

**Report**  
**Presented by the Chairman**  
**On behalf of the Board of Directors**  
**In the Seventh Annual General Meeting of**  
**Nepal Development Bank Limited**

Dear Shareholders,

I welcome all the shareholders present in the Seventh Annual General Meeting of this bank on behalf of the Board of Directors and wish to present the Bank's annual report. The audit report, balance sheet, profit and loss accounts and cash flow statement for the fiscal year 2061/62 has already been sent to you and I am confident that the same will be discussed and passed/approved in this meeting.

(a) **Retrospective of last year's business**

1. **Comparative description of the bank's business in the FY 2061/62 is as follows**

Particulars	Fiscal Year 2061/62	Fiscal Year 2060/61	Growth Rate Percent
Total Assets	1672735	1995978	(16.19%)
Total Deposit	1631264	1845491	(11.61%)
Total Loans & Advances	842184	1532801	(45.06%)
Total Investment	144200	189104	(23.75%)
Interest Income	117424	184506	(36.36%)
Other Income	238564	2714	8690.13%
Interest Expenses	115369	140432	(17.85%)
Employee and Office operation expense	41309	38471	2296.42%
Gross Profit	199310	8317	2296.42%
Loan/Deposit Ratio	51.63%	83.05%	
Portion of generating assets/total assets	58.97%	86.26%	

The bank has been able to increase its gross profit in comparison to last year and brought improvement in the condition of the bank.

2. **Distribution of Profit and Loss Accounts**

General reserve fund of Rs. 1 crore 57 lacs 67 thousand, which has to be provided regularly, has been kept aside from the net profit of Rs 7 crores 88 lacs 31 thousand and as per the directive of the Nepal Rastra Bank, Rs 85 lacs 36 thousand to be transferred to deferred interest and additional income tax of Rs. 3 lacs 4 thousand for the FY 2057/58 is adjusted and the remaining cumulative

profit of Rs. 5 crore 42 lacs 24 thousand is adjusted in the last year's cumulative loss. The cumulative loss reflecting in the balance sheet is mainly due to the directive of Nepal Rastra Bank to provide sufficient risk provision for loans. It is believed that the risk provision will further strengthen the financial condition of the bank. We are confident that the risk provision will substantially minimize maintenance and management of inactive loans as well as loss amount after immediate sale of non-banking assets. I would like to bring to your notice that the cumulative loss has reduced by 19 percent in this year.

3. Non-Banking Assets

Non banking assets worth Rs. 20 crore 61 lacs 98 thousands has been sold in the FY 2061/62 and the bank aims to sell the remaining non banking assets also as soon as possible within this fiscal year.

(b) Effect of the National and International circumstances on the bank if any

Though some improvements have been seen in the world economy this year, no remarkable signs of improvement are seen in the country's economy due to the present political instability.

The GDP growth rate of the country in the FY 2060/61 was 3.3 percent that is estimated to have reduced to 2.0 percent in the FY 2061/62. Growth rate on agriculture and non-agriculture is estimated at 3.9 percent and 2.9 percent respectively. The decline in the overall economic area has also effected the industrial and commercial area.

(c) Opinion of the Board of Directors on the achievements of the current year as on the date of preparing the report and future tactics

1. Progress of the first 5 months of the current year

During the first 5 months of the current year, the total deposits of the bank is Rs. 157 crore 26 lacs 91 thousand and the total loans and investments is Rs.92 crores 68 lacs 90 thousand. I would like to inform that considering the present economic circumstances, the bank has been cautious in loans flow and investment in the current fiscal year. In the process of diversifying income-generating assets, the bank has given more priority to consumer loans mostly like housing loans.

2. Future programs and strategy of the bank

As per the policy directive of the Nepal Rastra Bank and considering the economic environment of the country, the bank is making effort and is committed towards making its activities contemporary, progressive and consumer friendly and diversifying in deposits according to the priorities, minimizing cost of financial resources, increasing loan recovery, fast selling of NBA, improving the quality of income generating assets and increasing income based on non funds thus improving the financial condition of the bank. In the process of implementing tarjuma capital fund of the bank, a capital plan has been prepared and presented to Nepal Rastra Bank for approval. Priority will be given

to increase paid up capital of the bank from 16 crores to 32 crores within this fiscal by issuing 1:1 right shares, extension of two branches in Lalitpur and Pokhara, registering the bank in the group 'B' financial institution as per the directive of the Nepal Rastra Bank and expand the area of operation of the bank, upgrading the software used by the bank as well as making the commercial information system contemporary, installing necessary infrastructure for providing electronic banking service and starting remittance business.

For resources flow, new saving accounts like Dhanlaxmi recurring deposit, Retirement deposit and GRID has been started. Necessary homework is underway to provide depositors with additional facilities like VISA debit card. Agreement for associate membership has been done and approval from VISA International received. ABBS as well as foreign currency business has also been started.

(d) Industrial and Commercial relations of the company

Industrial and commercial of this bank is good.

