

# Bank Supervision Report 2008



*Bank Supervision Department  
Nepal Rastra Bank,  
Baluwatar, Kathmandu, Nepal  
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## NEPAL RASTRA BANK BANK SUPERVISION REPORT-2008

The Banking Supervision Annual Report is a publication of the Bank Supervision Department of the Nepal Rastra Bank. The publication reviews policy and operational issues affecting the banking sector and its regulators/supervisors, with the main objective of disseminating information on supervisory activities related to commercial banks and other current supervisory issues.

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## Executive Director's Pen

Dear valued readers,

I am pleased to present Annual Bank Supervision Report 2008 before you. The report attempts to reveal some of the facts and current trends of Nepalese banking industry. At the same time, it also incorporates the supervisory activities of Bank Supervision Department with the focus on performance of the commercial banks during the year 2007/08.

The overall performance of the banking industry during the period has remained satisfactory. The number of banks and financial institutions has grown compared to last year. The capital adequacy and assets quality of the banks are improving and NPL of both public and private sector banks are declining. Information Technology (IT) has become one of the inevitable means of banking operations. The size of investment and proliferated services based on technology has proved growing dependence of financial institutions on IT. The need to strengthen Audit committee and internal audit functions of banks has increased to enhance the corporate governance and overall functioning of management.

The year remained very instrumental from supervisory point of view in introducing new capital adequacy framework for banks. The New Capital Adequacy Framework based on Basel-II, which came in to effect after meticulous impact studies and frequent discussions with different stakeholders, requires banks to maintain their capital based on different risk exposure. The Parallel run of New Capital Adequacy Framework was successful in orienting the banks to identify, classify and assess various risks in order to put their effect on capital. With this and other, the NRB recorded success in its supervisory efforts, particularly in the banking sector reform.

The sub prime mortgage crisis emerged in the United States during the year 2007 has exposed immense challenges to global financial players and regulators. Consequently, banks and financial institutions experienced banking panics, stock market crashes, bursting of financial bubbles, currency crisis and sovereign defaults and thereby creating many challenges to the supervisors and regulators around the globe. Though studies have revealed that the impact would not be that severe in Nepal, it has necessitated banks and supervisors to assume precautionary measures particularly on risk management system, portfolio mix, internal control mechanism and corporate governance. Considering this, Nepal Rastra Bank is planning to take leapfrog towards Risk Based Supervision, which is proactive, robust and better suited to the changing financial landscape.

Beyond the normal supervisory activities, the capacity of Bank Supervision Department in upcoming years will be directed at further improving its efficiency and effectiveness. Importantly, NRB has strengthened its strategic focus on its supervisory process and corporate infrastructure to ensure that their development is not piecemeal but pursued within a comprehensive and best-practiced blueprint.

Finally, I would like to thank all the members of Bank Supervision Department for their continual efforts in accomplishing the supervisory functions effectively and their direct or indirect contribution in report preparation. To end with, I would like to appreciate and thank Policy Planning Unit of the department for its endeavor in preparing and making available this report timely for publication.

**Vishnu Nepal**  
Executive Director  
Bank supervision Department

# CHAPTER 1

## Nepalese Financial System

### 1.1 Introduction

Financial institutions perform their activities as intermediaries in the financial market. They cater the need of depositors and borrowers by efficiently channelising the fund from surplus to deficit units. While satisfying various financial needs of customers, they offer proliferated financial services and thereby create economic value.

Nepalese financial sector comprises of both banks and other non-bank financial institutions. Due to the liberal licensing policy adopted by Nepal Rastra bank, there are growing numbers of development banks and finance companies. Besides, there are micro-credit development banks, co-operatives, NGOs and postal saving offices that undertake limited banking and near banking financial services. Non-bank financial sector comprises saving funds and trusts like Employee Provident Fund, Citizen Investment Trusts and insurance companies. Nepalese financial system is largely dominated by commercial banks. The table no-1 below shows a glimpse of major players of Nepalese financial system.

Financial sector in Nepal has shown better performance relative to other sectors in the economy. Despite the long socio-political imbalances in the country, financial sector has left with some landmarks in the overall development of the country. Furthermore, the economic reforms initiated by the Government in 1990s have changed the landscape of several sectors of the Nepalese economy. As a result, several banks and financial institutions have been providing financial services across the country.

Eventually, Nepal's financial sector has become deeper and widened. In this period, the Nepalese financial sector has grown significantly both in terms of assets base, business volume and market size. Nepal has a reasonably diversified financial sector, as evidenced by the number and variety of institutions that play an active role in this sector, relative to Nepal's small and underdeveloped economic base.

Nepal Rastra Bank is the central bank of the country. It is an autonomous institution. Being the regulator and supervisor of banks and financial institutions, it has successfully carried the endeavor of maintaining financial stability in the country. As evidence, financial sector has done tremendous achievement in employment generation and creating economic benefits.

The prime challenge of Nepal Rastra Bank now, therefore, is to play catalytic role in developing other sectors of economy. It is possible only if fiscal policy and monetary policy both try to address this common agenda by reallocating the financial resources to productive sectors and to the areas where resources are under-exploited.

**Table 1: Number of Financial Institutions as on Mid-July 2008**

S.N.	Type of financial Institutions	Regulator	Class	Number
1	Commercial Banks	NRB	A	25
2	Development Banks	NRB	B	58
3	Finance Companies	NRB	C	78
4	Micro Credit Development	NRB	D	12
5	Saving and Credit Co-operatives	NRB	Non-classified	16
6	Non-Government Organizations	NRB	Non-classified	46
7	Co-operatives (Licensed Under Nepal Government)*	Nepal Gov.	Non-classified	7240
8	Government Postal Saving Banks	Nepal Gov.	Non-classified	117
9	Insurance Companies	Insurance Board	Non-classified	16
	<b>Total</b>			<b>7608</b>

• As on 31<sup>st</sup> Chaitra 2064 (Multi-purpose and Saving & credit co-operatives only)

(Source: Banking and Financial Statistics (Mid-July 2008, No.51) and Annual Publication of Department of Co-operatives, Insurance Board and Postal Saving Office)

## 1.2 Nepal Rastra Bank as regulator and supervisor

The NRB Act 2058 has empowered Nepal Rastra Bank to perform regulatory and supervisory activities for the development and sustainability of financial system. NRB issues license to banks and financial institutions to perform banking activities, supervises and monitors their performances, and enforces the actions based on the supervision and inspection reports. Supervisory actions include from capital charges to management takeover and cancellation of licenses as specified in NRB Act.

The following table depicts total assets of licensed institutions and the share of various types of financial institutions.

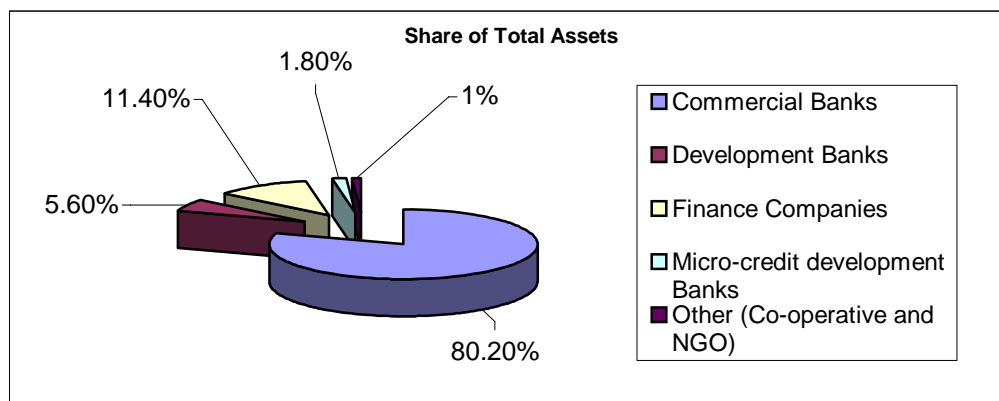
**Table 2: Share of Commercial Banks on Financial Claims**

Bank and Financial Institutions	Total Assets (Billion Nepalese Rupees)	Share
Commercial Banks	566	80.2
Development Banks	40	5.6
Finance Companies	80	11.4
Micro-credit development Banks	13	1.8
Other (Co-operative and NGO)	7	1.0
<b>Total</b>	<b>706</b>	<b>100</b>

Source: Banking and Financial Statistics (Mid-July 2008, No.51)

Though Nepalese financial sector is reasonably diversified with institutional arrangement of varied nature of financial institutions, commercial banks are the major players in the system. As Table no-2 shows, they are holding total assets of Rs.566 billion Rupees out of Rs.706 billion, which is 80.2% share in total assets share in the structure of financial sector. The following figure depicts the share of commercial banks and other financial institutions out of total financial assets.

