

Financial Institutions Supervision Report

2022/23



Nepal Rastra Bank

Financial Institutions Supervision Department

Kathmandu, Nepal

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It examines the operational and policy issues that have an impact on the banking industry and the regulators/supervisors that oversee it. It also attempts to disseminate information on other financial sector-related concerns, such as the supervision of development banks and finance companies. The changes in 2022/23 AD are primarily the subject of the Financial Institutions Supervision Department's Annual Report. However, some recent developments that occurred up until the time the report was finalized are also included.

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Message from the Executive Director

The growing global financial integration, financial innovation and evolution of new financial products along with massive use of digital technology in financial services have made central bankers' job even more challenging on one hand and on the other, sluggish domestic economy, rising non-performing loan, inadequate credit risk assessment, increasing non-banking assets caused by loan recovery hurdles, misleading information about financial institutions, etc. have been creating financial risks and vulnerabilities in the Nepalese financial system as well. Maintaining financial stability with sustainable economic growth requires an understanding of the key macro-economic trends, banking system dynamics, and sound risk mitigating measures of financial system. As a supervisor of Development Banks and Finance Companies, Financial Institutions Supervision Department (FISD) is accelerating its effort to promote adequate transparency, disclosures and better risk management practices by effective supervision and policy enforcement so as to enhance the public confidence towards the banking system. This annual supervision report is yet another endeavour to disseminate the information regarding the status of financial institutions with the help of statistics.

Despite minimum share of total assets in industry, the rising problems in Development Banks and Finance Companies may deteriorate the public confidence and obstruct in building resilient financial system because of their deepened penetration particularly into the relatively small and medium enterprises as clients and transactional interconnectedness with commercial banks and other forms of financial institutions in domestic economy. If public confidence towards Development Banks or Finance Companies erode even in a diminutive scale, it ultimately generated threats to overall financial stability and thus to economic development of the nation. While analysing the data metrics of Development Bank and Finance Companies, several shortcomings and shutoffs still exist in maintaining asset quality, managing liquidity, interest rate stability and allocating serviceable financial resources to the priority sector and employment generating key industries.

In FY 2022/23, the NPL of Development Bank and Finance Companies averagely increased to 2.5 percent and 4.5 percent respectively which were 1.4 percent and 2.5 percent a year ago. Similarly, the non-banking assets of Development banks and Finance companies increased by 52.2 percent and 82.1 percent respectively in the review period as compared to the previous fiscal year. The department is striving to address these challenges through continuous monitoring.

NRB is adopting the internationally accepted supervisory principles and practices and implementing it successively from A class institutions and gradually to B and C class institutions in order to mitigate the systemic risk. Out of various international supervisory principles and practices, FISD is adopting risk-based supervision, stress testing mechanism, updated capital adequacy framework, supervisory information system, etc. to create stronger and more robust financial institutions.

I am really gladdened to have sincere helps from my colleagues to prepare this report. My sincere thanks goes to Deputy Directors, Mr. Raju Paudel and Niraj Adhikari, Assistant Directors Mr. Ramesh Saru, Mr. Nirjal Ghimire and Ms. Isha Shrestha for their untiring efforts to complete this report. Finally, I would like to thank Director Mr. Anuj Dahal for doing rigorous peer review of the report.

Thank you !

Dayaram Sharma Pangi
Executive Director
Financial Institutions Supervision Department
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List of Abbreviations

A.D.	:	Anno Domini
ADBN	:	Agricultural Development Bank Nepal
AGM	:	Annual General Meeting
ALCO	:	Asset-Liability Committee
AML/CFT	:	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	:	Automated Teller Machine
BAFIA	:	Bank and Financial Institutions Act
BCBS	:	Basel Committee on Banking Supervision
BFIRD	:	Bank and Financial Institutions Regulation Department
BFI	:	Bank and Financial Institutions
BLB	:	Branchless Banking
BOD	:	Board of Director
BSD	:	Bank Supervision Department
CAELS	:	Capital Adequacy, Assets Quality, Earning, Liquidity, Sensitivity
CAR	:	Capital Adequacy Ratio
CB	:	Commercial Bank
CBA	:	Compliance Based Approach
CCD	:	Credit to Core Capital and Deposit
CD	:	Credit to Deposit
CEO	:	Chief Executive Officer
CIT	:	Citizen Investment Trust
CRR	:	Cash Reserve Ratio
DBs	:	Development Banks
DBSD	:	Development Bank Supervision Department
DDA	:	Due Diligence Audit
DSL	:	Deprived Sector Lending
ECDD	:	Enhanced Customer Due Diligence
ED	:	Executive Director
EPF	:	Employee Provident Fund
ER	:	Exchange Rate
FACS	:	Financial Analysis and Compliance Section
FCs	:	Finance Companies
FCSD	:	Finance Company Supervision Department

FinTech	:	Financial Technology
FIs	:	Financial Institutions
FISD	:	Financial Institutions Supervision Department
FY	:	Fiscal Year
HR	:	Human Resource
ICAAP	:	Internal Capital Adequacy Assessment Process
IR	:	Interest Rate
IT	:	Information Technology
KYC	:	Know Your Customer
KYE	:	Know Your Employee
LTV Ratio	:	Loan to Value Ratio
MFIs	:	Micro Finance Institutions
MFISD	:	Micro Finance Institutions Supervision Department
MIS	:	Management Information System
NBA	:	Non-Banking Assets
NFRS	:	Nepal Financial Reporting Standards
NIDC	:	Nepal Industrial and Development Corporation
NPA	:	Non-Performing Assets
NPL	:	Non-Performing Loan
NRB	:	Nepal Rastra Bank
NRS	:	Nepalese Rupees
PEPs	:	Politically Exposed Persons
PFIR	:	Problematic Financial Institution Resolution
PIN	:	Personal Identification Number
QR	:	Quick Response
RBA	:	Risk Based Approach
RBB	:	Rastriya Banijya Bank
RBS	:	Risk Based Supervision
RWA	:	Risk Weighted Assets
RWE	:	Risk Weighted Exposure
SIF	:	Specialized Investment Fund
SIS	:	Supervisory Information System
SLR	:	Statutory Liquidity Ratio
SWIFT	:	Society for Worldwide Interbank Financial Telecommunication

CHAPTER 1

AN OVERVIEW OF FINANCIAL INSTITUTIONS

A Short Glimpse of Banking in Nepal

- 1.1 Prior to the establishment of Nepal Rastra Bank, Nepal's banking history began in 1937 A.D. with the establishment of Nepal Bank Limited as the first commercial bank of the country under the then Nepal Bank Act 1937. This was followed by the establishment of Rastriya Banijya Bank in 1966 A.D. Under the then Rastriya Banijya Bank Act, 1965. Both the banks were brought under the Commercial Bank Act 1974, abolishing the two separate acts under which they were established.
- 1.2 The history of DBs in Nepal is assumed to have commenced with the establishment of Nepal Industrial Development Bank¹ in 1957 A.D., with the aim of mobilizing the financial resources towards the industrial sector for mid to longer term need. Similarly, for providing resources to the agricultural sector for enhancing its productivity, Agricultural Development Bank Nepal (ADB/N) was established in 1968 A.D. under the Agricultural Development Bank Act, 1967 promulgated then by merging the then Cooperative Development Bank established in 1963 A.D. into it. Later the Bhumisudhar & Bachat Sasthan was also merged with ADBN in 1973 A.D.
- 1.3 Nepal embraced financial sector liberalization process since 1980s adopting various measures such as interest rate deregulation, bank licensing for private sector, restructuring the then poorly performing two state-owned banks, among others. Following the establishment of the first private sector bank, Nepal Arab Bank Limited² in 1984 A.D. which was also the country's first foreign joint venture bank, many other private sector banks were licensed subsequently, some as joint ventures and others as fully owned by Nepalese promoters. To meet the requirement of the consumer financing sector, a separate institutional arrangement was deemed necessary, and for this, Finance Company Act, 1985 was enacted. Following this, Nepal Housing Development Finance Company Limited³ was established in 1992 A.D. as the first FC in country.
- 1.4 The BAFIA, 2004 was enacted in February 2004 A.D. as an umbrella act abolishing all earlier individual acts under which the banks and financial institutions were established till then. In 2017 A.D., a new BAFIA was enacted abolishing the earlier BAFIA 2004.
- 1.5 As a central bank of Nepal, NRB was established in 1956 A.D. under the then Nepal Rastra Bank Act, 1955 with the main aim of issuing Nepalese banknote, promoting the use and stabilizing the exchange rate of Nepalese currency. Later, Nepal Rastra Bank Act 2002 was promulgated abolishing the earlier act. As per this new act, NRB's objectives are to ensure price stability, external sector stability along with increasing the public access to financial

¹ Converted into Nepal Industrial Development Corporation in 1959, later merged with Rastriya Banijya Bank in 2018.

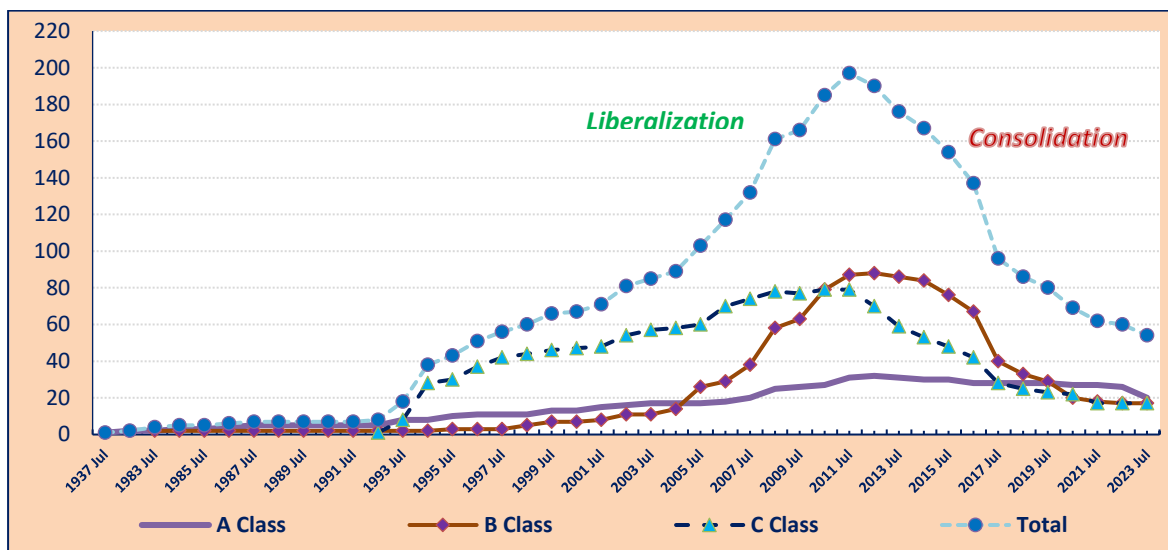
² Now Nabil Bank Limited

³ Nepal Housing Development Finance Company Limited initially merged into the then Siddhartha Development Bank Limited in 2016, which was later acquired by the then Janata Bank Nepal Limited in 2017, and this bank too further merged into Global IME Bank Limited later in 2019.

services, and increase public confidence towards the overall banking system with in the country through maintaining financial sector stability.

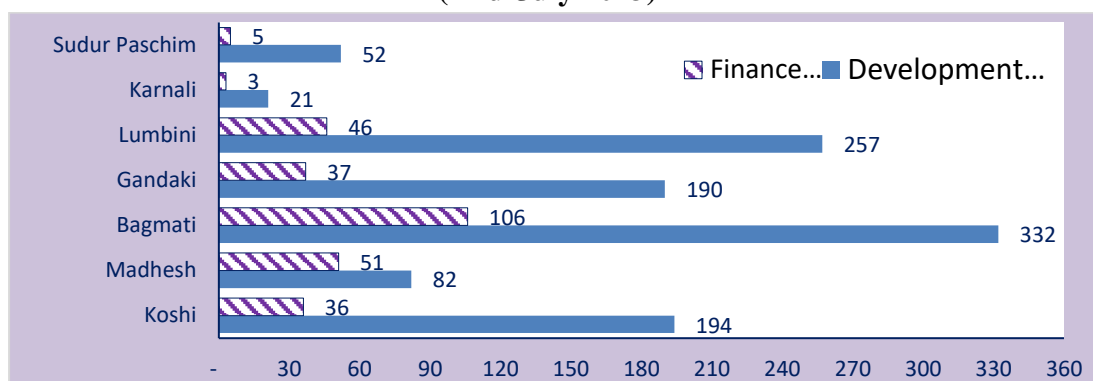
- 1.6 After the adoption of liberalization policy in the early 1990s, banking sector grew rapidly. However, with the adoption of consolidation policy from early 2010s, the number of bank and FIs have substantially decreased.

Figure 1.1 : Number of BFIs in Nepal



- 1.7 Where the banks during the initial eras were focussing on the delivery of traditional banking services such as taking deposits, granting loans, opening letters of credit, issuing guarantees, and functioning as agent of their clients, over the past few years, these institutions have engaged in delivering modern banking services using advanced finTech solutions. Currently, Nepal’s financial sector is moving hand-in-hand with NRB to promote the country towards a less-cash economy, bringing transaction methods such as Card and QR-code based payment as a convenient and efficient electronic payment alternative.
- 1.8 As of mid-July 2023, the total number of B and C class FIs remained 34 including 17 DBs and 17 FCs and their total number of branches remained 1412 as of the period with 1128 DB branches and 284 FC branches. In FY 2022/23, B and C class FIs expanded 27 branches, out of which B class FIs expanded 10 branches and C class FIs expanded 17 branches.
- 1.9 As of mid-July 2023, B class FIs were present in 68 districts whereas C class FIs were present in 42 districts of the country. In a province-wise scenario, Bagmati province has the highest number of branches with 332 branches of DBs and 106 branches of FCs as of mid-July 2023. The second province having higher number of presence of DBs is Lumbini province with 257 branches of DBs and Madhesh Province with 51 branches of FCs as of mid-July 2023. Similarly, the Koshi province also has higher presence of DBs and FCs with 194 branches of DBs and 36 branches of FCs as of the same period. The province that has lowest presence of DBs and FCs is Karnali province with just 21 branches of DBs and 3 branches of FCs as of review period. It seems that the DBs and FCs have concentrated their business into four major provinces viz. Bagmati, Lumbini, Koshi and Gandaki with 1198 branches.

**Figure 1.2 : Province-wise Branch Network of B and C class FIs
(Mid-July 2023)**



Source: Bank and Financial Institutions Regulation Department, NRB

- 1.10 As of mid-July 2023, the total amount of deposit and loans and advances of B and C class FIs taken together is Rs.684.1 billion and Rs.561.4 billion respectively which were Rs.612.7 billion and Rs 502.3 billion respectively a year ago.

**Table 1.1 : Financial Indicators⁴ of DBs and FCs
(Mid-July, 2023)**

Indicators	2077/78	2078/79	2079/80
Number of FIs	35	34	34
B Class	18	17	17
C Class	17	17	17
Branches of FIs	1245	1385	1412
B Class	1023	1118	1128
C Class	222	267	284
No. of employee	-	10,826	11,229
Paid-up Capital (Amount in billion)	52.0	54.9	55.2
Total Deposit (Amount in billion)	533.9	612.7	684.1
Total Loan (Amount in billion)	451.97	502.3	561.4
Non-Banking Assets (Amount in billion)	1.0	2.07	3.33
NPL/Total Loan (%)			
B class	1.3	1.40	2.50
C class	3.2	2.50	4.50
Total Liquid Assets/Total Deposit			
B class	25.1	25.3	27.2
C class	41.8	39.6	33.7
Capital Adequacy Ratio			
B class	13.14	13.1	13.21
C class	22.04	17.75	17.01
Credit to Deposit Ratio			
B class	78.39#	84.32	81.8
C class	68.41#	85.59	81.02

1.11 Sources : FISD and BFIRD

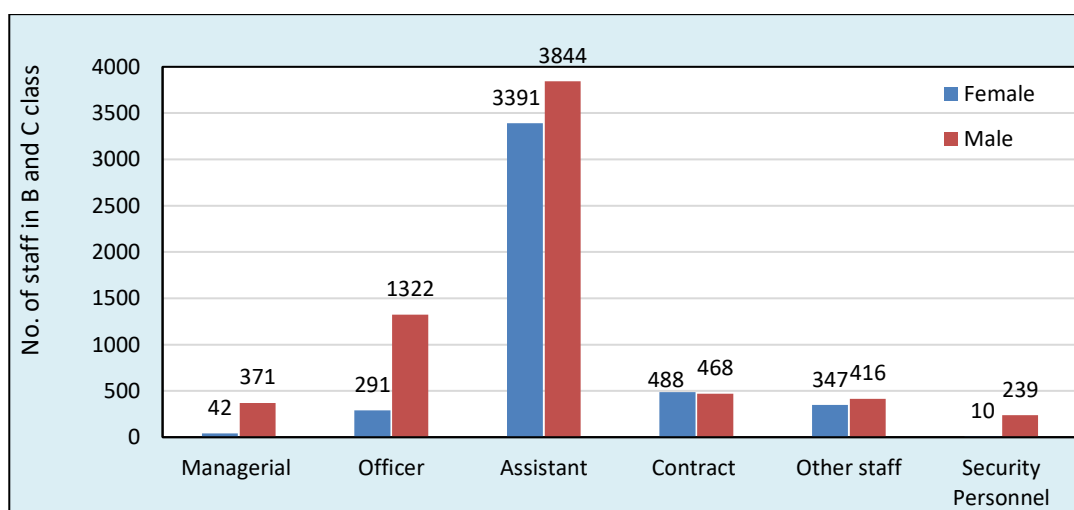
#Month end (last day) CCD ratio,

Note : Total deposit, loan, paid up capital, NPL, CAR, CD related figures are the weighted average of A, B, and C only.

⁴ Monthly Statistics, BFIRD

- 1.12 In the review year, the growth of total amount of deposit remained 11.7 percent and that growth of loan remained 11.8 percent.
- 1.13 While the total branches of all A, B and C class FIs are taken into consideration, the population per branch stands as 4514 as of mid-July 2023, which was 4565 as of mid-July 2022⁵. If D class MFIs are also considered, such indicator reduces to 2,517 as of mid-July 2023 as compared to that of 2532 as of mid-July 2022.
- 1.14 As of mid-July 2023, the number of employees at DBs was 8871 and that of FCs was 2358. Hence, there were altogether 11,229 employees in DBs and FCs taken together while 10,826 employees were recorded on mid-July 2022, showing around 3.7 percent employment growth in these two types of FIs. Out of the total employees in the FIs, as of mid-July 2023, there were 6,660 male and 4,569 female making the ratio of male and female ratio of 1.46:1.

**Figure 1.3 : Employment status in B and C class institutions
(Mid-July, 2023)**



- 1.15 The total share of DBs and FCs on the total assets of banking industry comprising A, B, C and D FIs stands as 8.6 percent and 2.0 percent respectively as of mid-July 2023. The table below shows the share of all A, B, C and D class BFIs on the overall total assets during the last five years.

**Table 1.2 : BFIs Share on assets
(Mid-July 2023)**

BFIs	Share as on mid-July(%)				
	2019	2020	2021	2022	2023
Commercial Banks	80.9	83.6	83.2	82.4	83.1
Development Banks	10.7	7.8	8.0	8.4	8.6
Finance Companies	2.5	2.4	1.9	2.1	2.0
Micro Finance Institutions	6.0	6.2	6.8	7.1	6.3
Total	100.0	100.0	100.0	100.0	100.0

Source: BFIRD and MFISD

⁵ The total population of Nepal is 29,164,578 as per Census Nepal 2021 report)

Financial Access and Financial Inclusion of FIs

1.16 NRB is working to promote cashless transactions. During FY 2022/23, total number of digital and electronic transactions increased by 37.6 percent⁶ compared to last fiscal year. Means of electronic payment are diversified. Along with the easiness in doing payment transactions, the use of digital payment methods has also contributed in promoting financial inclusion, especially increasing the access of rural as well as unbanked mass of population to the banking services.

**Table 1.3 : Status of B and C class FIs on some Financial Inclusion Parameters
(Mid-July, 2023)**

Indicators	B Class	C Class	Total of B and C class Institutions
No. of Deposit Accounts	6413689	782346	7196035
No. of Loan Accounts	291236	41784	333020
No. of BLB Customer	49	0	49
Mobile banking subscribers	2772852	152682	2925534
Internet Banking Access	494753	13472	508225
No. of ATM	346	44	390
Debit Card numbers	826506	60553	887059

Sources: Monthly Statistics, BFIRD

1.17 As of mid-July 2023, both B and C class FIs, in aggregate, owned around 7.2 million deposit accounts and around 0.33 million loan accounts. The total number of mobile banking subscribers were around 2.9 million in both types of institutions taken together.

⁶ NRB, Current Macro-Economic and Financial Situation of Nepal, Mid-July 2023

CHAPTER 2

FINANCIAL INSTITUTIONS SUPERVISION

Overview of FI Supervision

- 2.1 NRB is entrusted with the responsibility to supervise the licensed BFIs through NRB Act 2002. Accordingly, the supervision departments at NRB conduct, as part of their supervision functions, onsite examination and offsite supervision of licensed institutions, and closely monitor the enforcement of the directives and other instructions given on case to case basis. While at micro level, the objective of such supervision function is to protect individual depositor's interest, at macro level. Prudential regulation and supervision aims to ensure financial sector stability and thereby macroeconomic stability in turn.
- 2.2 FISD at NRB is responsible for supervising all of the licensed B and C class FIs. This department conducts its functions through approved annual plan that contains plans for the inspection and enforcement offsite monitoring, reporting, interactions, workshops, and other necessary special tasks and programs.
- 2.3 Before 13th of February 2022, there were two separate departments viz. DBSD to supervise DBs and FCSD to supervise FCs. From the date, both the departments were merged to form a single department. As per the bank's current policy, the FISD is conducting risk based onsite supervision of 8 national level DBs and compliance-based onsite supervision of remaining DBs and FCs .
- 2.4 The current regulatory provision requires all national level DBs to maintain capital adequacy ratios as per Capital Adequacy Framework 2015. For all other regional level DBs as well as all national and regional level FCs, the applicable capital adequacy framework is Capital Adequacy Framework 2007 (Updated July 2008).

Scope of the FISD Operations

- 2.5 As stated earlier in this report, supervision of DBs and FCs falls under the scope of FISD. As of July 2023, there were 17 DBs (out of these 8 are national level) and 17 FCs. Where national level DBs require minimum Rs. 2500 million paid up capital, where as regional level DBs require only Rs. 1200 million paid up capital. Similarly, minimum paid-up capital of Rs.800 million has been required for national level FCs and Rs.500 million paid up capital for regional level FCs. The BAFIA, 2017 has specified the functions that could be conducted by DBs and FCs. However, a FI with a higher capital base can conduct any of its function at a larger scale compared to the one with a lower capital base.
- 2.6 As per the current regulatory provision, regional level DBs not maintained the specified amount of paid up capital will not be allowed to expand their branch network any further. However, they are allowed to expand branch network by confining their expansion to maximum 5 adjacent districts within their specified province if they have at least Rs.500 million paid up capital and get prior approval from NRB. This provision also applies to FCs, but the minimum paid up capital required for them to restrict their branch operation within the 5 adjacent districts is Rs.400 million. The following table presents the list of national level

and regional level DBs with their paid-up capital level and the number of districts within which they are operating as of mid-July 2023.

Table 2.1 : Paid-up Capital, Geographical Scope and Number of Branches of DBs
(Mid-July, 2023)

S. N.	Name	Paid up Capital (Rs. in million)	Scope	No. of Branches ⁷
1	Shangri-la Development Bank Ltd.	3267.6	National	112
2	Kamana Sewa Bikas Bank Ltd.	3281.2	National	135
3	Lumbini Bikas Bank Ltd.	3382.8	National	89
4	Mahalaxmi Bikas Bank Ltd.	4171.3	National	104
5	Shine Resunga Development Bank Ltd.	4283.9	National	88
6	Jyoti Bikas Bank Ltd.	4395.8	National	121
7	Garima Bikas Bank Ltd.	5187.7	National	134
8	Muktinath Bikas Bank Ltd.	6420.9	National	173
9	Saptakoshi Development Bank Ltd.	834.3	1-7 District	35
10	Karnali Development Bank Ltd.	502.8	1-5 District	19
11	Green Development Bank Ltd.	519.0	1-5 District	15
12	Sindhu Bikas Bank Ltd.	557.5	1-5 District	25
13	Miteri Development Bank Ltd.	1015.0	1-5 District	18
14	Excel Development Bank Ltd.	1249.7	1-5 District	44
15	Narayani Development Bank Ltd.	262.5	1-3 District	5
16	Corporate Development Bank Ltd.	525	1-3 District	4
17	Salapa Bikash Bank Ltd.	350	1 District	6

Sources: *Bank and Financial Institutions Regulation Department*

- 2.7 Out of the total 17 FCs, 15 are national level and 2 are regional level. Out of 15 national level FCs, two of them are declared problematic institution. Following a DDA valuation, the paid up capital of NSMFL'S was reduced to Rs. 233.3 millions. which makes it non-compliant to the minimum capital requirement. Another FC is also declared as problematic institution by NRB. The resolution efforts for that FC is undergoing. On the other hand, out of the 2 regional level FCs, one FC has not been able to maintain minimum amount of paid up capital specified for the regional level FCs. Hence, it has confined its branch network within 5 adjacent districts until it maintains the required paid up capital of Rs.400 million.
- 2.8 Following is the list of national level and regional level FCs with the number of districts they are operating within as of mid-July 2023.

⁷ Reporting.nrb.org.np

Table 2.2 : Paid-up Capital, Geographical Scope and Branch Network of FCs
(Mid-July, 2023)

S.N.	Name	No. of Branches [#]	Paid Up Capital (Rs. in Million)	Geography of Operation
1	Manjushree Finance Ltd.	27	1351.6	National
2	ICFC Finance Ltd.	21	1183.5	National
3	Pokhara Finance Ltd.	25	1082.6	National
4	Reliance Finance Ltd.	22	1053.0	National
5	Guheshwori Merchant Banking & Finance Ltd.	23	1012.2	National
6	Shree Investment & Finance Co. Ltd.	13	981.7	National
7	Central Finance Ltd.	19	948.9	National
8	Goodwill Finance Ltd.	18	946.1	National
9	Capital Merchant Banking & Finance Ltd.	1	935.1	National (Problematic)
10	Gorkhas Finance Ltd.	26	868.0	National
11	Best Finance Ltd.	18	854.8	National
12	Progressive Finance Ltd.	22	848.1	National
13	Sambriddhi Finance Company Limited	13	818.9	National
14	Nepal Finance Ltd.	13	727.5	National
15	Janaki Finance Co. Ltd.	5	690.5	Province
16	Multipurpose Finance Ltd.	6	452.0	1-5 District
17	Nepal Share Markets and Finance Ltd.	1	233.3	National (Problematic)

Sources: nrbreporting.nrb.np, #based on mid-January 2024

Organization Structure of FIRD

- 2.9 FIRD is led by Executive Director. The department has an Offsite Supervision Division and Onsite Inspection and Enforcement Division led by two different directors separately. Offsite Supervision Division is further bifurcated into two offsite analysis and compliance units. Similarly, the Onsite Inspection and Enforcement Division is divided into five onsite inspection and report implementation units. Besides, there are other four separate units for special inspection, policy, planning and program, problematic FIs resolution, and administrative affairs.
- 2.10 Following the approved HR plan of the bank for the period 2023-2027, the organisational structure of FIRD has been constructed and implemented shown in Annexure 6. As per the structure, FIRD has a separate policy, planning and program execution unit that proposes annual plans and programs of the department, prepares annual budgets, organizes annual programs, and prepares policy feedbacks and annual report of the department. Further, as required, this unit has to coordinate with international regulators and supervisory agencies to share supervisory experiences and extend supervisory cooperation.
- 2.11 FIRD has a separate internal administration unit which is responsible for assisting in completion of FIRD annual programs through support services, maintaining HR related

records, coordinating and communicating with other departments of NRB and other FIs, and up-keeping reports and records of decisions or information for institutional memory.

