

# Financial Institutions Supervision Report

2023/24



## Nepal Rastra Bank

Financial Institutions Supervision Department

Kathmandu, Nepal

April-2025



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This report examines the operational and policy issues impacting the banking industry of Nepal and the regulators/supervisors that oversee it. It attempts to disseminate information on the supervisory concerns particularly relating to the development banks and finance companies, and other issues that are related to their operations and management. The information furnished in this report are particularly related to the period from Mid-July 2023 to Mid-July 2024, which is a period covering full fiscal year in Nepal. However, some recent developments that occurred until finalization of this report has also been included.

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## **Message from the Executive Director**

Maintaining financial stability in the country is one of the prime mandates of Nepal Rastra Bank and the role of Financial Institution Supervision Department (FISD) is crucial to meet this objective. The FISD contributes towards attaining financial stability through timely and effective supervision of development banks and finance companies in the country.

As the supervisor of financial institutions other than the commercial banks, the FISD is increasing its efforts to promote transparency, disclosures, and improved risk management practices through different supervisory approaches and policy enforcement. This is aimed at ensuring soundness of the financial institutions to lift public confidence towards the Nepali banking system.

Development banks and finance companies hold around eight percent of total assets of the financial sector. When the composition might look smaller from the perspective of systemic importance, growing problems in some of the institutions in the recent past have helped erode public confidence towards the overall banking system. The concern is higher mainly, due to FIs strong presence among small and medium enterprises and interconnectedness with commercial banks and other financial institutions. Even minor erosion of trust in these institutions can undermine overall financial stability.

NRB is gradually adopting international best practices in the supervision of bank and financial institutions. The scope of risk based supervision has now been extended to all national level development banks. Similarly, all national level development banks are also adopting the Capital Adequacy Framework 2015, which is based on Basel III standards.

This report provides an overview of financial institutions under department's purview and their performances in the fiscal year 2023-24. The observations during onsite inspection and challenges as mentioned in this report will help in assessing the status of these institutions.

I am thankful to my colleagues, especially Deputy Director Niraj Adhikari and Assistant Directors Vivek Ananda Rauniyar and Nirjal Ghimire, who were involved in the preparation of this report. Special thanks to Directors Anuj Dahal and Ranjana Paudel for leading the team and finalizing the report.

Thank you.

**Satyendra Timilsina, PhD**

**Executive Director**

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## List of Abbreviations

<b>A.D.</b>	: Anno Domini
<b>ADBN</b>	: Agricultural Development Bank Nepal
<b>AGM</b>	: Annual General Meeting
<b>ALCO</b>	: Asset-Liability Committee
<b>AML/CFT</b>	: Anti-Money Laundering/Combating the Financing of Terrorism
<b>ATM</b>	: Automated Teller Machine
<b>BAFIA</b>	: Bank and Financial Institutions Act
<b>BCBS</b>	: Basel Committee on Banking Supervision
<b>BFIRD</b>	: Bank and Financial Institutions Regulation Department
<b>BFI</b> s	: Bank and Financial Institutions
<b>BLB</b>	: Branchless Banking
<b>BOD</b>	: Board of Director
<b>BSD</b>	: Bank Supervision Department
<b>CAELS</b>	: Capital Adequacy, Assets Quality, Earning, Liquidity, Sensitivity
<b>CAR</b>	: Capital Adequacy Ratio
<b>CB</b>	: Commercial Bank
<b>CBS</b>	: Core Banking Solution
<b>CBA</b>	: Compliance Based Approach
<b>CCD</b>	: Credit to Core Capital and Deposit
<b>CCTV</b>	: Closed Circuit Television
<b>CD</b>	: Credit to Deposit
<b>CEO</b>	: Chief Executive Officer
<b>CIT</b>	: Citizen Investment Trust
<b>CRR</b>	: Cash Reserve Ratio
<b>DBs</b>	: Development Banks
<b>DBSD</b>	: Development Bank Supervision Department
<b>DDA</b>	: Due Diligence Audit
<b>DE</b>	: Debt Equity
<b>DSL</b>	: Deprived Sector Lending
<b>DTI</b>	: Debt to Income Ratio
<b>ECDD</b>	: Enhanced Customer Due Diligence
<b>ED</b>	: Executive Director
<b>EQ</b>	: Equity

<b>ER</b>	: Exchange Rate
<b>FACS</b>	: Financial Analysis and Compliance Section
<b>FCs</b>	: Finance Companies
<b>FCSD</b>	: Finance Company Supervision Department
<b>FinTech</b>	: Financial Technology
<b>FIs</b>	: Financial Institutions
<b>FISD</b>	: Financial Institutions Supervision Department
<b>FMV</b>	: Fair Market Value
<b>FY</b>	: Fiscal Year
<b>HR</b>	: Human Resource
<b>ICAAP</b>	: Internal Capital Adequacy Assessment Process
<b>IR</b>	: Interest Rate
<b>IT</b>	: Information Technology
<b>KYC</b>	: Know Your Customer
<b>KYE</b>	: Know Your Employee
<b>LTV Ratio</b>	: Loan to Value Ratio
<b>MFIs</b>	: Micro Finance Institutions
<b>MFISD</b>	: Micro Finance Institutions Supervision Department
<b>MIS</b>	: Management Information System
<b>NBA</b>	: Non-Banking Assets
<b>NFRS</b>	: Nepal Financial Reporting Standards
<b>NIDC</b>	: Nepal Industrial and Development Corporation
<b>NPA</b>	: Non-Performing Assets
<b>NPL</b>	: Non-Performing Loan
<b>NRB</b>	: Nepal Rastra Bank
<b>PFIR</b>	: Problematic Financial Institution Resolution
<b>PIN</b>	: Personal Identification Number
<b>QR</b>	: Quick Response
<b>RBA</b>	: Risk Based Approach
<b>RBB</b>	: Rastriya Banijya Bank
<b>RBS</b>	: Risk Based Supervision
<b>RMC</b>	: Risk Management Committee
<b>RMD</b>	: Risk Management Department
<b>RSA</b>	: Risk Sensitive Assets
<b>RSL</b>	: Risk Sensitive Liabilities
<b>RWA</b>	: Risk Weighted Assets
<b>RWE</b>	: Risk Weighted Exposure
<b>SIF</b>	: Specialized Investment Fund
<b>SIS</b>	: Supervisory Information System
<b>SLR</b>	: Statutory Liquidity Ratio
<b>SWIFT</b>	: Society for Worldwide Interbank Financial Telecommunication

# CHAPTER 1

## AN OVERVIEW OF FINANCIAL INSTITUTIONS

### A Short Glimpse of Banking in Nepal

- 1.1 Nepal's Banking history dates back to 1937, when Nepal Bank Limited (NBL) was established as the first commercial bank of the country under the then Nepal Bank Act (1937) and public-private partnership model. It was established prior to the establishment of Nepal Rastra Bank (NRB) in 1956.
- 1.2 After 22 years of establishment of the first commercial bank in the country, to furnish the need of promoting industrialization and infrastructure development of the country, an institution called Industrial Development Centre was established in 1959 under the then Nepal Rastra Bank Act. However, this centre was later restructured into Nepal Industrial Development Corporation<sup>1</sup> (NIDC) in 1966 under the Nepal Industrial Development Corporation Act (2066). NIDC continued to operate as the first development bank (DB) of Nepal until it merged with Rastriya Banijya Bank (RBB) in 1918.
- 1.3 The momentum of establishing banks in Nepal continued with the establishment of another commercial bank, namely, RBB in 1966 under the then Rastriya Banijya Bank Act (1965). Both NBL and RBB were later brought under the Commercial Bank Act (1974) abolishing the two separate acts. Further, Agricultural Development Bank Nepal (ADB/N) was established in 1968 under the Agricultural Development Bank Act (1967) merging with it the then Cooperative Development Bank established in 1963. Later, the Land Reform and Savings Institution was also merged with ADB/N in 1973.
- 1.4 Financial sector liberalization process was initiated in the country 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 Limited<sup>2</sup> in 1984 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 investors. To meet the need of dedicated consumer financing, a separate institutional arrangement was felt necessary, and to facilitate this, Finance Company Act (1985) was enacted. Following this, Nepal Housing Development Finance Company Limited<sup>3</sup> was established in 1992 as the first finance company (FC) in the country. Establishment of this first finance company paved the way for establishment and proliferation of other finance companies in the country.
- 1.5 The Bank and Financial Institutions Act (BAFIA) (2006) was enacted as an umbrella act abolishing all earlier individual acts under which the banks and financial institutions were established till that time. Later, BAFIA 2017 was enacted abolishing the earlier BAFIA 2006.

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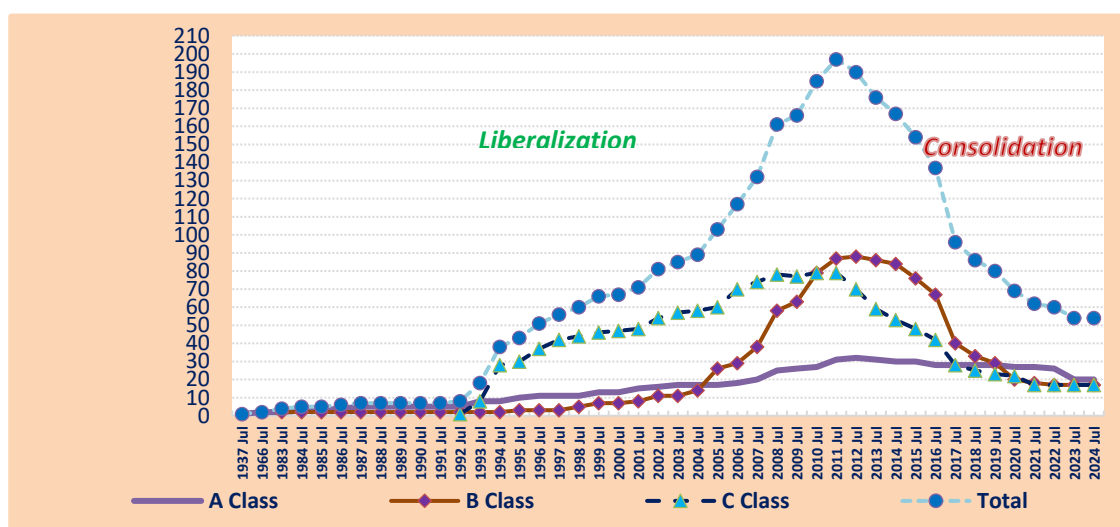
<sup>1</sup> Converted into Nepal Industrial Development Corporation in 1959, later merged with Rastriya Banijya Bank in 2018.

<sup>2</sup> Now Nabil Bank Limited

<sup>3</sup> 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.

- 1.6 As a central bank of Nepal, NRB was established in 1956 under the then NRB Act (1955) with the main aim of issuing Nepalese banknote, promoting the use and stabilizing the exchange rate of Nepalese currency. Later, NRB 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 services, and increase public confidence towards the overall banking system within the country maintaining financial sector stability.
- 1.7 Currently, Nepal's financial sector is moving hand-in-hand with NRB to take the country towards a less-cash economy promoting Card and QR-code based payment as a primary retail payment method.
- 1.8 After the adoption of liberalization policy in the early 1990s, banking sector has grown rapidly. However, as NRB adopted banking sector consolidation policy from early 2010s, the number of banks and financial institutions (BFIs) have decreased substantially.

**Figure 1.1 : Number of BFIs in Nepal**



- 1.9 As of mid-July 2024, the total number of B and C class financial institutions (FIs) remained 34 including 17 DBs and 17 FCs and their total number of branches remained 1423 as of the period with 1132 DB branches and 291 FC branches. In FY 2023/24, B and C class FIs expanded 11 branches with 4 DB branches and 7 FC branches.

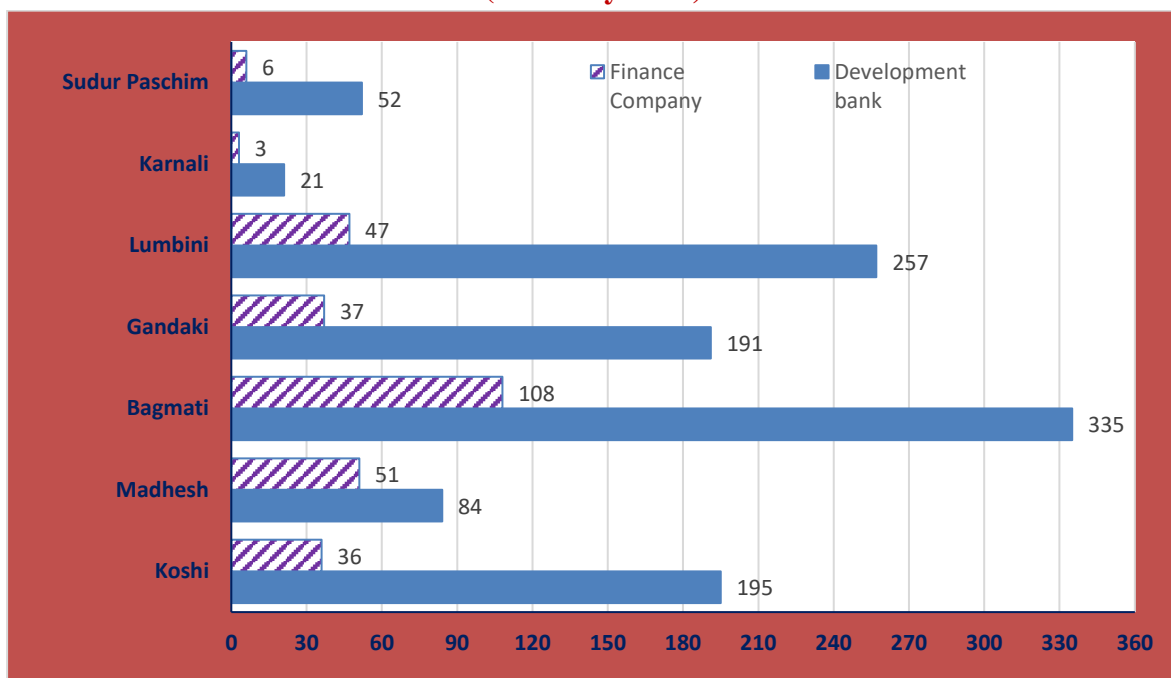
**Table 1.1 : Number<sup>4</sup> of DBs and FCs**

Indicators	Mid-July 2021/22	Mid-July 2022/23	Mid-July 2023/24
<b>Number of FIs</b>	<b>34</b>	<b>34</b>	<b>34</b>
B Class	17	17	17
C Class	17	17	17
<b>Branches of FIs</b>	<b>1385</b>	<b>1412</b>	<b>1423</b>
B Class	1118	1128	1132
C Class	267	284	291

<sup>4</sup> Monthly Statistics, BFIRD

- 1.10 As of mid-July 2024, DBs were present in 68 districts whereas FCs were present in 42 districts throughout the country. In a province-wise scenario, Bagmati province has the highest number of branches with 335 DB branches and 108 FC branches. The province that has lowest presence of FIs is Karnali province with just 21 DB branches and 3 FC branches as of the **review period**. The FIs have concentrated their business in four major provinces viz. Bagmati, Lumbini, Koshi and Gandaki with 1198 branches in these provinces.

**Figure 1.2: Province-wise Branch Network of DBs and FCs  
(Mid-July 2024)**



Source: Bank and Financial Institutions Regulation Department, NRB

- 1.11 As of mid-July 2024, the total amount of deposits, and loans and advances of B and C class FIs taken together is Rs.735.4 billion and Rs.597.5 billion respectively. The figures were Rs.684.1 billion and Rs 561.4 billion respectively a year ago. Hence, the deposit growth remained as 7.5 percent and the growth of loans and advances remained as 6.4 percent during the review period.
- 1.12 The review period has been stressful for FCs as they faced substantial growth in their non-performing loan (NPL). As of mid-July 2024, the NPL ratio remained as 10.31 percent for FCs as against 4.50 percent as of mid-July 2023. The fiscal year 2023/24 has been less stressful for DBs compared to FCs, as they could manage their NPL ratio at 3.97 percent as of mid-July 2024 which was however higher than 2.50 percent as of mid-July 2023.
- 1.13 Though FCs experienced FY 2023/24 a more stressful year than DBs from the point of view of non-performing loans, they were better off than DBs in terms of liquidity positions. The liquidity ratio of DBs and FCs as of mid-July 2024 were 35.6 percent and 27.9 percent respectively, a slightly better off than their own earlier figures of 33.7 percent and 37.2 percent as of mid-July 2023 respectively.
- 1.14 The total paid up capital of FIs were Rs. 57.4 billion as of mid-July 2024, a slight increase from Rs. 55.2 billion as of mid-July 2023. The non-banking assets of FIs increased from 3.33

billion as of mid-July 2023 to 5.31 billion as of mid-July 2024, which is near about 60 percent increase.

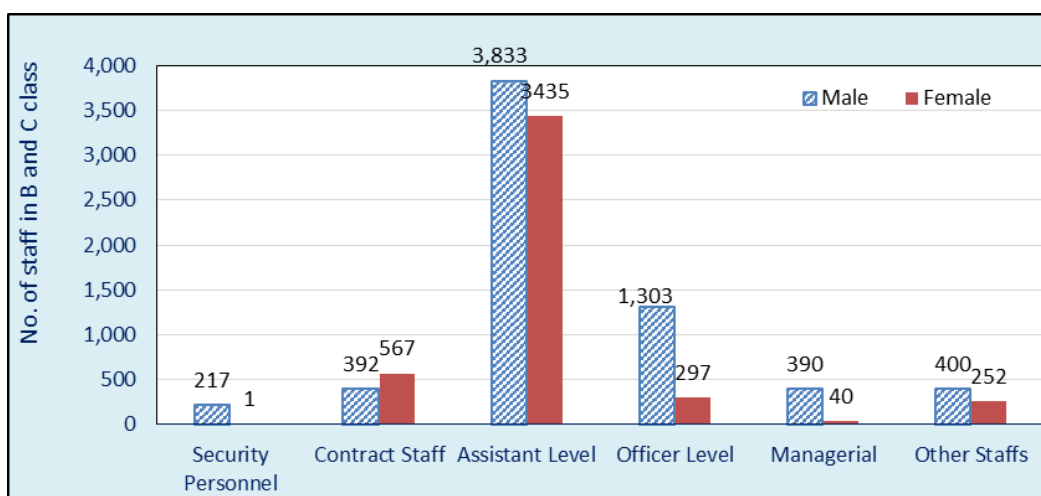
**Table 1.2 : Key Indicators<sup>5</sup> of DBs and FCs**

Indicators	Mid-July 2022	Mid July 2023	Mid-July 2024
Paid-up Capital (Amount in billion)	54.9	55.2	57.4
Total Deposit (Amount in billion)	612.7	684.1	735.4
Total Loan (Amount in billion)	502.3	561.4	597.5
Non-Banking Assets (Amount in billion)	2.07	3.33	5.31
<b>NPL/Total Loan (%)</b>			
B class	1.40	2.50	3.97
C class	2.50	4.50	10.31
<b>Total Liquid Assets/Total Deposit</b>			
B class	25.3	27.2	27.9
C class	39.6	33.7	35.6
<b>Capital Adequacy Ratio</b>			
B class	13.1	13.21	13.22
C class	17.75	17.01	14.34
<b>Credit to Deposit Ratio</b>			
B class	84.32	81.8	81.67
C class	85.59	81.02	77.95
<b>No. of employee</b>	10,826	11,229	11,127

Sources : FISD and BFIRD

- 1.15 As of mid-July 2024, there were the total number of employees working in both FIs were 11,127, which is a slight decline from 11,229 as of mid-July 2023. Out of the total employees as of mid-July 2024 in these FIs, there were 6,535 male and 4,592 female employees, which making male-female ratio of 1.42:1. Interesting fact revealed from the data is that despite larger number of male staffs than female staffs in different levels in the job, the female staffs have outnumbered male staffs in the category of contract staffs, meaning less job security for female staffs than male staffs in FIs.

**Figure 1.3 : Employment Status in DBs and FCs  
(Mid-July, 2024)**



<sup>5</sup> Monthly Statistics, BFIRD

- 1.16 The total share of DBs and FCs on the total assets of banking industry (BFIs comprising A, B, C and D class FIs) stands at 8.3 percent and 2.0 percent respectively as of mid-July 2024. Share of each class of BFIs on their overall total assets during the last five years has been furnished in the table below.

**Table 1.3 : BFIs Share on assets**

BFIs	Share as on mid-July(%)				
	2020	2021	2022	2023	2024
Commercial Banks	83.6	83.2	82.4	83.1	83.6
Development Banks	7.8	8.0	8.4	8.6	8.3
Finance Companies	2.4	1.9	2.1	2.0	2.0
Micro Finance Institutions	6.2	6.8	7.1	6.3	6.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BFIRD and MFISD

## Contribution in Financial Access and Inclusion

- 1.17 NRB is working with BFIs and payment service providers and system providers to develop and promote cashless (electronic) payment system in the country since couple of years. As a result of this effort, digital and electronic transactions is increasing.
- 1.18 As of mid-July 2024, both B class and C class FIs, in aggregate, owned around 8 million deposit accounts and around 0.3 million loan accounts. The total number of mobile banking subscribers and internet banking customers were around 3.5 million and 0.6 million respectively in both class of FIs. Due to comforts in using, the number of digital banking clients have increased in Nepal.
- 1.19 Where the share of B class and C class FIs on the overall deposit account, loan account and number of mobile banking subscribers have been observed at decent level, i.e., 14.3 percent, 17.2 percent and 14.2 percent respectively as of mid-July 2024, their contribution on promoting internet banking in the banking system seems dominating with 31.0 percent share on the industry figure. Hence, FIs have contributed significantly in promoting digital payment in the country.

**Table 1.4 : Contribution of FIs on Key Financial Inclusion Parameters  
(Mid-July, 2024)**

Indicators	B Class	C Class	Total (B+C)	Overall (A+B+C)	Contribution of B & C (In percent)
No. of Deposit Accounts	7,118,102	892,923	8,011,025	55,895,780	14.3
No. of Loan Accounts	282,627	43,135	325,762	1,893,270	17.2
No. of Branchless Banking Customers	1,646	0	1,646	301,589	0.5
No. of Mobile Banking Subscribers	3,275,906	231,852	3,507,758	24,648,846	14.2
No. of Internet Banking Customers	578,387	15,863	594,250	1,919,322	31.0
No. of ATM	348	44	392	5,193	7.5
No. of Debit Cards	1,076,072	59,710	1,135,782	12,893,528	8.8

Source: Monthly Statistics, BFIRD



## CHAPTER 2

# FINANCIAL INSTITUTIONS SUPERVISION

### Overview of FI Supervision

- 2.1 NRB Act (2002) mandated NRB to supervise licensed BFIs to maintain financial stability and channelize financial resources for sustainable economic growth in Nepal. The supervision departments at NRB conduct onsite examination and offsite supervision of licensed banks and financial institutions, closely monitoring their compliance to the directives and guidelines issued to BFIs and assessing their risk management practices. Corrective actions are taken immediately after whistles are blown by key indicators.
- 2.2 FIRD at NRB is responsible for supervising all licensed DBs and FCs. It conducts its functions through approved annual plan that contains plans for the inspection of FIs and enforcement of the directions given through onsite reports, offsite financial analysis and monitoring, interactions, workshops, and special tasks and programs, among others.

### Legal and Regulatory Framework for Supervision

- 2.3 The Bank and Financial Institutions Regulation Department of NRB issues directives and guidelines to the licensed BFIs as part of its regulatory responsibilities. The supervision departments at NRB continuously conducts onsite inspections and offsite supervision of BFIs on regular and need basis and assesses their risk profiles and compliance to the existing laws, regulations, prudential norms, internal manuals and major international guiding principles and policies. Annexure 8 presents some of the prominent sources of laws guiding NRB's regulatory and supervisory functions.
- 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, Capital Adequacy Framework (2007, updated July 2008) is applicable.
- 2.5 NRB has adopted 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.

### Supervision Approach

- 2.6 Supervision functions of FIRD is basically of two types: onsite inspection and offsite monitoring. As per the bank's current policy and practice, the FIRD is taking risk-based onsite examination approach on national level DBs and compliance-based onsite examination approach on regional level DBs and all national and provincial/regional level FCs.

#### **Risk-Based Supervision Approach**

- 2.7 Risk-based Supervision (RBS) is a comprehensively structured supervision approach focusing 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 plans 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.

- 2.8 NRB has fully applied RBS approach on CBs since 2014, and it has gradually adopted RBS in DBs and FCs. At present, FISD 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 as per the Manual, 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 Supervision Approach**

- 2.9 Apart from 8 national level DBs, FISD 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.
- 2.10 Through its offsite supervision function, FISD 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 and laws. Non-compliance to the regulatory provision is also examined during onsite inspection.

### **Onsite Inspection**

- 2.11 Inspection process at FISD is initiated with the formation of an inspection team. Such team includes one Deputy Director as a team leader and two to three other officials as team members. An IT employee from IT Department also joins the onsite team to examine IT-related areas of the concerned FI.
- 2.12 The team assigned for onsite inspection of a particular FI first analyses the financial and periodic reports submitted by the FI, and take knowledge of issues raised during regular offsite monitoring and status of enforcement of the directions given through earlier onsite inspection report. Based on these, the possible risk areas are identified, samples files for examination are identified and branch visit plans are made. 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.
- 2.13 FISD plans about number of FIs to be conducted full-scope inspection and target inspection through its annual plan. Monitoring inspection and special inspection are carried out as and when required.