**Figure 1: Share of Total Assets**



(Source: Banking and Financial Statistics (Mid-July 2008, No.51))

The commercial banks are supervised by the Bank Supervision Department while the rest of the institutions are supervised by Financial Institution Supervision Department.

### 1.3 The Banking Sector

The banking sector is an important part of the national economy. Banks accept deposits, support the payment system and provide the largest source of funds in the market. Safe and sound banking is crucial for the financial stability and sustainable development. Nepal has a special characteristic of bank dominated financial sector. As the domestic capital market is in the initial stage of development, the banking sector largely dominates the entire financial sector.

The first conventional bank in Nepal was the Nepal Bank Limited, established in 1937 A.D. followed by Rastriya Banijya Bank in 1966 A.D. These two banks are the pioneers of the Nepalese Banking industry. These banks hold the largest network and operate even in remote areas of the country. Rastriya Banijya Bank is fully owned by the Nepal Government while government is holding forty percent stakes of Nepal Bank Limited. As the financial market was barred for private investors till the mid 1980s, these two banks were the only players in the banking industry. The economic liberalization policy adopted in the mid 1980s brought about a surge in the banking industry. A large number of banks were established and the number continues to grow even today.

**Table 3: List of Commercial Banks in Nepal (Mid July 2008)**

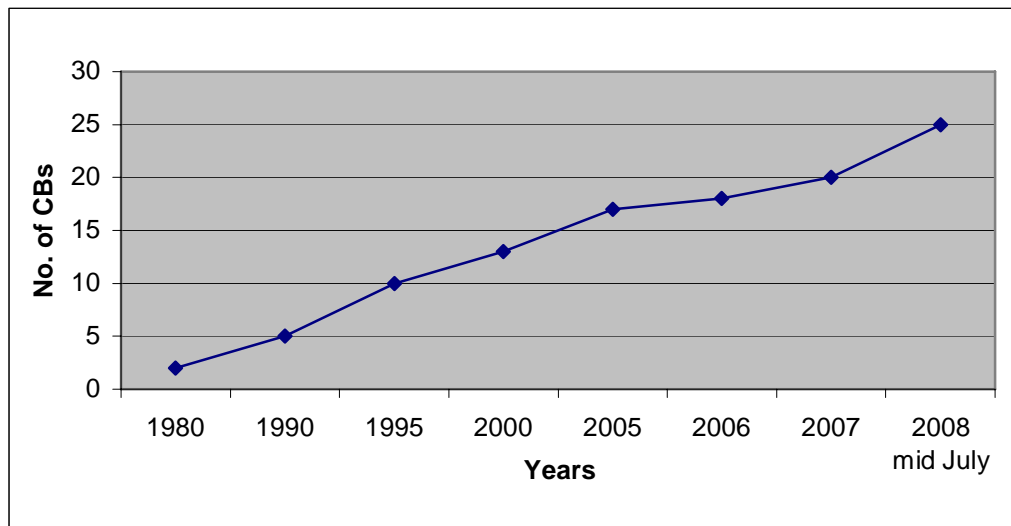
S.N.	Name	Operation Date (A.D.)	Head Office
1	Nepal Bank Limited (NBL)	1937/11/15	Kathmandu
2	Rastriya Banijya Bank (RBB)	1966/01/23	Kathmandu
3	NABIL Bank Limited (NABIL)	1984/07/16	Kathmandu
4	Nepal Investment Bank Limited (NIBL)	1986/02/27	Kathmandu
5	Standard Chartered Bank Nepal Ltd. (SCBN)	1987/01/30	Kathmandu
6	Himalayan Bank Limited (HBL)	1993/01/18	Kathmandu
7	Nepal SBI Bank Limited (NSBI)	1993/07/07	Kathmandu
8	Nepal Bangladesh Bank Limited (NBBL)	1993/06/05	Kathmandu
9	Everest Bank Limited (EBL)	1994/10/18	Kathmandu
10	Bank of Kathmandu Limited (BOK)	1995/03/12	Kathmandu
11	Nepal Credit and Commerce Bank Ltd. (NCCBL)	1996/10/14	Siddharthanagar
12	Lumbini Bank Limited (LBL)	1998/07/17	Narayangadh
13	Nepal Industrial & Commercial Bank Ltd. (NIC)	1998/07/21	Biratnagar
14	Machhapuchhre Bank Limited (MBL)	2000/10/03	Pokhara
15	Kumari Bank Limited (KBL)	2001/04/03	Kathmandu
16	Laxmi Bank Limited (LXBL)	2002/04/03	Birgunj
17	Siddhartha Bank Limited (SBL)	2002/12/24	Kathmandu
18	Agriculture Development Bank Limited	2006/03/16	Kathmandu
19	Global Bank Limited	2007/01/02	Birgunj
20	Citizens Bank International Limited	2007/06/-21	Kathmandu
21	Prime Bank Limited	2007/09/24	Kathmandu
22	Sunrise Bank Limited	2007/10/12	Kathmandu
23	Bank of Asia Nepal Limited (BOA)	2007/10/12	Kathmandu
24	DCBL Bank Limited (DCBL)	2008/05/25	Kathmandu
25	NMB Bank Limited (NMB)	2008/06/02	Kathmandu

(Source: Banking and Financial Statistics (Mid-July 2008, No.51))

#### 1.4 Growth of number of Commercial Banks

There is a significant growth in the number of banks in Nepal in the last two decades. At the beginning of the 1980s when the financial sector was not liberalized, there were only two commercial banks. During 1980s, there were only few banks. After the liberalization in the 1990s, financial sector has made a progress both in term of the number of banks and their branches.

**Figure 2: Numbers of Commercial Banks**



*(Source: Banking and Financial Statistics (Mid-July 2008, No.51))*

## 1.5 Ownership and Control

The banks in Nepal have very unique characteristics. From an ownership standpoint, the commercial banks in Nepal can be broadly classified into two categories: Public banks and Private banks. The banks, which are owned or controlled by the government, are labeled as Public banks while the banks that are owned or controlled by the private sector are categorized as Private Banks. The Private Banks can be further re-grouped into the local private banks and Joint-Venture Banks. The banks with the local private investment are Local Private Banks whilst the banks with the Investment of Foreign Institutions along with the local investment are Joint-Venture Banks.

