Total</b>               | <b>3,014.48</b> | <b>3,573.89</b> | <b>12,649.76</b> | <b>25,736.21</b> | <b>18,163.04</b> | <b>63,137.37</b> | <b>55.26%</b>         |

## 6. Access to Finance through Micro Finance Institutions (MFIs)

Table 5

| Loan and NPL of MFIs |                        |             |             |
|----------------------|------------------------|-------------|-------------|
| Sl no                | Particulars            | Sep-17      | Sep-18      |
| 1                    | Total Loan Sanctioned  | Nu. 256.03m | Nu. 546.75m |
| 2                    | Total Loan Outstanding | Nu. 187.31m | Nu. 405.02m |
| 3                    | Total NPL              | Nu. 35.91m  | Nu. 46.12m  |
| 4                    | Total no. of loan a/cs | 3,362       | 5,369       |
| 5                    | NPL to loan ratio      | 19.17%      | 11.39%      |

RMA issued registration certificates to five Micro-Finance Institutions which include Rural Enterprise Development Corporation Ltd. (REDCL), RENEW

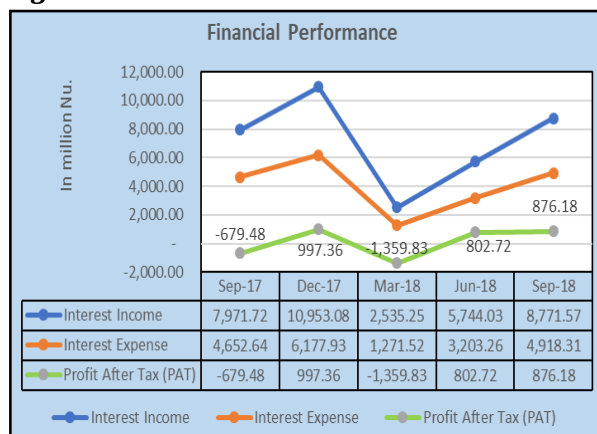
Micro-Finance Pvt. Ltd. (RENEW), Bhutan Care Credit Ltd. (BCCL), Bhutan Association of Women Entrepreneurs (BAOWE) MFI and Tarayana MFI. The MFIs currently operate in all 20 Dzongkhags benefiting both the rural and urban clients. As depicted in *Table 5*, as of September 2018, the MFIs have sanctioned a total loan of Nu. 546.75 million to 5,369 clients with the total loan outstanding of Nu. 405.02 million.

The loan outstanding grew by Nu. 290.72 million from Nu. 256.03 million in September 2017 to Nu. 546.75 million in September 2018. Total Non-Performing Loan of MFIs in September 2018 amounted to Nu. 46.12 million and NPL to loan ratio of 11.39%.

### 7. Financial Performance

The performance of the financial sector has improved, both banking and non-banking sector have generated a combined net-profit (after tax) of Nu. 876.18 million in September 2018.

Figure 12



Accordingly, key indicators under financial performance have improved in September 2018 such as Return on Assets (ROA) stood at 0.56% and Return on Equity (ROE) at 4.3%.

#### 7.1 Banks

The banking sector has generated a profit of Nu. 491.2 million in September 2018 against a loss of Nu. 1.05 billion in the same quarter of last year. This was mainly due to the increase in Interest Income by 12.16% (Nu. 765.43 million), operating income by 55.47% (Nu. 256.44 million), reduction in loan provisions by Nu. 1.23 billion. A significant decrease in Sub-standard and Doubtful category of loans by a total of Nu. 807.52 million has contributed to decrease in the total loan provision of the Banking sector.

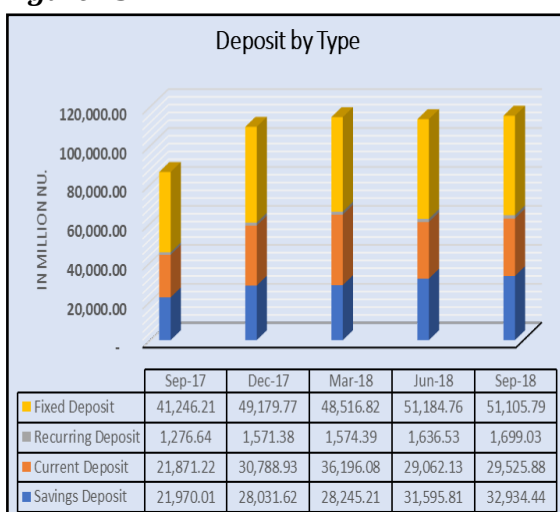
#### 7.2 Non-Banks

The non-banking sector has also generated a profit of Nu. 384.98 million as of September 2018 which is an increase by Nu. 10.55 million as compared to September 2017. The increase in the profit was brought about mainly by an increase in Interest Income by 2.05% (Nu. 34.41 million) during the period under review.