- 2.12 FIRD has a separate unit for managing the special inspection related tasks. Special inspection are carried out if the department feels it necessary to conduct such task on issues raised or information disseminated to this unit from other internal units or the departments or from other outside agencies, or any other grievances forwarded to the department for examination from other departments.
- 2.13 FIRD has a separate enforcement division which is divided into 5 different units to allocate the enforcement monitoring task among the deployed staffs. Each unit is headed by a Deputy Director and two to three other officers. These units monitor the progress of compliance directions given by NRB from time to time through offsite supervision unit as well as through the onsite reports.
- 2.14 FIRD also has a separate unit under the enforcement division for monitoring the resolution progress of the FIs declared problematic by NRB from time to time. At present there are 2 FCs declared problematic and the resolution process of these FCs is ongoing. This unit is also responsible for conducting regular, special and follow-up inspection of the problematic institutions as required from time to time along with extending special supervisory support as required by them.

Legal and Regulatory Framework for Supervision

- 2.15 NRB, as a central bank of Nepal, undertakes multifarious responsibilities entrusted by NRB Act, 2002. As a supervisor, NRB issues directives and guidelines to the licensed BFIs to discharge its regulatory responsibilities. Likewise, NRB continuously conducts onsite inspections and offsite supervision of both BFIs on regular and need basis and assesses their risk profiles and their compliance with the existing laws, regulations, prudential norms, internal manuals and major international guiding policies. Annexure 8 presents some of the prominent sources of laws guiding NRB's regulatory and supervisory functions.

Supervision Approach

- 2.16 NRB has been adopting the core principles for effective supervision issued and updated from time to time by Basel Committee on Banking Supervision. The BAFIA 2017, unified directives and other guidelines issued by BFIRD has taken these core principles into consideration at larger degree. The offsite supervision unit at FIRD regularly monitors the regulatory ratios based on the reports submitted by FIs. Non-compliance to any regulatory requirement results in penalties or other corrective actions as prescribed in the related directive. Non-compliance to the regulatory provision is also examined during onsite inspection.

Onsite Inspection

- 2.17 Inspection process at FIRD is initiated with the formation of an inspection team. Such team includes one team leader (Deputy Director) and two to three other members. Normally an IT employee from IT Department of the bank is deployed to examine IT-related areas of the concerned FI. Staffs from other units of the department are also included in the inspection

team, as needed. This helps in developing successors within the department as well as motivates all staffs of the department by providing opportunity to gain onsite experience.

- 2.18 The team assigned for onsite inspection of a particular FI first analyses the financial and periodic reports submitted by the FI, and based on that, the possible risk areas are identified and samples files are selected. Then field visit plan is made considering the risk areas identified. In consultation with the supervisor, the team prepares a scope memorandum and get approved from the ED. While on the field visits, inspection team examines the cases of the sample files.

A. Full-scope Inspection

- 2.19 Full scope inspection is a regular inspection usually conducted on a regular time interval. This inspection covers the examination of the overall areas of the FIs. FISC is adopting both risk-based and compliance-based approach for full scope inspection. During FY 2022/23, FISC conducted full-scope onsite inspection of 24 FIs, which included 12 DBs and 12 FCs.

Risk-based Approach

- 2.20 RBS is a comprehensively structured supervision approach that focuses on identifying, assessing, and managing risks within the overall financial system. Rather than applying one-size-fits-all method, this approach helps supervisors design their supervision based on the risks a particular institution is exposed to. NRB is aligning its supervisory activities towards risk-based approach with a goal to optimize supervisory outcomes. NRB has fully applied RBS approach on CBs since 2014, and it is being gradually adopted in B and C class FIs. At present, FISC has taken RBS approach on 8 national level DBs guided by Risk-based Supervision Manual (Vol. I and Vol II) and the related supervision bylaw. Under RBS approach, risks in FI activities are categorized into 6 groups: credit risk, liquidity risk, market risk, operational risk, interest rate risk and foreign exchange risk. The onsite examiners assess the quantity and quality of these risks in each FI, and suggests appropriate corrective actions to mitigate the risks.

Compliance-based Approach

- 2.21 Apart from 8 national level DBs, FISC is applying compliance-based supervisory approach on rest 9 regional level DBs and all 17 national and regional level FCs. Under the compliance-based supervisory approach, the adherence to the governing laws, rules, directives, and policies is ensured. This approach is guided by the onsite inspection manual and bylaw.

**Table 2.3 : Full Scope Inspection conducted in FIs
(FY 2022/23)**

Quarter	DBs	Type	FCs	Type
I	1. Saptakoshi Development Bank	CBA	1. Progressive Finance Banking & Finance Ltd.	CBA
	2. Corporate Development Bank	CBA	2. Guhyeshwori Merchant	CBA
	3. Shangrila Development Bank	RBA	3. Central Finance Ltd.	CBA
II	4. Green Development Bank	CBA	4. Sambridhhi Finance Company	CBA
	5. Miteri Development Bank	CBA	5. Shree Investment & Finance Company Ltd.	CBA

Quarter	DBs	Type	FCs	Type
			6. Goodwill Finance Ltd.	CBA
III	6. Kamana Sewa Bikash Bank 7. Salpa Bikash Bank 8. Lumbini Bikash Bank 9. Excel Development Bank	RBA CBA RBA CBA	7. Nepal Finance Ltd. 8. Pokhara Finance Ltd.	CBA CBA
IV	10. Garima Bikash Bank 11. Muktinath Bikash Bank 12. Shine Resunga Development Bank	RBA RBA RBA	9. Gurkhas Finance 10. Multi-Purpose Finance Company 11. Reliance Finance 12. ICFC Finance	CBA CBA CBA CBA

B. Special Inspection

- 2.22 Special inspection is need based inspection which is carried out on the basis the data and information generated/disseminated from offsite supervision, enforcement unit, grievance cell, media and other stakeholders. In FY 2022/23, FISD conducted special inspection of 5 DBs and 1 FC, viz. Lumbini Bikash Bank, Garima Bikash Bank, Karnali Development bank Ltd., Jyoti bikash Bank, Excel Development Bank and Best Finance limited.

C. Targeted Inspection

- 2.23 Targeted inspection is conducted on a particular area of the institutions where the risk is prominent. FISD identifies the areas for inspection through various analysis and reports. In FY 2022/23, no such inspection was conducted.

D. Follow-up Inspection

- 2.24 FISD conducts follow-up inspection if it finds it necessary to ensure that the given instructions during various supervisory actions are fully enforced by a particular institution. FISD has not conducted any such inspection during FY 2022/23.

E. Special AML/CFT Inspection

- 2.25 AML/CFT related onsite inspection is a specific type of inspection conducted focusing on the assessment of the AML/CFT practices in FIs. These inspections help ensure that adequate safeguards have been taken by FIs against misuse of banking system for money laundering and terrorist financing activities. In FY 2022/23, FISD has conducted AML/CFT inspections in 4 FIs, out of which 2 were DBs and the other 2 were FCs.

A separate Money Laundering Prevention Supervision Division was established at BSD on 15th January 2023. Since then, the AML/CFT related special inspections are being carried out by the Division. Any regulatory actions or penalties imposed to the DBs and FCs against severe noncompliance of regulatory or legal provisions related to AML/CFT issues, are being CC'd to this department by the Money Laundering Prevention Supervision Division.

Offsite Supervision

- 2.26 The Internal Administration and Offsite Supervision Division at FISD carries out the offsite supervision function. This Division has two units for offsite supervision task. Other units of the department such as policy, planning and program unit, special inspection unit and internal administration unit are also being managed under this Division. The offsite analysis and compliance units monitor the periodic financial ratios of each FI, examines compliance to

regulatory requirements and analyses the overall performance by generating periodic reports on fortnight, monthly, quarterly, semi-annual and annual basis. Systemic risks identified are reported and corrective actions are taken immediately. Additionally, Off-site Supervision units are engaged in AGM clearance works that involve approval for declaration of dividends by FIs along with providing consent for publishing their annual audited financial statements.

- 2.27 In order to strengthen NRB's supervisory capabilities, it has implemented the Supervisory Information System (SIS) which is a web-based application where licensed BFIs submit their regulatory returns and other required information to NRB. SIS comprises 3 modules: offsite (including NRB iFile installer) module, onsite module and output (Business Intelligence) module. Presently, FIRD compiles reports received through SIS for supervisory monitoring.

CHAPTER 3

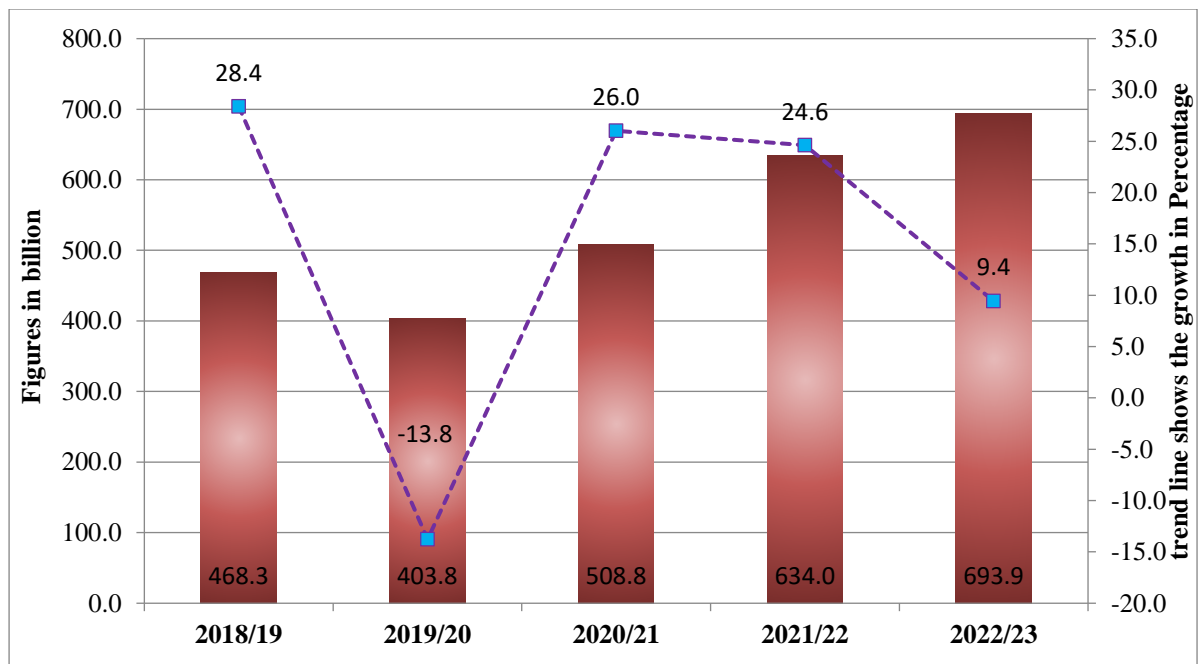
PERFORMANCE OF DEVELOPMENT BANKS

3.1 FIs in Nepal are required to prepare their financial statement based on the Nepal Financial Reporting Standard (NFRS). Accordingly B and C class FIs have been started publishing NFRS compliant financial statements since FY 2022/23. This chapter analyzes the consolidated financial performance of DBs based on their reported NFRS compliant financial statements.

Assets and Liabilities

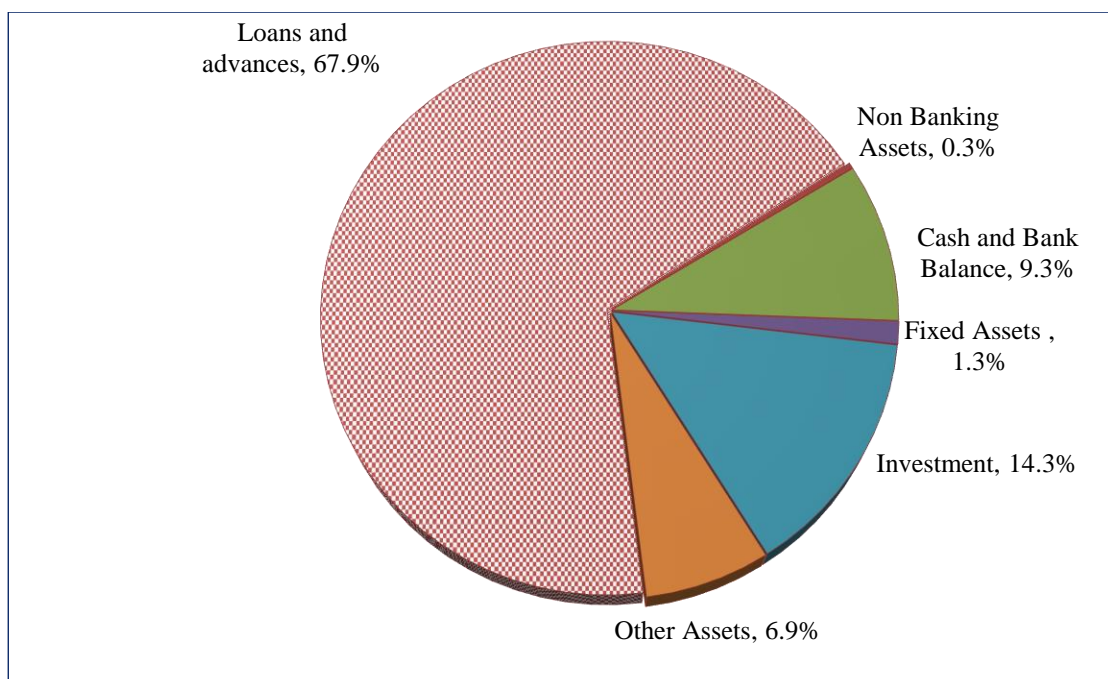
3.2 The total assets of DBs have increased by 9.4 percent from Rs.634.0 billion in mid-July 2022 to Rs. 693.9 billion in mid-July 2023. However, this growth seems contained compared to earlier two years growth, which were 24.6 percent for FY 2021/22 and 26.0 percent for FY 2020/21.

**Figure 3.1 : Total Assets and its growth of the DBs
(Mid-July 2023)**



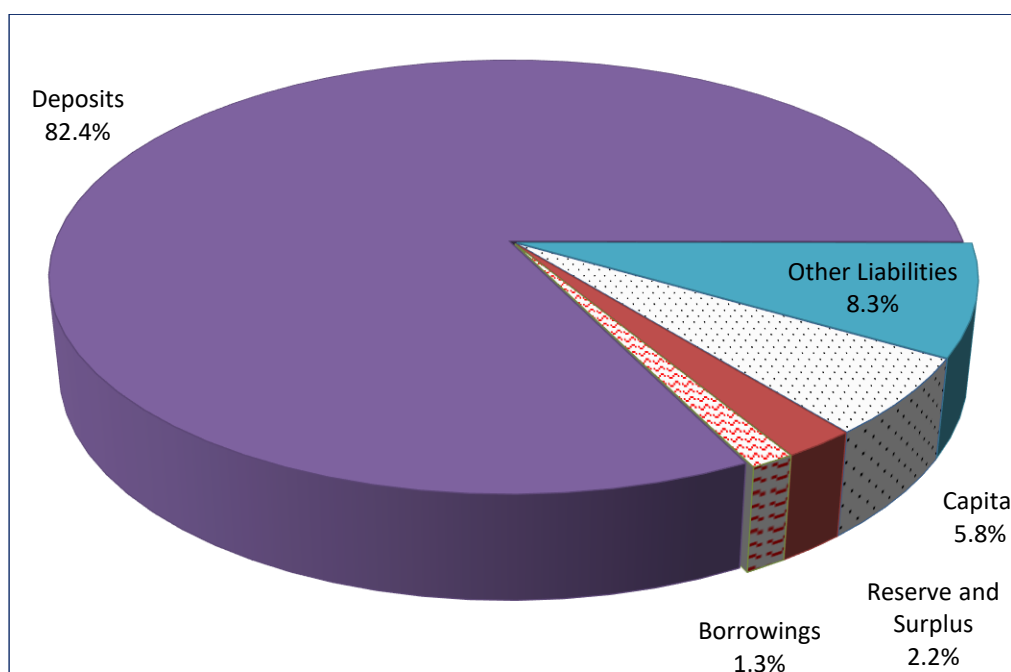
3.3 As on mid-July 2023, the major chunk of the total assets of the DBs were covered by loans & advances amounting to Rs. 471.4 billion which represents 67.9 percent of total assets. The second and third largest components of assets are investments with 14.3 percent share and cash & cash equivalent with 9.3 percent share respectively.

**Figure 3.2 : Composition of Total Assets
(Mid-July 2023)**



3.4 As on mid-July, 2023 the major sources of liabilities for DBs was customer deposits with 82.4 percent share. Other sources of funds include reserve and surplus with 2.2 percent share and paid up capital with 5.8 percent share.

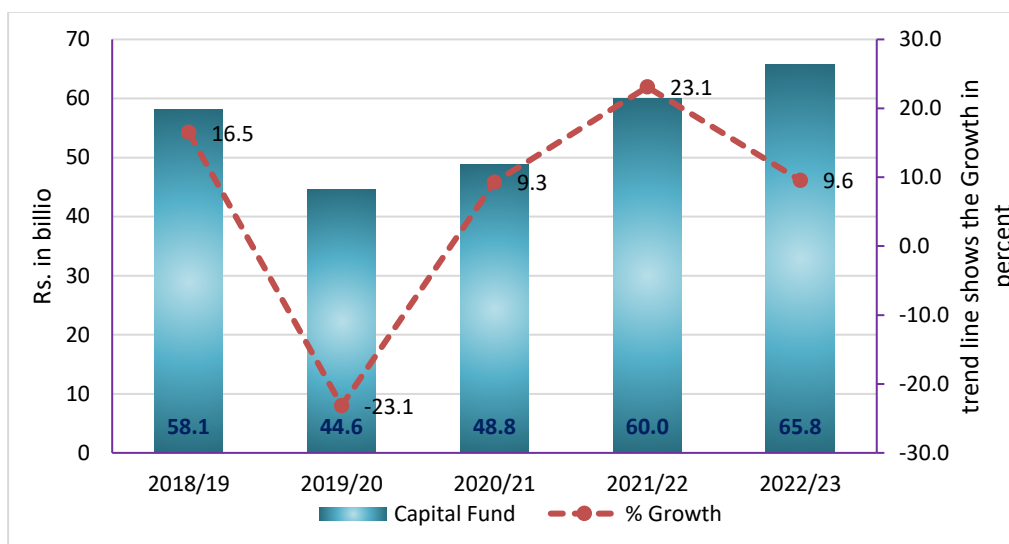
**Figure 3.3 : Composition of Total Equities and Liabilities
(Mid-July 2023)**



Capital fund

3.5 Total capital fund of the DBs has increased by 9.6 percent amounting to Rs.65.8 billion in mid-July 2023 from Rs. 60.0 billion in mid-July 2022. As of mid-July 2023, all national level DBs and 1 regional level DBs have met their minimum paid up capital requirement whereas 2 regional DBs still have paid up capital below 500 million. See table 2.1 for the details of paid up capital of DBs.

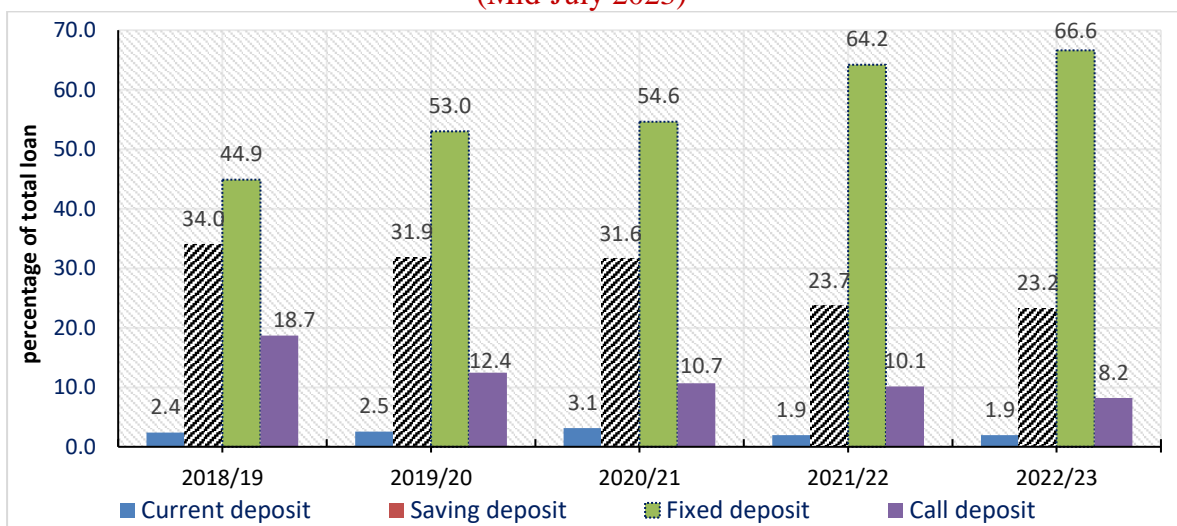
**Figure 3.4 : Capital Fund of the DBs
(Mid-July 2023)**



Deposit and its composition

3.6 Total deposits of DBs have increased by 12.20 percent to Rs.571.6 billion as of mid-July 2023 from Rs. 509.5 billion as of mid-July 2022. Out of total deposits, fixed deposit comprised the highest share of 66.6 percent followed by saving deposits with second highest share of 23.2 percent. Other deposits consist of nominal share in total deposits. The portion of fixed deposit in total deposit is in increasing trend for 5 years. Details of year wise deposits is presented in annex 3.10 and 3.12.

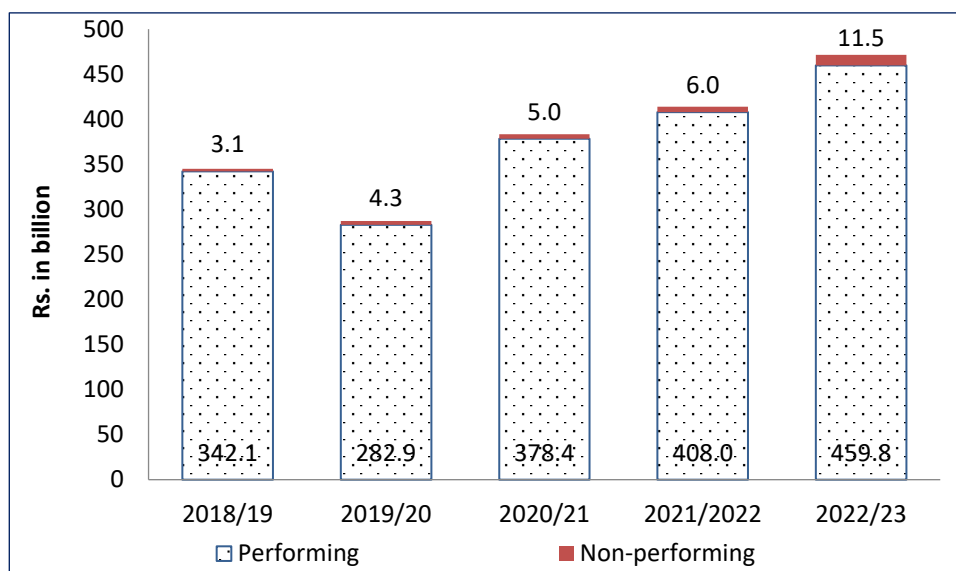
**Figure 3.5 : Deposit Mix of the DBs
(Mid-July 2023)**



Loans and Advances

3.7 Loan and advances of the DBs have increased by 13.7 percent from Rs.414.0 billion in mid-July 2022 to Rs. 471.4 billion in mid-July 2023. Out of this, performing loan constitutes 97.6 percent of total loan and advances amounting Rs. 459.8 billion and non-performing loan constitutes remaining 2.5 percent amounting Rs. 11.5 billion.

**Figure 3.6 : Loan and Advances of the DBs
(Mid-July 2023)**



Sector-wise Diversification of Loan and Advances

3.8 In FY 2022/23, major portion of loan and advances of DBs has been covered by consumable loans standing as 24.8 percent of the total loans and advances with other sectors representing 16.6 percent as second highest and wholesale and retail sector representing 15.5 percent as third highest. As of Mid-July 2023, the finance, insurance and real estate sector have covered 10.0 percent share of total loan and advances.

**Table 3.1 : Sector-wise Loan and Advances of DBs
(Mid-July 2023)**

S.N.	Sector	Share of total loan in percent				
		2018/19	2019/20	2020/21	2021/22	2022/23
1	Consumable Loans	6.3	5.5	6.1	18.5	24.8
2	Others	25.4	25.5	28.8	22.4	16.6
3	Wholesalers and Retailers	16.1	16.3	16.1	15.5	15.5
4	Finance, Insurance and Real Estate	7.6	7.6	10.2	10.8	10.0
5	Agriculture Forest	6.2	6.5	7.0	6.8	7.0
6	Construction	14.1	14.8	12.8	7.2	6.8
7	Tourism (Hotel and Restaurant)	3.9	4.1	4.1	4.6	5.1

8	Non-food Production	4.0	4.0	3.3	3.8	3.9
9	Other Services	3.3	3.9	3.0	3.0	3.3
10	Transport, Warehousing and Communication	7.2	6.1	3.9	3.2	2.4
11	Agriculture, Forestry & Beverage Production	2.8	3.0	2.3	2.2	2.3
12	Electricity, Gas and Water	1.9	1.7	1.3	1.5	1.6
13	Metal Products, Machineries, Electronics and Installation	1.1	0.8	0.6	0.4	0.4
14	Fishery	0.2	0.2	0.3	0.3	0.3
15	Mining	0.1	0.1	0.1	0.1	0.1
	Total Loan	100	100	100	100	100

Security-wise position of loan and advance

3.9 As of mid-July 2023, proportion of total loan and advances backed by real estate properties as collateral comprised 85.6 percent. Similarly, guarantees covered 8.8 percent of total loan and advances of DBs. Other forms of securities covered 5.6 percent share in total loan and advances.

Table 3.2 : Securities against Loans and Advances (Percentage of total loan) (Mid-July 2023)

SN	Security	2018/19	2019/20	2020/21	2021/22	2022/23
1	Property as Collateral	89.8	89.6	83.3	83.2	85.6
2	Guarantee	4.8	6.1	11.4	10.3	8.8
3	Non-Government Securities	2.2	2.2	3.1	2.4	2.6
4	Fixed Deposit	1.2	0.8	1.0	2.8	1.8
5	Gold and Silver	1.6	1.1	1.0	0.9	0.8
6	Others	0.5	0.2	0.3	0.4	0.4
	Total	100.0	100.0	100.0	100.0	100.0

Product-wise Loan and Advances

3.10 As of mid-July 2023, term loans of DBs covered 35.6 percent of loans and advances and 12.6 percent of such loan and advances were in the form of overdraft. Similarly 12.2 percent of total loan and advances were in the form of personal residential home loan and 8.5 percent loan and advances of DBs were in the form of deprived sector loan and remaining 31.1 percent loan and advances were in other forms. Shares of overdraft loan, deprived sector loan, hire purchase loan and other product loans in total loans and advances have decreased in the review period except for all other remaining types of loans. Detail regarding product-wise loan and advances of DBs' has been given in Annex 3.8.

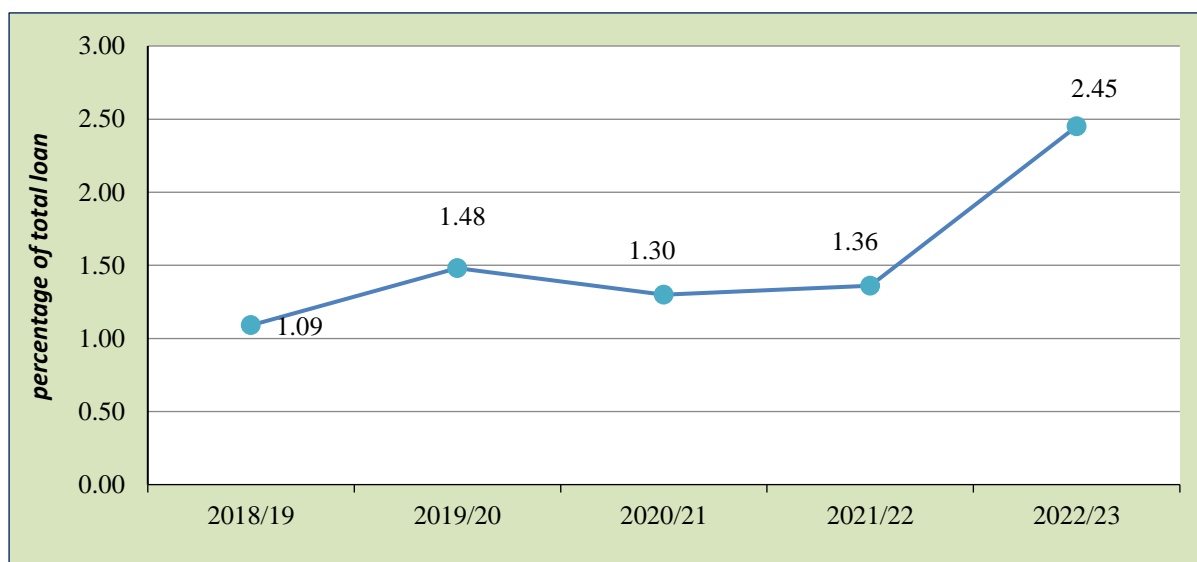
**Table 3.3 : Product-wise Loan and Advances (Percentage of total loan)
(Mid-July 2022)**

S.N.	Loan Products	2018/19	2019/20	2020/21	2021/22	2022/23
1	Term Loan	21.0	28.1	30.1	29.5	35.6
2	Overdraft	22.1	21.1	20.5	19.8	12.6
3	Personal Residential Home Loan	12.3	12.2	10.8	11.0	12.2
4	Other Product	14.6	9.6	8.1	12.8	10.5
5	Deprived Sector Loan	8.9	9.4	12.3	11.1	8.5
6	Demand and Other Working Capital Loan	3.4	4.2	4.7	4.0	5.2
7	Real Estate Loan	6.1	5.1	4.6	4.2	4.6
8	Cash Credit Loan	0.0	0.0	0.0	0.0	4.1
9	Hire Purchase Loan	9.6	8.1	5.7	4.9	3.7
10	Margin Loan	2.2	2.24	3.27	2.66	3
	Total	100	100	100	100	100

Non-performing Loans (NPLs)

3.11 The ratio of NPLs to total loans and advances of DBs increased to 2.45 percent in mid-July 2023 from 1.36 percent in mid-July, 2022. The recent economic slowdown during the review period eroded the assets quality.