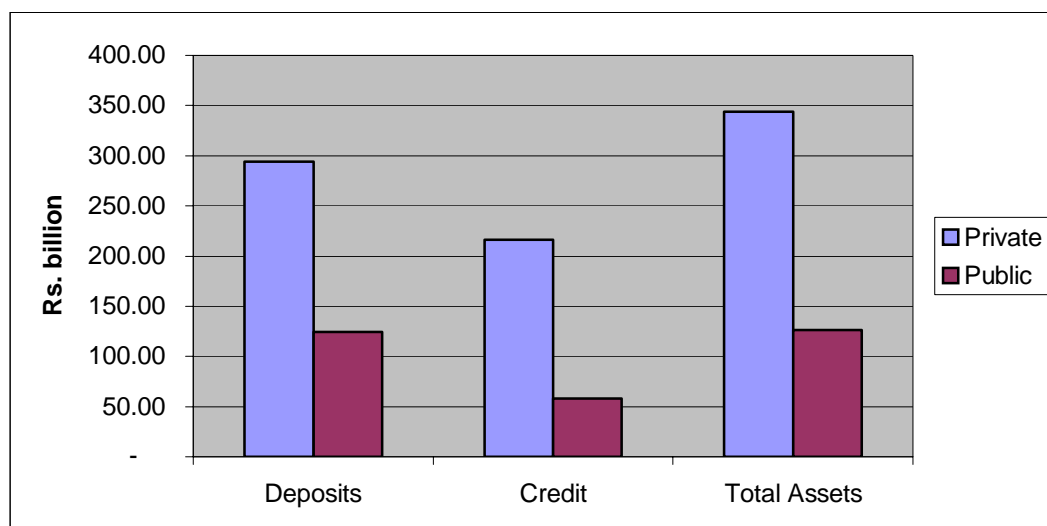
In Nepal, we have 3 Public Banks and 22 Private Banks. The financial health of the public banks was very poor and thus a reform program was initiated in these banks under the Financial Sector Reform Project with the aid of the World Bank and Asian Development Bank. Likewise, these banks have been placed under close monitoring and surveillance on account of their poor financial position.

## 1.6 Scope of operations: Public vs. Private

It has only been a couple of decades since the private banks came into existence in Nepal. But, their number has far outgrown the number of public banks and is still in growing trend. Despite the fact that private sector banks are growing in numbers, their access in nooks and corners of the country is very limited. But they have started expanding their branches in the head quarters and business hubs of different districts. The public sector banks are still the largest banks in all aspects from deposit and credit mobilization to the number of branches in operation.



**Figure 3: Banking Operations: Public vs. Private (Mid July 2008)**



(Source: Banking and Financial Statistics (Mid-July 2008, No.51))

## 1.7 Access of Banking Services and Branch Network

As on mid July 2008, there were 25 commercial banks including 3 public banks. Out of total 555 branches, 278 branches belonged to 3 public banks and remaining 277 branches belonged to 22 private sector commercial banks.

**Table 4: Branches of Commercial Banks (Mid July 2008)**

Name of Banks	Number of branches
Nepal Bank Limited (NBL)	99
Rastriya Banijya Bank (RBB)	114
NABIL Bank Limited (NABIL)	26
Nepal Investment Bank Limited (NIBL)	19
Standard Chartered Bank Nepal Ltd. (SCBN)	13
Himalayan Bank Limited (HBL)	17
Nepal SBI Bank Limited (NSBI)	17
Nepal Bangladesh Bank Limited (NBBL)	17
Everest Bank Limited (EBL)	26
Bank of Kathmandu Limited (BOK)	22
Nepal Credit and Commerce Bank Ltd. (NCCBL)	17
Lumbini Bank Limited (LBL)	5
Nepal Industrial & Commercial Bank Ltd. (NIC)	16
Machhapuchhre Bank Limited (MPBL)	18
Kumari Bank Limited (KBL)	12
Laxmi Bank Limited (LXBL)	13
Siddhartha Bank Limited (SBL)	7
Agriculture Development Bank (ADBN)	65
Global Bank Limited (GBL)	7
Citizens Bank International Limited	9
Prime Bank Limited	1

Sunrise Bank Limited	6
Bank of Asia Nepal Limited (BOA)	5
DCBL Bank Limited (DCBL)	3
NMB Bank Limited (NMB)	1
<b>Total</b>	<b>555</b>

Source: Banking and Financial Statistics (Mid-July 2008, No.51)

The banks with the largest number of branches are public banks: Rastriya Banijya Bank, Nepal Bank Limited and ADB/N have 114, 99 and 65 branches respectively. The number of branches of the private banks is on the rise, as their proposed branches tend to be at urban and semi-urban cities, where the situation is a lot better.

Large concentration of the branches is seen in Kathmandu. Most banks are looking to increase their number of branches in Kathmandu, which is a major economic hub of Nepal. There are 120 bank branches in Kathmandu district itself out of a total of 555. In respect of the concentration of bank branches, other major centers include Birgunj, Biratnagar, Pokhara, Bhairahawa and Butwal.

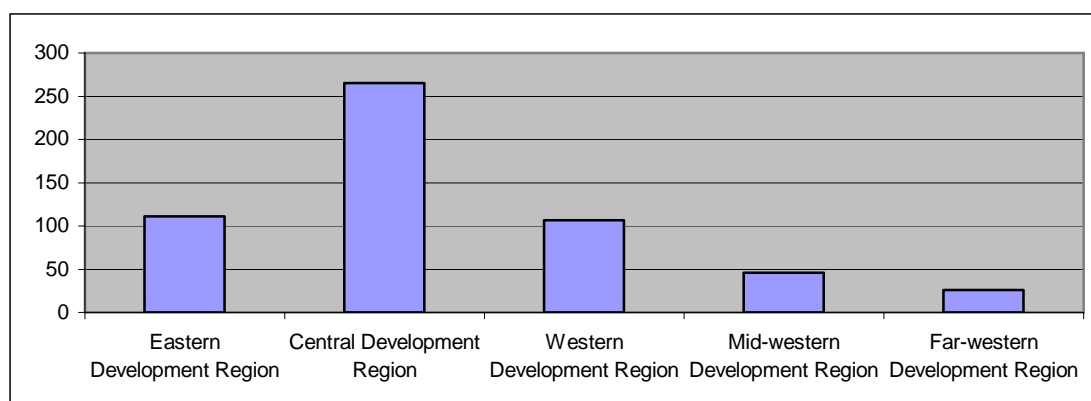
**Table 5: Region wise distribution of Branches (Mid July 2008)**

S. N.	Development Region	Number of bank branches
1	Eastern Development Region	111
2	Central Development Region	265
3	Western Development Region	107
4	Mid-western Development Region	46
5	Far-western Development Region	26
	<b>Total</b>	<b>555</b>

Source: Banking and Financial Statistics (Mid-July 2008, No.51)

Central region has the largest concentration of 265 branches with the major economic centers like Kathmandu, Lalitpur and Birgunj followed by the Eastern and the Western region. The regional distribution of the branches seemed to be much skewed.

**Figure 4: Number of Bank Branches (Region wise)**



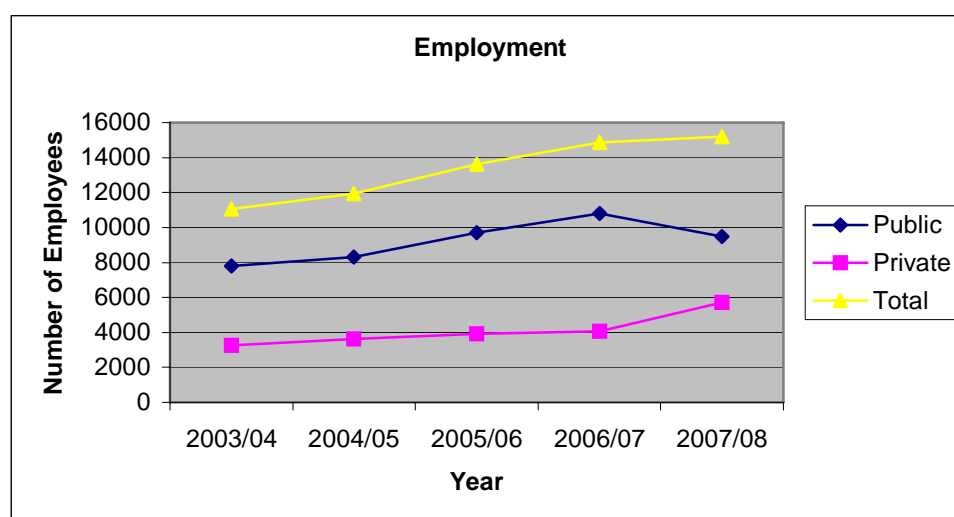
Source: Banking and Financial Statistics (Mid-July 2008, No.51)

## 1.8 Employment in the Banking Industry

As on Mid July 2008, the total number of employees in the banking industry is 14,979. The three public banks generate the majority of the employment and their operations are still based largely on the manual system. Though, these banks have reduced their staff size almost in half since Mid July 2001 under the various phases of Voluntary Retirement Schemes initiated under the reform process, they still have a sizable number. At the end of fiscal year 2007/08, the number of employees in the three public sector banks was 9,278 whereas the private sector banks had 5,701.