### **Full-scope Inspection**

- 2.14 Full-scope inspection is a regular onsite inspection usually conducted on a regular time interval. This inspection covers the examination of the overall areas of each FI. FISD is adopting both risk-based and compliance-based approach for full scope inspection.
- 2.15 During FY 2023/24, FISD conducted full-scope onsite inspection of 34 FIs, which included 17 DBs and 17 FCs as shown in the table below.

**Table 2.1 : Full-Scope Inspection conducted in FIs**

S.N.	DBs	Type	FCs	Type
1	Narayani Development Bank Limited	CBA	Nepal Finance Limited	CBA
2	Karnali Development Bank Limited	CBA	Nepal Share Markets and Finance Limited	CBA
3	Corporate Development Bank Limited	CBA	Janaki Finance Co. Limited	CBA
4	Sindhu Bikas Bank Limited	CBA	Pokhara Finance Limited	CBA
5	Green Development Bank Limited	CBA	Multipurpose Finance Limited	CBA
6	Shine Resunga Development Bank Limited	RBA	Capital Merchant Banking & Finance Co. Limited	Targeted
7	Excel Development Bank Limited	CBA	Goodwill Finance Limited	CBA
8	Miteri Development Bank Limited	CBA	Progressive Finance Limited	CBA
9	Muktinath Bikas Bank Limited	RBA	Samriddhi Finance Company Limited	CBA
10	Salapa Bikas Bank Limited	CBA	Guheshwori Merchant Banking & Finance Limited	CBA
11	Shangrila Development Bank Limited	RBA	ICFC Finance Limited	CBA
12	Jyoti Bikas Bank Limited	RBA	Manjushree Financial Institution Limited	CBA
13	Garima Bikas Bank Limited	RBA	Reliance Finance Limited	CBA
14	Mahalaxmi Bikas Bank Limited	RBA	Gurkhas Finance Limited	CBA
15	Lumbini Bikas Bank Limited	RBA	Shree Investment & Finance Co. Limited	CBA
16	Kamana Sewa Bikash Bank Limited	RBA	Central Finance Limited	CBA
17	Saptakoshi Development Bank Limited	CBA	Best Finance Limited	CBA

**Target Inspection**

- 2.16 Target inspection is conducted on a particular area of FI where the risk is prominent. Fisd identifies the areas for inspection through various analysis and reports. In FY 2023/24, such inspection was conducted in one FC.

**Special Inspection**

- 2.17 Special inspection is need based inspection which is carried out on the basis of the data and information generated/disseminated from offsite supervision, enforcement unit, grievance cell, media and other stakeholders. In FY 2022/24, Fisd conducted special inspection of 3 DBs and 3 FC, viz. Gorkhas Finance (2 times), Goodwill Finance, Jyoti bikash Bank, Sindhu Bikash Bank and Mahalaxmi Bikash Bank limited.

### **Follow-up Inspection**

- 2.18 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.
- 2.19 AML/CFT related onsite inspection is a specific type of inspection conducted focusing on the assessment of the AML/CFT practices in FIs. This inspection helps ensure that adequate safeguards have been taken by FIs against misuse of banking system for money laundering and terrorist financing activities. A separate Money Laundering Prevention Supervision Division has been established in Bank Supervision Department (BSD) of NRB on 15 January 2023. Since then, the AML/CFT related special inspections are being carried out by the Division.

### **Offsite Supervision**

- 2.20 The Offsite Supervision Division at FISD carries out the offsite supervision function. The Offsite Analysis & Compliance Unit under this Division monitors 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. Further to this, this unit identifies whistleblowing conditions on the basis of critical state of financial indicators and regulatory ratios, takes necessary corrective actions on FIs that also includes charging penalties for non-compliance. Systemic risks identified are reported and corrective actions are taken immediately. Additionally, the unit is engaged in AGM clearance work which involves granting approval for declaration of dividends by FIs along and consent for publishing their annual audited financial statement for the purpose of notifying their shareholders attending annual general meeting.
- 2.21 In order to strengthen its supervisory capabilities, NRB 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, FISD compiles reports received through SIS for supervisory monitoring.

### **Organization Structure of FISD**

- 2.22 FISD is led by Executive Director. The department has two divisions namely, Offsite Supervision Division and Onsite Inspection & Enforcement Division each of which are led by two different Directors. The Offsite Analysis & Compliance Unit works under Offsite Supervision Division and carries out the functions as stated in point no. 2.20 above. The Report Enforcement Unit under Onsite Inspection & Enforcement Division monitors the compliance of FIs to the directions given through regular as well as special onsite inspection reports.
- 2.23 Besides, there are additional four major units in the department, viz. Problem FI Resolution Unit, Internal Administration Unit, Policy, Planning & Program Unit, and Special Inspection Unit. The Problem FI Resolution Unit carries out the monitoring of resolution progress in the crisis-ridden FIs, maintains records about important decisions and directions given to such FIs, and necessary supervisory support to such FIs. Similarly, Internal Administration Unit assists in completion of FISD annual programs through support services, maintains HR

related records, coordinates and communicates with other departments of NRB and other FIs, and up-keeps reports and records of decisions or information for institutional memory. The Director of Offsite Supervision Division is responsible to supervise the functions of these two Units.

- 2.24 Policy, Planning and Program Unit carries out departmental functions related to preparation of annual plans and programs as well as annual budget, organizing annual programs, and preparing annual report of the department. Similarly, Special Inspection Unit carries out matters related to grievances received directly at the department or forwarded to the department by other departments for examination, and investigation requirement made by other constitutional agencies and ministries. The Director of Onsite Inspection & Enforcement Division is responsible to supervise the functions of these two Units.
- 2.25 Each Unit of FIRD is headed by Deputy Director with necessary number of Assistant Directors and other Assistant Staffs.

### Operational State of FIs

- 2.26 As of July 2024, there are 17 DBs, out of which 8 DBs are operating at national level. Similarly, as of the same period, there are 17 FCs, out of which 15 FCs are operating at national level.
- 2.27 The following table presents the list of national level and provincial/regional level DBs with their paid-up capital level and the number of districts within which they are operating as of mid-July 2024.

**Table 2.2 : Paid-up Capital, Operational Scope and No. of Branches of DBs**

S. N.	Name	Paid up Capital (Rs. in million)	Operational Scope	No. of Branches
1	Mukthinath Bikas Bank Ltd.	7046.9	National	178
2	Garima Bikas Bank Ltd.	5680.5	National	124
3	Shine Resunga Development Bank Ltd.	4733.7	National	88
4	Jyoti Bikas Bank Ltd.	4395.8	National	121
5	Mahalaxmi Bikas Bank Ltd.	4171.3	National	103
6	Lumbini Bikas Bank Ltd.	3518.1	National	89
7	Shangrila Development Bank Ltd.	3431.0	National	112
8	Kamana Sewa Bikas Bank Ltd.	3281.2	National	131
9	Excel Development Bank Ltd.	1249.7	Provincial	47
10	Miteri Development Bank Ltd.	1111.4	1-5 district*	18
11	Saptakoshi Development Bank Ltd.	834.3	1-7 District	35
12	Sindhu Bikas Bank Ltd.	557.5	1-5 District	24
13	Green Development Bank Ltd.	538.7	1-5 District	15
14	Corporate Development Bank Ltd.	525.0	1-3 District	4
15	Karnali Development Bank Ltd.	502.8	1-5 District (Problematic)	19
16	Salapa Bikash Bank Ltd.	350.0	1 District	6
17	Narayani Development Bank Ltd.	262.5	1-3 District	5

Source: List of Banks and Financial Institutions, BFIRD

\* Met the provincial level paid up capital until writing of this report.

- 2.28 As per the provision mentioned in the Unified Directive issued to BFIs, all BFIs are licensed to operate either at national level or provincial level. For those who are currently operating at regional level under the earlier licensing provision, they have to maintain the required paid up capital to operate at provincial level within the time given by the directive. Until then, their operational scope is confined within certain districts.
- 2.29 Where national level DBs require minimum Rs. 2,500 million paid up capital, regional level DBs require only Rs. 1,200 million paid up capital. However, DBs that maintain at least Rs. 500 million paid-up capitals can operate within 5 adjoining districts within a province taking NRB approval for the period until they do not meet the paid-up capital required for operating at provincial level which is the ultimate requirement.
- 2.30 Only one DB, i.e., Excel Development Bank Limited has maintained the paid up capital required for provincial level, till the finalization of this report, and additional one DB, namely, Miteri Development Bank Limited has also maintained the required capital for provincial level operation. There are 7 more DBs yet to maintain the provincial level paid-up capital.
- 2.31 Among the 17 DBs as listed above, 1 DB namely, Karnali Development Bank Ltd., has been declared problematic institution by NRB in December 2024 following the reveal of a fraud case related to bank balance embezzlement and its severe impact on the financial position of the institution. NRB has initiated necessary corrective actions on the institution as per Bylaw for Prompt Corrective Action of Banks and Financial Institutions (2017) by taking over the board and management of the institution and managing through NRB nominated management team.
- 2.32 The following table presents the list of national level and provincial/regional level FCs with their paid-up capital level and the number of districts within which they are operating as of mid-July 2024.

**Table 2.3 : Paid-up Capital, Operational Scope and No. of Branches of FCs**

S.N.	Name	Paid Up Capital (Rs. in Million)	Geography of Operation	No. of Branches <sup>#</sup>
1	Manjushree Finance Ltd.	1351.6	National	27
2	ICFC Finance Ltd.	1183.5	National	21
3	Reliance Finance Ltd.	1121.5	National	22
4	Pokhara Finance Ltd.	1082.6	National	25
5	Guheshwori Merchant Banking & Finance Ltd.	1012.2	National	23
6	Shree Investment & Finance Co. Ltd.	981.7	National	13
7	Central Finance Ltd.	948.9	National	19
8	Goodwill Finance Ltd.	946.1	National	18
9	Capital Merchant Banking & Finance Ltd.	935.1	National	1
10	Gorkhas Finance Ltd.	868.0	National	26
11	Best Finance Ltd.	854.8	National	18
12	Progressive Finance Ltd.	848.1	National	22
13	Samriddhi Finance Company Limited	818.9	National	13
14	Nepal Finance Ltd.	729.9	National	12
15	Janaki Finance Co. Ltd.	690.5	Province	5
16	Multipurpose Finance Ltd.	610.2	1-5 District	8
17	Nepal Share Markets and Finance Ltd.	233.3	National	1

Sources: List of Banks and Financial Institutions, BFIRD

- 2.33 Minimum paid-up capital of Rs. 800 million is required for national level FCs and Rs. 500 million paid up capital for regional level FCs as per the current provision. However, FCs that maintain at least Rs. 400 million paid up capital can operate within 5 adjoining districts within a province taking NRB approval for the period until they do not meet the paid-up capital required for operating at provincial level, which they also need to maintain ultimately.
- 2.34 Out of the 17 national level FCs, 2 FCs, namely Nepal Share Markets & Finance Limited (NSM) and Capital Merchant Banking & Finance Limited (CMB) have been declared problematic institution since long. Following DDA valuation, the paid up capital of NSM was reduced to Rs. 233.3 million after adjustment of fake loans, which makes it non-compliant to the minimum capital requirement. Final hearing on a court case filed against capital reduction decision is pending. NRB has appointed two-member management team to look after the affairs of NSM assuming full power of general assembly, board and management. Similarly, resolution of crisis-ridden CMB is undergoing by their own board and management team appointed by the board with due approval of NRB.

## CHAPTER 3

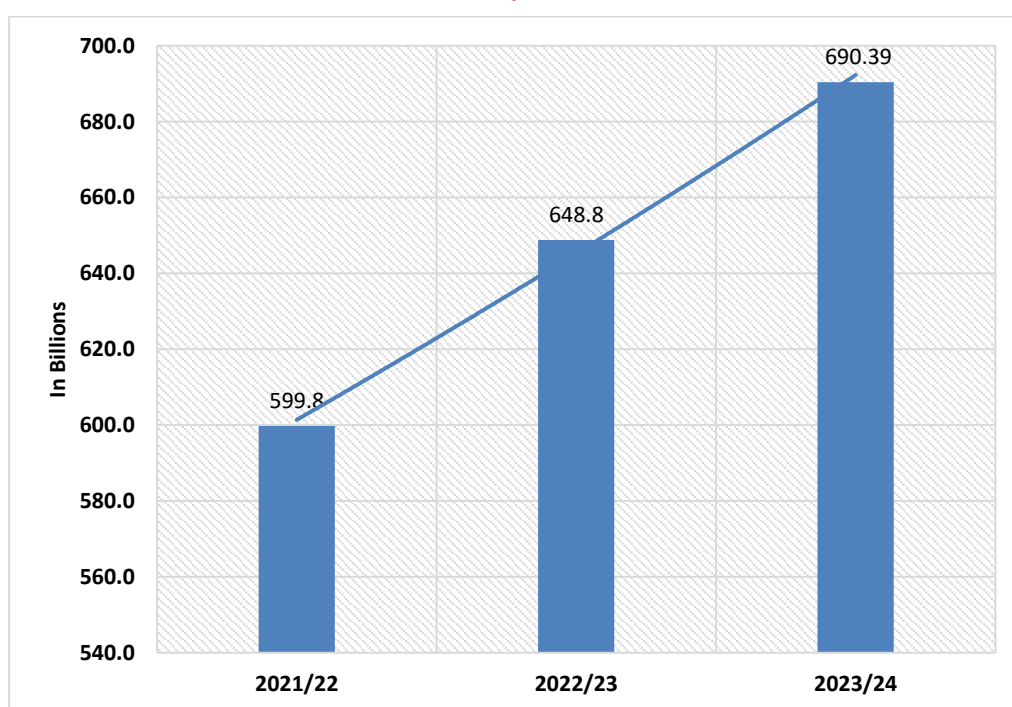
### PERFORMANCE OF DEVELOPMENT BANKS

- 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 in Nepal increased from Rs. 648.8 billion in mid-July 2023 to Rs. 690.4 billion in mid-July 2024, reflecting an annual expansion of around 6.4%. This growth indicates increased financial activity, capital induction, deposit mobilization, and broader credit outreach. (Refer Annexure 3.3)

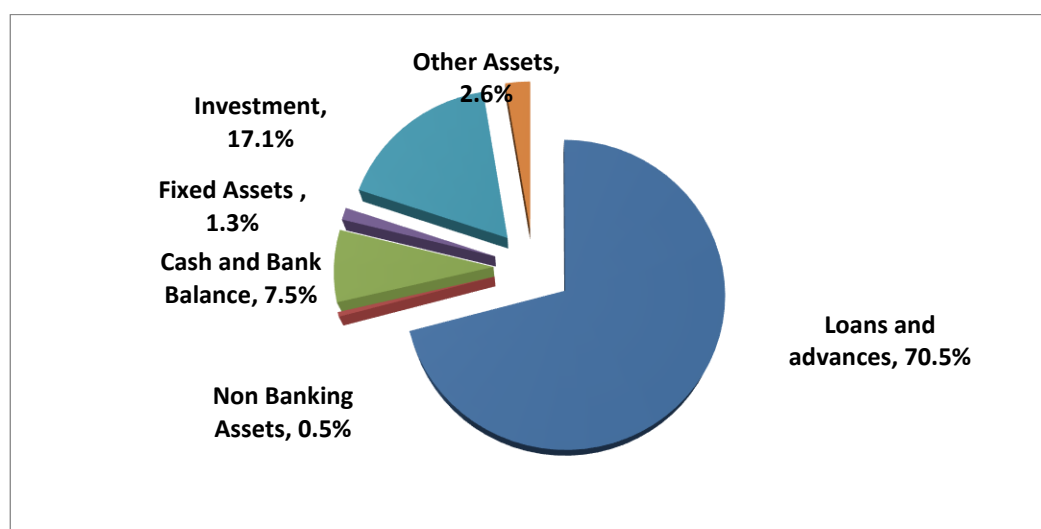
**Figure 3.1: Total Assets and its growth of DBs**  
**(Mid-July 2024)**



- 3.3 As on mid-July 2024, the major chunk of the total assets of the DBs were covered by loans & advances with Rs. 489.03 billion, representing 70.5 percent of total assets. The second and third largest components of total assets are investments with 17.1 percent share and cash & cash equivalent with 7.5 percent share respectively.

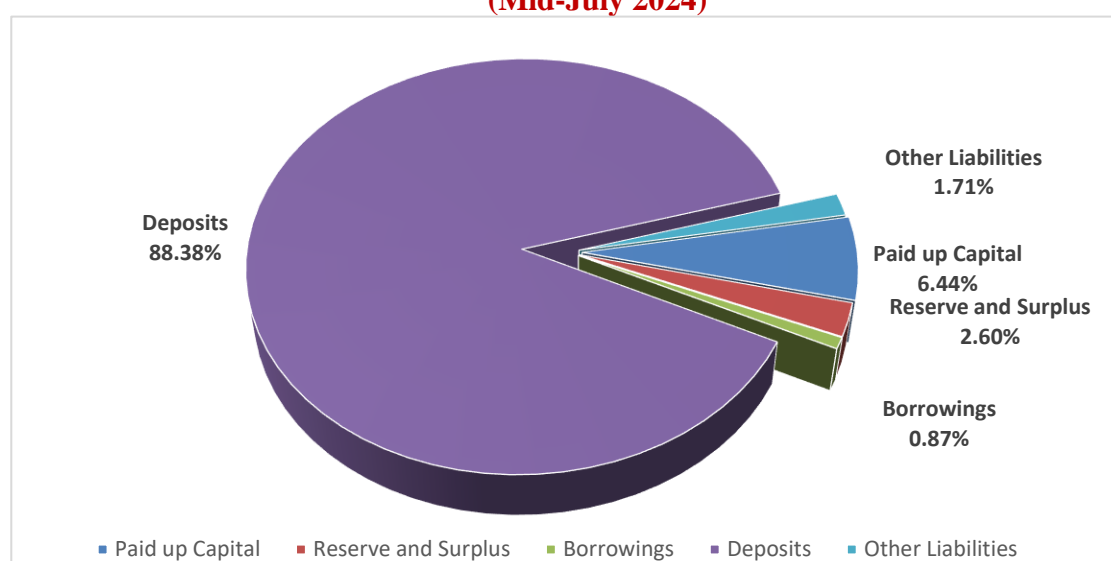


**Figure 3.2: Composition of Total Assets of DBs**  
(Mid-July 2024)



- 3.4 As on mid-July, 2024 the major sources of liabilities for DBs were customer deposits with 88.38 percent share. Other sources include paid up capital with 6.44 percent share, reserve and surplus with 2.60 percent share, other liabilities with 1.71 percent share and borrowings with 0.87 percent share. (Refer Annexure 3.3)

**Figure 3.3: Composition of Total Equities and Liabilities of DBs**  
(Mid-July 2024)

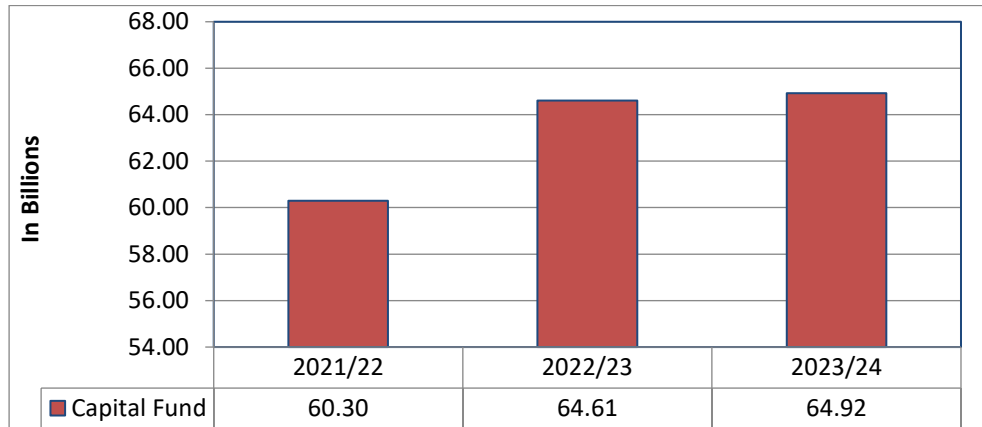


## Capital fund

- 3.5 The total capital fund of DBs has slightly increased by 0.48 percent, reaching Rs. 64.92 billion in mid-July 2024, compared to Rs. 64.61 billion in mid-July 2023. (Refer Annexure 3.11)
- 3.6 As of mid-July 2024, all national-level DBs have met the minimum paid-up capital requirement. However, except Excel Development Bank other regional DBs still maintain a paid-up capital below Rs. 1.2 billion, indicating capital shortfalls in certain institutions.



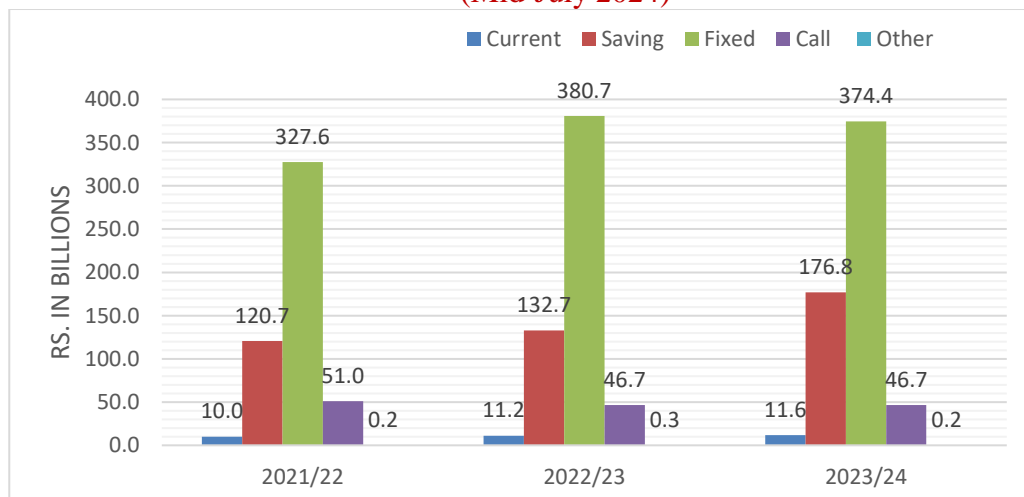
**Figure 3.4: Capital Fund of DBs  
(Mid-July 2024)**



### Deposit and its composition

- 3.7 As of mid-July 2024, the total deposits of DBs increased to Rs. 609.78 billion, compared to Rs. 571.57 billion in mid-July 2023, marking a growth of 6.7 percent. This is a slowdown compared to the 12.2 percent growth recorded in the previous fiscal year.
- 3.8 Among the total deposits, fixed deposits continue to dominate, amounting to Rs. 374.4 billion and accounting for 61.4 percent of the total deposits. Saving deposits have risen significantly to Rs. 176.8 billion, comprising 29 percent, indicating a shift toward more flexible deposit instruments as of the same period. Call deposits remained unchanged at Rs. 46.7 billion (7.7 percent), while current deposits slightly increased to Rs. 11.6 billion (1.9 percent). Other deposits stayed marginal. The data reflects a moderating dominance of fixed deposits, with a gradual shift toward saving deposits, possibly due to changing interest rate expectations and depositors' preferences. (Refer Annexure 3.12)

**Figure 3.5: Deposit Mix of DBs  
(Mid-July 2024)**

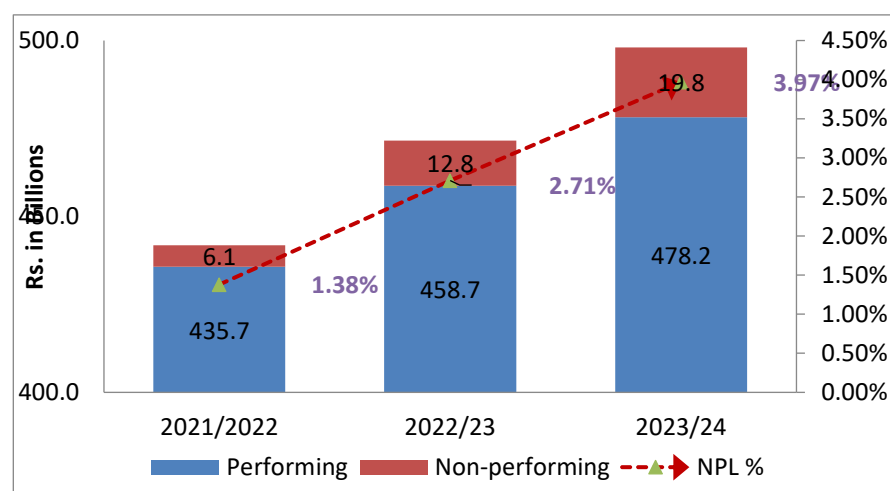


### Loans and Advances

- 3.9 As of mid-July 2024, the total loans and advances of DBs have reached Rs. 498.01 billion, increasing by 5.6 percent compared to Rs. 471.52 billion in mid-July 2023. This marks a slowdown from the 6.7 percent growth recorded in the previous fiscal year.