### 8. Deposit (Banking Sector)

On the funding side, the deposit has increased by 12.16% in September 2018 as compared to September 2017. The total deposits have reached Nu. 115.27 billion in September 2018 as compared to Nu. 102.77 billion in September 2017.

Figure 13



The total Current Account & Savings Account (CASA)<sup>9</sup>, stood at Nu. 62.46 billion in September 2018. The CASA deposits have witnessed growth during the period under review by 10.79% (Nu. 6.08 billion). The Individual constituted the highest CASA deposits of Nu. 53.79 billion (86% of the total CASA Deposits).

Time Deposit, which include Fixed Deposit and Recurring Deposit have increased from Nu. 46.39 billion in September 2017 to Nu. 52.8 billion in September 2018 indicating a growth of 13.83%.

Out of total deposits, Demand Deposits<sup>9</sup> (Current and Saving) accounted for 54.19% and Time Deposits (Fixed and Recurring) accounted for 45.81%. To elaborate further, the Current Deposit accounted for 25.62% while the Savings Deposit accounted for 28.57% of the total deposits. The share of Fixed Deposit

accounted for 44.34% while Recurring Deposit accounted for 1.47% of the same.

Analysis on the deposit data reveals that customer deposits<sup>10</sup> – which comprise 86.94% of total deposits and are stable in nature, have increased by 16.66% (Nu. 14.31 billion) in September 2018 as compared to September 2017. On the other hand, Financial Institution (banks and non- banks) deposits have declined by 12.07% (Nu. 1.82 billion).

In terms of deposits by customer type - Retail Deposits stood at Nu. 80.41 billion and Corporate Deposits at Nu. 34.85 billion. The Retail Deposits have witnessed a growth of 18.47% while the Corporate Deposits witnessed a decline of 0.12% from September 2017.

Credit to Deposit ratio of the banking sector stood at 81.77% indicating an increase of 3.93% from September 2017.

## 9. Liquidity

On the liquidity front, the banks and non-banks are required to maintain a minimum statutory liquidity ratio in the form of quick assets of 20% and 10% respectively.

The overall liquidity position of the financial sector remained comfortable by maintaining liquidity in the form of quick

<sup>9</sup> Demand Deposits are also known as CASA.

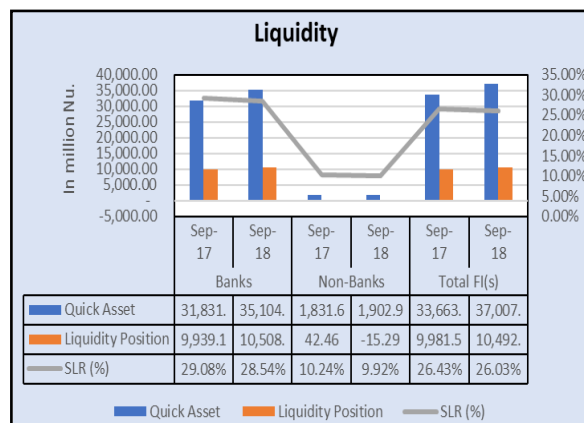
<sup>10</sup> Customer deposit includes all the current, saving, fixed and recurring deposits made by individuals, government, corporations and private & public companies (other than banking and non-banking financial institutions)

assets in excess of the actual requirement. The quick assets amounted to Nu. 37.01 billion against the minimum requirement of Nu. 26.51 billion indicating availability of sufficient buffers to meet payment obligations.

During the period ended September 2018, the financial sector has maintained Statutory Liquidity Ratio (SLR) at 26.03%, which is a decrease of 0.4% as compared to the previous year’s corresponding quarter. This drop in SLR was primarily due to the increase in deposit liabilities.