However, the private banks, meanwhile, are steadily increasing their number of staff in direct alignment with the proliferation in the business. As a large part of their system and procedure are automated, the number of staff employed by these banks is relatively small. Due to the up-gradation of ADB as the public sector commercial bank, the number of staff in public sector commercial banks has been increased. .

**Figure 5: Employments Private Vs Public (Mid July 2008)**



*Source: Banking and Financial Statistics (Mid-July 2008, No.51)*

## 1.9 Review of the Banking Legislation

The underlying philosophy governing bank supervision is that banks should be free to allocate credit according to market forces and shall be entitled to set terms and conditions for their operations in a competitive environment. However, strict regulatory norms should be set for bank behavior in order to protect depositors and other creditors and the financial system as a whole. Pursuant to this, the objective of bank supervision in Nepal is to promote and maintain the safety, soundness, and integrity of the Nepalese banking and financial system and of each institution within the system; while promoting confidence in the financial system through the implementation of policies and standards that are in keeping with international best practices for supervision and regulation.

Nepal Rastra Bank is committed to strengthen and ensure the stability and soundness of the banking system. To this end, a number of circulars and directives have been issued to banking institutions. Further the operational contact that the department maintains through its on-site examinations, off-site surveillance & analysis and in the regulatory policy formulations with the banking institutions makes for the achievement of the department's supervisory objectives.

In performing the above role, the Bank, through the Banking Supervision Department strives to ensure compliance with the Bank and Financial Institutions Act-2063 (BAFIA-2063) by banking institutions under its jurisdiction. In order to achieve the role of protecting the interests of depositors, Nepal Rastra Bank has crafted a number of prudential requirements to be complied with by banking institutions. The prudential requirements advised on banking institutions are designed to limit risk taking to levels that are manageable and that do not place the individual banking institution and the banking system at risk.

In addition to other prevailing laws of the country, the main legislative framework for supervision function includes:

- Nepal Rastra Bank ACT 2058 (2002)
- Bank and Financial Institutions Act, 2063 (Umbrella Act)
- Company Act 2063 (2006)
- Supervision By-laws,2059 (2002)
- Directives to commercial banks and financial institutions
- New Capital Adequacy Framework

NRB has continued to review the relevant legislations and regulations in 2007/08 in order to put in place up-to-date regulatory framework that meets international standards and resolves the issues of the banking industry.

## CHAPTER 2

# Supervision Function

### 2.1 Banks and Supervision

Banks are special institutions in the financial market. They have a low ratio of shareholders' funds to borrowed funds. This inherent imbalance between 'own' funds and 'borrowed' funds in total capital structure poses some problems. Because banks' shareholders have only a small amount of their own funds at stake, there is an underlying incentive for banks to tend toward risk taking activities with the fund of depositors and outsiders. In short, in the absence of supervisory requirements and constraints, shareholders' position would be like if head, I win, if tail, you lose.

Bank failures spread up bad impact in financial system, interfere with the operation of the payments system and reduce the money supply. These effects can be long-lasting. In addition, they serve as financial intermediaries to allocate funds and risks among individuals and firms by extending loans or buying securities with funds that they receive as deposits. Similarly, banks are an important source of liquidity for an economy.

Due to the special nature of activities, financial institutions are being supervised all over the world by the regulatory/ supervisory authority. Supervisory function is also a costly one. We experience that although the cost of supervision is high, the cost of no supervision or poor supervision is even higher. The cost of bank failure to the society as a whole is higher than the private cost (the loss to the shareholders). Depositors are generally not well placed to monitor the portfolio behavior of banks nor to enforce compliance as they have got negligible covenant regarding control of the bank.

Some of the major validations behind bank supervision are:

- To maintain stability and confidence in the financial system, thereby reducing the risk of loss to depositors and other stakeholders.
- To ensure that banks operate in a prudent way and they hold sufficient capital to support the risks that arise in the business.
- To foster an efficient and competitive banking system that is responsive to the public's need for good quality and an easy access of financial services at a reasonable cost.

These reasons call for an independent and autonomous supervisory authority to conduct direct assessment of the overall banking system.

## 2.2 The Bank Supervision Department (BSD)

The Bank Supervision Department spearheads the banking supervisory functions of the Central Bank. The department is responsible for carrying out inspection and supervision of all the commercial banks. The work of the Department is divided into different units: On-site Supervision, Off-site Supervision, Policy Planning and Analysis Unit and Internal Administration Unit.

## 2.3 Methodology used for Supervision

Bank Supervision Department has been following the international supervisory practices along with tailor-made Nepalese relevant laws while supervising the commercial banks. BSD has been following compliance based supervision practice. The cornerstone of supervisory review is through, regularly scheduled, **on-site examinations**. These examinations focus on six components of bank safety and soundness, known together as CAMELS. The banks are assigned a grade of 1 (best) through 5 (worst) on each component. Examiners use these six scores to award a composite CAMELS rating, also expressed on a 1 through 5 scale. The scores are kept confidential to facilitate the flow of information between examiners and bankers.

The component of bank's management cannot be assessed only in terms of the returns submitted by the bank. Thus, the **off-site supervision** doesnot analyze the using CAMELS rating. So, a separate rating has been devised for the off-site supervision which uses the components of CAMELS except for the "M" representing management, and the rating is, thus, labeled **CAELS**.

## 2.4 Organization of Bank Supervision Department

In order to discharge its obligations effectively, Bank supervision Department has divided its function into various divisions and units. The department comprises of on-site inspection/enforcement division, off-site supervision division, policy and planning unit and internal administration unit. Besides these, there are various projects in operation in the department relating to monitoring and surveillance of problematic banks.

### 2.4.1 Onsite/Enforcement Unit:

This division is responsible to conduct the on-site examination of the banks in accordance with the annual plan of the department. Almost more than two thirds of the department's staff are dedicated to these activities. The objectives of on-site inspection conducted by Bank Supervision Department can be summarized as:

- To determine the commercial banks' financial position and the quality of its portfolios and operations so as to ensure that it is not operating against the

interests of the depositors.

- To assess and appraise the competence and capability of the commercial bank's management and staff, as the quality of the institution's management will determine the soundness of its operation.
- To ascertain whether the bank is complying with applicable laws, regulations and monetary measures issued by the NRB.
- To evaluate the adequacy of the bank's records, systems, and internal controls.
- To test the accuracy and validity of the data submitted to the NRB by the Banks.

The on-site aspect of the department's function includes independent on-site assessment of banks' corporate governance, internal control system, reliability of information provided, etc.

The on-site examinations carried out by the department are grouped into:

- A) Maiden or initial examination, which is usually conducted within six months of commencement of operation by a new bank;
- B) Routine and corporate level full fledged inspection, which is the regular examination
- C) Targeted Inspection, which addresses specific areas of operation of a bank e.g. credit, trade finance etc.
- D) Special inspection, which is carried out as the need may arise

The On-Site Examination Unit conducts periodic examination and special visits in the banks. This Unit also complements the Off-Site in the verification of information provided on the returns submitted to the off-site. On-site examinations are carried out at the banks' premises and involve examination of their business books and assessment of their technical, professional and organizational resources.