- 3.10 Out of the total loans and advances, Rs. 478.2 billion (or 96.0 percent) were performing loans, while Rs. 19.8 billion (or 3.97 percent) were non-performing loans (NPLs). The NPL ratio has continued its upward trend. The rising trend of non-performing loans signals increasing credit risk within the DBs requiring close monitoring and proactive risk management strategies. (Refer Annexure 3.13)

**Figure 3.6: Loan and Advances of DBs**  
(Mid-July 2024)



### Sector-wise Diversification of Loan and Advances

- 3.11 As of mid-July 2024, the major portion of loans and advances of DBs is consumable loans, accounting for 28.5 percent of the total portfolio. The wholesale and retail sector holds the second-largest share at 14.9 percent, followed by the finance, insurance and real estate sector at 12.3 percent. Similarly, Agriculture and forest-related sector holds 6.7 percent share of the total loans and advances, while the construction sector accounts for 4.2 percent, both reflecting a decline from previous years. Detail regarding product-wise loan and advances of DBs' has been given in Annex 3.7.

**Table 3.1 : Sector-wise Loan and Advances of DBs (Percentage of total loan)**  
(Mid-July 2024)

SN	Sector	2021/22	2022/23	2023/24
1	Agriculture Forest	6.77	6.98	6.67
2	Fishery	0.30	0.32	0.31
3	Mining	0.07	0.07	0.05
4	Agriculture, Forestry & Beverage Production Related	2.19	2.27	2.26
5	Non-food Production Related	3.75	3.90	3.82
6	Construction	7.16	6.81	4.20
7	Electricity, Gas and Water	1.47	1.61	1.97
8	Metal Products, Machineries, Electronics and Installation	0.40	0.38	0.43
9	Transport, Warehousing and Communication	3.15	2.35	1.76
10	Wholesalers and Retailers	15.50	15.53	14.97
11	Finance, Insurance and Real Estate	10.81	9.96	12.32
12	Tourism (Hotel and Restaurant)	4.63	5.14	5.46
13	Other Services	2.96	3.33	3.42
14	Consumable Loans	18.49	24.79	28.52
15	Others	22.37	16.56	13.83
	<b>Total Loan</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Security-wise position of loan and advance

- 3.12 As of mid-July 2024, proportion of total loan and advances of DBs backed by real estate properties as collateral comprised 86.5 percent. Similarly, guarantees covered 8.1 percent of total loan and advances. Other forms of securities altogether covered 5.4 percent share in total loan and advances. Detail regarding product-wise loan and advances of DBs' has been given in Annex 3.8(b).

**Table 3.2 : Securities against Loans and Advances (Percentage of total loan)  
(Mid-July 2024)**

SN	Security	2021/22	2022/23	2023/24
1	Gold and Silver	0.90%	0.83%	0.79%
2	Non-Government Securities	2.37%	2.61%	2.73%
3	Fixed Deposit	2.77%	1.76%	1.35%
4	Property as Collateral	83.21%	85.60%	86.50%
5	Guarantee	10.33%	8.80%	8.13%
6	Others	0.41%	0.40%	0.50%
	Total	100.0	100.0	100.0

## Product-wise Loan and Advances

- 3.13 As of mid-July 2024, term loans of DBs accounted for the largest share at 40.1 percent of total loans and advances. Overdraft constituted 13.4 percent, while personal residential home loans made up 13.1 percent of the total loan portfolio. Deprived sector loans represented 7.0 percent of total loans and advances.

Compared to the previous year, the shares of overdraft loans, deprived sector loans, hire purchase loans, and demand and other working capital loans have declined. Meanwhile, the share of term loans, real estate loans, personal residential home loans, and margin loans has shown a gradual rise. Detail regarding product-wise loan and advances of DBs' has been given in Annex 3.8(a).

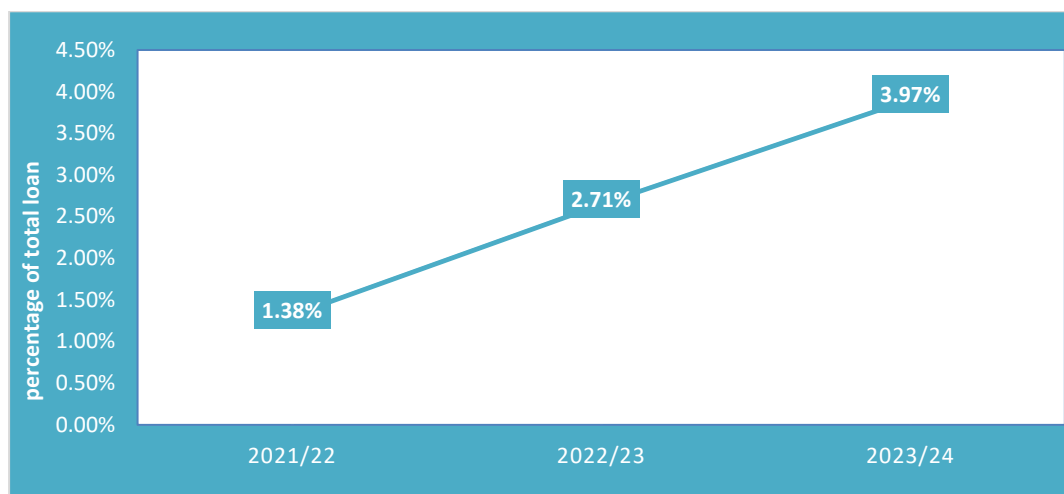
**Table 3.3 : Product-wise Loan and Advances To Total Loan  
(Mid-July 2024)**

S.N.	Loan Products	2021/22	2022/23	2023/24
1	Term Loan	29.78%	35.60%	40.11%
2	Overdraft	19.75%	15.26%	13.37%
3	Trust Receipt Loan/Import Loan	0.01%	0.00%	0.00%
4	Demand and Other Working Capital Loan	4.03%	6.49%	4.76%
5	Personal Residential Home Loan	11.02%	12.22%	13.13%
6	Real Estate Loan	4.23%	4.64%	5.23%
7	Margin Loan	2.66%	3.01%	3.13%
8	Hire Purchase Loan	4.94%	3.68%	2.81%
9	Deprived Sector Loan	10.34%	8.10%	7.04%
10	Other Product	13.23%	10.99%	10.43%
	Total	100	100	100

## Non-performing Loans (NPLs)

- 3.14 The ratio of NPLs to total loans and advances of DBs increased to 3.97 percent in mid-July 2024 from 2.71 percent in mid-July, 2023. The Non-Performing Loans (NPLs) of DBs increased notably in FY 2023/24, indicating a deterioration in asset quality. The rising NPL ratio reflects growing credit risk and potential pressure on profitability due to higher provisioning requirements. This trend underscores the need for enhanced credit monitoring and recovery mechanisms. (Refer Annexure 3.13)

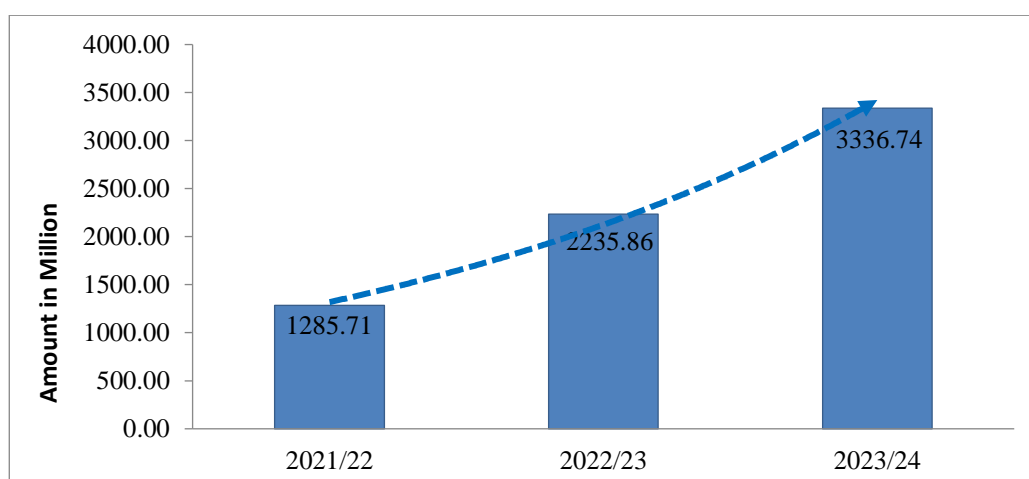
**Figure 3.7 : Non-performing loans of the DBs  
(Mid-July 2024)**



## Non-Banking Assets

- 3.15 As of mid-July 2024, the non-banking assets (NBA) of DBs increased to Rs. 3,336.74 million, marking a rise of 49.24 percent compared to Rs. 2,235.86 million in mid-July 2023. In the previous year, NBA had grown by 73.9 percent from Rs. 1,285.71 million in mid-July 2022. The consistent growth in NBA over the past two fiscal years indicates a substantial accumulation of assets, which suggests the effects of rising loan defaults and warrant attention toward recovery efforts and credit risk management. (Refer Annexure 3.14)

**Figure 3.8 : Non-banking Assets of the DBs  
(Mid-July 2024)**



## Investment Portfolio

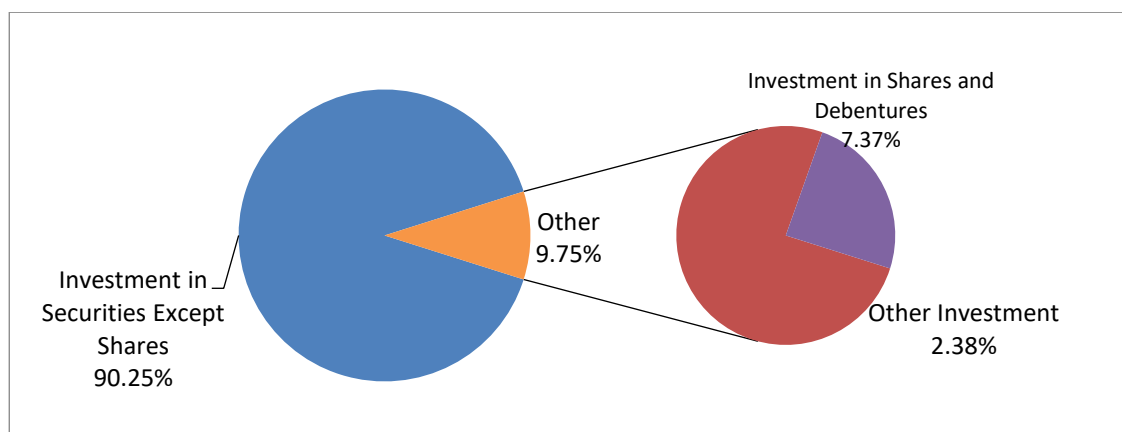
- 3.16 As of mid-July 2024, the total investment of DBs stood Rs. 118.72 billion, reflecting a significant rise from Rs. 100.29 billion as of mid-July 2023 and Rs. 74.66 billion as of mid-July 2022. A major portion of the investment is in securities excluding shares, accounting for 90.25 percent of the total in 2023/24, slightly down from 92.05 percent in the previous year. (Refer Annexure 3.15)

**Table 3.4 : Investment Portfolio of DBS  
(Mid-July, 2024)**

Investment Composition	Amount in billions			Percentage Change		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Investment in Securities Except Shares	68.93	92.31	107.14	92.32%	92.05%	90.25%
Investment in Shares and Debentures	4.77	7.05	8.75	6.39%	7.03%	7.37%
Other Investment	0.96	0.92	2.83	1.29%	0.92%	2.38%
<b>Total</b>	<b>74.66</b>	<b>100.29</b>	<b>118.72</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 3.17 Investment in shares and debentures increased to Rs. 8.75 billion, making up 7.37 percent of the total, while other investments rose to Rs. 2.83 billion (2.38 percent). The growth in total investment signals an expanding investment portfolio with moderate diversification. The investment trend highlights DBs' preference for safer investment avenues, particularly government securities.

**Figure 3.9 : Investment Portfolio of the DBs  
(Mid-July 2024)**



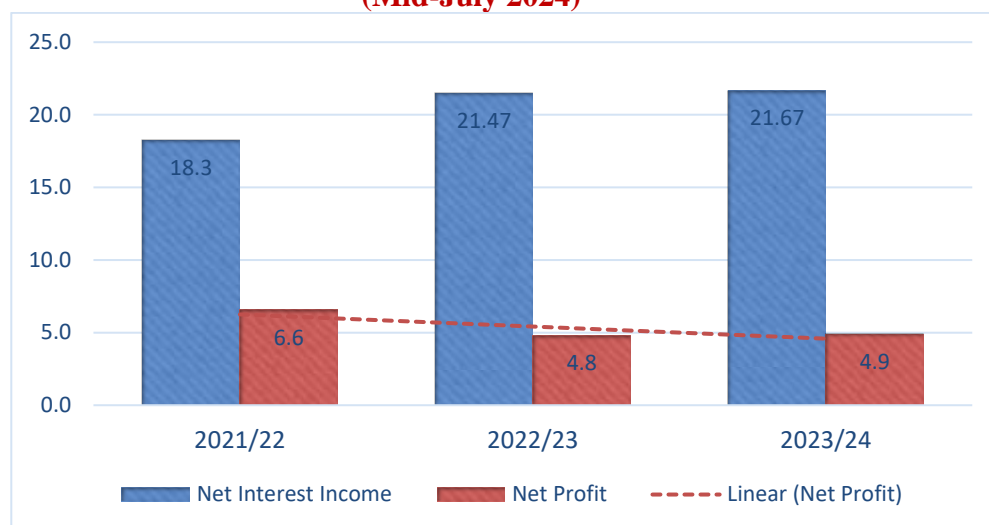
## Profitability

- 3.18 Consolidated net profit of overall DBs during FY 2023/24 amounted to Rs. 4.9 billion which was Rs. 4.8 billion during FY 2022/23. The aggregate net profit of DBs increased by just 1.64 percent during the review. Interest income of all DBs amounted to Rs. 70.70 billion in the review period, and interest expenses accounted to Rs. 49.02 billion in the review period. Net interest income has increased to Rs.21.67 billion in the review period from Rs. 21.47 billion

as compared to previous year. Net profit, after dropping in FY 2022/23, saw only a marginal improvement in FY 2023/24, indicating continued pressure on profitability during FY 2023/24. (Refer Annexure 3.4)

**Figure 3.10: Operating Efficiency of the DBs**

(Mid-July 2024)

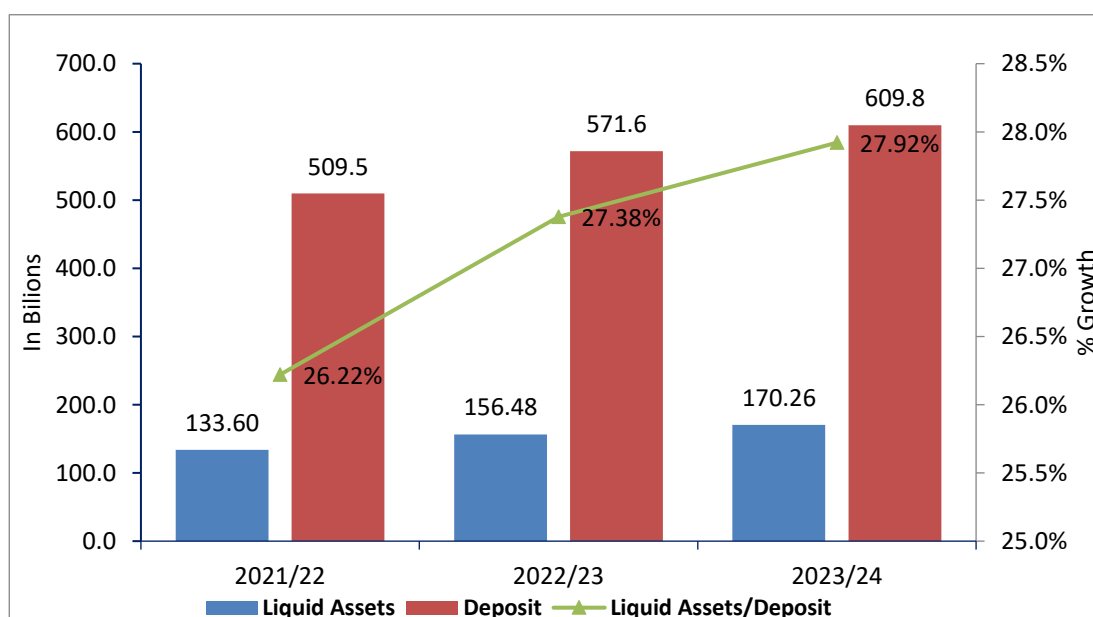


## Liquidity

3.19 Liquid assets comprises cash balance, bank balances with NRB and other BFIs, money at call and investment in government securities. As of mid-July 2024, the liquid assets of DBs rose to Rs. 170.26 billion from Rs. 156.48 billion as of the previous period, indicating improved short-term liquidity strength by 8.8 percent. Deposits also increased steadily, reaching Rs. 609.78 billion in mid-July 2024 from 571.57 billion in mid-July 2023. Consequently, the liquid assets to deposit ratio slightly improved to 27.92 percent in FY 2023/24 from 27.38 percent in FY 2022/23, reflecting enhanced liquidity strength. (Refer Annexure 3.16)

**Figure 3.11: Liquid Assets to Deposit Ratio of DBs**

(Mid-July 2024)



## Deprived Sector Lending

- 3.20 The overall exposure of DBs to deprived sector lending has been 7.04 percent of total loan as of mid-July 2024 compared to 8.10 percent as on mid-July 2023. The deprived sector lending was 10.34 percent two years ago. This shows gradual decline in deprived sector loan. Refer Annexure 3.8 (a)

**Table 3.5 : Deprived Sector to Total loan Ratios of DBs**

Particulars	Deprived Sector Loan (% of Total Loan)		
	2021/22	2022/23	2023/24
% of Total Loan	10.34%	8.10%	7.04%

## Base Rates and Spread Rates

- 3.21 The average base rate of all DBs has decreased to 9.03 percent as of mid-July 2024 from 11.8 percent in mid-July 2023, a 23.5 percent fall in the borrowing cost of the loan clients during the review year. The interest spread of overall DBs has decreased slightly to 4.55 percent as of mid-July 2023 from 4.59 percent as of mid-July 2023.

## Electronic Banking

- 3.22 As shown in the table presented below, number of mobile banking customers has substantially increased from 2.77 million in mid-July 2023 to 3.28 million in mid-July 2024. Similarly, the internet banking customers have also increased from 494 thousands in mid-July 2023 to 578 thousands in mid-July 2024. No. of debit cards distributed also increased from 823 thousands as of mid-July 2023 to 1 million and 76 thousand as of mid-July 2024, a 30 percent sharp rise. This indicates that banking customers are turning digital and technology savvy more in recent years.

**Table 3.6 : Use of Electronic Banking in DBs  
(Mid-July 2024)**

S. N.	Particulars	2021/22	2022/23	2023/24
1	No. of Branchless Banking Centers	22	21	17
2	No. of Customers (Branchless Banking)	129	49	1,646
3	No. of Customers (Mobile Banking)	2,114,559	2,772,852	3,275,906
4	No. of Internet Banking Customers	394,563	494,753	578,387
5	No. of ATMs	323	346	348
6	No. of Debit Cards	538,672	826,506	1,076,072

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

## Stress Testing Results

- 3.23 Stress test results based on the data of mid-July 2024 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, 5 DBs would fail to meet the minimum capital adequacy ratio while 15 percent of performing loans deteriorates to substandard. Further, 12 DBs would not

meet with the minimum capital adequacy ratio while 5 percent of performing loans deteriorated to loss loans. 4 DBs will likely fail to meet the minimum capital adequacy ratio if all NPLs under substandard category downgrades to doubtful and all NPLs under doubtful category downgrades to loss.

### Liquidity Shock

- 3.25 Standard liquidity shock test results suggest that some DBs would fall below mandatory liquidity ratio in stress scenarios. 6 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 11 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 fallen below the regulatory minimum if top five individual depositors withdraw their deposits.

### Other Shocks

- 3.26 All other DBs were found to be resilient to standard interest rate, exchange rate and equity price shocks except 3 DBs having 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 2023/24 as per existing legal and regulatory provision for miscellaneous non-compliances.
- One DB was penalized for the first time in FY 2023/24 for not maintaining capital adequacy ratio.
  - One CEO and Two chairman of DBs were penalized of Rs.500 thousands.
  - Two DBs were placed under Prompt Corrective Actions in accordance with NRB Prompt Corrective Action Bylaw 2074.
  - 2 admonitions and 27 reprimand 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, improper utilizations of subsidy loans, etc.
  - Two chairman of DBs and One CEOs were dismissed due to violations of existing BAFIA provisions at the time of their appointment and their failure to protect the public deposits.



## CHAPTER 4

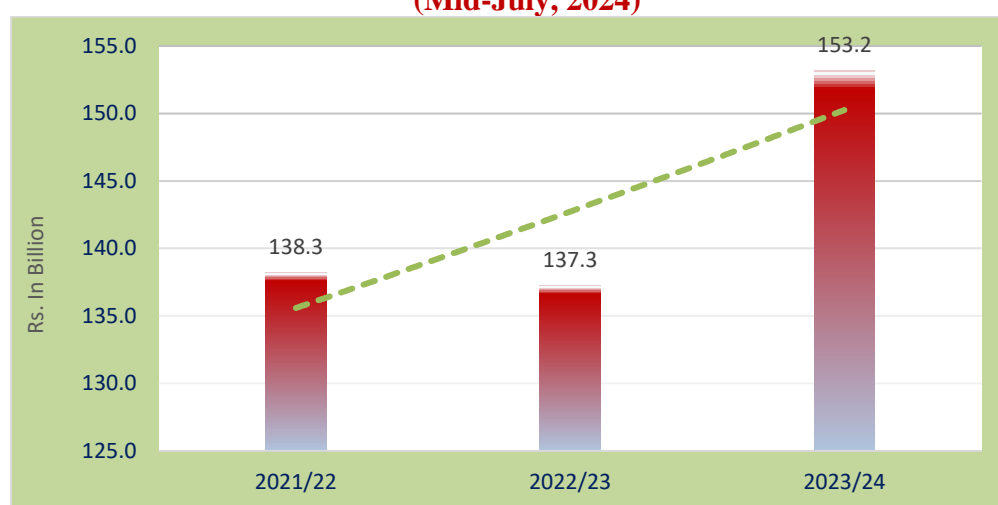
### PERFORMANCE OF FINANCE COMPANIES

- 4.1 This chapter provides a comprehensive analysis of the financial performance of FCs during FY 2023/24, based on their NFRS-compliant financial statements.

#### Assets and Liabilities

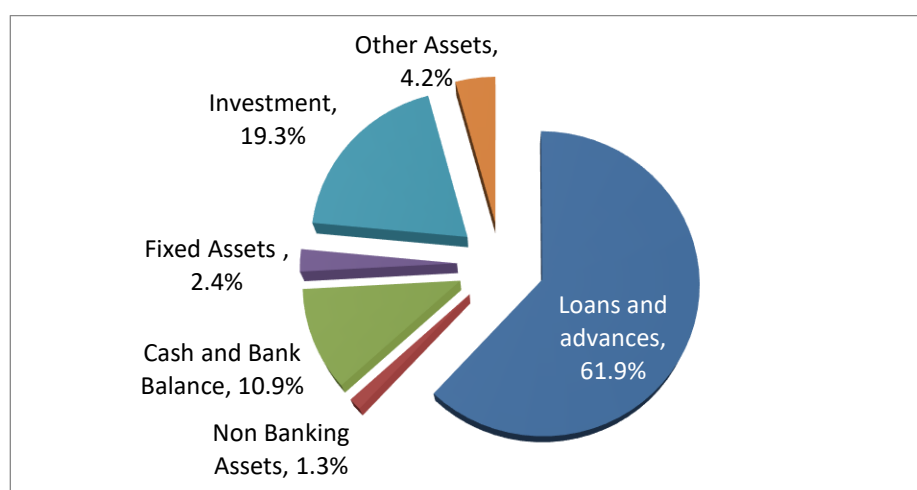
- 4.2 The total assets or liabilities of FCs have increased by 11.6 percent from Rs.137.3 billion in mid-July 2023 to Rs.153.2 billion in mid-July 2024. The asset growth has improved compared to the previous year, which had witnessed a decline of 0.7 percent in FY 2022/23. (Refer Annexure 4.3)

**Figure 4.1 : Total Assets of FCs**  
(Mid-July, 2024)



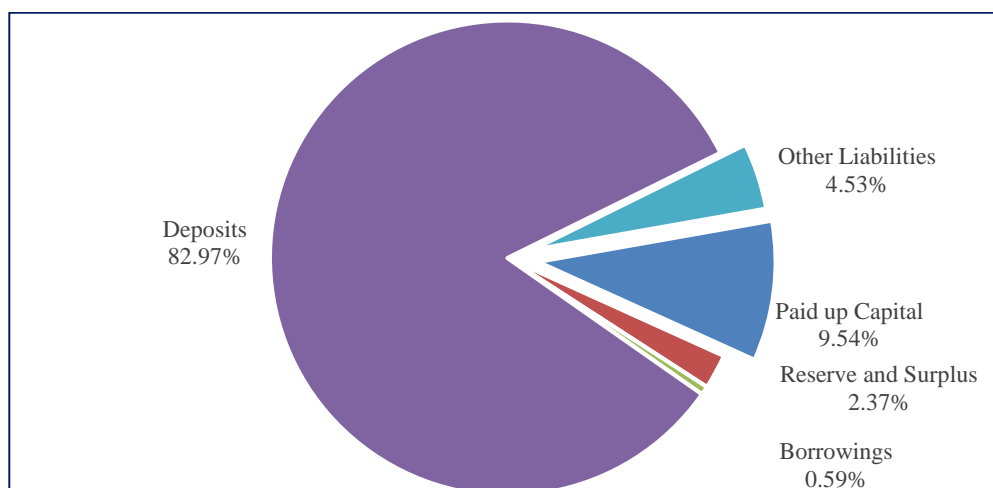
- 4.3 As on mid-July 2024, the major chunk of the total assets of the FCs were covered by loans & advances which is 61.9 percent of total assets. The second and third largest components of assets were investments with 19.3 percent share and cash & cash equivalent with share 10.9 percent respectively.