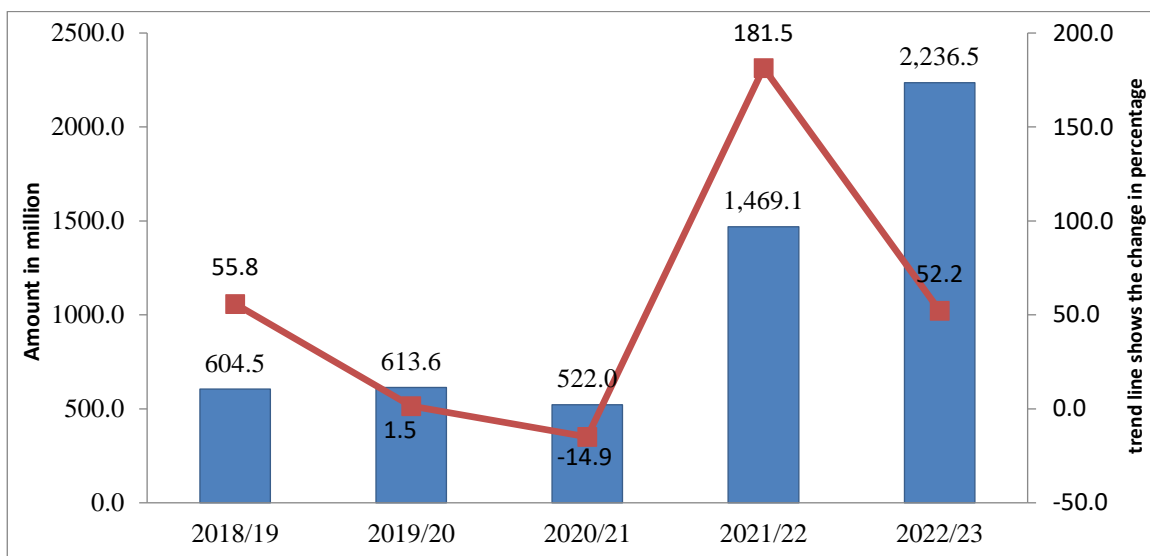
**Figure 3.7 : Non-performing loans of the DBs
(Mid-July 2023)**



Non-Banking Assets

3.12 As of mid-July 2023, the total amount of non-banking assets (NBA) of DBs was Rs.2236.5 million increased by 52.2 percent compared to increment of 181.5 percent in mid-July 2022 from mid-July 2020/21. Details of NBA for various years are shown in Annex 3.14.

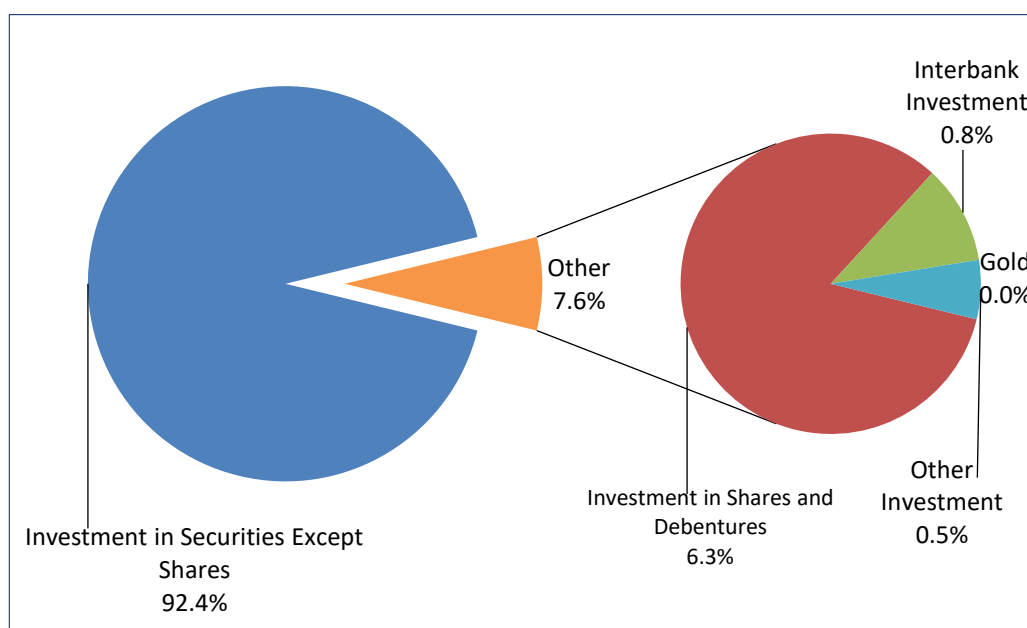
**Figure 3.8 : Non-banking Assets of the DBs
(Mid-July 2023)**



Investment Portfolio

3.13 As of mid-July 2023, the total investment of DBs was Rs.98.9 billion registering a growth of 28.5 percent over the year. The total investment of DBs was Rs.77.0 billion as of mid-July 2022 (Please refer annex 3.19 and 3.15 for the details of investment portfolio). Significantly 92.4 percent of total investment of DBs were concentrated on government securities as of mid-July 2023 whereas investment in shares and debentures were 6.3 percent and interbank investment were 0.8 percent of total investment during the review period. Other details of investment of DBs are shown in Annex 3.9.

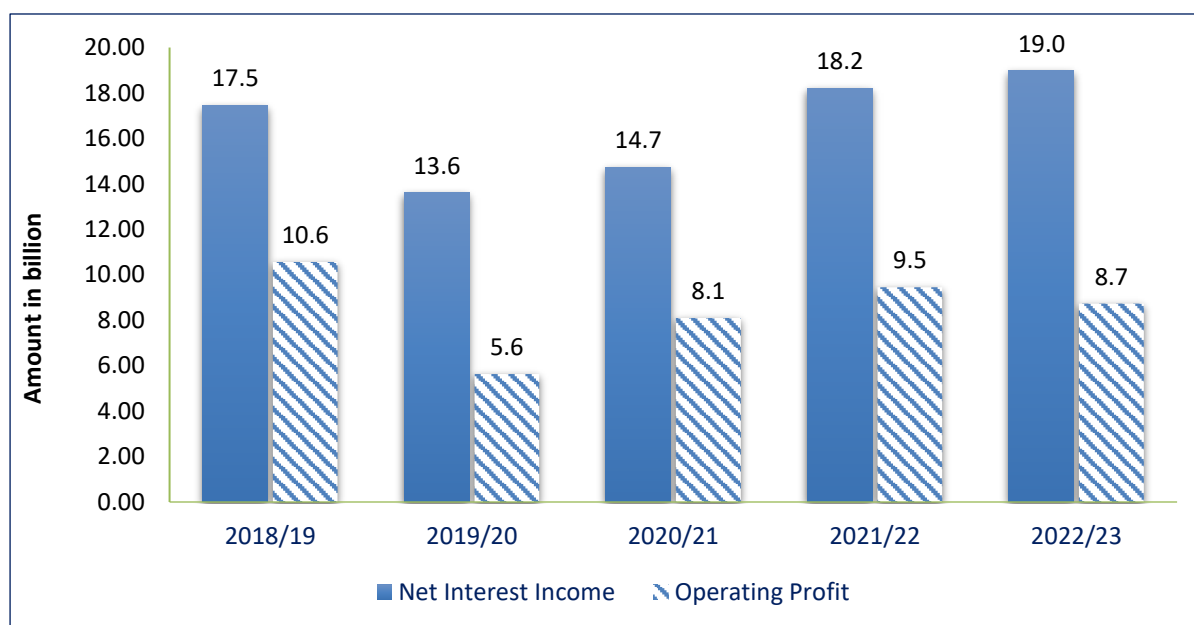
**Figure 3.9 : Investment Portfolio of the DBs
(Mid-July 2023)**



Profitability

- 3.14 Consolidated net profit of overall DBs during FY 2022/23 amounted to Rs. 4.2 billion which was Rs. 6.2 billion during FY 2021/22. The aggregate net profit of DBs decreased by 32.3 percent during the review period due to increment in non-performing loan and market contraction due to economic slowdown .
- 3.15 Interest income of all DBs amounted to Rs. 72.1 billion in the review period which has increased by 29.8 percent compared to previous year. Similarly, interest expenses accounted to Rs. 53.2 billion in the review period which has increased by 42.3 percent compared to previous year. Net interest income has increased by 4.3 percent to Rs.19.0 billion in the review period from Rs. 18.2 billion as compared to previous year.
- 3.16 During the review period, operating profit of DBs has decreased by 7.6 percent from Rs. 9.5 billion to Rs.8.7 billion compared to previous year. Details of net interest income and operating profit of DBs are presented in the Annex 3.17 and 3.19.

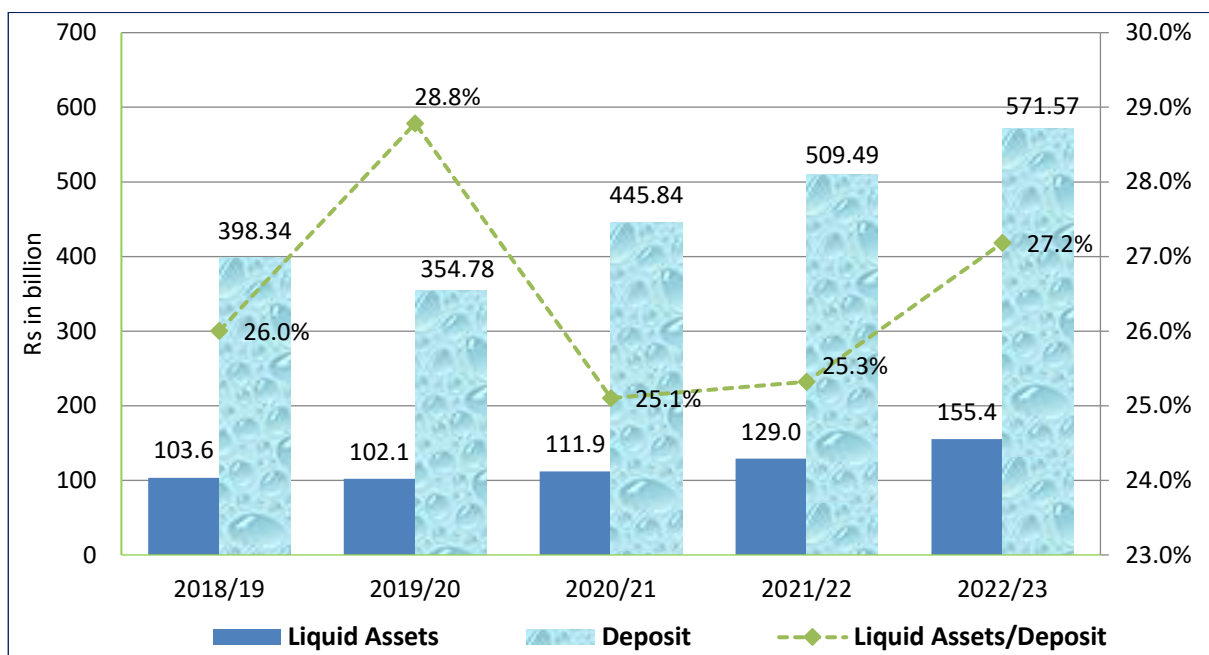
**Figure 3.10 : Operating Efficiency of the DBs
(Mid-July 2023)**



Liquidity

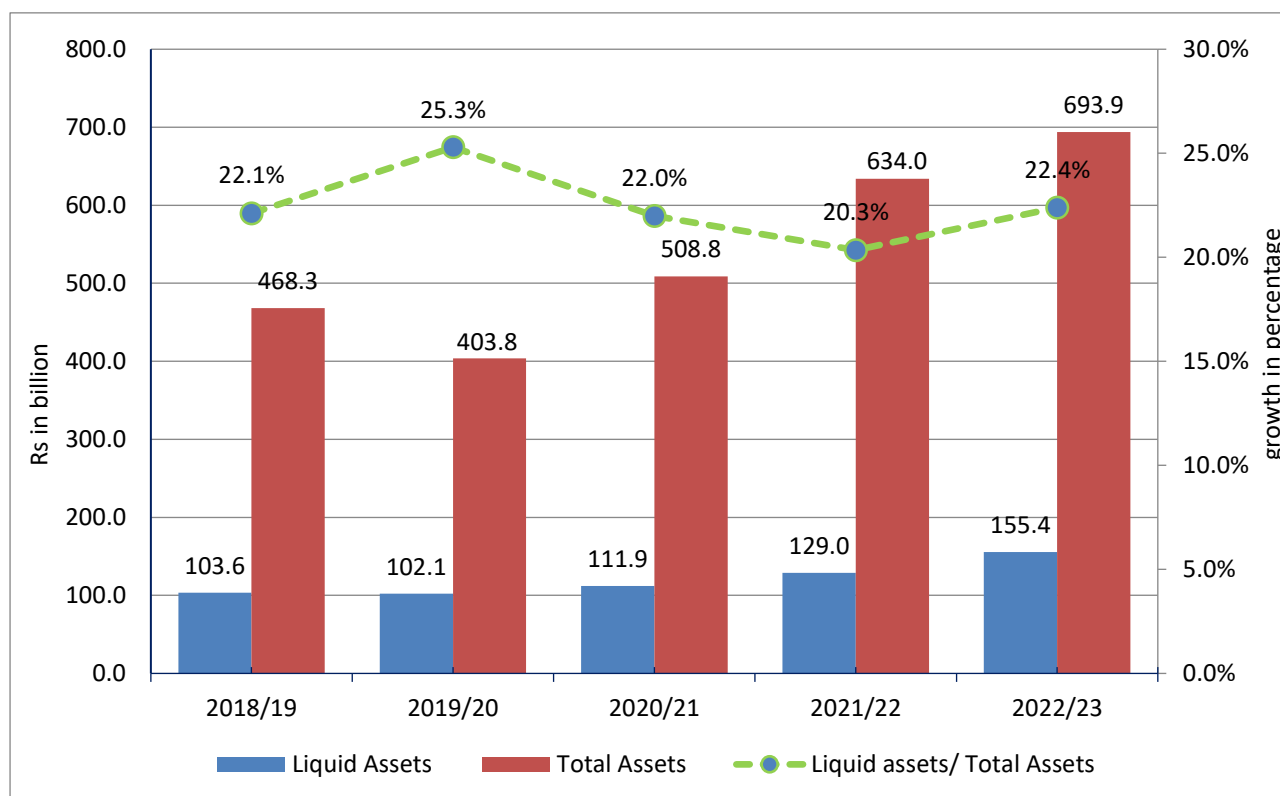
- 3.17 Liquid assets comprises cash balance, bank balances with NRB and other BFIs, money at call and investment in government securities. Total liquid assets of DBs have increased by 20.5 percent in FY 2022/23, from Rs. 129.0 billion as of mid-July 2022 to Rs. 155.4 billion as of mid-July 2023. The share of these liquid assets to total deposits has increased from 25.3 percent as of mid-July 2022 to 27.2 percent as of mid-July 2023.

**Figure 3.11 : Trend of Liquid Assets to Deposit Ratio of DBs
(Mid-July 2023)**



3.18 The share of total liquid assets to total assets has also increased from 20.4 percent as of mid-July 2022 to 22.4 percent in mid-July 2023. The industry liquid assets to total assets ratio has always been above the regulatory requirement of NRB.

Figure 3.12 : Trend of Liquid Assets to Total Assets Ratio of DBs



Deprived Sector Lending

3.19 The overall deprived sector lending of DBs have decreased by 18.3 percent over the FY 2022/23 i.e. from Rs.49.2 billion as of mid-July 2022 to Rs.40.2 billion as of mid-July 2023. The overall exposure of DBs to deprived sector lending was 8.7 percent of total loan and in FY 2022/23 as compared to 11.4 percent in FY 2021/22.

Base Rates and Spread Rates

3.20 The average base rate of all DBs was 11.8 percent as of mid-July 2023 slightly increased from 11.3 percent in mid-July 2022. The overall base rate of national level DBs stood at 11.8 percent in mid-July 2023 increased from 11.2 percent in mid-July 2022.

3.21 The interest spread of overall DBs increased slightly to 4.59 percent as of mid-July 2023 from 4.56 percent as of mid-July 2022.

Electronic Banking

3.22 As per the table, number of mobile banking customers has substantially increased in FY 2022/23 by 31.1 percent from 2.11 million in mid-July 2022 to 2.77 million in mid-July 2023. Similarly, the internet banking customers have also increased by 25.4 percent over the period from 394 thousands in mid-July 2022 to 494 thousands in mid-July 2023.

**Table 3.4 : Use of Electronic Banking in DBs
(Mid-July 2023)**

S. N.	Particulars	2018/19	2019/20	2020/21	2021/22	2022/23
1	No. of Branchless Banking Centers	1	-	-	22	21
2	No. of Customers (Branchless Banking)	143	-	-	129	49
3	No. of Customers (Mobile Banking)	909,512	1,100,743	1,500,050	2,114,559	2,772,852
4	No. of Internet Banking Customers	24,124	23,332	37,063	394,563	494,753
5	No. of ATMs	318	296	301	323	346
6	No. of Debit Cards	216,991	231,287	348,411	538,672	826,506

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

Stress Testing Results

3.23 Stress test results based on the data of mid-July 2023 indicate that DBs are reasonably resilient to various shocks although greater resilience seems necessary for credit and liquidity shocks.

Credit Shock

3.24 Standard credit shock test results indicate that only 5 DBs would be able to withstand to the stress scenarios. Similarly, 6 DBs were failed to meet the minimum capital adequacy ratio while 15 percent of performing loans were deteriorated to substandard. 12 DBs would not

meet with the minimum capital adequacy ratio while 5 percent of performing loans deteriorated to loss loans. 1 DB failed to meet the minimum capital adequacy ratio when all NPLs under substandard category were downgraded to doubtful and all NPLs under doubtful category were downgraded to loss.

Liquidity Shock

- 3.25 Standard liquidity shock test results suggest that some DBs would fall below mandatory liquidity ratio in stress scenarios. 7 DBs would become illiquid if there were withdrawal of deposits by 2.0 percent, 5.0 percent, 10.0 percent, 10.0 percent and 10.0 percent for the 5 consecutive days. Similarly, 3 DBs would have its net liquid assets to deposit ratio fall below the minimum requirement of 20 percent if there were a withdrawal of deposits by 5 percent and the number rises to maximum 13 if such withdrawal is by 20.0 percent. No DBs would have their net liquid assets to deposit ratio fall below this regulatory minimum if there were a withdrawal of deposits by top 1 institutional depositor. 5 DBs would have their net liquid assets to deposit ratio fall below this regulatory minimum if there were a withdrawal of deposits by top 5 institutional depositors. None of the DBs were found to have their liquid assets to deposit ratio fall below the regulatory minimum if top five individual depositors withdraw their deposits.

Other Shocks

- 3.26 All DBs were found to be resilient to standard interest rate, exchange rate and equity price shocks such that none of the DBs would have their capital adequacy ratio fall below the regulatory minimum of 10.0 percent following these shocks.

Regulatory Actions

- 3.27 Following actions were taken against DBs during FY 2022/23 as per existing legal and regulatory provision for miscellaneous non compliances.
- 5 DBs were penalized 19 times for not maintaining C/D Ratio out of which 3 each DBs were penalized for 5 times during the period while 1 bank was penalized thrice.
 - 3 DBs were penalized 11 times for not maintaining the required CRR among which 1 was penalized up to 8 times.
 - 1 DBs was penalized due to noncompliance of minimum lending in deprived sector for once.
 - 7 reprimands were given to the board member, CEO and higher management of different DBs for reasons such as weaknesses in internal control system, ineffectiveness of internal audit mechanism, poor board oversight, unethical lending practices, in loan approval and recovery processes, unfair transactions of bank employee with the collateral valuator and borrower.

CHAPTER 4

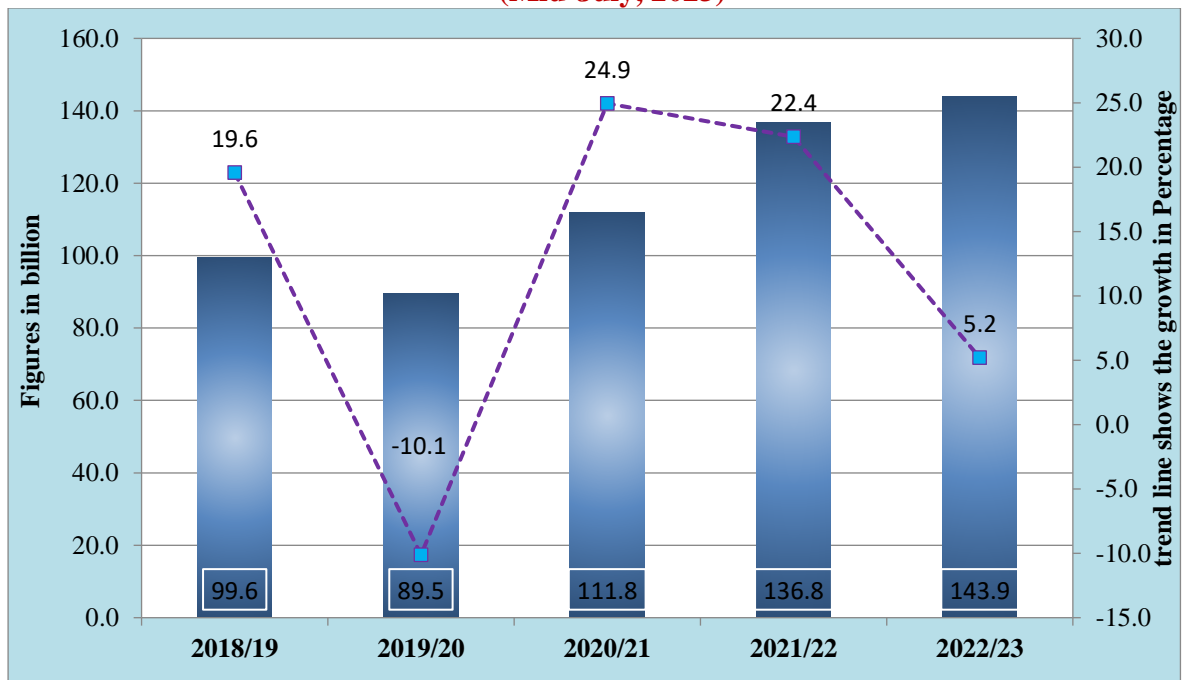
PERFORMANCE OF FINANCE COMPANIES

4.1 This chapter presents the financial performance of FCs during the FY 2022/23 based on their reported NFRS compliant financial statements. In the review period, the size of FCs in terms of total assets and liabilities has expanded and the capital base has further strengthened. FCs are in moderate position in liquidity and profitability. Overall non-performing loans of FCs have decreased whereas NBA has increased during the fiscal year.

Assets and Liabilities

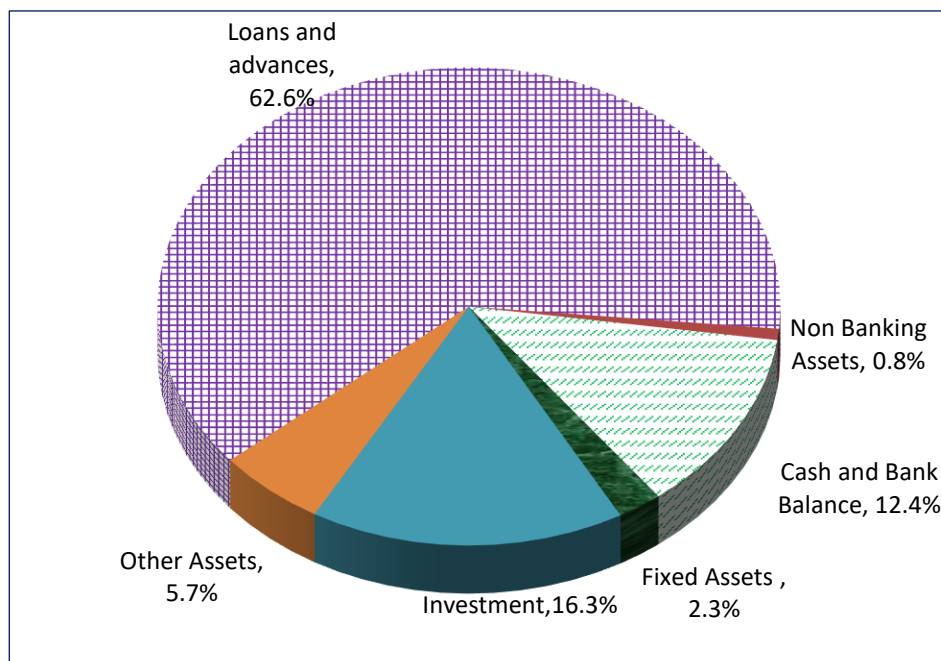
4.2 The total assets or liabilities of FCs have increased by 5.2 percent from Rs.136.8 billion in mid-July 2022 to Rs. 143.9 billion in mid-July 2023. However, the growth rate of assets has declined compared to earlier two years growth which were 24.9 percent of FY 2020/21 and 22.4 percent in FY 2021/22.

**Figure 4.1 : Total Assets of FCs
(Mid-July, 2023)**



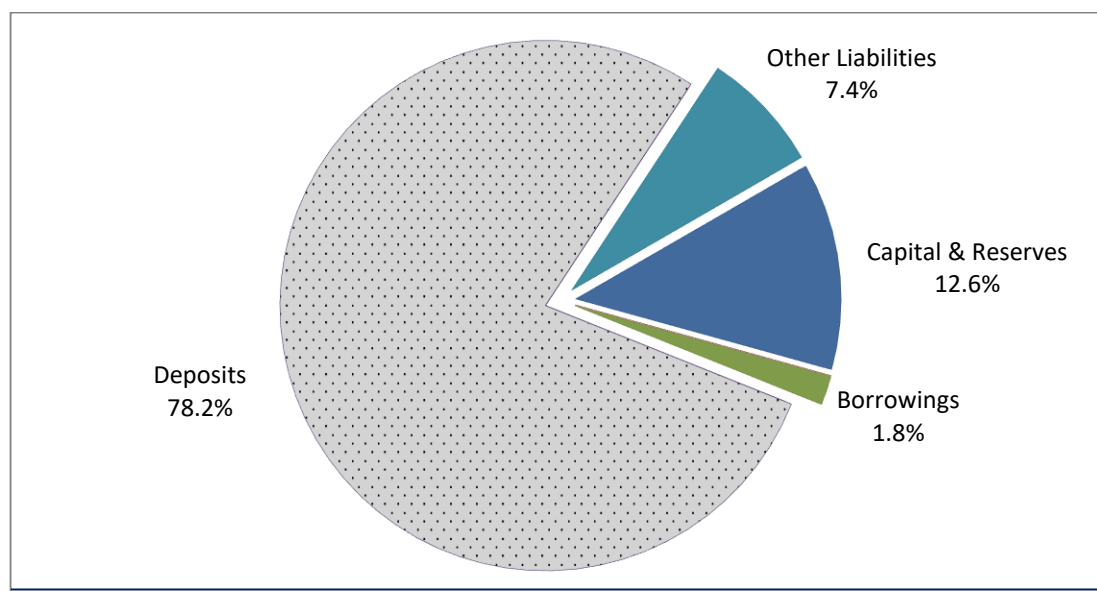
4.3 As on mid-July 2023, the major chunk of the total assets of the FCs were covered by loans & advances which is 62.6 percent of total assets. The second and third largest components of assets were investments with 16.3 percent share and cash & cash equivalent with share 12.4 percent respectively. In FY 2022/23, loan and advances of FCs have increased by 2.0 percent. Compared to the increment of 28.8 percent in the previous year, the growth rate of loan and advances seems to have affected by sluggish performance of the economy during the year.