#### **2.4.2 Off-site Supervision Unit:**

This division carries out the off-site surveillance of all Nepalese commercial banks. The core objective of this function is to conduct periodic financial review of the banks in order to identify the potential problems and to gauge the compliance to prevailing laws and statute as well as to support the on-site function of the department. In order to pursue its objectives through systemic development, the Department has devised an off-site supervision manual, which has been put into effect. The supervision manual provides guidelines on the objectives, procedures and prescribed documents of the off-site supervision. The inspection and supervision By-law, 2059 identifies the following key objectives of an off-site supervision of the Bank Supervision Department.

- To obtain regular information in respect of financial condition and health of the commercial banks.
- To identify potential problems of commercial banks in the absence of onsite inspection.
- To help and strengthen the quality of on-site inspection.
- To ascertain the compliance status to the applicable laws, regulations and directives on the basis of financial statements and other documents obtained from the commercial banks.
- To serve as an Early Warning Device

The off-site aspect reviews and analyses the financial conditions of banks using prudential reports, statutory returns and other relevant information. It also monitors trends and developments for the banking sector as a whole. Industry reports are generated on quarterly basis. The Off-Site Supervision Unit is responsible for supervising banks' operations on the basis of data and reports submitted by banks.

The Off-Site Surveillance Unit monitors, reviews, and analyzes returns of the financial institutions and prepares reports based on said returns and makes use of **early warning device** as an attempt to detect emerging problems. The returns are used by the supervisors/examiners for the purpose of determining banks' exposures to risk, the effect on banks' profits, etc. Some basic ratios (the financial soundness indicators) are computed from these returns and are used to analyze such important areas as Capital Adequacy, Assets Quality, Earnings, Liquidity and sensitivity to market risk (CAELS rating).

### **2.4.3 BASEL II Implementation Sub-unit:**

This sub-unit, as part of the off-site surveillances, is responsible for the implementation, follow up and periodic review in the BASEL II capital adequacy framework. In this context, with the practices of the international supervisory agencies this unit is also responsible for coordinating and managing proper implementation of BASEL II capital adequacy framework. The Unit is also working in the direction to meet the following objectives specified in the Capital Adequacy Framework:

- Is adequate to protect its depositors and creditors;
- Is commensurate with the risk associated activities and profile of the commercial banks;
- Promotes public confidence in the banking system.

### **2.4.4 Policy, Planning and Analysis Unit:**

The supervisory function of Nepal Rastra Bank is in the stage of evolution and thus it is crucial that a relation with international supervisory agencies be



maintained. This relationship is likely to bring into the force new techniques and developments in the field of supervision. The policy and planning unit is entrusted to maintain such relationship and to notify the department of new developments in the international arena, on a periodic basis.

This unit of the department is responsible for the formulation and periodic review the annual plan of the department, in context with the practices of the international supervisory agencies. This unit is also responsible for coordinating the interaction programs, seminars, and workshops in issues relevant to the supervision function, with participation from the external stakeholders, as well. Supervisory policies and guidelines are developed in a consultative framework, where industry participants and the stakeholders are allowed to comment on policy documents before they are finalized.

#### **2.4.5 Internal Administration Unit:**

There is a separate internal administration unit within the Bank Supervision Department. The unit is responsible for the personnel related matters like placement within the department, leave records, payment of salaries and other benefits and also serves as the back office. This unit also issues supervision letters; travel orders and maintains records of all files. This unit also overlooks the supply of office equipments and stationery in the department in liaison with the General Services Department of NRB.

## CHAPTER 3

# Current Issues in Banking Supervision

### 3.1 Background

With the advancement in technology and supervisory practices around the globe, the supervision pedagogies in Nepal Rastra Bank have also been changing. So far, it has been following compliance based supervision where supervisors review the credit files and returns produced by the banks in order to identify how much they have complied with the existing laws and guidelines. It is focused on detecting any deviation from existing legal provisions rather than overall financial soundness and risk management aspect of the banks. It provides a snapshot of an institution's condition at a point of time and supervisions are normally periodic.

The global financial crisis appeared in the year 2007/08 has raised a global concern in the field of financial sector stability and become the central challenge to bank regulators and supervisors. Supervisory authorities all over the world are gradually moving towards adopting risk-based supervision. There is now a growing stress to adopt a more risk focused comprehensive approach, which is likely to contribute positively in the supervisory function. Though scrutiny of systems and procedures prevailing in supervised bank is an integral part of on-site inspection, there is scope for more focus on the risk profile of the banks. Supervisory bodies in the world are seeking more focused, responsive and tailored approach to supervision.

In our context, the year 2007/08 was the year of Parallel Run of the New Capital Adequacy Framework based on Basel II. The framework, which came in to effect after meticulous impact studies and frequent discussions with different stakeholders, requires banks to maintain their capital based on different risk exposure. The Parallel run of Basel II was successful in orienting the banks to identify, classify and assess various risks in order to put their effect on capital. However, as the Nepalese banking sector is yet to gain the maturity the advance approaches prescribed for the sophisticated banks in international markets are largely impractical in our context. Thus, the prescribed approaches have been customized and thereby simplified to suit the need of our market condition. With this and other, the NRB recorded success in its supervisory efforts, particularly in the banking sector reform.

Further, NRB is developing an overall plan for moving towards risk-based supervision (RBS) and for this purpose NRB is preparing Risk Management Guidelines. The RBS will be a regime in which NRB's resources will be directed towards the areas of greater risk to its supervisory objectives.

## 3.2 Risk Based Supervision

The current supervisory process adopted by the Bank Supervision Department (BSD) is applied uniformly to all supervised institutions i.e., commercial banks. The current approach is largely on-site inspection driven supplemented by off-site monitoring and the supervisory follow-up commences with the detailed findings of annual financial inspection. The process is based on CAMELS/CAELS approach where capital adequacy, asset quality, management aspects, earnings, liquidity and sensitivity to market risk keeping in view the legal requirements of the Acts. The on-site inspections are conducted, to a large extent with reference to the audited balance sheet dates and cut-off dates of financial years. The off-site surveillance plays a supplemental role. While in several external jurisdictions, the supervisory process extensively leverages on the work done by others, such as the internal and external auditors. No legal framework exists for the external auditors to report to the supervisor their adverse findings on issues having supervisory implications, however a special purpose report namely the Long form audit report has to be submitted by the auditor to the supervisor. .

Risk-based supervision saves regulatory resources and helps to promote a more safe and sound financial system. It saves resources because it focuses regulatory resources on areas of highest risk and usually requires substantially less transaction testing. By getting institutions to manage risks as opposed to correcting symptoms of problems, as is often the case with traditional supervision, supervisors should focus their actions on correcting causes of problems and thereby requiring improvements in management practices and management systems. The risk-based supervision will not be transaction based. It will be systems based inspection by the regulator/supervisor. In this approach, the regulator and supervisor will go into details of the systems and procedures for managing and controlling risks.

Risk-based supervision is an enhancement of top-down supervision. In the top-down approach, problems are identified and defined, and the root causes for the problems are addressed. It focuses examination resources on an overall financial analysis of the financial institution under review, and it documents and tests policies, procedures, systems, and management practices. When problems are disclosed, corrective actions are directed toward correcting the causes of the problems, not just the symptoms. If problems are identified that, in the opinion of the supervisor, significantly impact the safety and soundness of the institution, then bottom-up examination techniques may be necessary to quantify the problems in order to assess the adequacy of capital and liquidity.

### 3.3 Basel Core Principles

The Core Principles for Effective Banking Supervision, promulgated by the Basle Committee on Banking Supervision, set out the minimum standards that are considered necessary for effective supervision. Several of the principles embrace risk-based supervision and encapsulate the concepts developed at the US, Office of the Comptroller of the Currency over the past twenty years. However, because the Core Principles is a brief document and covers a variety of topics, it cannot fully explain the key differences between risk-based supervision and traditional regulatory practices or provide a systematic explanation of all the basic elements that would enable a regulatory agency to implement risk-based supervision.

