

PRESS RELEASE

JYOTI BIKASH BANK LIMITED

April 2026

Rating

Instruments/ Facilities	Amount (Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN BB(Is) [Double B (Issuer)]. Issuers with this rating are considered to have the moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The issuer rating assigned to Jyoti Bikash Bank Limited (JBBL) derives comfort from its long track record of operations (since 2008), strong promoter profile and experienced board of directors well supported by well-experienced management personnel. The ratings also factor in well diversified revenue profile with uniform sectoral distribution of loans and advances as of Mid-July 2025 and mid-January 2026. The ratings also factor in significant Current and Saving Account (CASA) proportion in recent years (~54% as of H1FY26 and ~52% as of FY25 end) leading to a significant concentration of low-cost liquid funds resulting in lowered cost of deposits (~4.41% as of H1FY26 vis-à-vis ~5.47% in FY25) albeit leading to stressed liquidity portfolio. The rating also factors in JBBL's widespread geographical presence (JBBL has 118 branches as of Mid-January 2026 spread across 7 provinces) and stable presence in industry over decades.

Nonetheless, the rating remains constrained due to rapid slippages in asset quality with GNPA ratio deteriorating to ~7.82% of total portfolio as of H1FY26 vis-à-vis ~7.84% in FY25, ~5.29% in FY24 and ~3.44% in FY23. Likewise, 30+ days delinquency has reached ~23.84% of total advance portfolio as of Mid-January 2026 rising significantly from 5.19% in FY22. Such rapid deterioration in asset slippages has attracted heavy provisioning charges pushing bottom line down rapidly with PAT reducing to NPR 100 Mn in FY25 from NPR 670 Mn in FY22 reflecting ~85% decline over four-year period. In addition to profitability, the provision coverage has fallen to ~97% in H1FY26, ~100% in FY25 from ~148% in FY22 and solvency position (Net NPL/TNW) has deteriorated to ~18% in H1FY26 from ~7% in FY22. Similarly, the increased provisioning requirement has resulted in larger risk weighted exposure resulting in minimal capital adequacy ratio with JBBL recording CET-I (Core Equity Tier-I ratio) of 8.54% in FY25 and 8.51% in FY24 which is just above the regulatory requirement of 8.5%. However, overall capital adequacy ratio (CAR) is sufficient at 13.84% in FY25 and 12.39% in FY24 against regulatory requirement of ~11% due to presence of a significant amount of NBA reserves and existence of subordinated debt with longer remaining maturity allowing it to be eligible for supplementary capital only rather than core capital. The rating also remains constrained due to sedate levels of advances and deposits growth (~CAGR of ~1% and ~5% respectively over FY22-25) resulting in shallow net interest income and contracting scale of operations. The rating also takes note of certain regulatory restriction on Class B Development banks, foreign currency based transactions and smaller capital base in comparison to commercial banks and intense competition from commercial banks.

Going forward, the bank's ability to improve its asset quality alongside financial profile, leverage and utilize its capital structure to scale up its operations, generate profit, maintain a stable liquidity profile and manage impact of any regulatory changes by NRB would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Fair track record of operation coupled with experienced promoters and management team

Established in the year 2008, JBBL has a fair track record of operation navigating in fairly dynamic and competitive environment. The bank's profile derives strength from its strong promoters who are well experienced in the banking and finance sector. JBBL is managed under the overall guidance of the bank's board of directors which includes eminent Businessmen/Industrialists with wide experience in the financial services. Mr. Hari Chandra Khadka is the Chairman of the bank, who has well over a decade of experience in banking and business sectors. The senior management team is experienced in their respective field of operations and is headed by chief executive officer Mr. Kapil Dhakal, who has over 17 years of banking experience of different commercial banks. He is aptly supported by an experienced management team.

Well diversified advance portfolio spanning across all sectors

JBBL has been disbursing loans across a diversified range of industries and sectors, including consumption lending, wholesale and retail trade, agriculture and forestry-related activities, and finance, insurance, and real estate, among others. As of mid-January 2026, the loan portfolio remained well diversified, with the highest exposure to consumption loans at 28.26% of total advances, followed by other sectors at 20.94%, finance and real estate at 9.57%, and wholesale loans at 8.44%. This represents a marginal shift from earlier levels, where consumption loans accounted for approximately 25%, other sectors for around 23%, and both real estate and wholesale loans contributed about 9% each. The continued diversification of the portfolio across multiple sectors, with no single segment exceeding 30% of total exposure, remains a key credit strength, as it mitigates concentration risk and reduces the institution's vulnerability to downturns in any single industry. The management's continued efforts to broaden and balance the loan portfolio are commendable and reflect a prudent approach to risk diversification.