**Figure 4.2 : Assets Structure of FCs
(Mid-July 2023)**



4.4 The major sources of liabilities of FCs for FY 2022/23 is customer deposits with 78.2 percent share. Other sources of funds include reserve and surplus with 12.6 percent share, borrowing with 1.8 percent and other liabilities with 7.4 percent share.

**Figure 4.3 : Liabilities Structure of FCs
(Mid-July 2023)**

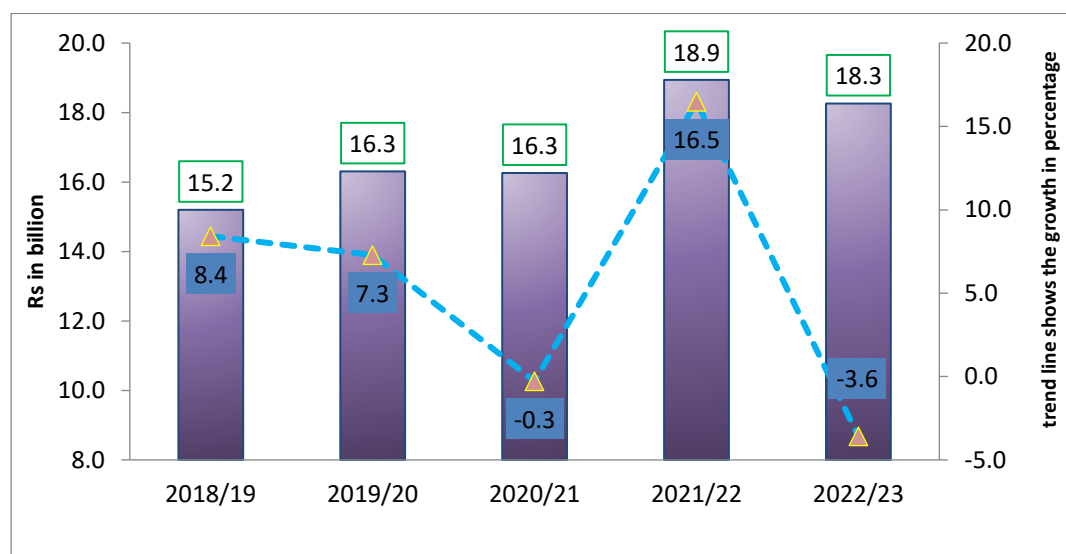


Capital Fund

4.5 Total capital fund of the FCs has decreased by 3.6 percent amounting to Rs.18.3 billion in mid-July 2023 from Rs. 18.9 billion as in mid-July 2022. As of mid-July 2023 all national level FCs except Nepal Finance, have met the minimum paid up capital requirement whereas

1 regional level FC named Multipurpose Finance, has not met its minimum paid up capital requirement as of mid-July 2023.

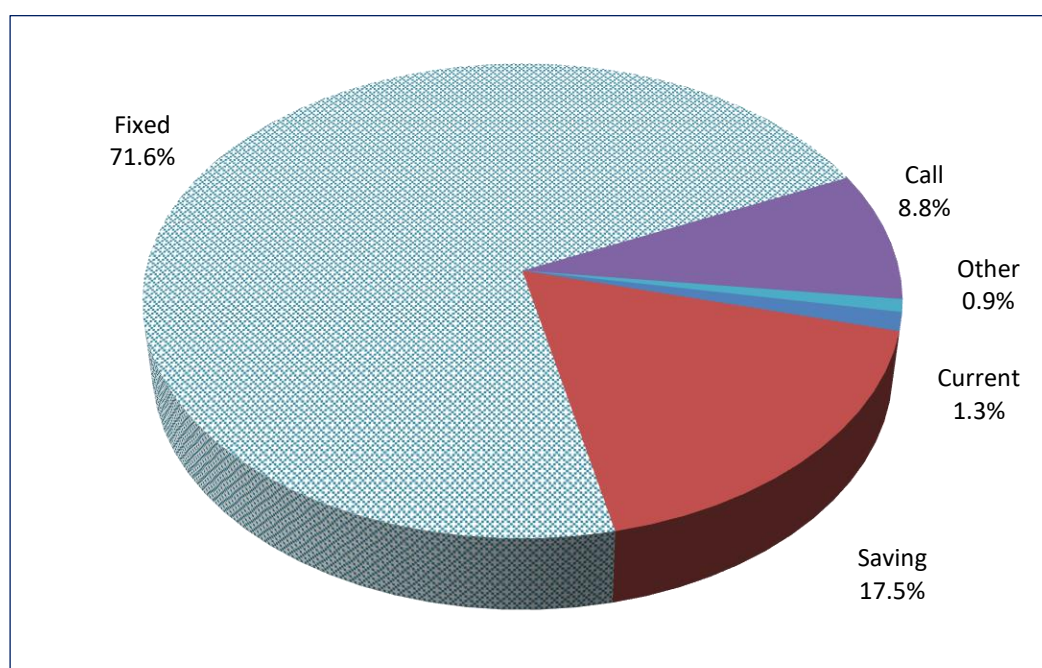
**Figure 4.4 : Total Capital Fund of the FCs
(Mid-July 2023)**



Deposit and its composition

4.6 Total deposits of FCs have increased by 8.8 percent over the FY 2022/23 i.e. from Rs.103.4 billion as of mid-July 2022 to Rs.112.5 billion as of mid-July 2023. Out of total deposits, fixed deposit comprised the highest share of 71.6 percent followed by saving deposits as second highest share of 17.5 percent and call deposit as the third highest share of 8.8 percent. Other deposits consist of nominal share in total deposits.

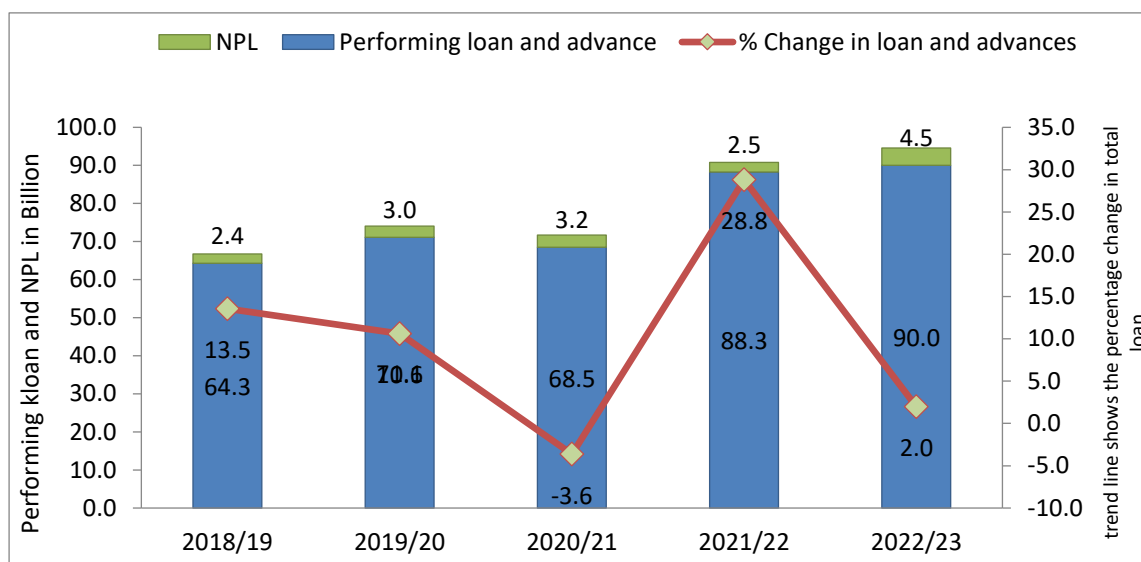
**Figure 4.5 : Deposits Mix of FCs
(Mid-July 2023)**



Loans and Advances

4.7 Loan and advances of the FCs have increased by 2.0 percent from Rs.88.3 billion in FY 2021/22 to Rs. 90.0 billion in FY 2022/23. Performing loan constitutes 95.0 percent of total loan which amounts to Rs. 85.8 billion and non-performing loan constitutes remaining 4.5 percent which amounts to Rs. 4.5 billion.

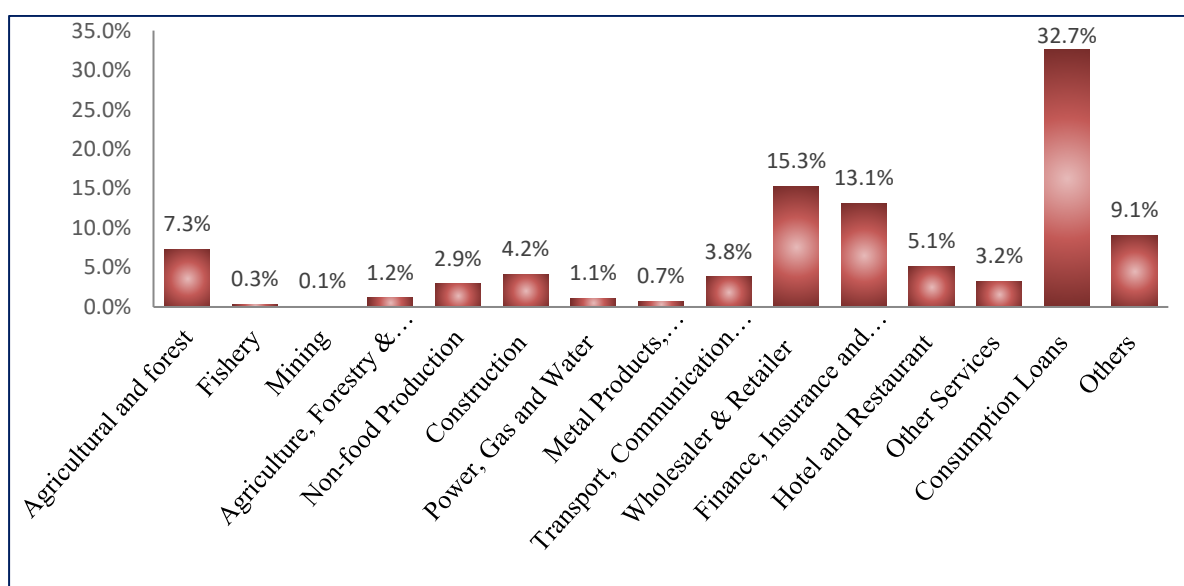
Figure 4.6 : Loan and Advances and its growth, and NPL (Mid-July 2023)



Sector-wise Diversification of Loan and Advances

4.8 In FY 2022/23, major portion of loan and advances of FCs has been occupied by consumable loans representing 32.7 percent of the total loans and advances with wholesale and retail sectors representing 15.3 percent as second highest share and finance, insurance and real estate sector representing 13.1 percent as third highest share (see annex 4.6 for other details).

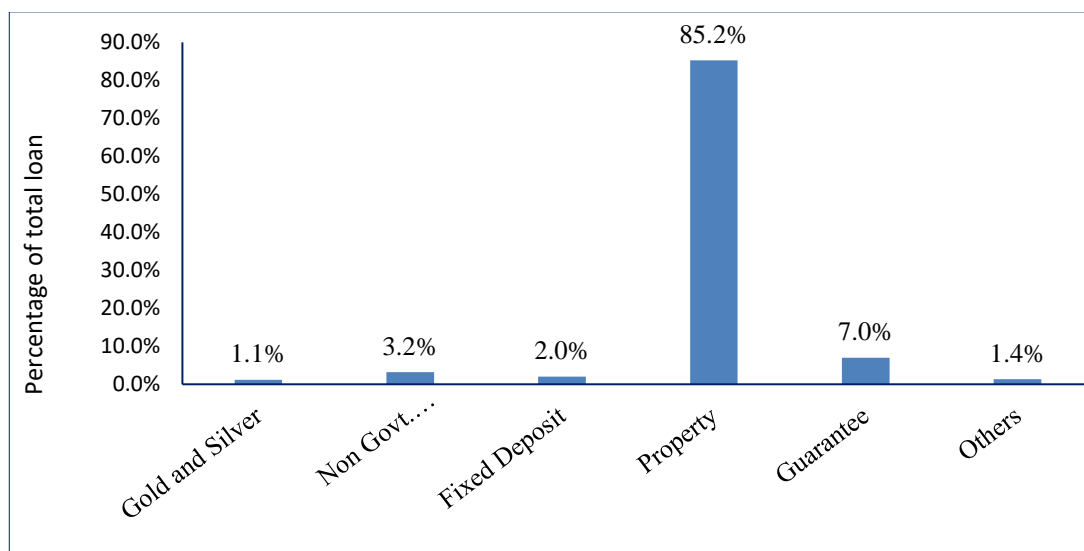
Figure 4.7 : Sector-wise loan and advances of FCs (Mid-July 2023)



Security-wise Position of Loan and Advance

4.9 As of mid-July 2023, proportion of total loan and advances backed by properties such as land and building and other real estate as collateral comprised 85.2 percent whereas guarantees were backing 7.0 percent of total loan and advances of FCs. Other forms of securities such as gold and silver, non-government security, fixed deposit altogether comprised 7.8 percent share in total loan and advances.

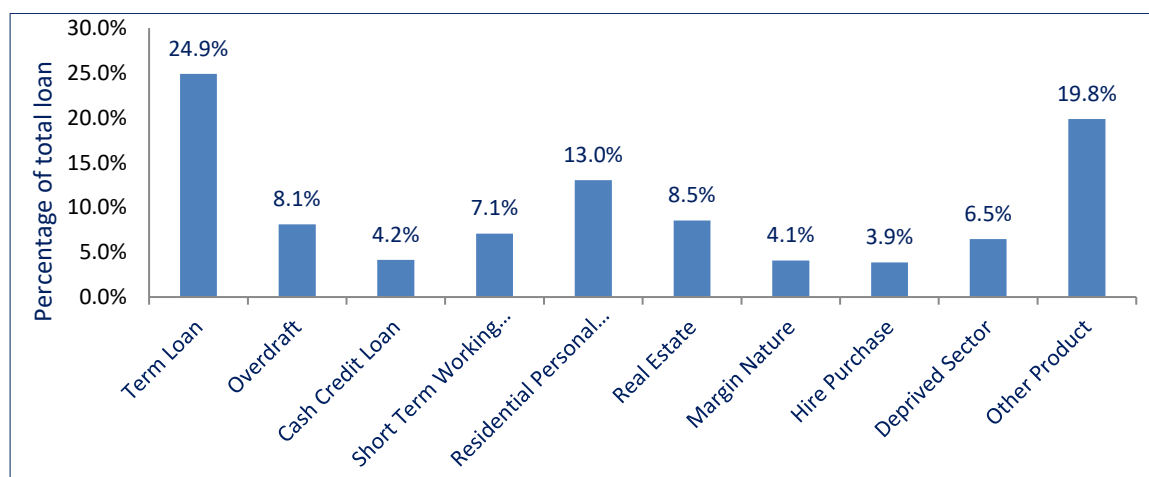
Figure 4.8 : Security wise loan and advance position of FCs (Mid-July 2023)



Product-wise Loan and Advance

4.10 As of mid-July 2023, 24.9 percent of loans and advances of FCs were in the form of term loan, 13.0 percent were in the form of residential personal home loan, 19.8 percent were in the form of other product loan, 8.5 percent of total loan and advances were in the form of real estate loan, 8.1 percent loan and advances were in the form of overdraft loan and remaining 25.7 percent loan and advances were in other forms such as deprived sectors, hire purchase, margin nature, etc. A detail regarding product-wise loan and advances of FCs' is given in Annex 4.7.

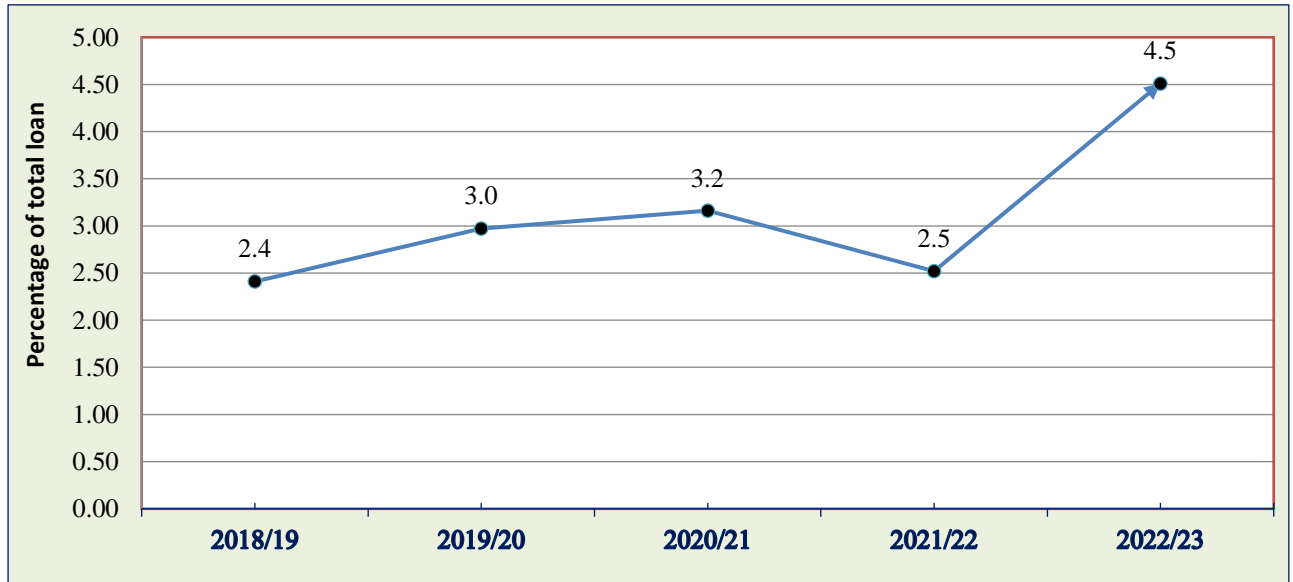
Figure 4.9 : Product-wise Loan and Advances (Mid-July 2023)



Non-performing Loans

4.11 The ratio of NPLs to total loans and advances of FCs increased by 200 basis points to 4.5 percent in mid-July 2023 from 2.5 percent in mid-July, 2022. Details regarding non-performing loans of FCs have been provided given in Annex 4.12.

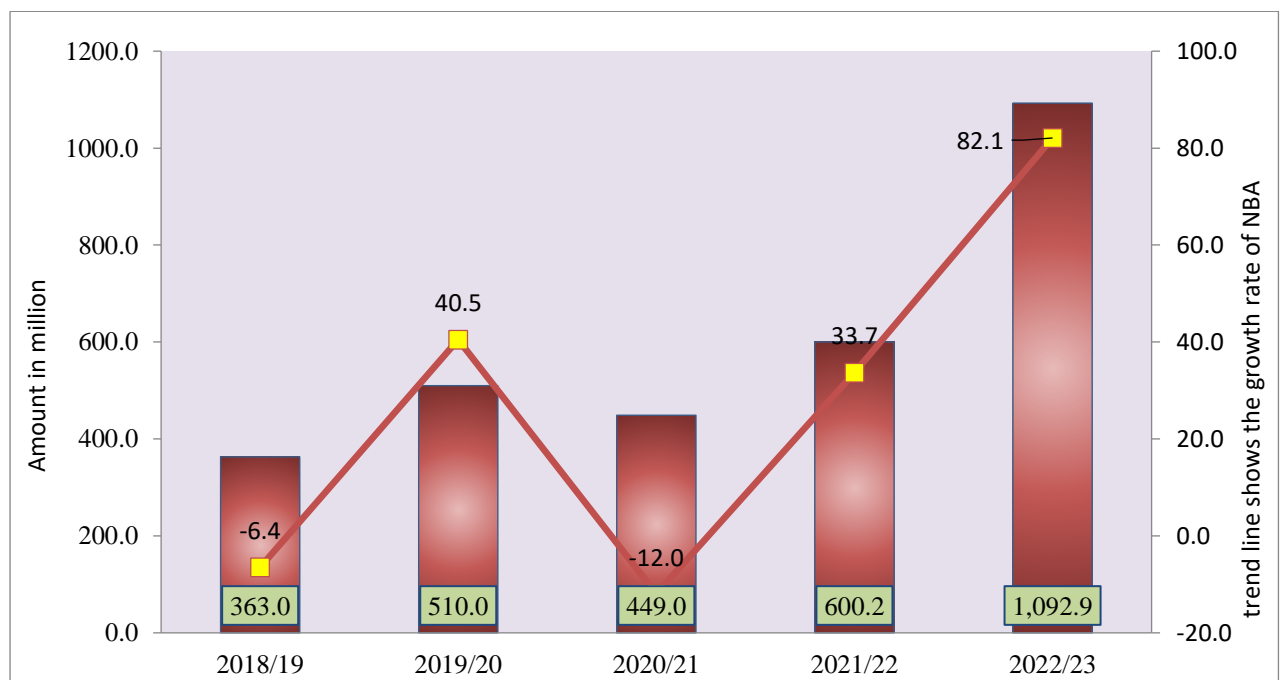
Figure 4.10 : Non-performing loans of FCs (Mid-July 2023)



Non-banking Assets

4.12 As of mid-July 2023, the total amount of non-banking assets of FCs was Rs.1092.9 million, registering an increment of 82.1 percent over the FY 2022/23 compared to 33.7 percent growth over the FY 2021/22. Details of NBA of FCs have been shown in Annex 4.13.

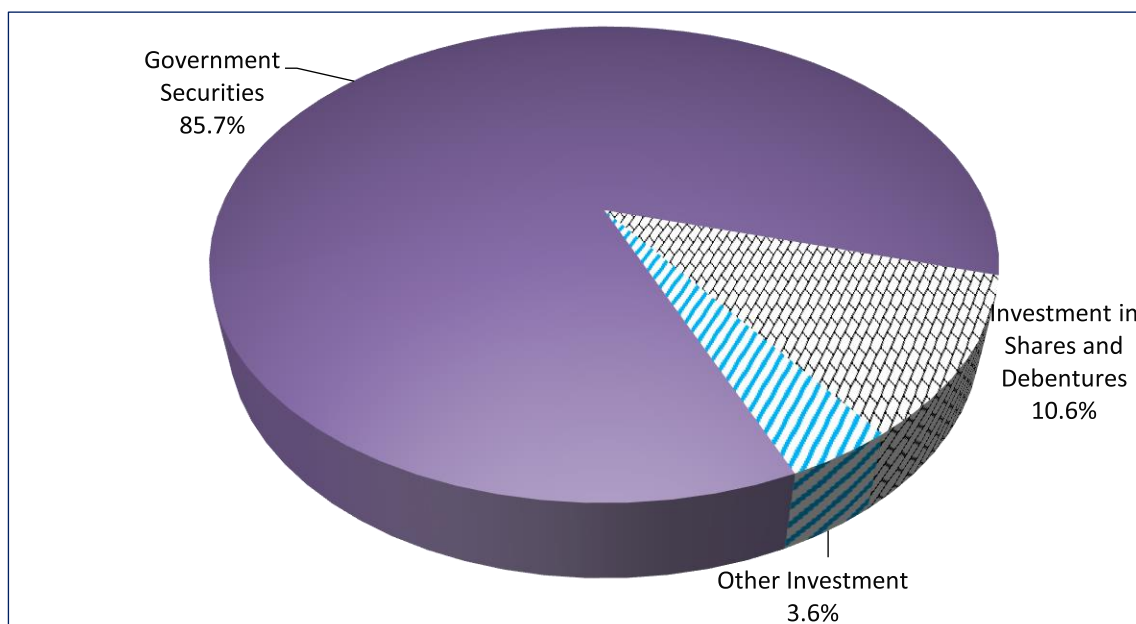
Figure 4.11 : Non-banking Assets of the FCs (Mid-July 2023)



Investment Portfolio

4.13 The largest share of investment of FCs in FY 2022/23 was in government securities. This category accounted 85.7 percent of total investment as of mid-July, 2023. Investment in shares/debentures and other investment were 10.6 percent and 3.6 percent respectively.

**Figure 4.12 : Investment Portfolio of the FCs
(Mid-July 2023)**



Profitability

4.14 Consolidated net profit of all FCs during FY 2022/23 amounted to Rs. 36.5 million. It amounted to Rs. 1193.05 million during FY 2021/22. The aggregate net profit of FCs seems to have decreased by 1156.6 million during the review period compared the profit of FY 2021/22 due to decrease in other operating income coupled with increase in interest expenses, and rise in NPL during the year.

4.15 Interest income of all FCs increased by 31.1 percent to Rs. 15.1 billion in the review period compared to that of 11.5 billion in the review year. Similarly, interest expenses were also increased by 42.7 percent to Rs. 11.6 billion during the year compared to that of 8.1 billion during the previous year. Net interest income has increased by 3.8 percent to NRs. 3.5 billion during the review period from Rs.3.4 billion compared to during the previous period.

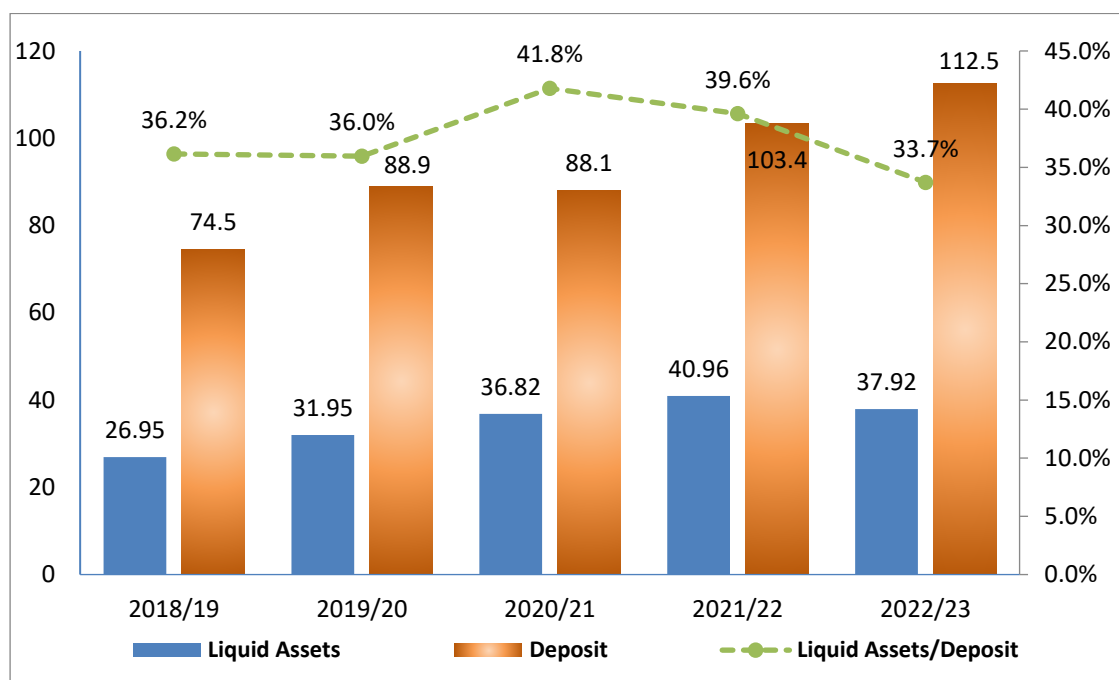
4.16 During the review period, operating profit of FCs has decreased by 6.0 percent to Rs. 1.4 billion from Rs. 1.5 billion during the previous year. Details regarding operational efficiency of FCs presented in consolidated P/L account in Annex 4.4.