SLR position of the banking sector stood at 28.54%, while for non-banks it stood at 9.92%. Non-banking sector has not met the minimum SLR requirement of 10% by 0.08% in September 2018. When compared to September 2017, both banks and non-banks SLR position has declined by 0.54% and 0.32% respectively.

Figure 14



**ANNEXURE I**
**a) Deposit by Customer September 2017- 2018 (figures in million Nu.)**
**Table 1**

| Deposits by Customer      | Total Deposits    |                   |               |                |
|---------------------------|-------------------|-------------------|---------------|----------------|
|                           | Sep-17            | Sep-18            |               |                |
| <b>Corporate deposits</b> | <b>34,892.78</b>  | <b>34,852.35</b>  | <b>-0.12%</b> | <b>30.24%</b>  |
| Government                | 3,785.24          | 4,247.25          | 12.21%        | 3.68%          |
| Government Corp.          | 7,374.08          | 9,545.92          | 29.45%        | 8.28%          |
| Public Companies          | 1,860.65          | 2,150.25          | 15.56%        | 1.87%          |
| Private Co.               | 5,006.68          | 3,858.90          | -22.92%       | 3.35%          |
| Commercial Banks          | 8,420.71          | 7,333.99          | -12.91%       | 6.36%          |
| NBFIs                     | 8,445.43          | 7,716.03          | -8.64%        | 6.69%          |
| <b>Retail deposits</b>    | <b>67,875.46</b>  | <b>80,412.79</b>  | <b>18.47%</b> | <b>69.76%</b>  |
| Individuals               | 64,629.24         | 78,374.63         | 21.27%        | 68.00%         |
| Foreign Currency          | 3,246.21          | 2,038.17          | -37.21%       | 1.77%          |
| <b>Total</b>              | <b>102,768.24</b> | <b>115,265.14</b> | <b>12.16%</b> | <b>100.00%</b> |

## b) Consolidated Loan Classification September 2017- 2018 (figures in million Nu.)

Table 2

|                              | Banks            |                  | Non-Banks        |                  | TOTAL            |                   | % Change      |
|------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|---------------|
|                              | Sep-17           | Sep-18           | Sep-17           | Sep-18           | Sep-17           | Sep-18            |               |
| <b>Performing loans</b>      | <b>68,486.55</b> | <b>82,940.86</b> | <b>17,589.00</b> | <b>17,107.95</b> | <b>86,075.54</b> | <b>100,048.81</b> | <b>16.23%</b> |
| Standard                     | 64,054.22        | 77,838.36        | 7,957.23         | 14,708.78        | 72,011.45        | 92,547.14         | 28.52%        |
| Watch (up to 90 days)        | 4,432.33         | 5,102.50         | 9,631.77         | 2,399.17         | 14,064.10        | 7,501.67          | -46.66%       |
| <b>Non-performing loans</b>  | <b>11,507.03</b> | <b>11,316.24</b> | <b>1,272.91</b>  | <b>2,885.82</b>  | <b>12,779.95</b> | <b>14,202.06</b>  | <b>11.13%</b> |
| Substandard (91 to 180 days) | 4,136.85         | 3,643.38         | 521.78           | 1,721.42         | 4,658.63         | 5,364.81          | 15.16%        |
| Doubtful (181 to 365 days)   | 2,207.91         | 1,893.86         | 44.90            | 849.96           | 2,252.82         | 2,743.81          | 21.79%        |
| Loss (366& above)            | 5,162.27         | 5,779.00         | 706.23           | 314.44           | 5,868.50         | 6,093.44          | 3.83%         |
| <b>Total</b>                 | <b>79,993.58</b> | <b>94,257.11</b> | <b>18,861.91</b> | <b>19,993.76</b> | <b>98,855.49</b> | <b>114,250.87</b> | <b>15.57%</b> |