**Figure 4.2 : Assets Structure of FCs**  
(Mid-July 2024)



- 4.4 The major sources of liabilities of FCs as of mid-July 2024 is customer deposits with 82.97 percent share. Other sources of funds include paid up capital with 9.54 percent share, reserve and surplus with 2.37 percent, other liabilities with 4.53 percent share and borrowing with 0.59 percent share. (Refer Annexure 4.3)

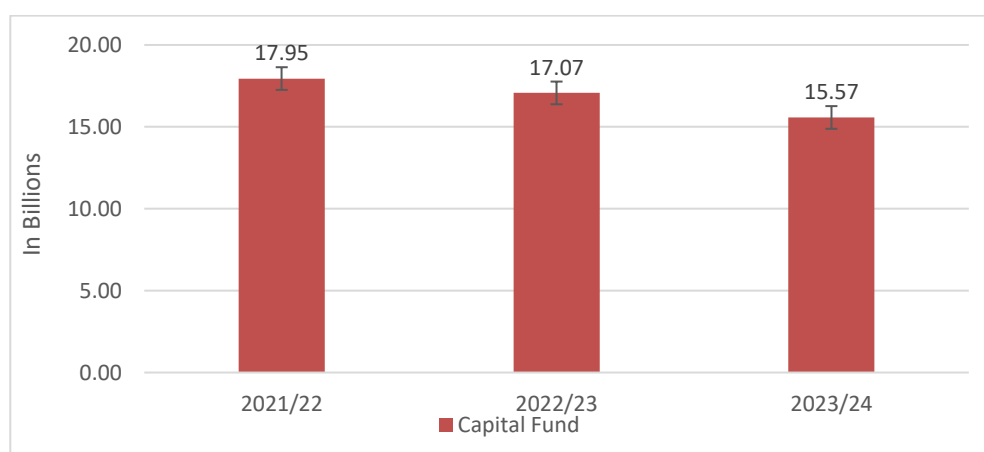
**Figure 4.3 : Liabilities Structure of FCs  
(Mid-July 2024)**



## Capital Fund

- 4.5 The total capital fund of the FCs has decreased by 8.8 percent, amounting to Rs.15.57 billion in mid-July 2024, down from Rs.17.07 billion in mid-July 2023. As of mid-July 2024 all national level FCs except Nepal Finance, have met the minimum paid up capital requirement. (Refer Annexure 4.10)

**Figure 4.4 : Total Capital Fund of FCs  
(Mid-July 2024)**



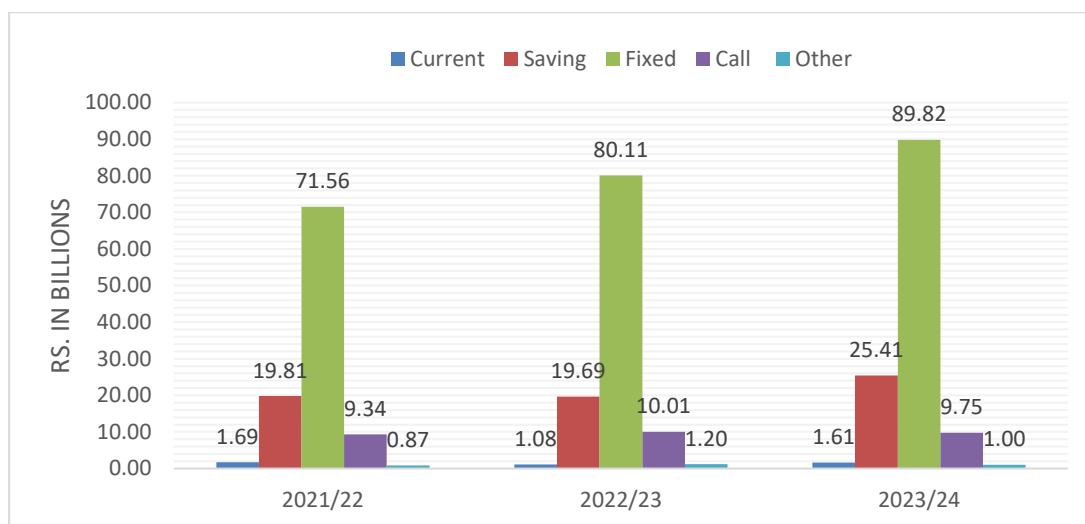
## Deposit and its composition

- 4.6 The total deposits of FCs have increased by 13.8 percent over FY 2023/24, i.e. from Rs.112.1 billion as of mid-July 2023 to Rs.127.6 billion as of mid-July 2024. Out of total deposits, fixed deposit comprised the highest share of 70.40 percent, followed by saving deposits as

the second highest share at 19.92 percent, and call deposit as the third highest share at 7.64 percent. Other deposits consist of a nominal share in total deposits.

The data reflects a moderating dominance of fixed deposits, with a gradual shift toward saving deposits. (Refer Annexure 4.11)

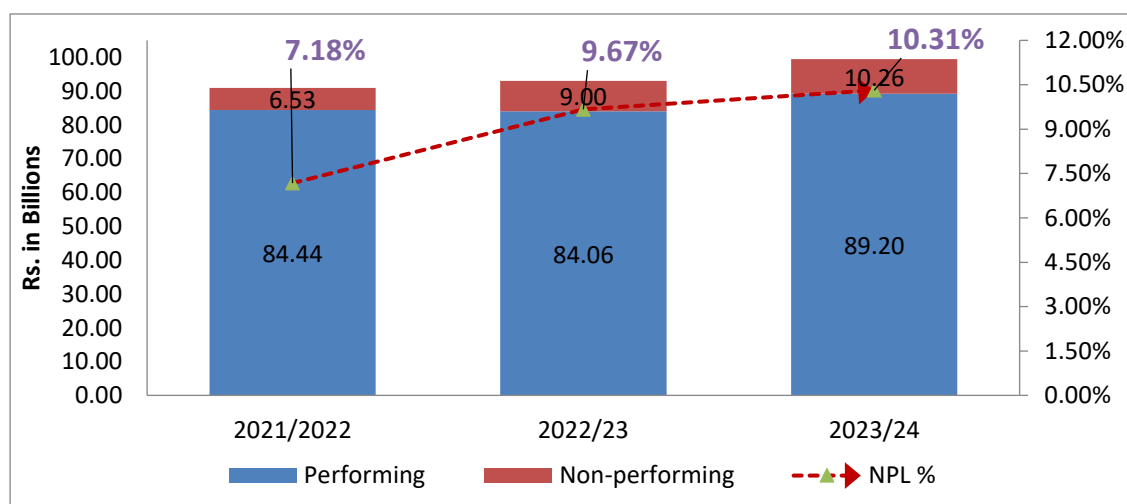
**Figure 4.5: Deposits Mix of FCs**  
(Mid-July 2024)



## Loans and Advances

4.7 Loan and advances of the FCs have increased by 5.2 percent from Rs.94.5 billion in FY 2022/23 to Rs. 99.5 billion in FY 2023/24. Performing loan constitutes 87.7 percent of total loan which amounts to Rs. 87.2 billion and non-performing loan constitutes remaining 12.3 percent which amounts to Rs. 12.3 billion. (Refer Annexure 4.12)

**Figure 4.6 : Loan and Advances of FCs**  
(Mid-July 2024)



## Sector-wise Diversification of Loan and Advances

4.8 In FY 2023/24, major portion of loan and advances of FCs has been occupied by consumable loans representing 30.15 percent of the total loans and advances with wholesale

and retail sectors representing 14.50 percent as second highest share and finance, insurance and real estate sector representing 13.73 percent as third highest share Detail regarding product-wise loan and advances of DBs' has been given in Annex 4.6.

**Table 4.1 : Sector-wise loan and advances to Total loan of FCs  
(Mid-July 2024)**

S.N.	Sector	Share of total loan in percent		
		2021/22	2022/23	2023/24
1	Agriculture Forest	6.80%	7.15%	6.76%
2	Fishery	0.25%	0.27%	0.30%
3	Mining	0.11%	0.09%	0.11%
4	Agriculture, Forestry & Beverage Production Related	1.82%	1.39%	1.49%
5	Non-food Production Related	2.83%	2.83%	2.43%
6	Manufacturing	0.00%	0.00%	0.00%
7	Construction	4.15%	4.05%	4.05%
8	Electricity, Gas and Water	0.65%	1.08%	0.98%
9	Metal Products, Machineries, Electronics and Installation	0.83%	0.70%	0.82%
10	Transport, Warehousing & Communication	4.38%	3.68%	2.56%
11	Wholesalers and Retailers	13.83%	14.86%	14.50%
12	Finance, Insurance and Real Estate	13.27%	12.71%	13.73%
13	Tourism (Hotel and Restaurant)	4.81%	5.06%	5.36%
14	Other Services	2.70%	3.13%	3.04%
15	Consumable Loans	31.17%	31.70%	30.15%
16	Local Government	0.04%	0.04%	0.04%
17	Others	12.38%	11.26%	13.69%
	<b>Total Loan</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Security-wise Position of Loan and Advance

- 4.9 As of mid-July 2024, proportion of total loan and advances backed by properties such as land and building and other real estate collateral comprised 84.46 percent whereas guarantees were backing 6.78 percent of total loan and advances of FCs. Other forms of securities such as gold and silver, non-government security and fixed deposit altogether comprised 5.62 percent share in total loan and advances.

**Table 4.2 : Security wise loan and advance to Total loan of FCs  
(Mid-July 2024)**

SN	Security-wise Loan and Advance	2021/22	2022/23	2023/24
1	Gold and Silver	1.07%	1.10%	1.14%
2	Government Bonds	0.04%	0.03%	0.00%
3	Non-Government Securities	2.81%	3.00%	3.11%
4	Fixed Deposit	2.97%	1.97%	1.37%
5	Property as Collateral	81.21%	83.73%	84.46%
6	Security of Bills	0.00%	0.00%	0.00%
7	Guarantee	7.21%	6.82%	6.78%
8	Credit/Debit Card	0.00%	0.00%	0.00%
9	Others	4.69%	3.34%	3.14%
	<b>Total Loan</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Product-wise Loan and Advance

- 4.10 As of mid-July 2024, 26.81 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, 17.23 percent were in the form of other product loan, 8.4 percent of total loan and advances were in the form of real estate loan, 10.18 percent loan and advances were in the form of overdraft loan and remaining 14.25 percent loan and advances were in other forms such as deprived sectors, hire purchase and margin nature. Details regarding product-wise loan and advances of FCs' are given in Annex 4.7.

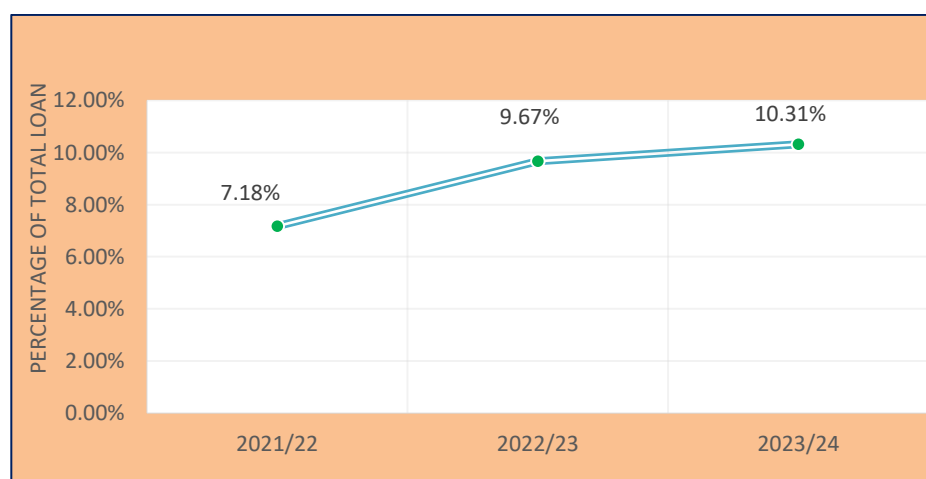
**Table 4.3 : Product-wise Loan and Advances to Total Loan  
(Mid-July 2024)**

S.N.	Product-wise Loan and Advance	2021/22	2022/23	2023/24
1	Term Loan	19.98%	24.74%	26.81%
2	Overdraft	12.56%	11.48%	11.29%
3	Trust Receipt Loan/Import Loan	0.00%	0.15%	0.12%
4	Demand and Other Working Capital Loan	7.14%	7.02%	7.12%
5	Personal Residential Home Loan	10.88%	12.60%	13.00%
6	Real Estate Loan	10.78%	10.57%	10.18%
7	Margin Loan	4.26%	3.96%	4.18%
8	Hire Purchase Loan	4.34%	3.87%	3.27%
9	Deprived Sector Loan	7.92%	6.75%	6.80%
11	Bills Purchased	0.00%	0.00%	0.00%
12	Other Product	22.14%	18.86%	17.23%
	<b>Total Loan</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Non-performing Loans

- 4.11 Where the ratio of NPL to total loans and advances of FCs taken together had increased by 249 basis points to 9.67 percent in mid-July 2023 from 7.18 percent in mid-July 2022, the growth in NPLs continued but with slower rate, i.e., by 64 basis points thereafter to 10.31 percent in mid-July 2024. (Refer Annexure 4.12)

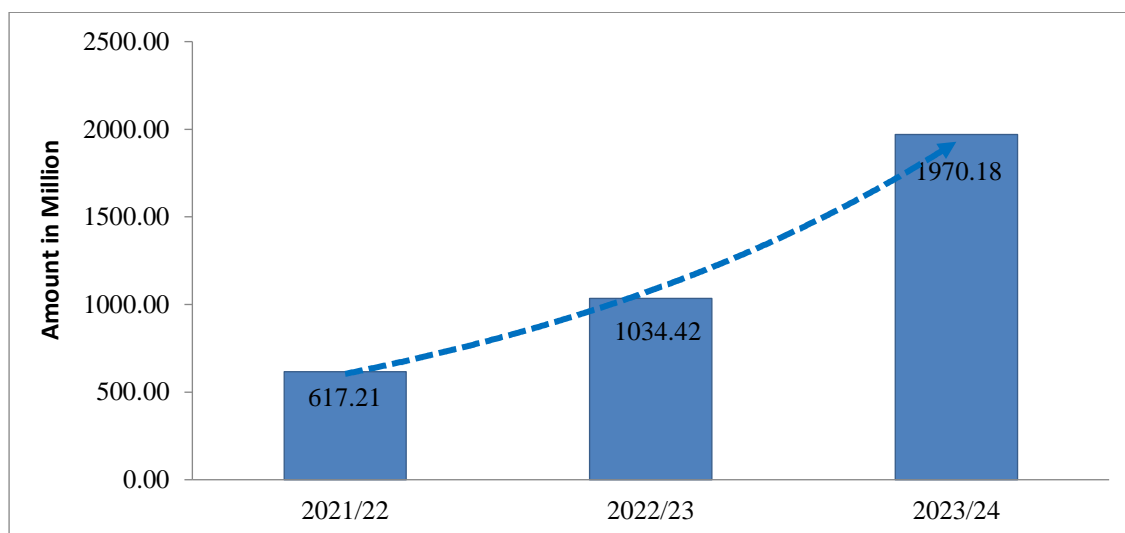
**Figure 4.7 : Non-performing loans of FCs  
(Mid-July 2024)**



## Non-banking Assets

- 4.12 As of mid-July 2024, the total amount of non-banking assets of FCs was Rs.1970.18 million, registering an increment of 90.5 percent over the FY 2023/24 compared to 67.6 percent growth over the FY 2022/23. (Refer Annexure 4.13)

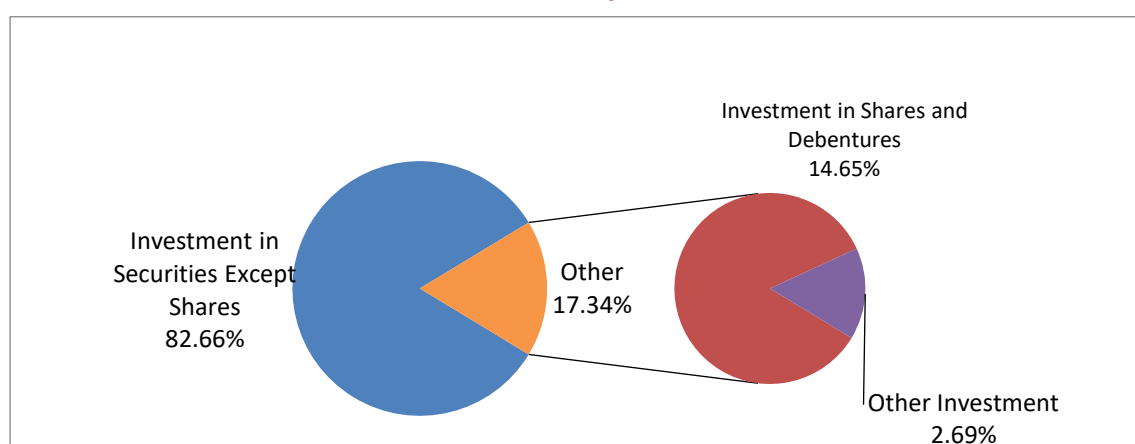
**Figure 4.8 : Non-banking Assets of the FCs  
(Mid-July 2024)**



## Investment Portfolio

- 4.13 The largest share of investment of FCs in FY 2023/24 was in government securities. This category accounted 82.66 percent of total investment as of mid-July, 2024. Investment in shares/debentures and other investment were 14.65 percent and 2.69 percent respectively. (Refer Annexure 4.14)

**Figure 4.9: Investment Portfolio of the FCs  
(Mid-July 2024)**



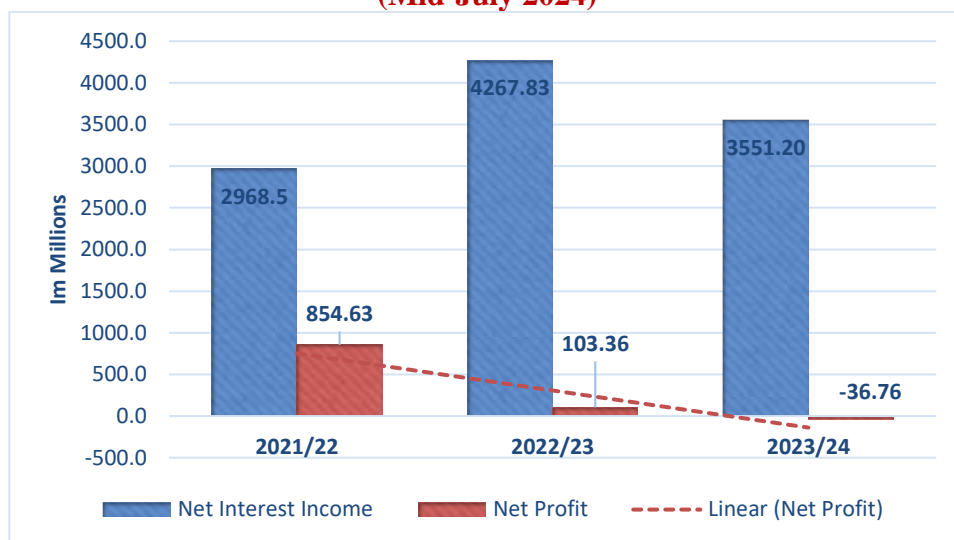
## Profitability

- 4.14 FCs made a consolidated net loss for FY 2023/24 by Rs. 36.76 million which was earlier amounting net profit by Rs. 103.36 million for FY 2022/23. The profitability of FCs seems to have decreased drastically during the review period due to decrease in net interest income

coupled with rise in NPLs during the year. Interest income of all FCs was Rs. 14.81 billion, interest expenses was Rs. 11.26 billion, and net interest income remained Rs. 3.55 billion during the review period which is a decline by 16.86 percent from Rs. 4.27 billion earlier year. Details regarding operational efficiency of FCs are presented in the consolidated P/L account in Annex 4.4.

**Figure 4.10: Operating Efficiency of the DBs**

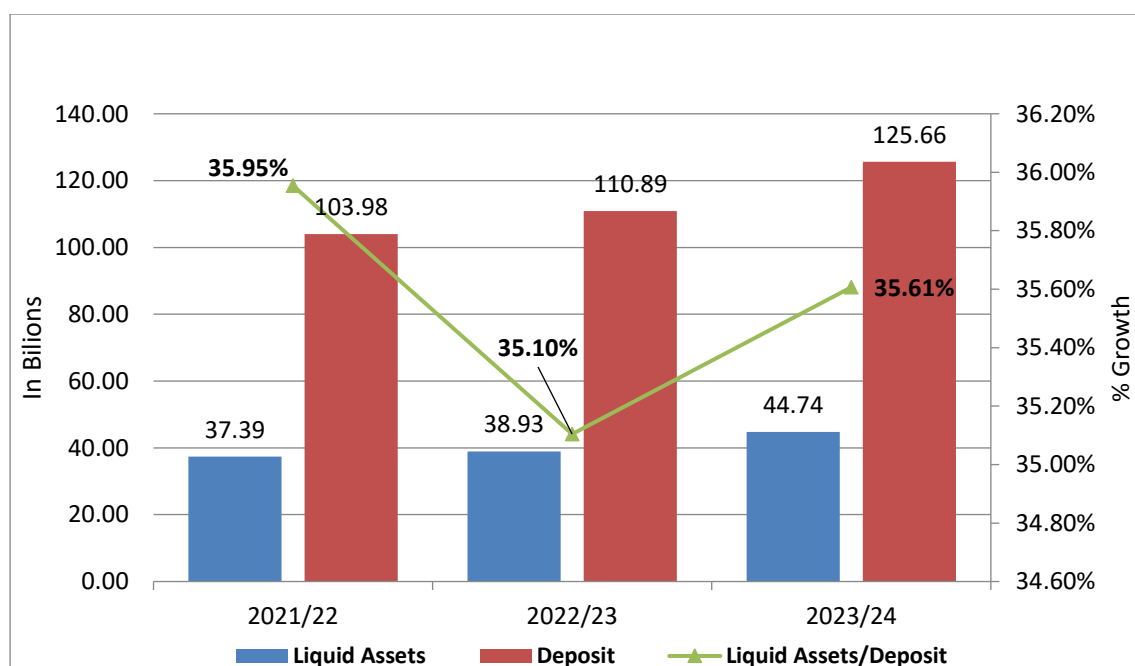
(Mid-July 2024)



## Liquidity

4.15 Total liquid assets of FCs increased by 14.9 percent in FY 2023/24 from Rs. 38.93 billion as of mid-July 2023 to Rs. 44.74 billion as of mid-July 2024. The share of these liquid assets to total deposits increased from 35.10 percent as of mid-July 2023 to 35.61 percent as of mid-July 2024. (Refer Annexure 4.15)

**Figure 4.11: Liquid Assets to Deposit Ratio of FCs**  
(Mid-July 2024)



## Deprived Sector Lending

- 4.16 The overall exposure of FCs to deprived sector lending was 6.80 percent of total loan in FY 2023/24 as compared to 6.75 percent in FY 2022/23, thereby registering a slight growth. However, the loan to deprived sector was 7.92 percent of total loans and advances earlier in FY 2021/22. (Refer Annexure 4.7)

**Table 4.4 : Deprived Sector Loan to Total Loan of FCs**

Particulars	Deprived Sector Loan (% of Total Loan)		
	2021/22	2022/23	2023/24
% of Total Loan	7.92%	6.75%	6.80%

## Base Rate and Spread Rate

- 4.17 Average base rate of all FCs was 10.71 percent as on mid-July 2023 whereas it was 13.0 percent in mid-July 2022, i.e., a reduction in the borrowing cost of the loan clients by around 229 basis points in aggregate. Likewise, interest spread of overall FCs has been 4.54 percent as of mid-July 2024 as against 4.60 percent as of mid-July 2023, which shows a marginal decline only.

## Electronic Banking

- 4.18 As per the table, number of mobile banking customers has substantially increased in FY 2023/24 from around 152 thousand in mid-July 2023 to around 232 thousand in mid-July 2024. Similarly, the internet banking customers have also increased from around 13.5 thousand in mid-July 2023 to around 15.9 thousand in mid-July 2024. In line with wider use of QR based payment throughout the country, the mobile banking customers in FCs have also increased.