Liquidity

4.17 Liquid assets comprises cash balance, bank balances with NRB and other BFIs, money at call and investment in government securities. Total liquid assets of FCs have decreased by 7.4 percent in FY 2022/23, declining from Rs. 41.0 billion as of mid-July 2022 to Rs. 37.9 billion

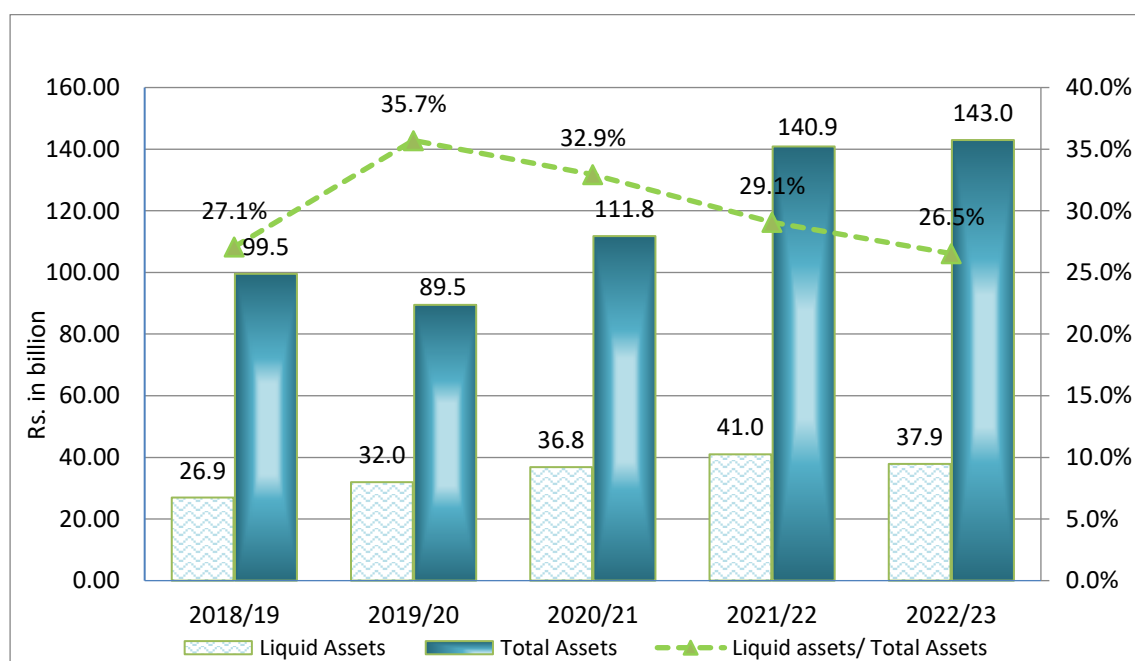
as of mid-July 2023. The share of these liquid assets to total deposits decreased from 39.6 percent as of mid-July 2022 to 33.7 percent as of mid-July 2023.

Figure 4.13 : Liquid Assets to Deposit Ratio of FCs (Mid-July 2023)



4.18 Similarly, the share of these liquid assets to total assets has also decreased by 2.5 percent from 29.1 percent as of mid-July 2022 to 26.5 percent in mid-July 2023 (see Annex 4.15 for other details).

Figure 4.14 : Liquid Assets to Deposit Ratio of FCs



Deprived Sector Lending

- 4.19 The overall deprived sector lending of FCs have decreased by 13.2 percent over the FY 2022/23 i.e. from Rs.6.8 billion as of mid-July 2022 to Rs.5.9 billion as of mid-July 2023. The overall position of deprived sector lending of FCs in FY 2022/23 was 6.6 percent as compared to 8.3 percent in FY 2021/22.

Base Rate and Spread Rate

- 4.20 Average base rate of all FCs was 13.0 percent as on mid-July 2023 whereas it was 12.0 percent in mid-July 2022.
- 4.21 Interest spread of overall FCs has stood as 4.6 percent as of mid-July 2023 whereas it was at 4.4 percent has stood as at mid July 2022.

Stress Testing Of FCs

- 4.22 Stress test results indicate that FCs remain reasonably resilient to various kinds of shocks although greater resilience seems necessary for credit and liquidity shocks. The test results based on data of mid July 2023 reveals as follows:

Credit Shock

- 4.23 Standard credit shock test results indicate that all except three FCs (out of total 17 excluding 2 problematic institutions) would be able to withstand standard credit shocks. One FCs will be unable to comply with the minimum capital adequacy ratio requirement if 15 percent of performing loans deteriorated to substandard. Similarly, 3 FCs will be unable to comply with the requirements of minimum capital adequacy ratio if 5 percent of performing loans deteriorated to loss loans. In the same way, all FCs will be able to comply with the minimum capital adequacy ratio requirements if 25 percent of performing loan of Real Estate & Housing sector directly downgraded to loss and if top 5 large exposures are downgraded performing to substandard.

Liquidity Shock

- 4.24 Standard liquidity shock test results suggested that one FCs will be unable to comply minimum net liquid assets to deposit ratio requirement of 20 percent, if 5th day of withdrawal of deposits by 10 percent every day. Similarly, 7 FCs would have its net liquid assets to deposit ratio falling below the minimum requirement of 20 percent if there would be withdrawal of 15 percent of total deposits and 10 FCs would have their net liquid assets to deposit ratio falling below this regulatory minimum if there would be a withdrawal of 20 percent of total deposits. One FCs was found to have their liquid assets to deposit ratio falling below the regulatory minimum if top 3 institutional depositors are supposed to withdraw their deposits in full.

Other Shocks

4.25 All FCs were found to be resilient to standard interest rate, exchange rate and equity price shocks such that none of the FCs would have their capital adequacy ratio falling below the regulatory minimum of 10 percent following these shocks.

Regulatory Actions

4.26 Following actions were taken against FCs during FY 2022/23 as per existing legal and regulatory provisions for miscellaneous non compliances.

- 3 FCs were penalized 7 times for not maintaining C/D Ratio out of which 2 each FCs were penalized for 3 times during the period while 1 bank was penalized once.
- 2 FCs were penalized 2 times for not maintaining the required CRR.
- 2 FCs were penalized for violation of AML/CFT law and regulations in which total of 4 million was levied.
- 3 reprimands were given to the board member and CEO of different FCs for reasons such as the negligence in executions of instructions and regulations related to AML/CFT, noncompliance of enforcement actions, lack of strong internal control system etc.

CHAPTER 5

KEY ONSITE OBSERVATIONS AND CHALLENGES

Key Onsite Observations

- 5.1 The major remarks identified through the onsite supervision of DBs and FCs conducted during the FY 2022/23 have been summarized below:

Board and Senior Management

- 5.2 The board of few FIs have provided additional benefits to their chief executive officers against the provisions of Unified Directives that requires the FIs to provide only the salary, allowance and other fringe benefits specified on the contract agreement signed with them.
- 5.3 Board member of few FIs were found having involved in some undue activities such as taking allowances for board meeting which they did not attend, making foreign visits on the cost of FIs without formal invitations from the organizers and analysis of cost and benefit of such visits to the institutions, drawing loans from their own bank in the name of their family member or their owned business firms, and involving in decisions for granting waiver on interest or penal interest on the loans of their close-ones without proper justification.
- 5.4 Board minutes of some FIs lack adequate details as well as adequate justification for the decisions taken, making such decisions ambiguous. Board minutes do not contain discussions on the identification, measurement, monitoring and control of inherent risks embedded in the institution's business and process. Review of board minutes show that the BOD activities are limited to acknowledging and approving the periodic reports of the concerned departments, approving new product papers and credit files, and other general administrative task related to rental agreement, interior design cost, purchase of vehicles, laptops or computers, etc.
- 5.5 The boards of few FIs have not prepared risk strategy identifying risk appetite and tolerance limit as required by Unified Directive. Board oversight function in few FIs seems weak over risk management process due to lack of adequate policies, inadequate internal control system due to multiple roles assumed by handful of employees, etc.
- 5.6 Internal control mechanism in few FIs have weakened due to ineffective internal audit as well as weak performance of compliance department. Role of internal audit department is limited to finding observations only without following up for the enforcement of corrective actions.
- 5.7 Boards of some FIs do not take update on the enforcement progress of their decisions. They even do not self-assess the effectiveness of their governance practices within the organization as required by the current directive.

Risk Management Function

- 5.8 Many FIs have formulated the risk management policies related to credit, operations and market and have created a separate risk management department. But these institutions have not tied up their activities with risks. This lacks the risk culture within the organization.
- 5.9 Risk management function in some FIs is not independent. There is no proper segregation between business function (first line of defence) and risk management function (second line

of defence). Few among them have assigned some business related function to the Risk Management Department too which has weakened the role of second line of defence.

- 5.10 Risk management departments of some FIs seem to have developed an internal credit risk scoring models for measuring credit risks of various credit products; however, the criteria and parameters used seem inadequate to ensure reliability of repayment source, projected financials for larger differences between audited and projected financials in earlier years, performance of loans in view of proposed waivers, sustainability of business, etc.
- 5.11 While launching new products or operating new systems, some FIs have not properly assessed the risks that would be inherent in such products and discussed such risk management committees. Some FIs have not discussed Annual reports of their risk management committees in their board meetings as well.

Audit Function

- 5.12 Audit committees and board of few FIs were found recommending just one name for the external auditor to be appointed by their AGM against the requirement of three names as per section 61 (e) of BAFIA, 2073.
- 5.13 Many FIs lack adequate staffs in their internal audit department. Due to this, these FIs could not undertake sufficient special inspections and enforcement follow-up. This has weakened the internal audit function.
- 5.14 Some FIs have outsourced their internal audit function but not in timely manner. Scope of work of outsourced internal auditors is not discussed in the audit committee in few FIs. Delayed receipt of internal audit reports in some FIs have weakened their internal control practice.
- 5.15 In few FIs, the internal audit departments have been found making the follow-up of the corrective actions on their observations during their next visits only, thereby, weakening the effectiveness of internal audit function.

Capital and Earnings

- 5.16 Few FIs have not been found having prepared their ICAAP and those having prepared it, have not adhered to the NRB's guidelines on ICAAP to capture all material risks and stress scenarios.
- 5.17 Many FI's have not automated the process of recording, processing and computing the risk-weighted exposure to credit risk. They are doing such tasks manually which lacks reliability. Examination of the workings revealed that some of the regulatory retail portfolio of the FIs do not meet the low value individual criteria, some of the past due claims were found included in other categories with low risk weights and some of the real estate loans were tagged as housing loans.
- 5.18 Boards of many FIs were found not paying adequate attention to the adverse stress scenarios and they have not taken steps to minimize the risk of such adverse scenarios on the adequacy of capital employed. These boards have even not paid attention to their institutions' degrading capital adequacy ratios.

- 5.19 Few FIs have not disclosed the specified information through their websites within the stipulated time as mentioned in point 7.4 (c and d) of Capital Adequacy Framework, 2007 (updated 2008). Few FIs have made such disclosures but with inadequate information.
- 5.20 Few FIs operating at national and regional level have not met the regulatory minimum paid-up capital yet.
- 5.21 Interest income from loans and advances contributes the largest portion of total income of most of the FIs. In some cases, the accrued interest receivables on loan and advances remained more than one-third of interest income. The FIs need to diversify the sources of earnings.
- 5.22 Some FIs have been distributing dividends without any formal dividend distribution and earning retention policy in place.

Credit Risk

- 5.23 As specified in section 55 subsection 1(a) of BAFIA, 2073, BFIs should disclose the purpose of loan before disbursement and carry out regular monitoring by preparing a monitoring schedule to ensure loan utilization in intended purpose. Issues such as improper utilization of loans as well as disbursement of new loans to settle existing loans have been observed in few FIs.
- 5.24 Large number of personal overdraft and business overdraft loan accounts were found to have expired or temporarily extended without obtaining financial statements, tax clearance certificates, income verification document, etc. Some FIs have not reclassified such loans under watch-list category as required by the current directive.
- 5.25 Where, facilities have been provided based on the projected financials, some FIs have failed to obtain the audited financials later and compare the actuals with the earlier projections and to mitigate the risk of overfinancing.

Liquidity Risk

- 5.26 Many FIs were found to have formulated their unrealistic and unachievable business plans without due consideration to the current macroeconomic indicators and business environment.
- 5.27 ALCO of many FIs have been found setting the interest rate of deposit and loans without analyzing the potential impact of interest rate change on their liquidity and earnings.
- 5.28 In some FIs, apart from meeting regulatory liquidity ratios and preparing gap analysis, no other flash reports and MIS have been developed to communicate about management of institutional liquidity positions.
- 5.29 Some FIs were unable to maintain the required credit to deposit ratio due to improper deposit and credit management.

Market Risk

- 5.30 Though many FIs have tied up their loan interest with base rate at the time of disbursement, few FIs later have not updated the loan interest rate or stopped tying loan interest rate with the movement of base rates on a deliberate manner.
- 5.31 There is no risk-based pricing mechanism for interest rate determination. Premium rates have been determined based on prevailing market interest rates rather than inherent risk of the

customers. Some FIs have been found charging higher loan interest rates initially and granting interest discount later to reduce interest spread within the regulatory limit.

- 5.32 Some FIs have invested in specialized investment fund without analyzing the benefits. These institutions have provided lower risk weight on investment in SIF that is providing venture capital and private equity investment.
- 5.33 The internal audit function of most FIs does not include periodic appraisal of the adequacy, accuracy, completeness and appropriateness of the interest rate risk management process.
- 5.34 Few FIs do not have investment policy. Where FIs have such policies, they have not updated these policies for a long time.

Operational and IT Risk

- 5.35 Institutional memory of many FIs seems weak. Some FIs have been unable to recover the loan principal and interest accrued in such loans due to not filing case in Debt Recovery Tribunal in lack of supporting documentary evidences.
- 5.36 In few FIs, ATM Card and PIN storage were found to have been kept in a same vault under the custody of a single person. Delivery of ATM and PIN was also found made through a single courier.
- 5.37 Many FIs have deployed a single security guard in their branches for 12 hours a day only, relying on CCTV monitoring from central office for rest 12 hours of the day.
- 5.38 In many FIs, operational risk has escalated due to lack of skilled manpower, inadequate capacity building programs and over reliance on contract staffs.
- 5.39 Most FIs have single connectivity to their data center. In case of connectivity disruption, the branches are using personal mobile data to synchronize the transactions. Accessing through personal cell phones will connect with the data center exposes institution's system to cyber risk.
- 5.40 Microsoft officially discontinued support for windows 7, which means it stopped patching security issues. However many FIs continue to run their core banking system on windows 7 computers exposing those computers to malware attacks. Similarly, most of the ATM of FIs do not have antivirus installed on it. Disaster recovery & business continuity plan of many FIs are thus ineffective. Some FIs have not performed IT audit from the independent party in periodic interval.

Human Resources Function

- 5.41 The turnover ratio of employee in few FIs seems fairly high creating risk to business continuity as well as succession planning. FIs have not identified the cause of such high turnover to find an appropriate solution to the problem. Many FIs have not updated their employee bylaw since long time tuning it with the new labor act of Nepal promulgated six years earlier. Talent hunt policy is found used improperly to hire the liked ones than what the institution needs.
- 5.42 In many FIs the HR committee does not review the job performance appraisal system of their employees developing the indicators related to the job descriptions, target, and their achievement as required by the regulatory provision. As per regulatory provision, employee

information has to be updated regularly but many FIs have no practice of maintaining KYE of their outsourced staffs.

Compliance to AML/CFT

- 5.43 Minutes of Board and AML committee of many FIs show inadequate discussion, review and assessment on the semi-annual and annual reports on AML/CFT. Inherent AML/CFT risk associated with new product, wire transfer, E-banking, Mobile Banking, QR, etc. and control measures for such risk have not been discussed in the AML/CFT committee.
- 5.44 In many FIs, ECDD of high risk customers was found weak. Many instances of not updating the KYC of high risk customer were found. Many FIs lacks the mechanism to monitor the transactions of high risk customers. Frontline staffs in many FIs lack skills required for screening, identifying and reporting suspicious transactions as well as risk grading of customers. Tasks such as updating PEP, duly filling and updating KYC, conducting customer due diligence of high profile customers, etc. have not been duly performed.

Challenges

High Staff Turnover and Lack of Skilled HR

- 5.45 Retaining qualified and experienced employee is a major challenge for FIs today. Staff turnover in B and C class FIs seem very high in Nepal. Employee at many FIs seem to have mentioned abroad study as the main reason for leaving the job. Recruitment, selection and training cost of FIs have increased along with risk of loss of expertise in the banking sector. Unfair competition between the BFIs for deposits, business expansion, unrealistic and unachievable employee targets, poor pay compared to work pressure, and lack of employee safety are few reasons quoted by outgoing staffs. The human capital flight has been major hindrance to the banking system for their smooth operation, and this has also increased the risk of operational disruptions as experienced staffs are leaving.

Sound, Secure and Cost effective IT infrastructure

- 5.46 Modern banking system has been almost impossible without the use of information technology. Use of technology in financial transactions (FinTech) have revolutionized the financial services through innovative technology solutions, providing convenience and accessibility to financial products and services.
- 5.47 FIs in Nepal have been extensively utilizing IT in the areas of core banking system, payment system and data management. It has enhanced their efficiency in transactions, lowered their costs, and fostered the financial inclusion reaching underserved populations, supporting empowerment and economic growth. However the convenience in using technology has also made the banking sector vulnerable to the Information Technology (IT) related risks leading to many cybercrimes. The incidence of tempering ATMs, and hacking of SWIFT system and credit cards have been recorded. Phishing and password attack has alarmed cyber security of the banking industry. IT related losses can turn out to be huge to the overall financial system.
- 5.48 FIs need to ensure that their IT systems are adequately secured and robust. This requires huge investment which is challenging for B and C class FIs. Where few large FIs have adequately invested in IT infrastructure, small and financially weak FIs are facing challenges to adopt robust systems. Massive use of IT in banking industry has also posed a challenge for NRB's

supervision as well as many instances have been found in which lack of financial digital literacy.

Loan Recovery

- 5.49 Many banks and FIs are facing loan recovery as a major challenge in banking business due to sluggish performance of the economy. The construction industries have badly suffered from the poor economic activities leading to their debt default and frequent restructuring of their loans. NRB has relaxed several stringent regulatory provisions to ease difficulties at borrowers' end in areas of loan restructure, LTV ratio, risk weights to be assigned for some loans, but these steps have solely been insufficient to boost the economy.

Deterioration of Asset quality

- 5.50 NPL of FIs have increased. Asset quality of FIs has been deteriorated which is indicated by the increment in non-performing assets. The key causes of deteriorating asset quality seems rooted since aggressive lending in the post-Covid period. The inadequate financial analysis, improper assessment of risk and repayment capacity, poor assessment of credit worthiness of the customers have been few causes of subsequent loan defaults. This has led to reduction in FIs' profits. Collateral coverage still serves as the basis for loans from many FIs. Further, FIs are also facing problem in selling off the mortgages as well as non-banking assets due to sluggish real estate sector. This has posed a major challenge in ensuring stability of the financial sector through improving asset quality of FIs.

Grievance Handling and Consumer Protection

- 5.51 The number of grievances has increased in recent days caused by aggressive recovery practice, inadequate financial literacy, some external factors, inefficient dispute resolution mechanism at FIs, mistrust between FIs and their clients, lack of consumer literacy, etc. Neither the clients read the entire terms and conditions laid in the loan offer letter and legal documents nor the FIs explain or communicate to their clients before getting the loan documents signed by them. Making all the consumers fully aware is also a challenging task.
- 5.52 Most of the consumers are unaware of the appropriate process of lodging complaints. Ensuring client protection with equitable and fair treatment, managing an efficient complaint handling and addressing mechanism at FI end, protecting consumer data and privacy, and promoting broad-based financial literacy is a major challenge today.

Corporate Governance and its Management

- 5.53 Many instances of weak corporate governance practice were found pertaining to weak internal controls, lack of transparency, inadequate monitoring of disbursed loan utilization, misuse of consumer protection fund, unfair recruitment and promotion, etc. Some board members in FIs lack the required financial literacy. Thus, FIs in Nepal need to focus on improving their corporate governance practices together with robust risk management practice.

Shadow Banking

- 5.54 Large amount of fund is being mobilized by unregulated as well as less regulated sectors in Nepal. Financial transactions of licensed institutions such as Cooperatives, EPF, CIT, etc. are beyond the direct supervision of central bank. A very large number of saving and credit

cooperatives exist outside the NRB's supervisory and regulatory purview. This has posed significant challenges to the stability of the overall financial system.

- 5.55 Cases of borrowing and lending by unregistered and unauthorized groups such as family and friends, merchants, and local people have not only promoted shadow banking but also cases of exploitation of the borrowers from meter interest have uncovered in recent days leading to general uproars throughout the country.
- 5.56 Many FIs have been found providing loans to settle loans of the cooperatives. The operation of the BFIs has been impacted by issues encountered in the cooperative sectors. Along with consumer protection issues, there are also cases of wider public fraud.
- 5.57 The recent global crisis has shown that greater attention on functions of institutions operating within the shadow banking system is required as they could transmit risks to the overall financial system. This requires the concerned regulatory institutions to strengthen their regulatory and supervisory functions and efficiencies.

Regulating Sectoral Lending

- 5.58 For equitable distribution of financial resources and achieving balanced economic growth, there should be rationing of resources among the productive sectors. A rational state always wants to promote productive sectors but FIs would like to diversify the resources towards more profitable sectors, resulting shortage of the financial support to uplift backward and vulnerable sectors. This has been one of the challenges today.
- 5.59 Directed lending has worked as a major policy tool for the regulators in developing countries to channelize funds to the needy sectors. NRB has also directed BFIs for mandatory lending in some of the sectors. However, the major challenge for NRB is to find an optimum balance between directed lending and discretionary lending.

ANNEXURES

Annex 1 : Onsite Inspection in FY 2022/23

3.1 Full Scope onsite Inspection

Quarter	DBs		FCs	
Quarter I	1	Saptakoshi Development Bank	1	Progressive Finance
	2	Corporate Development Bank	2	Guhyeshwori Merchant Banking & Finance Ltd.
	3	Shangrila Development Bank Ltd.	3	Central Finance Ltd.
Quarter II	4	Green Development Bank	4	Sambridhhi Finance Company Ltd
	5	Miteri Development Bank	5	Shree Investment & Finance Company Ltd.
			6	Goodwill Finance Ltd.
Quarter III	6	Kamana Sewa Bikash Bank Ltd.	7	Nepal Finance Ltd.
	7	Salpa Bikash Bank Ltd.	8	Pokhara Finance Ltd.
	8	Lumbini Bikash Bank Ltd.		
	9	Excel Development Bank Ltd.		
Quarter IV	10	Garima Bikash Bank Ltd.	9	Gurkhas Finance Ltd.
	11	Muktinath Bikash Bank Ltd.	10	Multi Purpose Finance Company Ltd.
	12	Shine Resunga Development Bank Ltd.	11	Reliance Finance Ltd.
		12	ICFC Finance Ltd.	

3.2 Special (Case Basis) Onsite Inspection

Quarter	Development Bank	Finance Company
Quarter I	Lumbini Bikash Bank, Garima Bikash Bank	
Quarter II		
Quarter III	Karnali Development bank Ltd., Jyoti bikash Bank	
Quarter IV	Excel Development Bank.	Best Finance Ltd.

3.3 Special (AML/CFT) Onsite Inspection

Quarter	Development Bank	Finance Company
Quarter I	Mahalaxmi Bikash Bank Ltd.	Goodwill Finance Ltd.
Quarter II	Garima Bikash Bank Ltd.	Gurkhas Finance Ltd.
Quarter III		
Quarter IV		

Sources: Financial Institution Supervision Department

Annex 2 : Number of Banks and Financial Institutions

Types of Financial Institutions	Mid-July 2023													
	1995	2000	2005	2010	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Commercial Banks	10	13	17	27	30	30	28	28	28	28	27	27	26	20
DBs	3	7	26	79	84	76	67	40	33	29	20	18	17	17
Finance Companies	30	47	60	79	53	48	42	28	25	23	22	17	17	17
Microfinance Financial Institutions	4	7	11	18	37	38	42	53	65	90	85	70	65	57
Infrastructure Development	-	-	-	-	-	-	-	-	1	1	1	1	1	1
Total	47	74	114	203	204	192	179	149	152	171	155	133	126	112

Sources : Economic Research Department, Quarterly Economic Bulletin

Annex 3 : Industry Statistics of DBs

Note: This financial indicator is based on regulatory requirement format, and so, may differ from the figures based on NFRS based balance sheet.