## ANNEXURE II

## c) SECTORAL LOAN September 2017-2018 (figures in million Nu.)

Table 3

| Sector                       | Banks            |                  | Non-Banks        |                  | Total Loans       |                  | % Change      | % Holding   |
|------------------------------|------------------|------------------|------------------|------------------|-------------------|------------------|---------------|-------------|
|                              | Sep-18           | Sep-17           | Sep-18           | Sep-17           | Sep-18            | Sep-17           |               |             |
| Agriculture/Animal Husbandry | 5,910.39         | 5,327.60         | 8.13             | 9.00             | 5,918.52          | 5,336.60         | 10.90%        | 5.18%       |
| Trade & Commerce             | 12,176.66        | 9,817.87         | 4,007.41         | 3,869.27         | 16,184.07         | 13,687.14        | 18.24%        | 14.17%      |
| Production & manu            | 11,400.41        | 10,856.56        | 2,254.18         | 2,171.85         | 13,654.59         | 13,028.41        | 4.81%         | 11.95%      |
| Service/Tourism              | 20,533.74        | 15,628.66        | 6,459.28         | 5,342.06         | 26,993.02         | 20,970.72        | 28.72%        | 23.63%      |
| Housing                      | 24,462.00        | 19,437.52        | 2,977.33         | 3,067.88         | 27,439.34         | 22,505.40        | 21.92%        | 24.02%      |
| Transport                    | 5,344.69         | 4,098.73         | 1,368.66         | 1,194.08         | 6,713.34          | 5,292.81         | 26.84%        | 5.88%       |
| Loans to FIs                 | 387.16           | 868.36           | 0.00             | 0.00             | 387.16            | 868.36           | -55.41%       | 0.34%       |
| Personal Loan                | 10,015.48        | 9,638.91         | 2,343.31         | 2,509.91         | 12,358.79         | 12,148.83        | 1.73%         | 10.82%      |
| LAFD                         | 482.71           | 991.97           | 0.00             | 0.00             | 482.71            | 991.97           | -51.34%       | 0.42%       |
| Education                    | 952.47           | 782.97           | 68.67            | 47.78            | 1,021.14          | 830.76           | 22.92%        | 0.89%       |
| Staff loan                   | 1,220.72         | 1,298.13         | 413.89           | 480.89           | 1,634.61          | 1,779.02         | -8.12%        | 1.43%       |
| Government (short term)      | 456.52           | 504.09           | 0.00             | 0.00             | 456.52            | 504.09           | -9.44%        | 0.40%       |
| Others                       | 914.17           | 742.21           | 92.89            | 169.19           | 1,007.06          | 911.39           | 10.50%        | 0.88%       |
| <b>Totals</b>                | <b>94,257.11</b> | <b>79,993.58</b> | <b>19,993.76</b> | <b>18,861.91</b> | <b>114,250.87</b> | <b>98,855.49</b> | <b>15.57%</b> | <b>100%</b> |

## d) SECTORAL NPL September 2017-2018 (figures in million Nu.)

Table 4

| Sector                       | Banks            |                  | Non-Banks       |                 | Total NPLs       |                  | % Change      | % Holding      |
|------------------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|---------------|----------------|
|                              | Sep-18           | Sep-17           | Sep-18          | Sep-17          | Sep-18           | Sep-17           |               |                |
| Agriculture/Animal Husbandry | 1,444.83         | 1,630.62         | 1.31            | 0.83            | 1,446.15         | 1,631.44         | -11.36%       | 10.18%         |
| Trade/Commerce               | 2,559.12         | 2,419.35         | 591.13          | 222.94          | 3,150.25         | 2,642.28         | 19.22%        | 22.18%         |
| Production & manu            | 1,769.73         | 1,435.57         | 528.99          | 110.11          | 2,298.72         | 1,545.68         | 48.72%        | 16.19%         |
| Service/Tourism              | 2,114.95         | 2,289.97         | 559.06          | 555.39          | 2,674.00         | 2,845.36         | -6.02%        | 18.83%         |
| Housing                      | 1,784.56         | 2,042.49         | 611.50          | 12.56           | 2,396.07         | 2,055.05         | 16.59%        | 16.87%         |
| Transport                    | 683.01           | 485.12           | 318.29          | 55.42           | 1,001.30         | 540.53           | 85.24%        | 7.05%          |
| Loan to FIs                  | 0.00             | 0.00             | 0.00            | 0.00            | 0.00             | 0.00             |               | 0.00%          |
| Personal Loan                | 844.72           | 1,077.46         | 227.60          | 313.52          | 1,072.32         | 1,390.99         | -22.91%       | 7.55%          |
| LAFD                         | 7.83             | 14.26            | 0.00            | 0.00            | 7.83             | 14.26            | -45.08%       | 0.06%          |
| Education                    | 50.74            | 12.88            | 19.22           | 0.00            | 69.97            | 12.88            | 443.20%       | 0.49%          |
| Staff loan                   | 26.74            | 16.60            | 24.91           | 2.03            | 51.65            | 18.63            | 177.20%       | 0.36%          |
| Government (short term)      | 0.00             | 0.00             | 0.00            | 0.00            | 0.00             | 0.00             | -25.10%       | 0.00%          |
| Others                       | 30.01            | 82.71            | 3.81            | 0.12            | 33.81            | 82.84            | -59.18%       | 0.24%          |
| <b>Totals</b>                | <b>11,316.24</b> | <b>11,507.03</b> | <b>2,885.82</b> | <b>1,272.91</b> | <b>14,202.06</b> | <b>12,779.95</b> | <b>11.13%</b> | <b>100.00%</b> |