Although supervisory practices and processes are always evolving and improving over time, it is helpful to subject supervisory arrangements to scrutiny against internationally accepted benchmarks, and to consider where improvements can be made. To be effective, any such assessment must be undertaken with a critical eye. It is too easy for supervisors to assert that existing arrangements represent best practice when closer analysis would reveal otherwise. For complying Basel Core Principles, there should exist a strong public infrastructure, including:

- Financial transparency and effective corporate governance in Nepalese banking industries,
- Balanced and stable fiscal policy,
- Effective supervision of financial sector by all related regulatory bodies,
- A sound legal system with strong enforcement of laws associated with contract enforcement, bankruptcy, collateral and loan recovery,
- Accounting standards and disclosure requirements, which are broadly consistent with internationally accepted principles,
- Establishment of institutions such as Assets Management Companies, Credit Rating Agencies, Infrastructure Development Banks, Deposit Insurance Fund, Foreign Bank Branches etc, and
- Laws on Financial Crime and Conflicts of Interest etc.

### 3.4 Basel II, concept and its implication in Nepal

With a view of adopting the international best practices, NRB has already implemented Basel II framework in commercial banks. The complexity and sophistication of the Nepalese financial market doesn't warrant advanced approaches like the IRB Approach or the Standardized Approach. In light of the complexity, Nepal Rastra Bank adopted the simplified standardized approach for credit risk, Basic Indicator Approach for Operational Risk and Net Open Exchange Model for the Market Risk.

In line with the international development and thorough discussion with the

stakeholders, evaluation and assessment of impact studies at various phases, this framework 2007 is implemented. This framework provides the guidelines for the implementation of Basel II framework in Nepal. Reminiscent of the International convergence of capital measurements and capital standards, this framework also builds around three mutually reinforcing pillars, viz. minimum capital requirements, supervisory review process and market discipline. The new capital adequacy framework attempts to achieve supervisory objectives with three mutually reinforcing pillars.

The first pillar aligns minimum capital requirements more closely with banks' actual underlying risks. In concept, the first pillar is similar to the existing capital framework, in that, it provides a measure of capital relative to risk.

The second pillar – supervisory review process – allows supervisors to evaluate a bank's assessment of its own risks and determine whether that assessment seems reasonable. It is not enough for a bank or its supervisors to rely on the calculation of minimum capital under the first pillar. Supervisors should provide an extra set of eyes to verify that the bank understands its risk profile and is sufficiently capitalized against its risks.

The third pillar – market discipline – ensures that the market provides yet another set of eyes. The third pillar is intended to strengthen incentives for prudent risk management. Greater transparency in banks' financial reporting should allow marketplace participants to better reward well-managed banks and penalize poorly managed ones.

Accord Implementation Group (AIG) is responsible for overseeing the implementation of Basel II in Nepal. The Accord Implementation Group consists of officers from Bank and Financial Institution Regulation Department, Bank Supervision Department and Financial Institution Supervision Department. Realizing the importance of the involvement of the stakeholders from the preliminary stage itself, members of the commercial and development banks have also been included in the Accord Implementation Group.

In order to ensure a smooth transition to new approach prescribed by this framework, a parallel run for the whole year from Mid July 2007 (Fiscal Year 2064/065) to Mid-July 2008. All banks within the scope of this framework required to adopt the prescribed approaches by Mid July 2008. Banks are required to compute their capital adequacy requirements, based on this framework, on a quarterly basis. The so arrived result should be reported to their respective board of directors as well as to the Nepal Rastra Bank in the prescribed formats.

### **3.4.1. Prompt Corrective Actions (PCA)**

Over the past years, several countries around the world have adopted a system of prudential prompt corrective action (PCA) binding capital adequacy standards and the

ability to take substantial actions against banks that failed to meet the standards. On first appearances, the adoption of PCA in the US, UK, European Union, Hong Kong, Canada, Mexico, Korea, Indonesia, India, Bangladesh, Malaysia and Brazil appear to have been extremely successful. The PCA approach of supervisor realizes that early steps in preventing banks are always better than caring troubled banks.

For example, a regulator becomes aware that a bank is failing. Should the regulator immediately intervene and take corrective measure including liquidation of the bank's assets to provide payment to the bank's owners and depositors? Or should the regulator let the bank continue operating? The first type of regulatory response is called prompt corrective action (PCA).

The supervisors and regulators in the least developed countries are being encouraged to adopt PCA by policy analysts who explicitly call for its adoption. However, some preconditions needed for the adoption of an effective PCA include conceptual elements such as a prudential supervisory focus on minimizing public deposit losses and mandating supervisory action as capital declines. These preconditions also include institutional aspects such as greater supervisory independence and authority, more effective resolution mechanisms, better methods of measuring capital, and enhancing supervisory capabilities.

Nepal Rastra Bank has been taken in actions immediately to those banks whose capital adequacy ratio falls short of the stipulated limit. Actions including restrictions on branch expansion and dividend payments; loan disbursement and deposit mobilization; and increase in salary and allowances will be taken on the basis of the level of shortfalls in the regulatory capital adequacy ratio.

Basel core Principle no. 6 (Capital adequacy) has clearly urged the needs of capital requirement and enforcing PCA. It states "Supervisors must set prudent and appropriate minimum capital adequacy requirements for banks that reflect the risks that the bank undertakes, and must define the components of capital, bearing in mind its ability to absorb losses." It has also emphasized supervisors to require all banks to calculate and consistently maintain a minimum capital adequacy ratio. The supervisor defines the components of capital, ensuring that emphasis is given to those elements of capital available to absorb losses. The supervisor should be equipped with the power to impose a specific capital charge and/or limits on all material risk exposures.

Similarly, Basel core Principle no. 23 (Corrective and remedial powers of supervisors) states Supervisors must have at their disposal an adequate range of supervisory tools to bring about timely corrective actions, if for example, a bank is not complying with laws, regulations or supervisory decisions, or is engaged in unsafe or unsound practices, or when the interests of depositors are otherwise threatened. These tools include the ability to require a bank to take prompt remedial action and to impose penalties.

## 3.5 Information Technology in Banking Sector and Supervisory Concern

### 3.5.1 E-banking

Technology has always been a key factor that drives financial institutions. Though electronic banking has not a long history in Nepalese Banks, Nepalese financial institutions also offer most of the electronic banking products that are available worldwide. Most of the electronic banking products available in Nepal are as follows:

#### **Internet Banking**

Website for each commercial bank is mandatory for the disclosure requirement under new capital adequacy framework. Based on this, the internet banking facility have been launched in Nepal by all commercial banks. However, most of the banks are providing only informational website in their Internet banking service. Customer can view interest rate, exchange rate, loan types offered and other similar information from informational Internet banking. The Transactional Internet banking also becoming popular these days and many banks are moving from informational website to transactional website. In transactional website, customer cannot only view information on bank's website, they can also transfer fund from one account to another account. Most of the Nepalese commercial banks provide fund transfer facility from one account to another account of same customer in the same bank only. Only a few banks offer inter customer fund transfer facility.

#### **SMS (Short Message Service) Banking**

This service is offered by most of the commercial banks of Nepal. In this service customer can view their balance, transaction history, interest rate, exchange rate etc. They can also request some service such as stop check payment, order new check book etc. Nepalese banks do not offer the transaction service in SMS banking yet.

#### **Plastic Card**

Plastic card is becoming very popular in banking sector. Most of the banks offer plastic card facility to their customers. In plastic card, debit card is most widely offered and used in Nepalese banks. Most of the banks provide debit card facility to their customer. Automatic Teller Machine (ATM) and Point of Sale (POS) devices that can be used to operate credit and debit card are installed in good number in different part of the country. Few banks offer credit card facility and Visa and MasterCard credit card is available.

### 3.5.2 Growing Supervisory Concern

- a) **Outsourcing Management:** Financial institutions increasingly rely on services provided by other entities to support an array of technology-related functions. While outsourcing to affiliated or nonaffiliated entities can help

financial institutions manage costs, obtain necessary expertise, expand customer product offerings, and improve services, it also introduces risks that financial institutions should address. By outsourcing the services, the risk of the bank increases, as those services won't be on direct managerial control of the bank. It is essential to practice risk management process of identifying, measuring, monitoring, and controlling the risks associated with outsourcing technology services. Without an effective risk management plan, outsourcing technology services may be inconsistent with the institution's strategic plans, too costly, or introduce unforeseen risks.