Annex 3.1 : List of DBs

Mid-July, 2023

S. N.	Name	Operation Date (A.D.)	No. of Branches	Paid Up Capital (Rs. in Million)	Scope
1	Muktinath Bikas Bank Ltd.	2007-01-03	173	6420.9	National
2	Kamana Sewa Bikas Bank Ltd.	2017-08-04*	135	3281.2	National
3	Garima Bikas Bank Ltd.	2021-11-14*	134	5187.7	National
4	Jyoti Bikas Bank Ltd.	2016-08-12*	121	4395.8	National
5	Shangrila Development Bank Ltd.	2014-07-13*	112	3267.6	National
6	Mahalaxmi Bikas Bank Ltd.	2017-07-02*	104	4171.3	National
7	Lumbini Bikas Bank Ltd.	2017-07-09*	89	3382.8	National
8	Shine Resunga Development Bank Ltd.	2013-03-17*	88	4283.9	National
9	Excel Development Bank Ltd.	2005-07-21	44	1249.7	1-5 District
10	Saptakoshi Development Bank Ltd.	2019-07-07*	35	834.3	1-7 District
11	Sindhu Bikas Bank Ltd.	2010-09-09	25	557.5	1-5 District
12	Karnali Development Bank Ltd.	2004-02-18	19	502.8	1-5 District
13	Miteri Development Bank Ltd.	2006-10-13	18	1015.0	1-5 District
14	Green Development Bank Ltd.	2013-08-25	15	519.0	1-5 District
15	Salapa Bikash Bank Ltd.	2012-07-16	6	350.0	1 District
16	Narayani Development Bank Ltd.	2001-10-17	5	262.5	1-3 District
17	Corporate Development Bank Ltd.	2007-11-07	4	525.0	1-3 District
	Total		1127	40207.0	

* Joint Operation date after merger

Annex 3.2 : Capital Adequacy Ratios of DBs

SN	FI's Name	Mid-July 2022		Mid-July 2023	
		Core Capital	Total Capital Fund	Core Capital	Total Capital Fund
1.	Muktinath Bikash Bank Ltd.	8.89	11.86	8.95	11.87
2.	Jyoti Bikash Bank Ltd	9.39	13.28	9.24	13.16
3.	Garima Bikash Bank	10.28	13.49	10.55	13.71
4.	Mahalaxmi Bikash Bank	10.76	11.94	10.48	13.43
5.	Shine Resunga Development Bank	13.46	14.78	11.98	13.35
6.	Lumbini Bikas Bank Ltd.	10.32	11.77	9.83	13.38
7.	Shangrila Development Bank	8.85	11.85	9.43	12.40
8.	Kamana Sewa Bikash Bank	9.72	13.28	8.58	12.29
9.	Saptakoshi Development Bank	17.48	19.13	11.61	13.26
10.	Excel Development Bank	11.59	12.80	10.37	11.72
11.	Miteri Development Bank	23.89	25.13	29.35	30.68
12.	Sindhu Bikas Bank	11.82	12.93	11.83	13.25
13.	Karnali Development Bank	10.65	11.35	9.30	10.91
14.	Green Development Bank	19.01	21.15	17.31	19.24
15.	Corporate Development Bank	57.82	59.10	46.86	47.81
16.	Narayani Development Bank	25.90	26.76	10.33	11.36
17.	Salapa Bikash Bank	24.66	25.49	32.24	33.15
Average		10.55	13.10	10.2600	13.21

sources : Financial Institution Supervision Department

Annex 3.3 : Consolidated Statement of Financial Position of DBs (FY 2022/23)
(Mid July 2023)

Rs. in million

Assets	Garima	Green	Jyoti	Kamana	Lumbini	Mahalaxmi
Cash and cash equivalent	4,602.9	618.1	6,009.5	4,193.1	3,666.7	4,077.8
Due from Nepal Rastra Bank	2,961.8	162.0	1,955.4	2,167.4	1,959.6	1,746.0
Placement with BFIs	-	50.0	500.0	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	2,973.8	3.1	3,027.0	2,195.1	2,176.7	3,544.6
Loans and advances to customers	61,956.9	3,297.1	50,964.2	43,851.3	41,426.1	37,143.0
Investment securities	14,918.5	499.0	8,087.5	7,920.5	7,770.3	13,548.2
Current tax assets	-	3.9	139.9	38.8	134.9	135.6
Investment in subsidiaries	123.9	-	153.0	-	-	-
Investment in associates	-	-	-	-	595.5	4.7
Investment property	187.3	-	182.4	374.3	169.4	543.0
Property and equipment	641.1	80.8	718.6	1,135.5	767.4	370.4
Goodwill and Intangible assets	101.0	1.1	14.9	14.2	4.2	4.2
Deferred tax assets	32.5	-	75.3	82.5	-	75.5
Other assets	663.2	56.3	958.1	608.5	220.6	664.3
TOTAL ASSETS	89,162.8	4,771.5	72,786.0	62,581.2	58,891.5	61,857.4
	-	-	-	-	-	-
EQUITY AND LIABILITIES	Garima	Green	Jyoti	Kamana	LumbiniDB	MahalaxmiDB
Liabilities	81,359.7	4,182.3	67,003.9	57,845.5	52,674.4	55,412.3

Due to BFIs	2,104.5	216.3	3,411.2	2,263.4	963.6	2,022.8
Due to Nepal Rastra Bank	-	-	-	-	488.7	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	76,964.2	3,859.8	61,284.5	53,472.4	49,132.1	51,496.4
Borrowing	14.6	25.0	-	-	-	-
Current Tax Liabilities	57.2	-	-	-	-	-
Provisions	-	-	-	17.9	-	85.5
Deferred tax liabilities	-	1.8	-	-	208.8	-
Other liabilities	1,224.1	79.3	816.5	1,096.5	872.8	812.7
Debt securities issued	995.1	-	1,491.7	995.2	1,008.5	994.8
Subordinated Liabilities	-	-	-	-	-	-
Equity	7,803.1	589.2	5,782.1	4,735.7	6,217.1	6,445.1
Share capital	5,187.7	519.0	4,395.8	3,281.2	3,382.8	4,171.3
Share premium	4.4	0.0	-	-	-	-
Retained earnings	517.7	29.1	2.9	52.8	300.9	267.2
Reserves	2,093.4	41.2	1,383.3	1,401.8	2,533.4	2,006.6
TOTAL EQUITY AND LIABILITIES	89,162.8	4,771.5	72,786.0	62,581.2	58,891.5	61,857.4
Contingent Liabilities and Commitments	1,243.0	41.6	1,555.0	2,389.9	2,090.5	1,897.5

Assets	Miteri	Muktinath	Narayani	Saptakoshi	Shangrila	Shine
Cash and cash equivalent	412.9	5,268.5	128.2	1,000.7	4,200.4	5,172.4
Due from Nepal Rastra Bank	240.9	3,732.1	40.9	229.5	2,034.5	2,303.3
Placement with BFIs	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to BFIs	390.3	2,536.4	-	52.1	2,225.4	1,923.6
Loans and advances to customers	4,216.0w	94,457.0	410.3	3,668.6	39,861.3	43,744.5
Investment securities	2,682.2	22,084.6	47.4	785.6	9,020.3	9,087.2
Current tax assets	-	48.2	10.0	22.9	64.5	77.2
Investment in subsidiaries	-	244.0	-	-	-	-
Investment in associates	-	155.6	-	-	-	-
Investment property	21.6	256.1	-	2.5	124.3	90.3
Property and equipment	52.4	1,919.9	30.2	155.5	704.3	620.4
Goodwill and Intangible assets	0.3	14.5	10.0	2.5	10.3	130.1
Deferred tax assets	13.9	84.7	39.5	93.7	46.4	-
Other assets	67.8	809.6	5.6	178.0	358.3	269.8
TOTAL ASSETS	8,098.2	131,611.2	722.1	6,191.7	58,650.0	63,418.8
EQUITY AND LIABILITIES	Miteri	Muktinath	Narayani	Saptakoshi	Shangrila	Shine
Liabilities	6,646.7	122,248.1	676.8	5,556.5	54,166.1	57,242.7
Due to BFIs	53.8	1,999.5	-	220.4	1,941.7	733.1

Due to Nepal Rastra Bank	-	215.9	-	-	-	300.0
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	6,506.9	116,449.9	632.8	5,006.9	50,567.7	55,682.9
Borrowing	-	18.8	-	-	-	18.7
Current Tax Liabilities	12.8	-	-	-	-	-
Provisions	-	14.8	0.9	-	-	-
Deferred tax liabilities	-	-	-	-	-	42.7
Other liabilities	73.3	2,302.4	43.1	329.2	910.1	465.2
Debt securities issued	-	1,246.9	-	-	746.6	-
Subordinated Liabilities	-	-	-	-	-	-
Equity	1,451.5	9,363.1	45.3	635.2	4,483.9	6,176.1
Share capital	1,015.0	6,420.9	262.5	834.3	3,267.6	4,283.9
Share premium	-	-	10.1	-	-	-
Retained earnings	137.4	673.9	(388.1)	(415.4)	202.3	477.3
Reserves	299.1	2,268.2	160.9	216.2	1,014.0	1,414.9
TOTAL EQUITY AND LIABILITIES	8,098.2	131,611.2	722.1	6,191.7	58,650.0	63,418.8
Contingent Liabilities and Commitments	110.8	3,343.7	48.9	-	1,548.9	1,719.5

Assets	Excel*	Corporate*	Sindhu*	Karnali*	Salpa*	Total
Cash and cash equivalent	3,669.6	603.7	665.1	1,431.5	505.5	46,226.8
Due from Nepal Rastra Bank	130.5	43.7	175.0	227.6	-	20,110.1
Placement with BFIs	-	-	-	-	-	550.0
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	246.5	-	-	246.5
Loan and advances to B/FIs	241.9	-	493.7	-	828.2	22,612.0
Loans and advances to customers	10,628.5	1,140.0	3,557.1	3,370.5	-	443,692.5
Investment securities	922.3	-	78.2	-	-	97,451.9
Current tax assets	1.4	8.3	16.7	23.7	12.6	738.4
Investment in subsidiaries	-	-	-	-	-	520.9
Investment in associates	-	-	-	-	-	755.8
Investment in property	308.7	106.2	53.0	-	-	2,419.2
Property and equipment	253.1	99.9	221.8	148.8	32.3	7,952.4
Goodwill and Intangible assets	3.2	1.4	2.1	0.4	1.3	315.7
Deferred tax assets	7.9	14.0	12.6	0.1	3.3	581.9
Other assets	27.9	11.0	147.9	90.5	9.3	5,146.7
TOTAL ASSETS	16,195.0	2,028.1	5,669.7	5,293.2	1,392.5	649,320.8
	-	-	-	-	-	-
EQUITY AND LIABILITIES	Excel*	Corporate*	Sindhu*	Karnali*	Salpa*	-
Liabilities	14,427.0	1,267.6	5,041.7	4,687.7	1,019.3	591,458.2
Due to Bank and Financial Institutions	427.9	-	-	-	-	16,358.4
Due to Nepal Rastra Bank	-	-	-	-	-	1,004.5
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	13,767.4	1,256.2	4,873.2	4,609.3	939.9	556,502.5
Borrowing	-	-	15.0	-	-	92.1
Current Tax Liabilities	-	-	8.2	-	-	78.2
Provisions	2.8	-	-	-	-	121.9
Deferred tax liabilities	-	-	-	-	-	253.3
Other liabilities	228.8	11.4	145.3	78.4	79.4	9,568.5
Debt securities issued	-	-	-	-	-	7,478.7

Subordinated Liabilities	-	-	-	-	-	-
Equity	1,768.0	760.6	628.0	605.5	373.2	57,862.7
Share Capital	1,249.7	525.0	557.5	502.8	350.0	40,206.9
Share premium	9.5	23.9	-	0.5	-	48.4
Retained earnings	(12.1)	51.1	(76.5)	(72.6)	7.6	1,755.3
Reserves	520.8	160.5	147.1	174.9	15.6	15,851.9
TOTAL EQUITY AND LIABILITIES	16,195.0	2,028.1	5,669.7	5,293.2	1,392.5	649,320.8
Contingent Liabilities and Commitments	661.4	-	-	-	-	16,650.8

Annex 3.4 : Consolidated Statement of Financial Position of DBs

Rs. in million

ASSETS	Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
Cash and cash equivalent	80,073.5	61,068.0	44,983.2	58,033.4	46,226.8
Due from Nepal Rastra Bank	15,351.8	15,513.2	13,470.6	13,466.2	20,110.1
Placement with Bank and Financial Institutions	2.5	325.5	5.5	500.0	550.0
Derivative financial instruments	1,711.7	-	-	-	-
Other trading assets	340.8	444.9	540.0	-	246.5
Loan and advances to B/FIs	9,087.6	7,399.9	23,361.5	24,242.3	22,612.0
Loans and advances to customers	333,445.5	278,326.2	355,750.4	414,042.0	443,692.5
Investment securities	18,437.7	31,632.7	59,905.0	73,487.5	97,451.9
Current tax assets	380.7	606.2	707.5	1,114.2	738.4
Investment in subsidiaries	117.5	117.5	117.5	394.4	520.9
Investment in associates	647.1	546.3	695.7	781.0	755.8
Investment in property	690.6	672.8	554.1	1,469.1	2,419.2
Property and equipment	5,645.2	4,947.8	4,620.1	8,050.7	7,952.4
Goodwill and Intangible assets	126.2	213.3	282.1	314.6	315.7
Deferred tax assets	410.5	307.3	188.1	438.0	581.9
Other assets	1,848.8	1,690.7	3,661.9	3,458.3	5,146.7
TOTAL ASSETS	468,317.7	403,812.3	508,843.2	599,791.6	649,320.8

EQUITY AND LIABILITIES	2018/19	2019/20	2020/21	2021/22	2022/23
Liabilities	411,945.5	360,444.1	461,822.7	231,406.6	591,458.2
Due to Bank and Financial Institutions	33,401.8	11,568.6	15,697.2	7,755.4	16,358.4
Due to Nepal Rastra Bank	1,406.4	605.8	7,975.3	4,249.6	1,004.5
Derivative financial instruments	1,783.3	-	-	-	-
Deposits from customers	368,366.5	343,218.9	431,181.2	213,002.6	556,502.5

Borrowing	684.8	-	-	70.0	92.1
Current Tax Liabilities	133.9	5.3	29.6	29.7	78.2
Provisions	86.7	179.7	119.1	4.2	121.9
Deferred tax liabilities	56.7	74.3	367.5	-	253.3
Other liabilities	6,025.5	4,791.4	5,459.8	4,302.3	9,568.5
Debt securities issued	-	-	993.0	1,992.8	7,478.7
Subordinated Liabilities	-	-	-	-	-
Equity	56,372.2	43,368.1	47,020.5	20,883.7	57,862.7
Share Capital	40,070.4	32,038.9	32,242.2	15,034.5	40,206.9
Share premium	107.6	87.6	71.2	65.2	48.4
Retained earnings	5,870.8	2,857.1	4,801.2	1,233.1	1,755.3
Reserves	10,323.3	8,384.6	9,905.9	4,550.9	15,851.9
TOTAL EQUITY AND LIABILITIES	468,317.7	403,812.3	508,843.2	599,791.6	649,320.8

Annex 3.5 : Consolidated Statement of Profit & Loss A/C of DBs (FY 2022/2023)

DBs	Garima	Green	Jyoti	Kamana	Lumbini	Mahalaxmi
Interest Income	10,683,204.0	523,470.9	8,337,429.6	7,302,567.5	6,772,451.8	6,699,121.7
Interest Expenses	7,419,215.7	364,719.3	5,969,198.3	5,234,903.7	4,928,659.6	4,753,058.9
Net Interest Income	3,263,988.3	158,751.7	2,368,231.2	2,067,663.8	1,843,792.2	1,946,062.8
Fee and commission income	405,599.2	16,089.6	229,266.1	264,271.6	165,681.9	198,953.2
Fee and commission expense	19,193.2	319.1	30,839.6	22,618.9	11,316.3	17,666.7
Net Fee and commission income	386,406.0	15,770.5	198,426.5	241,652.8	154,365.6	181,286.4
Net Interest, Fee and commission income	3,650,394.3	174,522.2	2,566,657.7	2,309,316.6	1,998,157.8	2,127,349.2
Net trading income	14,999.8	-	42,795.3	52.4	21.2	1,123.0
Other operating income	33,300.4	(1,042.5)	69,376.5	12,672.3	49,164.6	44,385.4
Total operating income	3,698,694.5	173,479.7	2,678,829.6	2,322,041.2	2,047,343.6	2,172,857.5
Impairment charge/(reversal) for loans and other losses	413,271.4	54,502.4	954,356.0	522,692.3	545,734.5	506,869.9
Net operating income	3,285,423.0	118,977.3	1,724,473.5	1,799,348.9	1,501,609.1	1,665,987.6
Personnel expenses	908,119.7	49,884.1	754,153.8	721,627.0	462,857.1	680,994.2
Other operating expenses	453,988.7	29,723.0	385,277.3	253,914.8	208,101.8	352,288.0
Depreciation & Amortisation	160,439.6	13,543.5	161,319.9	184,614.2	105,858.4	61,850.5
Operating Profit	1,762,875.0	25,826.7	423,722.6	639,192.9	724,791.8	570,855.0
Non operating income	23,685.9	-	258.5	-	1,450.0	7,197.1
Non operating expense	-	864.7	-	108,386.0	18,328.5	9,669.1

Profit before income tax	1,786,560.9	24,961.9	423,981.1	530,806.9	707,913.3	568,383.0
Income Tax Expense						
Current Tax	553,419.4	9,343.7	130,432.2	186,886.2	210,126.0	202,375.3
Deferred Tax	(31,534.5)	(877.4)	(8,268.1)	(17,443.9)	114.8	(11,547.2)
Profit/Loss for the period	1,264,676.1	16,495.7	301,817.0	361,364.5	497,672.5	377,554.9

DBs	Miteri	Muktinath	Narayani	Saptakoshi	Shangrila	Shine
Interest Income	978,398.5	15,475,236.3	71,822.1	608,000.2	7,127,467.1	6,977,985.5
Interest Expenses	628,011.5	11,371,142.4	46,445.5	427,671.8	5,335,842.2	4,860,705.9
Net Interest Income	350,387.1	4,104,094.0	25,376.6	180,328.4	1,791,624.8	2,117,279.7
Fee and commission income	15,894.6	592,895.4	3,333.3	19,534.0	166,633.8	286,567.3
Fee and commission expense	1,325.6	67,198.6	19.2	-	17,743.2	31,107.0
Net Fee and commission income	14,569.0	525,696.8	3,314.1	19,534.0	148,890.7	255,460.3
Net Interest, Fee and commission income	364,956.1	4,629,790.8	28,690.6	199,862.4	1,940,515.5	2,372,739.9
Net trading income		11,340.9	-	-	-	
Other operating income	3,748.4	11,419.8	1,013.8	684.4	1,827.2	15,599.6
Total operating income	368,704.5	4,652,551.5	29,704.5	200,546.8	1,942,342.7	2,388,339.5
Impairment charge/(reversal) for loans and other losses	469.9	698,675.8	80,379.3	248,143.5	533,455.6	303,990.9
Net operating income	368,234.6	3,953,875.7	(50,674.8)	(47,596.7)	1,408,887.1	2,084,348.6
Personnel expenses	92,275.9	1,438,159.4	21,177.8	113,438.4	575,961.7	585,124.3

Other operating expenses	30,855.3	461,034.6	21,101.5	66,236.5	289,332.2	281,118.6
Depreciation & Amortisation	11,775.5	234,108.9	10,502.5	29,076.8	143,205.8	79,627.6
Operating Profit	233,327.9	1,820,572.8	(103,456.7)	(256,348.4)	400,387.4	1,138,478.0
Non operating income		-		-	608.0	
Non operating expense		10,256.1		-	5,828.1	2,446.7
Profit before income tax	233,327.9	1,810,316.7	(103,456.7)	(256,348.4)	395,167.4	1,136,031.3
Income Tax Expense						
Current Tax	74,964.7	587,938.9		11,520.0	134,335.7	348,260.3
Deferred Tax	(2,520.6)	(25,848.5)	(25,356.0)	(84,477.0)	(9,581.1)	29,742.8
Profit/Loss for the period	160,883.7	1,248,226.3	(78,100.7)	(183,391.4)	270,412.8	758,028.2

DBs	Excel*	Corporate*	Sindhu*	Karnali*	Salpa*	Total
Interest Income	1,738,046	181,252	600,515	583,555	117,787	74,778,310.2
Interest Expenses	1,133,392	92,857	411,649	418,720	65,144	53,461,337.8
Net Interest Income	604,654	88,395	188,866	164,835	52,642	21,316,972.4
Fee and commission income	84,146	250	19,597	16,637	1,253	2,486,603.8
Fee and commission expense	13,557	-	3,550	-	-	236,454.5
Net Fee and commission income	70,589	250	16,047	16,637	1,253	2,250,149.2
Net Interest, Fee and commission income	675,243	88,645	204,913	181,473	53,895	23,567,121.7
Net trading income	-	-	-	-	-	70,332.6

Other operating income	726	2,908	3,103	-	7,299	256,185.9
Total operating income	675,969	91,553	208,015	181,473	61,194	23,893,640.1
Impairment charge/(reversal) for loans and other losses	129,110	32,220	12,668	13,853	(1,646)	5,048,745.5
Net operating income	546,859	59,333	195,347	167,620	62,841	18,844,894.6
Personnel expenses	208,980	18,886	94,779	60,113	38,819	6,825,350.0
Other operating expenses	98,130	11,815	57,851	54,653	14,734	3,070,156.0
Depreciation & Amortisation	30,910	2,184	15,485	8,540	5,151	1,258,192.6
Operating Profit	208,840	26,449	27,232	44,313	4,137	7,691,196.0
Non operating income	-	-	-	-	-	33,199.5
Non operating expense	28,044	-	-	-	-	183,823.1
Profit before income tax	180,796	26,449	27,232	44,313	4,137	7,540,572.4
Income Tax Expense	54,239	7,935	13,829			76,002.2
Current Tax	54,239	7,935	8,170			2,519,945.3
Deferred Tax			5,659			(181,937.5)
Profit/Loss for the period	126,557	18,514	13,403	44,313	4,137	5,202,564.6

* Unaudited Financial statement

Annex 3.6 : Loan & Advances Of DBs

(Mid-July 2023)

NRS in million

DBs'	Pass (1.25%)	Pass (5%)	Watch List (5%)	Reschedul ed / Restructured (12.5%)	Substandard (25%)	Doubtful (50%)	Bad (100%)	Additional Provision	Total Loan	Total (NPL)
Mahalaxmi	37,285.3	-					680.6	-	41809.2	1,467.9
Narayani	349.1	-					37.3	-	547.6	100.7
Karnali	2,186.3	-					17.8	(29.2)	3000.9	118.6
Shangrila	38,900.5	-					452.2	42.8	42136.0	1,288.6
Excel	9,408.6	-					155.5	9.0	10988.1	535.8
Miteri	4,449.3	-					13.8	-	4635.5	60.6
Muktinath	91,250.4	1,617.5					184.1	1,837.1	99176.3	937.6
Garima	61,234.6	-					250.6	-	65592.1	1,016.9
Kamana	40,430.6	-					709.7	146.6	46919.6	1,394.4
Corporate	1,015.7	-					15.2	9.5	1174.4	50.0
Jyoti	50,601.4	-					699.5	-	54702.0	1,687.6
Shine	42,975.8	-					228.8	-	45964.5	830.5
Lumbini	40,182.3	-					456.3	-	44570.3	1,339.5
Sindhu	3,685.0	-					7.7	0.1	4086.3	52.7
Salpa	638.6	-					9.9	-	702.1	20.6
Saptakoshi	2,546.1	-					221.0	(23.6)	4041.0	527.9
Green	2,820.6	-					46.8	-	3328.5	109.7
Grand Total	429,960.0	1,617.5					4,186.7	1,992.2	473374.4	11,539.6

Annex 3.7 : Sector-Wise Statement of Loan of DBs
(Mid-July 2023)

NRS in '000

Sectors/Fis	Mahalaxmi	Narayani	Karnali	Shangrila	Excel	Miteri	Muktinath	Garima	Kamana	Corporate	Jyoti	Shine	Lumbini	Sindhu	Salpa	Saptakoshi	Green	Grant Total
Agricultural and Forest	1,575.4	108.3	510.1	2,104.0	414.2	313.8	6,388.2	3,358.6	3,081.1	77.6	4,710.4	2,690.1	5,716.0	348.9	311.7	777.6	443.8	32,930.0
Fishery	91.9	11.4	-	41.4	15.5	2.9	140.8	286.7	148.8	47.6	156.8	416.1	147.0	-	2.5	5.5	7.8	1,522.5
Mining	3.0	-	-	7.1	-	-	15.7	160.2	-	-	47.0	78.3	10.0	-	-	-	-	321.2
Agriculture, Forestry & Beverage Production	309.1	0.7	624.3	960.4	353.3	146.2	1,052.2	1,419.1	944.4	9.0	1,733.4	2,051.3	904.7	127.9	39.8	50.2	1.4	10,727.3
Non-food Production	1,035.6	-	-	1,616.0	337.9	125.1	3,457.6	1,745.8	892.2	128.1	4,120.8	3,773.6	912.6	85.7	8.9	87.9	39.9	18,367.7
Construction	5,928.6	73.2	70.6	1,749.8	112.4	227.4	653.3	12,232.9	2,841.7	170.3	2,058.1	3,249.4	1,576.5	206.6	5.6	343.9	603.9	32,104.1
Power, Gas and Water	385.2	-	-	1,239.3	0.0	-	419.3	327.2	171.3	-	1,503.5	-	3,530.6	-	-	2.1	-	7,578.4
Metal Products, Machinery & Electronic Equipment & Assemblage	129.6	2.7	-	188.3	1.5	19.8	185.3	346.2	96.6	45.6	525.6	148.2	69.1	0.7	8.8	-	2.6	1,770.5
Transport, Communication and Public Utilities	799.4	15.6	92.3	1,491.3	155.1	252.7	1,684.7	2,222.2	1,477.6	33.1	695.7	1,051.2	651.7	201.0	0.7	76.9	158.7	11,059.9
Wholesaler & Retailer	8,203.8	73.8	803.4	6,443.8	3,172.5	574.1	14,769.6	8,154.0	8,476.8	178.2	5,674.3	10,152.3	4,443.1	650.1	82.2	1,035.7	353.9	73,241.6
Finance, Insurance and Real Estate	5,434.3	-	260.0	4,896.1	896.2	451.2	11,005.4	5,037.5	3,385.4	-	4,173.1	4,158.5	6,262.0	666.1	9.0	288.5	62.2	46,985.4
Hotel or Restaurant	743.2	25.5	-	1,806.2	324.7	41.8	3,925.4	3,259.8	1,513.6	16.3	2,787.4	7,606.5	1,613.9	346.8	34.8	78.5	91.0	24,215.3
Other Services	489.0	1.9	583.1	1,797.5	631.3	34.4	2,302.1	1,540.8	1,740.2	27.5	1,069.7	2,939.2	2,086.4	61.7	2.2	194.4	59.6	15,561.0
Consumption Loans	16,390.6	131.1	86.2	13,505.6	4,562.3	1,759.3	25,446.3	3,750.7	11,781.3	250.1	12,849.3	6,085.9	16,622.1	1,374.2	38.8	1,118.3	1,162.4	116,914.4

Sectors/Fis	Mahalaxmi	Narayani	Karnali	Shangrila	Excel	Miteri	Muktinath	Garima	Kamana	Corporate	Jyoti	Shine	Lumbini	Sindhu	Salpa	Saptakoshi	Green	Grant Total
Local Government	-	-	-	3.3	-	-	-	0.0	-	-	5.8	-	-	-	-	-	-	9.2
Others	290.7	103.4	-	4,242.9	2.4	686.9	25,893.4	21,750.3	10,221.9	181.5	12,591.2	1,563.9	24.9	16.5	157.2	5.2	341.2	78,073.5
Total	41,809	548	3,030	42,093	10,979	4,635	97,339	65,592	46,773	1,165	54,702	45,965	44,570	4,086	702	4,065	3,328	471,382.2

Annex 3.8 : Product-Wise Statement of Loan of DBs
(As Of Mid-July 2023)

NRS in '000

DBs'	Term Loan	Overdraft	Cash Credit Loan	Trust Receipt Loan/Import Loan	Short Term Working Capital/Demand Loan	Residential Personal Home Loan (Up to Rs. 15 million)	Real Estate Loan	Margin Nature Loan	Hire Purchase Loan	Deprived Sector Loan	Other Product	Grand Total
Mahalaxmi	13,828.2	9,043.9	-	-	21.8	5,455.5	805.8	2,061.8	1,482.4	3,878.2	5,231.8	40,424,635
Narayani	293.2	119.1	-	-	-	39.3	22.2	6.0	32.0	28.3	7.4	352,513
Karnali	717.1	1,108.6	-	-	-	70.6	260.0	-	92.3	153.3	628.2	3,160,497
Shangrila	14,698.7	2,518.1	5,955.3	-	928.6	6,461.2	2,541.6	933.4	2,859.0	3,918.7	1,278.6	43,240,161
Excel	3,162.4	488.9	-	-	2,963.6	1,542.1	574.8	432.0	485.2	630.4	699.9	10,670,908
Miteri	782.2	423.7	-	-	-	923.5	55.4	53.0	315.2	860.6	1,221.9	5,084,258
Muktinath	40,978.8	5,250.4	-	-	10,824.7	13,751.4	6,628.3	2,786.3	2,711.9	8,873.0	5,534.4	89,654,338
Garima	20,258.3	11,360.9	-	-	223.4	11,228.6	2,861.1	1,543.9	3,209.5	4,854.2	10,052.1	61,474,310
Kamana	23,686.7	10,010.4	-	-	528.1	2,431.4	1,115.4	1,414.2	1,699.1	4,357.2	1,530.5	44,663,523
Corporate	301.5	68.6	245.4	-	128.6	201.0	-	-	38.6	53.7	127.6	975,244
Jyoti	22,048.2	13,026.9	-	-	318.9	5,547.6	972.5	1,668.4	1,579.0	3,550.4	5,990.1	51,262,993
Shine	14,091.2	1,142.3	5,062.0	-	6,065.9	2,793.5	2,099.4	1,256.2	1,138.2	3,510.0	8,805.8	38,037,187
Lumbini	8,343.0	4,104.6	6,992.0	-	1,905.1	5,826.6	3,586.8	1,820.6	1,290.6	4,023.8	6,677.4	41,133,473
Sindhu	787.1	44.1	289.9	-	400.4	584.6	86.2	153.5	202.9	531.8	1,005.8	4,019,776

Salpa	233.6	137.8	-	-	-	-	-	-	2.9	156.6	171.1	658,456
Saptakoshi	1,986.7	196.3	579.2	-	70.3	186.8	215.3	13.0	60.8	383.1	373.1	4,361,529
Green	1,543.1	298.7	-	-	107.6	599.1	59.0	22.7	152.4	390.2	155.7	2,609,096
Grand Total	167,740	59,343	19,124	-	24,487	57,643	21,884	14,165	17,352	40,153	49,491	441,782,898

Annex 3.9 : Investment Details Of DBs

Rs in 000

DBs'	Government Securities	NRB Bond	Non-financial / Non-Government institutions investment	Investment in Shares and Debentures	Purchase/Investment in Land and Housing Development	Other Investment	Grand Total
Mahalaxmi	12,663,862		-	858,516	-	-	13,522,379
Narayani	4,000		-	4,882	-	38,315	47,197
Karnali	-		-	-	-	-	-
Shangrila	8,185,578		-	729,639	-	185	8,915,402
Excel	1,975,330		-	195,691	-	-	2,171,022
Miteri	2,652,371		-	29,806	-	-	2,682,177
Muktinath	21,303,475		-	632,383	-	475,972	22,411,830
Garima	13,139,158	1,000,000	-	497,928	-	229,149	14,866,235
Kamana	7,310,085		-	654,835	-	-	7,964,920
Corporate	-		0	-	0	-	-
Jyoti	6,878,499		-	1,377,595	-	500,000	8,756,095
Shine	8,573,550		-	344,325	-	-	8,917,875
Lumbini	6,260,119		-	819,145	14,127	-	7,093,391
Sindhu	246,464		-	58,661	-	23,079	328,204
Salpa	-		-	-	-	-	-
Saptakoshi	746,596		-	23,478	-	-	770,075
Green	469,901		-	20,927	-	50,000	540,828
Grand Total	90,408,989	1,000,000	-	6,247,813	14,127	1,316,700	98,987,630