**Table 4.5 : Use of Electronic Banking in FCs**

**(Mid-July 2024)**

S. N.	Particulars	2021/22	2022/23	2023/24
1	No. of Branchless Banking Centers	-	-	-
2	No. of Customers (Branchless Banking)	-	-	-
3	No. of Customers (Mobile Banking)	101,232	152,682	231,852
4	No. of Internet Banking Customers	10,272	13,472	15,863
5	No. of ATMs	44	44	44
6	No. of Debit Cards	43272	60,553	59,710

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

## Stress Testing Of FCs

- 4.19 Stress test results analyzed below indicates that FCs have remained reasonably resilient to various kinds of shocks. The test results based on data of mid July 2024 reveals as follows:

### Credit Shock

- 4.20 Standard credit shock test results indicate that 13 FCs will be able to withstand standard credit shocks, 4 FCs will be unable to comply with the minimum capital adequacy ratio requirement if 15 percent of performing loans deteriorated to substandard, but 6 FCs will be unable to comply with the minimum capital adequacy requirement if 5 percent of performing loans



deteriorated to loss category. If 25 percent of performing loan of real estate and housing sector downgrades to substandard, the test result shows only 1 FC will be able to comply with the minimum capital adequacy requirement, and 1 more FC will fail to meet capital adequacy ratio if 25 percent of performing loan of real estate and housing sector directly downgrades to loss and if top 3 large exposures are downgraded from performing to substandard.

### Liquidity Shock

- 4.21 Standard liquidity shock test results suggested that 2 FCs would be unable to comply with the minimum net liquid assets to deposit ratio requirement of 20 percent deposits are withdrawn by 10 percent every day for five consecutive days. Similarly, 6 FCs would see their net liquid assets to deposit ratio falling below the minimum requirement pursuant to a withdrawal of total deposits by 15 percent. Furthermore, 7 FCs would see their net liquid assets to deposit ratio falling below this regulatory minimum if 20 percent of total deposits are withdrawn.
- 4.22 Similarly, 2 FCs will have its liquid asset to deposit ratio falling below the regulatory minimum if the top 3 institutional deposits are withdrawn in full, one more FC will further fail to meet the regulatory minimum if top 4 or 5 institutional deposits are withdrawn in full.

### Other Shocks

- 4.23 Except for one, all FCs were found to be resilient to standard interest rate and exchange rate shocks. Only 1 FC would have their capital adequacy ratio falling below the regulatory minimum after the interest rate and exchange shocks were applied.

### Regulatory Actions

- 4.24 Following actions were taken against FCs and/or their functionaries during FY 2023/24 as per existing legal and regulatory provisions on miscellaneous non-compliance cases:
- 7 admonitions and 13 reprimands were given to the board members, CEOs and higher managers of some FCs for poor oversight, weak internal control, ineffective internal audit mechanism, unethical lending practice in loan approval and recovery processes, unethical financial transactions with the collateral valuator and borrowers, improper utilizations of subsidy loans, etc. Similarly, 1 FC was penalized in FY 2023/24 for not maintaining CRR.

## CHAPTER 5

### KEY ONSITE OBSERVATIONS AND CHALLENGES

#### Key Onsite Observations

##### 5.1 Board and Senior Management

- Some of the financial institutions were found to have violated the regulatory limits as prescribed in Unified Directives while providing lending facility to their Board members.
- Some of the board members were found to be engaged in unethical cases such as taking allowances without attending the board meeting, and attending foreign visits without formal invitation among others.
- A board in an FI has granted additional benefits to its CEO for remaining tenure upon his/her resignation.
- Board of an FI has approved loans exceeding the ratio to fair market value specified in their credit policies without proper justification.
- In few FIs, there is no mechanism at board level to regularly track the progress on enforcement of their own earlier decisions.
- Few FIs are yet to appoint female director in their board as required by Company Act.

##### 5.2 Risk Management Function

- Boards in many FIs have been less attentive to adverse stress scenarios facing their institutions and have failed to take adequate mitigating steps.
- Board level oversight through risk management committee is weak in few FIs.
- In some FIs, annual report of risk management committee has not been presented to the board.
- Some FIs have not properly assessed inherent risks of new products and systems.
- RMD in an FI was found forwarding credit files for approval, and its RMD staffs involving in loan disbursement. It showed that there was no segregation of business function (first line of defense) and risk management function (second line of defense), thereby, weakening the performance of the second line of defense.

##### 5.3 Audit Function

- Internal control system in some FIs is weak due to ineffective internal audit function and poor compliance function.
- Audit committee in few FIs have not discussed adequately on overall financial condition of their institution, internal control, issues raised by external audit, NRB observations and directions as required by unified directive.
- Many FIs lack adequate staffs in their internal audit department. This has weakened the timeliness and effectiveness of overall internal audit function within these FIs.

- Some FIs have outsourced internal auditor in a late manner. Scope of work of outsourced internal auditors has not been discussed in the audit committee of few FIs.

#### 5.4 Capital and Earnings

- ICAAP hasn't been prepared in some of the FIs. FIs where ICAAP has been prepared, it has not captured all material risks and stress scenarios. Some FIs have failed to maintain capital adequacy as required by their ICAAP.
- Recording, processing and computing risk-weighted exposures are being manually handled in most FIs. As a result, calculation of risk weighted exposures has not been reliable in these FIs. Instances of incorrect risk weight assignment were observed.
- Despite significant increase in non-performing loans, most FIs have failed to bring time-bound implementable plans to bring down the NPL ratio to an acceptable range. As a result, NPL has highly impacted FIs profitability, capital adequacy and later on solvency of the institution.
- Some FIs operating at regional levels are yet to meet their required minimum regulatory paid-up capital.

#### 5.5 Credit Risk

- Differences were observed between the loan loss provisioning that has been reported to NRB through reporting portals and the one maintained by FIs in their core banking system.
- FIs were found to have involved in regularizing the defaulted loans through loan enhancements. FIs largely failed in assessment of loan utilization of the borrower.
- Few FIs have provided business loans to clients without proper assessment of their business need.
- Some FIs have temporarily extended the expired facilities without obtaining proper documents and borrower's application. Such loans have not been classified as watch-list loan as required by unified directive.
- Number of FIs does not have risk grading mechanism of their borrowers. The risk assessment of the clients was found to be weak and unrealistic. In few FIs, instances were noted where facilities have been approved based on projected or provisional financials frequently without obtaining audited financial statements of the past years.

#### 5.6 Liquidity Risk

- Some FIs failed to meet required regulatory liquidity ratio. These institutions have not prepared gap analysis. Some FIs who have been preparing liquidity gap analysis regularly have however failed to analyze and interpret the gap even in worst case scenario.
- Some FIs have neither prepared contingency funding plan nor developed flash reports and MIS to communicate management about institutional liquidity positions.
- Many FIs were found to have developed unrealistic and unachievable business and strategic plans, failing to consider the current macroeconomic indicators and business environment.

- The ALCO of many FIs have been found setting deposit and loan interest rates without analyzing the potential impact of interest rate changes on their liquidity and earnings.

## 5.7 Market Risk Including Interest Rate Risk

- Many FIs do not regularly monitor risk sensitive assets (RSA), risk sensitive liabilities (RSL) or their trends. Hence, they are facing difficulty to analyze interest sensitivity accurately. Some FIs lack clear assumptions for determining RSA and RSL.
- Some FIs are making investment decisions without any investment policy.
- In few FIs, the ALCO has not properly reviewed investment portfolios and divestment strategies. Duties and functions within treasury management have not been properly defined and segregated in some FIs.
- Internal audits in most FIs do not make periodic appraisal of adequacy, accuracy, completeness and appropriateness of the interest rate risk management process.

## 5.8 Operational and IT Risk

- Few FIs do not have maker and checker in their CBS, thereby, weakening the system control.
- Observations such as multiple saving and current accounts of an individual client, incomplete KYC forms, saving accounts with negative balance, etc. have been noted in few FIs.
- Few FIs have not maintained preliminary risk assessment document. Further, they have not prepared proper risk register with classification and severity score of risk.
- Few FIs have not maintained IT risk register and incident response document. Disaster recovery and business continuity plan are thus ineffective in many FIs. Some FIs have not performed IT audit from the independent party in periodic interval.
- Some FIs have insufficient CCTV back-up mechanism. Some FIs have put limited areas under CCTV coverage. Some FIs have deployed a single security guard to their branches for 12 hours a day only, and relying on CCTV monitoring from central office for rest 12 hours of the day.
- Few branches of many FIs were found having operated the safe deposit vaults and locker without connecting to security system and alarm system as required by Unified Directives. Further, these vaults and locker were found kept in breakable steel partition.
- Few FIs have maintained their own data center but they have not maintained infrastructures and peripherals in adherence to IT guidelines. FIs have single connectivity to their data center. In case of connectivity disruption, the branches are using personal mobile data to synchronize the transactions, thereby, exposing their system to cyber risk.
- In many FIs, operational risk has escalated due to lack of skilled manpower, inadequate capacity building programs and over reliance on contract staffs.
- IT employees in some FIs have not been given adequate training on new IT related risks emerging on the banking sector.

- Microsoft officially ended support for Windows 7, which means security patches are no longer provided. Nevertheless, many FIs are still running their core banking systems on Windows 7 computers, exposing them to potential malware attacks. In a similar vein, most FIs' ATMs lack antivirus software.
- Uncollected ATM cards and check books were found not destroyed for a long time in some FIs. Additionally, both the ATM card and PIN were found to have been stored in a same vault under the custody of a single person.

## 5.9 Human Resources Function

- Few FIs have provisions about maternity leave, sick leave and other leave for their employees contradicting with the relevant laws and industry practices.
- Talent hunt policies in few FIs have failed to specify level of experience, skill, knowledge and academic qualification to hunt as talents. Talent hunt policy is found used improperly to hire the liked ones than what the institution needs.
- The employee turnover in few FIs is noticeably high. These FIs require a separate formal employee grievance handling procedure to address the HR concerns promptly. In lack of such procedure, they are failing to avoid possible business continuity and succession risk.
- Many FIs have not maintained KYE of their outsourced staffs.

## Challenges

### 1. Checking orchestrated spread of misinformation

- Attempts of some self-proclaimed activists to spread falsified information about financial health of target FIs were observed creating risk to financial stability. These activists encouraged mass borrowers in some regions to deny regular repayment obligations brainwashing them with the conviction that their dues will be waived. This has disrupted FIs' loan recovery, collateral auctions, and NPA settlement functions. Though NRB is operating various financial literacy programs at the public level, many FIs are yet struggling in problem asset management, thereby, weakening financial conditions of FIs and a decline in public trust.

### 2. Expanding credit amid high liquidity

- Nepal's external sector is now robust with high level of foreign exchange reserve and promising growth in remittance inflow. This has flushed the market with enough level of loanable fund. Despite ample liquidity in the market, which has lowered the overall lending interest rates, the credit growth has remained relatively lower. FIs are struggling to find viable investment opportunities in the current scenario. FIs need to innovate alternative ways of doing business such as customizing terms and conditions of financial products to match the need of each approached customer which is however even challenging job to do.

### 3. Normalizing loan recovery anguish

- Asset quality across FIs seems deteriorating, signaling the need for strong loan recovery actions. However, loan recovery remains a pressing concern for most FIs given the current stagnant performance in various sectors of the economy. The borrowers' ability to repay

is weak in general. Borrowers ask for frequent loan restructuring and heavy interest waivers, a difficult task for FIs to commit or facilitate. Collaterals are difficult to be sold off due to depression in the real estate sector. At times, NRB has stepped in to support FIs through facilitation in loan restructuring, blacklisting, loan-to-value ratio, debt-to-income ratio, risk weights on exposures, etc. However, for sustainable financial stability, broader economic reform seems necessary.

#### 4. **Solidifying good governance practices in FIs**

- Given the smaller size of transaction ticket, business coverage and capacity, and number of employees compared to commercial banks, FIs are generally underestimated to bring impressive changes across the banking industry. Owing to this, governance issues at FIs are often taken as small and practical, and often get ignored. Delay in resolution often serves as a quiet incentive for poor governance practices at many struggling FIs. To ensure their integrity and stability, FIs need to overhaul their governance systems through reformation in internal control mechanisms, enhancement of transparency, improvement in board and management oversight, and robust risk management policy and practice.

#### 5. **Fighting talent drain**

- Retaining talents is a mounting challenge for FIs today. High turnover, particularly driven by opportunities for overseas education, better jobs at competing FIs, etc., has drained experienced employees. Further to this, rising job stress given by expression of higher performance expectation by high management, need of increased recovery efforts in the current scenario, expectation of higher job position and compensation matching job experience and educational achievements are other reasons for frequent switch of FIs by their employees. These have caused rise in HR expenses, reduction of operational efficiency, and erosion of institutional memory. These happenings need to be timely checked to navigate for growth and resilience of the financial sector.

#### 6. **Strengthening IT security**

- Banking services today have been faster, cheaper, and more inclusive than ever before empowered by application of newer and robust IT system. Branchless, remote, and virtual banking is now a reality, not a day dream. However, these great powers came with great risks as well. Rise in cybercrimes, especially ATM fraud, SWIFT breaches, and data steals, have pressed a need for robust cyber security. Commercial banks could easily procure high costing robust IT systems, but smaller FIs often need to fight budgetary constraints. While complex digital banking transactions are beyond supervisor's strong monitoring capability presently, low digital literacy among digital banking customers has further magnified the risk. Thus, sound security outlines and extensive awareness programs are immediately needed.

#### 7. **Curbing informal banking**

- Formalizing informal banking has been a major challenge in Nepal since years. Shadow banking is still existent in the country, often unchecked and unnoticed with the presence of many unregistered lenders comprised of community groups, merchants, and even individuals. On the other side, despite being a formal institution, the cooperatives have also often acted as informal sector as they remained weakly regulated and supervised for

years. Activities of both cooperatives and other informal sector have often been exploitative to the poor, unbanked, and unprivileged minority people. As its ripple effects, some NRB licensed FIs were also drawn in, and hence they also faced threats of public outrage. Corrective steps are immediately needed from the state level to turn all informal sector into formal sector and under a strong regulatory and supervisory regime. There is, thus, a need to strengthen the capacities of present authorities responsible to monitor these activities.

#### 8. **Redressing grievances and protecting consumers**

- Customer complaints are rising driven by aggressive recovery methods and poor financial literacy and communication. Clients often sign legal documents without fully reading loan terms and conditions. Many FIs also fail to explain them clearly as the legal documents are often lengthy to read and difficult to understand. Though FIs have their own compliant handling mechanism, the hearing outcomes are often weak. As a result, these grievances are routing to NRB in a bulky number making it difficult for NRB to handle and make timely follow up on the progress. As it takes time to resolve the issues, the matters get even worse. To rebuild trust on the overall financial system, FIs need to improve their client education and grievance handling systems. Further, the financial literacy also needs to be promoted on a national scale.

#### 9. **Maintaining solvency of FIs**

- Regulatory buffer requirements and mounting NPLs along with new climate-friendly and environmental financing obligations are limiting both the business and earnings of FIs despite higher level of liquidity. Many FIs are showing negative returns and their capitals closer to the regulatory minimum. This has also questioned their very survival as capital erosion pushes them closer to the edge.

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## ANNEXURES



## Annex 1 : Onsite Inspection in FY 2023/24

Full Scope onsite Inspection				
Quarter	DBs		FCs	
Quarter I	1	Saptakoshi Development Bank	1	Janaki Finance Ltd.
	2	Mahalaxmi Bikash Bank Ltd.	2	Manju shree Finance
	3	Sindu Bikash Bank Ltd.	3	Guheshwori Finance
	4	Narayani Development Bank	4	Best Finance Ltd.
	5	Jyoti Bikash Bank Ltd.		
Quarter II	6	Green Development Bank	5	Progressive Finance
	7	Corporate Development Bank	6	Samridi Finance
	8	Shangrilla Development Bank	7	Central Finance
	9	Karnali Development Bank	8	Shree Investment and Finance Company
Quarter III	10	Miteri Development Bank Ltd.	9	Nepal Share Markets and Finance Ltd.
	11	Salpa Bikash Bank Ltd.	10	Pokhara Finance Ltd.
	12	Lumbini Bikash Bank Ltd.	11	Goodwill Finance Ltd.
	13	Excel Development Bank Ltd.	12	Nepal Finance Ltd.
Quarter IV	14	Garima Bikash Bank Ltd.	13	Gurkhas Finance Ltd.
	15	Muktinath Bikash Bank Ltd.	14	Multi Purpose Finance Company Ltd.
	16	Shine Resunga Development Bank Ltd.	15	Reliance Finance Ltd.
	17	Kamana Sewa Bikash Bank	16	ICFC Finance Ltd.

### 3.2 Special (Case Basis) Onsite Inspection

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

## Annex 2 : Number of Banks and Financial Institutions

Types of Financial Institutions	Mid-July														
	1995	2000	2005	2010	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Commercial Banks	10	13	17	27	30	30	28	28	28	28	27	27	26	20	20
DBs	3	7	26	79	84	76	67	40	33	29	20	18	17	17	17
Finance Companies	30	47	60	79	53	48	42	28	25	23	22	17	17	17	17
Microfinance Financial Institutions	4	7	11	18	37	38	42	53	65	90	85	70	65	57	52
Infrastructure Development	-	-	-	-	-	-	-	-	1	1	1	1	1	1	1
<b>Total</b>	<b>47</b>	<b>74</b>	<b>114</b>	<b>203</b>	<b>204</b>	<b>192</b>	<b>179</b>	<b>149</b>	<b>152</b>	<b>171</b>	<b>155</b>	<b>133</b>	<b>126</b>	<b>112</b>	<b>107</b>

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, 2024

S. N.	Name	Operation Date (A.D.)	No. of Branches	Paid Up Capital (Rs. in Million)	Scope
1	Corporate Development Bank Ltd.	2007-11-07	4	525	1-3 District
2	Excel Development Bank Ltd.	2005-07-21	47	1,250	1-5 District
3	Garima Bikas Bank Ltd.	2021-11-14*	124	5,681	National
4	Green Development Bank Ltd.	2013-08-25	15	539	1-5 District
5	Jyoti Bikas Bank Ltd.	2016-08-12*	121	4,396	National
6	Kamana Sewa Bikas Bank Ltd.	2017-08-04*	131	3,281	National
7	Karnali Development Bank Ltd.	2004-02-18	19	503	1-5 District
8	Lumbini Bikas Bank Ltd.	2017-07-09*	89	3,518	National
9	Mahalaxmi Bikas Bank Ltd.	2017-07-02*	103	4,171	National
10	Miteri Development Bank Ltd.	2006-10-13	18	1,111	1-5 District
11	Muktinath Bikas Bank Ltd.	2007-01-03	178	7,047	National
12	Narayani Development Bank Ltd.	2001-10-17	5	262	1-3 District
13	Salapa Bikash Bank Ltd.	2012-07-16	6	350	1 District
14	Saptakoshi Development Bank Ltd.	2019-07-07*	35	834	1-7 District
15	Shangrila Development Bank Ltd.	2014-07-13*	112	3,431	National
16	Shine Resunga Development Bank Ltd.	2013-03-17*	88	4,734	National
17	Sindhu Bikas Bank Ltd.	2010-09-09	24	557	1-5 District
	<b>Total</b>		<b>1119</b>	<b>42,190</b>	

\* Joint Operation date after merger

### Annex 3.2 : Capital Adequacy Ratios of DBs

SN	FI's Name	Mid-July 2023		Mid-July 2024	
		Core Capital	Total Capital Fund	Core Capital	Total Capital Fund
1.	Corporate Development Bank	44.29	45.37	35.77	37.10
2.	Excel Development Bank	10.18	11.76	11.14	12.73
3.	Garima Bikash Bank	10.54	13.69	11.16	13.29
4.	Green Development Bank	16.66	18.24	14.44	15.95
5.	Jyoti Bikash Bank Ltd	8.94	12.96	8.51	12.39
6.	Kamana Sewa Bikash Bank	8.62	12.24	9.61	12.50
7.	Karnali Development Bank	10.02	11.63	5.26	7.40
8.	Lumbini Bikas Bank Ltd.	9.47	12.85	10.13	13.40
9.	Mahalaxmi Bikash Bank	10.44	13.43	11.87	15.01
10.	Miteri Development Bank	29.32	30.65	36.66	37.83
11.	Narayani Development Bank	3.22	4.75	1.84	2.60
12.	Salapa Bikash Bank	18.96	19.60	23.79	24.59
13.	Saptakoshi Development Bank	9.94	12.29	11.58	13.13
14.	Shangrila Development Bank	9.40	12.41	10.14	12.99
15.	Shine Resunga Development Bank	11.92	13.29	11.38	12.64
16.	Sindhu Bikas Bank	5.44	6.78	5.22	6.73
17.	Muktinath Bikash Bank Ltd.	8.84	11.77	9.46	11.69

sources : Financial Institution Supervision Department

### Annex 3.3 : Consolidated Statement of Financial Position of DBs

(Mid July 2024)

Assets	Corporate	Excel	Garima	Green	Jyoti	Kamana
Cash and cash equivalent	953,470	2,057,931	4,720,389	626,722	3,355,267	1,774,368
Due from Nepal Rastra Bank	73,645	304,452	3,743,827	230,573	2,297,687	2,396,952
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	-	397,130	4,333,135	214,930	3,092,289	3,121,680
Loans and advances to customers	1,265,601	10,833,763	64,590,518	3,945,861	49,036,318	45,979,608
Investment securities	10,171	3,092,127	16,632,572	649,461	14,889,640	11,696,214
Current tax assets	-	-	411,612	-	-	-
Investment in subsidiaries	-	-	123,900	-	153,000	-
Investment in associates	-	-	-	-	-	-
Investment property	104,922	308,711	214,252	5,135	692,457	352,140
Property and equipment	141,396	206,491	551,390	70,835	1,524,847	991,492
Goodwill and Intangible assets	746	2,218	98,045	463	19,189	13,641
Deferred tax assets	12,672	-	24,888	-	52,862	54,014
Other assets	3,988	49,584	861,072	67,827	1,060,306	808,919
<b>TOTAL ASSETS</b>	<b>2,566,610</b>	<b>17,252,406</b>	<b>96,305,602</b>	<b>5,811,808</b>	<b>76,173,862</b>	<b>67,189,028</b>
<b>EQUITY AND LIABILITIES</b>	<b>Corporate</b>	<b>Excel</b>	<b>Garima</b>	<b>Green</b>	<b>Jyoti</b>	<b>Kamana</b>
<b>Liabilities</b>						
Due to Bank and Financial Institutions	-	260,343.7	1,783,291.1	93,382.4	1,708,592.1	626,690.7
Due to Nepal Rastra Bank	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-

Deposits from customers	1,822,538.0	14,763,481.0	84,252,756.1	4,971,734.3	65,848,228.8	59,066,711.7
Borrowing	-	-	6,250.0	33,750.0	-	-
Current Tax Liabilities	-	10,733.2	-	2,147.2	11,445.6	24,761.9
Provisions	-	14,295.8	-	885.5	-	16,494.5
Deferred tax liabilities	-	81,017.9	-	843.7	-	-
Other liabilities	21,042.0	183,961.3	1,009,206.4	80,811.4	820,530.6	1,073,795.2
Debt securities issued	-	-	996,034.1	-	1,492,424.2	996,230.8
Subordinated Liabilities	-	-	-	-	-	-
<b>Equity</b>						
Share capital	525,000.0	1,249,694.5	5,680,517.3	538,722.0	4,395,785.9	3,281,164.7
Share premium	23,921.0	9,075.5	-	1.8	-	-
Retained earnings	(13,759.0)	(11,718.7)	286,403.1	37,901.7	(663,431.6)	411,201.5
Reserves	187,868.0	691,521.8	2,291,143.5	51,628.0	2,560,286.0	1,691,977.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,566,610.0</b>	<b>17,252,405.8</b>	<b>96,305,601.7</b>	<b>5,811,808.1</b>	<b>76,173,861.6</b>	<b>67,189,028.1</b>

<b>Assets</b>	<b>Karnali</b>	<b>Lumbini</b>	<b>Mahalaxmi</b>	<b>Miteri</b>	<b>Muktinath</b>	<b>Narayani</b>
Cash and cash equivalent	487,898	3,681,441	2,478,681	971,321	3,134,540	264,050
Due from Nepal Rastra Bank	229,268	3,379,607	2,004,682	263,019	9,606,142	48,489
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	-	2,169,644	3,712,565	239,097	2,139,627	-
Loans and advances to customers	3,439,300	46,247,417	40,550,087	3,637,215	91,907,309	264,397
Investment securities	-	11,699,956	14,625,164	2,871,319	14,249,248	47,153
Current tax assets	23,879	63,172	-	4,476	40,722	10,344
Investment in subsidiaries	-	-	-	-	244,046	-
Investment in associates	-	652,994	4,734	-	155,550	-
Investment property	-	203,964	532,454	22,386	432,504	14,281