## e) Micro, Cottage, Small, Medium, Large (MCSML) and Non-enterprise loan for September 2018 (figures in million Nu.)

| Sl no.         | Sector                      | Banks            |                  |                          |                              | Non Banks        |                 |                          |                              | Total FIs         |                  |                          |                              |
|----------------|-----------------------------|------------------|------------------|--------------------------|------------------------------|------------------|-----------------|--------------------------|------------------------------|-------------------|------------------|--------------------------|------------------------------|
|                |                             | Loan Outstanding | NPL              | % share of each category | % share of total outstanding | Loan Outstanding | NPL             | % share of each category | % share of total outstanding | Loan Outstanding  | NPL              | % share of each category | % share of total outstanding |
| (1) MICRO      | AGRICULTURE                 | 2,605.79         | 604.86           | 86.79%                   | 2.76%                        | -                | -               | 0.00%                    | 0.00%                        | 2,605.79          | 604.86           | 86.44%                   | 2.28%                        |
|                | PROD & MANU                 | 46.65            | 18.81            | 1.55%                    | 0.05%                        | 0.59             | (0.00)          | 4.90%                    | 0.00%                        | 47.24             | 18.81            | 1.57%                    | 0.04%                        |
|                | SERVICE                     | 58.84            | 30.82            | 1.96%                    | 0.06%                        | 4.08             | 1.12            | 33.94%                   | 0.02%                        | 62.92             | 31.95            | 2.09%                    | 0.06%                        |
|                | TRADE&COMMERCE              | 291.19           | 109.56           | 9.70%                    | 0.31%                        | 7.35             | 2.57            | 61.16%                   | 0.04%                        | 298.54            | 112.14           | 9.90%                    | 0.26%                        |
|                | LOANS TO FIs                | 0.00             | 0.00             | 0.00%                    | 0.00%                        | -                | -               | 0.00%                    | 0.00%                        | -                 | -                | 0.00%                    | 0.00%                        |
|                | <b>MICRO TOTAL</b>          | <b>3,002.47</b>  | <b>764.06</b>    | <b>100.00%</b>           | <b>3.19%</b>                 | <b>12.01</b>     | <b>3.70</b>     | <b>100.00%</b>           | <b>0.06%</b>                 | <b>3,014.48</b>   | <b>767.76</b>    | <b>100.00%</b>           | <b>2.64%</b>                 |
| (2) COTTAGE    | AGRICULTURE                 | 2,495.89         | 664.72           | 71.39%                   | 2.65%                        | 2.14             | 1.31            | 2.74%                    | 0.01%                        | 2,498.03          | 666.04           | 69.90%                   | 2.19%                        |
|                | PROD & MANU                 | 95.16            | 28.67            | 2.72%                    | 0.10%                        | 2.70             | 1.62            | 3.47%                    | 0.01%                        | 97.86             | 30.30            | 2.74%                    | 0.09%                        |
|                | SERVICE                     | 278.95           | 113.43           | 7.98%                    | 0.30%                        | 21.50            | 5.32            | 27.59%                   | 0.11%                        | 300.45            | 118.75           | 8.41%                    | 0.26%                        |
|                | TRADE&COMMERCE              | 625.97           | 189.57           | 17.91%                   | 0.66%                        | 51.58            | 17.92           | 66.20%                   | 0.26%                        | 677.54            | 207.49           | 18.96%                   | 0.59%                        |
|                | LOANS TO FIs                | 0.00             | -                | 0.00%                    | 0.00%                        | -                | -               | 0.00%                    | 0.00%                        | -                 | -                | 0.00%                    | 0.00%                        |