Surge in CASA proportion leading to competitive cost of deposits

JBBL's CASA ratio has exhibited volatility broadly in line with industry trends, reflecting changing liquidity conditions and interest rate cycles. The ratio declined from a moderate ~32% in FY21 to ~24% in FY22 and ~23% in FY23 amid tight liquidity and elevated interest rates following the post-COVID economic rebound, before recovering to ~30% in FY24. Subsequently, surplus liquidity in the system led to declining interest rates, reducing the attractiveness of term deposits and resulting in a higher share of low-cost CASA deposits, with the ratio increasing to ~52% in FY25 and ~54% in H1FY26. Given the inverse relationship between CASA proportion and cost of funds, this shift supported a significant reduction in funding costs, which rose from ~5.55% in FY21 to a peak of ~9.84% in FY23 before moderating to ~8.23% in FY24 and further declining to ~5.47% in FY25 and ~4.41% in H1FY26. Nonetheless, despite the improvement in funding profile, liquidity mismatches remain a concern, particularly in the 91-365 days' bucket, where the bank reported negative gaps of ~NPR 29 billion as of mid-February 2026.

Key Rating Weaknesses

Rapid slippages in asset quality

JBBL has witnessed a significant deterioration in asset quality over recent periods. The GNPA ratio has increased sharply from ~1.47% in FY22 and ~3.44% in FY23 to ~5.29% in FY24, ~7.84% in FY25, and ~7.82% in H1FY26, consistently remaining above industry averages. In absolute terms, non-performing loans have surged nearly sixfold to NPR 4,149 Mn in H1FY26 from ~NPR 751 Mn in FY22, despite a relatively modest loan book growth (CAGR of ~1% over FY22-H1FY26), indicating weakening underwriting quality. Early stress indicators have also worsened, with 30+ days delinquency rising to 23.84% in H1FY26 from 5.19% in FY22. The sustained rise in delinquencies and fresh slippages has exerted pressure on provisioning coverage, which declined to ~97% in H1FY26, ~100% in FY25 from ~148% in FY22 and solvency position (Net NPL/TNW) has deteriorated to ~18% in H1FY26 from ~7% in FY22. Consequently, provisioning requirements have risen

significantly, reflected in elevated impairment charges over FY23–H1FY26. The ability of management to continuously monitor and reduce JBBL’s asset slippages while expanding its operation and asset base will remain a key rating sensitivity.

Sedate deposit and advance base and falling profitability

JBBL’s deposit and advance base has remained relatively subdued over the review period, reflecting limited balance sheet expansion. Deposits have grown at a modest CAGR of ~5%, increasing from NPR 53.74 Bn in FY22 to NPR 63.62 Bn in H1FY26, while gross loans and advances have remained largely stagnant, rising marginally from NPR 52.06 Bn to NPR 54.36 Bn over the same period (FY22–H1FY26), indicating a near-flat growth trajectory. Consequently, both interest income and interest expenses have declined in recent periods, largely driven by lower interest rates amid excess system liquidity, with interest income falling to NPR 5.7 Bn in FY25 from a peak of NPR 8.3 Bn in FY23 and interest expenses reducing to NPR 3.6 Bn from NPR 6.0 Bn over the same period. This has translated into a gradual compression in net interest income, which declined to NPR 2,095 Mn in FY25 from NPR 2,372 Mn in FY24 and NPR 2,368 Mn in FY23, reflecting pressure on earnings from a stagnant asset base. Combined with elevated impairment charges, this has resulted in a significant decline in profitability, with PAT falling to NPR 100 Mn in FY25 from NPR 302 Mn in FY23 and NPR 670 Mn in FY22. Although H1FY26 indicates a recovery in profitability to NPR 311 Mn, supported by improved asset performance, the unaudited nature of the figures warrants caution. Overall, the bank’s stagnant scale of operations coupled with rising asset quality pressures continues to weigh on earnings sustainability and remains key rating monitorable

Lower core capital, however NBA reserves and regulatory reserves have driven overall capital adequacy up