Property and equipment	155,918	697,305	344,371	43,527	2,242,422	30,649
Goodwill and Intangible assets	259	6,067	6,238	161	11,768	7,300
Deferred tax assets	114	-	57,550	15,638	116,115	38,787
Other assets	1,349,522	286,029	372,471	39,602	667,771	10,776
<b>TOTAL ASSETS</b>	<b>5,686,158</b>	<b>69,087,597</b>	<b>64,688,995</b>	<b>8,107,761</b>	<b>124,947,764</b>	<b>736,226</b>
<b>EQUITY AND LIABILITIES</b>	<b>Karnali</b>	<b>Lumbini</b>	<b>Mahalaxmi</b>	<b>Miteri</b>	<b>Muktinath</b>	<b>Narayani</b>
<b>Liabilities</b>						
Due to Bank and Financial Institutions	-	638,377.5	914,146.8	29,357.4	769,621.8	-
Due to Nepal Rastra Bank	-	1,042,300.0	-	-	415,629.6	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	5,070,657.0	58,553,113.5	55,210,282.7	6,427,135.6	109,758,876.1	631,521.0
Borrowing	-	-	-	-	10,416.7	-
Current Tax Liabilities	-	-	12,006.8	-	-	-
Provisions	-	-	-	-	1,300.0	-
Deferred tax liabilities	-	220,944.7	-	-	-	-
Other liabilities	215,817.0	893,062.8	813,345.5	58,289.3	2,314,968.5	46,710.0
Debt securities issued	-	1,052,390.6	995,083.7	-	1,247,443.6	-
Subordinated Liabilities	-	-	-	-	-	-
<b>Equity</b>		<b>-</b>				
Share capital	502,830.0	3,518,134.1	4,171,318.6	1,111,426.6	7,046,938.0	262,468.0
Share premium	459.0	-	-	-	-	10,101.0
Retained earnings	(153,336.0)	311,636.9	292,319.3	155,739.8	194,701.4	(411,509.0)
Reserves	49,731.0	2,857,637.3	2,280,491.8	325,812.2	3,187,868.3	196,935.0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,686,158.0</b>	<b>69,087,597.5</b>	<b>64,688,995.2</b>	<b>8,107,760.8</b>	<b>124,947,764.1</b>	<b>736,226.0</b>

<b>Assets</b>	<b>Salapa</b>	<b>Sapta</b>	<b>Shangrila</b>	<b>Shine</b>	<b>Sindhu</b>	<b>Total</b>
Cash and cash equivalent	345,987	1,290,737	2,829,192	2,224,034	813,216	32,009,243
Due from Nepal Rastra Bank	-	326,590	2,035,039	2,738,489	139,936	29,818,398
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	-	259,245	3,203,895	1,759,277	273,246	24,915,760
Loans and advances to customers	951,965	4,088,681	41,786,971	52,002,768	3,587,469	464,115,246
Investment securities	93,276	1,582,488	10,616,266	13,604,206	1,064,946	117,424,208
Current tax assets	3,710	13,447	-	56,478	30,395	658,236
Investment in subsidiaries	-	-	-	-	-	520,946
Investment in associates	-	-	-	-	-	813,278
Investment property	-	82,513	288,162	130,017	136,189	3,520,089
Property and equipment	31,408	146,500	676,287	611,068	213,148	8,679,054
Goodwill and Intangible assets	1,944	2,159	15,014	139,470	1,920	326,600
Deferred tax assets	6,378	93,598	60,548	-	15,278	548,442
Other assets	8,280	200,065	701,448	390,613	162,407	7,040,680
<b>TOTAL ASSETS</b>	<b>1,442,949</b>	<b>8,086,023</b>	<b>62,212,822</b>	<b>73,656,418</b>	<b>6,438,150</b>	<b>690,390,180</b>
<b>EQUITY AND LIABILITIES</b>	<b>Salapa</b>	<b>Sapta</b>	<b>Shangrila</b>	<b>Shine</b>	<b>Sindhu</b>	<b>Total</b>
<b>Liabilities</b>						
Due to Bank and Financial Institutions	156,739.1	150,005.5	1,561,069.5	369,025.7	-	9,060,643.3
Due to Nepal Rastra Bank	-	-	-	-	-	1,457,929.6
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	885,580.6	6,947,948.5	54,028,104.4	65,956,224.3	5,892,048.2	600,086,941.9
Borrowing	-	-	-	4,610.2	8,395.0	63,421.9
Current Tax Liabilities	-	-	14,306.6	-	9,713.4	85,114.8



Provisions	-	-	-	-	-	32,975.8
Deferred tax liabilities	-	-	-	41,311.5	-	344,117.8
Other liabilities	46,439.0	330,196.9	878,090.2	393,341.9	174,030.9	9,353,638.7
Debt securities issued	-	-	746,875.4	-	-	7,526,482.5
Subordinated Liabilities	-	-	-	-	-	-
<b>Equity</b>						-
Share capital	350,000.0	834,338.4	3,430,971.3	4,733,691.0	557,456.1	42,190,456.5
Share premium	-	-	-	-	-	43,558.3
Retained earnings	(16,220.5)	(436,589.6)	131,878.3	417,351.4	(371,784.2)	160,785.0
Reserves	20,411.0	260,123.4	1,421,526.0	1,740,862.4	168,290.9	19,984,113.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,442,949.2</b>	<b>8,086,023.1</b>	<b>62,212,821.7</b>	<b>73,656,418.5</b>	<b>6,438,150.3</b>	<b>690,390,179.6</b>

**Annex 3.4 : Consolidated Statement of Profit & Loss A/C of DBs**  
(Mid July 2024)

Rs. in thousands

<b>Development Banks</b>	<b>Corporate</b>	<b>Excel</b>	<b>Garima</b>	<b>Green</b>	<b>Jyoti</b>	<b>Kamana</b>	<b>Karnali</b>	<b>Lumbini</b>
Interest Income	195,116	1,562,974	10,117,130	566,085	7,786,555	7,040,454	511,462	6,895,264
Interest Expenses	115,369	1,005,336	6,802,358	393,079	5,414,447	4,907,911	396,307	5,140,437
<b>Net Interest Income</b>	<b>79,747</b>	<b>557,638</b>	<b>3,314,771</b>	<b>173,006</b>	<b>2,372,107</b>	<b>2,132,543</b>	<b>115,155</b>	<b>1,754,828</b>
Fee and commission income	5,399	91,128	476,890	20,001	187,617	298,474	10,682	208,155
Fee and commission expense	-	14,257	20,520	696	35,176	28,984	-	11,316
<b>Net Fee and commission income</b>	<b>5,399</b>	<b>76,871</b>	<b>456,370</b>	<b>19,305</b>	<b>152,440</b>	<b>269,490</b>	<b>10,682</b>	<b>196,840</b>
<b>Net Interest, Fee and commission income</b>	<b>85,146</b>	<b>634,508</b>	<b>3,771,141</b>	<b>192,311</b>	<b>2,524,548</b>	<b>2,402,033</b>	<b>125,837</b>	<b>1,951,667</b>
Net trading income	-	-	13,351	-	40,731	490	-	27
Other operating income	-	2,165	31,094	4,507	99,478	124,312	-	85,192
<b>Total operating income</b>	<b>85,146</b>	<b>636,673</b>	<b>3,815,586</b>	<b>196,818</b>	<b>2,664,756</b>	<b>2,526,835</b>	<b>125,837</b>	<b>2,036,886</b>
Impairment charge/(reversal) for loans and other losses	23,475	128,948	1,711,042	27,631	1,133,638	358,202	21,243	235,830
<b>Net operating income</b>	<b>61,671</b>	<b>507,725</b>	<b>2,104,544</b>	<b>169,187</b>	<b>1,531,119</b>	<b>2,168,633</b>	<b>136,398</b>	<b>1,801,056</b>
Personnel expenses	18,632	259,651	823,259	63,359	713,073	761,181	58,891	510,166
Other operating expenses	11,029	95,489	481,527	30,856	385,252	266,925	59,814	207,950
Depreciation & Amortisation	2,559	45,866	157,626	14,558	160,541	172,641	6,170	108,645
<b>Operating Profit</b>	<b>29,451</b>	<b>106,719</b>	<b>642,132</b>	<b>60,413</b>	<b>272,252</b>	<b>967,886</b>	<b>11,523</b>	<b>974,294</b>
Non operating income	-	-	1,265	-	132	700	-	1,710
Non operating expense	-	-	-	1,113	-	69,987	-	24,247
<b>Profit before income tax</b>	<b>29,451</b>	<b>106,719</b>	<b>643,397</b>	<b>59,300</b>	<b>272,385</b>	<b>898,599</b>	<b>11,523</b>	<b>951,757</b>
<b>Income Tax Expense</b>	<b>9,262</b>	<b>-</b>	<b>-</b>	<b>18,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Tax	13,840	66,586	215,890	19,348	225,144	317,698	-	405,110
Deferred Tax	(4,578)	(3,362)	(6,445)	(789)	(123,263)	(930)	-	2,980
<b>Profit/Loss for the period</b>	<b>20,189</b>	<b>43,495</b>	<b>433,952</b>	<b>40,742</b>	<b>170,504</b>	<b>581,832</b>	<b>11,523</b>	<b>543,668</b>

Development Banks	Mahalaxmi	Miteri	Muktinath	Narayani	Salapa	Sapta	Shangrila	Shine
Interest Income	6,495,350	816,890	13,772,496	53,802	137,706	594,372	6,396,795	7,169,357
Interest Expenses	4,528,927	557,182	9,533,155	46,811	65,274	414,777	4,489,931	4,819,108
<b>Net Interest Income</b>	<b>1,966,423</b>	<b>259,708</b>	<b>4,239,341</b>	<b>6,991</b>	<b>72,433</b>	<b>179,595</b>	<b>1,906,863</b>	<b>2,350,249</b>
Fee and commission income	226,085	16,280	548,580	4,354	5,030	30,272	219,368	333,616
Fee and commission expense	18,873	1,199	85,715	-	-	-	21,380	33,910
<b>Net Fee and commission income</b>	<b>207,212</b>	<b>15,081</b>	<b>462,865</b>	<b>4,354</b>	<b>5,030</b>	<b>30,272</b>	<b>197,988</b>	<b>299,706</b>
<b>Net Interest, Fee and commission income</b>	<b>2,173,635</b>	<b>274,788</b>	<b>4,702,206</b>	<b>11,345</b>	<b>77,463</b>	<b>209,866</b>	<b>2,104,851</b>	<b>2,649,955</b>
Net trading income	221	-	8,808	-	-	-	-	-
Other operating income	47,669	60,457	39,761	2,298	616	1,688	92,790	7,884
<b>Total operating income</b>	<b>2,221,526</b>	<b>335,245</b>	<b>4,750,776</b>	<b>13,643</b>	<b>78,078</b>	<b>211,554</b>	<b>2,197,641</b>	<b>2,657,839</b>
Impairment charge/(reversal) for loans and other losses	321,581	(17,925)	776,782	(18,646)	3,403	(23,445)	357,010	491,039
<b>Net operating income</b>	<b>1,899,945</b>	<b>353,171</b>	<b>3,973,993</b>	<b>32,289</b>	<b>74,675</b>	<b>234,999</b>	<b>1,840,631</b>	<b>2,166,800</b>
Personnel expenses	719,433	87,132	1,555,408	21,059	52,996	111,878	688,405	720,597
Other operating expenses	363,585	29,858	437,041	18,062	12,338	73,508	290,722	301,128
Depreciation & Amortisation	68,518	10,343	273,099	10,148	8,535	16,182	158,086	81,225
<b>Operating Profit</b>	<b>748,409</b>	<b>225,837</b>	<b>1,708,446</b>	<b>(16,980)</b>	<b>807</b>	<b>33,432</b>	<b>703,418</b>	<b>1,063,850</b>
Non operating income	5,478	-	156	-	-	(1,259)	827	500
Non operating expense	11,371	104	26,388	-	-	-	4,171	8,362
<b>Profit before income tax</b>	<b>742,516</b>	<b>225,734</b>	<b>1,682,213</b>	<b>(16,980)</b>	<b>807</b>	<b>32,172</b>	<b>700,074</b>	<b>1,055,988</b>

Development Banks	Mahalaxmi	Miteri	Muktinath	Narayani	Salapa	Sapta	Shangrila	Shine
<b>Income Tax Expense</b>	242,151	-	-	-	495	-	-	370,666
Current Tax	252,353	83,253	534,815	-	1,423	9,652	220,046	386,941
Deferred Tax	(10,201)	(2,470)	(28,937)	820	928	-	(24,253)	(16,275)
<b>Profit/Loss for the period</b>	<b>500,365</b>	<b>144,951</b>	<b>1,176,335</b>	<b>(17,800)</b>	<b>313</b>	<b>22,520</b>	<b>504,280</b>	<b>685,321</b>

### Annex 3.5 : Year wise Consolidated Statement of Financial Position of DBs

Rs. in thousands

ASSETS	FY (Mid-July)	
	2022/23	2023/24
Cash and cash equivalent	44,969,670	32,009,243
Due from Nepal Rastra Bank	20,110,216	29,818,398
Placement with Bank and Financial Institutions	550,000	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	21,783,891	24,915,760
Loans and advances to customers	444,043,795	464,115,246
Investment securities	98,965,463	117,414,037
Current tax assets	716,172	668,422
Investment in subsidiaries	520,946	520,946
Investment in associates	755,791	813,278
Investment in property	2,419,209	3,520,089
Property and equipment	7,920,122	8,679,054
Goodwill and Intangible assets	315,533	326,600
Deferred tax assets	574,792	548,442
Other assets	5,156,866	7,040,680
<b>TOTAL ASSETS</b>	<b>648,802,464</b>	<b>690,390,195</b>
<b>EQUITY AND LIABILITIES</b>	-	-
<b>Liabilities</b>	327,610,594	338,752,537
Due to Bank and Financial Institutions	16,460,917	9,060,643
Due to Nepal Rastra Bank	1,004,550	1,457,930
Derivative financial instruments	-	-
Deposits from customers	556,393,280	600,086,942
Borrowing	92,083	63,422
Current Tax Liabilities	76,647	85,115
Provisions	130,881	32,976
Deferred tax liabilities	253,337	344,118
Other liabilities	9,513,178	9,353,639
Debt securities issued	7,478,706	7,526,482
Subordinated Liabilities	-	-
<b>Equity</b>		
Share Capital	40,206,941	42,190,456
Share premium	47,974	43,558
Retained earnings	1,332,169	160,785
Reserves	15,811,803	19,984,114
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>648,802,464</b>	<b>690,390,180</b>

### Annex 3.6 : Loan & Advances of DBs

(Mid-July 2024)

Rs. in thousands

DBs'	Pass (1.25%)	Pass (5%)	Watch List (5%)	Rescheduled / Restructured (12.5%)	Substandard (25%)	Doubtful (50%)	Bad (100%)	Total Loan	Total (NPL)
Corporate Development Bank Ltd	971,129		199,680		53,583	50,839	48,615	1,323,846	153,037
Excel Development Bank Ltd.	9,350,540	-	1,439,864	-	113,528	264,702	329,667	11,498,302	707,898
Garima Bikas Bank Ltd.	63,892,981	-	3,825,766	-	516,336	1,350,886	1,583,629	71,169,599	3,450,851
Green Development Bank Ltd.	3,648,810		419,815	14,932	28,745	32,900	52,653	4,197,856	129,230
Jyoti Bikas Bank Ltd.	40,728,359	-	10,180,331	-	472,736	642,516	1,727,192	53,751,134	2,842,444
Kamana Sewa Bikas Bank Ltd.	41,682,811	-	6,790,380	-	378,395	239,952	1,068,269	50,159,806	1,686,615
Karnali Development Bank Limited	1,051,021		1,543,571		5,725	8,839	180,865	2,790,021	195,429
Lumbini Bikas Bank Ltd.	41,586,632		6,275,165		622,017	465,722	659,112	49,608,648	1,746,852
Mahalaxmi Bikas Bank Ltd.	35,849,023		7,266,222		526,257	425,077	879,207	44,945,785	1,830,540
Miteri Development Bank Ltd.	3,794,468		83,729		3,296	1,664	26,641	3,909,797	31,601
Muktinath Bikas Bank Ltd.	82,292,812	5,445,208	4,701,202	-	854,656	633,817	752,608	94,680,302	2,241,080
Narayani Development Bank Ltd.	179,108	-	30,816	7,567	37,746	42,488	109,069	406,794	196,870
Salapa Bikash Bank Ltd.	702,371	-	63,630	-	7,090	13,475	9,716	796,281	30,280
Saptakoshi Development Bank Ltd.	3,117,221	-	1,115,562	-	124,176	63,467	265,836	4,686,262	453,479
Sangrila Development Bank Ltd.	38,415,322	-	5,268,026	-	513,796	360,548	910,569	45,468,260	1,784,912
Shine Resunga Development Bank Ltd.	48,856,869	65,080	3,633,284	-	1,059,958	475,168	332,604	54,422,963	1,867,729
Sindhu Bikas Bank Ltd.	3,239,811		503,401	2,238	100,659	53,180	291,556	4,190,844	447,632
<b>Grand Total</b>	<b>419,359,288</b>	<b>5,510,288</b>	<b>53,340,445</b>	<b>24,737</b>	<b>5,418,698</b>	<b>5,125,240</b>	<b>9,227,806</b>	<b>498,006,502</b>	<b>19,796,480</b>

**Annex 3.7 : Sector-Wise Statement of Loan of DBs**  
(Mid-July 2024)

Sectors/Fis	Corporate	Excel	Garima	Green	Jyoti	Kamana	Karnali	Lumbini
Agricultural and Forest Related	71,930	948,781	3,535,721	395,190	4,373,979	2,717,151	481,995	6,415,672
Fishery Related	46,544	16,501	338,443		141,669	129,610		184,169
Mining Related			97,658		20,661	-		
Agriculture, Forestry & Beverage Production Related	5,413	413,372	935,887		1,599,970	831,381	624,308	989,757
Non-food Production Related	223,365	338,800	2,367,106	42,076	3,861,431	836,333		1,042,000
Construction	172,808	71,087	3,626,518	716,355	2,123,028	424,844	57,442	837,580
Power, Gas and Water		975	508,098		1,679,855	811,246		3,989,995
Metal Products, Machinery & Electronic Equipment & Assemblage	25,842	1,613	389,720	2,489	488,402	69,503		210,764
Transport, Communication and Public Utilities	26,244	231,898	1,763,587	171,894	536,626	1,005,884	67,153	561,266
Wholesaler & Retailer	172,004	3,347,208	9,057,449	423,894	5,256,682	7,794,996	789,587	4,775,936
Finance, Insurance and Real Estate		914,357	12,998,200	460,233	4,201,137	5,271,380	260,000	7,445,903
Hotel or Restaurant	13,763	395,459	3,790,834	102,845	2,646,781	1,798,841		1,463,654
Other Services	33,320	687,429	1,851,223		1,042,316	1,981,159	433,649	2,759,749
Consumption Loans	259,704	4,128,313	24,344,684	1,588,077	12,123,274	15,875,478	75,887	18,229,148
Others	272,908	2,510	5,564,472	294,804	13,655,323	10,612,000		703,055
<b>TOTAL</b>	<b>1,323,846</b>	<b>11,498,302</b>	<b>71,169,599</b>	<b>4,197,856</b>	<b>53,751,134</b>	<b>50,159,806</b>	<b>2,790,021</b>	<b>49,608,648</b>

Sectors/Fis	Mahalaxmi	Miteri	Muktinath	Narayani	Salapa	Sapta	Shangrila	Shine	Sindhu	Grant Total
Agricultural and Forest Related	1,348,107	240,638	6,341,986	100,658	263,131	690,585	2,139,412	2,917,712	236,603	<b>33,219,251</b>
Fishery Related	84,245	735	153,736	2,698	2,086	6,083	43,242	373,703		<b>1,523,466</b>

Sectors/Fis	Mahalaxmi	Miteri	Muktinath	Narayani	Salapa	Sapta	Shangrila	Shine	Sindhu	Grant Total
Mining Related	2,672		-	-		-	-	118,343		239,334
Agriculture, Forestry & Beverage ProductionRelated	258,504	140,047	980,626	-	29,584	74,111	951,510	3,279,445	122,033	11,235,949
Non-food Production Related	888,988	104,234	3,122,308	-	11,160	93,273	1,493,313	4,558,193	63,853	19,046,435
Construction	6,505,018	200,649	572,643	47,707	4,881	309,209	1,059,101	4,090,300	90,526	20,909,697
Power, Gas and Water	538,411		537,680	-		1,982	1,766,492			9,834,734
Metal Products, Machinery & Electronic Equipment & Assemblage	325,754	9,904	200,879	2,700	15,717	-	226,739	195,654	509	2,166,187
Transport, Communication and Public Utilities	552,643	183,431	1,368,819	19,843	1,710	102,248	1,051,281	934,966	204,137	8,783,630
Wholesaler & Retailer	9,766,215	511,622	13,937,426	44,929	75,326	1,046,327	6,092,316	10,767,266	701,404	74,560,588
Finance, Insurance and Real Estate	5,329,153	313,901	11,699,141	-	8,636	468,652	5,987,529	5,676,438	326,487	61,361,146
Hotel or Restaurant	661,361	22,474	4,075,354	22,986	32,733	88,050	1,654,797	9,492,465	232,712	26,495,108
Other Services	524,587	15,311	2,143,104	1,079	2,036	334,588	1,732,538	3,426,722	79,114	17,047,925
Consumption Loans	17,917,649	1,429,994	19,555,997	151,440	63,361	1,432,788	16,742,314	7,051,570	1,049,039	142,018,716
Others	242,478	736,858	29,990,602	12,754	285,920	38,365	4,527,676	1,540,186	1,084,427	69,564,338
<b>TOTAL</b>	<b>44,945,785</b>	<b>3,909,797</b>	<b>94,680,302</b>	<b>406,794</b>	<b>796,281</b>	<b>4,686,262</b>	<b>45,468,260</b>	<b>54,422,963</b>	<b>4,190,844</b>	<b>498,006,502</b>



**Annex 3.8(a) : Product-Wise loan of DBs**  
(Mid-July 2024)

Rs. in thousands

DBs'	Term Loan	Overdraft	Trust Receipt Loan/Import Loan	Demand and Other Working Capital Loan	Personal Residential Home Loan	Real Estate Loan	Margin Loan	Hire Purchase Loan	Deprived Sector Loan	Bills Purchased	Other Product	Total Loan
Corporate	418,143	373,449	-	68,546	231,599	-	-	39,464	30,693	-	161,952	1,323,846
Excel	3,639,809	434,457	-	3,041,888	1,632,762	509,793	405,244	486,916	779,526	-	567,907	11,498,302
Garima	23,115,380	9,008,957	-	3,310,305	13,371,884	3,682,002	1,770,834	2,463,772	3,746,482	-	10,699,983	71,169,599
Green	1,988,334	253,487	-	65,289	716,355	242,792	38,774	163,628	498,931	-	230,266	4,197,856
Jyoti	23,976,429	9,640,827	-	590,681	6,111,070	677,695	1,772,672	1,158,071	4,203,724	-	5,619,965	53,751,134
Kamana	27,643,272	8,000,581	-	422,329	3,355,447	1,848,527	1,606,227	1,228,237	4,758,639	-	1,296,549	50,159,806
Karnali	711,350	299,199	-	702,545	57,442	260,000	-	67,153	146,280	-	546,052	2,790,021
Lumbini	11,945,443	9,373,006	-	1,526,339	7,074,981	4,452,592	1,752,039	1,179,978	4,202,751	-	8,101,519	49,608,648
Mahalaxmi	16,609,069	8,868,891	-	18,067	6,179,835	1,326,415	2,251,869	1,250,369	3,932,137	-	4,509,133	44,945,785
Miteri	857,439	-	-	356,792	840,552	71,900	59,000	244,605	663,409	-	816,100	3,909,797
Narayani	229,666	83,722	-	-	26,022	7,739	-	25,586	29,040	-	5,019	406,794
Salapa	262,640	143,762	-	-	-	-	-	3,026	166,481	-	220,373	796,281
Sapta	2,308,257	184,311	-	731,136	310,041	179,516	37,997	104,666	438,252	-	392,087	4,686,262
Shangrila	18,694,922	6,852,752	-	991,160	7,236,002	2,667,333	1,150,298	2,253,268	1,661,095	-	3,961,430	45,468,260
Shine	20,488,564	864,080	-	10,943,028	3,593,700	2,238,569	1,781,295	991,759	3,181,027	-	10,340,940	54,422,963
Sindhu	1,918,277	332,980	-	277,741	728,164	50,000	162,198	165,973	413,203	-	142,309	4,190,844
Mukti	44,928,475	11,845,849	-	638,079	13,918,921	7,813,714	2,805,440	2,165,384	6,210,901	-	4,353,539	94,680,302
<b>Grant Total</b>	<b>199,735,468</b>	<b>66,560,310</b>	<b>-</b>	<b>23,683,924</b>	<b>65,384,777</b>	<b>26,028,588</b>	<b>15,593,885</b>	<b>13,991,856</b>	<b>35,062,571</b>	<b>-</b>	<b>51,965,122</b>	<b>498,006,501</b>