Annex 3.10 : DBs Operation

Rs. In billion

Particulars	Years								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Assets	291.6	334.8	295.6	364.8	468.3	403.8	508.8	634.0	693.9
Percentage Change	20.4	14.8	-11.7	23.4	28.4	-13.8	26.0	24.6	9.4
Total Deposits	237.1	278.2	239.0	302.0	398.3	354.8	445.8	509.3	571.6
Percentage Change	20.4	17.4	-14.1	26.3	31.9	-10.9	25.7	14.2	12.2
Total Loans and Advances	193.5	232.6	209.3	253.2	345.2	287.1	383.4	414.0	471.4
Percentage Change	21.3	20.2	-10.0	21.0	36.3	-16.8	33.5	8.0	13.8

Annex 3.11 : Capital Fund of DBs

Rs. In billion

Particulars	Years								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Industry	37.2	43.2	46.4	49.8	58.1	44.6	48.8	60.0	65.8
Percentage Change	19.83	16.1	7.6	7.4	16.5	-23.1	9.3	23.1	9.6

Annex 3.12 : Deposit Mix of DBs

Rs. In billion

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Current Deposit	5.1	6.7	4.7	7.3	9.4	9.0	14.1	9.9	11.1
Saving Deposit	121.3	137.1	96.2	115.4	135.4	113.1	140.7	120.6	132.8
Fixed Deposit	62.2	65.9	93.6	125.0	178.9	188.0	243.4	327.1	380.6
Call Deposit	47.0	67.6	44.1	54.1	74.4	44.1	47.6	51.6	46.8
Other Deposit	1.4	1.0	0.5	0.2	0.3	0.5	0.0	0.0	0.3
Total Deposit	237.1	278.2	239.0	302.0	398.3	354.8	445.8	509.3	571.6

Annex 3.13 : Non-Performing Loan of DBs

Particulars	Non-Performing Loan to Total Loans and Advances in percentage								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Industry	2.82	5.17	1.28	1.09	0.9	1.48	1.3	1.36	2.45
Percentage Change	-0.65	2.35	-3.89	-0.19	-0.19	0.58	-0.18	0.06	1.09

Annex 3.14 : Non-Banking Assets of DBs

Rs. In million

Particulars	Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2021/23
Industry	848.3	2390	783.1	390.2	644.2	604.5	613.6	521.95	1469.06	2236.52
Percentage Change		181.74	-67.23	-50.17	65.09	-6.19	1.51	-14.94	181.45	52.24

Annex 3.15 : Investment of DBs

Rs. In million

Particulars	Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Industry	4,846.8	5,420.3	7,456.4	6,629.7	11,258.0	20,050.9	32,356.9	63,586.7	77,007.3	98,987.6
Percentage Change	-	11.8	37.6	-11.1	69.8	78.1	61.4	96.5	21.1	28.5

Annex 3.16 : Liquid assets to Deposits & to Total assets of DBs

Rs. In billion

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Liquid Assets	68.3	79.9	74.0	70.9	90.5	103.6	102.1	111.9	129.0	155.4
Percentage Change		17.1	-7.4	-4.2	27.5	14.5	-1.4	9.6	15.3	20.5
Deposit	200.0	237.1	278.2	239.0	302.0	398.3	354.8	445.8	509.5	571.6
Percentage Change		18.5	17.4	-14.1	26.3	31.9	-10.9	25.7	14.3	12.2
Liquid Assets/Deposit	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Assets	242.3	291.6	334.8	295.6	364.8	468.3	403.8	508.8	634.0	693.9
Percentage Change		20.4	14.8	-11.7	23.4	28.4	-13.8	26.0	24.6	9.4
Liquid assets/ Total Assets	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2

Annex 3.17 : Operation Efficiency of DBs

Rs. In billion

Particulars	Years								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Net Interest Income	10.53	12.68	12.43	13.27	17.45	13.6	14.74	18.2	18.98
Percentage change	5.09	20.4	-2.0	6.8	31.5	-22.1	8.4	23.5	4.3
Operating Profit	5.35	7.78	8.26	7.76	10.56	5.63	8.1	9.45	8.73
Percentage change		45.4	6.2	-6.1	36.1	-46.7	43.9	16.7	-7.6

Annex 3.18 : Summary Result on Stress Testing of DBs

(Mid- July 2023)

Events		< 0%	0% - <10%	>=10%
Pre Shock		0	0	17
		Post Shocks		
A. After Credit Shock		< 0%	0% - <10%	>=10%
C1	15 Percent of Performing loans deteriorated to substandard	0	6	11
	15 Percent of Substandard loans deteriorated to doubtful loans	0	0	17
	25 Percent of Doubtful loans deteriorated to loss loans	0	0	17
	5 Percent of Performing loans deteriorated to loss loans	0	12	5
C2	All NPLs under substandard category downgraded to doubtful.	0	1	16
	All NPLs under doubtful category downgraded to loss.	0	1	16
C3	25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to substandard category of NPLs.	0	0	17
C4	25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to Loss category of NPLs.	1	0	16
C5	Top 5 Large exposures down graded: Performing to Substandard	0	1	16
B. After Market Shocks				
(a) Interest Rate Shocks		< 0%	0% - <10%	>=10%
IR-1a	Deposits interest rate changed by 1.0 percent point on an average.	0	0	17
IR-1b	Deposits interest rate changed by 1.5 percent point on an average.	0	0	17
IR-1c	Deposits interest rate changed by 2.0 percent point on an average.	0	0	17
IR-2a	Loan interest rate changed by -1.0 percent point on an average.	0	0	17
IR-2b	Loan interest rate changed by -1.5 percent point on an average.	0	0	17

IR-2c	Loan interest rate changed by -2.0 percent point on an average.	0	0	17
IR-3	Combine Shocks (IR-1a & IR-2a)	0	0	17

(b) Exchange Rate Shocks

ER-1a	Depreciation of currency exchange rate by 20%	0	0	17
ER-1b	Appreciation of currency exchange rate by 25%	0	0	17

(c) Equity Price Shocks

EQ-1	Fall in the equity prices by 50%	0	0	17
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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	17
		After Shocks		
L-2a	Withdrawal of deposits by 5%	0	3	14
L-2b	Withdrawal of deposits by 10%	0	8	9
L-2c	Withdrawal of deposits by 15%	0	11	6
L-2d	Withdrawal of deposits by 20%	0	13	4
L-3a	Withdrawal of deposits by top 1 institutional depositors.	0	0	17
L-3b	Withdrawal of deposits by top 2 institutional depositors.	0	4	13
L-3c	Withdrawal of deposits by top 3 institutional depositors.	0	4	13
L-3d	Withdrawal of deposits by top 4 institutional depositors.	0	5	12
L-3e	Withdrawal of deposits by top 5 institutional depositors.	0	5	12
L-4a	Withdrawal of deposits by top 1 individual depositors.	0	0	17
L-4b	Withdrawal of deposits by top 2 individual depositors.	0	0	17
L-4c	Withdrawal of deposits by top 3 individual depositors.	0	0	17
L-4d	Withdrawal of deposits by top 4 individual depositors.	0	0	17
L-4e	Withdrawal of deposits by top 5 individual depositors.	0	0	17

Annex 3.19 Financial Indicator of DBs

Mid-July 2023

Rs. In '000

S.N	Development Bank	Core Capital	Total Capital Fund	RWA/RWE	Capital Adequacy Ratio	Total Deposits	Loans and Advances (Gross)	Net Profit / (Net Loss)	CD Ratio(In %)	NPA	SLR	Spread Rate	Base Rate	Deprived Sector	Total Real estate exposure
17	Industry Total	51,087,998	65,773,026	497,935,041	13.21%	571,572,610	471,382,213	4,185,056	84.37%	2.45%	22.56%	4.59%	11.77%	8.73%	4.64%
1	1 District Total	368,749	379,195	1,143,901	33.15%	939,902	702,088	487		2.93%	25.46%	4.86%	9.88%	21.74%	0.00%
8	3 District Total	5,542,182	6,075,428	36,725,664	16.54%	41,426,820	31,836,506	(205,083)		4.89%	32.49%	4.59%	12.00%	9.59%	4.00%
8	National Level Total	45,177,068	59,318,402	460,065,476	12.89%	529,205,888	438,843,620	4,389,652		2.27%	21.81%	4.59%	11.76%	8.65%	4.70%
1	Garima	6,927,201	8,999,153	65,648,678	13.71%	79,068,679	65,592,102	1,004,078	84.86	1.55%	22.82%	4.60%	11.78%	7.59%	4.36%
2	Jyoti	5,319,296	7,578,373	57,567,520	13.16%	63,445,725	54,701,998	391,422	86.88	3.09%	16.68%	4.58%	11.97%	6.78%	1.78%
3	Kamana	4,055,913	5,813,151	47,283,534	12.29%	55,735,855	46,772,976	250,230	84.22	2.98%	18.50%	4.59%	11.93%	9.70%	2.38%
4	Lumbini	4,747,558	6,464,476	48,308,014	13.38%	50,584,305	44,570,338	320,509	88.40	3.01%	18.13%	4.58%	11.92%	9.63%	8.05%
5	Mahalaxmi	5,929,645	7,599,765	56,588,740	13.43%	53,519,270	41,809,217	460,657	80.30	3.51%	29.72%	4.59%	11.44%	9.17%	1.93%
6	Muktinath	8,264,141	10,956,410	92,316,929	11.87%	117,926,646	97,339,246	1,049,586	83.59	0.96%	24.08%	4.59%	11.68%	9.32%	6.81%
7	Shangrila	4,195,848	5,515,024	44,475,216	12.40%	52,509,426	42,093,198	258,438	81.59	3.06%	20.75%	4.59%	12.15%	9.00%	6.04%
8	Shine	5,737,465	6,392,050	47,876,845	13.35%	56,415,982	45,964,547	654,732	82.98	1.81%	21.52%	4.60%	11.36%	8.13%	4.57%
9	Corporate	647,607	660,811	1,382,072	47.81%	1,256,195	1,164,910	6,256	103.87	4.29%	54.16%	4.59%	11.74%	5.28%	0.00%
10	Excel	1,328,926	1,501,085	12,809,987	11.72%	14,195,369	10,979,163	(66,368)	80.93	4.88%	29.05%	4.58%	11.36%	5.95%	5.24%
11	Green	574,216	638,201	3,316,806	19.24%	4,071,879	3,328,461	7,777	86.17	3.30%	25.24%	4.58%	12.97%	13.07%	1.77%
12	Karnali	372,435	437,115	4,005,478	10.91%	4,609,360	3,030,103	(48,128)	69.63	3.92%	33.44%	4.76%	12.51%	5.03%	8.58%
13	Miteri	1,414,166	1,478,285	4,818,379	30.68%	6,560,653	4,635,469	144,298	74.64	1.31%	46.75%	4.60%	12.12%	16.78%	1.19%
14	Narayani	94,475	103,900	914,805	11.36%	632,814	547,593	(29,143)	90.92	18.40%	23.19%	5.50%	17.46%	5.19%	4.06%
15	Saptakoshi	565,200	645,545	4,869,411	13.26%	5,227,328	4,064,599	(236,037)	83.97	12.99%	34.01%	4.47%	12.16%	8.78%	5.30%
16	Sindhu	545,157	610,486	4,608,726	13.25%	4,873,221	4,086,207	16,263	84.76	1.29%	22.22%	4.59%	12.16%	13.51%	2.11%
17	Salpa	368,749	379,195	1,143,901	33.15%	939,902	702,088	487	82.08	2.93%	25.46%	4.86%	9.88%	21.74%	0.00%

Annex 4 : Industry Statistics of FCs

Note: This financial indicator is based on regulatory requirement format, and so, may differ from the figures based on NFRS based balance sheet.

Annex 4.1 : List of FCs

Mid-July, 2023

S.N.	Name	Operation Date (A.D.)	No. of Branches	Paid Up Capital (Rs. in Million)	Geography of Operation
1	Nepal Finance Ltd.	2021-07-11*	13	727.5	National
2	Nepal Share Markets and Finance Ltd.	1993-10-19	1	233.3	National
3	Goodwill Finance Ltd.	1995-05-15	18	946.1	National
4	Progressive Finance Ltd.	1996-02-26	22	848.1	National
5	Janaki Finance Co. Ltd.	1997-03-07	5	690.5	Province
6	Pokhara Finance Ltd.	1997-03-16	25	1082.6	National
7	Multipurpose Finance Ltd.	1998-04-15	6	452	1-5 District
8	Samriddhi Finance Company Limited	2001-08-10	13	818.9	National
9	Capital Merchant Banking & Finance Ltd.	2002-02-01	1	935.1	National
10	Guheshwori Merchant Banking & Finance Ltd.	2002-06-13	23	1012.2	National
11	ICFC Finance Ltd.	2004-07-15	21	1183.5	National
12	Manjushree Finance Ltd.	2007-10-17	27	1351.6	National
13	Reliance Finance Ltd.	2014-05-08*	22	1053	National
14	Gorkhas Finance Ltd.	2016-04-10*	26	868	National
15	Shree Investment & Finance Co. Ltd.	2017-02-01*	13	981.7	National
16	Central Finance Ltd.	2017-03-23*	19	948.9	National
17	Best Finance Ltd.	2018-08-02*	18	854.8	National

Sources : BFIRD

Annex 4.2 : Capital Adequacy Ratio of FCs

Mid July, 2023

SN	FI's Name	Mid-July 2022		Mid-July 2023	
		Core Capital	Total Capital Fund	Core Capital	Total Capital Fund
1.	Nepal Finance Ltd.	41.16	42.06	41.87	42.88
2.	Gurkhas Finance Ltd.	15.02	15.98	10.87	11.94
3.	Goodwill Finance Ltd.	11.01	14.15	9.69	12.87
4.	Shree Investment & Finance Co. Ltd.	20.49	21.71	19.60	20.78
5.	Best Finance Company Ltd.	22.49	23.72	20.25	21.52
6.	Progressive Finance Ltd.	24.86	26.81	12.28	16.10
7.	Janaki Finance Ltd.	22.58	23.22	16.94	18.59
8.	Pokhara Finance Ltd.	13.15	14.59	13.78	15.43
9.	Central Finance Ltd.	21.31	22.65	19.92	21.51
10.	Multipurpose Finance Ltd.	50.14	51.60	34.11	35.24
11.	Samriddhi Finance Ltd.	27.12	28.71	21.39	22.98
12.	Guheshwori Merchant Banking & Finance Ltd.	16.42	17.54	18.32	19.69
13.	ICFC Finance Ltd.	9.31	11.61	10.54	12.96
14.	Manjushree Finance Ltd.	14.01	19.70	14.18	18.11
15.	Reliance Finance Ltd.	17.63	18.74	13.97	15.00
	Average	16.17	18.32	14.90	17.06

Sources : FISD, Offsite Unit

Annex 4.3 : Consolidated Statement of Financial Position of FCs (FY 2022/23)

Rs. in thousand

Assets	NFL	Pokhara	Gurkhas	ICFC	Central	Guheshwori
Cash and cash equivalent	541,877	1,730,365	1,761,389	1,387,587	819,903	610,253
Due from Nepal Rastra Bank	146,221	517,065	322,163	890,219	327,965	305,078
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	76,337	727,319	701,397	590,602	169,386	366,280
Loans and advances to customers	1,303,388	8,973,833	5,237,769	13,658,718	4,921,963	5,607,252
Investment securities	750,882	1,515,543	892,351	4,394,405	1,712,507	1,949,235
Current tax assets	25,770	69,410	23,968	10,398	34,192	9,628
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	47,980
Investment property	64,281	-	432,552	4,272	681	-
Property and equipment	178,283	185,166	184,012	434,364	207,932	215,449
Goodwill and Intangible assets	21,288	2,804	3,132	3,285	2,306	-
Deferred tax assets	32,014	8,016	159,051	4,864	6,306	-
Other assets	17,049	157,572	84,063	140,596	48,489	127,270
TOTAL ASSETS	3,157,390	13,887,092	9,801,848	21,519,310	8,251,630	9,238,425
EQUITY AND LIABILITIES						
Liabilities	2,164,653	12,446,311	8,492,629	19,681,207	7,050,562	7,813,946
Due to Bank and Financial Institutions	145,327	264,219	577,623	1,874,387	197,749	278,104
Due to Nepal Rastra Bank	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	1,806,108	11,900,154	7,728,449	17,252,858	6,755,855	7,383,523
Borrowing	-	-	-	-	-	-
Current Tax Liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	40,892
Other liabilities	213,218	281,938	186,557	354,393	96,958	111,427
Debt securities issued	-	-	-	199,570	-	-
Subordinated Liabilities	-	-	-	-	-	-
Equity	1,190,128	1,211,238	1,297,620	1,934,868	1,581,747	1,764,645
Share capital	727,532	1,082,557	867,994	1,183,471	948,875	1,012,176

Share premium	51,054	-	22,399	-	443	
Retained earnings	(212,980)	(119,414)	(624,774)	79,200	(2,887)	12,368
Reserves	427,131	477,639	1,043,600	575,433	254,637	399,935
TOTAL EQUITY AND LIABILITIES	3,157,390	13,887,092	9,801,848	21,519,310	8,251,630	9,238,425
Assets	Multipurpose	Manjushree	Shree Inv.	Goodwill	Sambriddhi	Reliance*
Cash and cash equivalent	448,355	1,007,859	350,954	718,370	409,277	415,866
Due from Nepal Rastra Bank	66,773	655,466	313,276	626,358	126,040	242,269
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	-	959,036	305,773	399,735	15,555	436,259
Loans and advances to customers	1,182,546	11,291,008	5,335,765	8,831,857	1,513,181	5,191,588
Investment securities	152,652	2,597,152	2,373,826	3,110,777	315,738	2,006,787
Current tax assets	7,051	15,510	10,621	127,180	5,677	28,887
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-
Investment property	11,962	25,906	11,870	88,137	113,577	24,571
Property and equipment	191,840	192,860	141,131	505,992	141,750	332,187
Goodwill and Intangible assets	1,878	1,636	1,012	-	2,718	1,748
Deferred tax assets	2,967	17,020	-	-	25,768	1,951
Other assets	11,499	99,131	21,306	389,674	35,827	34,848
TOTAL ASSETS	2,077,522	16,862,585	8,865,534	14,798,080	2,705,106	8,716,960

EQUITY AND LIABILITIES						
Liabilities	1,567,489	14,798,618	7,507,364	13,187,991	2,071,249	7,559,321
Due to Bank and Financial Institutions	-	1,124,171	422,538	107,117	354,755	187,459
Due to Nepal Rastra Bank	-	195,679	179,600	950,000	-	177,826
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	1,530,876	12,741,296	6,809,918	11,472,262	1,610,644	6,659,828
Borrowing	-	-	-	-	-	370,000
Current Tax Liabilities	-	-	-	-	-	-
Provisions	142	-	-	-	-	-
Deferred tax liabilities	-	-	19,761	112,334	-	-
Other liabilities	36,472	237,473	75,547	297,926	105,850	164,208
Debt securities issued	-	500,000	-	248,351	-	-
Subordinated Liabilities	-	-	-	-	-	-

Equity	510,033	2,063,966	1,358,170	1,610,089	633,857	1,157,639
Share capital	452,000	1,351,553	981,683	946,115	818,911	1,121,452
Share premium	-	-		2,476	19,703	1,141
Retained earnings	(1,317)	79,439	50,766	(189,400)	(439,270)	(162,066)
Reserves	59,350	632,975	325,721	850,898	234,512	197,113
TOTAL EQUITY AND LIABILITIES	2,077,522	16,862,585	8,865,534	14,798,080	2,705,106	8,716,960

Assets	Progressive*	Best*	Janaki*	Total
Cash and cash equivalent	1,043,794	207,762	1,379,292	12,832,904
Due from Nepal Rastra Bank	192,996	177,085	201,745	5,110,720
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to B/FIs	99,816	25,000	43,567	4,916,060
Loans and advances to customers	3,324,140	3,590,165	3,146,828	83,110,002
Investment securities	812,429	1,155,164	44,032	23,783,480
Current tax assets	33,446	47,395	38,311	487,445
Investment in subsidiaries	-	-	-	-
Investment in associates	-	-	-	47,980
Investment in property	101,302	213,307	968	1,093,384
Property and equipment	123,652	243,647	49,060	3,327,324
Goodwill and Intangible assets	2,032	4,056	2,856	50,752
Deferred tax assets	3,862	-	83,022	344,841
Other assets	56,982	143,366	316,515	1,684,187
TOTAL ASSETS	5,794,451	5,806,947	5,306,196	136,789,077

Annex 4.4 : Consolidated Statement of P/L of FCs (FY 2022/2023)

Rs in million

FCs	Nepal Finance	Pokhara	GorkhaFin	ICFC	Central	Guheshwori
Interest Income	269,519	1,712,489	1,093,238	2,650,843	928,731	1,045,141
Interest Expenses	177,118	1,232,343	741,662	2,105,326	670,400	778,524
Net Interest Income	92,402	480,146	351,576	545,517	258,331	266,617
Fee and commission income	7,834	28,884	33,174	87,914	21,335	24,855
Fee and commission expense	649	1,839	996	3,910		1,896
Net Fee and commission income	7,184	27,045	32,178	84,003	21,335	22,959
Net Interest, Fee and commission income	99,586	507,191	383,755	629,520	279,666	289,576
Net trading income	-	-	-	-		
Other operating income	13,342	7,583	7,703	5,519	1,376	48,257
Total operating income	112,929	514,774	391,458	635,040	281,042	337,833
Impairment charge/(reversal) for loans and other losses	(25,039)	235,622	85,323	57,130	53,949	87,870
Net operating income	137,968	279,152	306,135	577,909	227,093	249,964
Personnel expenses	55,247	142,784	140,639	213,388	90,093	100,207
Other operating expenses	29,346	75,756	59,144	84,508	41,702	33,370
Depreciation & Amortization	29,851	17,333	43,607	53,716	30,979	30,946
Operating Profit	23,524	43,279	62,745	226,296	64,319	85,440
Non operating income	-	-		-	263	-
Non operating expense	-	-	71,310	1,847	10,244	19
Profit before income tax	23,524	43,279	(8,565)	224,450	54,338	85,421
Income Tax Expense						
Current Tax	-	19,421	44,284	90,682	21,693	31,343
Deferred Tax	3,389	(0)	(50,490)	(20,814)	(8,538)	(10,746)
Profit/Loss for the period	20,135	23,858	(2,359)	154,582	41,182	64,824

FCs	Multipurpose	Manjushree	Sri Investment	Goodwill	Sambriddhi	Reliance
Interest Income	181,573	2,111,056	994,914	1,649,790	257,461	985,185
Interest Expenses	133,264	1,410,178	778,116	1,361,290	186,845	774,812
Net Interest Income	48,308	700,878	216,797	288,500	70,615	210,373
Fee and commission income	11,178	57,680	25,870	58,818	6,109	32,399

Fee and commission expense	-	-	170	-	-	-
Net Fee and commission income	11,178	57,680	25,700	58,818	6,109	32,399
Net Interest, Fee and commission income	59,487	758,559	242,498	347,318	76,725	242,772
Net trading income	-	-	-	-	-	-
Other operating income	1,414	45	9,818	12,789	1,067	2,606
Total operating income	60,901	758,603	252,316	360,107	77,792	245,378
Impairment charge/(reversal) for loans and other losses	7,672	91,888	12,744	219,020	44,157	201,169
Net operating income	53,229	666,715	239,571	141,087	33,635	44,210
Personnel expenses	24,242	192,450	76,455	127,054	62,884	109,624
Other operating expenses	14,114	76,201	39,598	73,601	38,236	74,487
Depreciation & Amortization	5,940	44,721	14,799	31,740	14,653	14,228
Operating Profit	8,934	353,343	108,719	(91,307)	(82,139)	(154,129)
Non operating income	-	-	-	-	6,821	-
Non operating expense	-	-	-	6,946	3,598	-
Profit before income tax	8,934	353,343	108,719	(98,253)	(78,915)	(154,129)
Income Tax Expense				-		
Current Tax	746	110,370	33,843	-		-
Deferred Tax	(429)	(4,027)	(139)	(5,925)	(8,848)	-
Profit/Loss for the period	8,616	246,999	75,015	(92,328)	(70,067)	(154,129)

FCs	Progressive*	Best*	Janaki*	Total
Interest Income	627,354	581,497	536,160	15624950.95
Interest Expenses	459,542	450,571	375,327	11,635,317
Net Interest Income	167,811	130,926	160,833	3,989,634
Fee and commission income	816	24,039	5,092	425,997
Fee and commission expense	-	-	-	9,460
Net Fee and commission income	816	24,039	5,092	416,537
Net Interest, Fee and commission income	168,628	154,965	165,925	4,406,170
Net trading income	-	-	-	-
Other operating income	25,195	75,568	6,250	218,532

Total operating income	193,822	230,533	172,175	4,624,703
Impairment charge/(reversal) for loans and other losses	289,509	13,130	124,032	1,498,175
Net operating income	(95,687)	217,403	48,143	3,126,528
Personnel expenses	88,149	90,099	17,942	1,531,257
Other operating expenses	73,463	46,663	19,111	779,300
Depreciation & Amortization	32,929	24,809	5,372	395,626
Operating Profit	(290,229)	55,832	5,719	420,345
Non operating income		503	207	7,794
Non operating expense		4,000		97,963
Profit before income tax	(290,229)	52,335	5,926	330,176
Income Tax Expense				-
Current Tax		13,666	1,778	367,827
Deferred Tax				(106,566)
Profit/Loss for the period	(290,229)	38,669	4,148	68,915

*Use of Provisional Financial Statement

Annex 4.5 : Loan & Advances of FCs

Mid-July 2023

Rs. In million

FCs'	Pass (1.25%)	Pass (5%)	Watch List (5%)	Rescheduled /Restructured (12.5%)	Substandard (25%)	Doubtful (50%)	Bad (100%)	Total Loan	Total (NPL)
Nepal Finance	1,287,613		71,036	8,045	11,818	16,549	151,648	1,546,708	188,059
GorkhaFin	5,848,780		118,813	-	93,943	45,056	558,696	6,665,288	697,695
Goodwill	8,152,204		1,109,129	-	288,467	15,944	89,407	9,655,152	393,819
Sri Investment	5,587,158		58,457	-	28,569	9,021	22,078	5,705,283	59,668
Best	3,125,568		331,081	-	63,509	74,571	24,901	3,619,630	162,981
Progressive	2,640,251		648,645	-	47,130	59,580	257,825	3,653,431	364,535
Janaki	2,169,892		309,893	-	41,067	49,330	478,031	3,048,213	568,428
Pokhara	8,339,031		1,146,893	-	100,122	79,209	66,774	9,732,029	246,105
Central	4,261,341		661,213	-	89,798	137,891	25,802	5,176,046	253,491
Multipurpose	1,172,281		16,467	-	4,931	130	4,462	1,198,271	9,523
Sambriddhi	1,043,943		443,404	-	4,289	64,159	3,066	1,558,861	71,514
Guheshwori	5,490,686		485,857	-	65,076	33,590	28,728	6,103,937	127,394
ICFC	13,576,951	4,315	383,564	-	196,873	73,859	12,783	14,248,345	283,515
Manjushree	11,256,515		704,091	-	176,080	38,019	133,387	12,308,092	347,486
Reliance	5,235,983		306,733	-	27,069	18,273	241,877	5,829,936	287,219
Total	79,188,198	4,315	6,795,275	8,045	1,238,740	715,183	2,099,464	90,049,221	4,061,433

Annex 4.6 : Sector wise Loan of FCs
(Mid-July 2023)