|                | <b>COTTAGE TOTAL</b>        | <b>3,495.97</b>  | <b>996.40</b>    | <b>100.00%</b>           | <b>3.71%</b>                 | <b>77.92</b>     | <b>26.17</b>    | <b>100.00%</b>           | <b>0.39%</b>                 | <b>3,573.89</b>   | <b>1,022.57</b>  | <b>100.00%</b>           | <b>3.13%</b>                 |
| (3) SMALL      | AGRICULTURE                 | 554.65           | 129.03           | 6.20%                    | 0.59%                        | 1.68             | (0.00)          | 0.05%                    | 0.01%                        | 556.33            | 129.03           | 4.40%                    | 0.49%                        |
|                | PROD & MANU                 | 1,666.93         | 517.56           | 18.62%                   | 1.77%                        | 283.55           | 82.78           | 7.67%                    | 1.42%                        | 1,950.48          | 600.34           | 15.42%                   | 1.71%                        |
|                | SERVICE                     | 2,111.61         | 555.88           | 23.59%                   | 2.24%                        | 1,748.77         | 443.80          | 47.28%                   | 8.75%                        | 3,860.37          | 999.68           | 30.52%                   | 3.38%                        |
|                | TRADE&COMMERCE              | 4,617.98         | 1,155.73         | 51.59%                   | 4.90%                        | 1,664.60         | 296.10          | 45.01%                   | 8.33%                        | 6,282.58          | 1,451.83         | 49.67%                   | 5.50%                        |
|                | LOANS TO FIs                | -                | -                | 0.00%                    | 0.00%                        | 0.00             | -               | 0.00%                    | 0.00%                        | -                 | -                | 0.00%                    | 0.00%                        |
|                | <b>SMALL TOTAL</b>          | <b>8,951.16</b>  | <b>2,358.21</b>  | <b>100%</b>              | <b>9.50%</b>                 | <b>3,698.60</b>  | <b>822.68</b>   | <b>100%</b>              | <b>18.50%</b>                | <b>12,649.76</b>  | <b>3,180.89</b>  | <b>100.00%</b>           | <b>11.07%</b>                |
| (4) MEDIUM     | AGRICULTURE                 | 254.06           | 46.22            | 1.43%                    | 0.27%                        | 4.31             | (0.00)          | 0.05%                    | 0.02%                        | 258.37            | 46.22            | 1.00%                    | 0.23%                        |
|                | PROD & MANU                 | 3,537.00         | 626.26           | 19.92%                   | 3.75%                        | 1,510.41         | 188.55          | 18.93%                   | 7.55%                        | 5,047.42          | 814.81           | 19.61%                   | 4.42%                        |
|                | SERVICE                     | 9,201.11         | 1,238.65         | 51.82%                   | 9.76%                        | 4,276.49         | 108.82          | 53.59%                   | 21.39%                       | 13,477.60         | 1,347.46         | 52.37%                   | 11.80%                       |
|                | TRADE&COMMERCE              | 4,764.75         | 1,043.83         | 26.83%                   | 5.06%                        | 2,188.06         | 178.71          | 27.42%                   | 10.94%                       | 6,952.81          | 1,222.54         | 27.02%                   | 6.09%                        |
|                | LOANS TO FIs                | -                | -                | 0.00%                    | 0.00%                        | -                | -               | 0.00%                    | 0.00%                        | -                 | -                | 0.00%                    | 0.00%                        |
|                | <b>MEDIUM TOTAL</b>         | <b>17,756.93</b> | <b>2,954.96</b>  | <b>100%</b>              | <b>18.84%</b>                | <b>7,979.28</b>  | <b>476.07</b>   | <b>100%</b>              | <b>39.91%</b>                | <b>25,736.21</b>  | <b>3,431.03</b>  | <b>100.00%</b>           | <b>22.53%</b>                |
| (5) LARGE      | AGRICULTURE                 | -                | 0.00             | 0.00%                    | 0.00%                        | -                | -               | 0.00%                    | 0.00%                        | -                 | -                | 0.00%                    | 0.00%                        |
|                | PROD & MANU                 | 6,054.67         | 578.42           | 35.20%                   | 6.42%                        | 456.93           | 256.04          | 47.54%                   | 2.29%                        | 6,511.60          | 834.46           | 35.85%                   | 5.70%                        |