**Annex 3.8(b) : Security-Wise loan of DBs**  
(Mid-July 2024)

Rs. in thousand

DBs'	Gold and Silver	Government Bonds	Non Government Securities	Fixed Deposit	Property as Collateral	Security of Bills	Guarantee	Credit/Debit Card	Others.	TOTAL
Corporate	-	-	-	135,790	1,132,880	-	-	-	55,177	1,323,846
Excel	58,795	-	405,244	113,865	10,453,760	-	464,128	-	2,510	11,498,302
Garima	1,027,895	-	1,743,174	876,488	61,063,901	-	6,357,486	16,101	84,554	71,169,599
Green	68,424	-	-	62,927	3,681,763	-	345,968	-	38,774	4,197,856
Jyoti	462,115	-	1,773,574	1,047,706	43,483,993	-	6,718,510	-	265,237	53,751,134
Kamana	731,960	-	1,606,227	542,905	43,545,879	-	3,731,996	-	839	50,159,806
Karnali	-	-	-	75,887	2,646,981	-	-	-	67,153	2,790,021
Lumbini	202,165	-	1,752,039	886,230	44,211,587	-	2,514,647	-	41,980	49,608,648
Mahalaxmi	231,020	-	2,250,222	848,210	37,086,990	-	4,494,655	-	34,690	44,945,785
Miteri	-	-	59000	35,925	3558425.661	-	254,946	-	1,500	3,909,797
Narayani	-	-	-	2,700	361,777	-	-	-	42,317	406,794
Salapa	54,663	-	-	2,066	739,553	-	-	-	-	796,281
Sapta	189,164	-	37,997	54,569	4,096,503	-	308,030	-	-	4,686,262
Shangrila	174,825	-	1,150,298	485,235	38,628,946	-	5,028,956	-	-	45,468,260
Shine	-	-	-	537,919	50,205,793	-	1,897,956	-	1,781,295	54,422,963
Sindhu	100,013	-	-	40,031	3,774,313	-	276,487	-	-	4,190,844
Mukti	634,821	-	2,808,806	953,096	82,127,206	-	8,103,486	-	52,887	94,680,302
<b>Grant Total</b>	<b>3,935,859</b>	<b>-</b>	<b>13,586,579</b>	<b>6,701,549</b>	<b>430,800,252</b>	<b>-</b>	<b>40,497,250</b>	<b>16,101</b>	<b>2,468,913</b>	<b>498,006,502</b>

### Annex 3.9 : Investment details of DBs

(Mid-July 2024)

Rs in thousands

Name of Financial Institution	Investment in Governemnt/NRB Securities	Deposit Auction	Investment in Shares and Debentures	Purchase/Investment in Land and Housing Development	Other Investment	Total Investment
Corporate Development Bank Ltd	-					
Excel Development Bank Ltd.	3,871,313	1,300,107	506,417			5,677,837
Garima Bikas Bank Ltd.	15,959,318		673,254		123,900	16,756,472
Green Development Bank Ltd.	614,588		23,879			638,467
Jyoti Bikas Bank Ltd.	13,297,425		1,592,215		153,000	15,042,640
Kamana Sewa Bikas Bank Ltd.	10,607,565	-	1,088,649	-	-	11,696,214
KARNALI DEVELOPMENT BANK LIMITED	-	-	-	-	-	-
Lumbini Bikas Bank Ltd.	8,547,829	1,600,000	1,552,127		652,994	12,352,950
Mahalaxmi Bikas Bank Ltd.	12,663,862	-	858,516	-	-	13,522,379
Miteri Development Bank Ltd.	2,841,441		29,878			2,871,319
Muktinath Bikas Bank Ltd.	13,857,026	-	791,818	-	-	14,648,844
Narayani Development Bank Ltd.	4,000		44,549			48,549
Salapa	20,000				49,660	69,660
Saptakoshi Development Bank Ltd.	1,552,790		29,698			1,582,488
Sangrila Development Bank Ltd.	7,923,087		842,875	-	1,850,304	10,616,266
Shine Resunga Development Bank Ltd.	13,134,852		469,354			13,604,206
Sindhu Bikas Bank Ltd.	246,464		77,952			324,416
<b>Grant Total</b>	<b>105,141,561</b>	<b>2,900,107</b>	<b>8,581,182</b>	<b>-</b>	<b>2,829,858</b>	<b>119,452,707</b>

### Annex 3.10 : Operations of DBs

(Mid-July 2024)

Rs in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Total Assets	599,766,508	648,802,464	690,390,180
Total Deposits	509,532,723	571,565,518	609,782,598
Total Loans and Advances	441,783,928	471,524,355	498,006,502

### Annex 3.11 : Capital Fund of DBs

(Mid-July 2024)

Rs in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Total Capital Fund	60,301,006	64,611,842	64,921,664

### Annex 3.12 : Deposit Mix of DBs

(Mid-July 2024)

Rs.in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Current Deposit	10,008,916	11,185,312	11,648,508
Saving Deposit	120,661,292	132,717,932	176,762,571
Fixed Deposit	327,628,833	380,706,400	374,400,342
Call Deposit	51,017,987	46,698,000	46,728,858
Other Deposit	215,696	257,874	242,319
<b>Total Deposit</b>	<b>509,532,723</b>	<b>571,565,518</b>	<b>609,782,598</b>

### Annex 3.13: Non-Performing Loan of DBs

(Mid-July 2024)

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Performing Loan	435,689,827	458,748,224	478,234,727
Non performing Loan	6,094,101	12,776,131	19,771,775
Total	441,783,928	471,524,355	498,006,502
NPL (%)	1.38%	2.71%	3.97%

### Annex 3.14 : Non-Banking Assets of DBs

(Mid-July 2024)

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Industry	1,285,709	2,235,856	3,336,736

### Annex 3.15: Investment of DBs

(Mid-July 2024)

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Government Securities	68,927,550	92,314,660	107,136,257
Investment in Shares and Debentures	4,774,188	7,048,094	8,748,932
Other Investment	963,141	922,407	2,829,858
<b>Total</b>	<b>74,664,879</b>	<b>100,285,161</b>	<b>118,715,046</b>

**Annex 3.16 : Liquid assets to Deposits & Liquid assets to Total assets**  
(Mid-July)

Rs. in thousands

<b>Year</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Liquid Assets	133,604,026	156,481,482	170,257,330
Deposit	509,533,036	571,565,838	609,782,597
<b>Liquid Assets/Deposit</b>	<b>26.22</b>	<b>27.38</b>	<b>27.92</b>
Total Assets	599,766,508	648,802,464	690,390,180
<b>Liquid assets/ Total Assets</b>	<b>22.28</b>	<b>24.12</b>	<b>24.66</b>

**Annex 3.17 : Summary Result on Stress Testing of DBs**  
(Mid- July 2024)

		Number of Banks with CAR		
Events		< 0%	0% - <10%	>=10%
Pre Shock		0	16	1
		Post Shocks		
<b>A. After Credit Shock</b>		< 0%	0% - <10%	>=10%
C1	15 Percent of Performing loans deteriorated to substandard	0	12	5
	15 Percent of Substandard loans deteriorated to doubtful loans	0	4	13
	25 Percent of Doubtful loans deteriorated to loss loans	0	4	13
	5 Percent of Performing loans deteriorated to loss loans	0	12	5
C2	All NPLs under substandard category downgraded to doubtful.	0	4	13
	All NPLs under doubtful category downgraded to loss.	0	4	13
C3	25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to substandard category of NPLs.	0	4	13
			0	0
C4	25 Percent of performing loan of Real Estate & Hosing sector loan directly downgraded to Loss category of NPLs.	0	6	11
			0	0
C5	Top 5 Large exposures down graded: Performing to Substandard	0	4	13
<b>B. After Market Shocks</b>		-	-	-
<b>(a) Interest Rate Shocks</b>		< 0%	0% - <10%	>=10%
IR-1a	Deposits interest rate changed by 1.0 percent point on an average.	0	3	14
IR-1b	Deposits interest rate changed by 1.5 percent point on an average.	0	3	14
IR-1c	Deposits interest rate changed by 2.0 percent point on an average.	0	3	14
IR-2a	Loan interest rate changed by -1.0 percent point on an average.	0	3	14
IR-2b	Loan interest rate changed by -1.5 percent point on an average.	0	3	14
IR-2c	Loan interest rate changed by -2.0 percent point on an average.	0	3	14
IR-3	Combine Shocks (IR-1a & IR-2a)	0	3	14
<b>(b) Exchange Rate Shocks</b>				
ER-1a	Depreciation of currency exchange rate by 20%	0	3	14
ER-1b	Appreciation of currency exchange rate by 25%	0	3	14



### (c) Equity Price Shocks

EQ-1	Fall in the equity prices by 50%	0	3	14
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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%	1		
	Number of BFIs illiquid after on 5th day while withdrawal of deposits by 10%	6		
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	6	11
L-2c	Withdrawal of deposits by 15%	0	9	8
L-2d	Withdrawal of deposits by 20%	0	11	6
L-3a	Withdrawal of deposits by top 1 institutional depositors.	0	0	17
L-3b	Withdrawal of deposits by top 2 institutional depositors.	0	3	14
L-3c	Withdrawal of deposits by top 3 institutional depositors.	0	3	14
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 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, 2024)

S.N.	Name	Operation Date (A.D.)	No. of Branches	Paid Up Capital (Rs. in Million)	Geography of Operation
1	Best Finance Ltd.	2018-08-02*	18	855	National
2	Capital Merchant Banking & Finance Ltd.	2002-02-01	1	935	National
3	Central Finance Ltd.	2017-03-23*	19	949	National
4	Goodwill Finance Ltd.	1995-05-15	18	946	National
5	Gorkhas Finance Ltd.	2016-04-10*	26	868	National
6	Guheshwori Merchant Banking & Finance Ltd.	2002-06-13	23	1012	National
7	ICFC Finance Ltd.	2004-07-15	21	1184	National
8	Janaki Finance Co. Ltd.	1997-03-07	5	691	Province
9	Manjushree Finance Ltd.	2007-10-17	27	1352	National
10	Multipurpose Finance Ltd.	1998-04-15	8	610	1-5 District
11	Nepal Finance Ltd.	2021-07-11*	12	730	National
12	Nepal Share Markets and Finance Ltd.	1993-10-19	1	233	National
13	Pokhara Finance Ltd.	1997-03-16	25	1083	National
14	Progressive Finance Ltd.	1996-02-26	22	848	National
15	Reliance Finance Ltd.	2014-05-08*	22	1121	National
16	Samriddhi Finance Company Limited	2001-08-10	13	819	National
17	Shree Investment & Finance Co. Ltd.	2017-02-01*	13	982	National

### Annex 4.2 : Capital Adequacy Ratio of FCs

SN	FI's Name	Mid-July 2023		Mid-July 2024	
		Core Capital	Total Capital Fund	Core Capital	Total Capital Fund
1.	Best Finance Ltd.	18.69	20.03	14.67	15.69
2.	Capital Merchant Banking & Finance Co. Ltd.	18.27	18.27	42.90	42.90
3.	Central Finance Ltd.	16.46	17.73	13.16	14.32
4.	Goodwill Finance Ltd.	9.83	13.85	7.88	14.13
5.	Guheshwori Merchant Banking & Finance Ltd.	17.64	19.02	13.87	15.62
6.	Gorkhas Finance Ltd.	9.13	10.39	10.13	11.54
7.	ICFC Finance Ltd.	10.54	12.96	10.34	12.72
8.	Janaki Finance Company Limited	7.18	8.06	1.06	1.39
9.	Manjushree Finance Ltd.	14.03	18.01	12.87	14.32
10.	Multipurpose Finance Co. Ltd	26.30	28.61	26.67	28.71
11.	Nepal Share Markets and Finance Ltd.	20.07	20.09	19.43	19.46
12.	Nepal Finance Ltd.	43.80	44.69	28.42	29.41
13.	Pokhara Finance Ltd.	11.95	13.22	10.15	11.75
14.	Progressive Finance Co. Ltd.	8.78	10.36	8.83	10.48
15.	Reliance Finance Ltd.	13.18	14.22	12.59	13.90
16	Samriddhi Finance Company Limited	20.67	22.25	13.39	14.98
17	Shree Investment & Finance Co. Ltd.	19.58	20.75	18.38	19.53

### Annex 4.3 : Consolidated Statement of Financial Position of FCs

(Mid July 2024)

Rs. in thousands

Assets	Best	Capital	Central	Goodwill	Guheshwori	Gurkhas	Icfc	Janaki	Manju
Cash and cash equivalent	267,101	277	710,334	815,121	940,812	1,631,895	876,251	1,760,978	365,926
Due from Nepal Rastra Bank	240,544	9,074	335,094	540,193	383,328	829,828	982,520	165,187	838,736
Placement with Bank and Financial Institutions	-	296,723	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-	-	-	-
Loan and advances to B/FIs	19,760	-	215,634	237,120	234,681	679,842	578,981	57,284	1,327,369
Loans and advances to customers	4,044,875	725,798	4,387,862	8,461,616	5,658,127	6,304,788	14,257,565	3,153,785	13,999,298
Investment securities	1,592,895	29	2,828,550	3,024,854	2,390,200	988,843	3,944,724	39,497	4,132,619
Current tax assets	20,474	-	59,108	128,017	24,698	33,099	30,971	37,459	32,427
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	52,510	-	-	-	-
Investment property	259,670	-	249	537,734	12,169	390,435	4,272	968	63,520
Property and equipment	304,484	78,407	187,910	665,395	197,523	151,627	380,112	49,617	225,422
Goodwill and Intangible assets	3,378	-	1,916	-	1,457	2,930	2,653	2,902	3,041
Deferred tax assets	-	-	-	-	-	140,578	-	194,269	18,841
Other assets	57,092	52,941	34,762	702,066	45,855	78,444	123,592	614,248	226,646
<b>TOTAL ASSETS</b>	<b>6,810,273</b>	<b>1,163,249</b>	<b>8,761,417</b>	<b>15,112,116</b>	<b>9,941,359</b>	<b>11,232,307</b>	<b>21,181,640</b>	<b>6,076,192</b>	<b>21,233,846</b>
<b>EQUITY AND LIABILITIES</b>	<b>Best</b>	<b>Capital</b>	<b>Central</b>	<b>Goodwill</b>	<b>Guheshwori</b>	<b>Gurkhas</b>	<b>Icfc</b>	<b>Janaki</b>	<b>Manju</b>

<b>Liabilities</b>									
Due to Bank and Financial Institutions	24,669	-	194,116	2,110	172,417	184,638	285,574	64,012	1,204,819
Due to Nepal Rastra Bank	-	-	-	-	-	-	-	-	603,663
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Deposits from customers	5,435,166	198,610	7,507,392	12,659,552	8,157,055	9,525,533	18,510,733	4,033,065	16,413,518
Borrowing	-	-	-	-	-	-	-	-	-
Current Tax Liabilities	-	5,625	-	45,154	-	-	-	-	-
Provisions	-	751,088	-	-	1,029	-	-	-	-
Deferred tax liabilities	11,600	-	15,505	138,272	60,661	-	4,173	-	-
Other liabilities	196,928	89,933	93,741	249,842	86,601	166,898	275,243	1,579,628	295,671
Debt securities issued	-	-	-	248,731	-	-	199,862	-	500,000
Subordinated Liabilities	-	-	-	-	-	-	-	-	-
<b>Equity</b>									
Share capital	854,817	935,070	948,875	946,115	1,012,176	867,994	1,183,471	690,473	1,351,553
Share premium	14,948	2,612	443	2,476	-	22,399	-	-	-
Retained earnings	(256,639)	(1,162,885)	(308,718)	(588,012)	(18,056)	(507,288)	72,118	(721,896)	174,925
Reserves	528,784	343,197	310,063	1,407,875	469,475	972,132	650,465	430,911	689,696
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,810,273</b>	<b>1,163,249</b>	<b>8,761,417</b>	<b>15,112,115</b>	<b>9,941,359</b>	<b>11,232,307</b>	<b>21,181,640</b>	<b>6,076,192</b>	<b>21,233,846</b>

<b>Assets</b>	<b>Multi</b>	<b>Nepal Share</b>	<b>Nfl</b>	<b>Pokhara</b>	<b>Progressive</b>	<b>Reliance</b>	<b>Sambriddhi</b>	<b>Shree</b>	<b>Total</b>
Cash and cash equivalent	561,142	354,591	735,276	2,035,884	669,240	326,199	480,709	565,651	13,097,385
Due from Nepal Rastra Bank	68,288	67	262,054	545,172	255,437	313,221	124,331	358,667	6,251,742

Assets	Multi	Nepal Share	Nfl	Pokhara	Progressive	Reliance	Sambriddhi	Shree	Total
Placement with Bank and Financial Institutions	-	-	-	-	-	-	-	-	296,723
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Other trading assets	-	-	-	-	-	-	-	-	-
Loan and advances to B/FIs	-	-	166,403	655,538	470,889	348,834	145,308	212,025	5,349,667
Loans and advances to customers	1,443,933	38,773	1,977,768	7,948,640	3,952,005	5,939,520	1,441,900	5,393,054	89,129,304
Investment securities	304,734	196,538	481,938	2,823,283	1,397,347	2,339,451	501,809	2,316,572	29,303,884
Current tax assets	2,344	9,257	27,445	98,972	7,614	47,770	8,068	3,376	571,098
Investment in subsidiaries	-	70,000	-	-	-	-	-	-	70,000
Investment in associates	-	-	-	-	-	-	-	-	52,510
Investment property	11,623	-	54,427	81,300	198,595	210,406	130,212	14,603	1,970,181
Property and equipment	187,179	21,429	155,396	174,909	216,239	313,778	133,102	152,691	3,595,219
Goodwill and Intangible assets	1,539	-	21,156	1,178	2,765	1,645	2,999	2,695	52,252
Deferred tax assets	2,449	-	40,503	250,055	10,080	3,707	37,103	-	697,585
Other assets	16,306	477,161	11,940	169,973	46,180	51,935	39,763	22,362	2,771,265
<b>TOTAL ASSETS</b>	<b>2,599,538</b>	<b>1,167,817</b>	<b>3,934,306</b>	<b>14,784,902</b>	<b>7,226,390</b>	<b>9,896,465</b>	<b>3,045,303</b>	<b>9,041,696</b>	<b>153,208,815</b>
EQUITY AND LIABILITIES	Multi	Nepal Share	Nfl	Pokhara	Progressive	Reliance	Sambriddhi	Shree	Total
<b>Liabilities</b>									
Due to Bank and Financial Institutions	-	-	232,430	16,930	317,236	400,663	153,970	44,916	3,298,499
Due to Nepal Rastra Bank	-	-	-	-	68,400	246,150	-	186,875	1,105,088

Assets	Multi	Nepal Share	Nfl	Pokhara	Progressive	Reliance	Sambriddhi	Shree	Total
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Deposits from customers	1,870,250	246,097	2,554,506	13,195,034	6,093,058	7,903,762	2,305,546	7,373,425	123,982,302
Borrowing	-	-	-	-	-	-	-	-	-
Current Tax Liabilities	-	-	-	-	-	-	-	-	50,778
Provisions	-	-	-	-	-	-	-	-	752,117
Deferred tax liabilities	-	39,209	-	-	-	-	-	14,082	283,503
Other liabilities	39,501	482,407	176,582	235,988	201,257	172,252	115,064	78,877	4,536,414
Debt securities issued	-	-	-	-	-	-	-	-	948,593
Subordinated Liabilities	-	-	-	-	-	-	-	-	-
<b>Equity</b>									-
Share capital	610,200	233,333	729,907	1,082,557	848,106	1,121,452	818,911	981,683	15,216,692
Share premium	10,541	2,477	51,082	-	-	1,141	19,703	-	127,821
Retained earnings	564	(2,001,305)	(244,569)	(468,832)	(497,779)	(264,967)	(618,321)	23,712	(7,387,948)
Reserves	68,482	2,165,599	434,368	723,226	196,113	316,014	250,429	338,126	10,294,954
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,599,538</b>	<b>1,167,817</b>	<b>3,934,306</b>	<b>14,784,902</b>	<b>7,226,390</b>	<b>9,896,465</b>	<b>3,045,303</b>	<b>9,041,696</b>	<b>153,208,814</b>

## Annex 4.4 : Consolidated Statement of Profit and Loss of FCs

(Mid-July 2024)

Rs in thousands

Finance Companies	Best	Capital	Central	Goodwill	Guheshwori	Gurkhas	Icfc	Janaki	Manju
Interest Income	606,048	6,436	817,299	1,447,466	940,230	1,034,720	2,365,006	487,489	2,266,763
Interest Expenses	480,356	60,924	657,088	1,224,029	764,442	730,601	1,819,782	374,390	1,517,281
<b>Net Interest Income</b>	<b>125,692</b>	<b>(54,488)</b>	<b>160,212</b>	<b>223,436</b>	<b>175,788</b>	<b>304,119</b>	<b>545,224</b>	<b>113,099</b>	<b>749,482</b>
Fee and commission income	25,753	-	19,467	55,216	25,064	48,156	89,835	5,535	87,593
Fee and commission expense	413	-	-	-	1,247	1,336	4,013	-	-
<b>Net Fee and commission income</b>	<b>25,340</b>	<b>-</b>	<b>19,467</b>	<b>55,216</b>	<b>23,817</b>	<b>46,819</b>	<b>85,822</b>	<b>5,535</b>	<b>87,593</b>
<b>Net Interest, Fee and commission income</b>	<b>151,032</b>	<b>(54,488)</b>	<b>179,679</b>	<b>278,653</b>	<b>199,605</b>	<b>350,938</b>	<b>631,045</b>	<b>118,634</b>	<b>837,075</b>
Net trading income	-	76,532	-	-	0	-	-	-	-
Other operating income	20,690	6,192	7,532	37,779	64,436	9,879	16,639	4,574	10,974
<b>Total operating income</b>	<b>171,722</b>	<b>28,236</b>	<b>187,211</b>	<b>316,432</b>	<b>264,042</b>	<b>360,817</b>	<b>647,685</b>	<b>123,208</b>	<b>848,049</b>
Impairment charge/(reversal) for loans and other losses	(22,075)	-	338,569	20,768	91,623	(19,885)	137,597	211,803	151,275
<b>Net operating income</b>	<b>193,797</b>	<b>28,236</b>	<b>(151,359)</b>	<b>295,663</b>	<b>172,419</b>	<b>380,702</b>	<b>510,088</b>	<b>(88,595)</b>	<b>696,775</b>
Personnel expenses	95,628	7,594	92,439	134,444	96,460	161,282	215,704	20,041	226,233
Other operating expenses	49,651	3,245	38,870	76,305	48,549	57,178	82,731	23,363	77,834
Depreciation & Amortization	27,547	924	30,957	29,372	26,264	39,124	50,094	5,163	43,906
<b>Operating Profit</b>	<b>20,971</b>	<b>16,473</b>	<b>(313,624)</b>	<b>55,543</b>	<b>1,147</b>	<b>123,118</b>	<b>161,558</b>	<b>(137,163)</b>	<b>348,801</b>
Non operating income	10,258	-	1,634	-	270	3,152	492	-	-



Non operating expense	29,328	-	141	2,070	-	39,236	-	-	23,924
<b>Profit before income tax</b>	<b>1,901</b>	<b>16,473</b>	<b>(312,131)</b>	<b>53,473</b>	<b>1,417</b>	<b>87,034</b>	<b>162,050</b>	<b>(137,163)</b>	<b>324,877</b>
<b>Income Tax Expense</b>	<b>(1,665)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,261</b>
Current Tax	9,951	-	678	45,154	1,442	27,750	53,078	-	101,536
Deferred Tax	(11,616)	-	(3,453)	(26,857)	3,774	16,912	(4,271)	-	(1,274)
<b>Profit/Loss for the period</b>	<b>3,566</b>	<b>16,473</b>	<b>(309,355)</b>	<b>35,176</b>	<b>(3,798)</b>	<b>42,373</b>	<b>113,243</b>	<b>(137,163)</b>	<b>224,615</b>

Finance Companies	Multi	Nepal Share	NFL	Pokhara	Progressive	Reliance	Sambriddhi	Shree	Total
Interest Income	233,326	12,671	310,413	1,489,891	670,167	921,290	251,562	946,201	14,806,979
Interest Expenses	146,477	1,961	209,436	1,181,438	470,423	702,703	170,482	743,961	11,255,775
<b>Net Interest Income</b>	<b>86,848</b>	<b>10,710</b>	<b>100,977</b>	<b>308,453</b>	<b>199,744</b>	<b>218,587</b>	<b>81,080</b>	<b>202,239</b>	<b>3,551,204</b>
Fee and commission income	11,858	-	13,881	21,320	39,293	39,255	7,108	29,387	518,720
Fee and commission expense	-	-	607	2,122	687	-	-	54	10,480
<b>Net Fee and commission income</b>	<b>11,858</b>	<b>-</b>	<b>13,274</b>	<b>19,198</b>	<b>38,606</b>	<b>39,255</b>	<b>7,108</b>	<b>29,333</b>	<b>508,240</b>
<b>Net Interest, Fee and commission income</b>	<b>98,706</b>	<b>10,710</b>	<b>114,251</b>	<b>327,651</b>	<b>238,350</b>	<b>257,841</b>	<b>88,188</b>	<b>231,572</b>	<b>4,059,444</b>
Net trading income	-	-	-	-	-	-	-	-	76,532
Other operating income	9,721	42,296	17,451	11,671	27,870	6,950	5,238	4,918	304,811
<b>Total operating income</b>	<b>108,428</b>	<b>53,007</b>	<b>131,701</b>	<b>339,322</b>	<b>266,221</b>	<b>264,792</b>	<b>93,426</b>	<b>236,490</b>	<b>4,440,788</b>
Impairment charge/(reversal) for loans and other losses	37,124	(100)	55,997	452,694	(126,216)	9,051	133,671	23,408	1,495,306
<b>Net operating income</b>	<b>71,303</b>	<b>53,107</b>	<b>75,704</b>	<b>(113,372)</b>	<b>392,436</b>	<b>255,741</b>	<b>(40,245)</b>	<b>213,082</b>	<b>2,945,482</b>
Personnel expenses	28,110	8,394	60,999	143,405	123,665	123,394	70,938	73,487	1,682,216
Other operating expenses	15,942	22,190	26,835	73,522	66,513	61,350	39,424	37,066	800,569