Rs. in million

Institutions/Sectors	Agricultural and Forest Related	Fishery Related	Mining Related	Agriculture, Forestry & Beverage Production Related	Non-food Production Related	Construction	Power, Gas and Water	Metal Products, Machinery & Electronic Equipment & Assemblage	Transport, Communication and Public Utilities	Wholesaler & Retailer	Finance, Insurance and Real Estate	Hotel or Restaurant	Other Services	Consumption Loans	Others	TOTAL
Nepal Finance	99.2	15.0	-	-	2.0	45.5	6.8	43.9	59.0	269.4	86.5	30.6	-	796.0	92.8	1,546.7
Gorkha	634.6	3.9	-	115.7	126.8	85.0	-	-	118.3	806.1	1,190.9	190.2	273.6	2,724.7	395.5	6,665.3
Goodwill	415.7	12.2	15.2	176.2	252.2	586.6	316.4	194.8	986.4	906.2	1,344.5	801.8	620.9	2,225.6	800.5	9,655.2
Sri Investment	573.3	43.6	-	85.0	233.1	1,056.8	130.0	41.9	80.6	486.6	605.2	209.6	670.9	539.1	949.5	5,705.3
Best	438.5	4.8	13.0	27.9	90.4	117.8	36.0	23.6	90.1	269.3	339.6	105.2	46.7	1,976.0	40.8	3,619.6
Progressive	331.3	22.7	-	28.2	196.5	272.4	7.1	16.3	57.4	572.3	555.1	59.5	89.4	1,410.5	34.7	3,653.4
Janaki	664.8	-	-	35.9	161.6	-	-	-	-	1,210.4	192.3	92.0	-	36.6	654.5	3,048.2
Pokhara	606.6	26.9	-	-	406.1	49.2	-	-	591.0	2,334.4	1,563.3	641.9	78.5	3,430.2	4.1	9,732.0
Central	378.0	9.9	20.5	57.0	147.1	304.1	-	60.6	263.4	637.0	339.1	71.6	69.7	1,521.4	1,296.5	5,176.0
Multipurpose	445.4	15.3	11.2	11.6	18.1	10.7	14.6	25.6	2.0	245.4	62.4	16.5	19.0	270.7	29.9	1,198.3
Sambriddhi	205.9	-	-	37.2	54.4	238.4	-	43.8	164.4	160.6	44.6	28.0	21.2	557.0	3.2	1,558.9
Guheshwori	239.9	5.8	0.9	74.1	94.7	87.1	198.4	8.0	23.2	694.4	700.6	262.2	37.7	1,853.9	1,823.0	6,103.9

Institutions/Sectors	Agricultural and Forest Related	Fishery Related	Mining Related	Agriculture, Forestry & Beverage Production Related	Non-food Production Related	Construction	Power, Gas and Water	Metal Products, Machinery & Electronic Equipment & Assemblage	Transport, Communication and Public Utilities	Wholesaler & Retailer	Finance, Insurance and Real Estate	Hotel or Restaurant	Other Services	Consumption Loans	Others	TOTAL
ICFC	489.4	64.1	24.5	138.5	436.8	312.6	200.1	-	477.4	2,389.8	1,977.4	1,333.0	696.2	5,068.6	639.9	14,248.3
Manjushree	758.2	11.7	-	116.9	192.2	203.0	72.5	118.7	324.1	1,875.9	2,097.1	333.8	218.3	4,963.1	1,022.6	12,308.1
Reliance	266.8	17.0	-	129.8	228.1	387.4	27.5	68.4	186.7	884.5	704.6	435.1	76.9	2,023.1	393.9	5,829.9
Total	6,547.7	252.7	85.3	1,034.1	2,640.0	3,756.7	1,009.4	645.6	3,424.1	13,742.3	11,803.3	4,611.0	2,919.0	29,396.8	8,181.4	90,049.2

Annex 4.7 : Product wise Loan of FCs

(Mid-July 2023)

Rs in million

Loan Product	Term Loan	Overdraft	Cash Credit Loan	Short Term Working Capital/Demand Loan	Residential Personal Home Loan (Up to Rs. 15 million)	Real Estate Loan	Margin Nature Loan	Hire Purchase Loan	Deprived Sector Loan	Other Product	Total
Nepal Finance	923.0	99.4	-	-	92.8	48.1	195.8	49.2	77.6	60.7	1,546.7
GorkhaFin	1,047.2	734.6	-	550.3	564.7	474.9	161.7	191.6	712.4	2,227.9	6,665.3
Goodwill	2,551.2	-	-	1,921.9	786.8	1,090.3	323.5	840.6	470.2	1,670.6	9,655.2
Sri Investment	1,234.0	233.7	-	263.1	892.0	705.1	438.8	51.3	384.4	1,502.9	5,705.3
Best	161.0	267.0	-	117.2	655.3	295.0	226.9	169.7	201.9	1,525.6	3,619.6

Loan Product	Term Loan	Overdraft	Cash Credit Loan	Short Term Working Capital/Demand Loan	Residential Personal Home Loan (Up to Rs. 15 million)	Real Estate Loan	Margin Nature Loan	Hire Purchase Loan	Deprived Sector Loan	Other Product	Total
Progressive	273.6	-	-	191.8	233.2	437.2	164.5	128.7	222.2	2,002.2	3,653.4
Janaki	35.8	1,371.1	-	-	11.4	148.8	-	0.4	154.6	1,326.2	3,048.2
Pokhara	3,902.2	1,813.3	-	594.0	945.3	816.4	192.8	808.9	419.4	239.8	9,732.0
Central	1,167.7	203.6	223.2	808.3	677.2	219.1	6.6	270.6	245.6	1,354.2	5,176.0
Multipurpose	261.3	396.0	-	75.6	41.7	32.0	-	15.1	79.1	297.4	1,198.3
Sambriddhi	463.7	189.5	139.0	0.6	183.4	137.3	104.8	162.4	177.5	0.5	1,558.9
Guheshwori	710.3	385.0	-	214.0	1,270.1	399.5	341.5	59.5	435.0	2,289.0	6,103.9
ICFC	5,511.9	1,044.7	2,624.2	82.2	1,500.8	1,327.6	543.7	395.2	838.1	380.0	14,248.3
Manjushree	2,477.6	379.6	-	1,111.6	3,184.4	1,241.8	541.0	163.5	835.7	2,373.0	12,308.1
Reliance	1,688.7	179.4	748.8	452.5	687.6	309.6	423.5	171.8	551.1	616.9	5,829.9
Total	22,409.4	7,296.8	3,735.2	6,383.1	11,726.6	7,682.7	3,665.1	3,478.5	5,804.7	17,867.0	90,049.2

Annex 4.8 : Investment Details of FCs

Mid-July 2023

FCs'	Investment in Governemnt/NRB Securities	Government Securities	NRB Bond	Deposit Auction	Investment in Shares and Debentures	Purchase/Investment in Land and Housing Development	Other Investment	Total Investment
Nepal Finance	678,125	678,125			63,558	-	-	741,684
Gorkha	550,000	550,000			282,098	838	50,000	832,098
Goodwill Fin	2,507,175	2,507,175			336,477	-	-	2,843,652
Sri Investment	2,178,750	2,178,750			92,689	-	-	2,271,439
Best	915,000	915,000			190,450	-	193,379	1,105,450
Progressive	665,000	665,000			248	-	180,473	665,248
Janaki	-	-			-	-	44,032	-
Pokhara	1,356,466	1,356,466			118,156	-	200,000	1,474,622
Central	1,326,600	1,326,600			340,727	-	-	1,667,327
Multipurpose	24,919	24,919			127,733	-	-	152,652
Sambriddhi	216,229	216,229			113,263	-	-	329,492
Guheshwori	1,469,185	1,469,185			310,389	-	20,299	1,779,574
ICFC	3,989,750	3,989,750			264,062	-	165,259	4,253,812
Manjushree	2,484,114	2,484,114			63,304	-	-	2,547,418
Reliance	1,785,390	1,785,390			191,485	-	-	1,976,875

Annex 4.9 : Operations of FCs

Rs. In billion

Particulars	Years				
	2018/19	2019/20	2020/21	2021/22	2022/23
Total Assets	99.6	89.5	111.8	136.8	143.9
Percentage Change	19.6	-10.1	24.9	22.4	5.2
Total Deposits	74.5	88.9	88.1	103.4	112.5
Percentage Change	20.3	19.2	-0.9	17.3	8.8
Total Loans and Advances	64.3	71.1	68.5	88.3	90.0
Percentage Change	13.5	10.6	-3.6	28.8	2.0

Annex 4.10 : Capital Fund of FCs

Rs. In Billion

Particulars	Years				
	2018/19	2019/20	2020/21	2021/22	2022/23
Industry	15.2	16.306	16.26	18.94	18.26
Percentage Change	8.42	7.28	-0.28	16.48	-3.59

Annex 4.11 : Deposit Mix of FCs

Rs. In Billion

Particulars	Years			
	2019/20	2020/21	2021/22	2022/23
Current Deposit	2.2	1.3	1.9	1.4
Saving Deposit	23.9	25.9	19.8	19.7
Fixed Deposit	50.5	50.5	71.8	80.5
Call Deposit	10.7	9.7	9.3	9.9
Other Deposit	1.7	0.7	0.6	1.0
Total Deposit	88.9	88.1	103.3	112.5

Annex 4.12 : Non Performing Loan of FCs

Particulars	Non Performing Loan to Total Loans and Advances in percentage			
	2019/20	2020/21	2021/22	2022/23
Industry	2.97	3.16	2.52	4.51
Percentage Point Change	0.56	0.19	-0.64	1.99

Annex 4.13 : Non-Banking Assets of FCs

Particulars	Years			
	2019/20	2020/21	2021/22	2022/23
Industry	510.0	448.5	600.2	1092.9
Percentage Change	40.5	-12.1	33.8	82.1

Annex 4.14 : Investment of FCs

Rs. In billion

Particulars	Years			
	2019/20	2020/21	2021/22	2022/23
Industry	10.67	23.09	24.76	23.495
Percentage Change		116.4	7.2	-5.1

Annex 4.15 : Liquid assets to Deposits & Liquid assets to Total assets

Rs. In billion

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Liquid Assets	17.3	22.9	27.0	32.0	36.8	41.0	37.9
Percentage Change	-39.5	32.3	17.5	18.6	15.2	11.2	-7.4
Deposit	50.1	62.0	74.5	88.9	88.1	103.4	112.5
Percentage Change	-17.8	23.8	20.2	19.2	-0.9	17.3	8.8
Liquid Assets/Deposit	34.6	37.0	36.2	36.0	41.8	39.6	33.7
Total Assets	67.7	83.3	99.6	89.5	111.8	136.8	143.9
Percentage Change	-21.5	22.9	19.6	-10.1	24.9	26.0	2.1
Liquid assets/ Total Assets	25.6	27.6	27.1	35.7	32.9	29.1	26.4

Annex 4.16 : Consolidated Statement of Financial Position of FCs

Rs. in million

ASSETS	Year			
	2019/20	2020/21	2021/22	2022/23
Cash and cash equivalent	15,112.0	12,881.3	15,445.7	12,832.9
Due from Nepal Rastra Bank	3,128.2	3,524.3	3,415.9	5,110.7
Placement with Bank and Financial Institutions	-	100.0	50.0	0.0
Derivative financial instruments	-	-	0.0	0.0
Other trading assets	-	-	0.0	0.0
Loan and advances to B/FIs	4,314.2	6,606.4	5,816.6	4,916.1
Loans and advances to customers	53,485.7	60,508.0	80,924.0	83,110.0
Investment securities	10,275.2	24,311.0	25,624.2	23,783.5
Current tax assets	162.7	231.9	344.5	487.4
Investment in subsidiaries	-	-	0.0	0.0
Investment in associates	51.4	101.8	43.4	48.0
Investment in property	451.5	450.9	589.9	1,093.4
Property and equipment	1,662.4	1,732.6	3,217.1	3,327.3
Goodwill and Intangible assets	20.9	36.2	176.7	50.8
Deferred tax assets	193.8	125.9	235.7	344.8
Other assets	616.5	1,181.8	894.1	1,684.2
TOTAL ASSETS	89,474.5	111,792.2	136,777.9	136,789.1
EQUITY AND LIABILITIES	-	0.0	0.0	0.0
Liabilities	75,387.5	94,306.1	118,121.3	118,639.4
Due to Bank and Financial Institutions	5,657.0	5,762.8	5,889.0	6,006.3
Due to Nepal Rastra Bank	200.7	1,186.8	10,286.0	1,503.1
Derivative financial instruments	0.0	-	0.0	0.0
Deposits from customers	67,749.9	84,559.2	98,313.8	106,240.2
Borrowing	0.0	-	0.0	370.0
Current Tax Liabilities	16.1	14.8	13.5	13.7
Provisions	0.3	0.7	0.0	0.1
Deferred tax liabilities	84.6	367.5	324.7	177.2
Other liabilities	1,232.4	1,467.3	2,346.9	3,380.8
Debt securities issued	446.6	947.0	947.5	947.9
Subordinated Liabilities	0.0	-	0.0	0.0
Equity	14,087.0	17,486.1	18,656.6	18,923.5
Share capital	10,386.0	11,790.1	12,490.9	13,887.7
Share premium	64.2	89.6	1,141.5	112.2
Retained earnings	-165.9	528.5	-456.6	-2,314.7
Reserves	3,802.8	5,077.9	5,480.9	6,464.5
TOTAL EQUITY AND LIABILITIES	89,474.5	111,792.2	136,777.9	136,789.1

Annex 4.17 : Consolidated Statement of Financial Position of FCs

Events		Number of FCs with CAR		
		< 0%	0% - <10%	>=10%
Pre Shock		0	0	15
		Post Shocks		
A. After Credit Shock		< 0%	0% - <10%	>=10%
C1	15 Percent of Performing loans deteriorated to substandard	0	1	14
	15 Percent of Substandard loans deteriorated to doubtful loans	0	0	15
	25 Percent of Doubtful loans deteriorated to loss loans	0	0	15
	5 Percent of Performing loans deteriorated to loss loans	0	3	12
C2	All NPLs under substandard category downgraded to doubtful.	0	0	15
	All NPLs under doubtful category downgraded to loss.	0	0	15
C3	25 Percent of performing loan of Real Estate & Hosing sector loan directly	0	0	15
	downgraded to substandard category of NPLs.			
C4	25 Percent of performing loan of Real Estate & Hosing sector loan directly	0	0	15
	downgraded to Loss category of NPLs.			
C5	Top 5 Large exposures downgraded: Performing to Substandard	0	0	15
B. After Market Shocks		-	-	-
(a) Interest Rate Shocks		< 0%	0% - <10%	>=10%
IR-1a	Deposits interest rate changed by 1.0 percent point on an average.	0	0	15
IR-1b	Deposits interest rate changed by 1.5 percent point on an average.	0	0	15
IR-1c	Deposits interest rate changed by 2.0 percent point on an average.	0	0	15
IR-2a	Loan interest rate changed by -1.0 percent point on an average.	0	0	15
IR-2b	Loan interest rate changed by -1.5 percent point on an average.	0	0	15
IR-2c	Loan interest rate changed by -2.0 percent point on an average.	0	0	15
IR-3	Combine Shocks (IR-1a & IR-2a)	0	0	15
(b) Exchange Rate Shocks				
ER-1a	Depreciation of currency exchange rate by 20%	0	0	15
ER-1b	Appreciation of currency exchange rate by 25%	0	0	15
(c) Equity Price Shocks				
EQ-1	Fall in the equity prices by 50%	0	0	15
C. After Liquidity Shocks		-	-	-
Events				
L-1a	Number of FCs illiquid after on 1st day while withdrawal of deposits by 2%	0		
	Number of FCs illiquid after on 2nd day while withdrawal of deposits by 5%	0		

	Number of FCs illiquid after on 3rd day while withdrawal of deposits by 10%	0		
	Number of FCs illiquid after on 4th day while withdrawal of deposits by 10%	0		
	Number of FCs illiquid after on 5th day while withdrawal of deposits by 10%	0		
Number of FCs with Liquid Assets to Deposit Ratio		< 0%	0% - <20%	>=20%
Pre-shocks		0	0	15
Events		After Shocks		
L-2a	Withdrawal of deposits by 5%	0	0	15
L-2b	Withdrawal of deposits by 10%	0	1	14
L-2c	Withdrawal of deposits by 15%	0	7	8
L-2d	Withdrawal of deposits by 20%	0	10	5
L-3a	Withdrawal of deposits by top 1 institutional depositors.	0	0	15
L-3b	Withdrawal of deposits by top 2 institutional depositors.	0	0	15
L-3c	Withdrawal of deposits by top 3 institutional depositors.	0	1	14
L-3d	Withdrawal of deposits by top 4 institutional depositors.	0	1	14
L-3e	Withdrawal of deposits by top 5 institutional depositors.	0	1	14
L-4a	Withdrawal of deposits by top 1 individual depositors.	0	1	14
L-4b	Withdrawal of deposits by top 2 individual depositors.	1	0	14
L-4c	Withdrawal of deposits by top 3 individual depositors.	1	0	14
L-4d	Withdrawal of deposits by top 4 individual depositors.	1	0	14
L-4e	Withdrawal of deposits by top 5 individual depositors.	1	0	14

Annex 4.18 : Financial Indicator of FCs

Rs. '000

No.	Code of Finance Company	Core Capital	Total Capital Fund	RWA/RWE	Capital Adequacy Ratio	Total Deposits	Loans and Advances (Gross)	Net Profit / (Net Loss)	CD Ratio	NPA	SLR	Spread Rate	Base Rate	Deprived Sector
15	Industry Total	15,955,491	18,260,684	107,059,434	17.06%	112,505,979	90,049,221	36,531	83.52%	4.51%	26.17%	4.57%	13.00%	6.59%
1	5 District Total	495,003	511,394	1,451,234	35.24%	1,530,876	1,198,271	5,992		0.79%	33.68%	4.56%	13.94%	8.00%
1	3 District Total	779,840	855,819	4,604,744	18.59%	3,581,211	3,048,213	(135,599)		18.65%	43.04%	4.54%	13.48%	5.10%
13	National Level Total	14,680,647	16,893,472	101,003,456	16.73%	107,393,893	85,802,738	166,138		4.06%	25.51%	4.57%	13.00%	6.63%
1	Nepal Finance	841,221	861,511	2,009,210	42.88%	1,951,434	1,546,708	37,713	84.79%	12.16%	69.65%	4.57%	14.37%	5.54%
2	GorkhaFin	848,162	931,812	7,806,232	11.94%	8,306,072	6,665,288	146,072	83.73%	10.47%	13.96%	4.57%	12.13%	10.74%
3	Goodwill	1,272,012	1,689,110	13,128,615	12.87%	11,579,372	9,655,152	1,822	84.43%	4.08%	28.27%	4.59%	12.61%	5.05%
4	Sri Investment	1,223,303	1,296,785	6,240,914	20.78%	7,166,903	5,705,283	65,526	81.60%	1.05%	34.28%	4.54%	12.94%	6.90%
5	Best	908,422	965,608	4,486,372	21.52%	4,390,504	3,619,630	8,477	83.10%	4.50%	26.10%	4.57%	14.99%	5.78%
6	Progressive	519,849	681,302	4,231,917	16.10%	5,089,633	3,653,431	(441,728)	79.42%	9.98%	21.10%	4.58%	14.10%	5.80%
7	Janaki	779,840	855,819	4,604,744	18.59%	3,581,211	3,048,213	(135,599)	86.40%	18.65%	43.04%	4.54%	13.48%	5.10%
8	Pokhara	1,413,034	1,581,334	10,251,049	15.43%	12,164,373	9,732,029	123,095	83.33%	2.53%	16.87%	4.59%	13.04%	4.16%
9	Central	1,113,906	1,202,964	5,592,878	21.51%	6,953,604	5,176,046	(13,496)	80.82%	4.90%	24.21%	4.59%	13.01%	5.06%
10	Multipurpose	495,003	511,394	1,451,234	35.24%	1,530,876	1,198,271	5,992	82.97%	0.79%	33.68%	4.56%	13.94%	8.00%
11	Sambriddhi	494,791	531,483	2,312,700	22.98%	1,965,399	1,558,861	(83,906)	84.73%	4.59%	18.65%	4.41%	15.16%	10.43%
12	Guheshwori	1,274,818	1,370,490	6,959,304	19.69%	7,661,627	6,103,937	71,187	82.22%	2.09%	24.68%	4.59%	12.96%	7.65%
13	ICFC	1,733,272	2,131,104	16,442,292	12.96%	19,127,240	14,248,345	165,205	73.58%	1.99%	30.53%	4.59%	13.05%	6.14%

No.	Code of Finance Company	Core Capital	Total Capital Fund	RWA/RWE	Capital Adequacy Ratio	Total Deposits	Loans and Advances (Gross)	Net Profit / (Net Loss)	CD Ratio	NPA	SLR	Spread Rate	Base Rate	Deprived Sector
14	Manjushree	1,910,699	2,439,758	13,475,358	18.11%	14,061,145	12,308,092	243,132	87.62%	2.82%	23.84%	4.58%	12.49%	6.96%
15	Reliance	1,127,158	1,210,212	8,066,615	15.00%	6,976,587	5,829,936	(156,962)	83.32%	4.93%	25.09%	4.58%	13.02%	9.67%

Annex 5 : Use of Financials of B and C class Institutions

DBs

S.N.	Institutions	2021	2022	2023
1	Mahalaxmi Bikas Bank Limited	Unaudited	Unaudited	Audited
2	Narayani Development Bank Limited	Unaudited	Unaudited	Audited
3	Karnali Development Bank Limited	Unaudited	Unaudited	Unaudited
4	Shangrila Development Bank Limited	Unaudited	Unaudited	Audited
5	Excel Development Bank Limited	Unaudited	Unaudited	Unaudited
6	Miteri Development Bank Limited	Unaudited	Unaudited	Audited
7	Muktinath Bikas Bank Limited	Unaudited	Unaudited	Audited
8	Garima Bikas Bank Limited	Unaudited	Unaudited	Audited
9	Kamana Sewa Bikash Bank Limited	Unaudited	Unaudited	Audited
10	Corporate Development Bank Limited	Unaudited	Unaudited	Unaudited
11	Jyoti Bikas Bank Limited	Unaudited	Unaudited	Audited
12	Shine Resunga Development Bank Limited	Unaudited	Unaudited	Audited
13	Lumbini Bikas Bank Limited	Unaudited	Unaudited	Audited
14	Sindhu Bikas Bank Limited	Unaudited	Unaudited	Unaudited
15	Salapa Bikas Bank Limited	Unaudited	Unaudited	Unaudited
16	Saptakoshi Development Bank Limited	Unaudited	Unaudited	Audited
17	Green Development Bank Limited	Unaudited	Unaudited	Audited

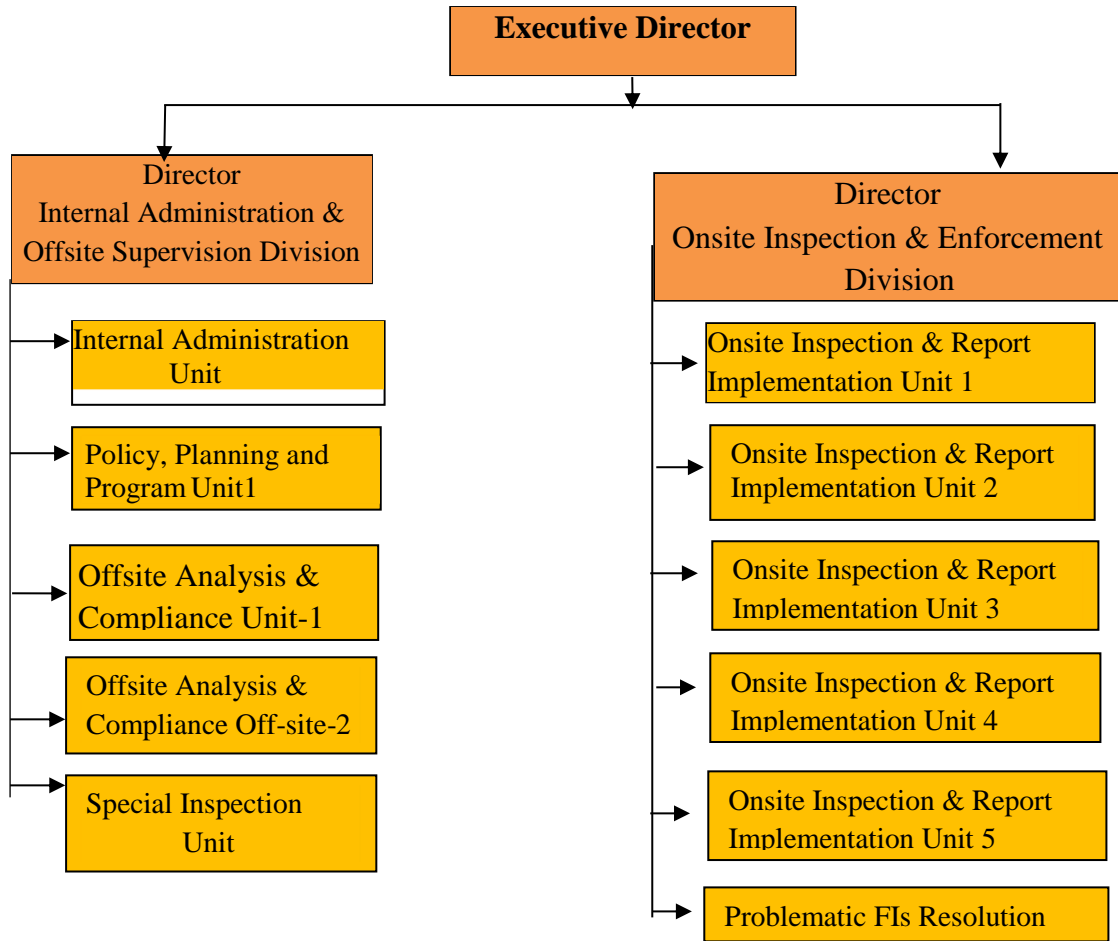
FCs

1	Nepal Finance Limite [#]	Unaudited	Unaudited	Not Available
2	Nepal Share Markets and Finance Limited [#]	Unaudited	Unaudited	Not Available
3	Gurkhas Finance Limited	Unaudited	Unaudited	Audited
4	Goodwill Finance Limited	Unaudited	Unaudited	Audited
5	Shree Investment & Finance Co. Limited	Unaudited	Unaudited	Audited
6	Best Finance Limited	Unaudited	Unaudited	Unaudited
7	Progressive Finance Limited	Unaudited	Unaudited	Unaudited
8	Janaki Finance Co. Limited	Unaudited	Unaudited	Unaudited
9	Pokhara Finance Limited	Unaudited	Unaudited	Audited
10	Central Finance Limited	Unaudited	Unaudited	Audited
11	Multipurpose Finance Limited	Unaudited	Unaudited	Audited
12	Samriddhi Finance Company Limited	Unaudited	Unaudited	Audited
13	Capital Merchant Banking & Finance Co. Limited	Unaudited	Unaudited	Audited

14	Guheshwori Merchant Banking & Finance Limited	Unaudited	Unaudited	Audited
15	ICFC Finance Limited	Unaudited	Unaudited	Audited
16	Manjushree Financial Institution Limited	Unaudited	Unaudited	Audited
17	Reliance Finance Limited	Unaudited	Unaudited	Audited

Declared problematic

Annex 6 : Organization Structure of FISD



Annex 7 : Circulars Issued from NRB to BFIs in FY 2022/23

Circular No.	Name with Link of the Circulars issued to A, B and C Class Financial Institution
Circular No. 01	Interim Financial Report
Circular No. 02	Unified Directives 2078- Amendment
Circular No. 03	Unified Directives 2078- Amendment
Circular No. 04	Unified Directives 2078- Amendment
Circular No. 05	Monetary Policy - 2079/80 : First Quarter Review
Circular No. 06	Unified Directives 2078- Amendment : Qualification of Promoters and CEO
Circular No. 07	Implementation of SIS
Circular No. 08	Unified Directives 2078- Amendment
Circular No. 09	Unified Directives 2079- Amendment
Circular No. 10	Unified Directives 2079- Amendment
Circular No. 11	Unified Directives 2079- Amendment
Circular No. 12	Unified Directives 2079- Amendment
Circular No. 13	Unified Directives 2079- Amendment

Annex 8 : Existing Acts, Bylaws And Guidelines

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

- Nepal Rastra Bank Act, 2002
- Bank and Financial Institutions Act, 2017
- Company Act, 2006
- Assets (Money) Laundering Prevention Act, 2008
- Bank and Financial Institution Debt Recovery Act, 2000
- Banking Offense and Punishment Act, 2007 (Amended, 2016)
- Payment and Settlement Act, 2019
- Foreign Exchange (Regulation) Act, 1962
- Insolvency Act, 2006
- Secured Transaction Act, 2006
- Bank and Financial Institutions Resolution Bylaw, 2017
- Capital Adequacy Frameworks 2007 & 2015
- NRB Inspection and Supervision Bylaw 2017(Updated 2022)
- Nepal Rastra Bank, Prompt Corrective Actions Bylaws, 2012
- Monetary Policy Announcements
- Unified Directives 2023/24
- Risk Based Supervision On-Site Inspection Manual (Volume I & II)
- Offsite Supervision Manual, 2022
- Stress Testing Guidelines, 2023
- Risk Management Guidelines, 2018
- Working Capital Guidelines, 2022 etc.