|                | SERVICE                     | 8,883.23         | 176.16           | 51.64%                   | 9.42%                        | 408.44           | 0.00            | 42.49%                   | 2.04%                        | 9,291.68          | 176.16           | 51.16%                   | 8.13%                        |
|                | TRADE&COMMERCE              | 1,876.78         | 60.42            | 10.91%                   | 1.99%                        | 95.83            | 95.83           | 9.97%                    | 0.48%                        | 1,972.60          | 156.25           | 10.86%                   | 1.73%                        |
|                | LOANS TO FIs                | 387.16           | 0.00             | 2.25%                    | 0.41%                        | -                | -               | 0.00%                    | 0.00%                        | 387.16            | -                | 2.13%                    | 0.34%                        |
|                | <b>LARGE TOTAL</b>          | <b>17,201.84</b> | <b>815.00</b>    | <b>100%</b>              | <b>18.25%</b>                | <b>961.20</b>    | <b>351.87</b>   | <b>100%</b>              | <b>4.81%</b>                 | <b>18,163.04</b>  | <b>1,166.87</b>  | <b>100.00%</b>           | <b>15.90%</b>                |
| Non-Enterprise | HOUSING                     | 24,462.00        | 1,784.56         | 55.79%                   | 25.95%                       | 2,977.33         | 611.50          | 40.98%                   | 14.89%                       | 27,439.34         | 2,396.07         | 53.68%                   | 24.02%                       |
|                | TRANSPORT                   | 5,344.69         | 683.01           | 12.19%                   | 5.67%                        | 1,368.66         | 318.29          | 18.84%                   | 6.85%                        | 6,713.34          | 1,001.30         | 13.13%                   | 5.88%                        |
|                | PERSONAL                    | 10,015.48        | 844.72           | 22.84%                   | 10.63%                       | 2,343.31         | 227.60          | 32.26%                   | 11.72%                       | 12,358.79         | 1,072.32         | 24.18%                   | 10.82%                       |
|                | STAFF LOAN                  | 1,220.72         | 26.74            | 2.78%                    | 1.30%                        | 413.89           | 24.91           | 5.70%                    | 2.07%                        | 1,634.61          | 51.65            | 3.20%                    | 1.43%                        |
|                | Education Loan              | 952.47           | 50.74            | 2.17%                    | 1.01%                        | 68.67            | 19.22           | 0.95%                    | 0.34%                        | 1,021.14          | 69.97            | 2.00%                    | 0.89%                        |
|                | Loan Against Fixed Deposits | 482.71           | 7.83             | 1.10%                    | 0.51%                        | -                | -               | 0.00%                    | 0.00%                        | 482.71            | 7.83             | 0.94%                    | 0.42%                        |
|                | Loans to the Govt           | 456.52           | 0.00             | 1.04%                    | 0.48%                        | -                | -               | 0.00%                    | 0.00%                        | 456.52            | 0.00             | 0.89%                    | 0.40%                        |
|                | Others                      | 914.17           | 30.01            | 2.08%                    | 0.97%                        | 92.89            | 3.81            | 1.28%                    | 0.46%                        | 1,007.06          | 33.81            | 1.97%                    | 0.88%                        |
|                | <b>Non-Enterprise TOTAL</b> | <b>43,848.75</b> | <b>3,427.61</b>  | <b>100.00%</b>           | <b>46.52%</b>                | <b>7,264.75</b>  | <b>1,205.32</b> | <b>100%</b>              | <b>36.34%</b>                | <b>51,113.50</b>  | <b>4,632.94</b>  | <b>100.00%</b>           | <b>44.74%</b>                |
|                | <b>GRAND TOTAL</b>          | <b>94,257.11</b> | <b>11,316.24</b> |                          |                              | <b>19,993.76</b> | <b>2,885.82</b> |                          |                              | <b>114,250.87</b> | <b>14,202.06</b> |                          |                              |