<b>Finance Companies</b>	<b>Multi</b>	<b>Nepal Share</b>	<b>NFL</b>	<b>Pokhara</b>	<b>Progressive</b>	<b>Reliance</b>	<b>Sambriddhi</b>	<b>Shree</b>	<b>Total</b>
Depreciation & Amortization	6,365	318	26,411	15,621	40,817	29,455	18,369	15,401	406,107
<b>Operating Profit</b>	<b>20,887</b>	<b>22,206</b>	<b>(38,542)</b>	<b>(345,919)</b>	<b>161,441</b>	<b>41,542</b>	<b>(168,977)</b>	<b>87,127</b>	<b>56,590</b>
Non operating income	-	-	-	-	4,262	-	21,913	-	41,982
Non operating expense	-	-	-	-	24,124	-	184	-	119,007
<b>Profit before income tax</b>	<b>20,887</b>	<b>22,206</b>	<b>(38,542)</b>	<b>(345,919)</b>	<b>141,580</b>	<b>41,542</b>	<b>(147,248)</b>	<b>87,127</b>	<b>(20,436)</b>
<b>Income Tax Expense</b>	-	-	-	-	24,723	-	-	-	123,319
Current Tax	10,304	6,662	-	2,898	25,962	-	-	26,774	312,187
Deferred Tax	98	(46)	(10,360)	(242,358)	(1,239)	(2,737)	(11,125)	(1,307)	(295,860)
<b>Profit/Loss for the period</b>	<b>10,485</b>	<b>15,590</b>	<b>(28,182)</b>	<b>(106,459)</b>	<b>116,857</b>	<b>44,279</b>	<b>(136,123)</b>	<b>61,659</b>	<b>(36,762)</b>

### Annex 4.5 : Loan & Advances of FCs

(Mid-July 2024)

Rs in thousands

FCs'	Pass (1.25%)	Watch List (5%)	Rescheduled /Restructured (12.5%)	Substandard (25%)	Doubtful (50%)	Bad (100%)	Total Loan	Total (NPL)
<b>Best</b>	3,529,787	380,386	-	65,248	34,901	19,397	<b>4,029,719</b>	<b>119,546</b>
<b>Capital</b>						725,798	<b>725,798</b>	<b>725,798</b>
<b>Central</b>	4,127,510	269,900	-	77,669	233,820	302,874	<b>5,011,772</b>	<b>614,363</b>
<b>Goodwill</b>	6,706,438	1,653,984	-	62,624	50,712	334,118	<b>8,807,876</b>	<b>447,454</b>
<b>Guheshwori</b>	4,880,060	817,907		183,165	105,793	95,067	<b>6,081,991</b>	<b>384,024</b>
<b>Gurkhas</b>	5,951,116	763,495		153,971	112,873	712,864	<b>7,694,319</b>	<b>979,709</b>
<b>Icfc</b>	13,324,016	987,602	-	338,094	148,264	60,259	<b>14,858,234</b>	<b>546,617</b>
<b>Janaki</b>	1,127,042	784,071		104,401	194,905	829,216	<b>3,039,635</b>	<b>1,128,522</b>
<b>Manju</b>	13,718,790	1,314,565		108,384	92,089	300,336	<b>15,534,164</b>	<b>500,809</b>
<b>Multi</b>	1,252,421	170,376	-	28,194	14,946	21,413	<b>1,487,350</b>	<b>64,553</b>
<b>Nepal Share</b>	33,183	-	-	-	-	2,211,695	<b>2,244,878</b>	<b>2,211,695</b>
<b>NFL</b>	1,807,865	219,971	4,461	135,741	2,393	171,788	<b>2,342,219</b>	<b>309,922</b>
<b>Pokhara</b>	6,814,317	1,163,681	125,376	140,544	21,376	713,164	<b>8,978,457</b>	<b>875,084</b>
<b>Progressive</b>	3,269,550	993,876		59,759	71,966	285,647	<b>4,680,798</b>	<b>417,373</b>
<b>Reliance</b>	5,257,807	846,357	-	89,734	100,154	232,363	<b>6,526,416</b>	<b>422,252</b>
<b>Sambriddhi</b>	1,098,295	299,927	-	133,470	197,112	17,462	<b>1,746,266</b>	<b>348,045</b>
<b>Shree</b>	5,256,383	245,451	-	129,136	19,752	13,309	<b>5,664,031</b>	<b>162,197</b>
<b>Total</b>	<b>78,154,580</b>	<b>10,911,547</b>	<b>129,837</b>	<b>1,810,134</b>	<b>1,401,056</b>	<b>7,046,770</b>	<b>99,453,924</b>	<b>10,257,961</b>

### Annex 4.6 : Sector wise Loan of FCs

( Mid-July 2024)

Rs in thousands

Institutions/Sectors	Agriculture Forest	Fishery	Mining	Agriculture, Forestry & Beverage Production Related	Non-food Production Related	Manufacturing	Construction	Electricity, Gas and Water	Metal Products, Machineries, Electronics and Installation	Transport, Warehousing and Communication
<b>Best</b>	420,722	4,542	1,499	48,964	245,109	-	493,494	30,710	34,975	56,978
<b>Capital</b>	53,798	-	-	202,493	-	-	-	-	-	2,940
<b>Central</b>	318,305	14,412	19,082	40,012	137,004	-	290,987	6,075	36,599	193,364
<b>Goodwill</b>	449,677	12,684	62,109	137,898	231,079	-	232,686	371,111	300,752	683,721
<b>Guheshwori</b>	219,635	8,620	915	69,174	88,257	-	317,000	221,914	21,644	15,844
<b>Gurkhas</b>	757,430	23,525	-	138,837	109,158	-	69,315	-	-	137,071
<b>Icfc</b>	521,175	55,473	21,187	171,645	384,514	-	342,209	224,385	75,990	348,230
<b>Janaki</b>	622,393	-	-	35,951	155,351	-	-	-	-	-
<b>Manju</b>	701,070	10,604	-	126,826	146,283	-	239,207	20,678	94,427	251,464
<b>Multi</b>	448,065	16,834	-	11,998	12,284	-	10,700	24,770	36,971	853
<b>Nepal Share</b>	86	-	-	59,998	-	-	16,833	-	3,450	-
<b>NFL</b>	107,361	23,999	-	2	5,053	-	103,933	-	3,046	96,981

<b>Pokhara</b>	529,323	14,904	-	201,714	262,512	-	154,465	-	86,516	273,297
<b>Progressive</b>	406,982	27,400	-	38,088	188,352	-	274,048	5,471	17,730	48,211
<b>Reliance</b>	381,963	44,616	-	81,507	248,212	-	386,453	27,384	67,860	205,944
<b>Sambriddhi</b>	188,779	-	-	33,530	20,573	-	134,142	44,837	-	154,031
<b>Shree</b>	593,609	38,105	-	81,814	179,725	-	966,582	-	37,607	73,218
<b>Total</b>	<b>6,720,371</b>	<b>295,717</b>	<b>104,792</b>	<b>1,480,452</b>	<b>2,413,466</b>	<b>-</b>	<b>4,032,054</b>	<b>977,335</b>	<b>817,567</b>	<b>2,542,148</b>

<b>Institutions/Sectors</b>	<b>Wholesalers and Retailers</b>	<b>Finance, Insurance and Real Estate</b>	<b>Tourism (Hotel and Restaurant)</b>	<b>Other Services</b>	<b>Consumable Loans</b>	<b>Local Government</b>	<b>Others</b>	<b>Total</b>
<b>Best</b>	278,295	342,405	95,318	16,964	1,403,616	-	556,128	<b>4,029,719</b>
<b>Capital</b>	68,506	-	37,238	-	1,552	-	359,271	<b>725,798</b>
<b>Central</b>	591,943	364,764	55,420	76,062	1,440,103	-	1,427,640	<b>5,011,772</b>
<b>Goodwill</b>	1,469,584	880,697	776,196	531,389	2,340,724	-	327,570	<b>8,807,876</b>
<b>Guheshwori</b>	601,583	600,925	257,961	43,377	1,586,693	-	2,028,450	<b>6,081,991</b>
<b>Gurkhas</b>	939,716	1,450,381	262,687	246,760	2,951,843	-	607,595	<b>7,694,319</b>
<b>Icfc</b>	2,131,815	2,159,685	1,732,137	706,083	4,761,404	-	1,222,302	<b>14,858,234</b>
<b>Janaki</b>	1,324,757	173,272	91,828	-	46,205	-	589,878	<b>3,039,635</b>

<b>Manju</b>	2,161,400	2,731,643	349,526	289,220	5,920,801	-	2,491,014	<b>15,534,164</b>
<b>Multi</b>	360,610	63,454	31,810	14,954	453,662	-	386	<b>1,487,350</b>
<b>Nepal Share</b>	33,330	40,307	27,496	-	144,198	33,183	1,885,998	<b>2,244,878</b>
<b>NFL</b>	243,366	392,571	36,854	83,594	763,869	-	481,591	<b>2,342,219</b>
<b>Pokhara</b>	1,860,315	1,438,848	653,951	253,026	3,121,503	-	128,081	<b>8,978,457</b>
<b>Progressive</b>	730,956	1,059,995	71,244	63,521	1,727,712	-	21,090	<b>4,680,798</b>
<b>Reliance</b>	1,055,650	974,307	571,924	96,817	2,086,938	-	296,842	<b>6,526,416</b>
<b>Sambriddhi</b>	182,341	257,907	30,253	16,088	628,094	2,627	53,063	<b>1,746,266</b>
<b>Shree</b>	388,978	723,901	244,380	587,566	607,600	-	1,140,947	<b>5,664,031</b>
<b>Total</b>	<b>14,423,143</b>	<b>13,655,062</b>	<b>5,326,223</b>	<b>3,025,421</b>	<b>29,986,518</b>	<b>35,811</b>	<b>13,617,845</b>	<b>99,453,924</b>

## Annex 4.7 : Product wise Loan of FCs

( Mid-July 2024)

Rs. in thousands

Loan Product	Term Loan	Overdraft	Trust Receipt Loan/Import Loan	Demand and Other Working Capital Loan	Personal Residential Home Loan	Real Estate Loan	Margin Loan	Hire Purchase Loan	Deprived Sector Loan	Bills Purchased	Other Product	Total
Best	266,462	777,211	-	111,708	786,163	319,151	343,558	130,754	187,072	-	1,107,640	4,029,719
Capital	353,025	-	-	-	-	354,667	-	2,269	-	-	15,837	725,798
Central	1,324,507	388,221	-	650,665	694,731	183,681	25,002	203,979	308,352	-	1,232,636	5,011,772
Goodwill	1,785,566	-	-	2,414,626	692,994	578,592	250,686	783,104	491,862	-	1,810,446	8,807,876
Guheshwori	625,694	-	-	537,465	1,267,853	446,997	377,059	48,480	295,750	-	2,482,693	6,081,991
Gurkhas	2,878,985	702,637	-	358,019	621,693	761,195	335,578	179,890	688,491	-	1,167,831	7,694,319
Icfc	6,389,214	3,404,996	-	107,706	1,515,177	1,549,271	507,106	375,494	737,374	-	271,896	14,858,234
Janaki	87,685	1,783,398	-	-	7,898	115,988	-	-	156,374	-	888,292	3,039,635
Manju	3,909,017	774,165	-	1,338,215	4,097,781	1,093,279	776,466	125,459	1,073,045	-	2,346,737	15,534,164
Multi	445,136	595,857	-	44,793	26,138	40,548	-	3,252	81,324	-	250,302	1,487,350
Nepal Share	124,274	-	-	147,824	16,833	1,765,878	26,190	121,563	33,183	-	9,133	2,244,878
NFL	458,553	-	-	189,097	258,562	214,755	316,929	103,848	168,405	-	632,070	2,342,219
Pokhara	3,552,348	1,475,045	-	381,249	913,207	763,388	107,333	647,138	931,094	-	207,655	8,978,457
Progressive	394,676	-	-	134,095	275,922	585,806	160,674	106,806	573,315	-	2,449,504	4,680,798
Reliance	2,481,858	812,147	-	398,816	829,047	419,278	345,532	204,340	446,143	-	589,254	6,526,416
Sambriddhi	646,508	114,758	123,880	1,100	122,397	110,368	132,639	164,104	265,836	-	64,677	1,746,266
Shree	943,605	395,870	-	268,295	801,592	824,600	449,849	52,103	320,548	-	1,607,571	5,664,031
<b>Total</b>	<b>26,667,111</b>	<b>11,224,304</b>	<b>123,880</b>	<b>7,083,672</b>	<b>12,927,988</b>	<b>10,127,441</b>	<b>4,154,601</b>	<b>3,252,582</b>	<b>6,758,168</b>	<b>-</b>	<b>17,134,176</b>	<b>99,453,924</b>

## Annex 4.8 : Investment Details of FCs

(Mid-July 2024)

Rs. in thousands

Institutions	Investment in Governemnt /NRB Securities	Deposit Auction	Investment in Shares and Debentures	Purchase/ Investment in Land and Housing Development	Other Investment	Total Investment
Best	1,294,508	-	263,386	-	35,000	1,592,894
Capital	-	-	29	-	-	29
Central	2,354,587	-	473,963	-	-	2,828,550
Goodwill	2,428,375	-	596,479	-	-	3,024,854
Guheshwori	1,696,354	-	746,356	-	-	2,442,709
Gurkhas	615,127	-	373,717	-	-	988,843
Icfc	3,578,518	-	366,205	-	-	3,944,724
Janaki	-	-	-	-	39,497	39,497
Manju	3,936,766	-	195,853	-	-	4,132,619
Multi	87,078	-	217,656	-	-	304,734
Nepal Share	1,000	-	195,538	-	70,000	266,538
NFL	366,349	-	115,589	-	-	481,938
Pokhara	2,647,371	-	148,268	-	100,000	2,895,639
Progressive	660,000	-	187,347	-	550,000	1,397,347
Reliance	2,155,000	-	184,451	-	-	2,339,451
Sambriddhi	405,030	-	96,779	-	-	501,809
Shree	2,157,114	-	159,458	-	-	2,316,572
Total	24,383,178	-	4,321,074	-	794,497	29,498,748

## Annex 4.9 : Operations of FCs

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Total Assets	138,252,129	137,279,642	153,229,150
Total Deposits	103,266,403	112,097,769	127,586,446
Total Loans and Advances	10,854,489,134	93,054,684	99,453,924



#### Annex 4.10 : Capital Fund of FCs

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
<b>Total Capital Fund</b>	17,948,923	17,073,274	15,574,696

#### Annex 4.11 : Deposit Mix of FCs

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Current Deposit	1,688,476.44	1,075,353.94	1,607,352.94
Saving Deposit	19,808,923.87	19,693,726.24	25,409,022.20
Fixed Deposit	71,560,837.81	80,114,765.46	89,820,428.06
Call Deposit	9,340,874.51	10,009,652.07	9,747,262.21
Other Deposit	867,290.59	1,204,270.87	1,002,380.36
<b>Total Deposit</b>	<b>103,266,403.22</b>	<b>112,097,768.58</b>	<b>127,586,445.78</b>

#### Annex 4.12: Non-Performing Loan of FCs

Rs. in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Performing Loan	84,440,992.89	84,056,961.45	89,195,963.65
Non performing Loan	6,527,074.06	8,997,722.74	10,257,960.57
Total	90,968,066.95	93,054,684.19	99,453,924.22
NPL (%)	7.18%	9.67%	10.31%

#### Annex 4.13 : Non-Banking Assets of FCs

Rs in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Industry	617,209.23	1,034,424.58	1,970,181.27

#### Annex 4.14: Investment of FCs

Rs in thousands

Particulars	FY (Mid-July)		
	2021/22	2022/23	2023/24
Government Securities	22388063.66	20385159.85	24383177.5
Investment in Shares and Debentures	3258551.102	3552875.748	4321074.244
Other Investment	114231.0	121524.1	794496.5
<b>Total</b>	<b>25760845.76</b>	<b>24059559.68</b>	<b>29498748.25</b>

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

Rs. in thousands

Year	FY (Mid-July)		
	2021/22	2022/23	2023/24
Liquid Assets	37,385,161	38,927,828	44,744,951
Deposit	103,980,938	110,891,468	125,664,384
<b>Liquid Assets/Deposit</b>	<b>35.95</b>	<b>35.10</b>	<b>35.61</b>
Total Assets	138,252,129	137,279,642	153,229,150
<b>Liquid assets/ Total Assets</b>	<b>27.04</b>	<b>28.36</b>	<b>29.20</b>

## Annex 4.16 : Consolidated Statement of Financial Position of FCs

Rs. in thousands

ASSETS	FY (Mid-July)		
	2020/21	2021/22	2022/23
Cash and cash equivalent	15,696,045	13,157,367	13,097,385
Due from Nepal Rastra Bank	3,419,092	5,120,349	6,251,742
Placement with Bank and Financial Institutions	563,897	499,235	296,723
Derivative financial instruments	-	-	-
Other trading assets	-	-	-
Loan and advances to B/FIs	5,815,870	4,915,202	5,349,667
Loans and advances to customers	80,560,531	82,122,322	89,129,304
Investment securities	25,824,405	23,973,832	29,303,884
Current tax assets	336,122	466,673	571,098
Investment in subsidiaries	70,000	70,000	70,000
Investment in associates	43,384	47,980	52,510
Investment in property	622,923	1,034,425	1,970,181
Property and equipment	3,539,015	3,570,387	3,595,219
Goodwill and Intangible assets	55,933	49,374	52,252
Deferred tax assets	319,750	461,696	697,585
Other assets	1,385,164	1,790,801	2,771,265
<b>TOTAL ASSETS</b>	<b>138,252,129</b>	<b>137,279,642</b>	<b>153,208,814</b>
<b>EQUITY AND LIABILITIES</b>			
Liabilities	<b>119,992,077</b>	<b>119,197,484</b>	<b>134,957,295</b>
Due to Bank and Financial Institutions	5,871,164	6,062,336	3,298,499
Due to Nepal Rastra Bank	10,145,935	1,503,105	1,105,088
Derivative financial instruments	-	-	-
Deposits from customers	99,010,062	106,570,578	123,982,302
Borrowing	17,800	370,000	-
Current Tax Liabilities	13,539	-	50,778
Provisions	-	142	752,117
Deferred tax liabilities	325,401	220,426	283,503
Other liabilities	3,660,711	3,522,977	4,536,414
Debt securities issued	947,464	947,921	948,593
Subordinated Liabilities	-	-	-
<b>Equity</b>	<b>18,260,052</b>	<b>18,082,158</b>	<b>18,251,520</b>
Share capital	14,700,196	15,056,118	15,216,692
Share premium	103,036	114,641	127,821
Retained earnings	(3,028,251)	(4,898,391)	(7,387,948)
Reserves	6,485,071	7,809,791	10,294,954
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>138,252,129</b>	<b>137,279,642</b>	<b>153,208,814</b>

## Annex 4.17 : Summary Results of FCs

(Mid-July, 2024)

Events		Number of FCs with CAR		
		< 0	0 - <10	>=10
Pre Shock		0	1	14
		Post Shocks		
<b>A. After Credit Shock</b>		<b>&lt; 0</b>	<b>0 - &lt;10</b>	<b>&gt;=10</b>
C1	15 Percent of Performing loans deteriorated to substandard	1	3	11
	15 Percent of Substandard loans deteriorated to doubtful loans	0	1	14
	25 Percent of Doubtful loans deteriorated to loss loans	0	1	14
	5 Percent of Performing loans deteriorated to loss loans	1	5	9
C2	All NPLs under substandard category downgraded to doubtful.	0	1	14
	All NPLs under doubtful category downgraded to loss.	1	0	14
C3	25 Percent of performing loan of Real Estate & Hosing sector loan directly	0	1	13
	downgraded to substandard category of NPLs.			
C4	25 Percent of performing loan of Real Estate & Hosing sector loan directly	0	2	12
	downgraded to Loss category of NPLs.			
C5	Top 5 Large exposures down graded: Performing to Substandard	1	2	12
<b>B. After Market Shocks</b>				
(a) Interest Rate Shocks		< 0	0 - <10	>=10
IR-1a	Deposits interest rate changed by 1.0 percent point on an average.	0	1	13
IR-1b	Deposits interest rate changed by 1.5 percent point on an average.	0	1	13
IR-1c	Deposits interest rate changed by 2.0 percent point on an average.	0	1	13
IR-2a	Loan interest rate changed by -1.0 percent point on an average.	0	1	13

IR-2b	Loan interest rate changed by -1.5 percent point on an average.	0	1	13
IR-2c	Loan interest rate changed by -2.0 percent point on an average.	0	1	13
<b>IR-3</b>		0	1	13
(b) Exchange Rate Shocks				
ER-1a	Depreciation of currency exchange rate by 20	0	1	13
<b>ER-1b</b>		<b>0</b>	<b>1</b>	<b>13</b>
(c) Equity Price Shocks				
EQ-1	Fall in the equity prices by 50	0	2	12
-		-	-	-
<b>C. After Liquidity Shocks</b>				
<b>Events</b>				
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	
			<b>2</b>	
<b>Number of Banks with Liquid Assets to Deposit Ratio</b>		< 0	0 - <20	>=20
<b>Pre-shocks</b>		<b>0</b>		
		After Shocks		
L-2a	Withdrawal of deposits by 5	0	1	14
L-2b	Withdrawal of deposits by 10	0	4	11
L-2c	Withdrawal of deposits by 15	0	6	9
L-2d	Withdrawal of deposits by 20	0	7	8
L-3a	Withdrawal of deposits by top 1 institutional depositors.	0	1	14
L-3b	Withdrawal of deposits by top 2 institutional depositors.	0	1	14
L-3c	Withdrawal of deposits by top 3 institutional depositors.	0	1	14
L-3d	Withdrawal of deposits by top 4 institutional depositors.	0	3	12

L-3e	Withdrawal of deposits by top 5 institutional depositors.	0	3	12
L-4a	Withdrawal of deposits by top 1 individual depositors.	0	0	15
L-4b	Withdrawal of deposits by top 2 individual depositors.	0	0	15
L-4c	Withdrawal of deposits by top 3 individual depositors.	0	0	15
L-4d	Withdrawal of deposits by top 4 individual depositors.	0	0	15
L-4e	Withdrawal of deposits by top 5 individual depositors.	0	0	15s

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

### Development Bank

S.N.	Institutions	2021/22	2022/23	2023/24
1	Mahalaxmi Bikas Bank Limited	Audited	Audited	Audited
2	Narayani Development Bank Limited	Audited	Audited	Unaudited
3	Karnali Development Bank Limited	Audited	Audited	Unaudited
4	Shangrila Development Bank Limited	Audited	Audited	Audited
5	Excel Development Bank Limited	Audited	Audited	Audited
6	Miteri Development Bank Limited	Audited	Audited	Audited
7	Muktinath Bikas Bank Limited	Audited	Audited	Audited
8	Garima Bikas Bank Limited	Audited	Audited	Audited
9	Kamana Sewa Bikash Bank Limited	Audited	Audited	Audited
10	Corporate Development Bank Limited	Audited	Audited	Audited
11	Jyoti Bikas Bank Limited	Audited	Audited	Audited
12	Shine Resunga Development Bank Limited	Audited	Audited	Audited
13	Lumbini Bikas Bank Limited	Audited	Audited	Audited
14	Sindhu Bikas Bank Limited	Audited	Audited	Audited
15	Salapa Bikas Bank Limited	Audited	Audited	Audited
16	Saptakoshi Development Bank Limited	Audited	Audited	Unaudited
17	Green Development Bank Limited	Audited	Audited	Audited

### Finance company

1	Nepal Finance Limited	Audited	Audited	Audited
2	Nepal Share Markets and Finance Limited	Audited	Audited	Audited
3	Gurkhas Finance Limited	Audited	Audited	Audited
4	Goodwill Finance Limited	Audited	Audited	Audited
5	Shree Investment & Finance Co. Limited	Audited	Audited	Audited
6	Best Finance Limited	Audited	Audited	Unaudited
7	Progressive Finance Limited	Audited	Audited	Audited
8	Janaki Finance Co. Limited	Audited	Audited	Unaudited
9	Pokhara Finance Limited	Audited	Audited	Unaudited
10	Central Finance Limited	Audited	Audited	Unaudited
11	Multipurpose Finance Limited	Audited	Audited	Audited
12	Samriddhi Finance Company Limited	Audited	Audited	Audited
13	Capital Merchant Banking & Finance Co. Limited	Audited	Audited	Unaudited
14	Guheshwori Merchant Banking & Finance Limited	Audited	Audited	Audited
15	ICFC Finance Limited	Audited	Audited	Audited
16	Manjushree Financial Institution Limited	Audited	Audited	Audited
17	Reliance Finance Limited	Audited	Audited	Unaudited