JBBL’s capital position reflects underlying weakness in core capitalization despite maintaining adequate overall buffers. The CET-I ratio remains only marginally above the regulatory threshold, standing at 8.53% in H1FY26, 8.54% in FY25, and 8.51% in FY24 against the minimum requirement of 8.5%, thereby leaving limited headroom for balance sheet expansion and increasing regulatory sensitivity. This constrained core capital position is primarily driven by deterioration in asset quality, resulting in elevated provisioning requirements and subdued internal capital accretion. However, the overall Capital Adequacy Ratio remains comfortable at 13.45% as of mid-January 2026, broadly stable over the review period and largely in line with industry averages, indicating adequate absorption capacity for credit risk in the near term. Nevertheless, sustainability of capital buffers remains contingent upon improvement in asset quality and earnings generation, which continues to be a key rating monitorable.

Intense competition

Currently there are 17 Development Banks, including eight nationwide development banks, nine regional development banks among which 6 operates in 1-5 district, 1 each operates in 1-3 district, 1-7 district and 1 district respectively. These banks cumulatively account for 1,128 branches and supports 7.7 Mn Deposit accounts and 0.27 Mn loan accounts. (based on Monthly statistics published by NRB for Mid-January 2026). JBBL is a nationwide development bank spread across seven provinces of Nepal with 118 branches along with head office as on same date. Industry (Class ‘B’ Development Banks) has achieved total interest income of ~NPR 25.67 Bn during January 2026 with ~NPR 11.63 Bn net interest income; JBBL’s share on interest income is 9.62% (NPR 2,470 Mn) and 8.89% share on net interest income (NPR 1,034 Mn) for the same period. The Development Bank sector faces several challenges, including intense competition in interest rates, regulatory restrictions imposed prohibiting development banks from foreign currency transactions and hypothecation loan borrowings among others. Additionally, development banks face competitive disadvantages due to their smaller capital base and more limited reach compared to commercial banks. Emerging challenges also include the growing demand for technology-driven services and the need to adapt to rapidly evolving customer expectations in the digital age.

Analytical Approach: Standalone

Applicable Criteria:

[Bank Rating Methodology](#)

About the Company:

Jyoti Bikas Bank Limited (JBBL) is a national development bank based in Kathmandu with 118 branches along with head office as on Mid-January 2026. JBBL is a "B" Class Development Bank licensed by Nepal Rastra Bank (NRB). JBBL was incorporated on May 08, 2008 and started commercial operation from 2008 itself. JBBL is promoted by individuals from various backgrounds and Mr. Krishna Prasad Aryal (0.98%) and Mr. Jayaram Nepal (0.96%) are the major shareholders of JBBL as on Mid-July 2025. JBBL has a paid-up capital of NPR 4,396 Mn as on same date and its shareholding is held by promoters and public in ratio of 51:49.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	Q1FY26
	Audited	Audited	Audited	Audited	Unaudited
Interest Income	6,229	8,337	7,787	5,735	2,470
Total Income	6,557	8,679	8,115	6,148	2,733
Interest Expenses	4,203	5,969	5,414	3,639	1,436
Net Interest Income	2,026	2,368	2,372	2,095	1,034
Profit After Tax	670.0	301.8	170.5	100.0	311.3
Deposits	53,793	61,284	65,848	60,483	63,616
Advances (Gross Figure)	52,059	56,047	55,205	52,383	54,361
Total Assets	71,408	72,786	76,174	70,535	73,662
Ratios					
Interest Rate Spread (%)	3.83	4.42	3.66	3.05	3.10
CASA (%)	23.54	22.99	29.90	52.41	54.11
Total CAR (%)	12.96	12.96	12.39	13.84	13.45
Tier-I Capital (%)	8.94	8.94	8.51	8.54	NA
Gross NPL to Gross Advances (%)	1.44	3.43	5.29	7.75	7.82
Provision Coverage Ratio (%)	147.62	109.29	108.22	99.69	97.27
Cost of Funds (%)	7.09	9.14	8.01	5.50	4.43
Credit to Deposit Ratio (%)	96.78	91.45	83.84	86.61	85.45
Net Liquid Assets to Total Deposit (%)	23.40	23.00	24.89	27.14	28.32

* Classification as per Infomerics Nepal Standard

Earnings before Interest, Tax, Depreciation, Amortization (EBITDA)

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Infomerics Credit Rating Nepal Limited

About Infomerics Credit Rating Nepal Limited:

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