(e) Changes in the Board of Directors and its reason

As per the policy of Nepal Rastra Bank, one of the 11 directors of the board of directors of this bank as provided in its articles of association, to not have its representative in the board of directors of banks and financial institutions, the position of the director who represented Nepal Rastra Bank will be vacant. The vacant position of the representative of the founder shareholders director Mr. Manahar Pun has been filled by founder shareholder Mr. Om Karnadas Shrestha from 2062/6/18 for the remaining tenure. As provided in the articles of association and with the mutual understanding of the corporate founders Mr Jitendra Nath Rimal was representing as director in the board of directors on behalf of Rastriya Beema Sansthan. Since the tenure of Rastriya Beema Sansthan has expired, Nepal Sahakari Sansthan Limited will be representing as director from 2062/3/19 and Mr Amar Gurung will be the representative on behalf of Nepal Sahakari Sansthan Limited. On behalf of Global Trading and Engineering Investment Company Pvt Ltd, nominated from the general shareholders, Mr. Bal Krishna Man Singh has been representing since 2062/4/1. Likewise, the resignation of Mr. Devi Prakash Bhattachhan, representative of Prabhu Investment Pvt. Ltd nominated from the general shareholders, from the position of director has come into effect from 2062/6/18 and that position is vacant. In place of representative of IDBI director Mr. K. Shivprakash Sharma, Mr. H.S.G. Shetty is representing from 2062/3/31.

I wish to thank Mr. Manahar Pun, Mr. Jitendra Nath Rimal, Mr. K. Shivapraksham and Mr. Devi Prakash Bhattachhan for their help extended while they were in the position of directors of the bank.

(f) Main factors effecting business

Competition in the banking and financial fields in the country, instability in the political area and limitation in areas of investment has directly effected the bank's business.

(g) Any remarks in the audit report and the Board of Directors' reaction

No remarks from the auditor.

- (h) Amount recommended for distribution as profit dividend

None

- (i) Description of number of forfeited shares if any, marked value of such shares, amount received by the company before such shares were forfeited, amount received by the company by selling such forfeited shares and amount returned for such shares

None

- (j) Progress in the business of the company and its associate company in the last fiscal year and evaluation of the condition at the end of that fiscal year

Progress in the business of this bank is already described above. It has no associate company.

- (k) Main business undertaken by the company and its associate company and any remarkable changes in the business of the company during that period

No remarkable changes

- (l) Any information provided by the basic shareholders to the company in last fiscal year

No information provided

- (m) Description of shares taken under ownership by the company directors and officials in the last fiscal year and information received by the company by them if they were involved in the share transaction of the company

- (n) Information provided on the personal gain of the directors and their close relatives in agreements related with the company in the last fiscal year

None

- (o) Reasons why if the company has purchased its own share, number of such shares, marked value and the amount paid by the company for the purchase of such share

The bank has not purchase its own shares

- (p) Internal control systems exists or not and its detailed description

In order to make internal control system effective, there is a provision for internal audit. In order to update the internal audit system and complying with the directive of Nepal Rastra Bank and various regulations, arrangements has been made to keep the audit and daily transactions regularly and in a managed manner. This is expected to bring transparency in the accounting system of the bank.

- (q) Total management expenses in the last fiscal year

In the last fiscal year 2061/62, management expenses of Rs. 52 lacs 55 thousand was incurred for 15 employees.

- (r) Name list of the members of the audit committee, their remuneration, allowance and facilities, description of tasks done by the committee and description of any suggestions given by the committee.

Directors of this bank Balkrishna Man Singh – president, Manohar Prasad Sherchan and Omkar Das Shrestha – members, are the members of the audit committee. Members of the audit committee are given a meeting allowance of Rs. 2000/- per meeting and operate in accordance with the Company Directive and the Directive of the Nepal Rastra Bank.

- (s) Description of any amount to be paid to the company by the director, managing director, chief executive, company's basic shareholders, their close relatives or firm, company or organization associated with them

No amount to be paid

- (t) Amount paid as remuneration, allowance and facilities to director, managing director, chief executive and officials

S.No	Description	Remuneration	Meeting allowance
1	Managing Director/ Chief executive	4,04,000/- annual	2000/-
2	Directors	60,000/- per director inclusive of guest entertainment, telephone, magazines, conveyance and other expenses	2000/-
3	Executive Director	8,64,500/- annual	

- (u) Dividend amount to be received by shareholders

None

- (v) Any thing to be declared in the report of the Board of Directors as per this directive and popular acts

None

- (w) Other necessary topic

1. Registration provision

The remarkable change in the area of operation of banks as a result of the Directive for Bank and Financial Institutions is expected to bring about effective results for this bank also. As per this directive, this bank has to be duly registered

as financial institution within Maagh 16, 2062. Hence, I wish to inform that preparation is being made to register the banks Management Summary, Articles of Association and other papers after making necessary amendments with Nepal Rastra Bank and other related offices.

2. Special proposal

This bank has been registered under Company Act 2053 and is operating under Development Bank Act 2052. The Directive for Banks and Financial Institutions, 2062 has cancelled the Development Bank Act, 2052 and Company Act, 2053 also has been cancelled and Company Directive 2062 has come into effect complying with which the Management Summary and Articles of Association of the bank has to be necessarily amended. Hence I have presented this special proposal for the approval of the attached proposed Management Summary and Articles of Association.

Lastly

I heartily thank all the shareholders who have directly or indirectly helped in the operation of the bank, customers, HMG Ministry of Finance, Nepal Rastra Bank, Nepal Stock Board, Nepal Stock Exchange Market Limited, Company Registrar's Office and other related authorities and assisting banks and financial institutions.

I would also like to thank the management and the employees of the bank who have directly been involved and continuously helped in the bank operation and hope to get more active and creative help from them in the future.

Thank you

Uttam Pun  
Chairman

Prithu Narsing Rana  
Director