**b) Access Control:** As the security of banking system is essential to operate the banking system smoothly, a good access control measure is crucial for them. The exposure of information system to the open network exposes to the unknown sources globally, and the possibility of illegal access to the system increases. Adequate physical and logical access controls are important to protect data, system and resources from unauthorized persons.

**i) Physical Access Control**

This is about control for human factor like riot, terrorist, equipment failure and environmental exposure including fire, flood, lightening along with etc. Lack of physical access control may lead to unauthorized access to the system and data.

**ii) Logical Access Control**

It comprises data, system and network access control. Lack of adequate logical security may prone the system to technical exposure toward unauthorized implementation or modification of data and program at the network and database or application level. A financial institution needs to have a strong authentication process to prove the identity of the person who logs onto the system before any transaction is allowed. Since transaction via Internet does not require face-to-face contacts, non-repudiation becomes another major issue as the ability to prove that a customer did request a transaction on service weakens.

**c) Disaster Recovery Planning:** Banks are using technology intensively and the banking operation is heavily dependent on Information Technology. The manual system has become obsolete except in few remote branches of some banks. The technology not only facilitates the banks to operate effectively and efficiently, it can also jeopardize the success and sustainability of the banks if not properly managed. There is always chance of unexpected event that might come at any point of time without knowledge causing operational disruption of services. The disaster might not always be natural calamities such as earthquake and tsunami; it can also be localized such as accidental



deletion of data, virus attack, power failure, server crash etc. NRB as a supervisor is always concerned with whether banks have adequate planning to overcome those disasters. NRB always encourages and directs banks to prepare a comprehensive Disaster Recovery Planning.

- d) Data and System Security:** To ensure reliability and completeness of system functionality and to verify that data is processed in an accurate and timely manner, it is critical for financial institutions to have sound application and other control in place. They should have control built in the procedure and programmed in the system to ensure the integrity of input, process and output. Data and system integrity can reflect the effectiveness of system development, acquisition and change control procedure.
- e) Top management involvement on IT issues:** To reap the benefit of information technology and return on investment, IT should be aligned with the organization. Financial institutions must have comprehensive IT policy and procedures in place to ensure the optimum use of Information Technology. To ensure sound development of financial services, while reaping the benefits from the remarkable advancement of the IT revolution, organization should implement information technology with proper policy and top management should involve in formulating such policies. Financial institution should have strategic plan and policy comprising every IT activities including security, contingency, outsourcing, human resource etc. It is ultimately the responsibility of management and board to ensure IT resources are utilized in full extent.
- f) Human Resources:** Human resources are one of the key factors to successfully operate any organization. Lack of expertise may hinder the bank to function smoothly. The growing issue in human resource is employee turnover. To effectively manage the problem that may arise due to employee turn over, bank should have effective and comprehensive successor plan.

## CHAPTER 4

# Supervisory Activities of 2007/08

### 4.1 Annual Bank Supervision Action Plan 2007/08

It is a normal practice of Bank Supervision Department to prepare annual action plans every year for the upcoming year. It also reviews the plans once the fiscal year ends. The annual action plans for the fiscal year 2007/08 and its implementation status is presented in the table below:

**Table-7: Annual Action Plans of Bank Supervision Department for F.Y.2007/08**

S. N.	Work Plans	Implementation Status
<b>1</b>	<b>On-site Inspection</b>	
1.1	Corporate level on-site inspection of all commercial banks.	Yes
1.2	Preparation of Inspection Reports	Yes
1.3	Special inspection of commercial banks and branches as per requirement	Yes
<b>2</b>	<b>Off-site Supervision</b>	
2.1	Preparation of quarterly consolidated offsite supervision report incorporating financial analysis and compliance to prevailing directives and regulations, within the specified timeframe.	Yes
2.2	Preparation of consolidated annual offsite supervision report of all commercial banks.	Yes
2.3	Annual clearance of all Commercial Bank	Yes
2.4	CRR and Directed Lending Monitoring	Yes
2.5	Daily Liquidity Monitoring	Yes
<b>3</b>	<b>Enforcement</b>	
3.1	Enforcing the directions given by Nepal Rastra Bank during on-site examination or off-site supervision	Yes
3.2	Monitoring implementation status of directions given by Nepal Rastra Bank during on-site examination or off-site supervision	Yes
3.3	Preparation of quarterly enforcement reports reflecting implementation status of each bank within the specified deadline.	Yes
<b>4</b>	<b>Policy, planning Unit</b>	
4.1	Publication of annual report of Bank Supervision Department.	Yes
4.2	Coordination of various interaction Programs, seminar, workshops, and trainings etc during the fiscal year.	Yes
4.3	Preparation of Annual Bank Supervision Action Plan for 2007/08	Yes

The Bank Supervision Department has achieved all activities premeditated in the Annual Supervision Action Plan of 2007/08.

## 4.2 Corporate Level On-site Inspection programs

The corporate level on-site examinations were carried out in 23 banks during the year 2007/08. The schedule of the on-site examinations distributed in four quarters was as follows:

**Table-8: Distribution of corporate level on-site examination in 2007/08**

S. No.	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1	Global Bank Ltd.	Nepal Bank Ltd.	Lumbini Bank	Standard Chartered Bank
2	NIC Bank Ltd.	Rastriya Banijya Bank Ltd.	Siddhartha Bank	Laxmi Bank Ltd.
3	Nepal SBI Bank Ltd.	Nepal Bangladesh Bank	Agriculture Development Bank	Bank of Kathmandu
4	Machhapuchhre Bank Ltd.	NABIL Bank	Nepal Investment Bank Ltd.	Himalayan Bank Ltd.
5	Kumari Bank Ltd.	Nepal Credit and Commercial Bank Ltd.	Citizens Bank International Ltd.	Everest Bank Ltd
6	-	-	-	Sunrise Bank Ltd.
7	-	-	-	Bank of Asia Nepal Ltd.
8	-	-	-	Prime Bank Ltd.
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>8</b>

*Note: DCBL and NMB Bank Ltd. came in to operation only at the end of 2007/08 (on Jestha 2065). Therefore, the inspections of these two banks were done only in fiscal year 2008/09.*

Several forms of discrepancies were identified in due course of inspections in terms of compliance with NRB directives, BAFIA-2063 and other relevant Acts and statutes. Similarly, lapses were also observed in corporate governance and risk management practices. Bank Supervision Department has issued both specific and general directions/instructions to the banks in order to resolve the shortcomings observed in the inspection periods.

The major shortcomings and lapses observed in the banks during the on-site examinations of 2007/08 were as follows:

Area of Inspections	Major areas where deviation and lapses were observed
<b>Capital</b>	<ul style="list-style-type: none"> <li>➤ Heavy accumulated loss and Capital below prescribed limit in some banks</li> <li>➤ Capital Plan not implemented</li> <li>➤ Cases on accounting of Debt Instruments</li> </ul>
<b>Asset Quality</b>	<ul style="list-style-type: none"> <li>➤ Lack of sound credit practice (e.g., Credit department lacking separate line of reporting for sales and control, lack of detailed analysis of borrower's future cash flows in case of commercial loans)</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Credit files lacking supporting documents e.g. CICL report, tax clearance, audited financial statements of the borrower, stock inspection report, valuation report, inadequate Insurance of collateral and assets etc.)</li> <li>➤ Sector-wise concentration of credit (e.g., real estate, margin lending etc.)</li> <li>➤ Connected lending/insider lending</li> <li>➤ Utilization of SOL facility on upper ceiling</li> <li>➤ Adverse Classification and inadequate provision</li> <li>➤ Restructuring and rescheduling of loans without fulfilling the conditions stipulated by NRB directives.</li> <li>➤ Enhancement of credit limits without supporting documents.</li> <li>➤ Non-existence of Loan Recovery Cell and NBA policy</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>➤ Lack of Disaster recovery plan</li> <li>➤ Lack of business continuity plan</li> <li>➤ Insufficient Board meetings</li> <li>➤ Director's remuneration</li> <li>➤ Professional director not appointed</li> <li>➤ Cases of corporate governance and independence of Directors</li> <li>➤ Policy deviation on credit approval process.</li> <li>➤ Data center lacking physical security</li> <li>➤ IT policy not implemented</li> <li>➤ Lack of effectiveness of Audit committee and internal audit function</li> <li>➤ Inadequate Internal Audit and control</li> </ul>
<b>Earning</b>	<ul style="list-style-type: none"> <li>➤ Few cases on adverse classification and provisioning</li> <li>➤ Few adverse cases on income recognition</li> </ul>
<b>Sensitivity To Market</b>	<ul style="list-style-type: none"> <li>➤ ALCO lacking regular meeting</li> <li>➤ Investment Policy not formulated/implemented</li> <li>➤ Inter bank investment in shares</li> <li>➤ Dealer's limit not specified for money market operation</li> <li>➤ Back office and front office not segregated</li> <li>➤ Poor Analysis of interest sensitive assets and liabilities (included non-sensitive liabilities)</li> <li>➤ Non-inclusion of foreign currency other than USD while preparing Net Open Position</li> </ul>

The comments/issues on inspection reports, to a great extent, are being repeated for last few years. The comments generally happened to be in the field of corporate governance, compliance and collateral issues. With regard to the effectiveness of enforcement, most of the banks are complying with the instructions given by the supervisor and appropriate correction take place in time. At the same time some banks seem to be more or less reluctant to address many issues put forth on inspection reports that requires more supervisory attention.

### **Special On-site Inspection**

During the year 2007/08, Bank Supervision Department conducted 18 special on-site examinations, one each in 10 banks, and maximum 4 times in Nepal Bangladesh Bank, relating to various matters. These inspections were initiated on the basis of information provided by Off-site Division of the department, and turned instrumental to resolve the main issues of such inspections.

**Table 9: Special on-site Inspection in 2007/08**

S.N	Banks	No of inspection
1	Nepal Credit and Commerce Bank Ltd.	2
2	Rastriya Banijya Bank Ltd, Mahendra Pool, Pokhara	1
3	Bank of Kathmandu	1
4	Machhapuchchre Bank Ltd.	1
5	Lumbini Bank Ltd.	1
6	Nepal Bangladesh Bank Ltd.	4
7	Nepal Bank Ltd., Janakpur	1
8	Nepal Bank Ltd., Head Office	1
9	Kumari Bank Ltd.	1
10	Sunrise Bank Ltd.	1
11	Bank of Asia Nepal Ltd.	1
12	Citizens Bank International Ltd.	2
13	NMB Bank Ltd.	1
	<b>Total Number of Inspections</b>	<b>18</b>

### 4.3 Off-site Supervision

#### 4.3.1 Cash Reserve Ratio (CRR) and Daily liquidity Monitoring

Commercial banks are the backbone of the payment systems and are the main conduit of monetary policy. As an indirect monetary instrument, Nepal Rastra Bank uses CRR to control money supply in the economy, which was 5 percent (5.5% at present) of total deposit liabilities in review period. Banks, who fail to maintain such reserves, were levied financial penalties, the rate of which escalates every time there is non-compliance. During the year 2007/08, following banks were penalized in terms of non-compliance of cash reserve ratio.

The unit acquires data from all commercial banks to monitor and review daily CRR position of the banks. It aims to identify the balance of (excess or deficit) reserves maintained in central bank. It helps to monitor daily movement in deposits and loan portfolio of all banks.

**Table 10: Penalty for non-compliance of Cash Reserve Ratio in 2007/08**

Banks	Quarter I	Quarter II	Quarter III	Quarter IV	Total Nrs.
Nepal Investment Bank Ltd.	76454.33	-	-	-	<b>76,454.33</b>
Nepal Bank Ltd.	144924.28	40460.34	-	-	<b>1,85,384.62</b>
Rastriya Banijya Bank	99570.91	23187.50	286276.44	301885.82	<b>7,10,920.67</b>
Everest Bank Ltd.	-	<b>83533.65</b>	-	-	<b>83,533.65</b>
<b>Total</b>	<b>320949.52</b>	<b>147181.49</b>	<b>286276.44</b>	<b>301885.82</b>	<b>10,56,293.3</b>

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

### 4.3.2 Directed Lending

With regards to directed lending, banks were required to maintain 3% of the total loan portfolio in the deprived sector as directed lending in F.Y.2007/08. The failure to meet such an obligation resulted in the financial penalty for the bank, computed as the product of shortfall amount and the highest published rate of the bank, commensurate to the applicable time period. During the year 2007/08, following banks were penalized in terms of non-compliance of directed lending.

**Table 11: Penalty for non-compliance of Directed lending in 2007/08**

<b>Banks</b>	<b>Quarter I</b>	<b>Quarter II</b>	<b>Quarter III</b>	<b>Quarter IV</b>	<b>Total</b>
Nepal Bangladesh Bank Ltd.	-	13,151	14,50,155	16,57,136	<b>31,20,442</b>
Siddhartha Bank Ltd.	6,62,860	9,34,835	-	-	<b>15,97,695</b>
<b>Total</b>	<b>6,62,860</b>	<b>9,47,986</b>	<b>14,50,155</b>	<b>16,57,136</b>	<b>47,18,137</b>

*Source: NRB, Bank Supervision Department, Off-Site Division*

### 4.3.3 Annual Accounts Clearance

Banks are required to obtain clearance from Nepal Rastra Bank prior to publishing their annual accounts. In this process, off-site surveillance of the banks was conducted based on the various documents like the final accounts submitted by the banks, preliminary audit report, management reply, long form audit report and the preceding on-site examination report. The banks' financial position, compliance of the relevant laws and issues raised by the external auditors were analyzed at length to determine whether any supervisory intervention was required. Annual accounts of 24 banks including two upgraded banks (NMB and DCBL) were cleared during 2007/08; the exception being RBB.

## 4.4 Enforcement Activities

The Enforcement Unit, which is called the Desks, is responsible for ensuring that the directions of the Nepal Rastra Bank in respect to the on-site examinations and off-site supervision are adhered to by the banks. In this regard, a continuous follow up was conducted and efforts were made to ensure that the bank had, in fact, complied with the direction issued by Nepal Rastra Bank. This unit prepared quarterly enforcement reports in stipulated time frame.

## 4.5 Policy Planning Activities

During review period, the Policy Planning and Analysis unit formulated an Action Plan for the upcoming year 2008/09. The policy-planning unit also conducted a periodic review of the Annual Supervision Action Plan of 2007/08 and the report was executed in accordance with the Inspection and Supervision By-laws. Similarly the unit conducted different trainings, Seminars and Interaction Programs and also acts as the secretariat for High Level Co-ordination Committee.

### 4.5.1 Trainings, Seminars, and Interaction Programs

- A one-day departmental workshop on Implementation issues on BCP self assessment
- A one-day departmental workshop on Risk based Supervision and Contemporary Issues (in each quarters)
- An interaction program with external auditors of Commercial Banks on "Long Form Audit Report"
- Ten interaction programs with members from Commercial banks on "Implementation of Basel II"
- A two-days seminar on "Letter of Credit"
- A 4-days international seminar for senior bank management of Central Banks on Financial System Oversight"

#### 4.5.2 Secretariat for High Level Co-ordination Committee

High level Co-ordination Committee comprises of regulators of various economic segments. The committee is co-ordinated by the Deputy Governor of NRB. Policy planning Unit of BSD acts as a secretariat for High level Co-ordination Committee.

The committee's meeting is sought specially to address issues that have major impact on the financial system and are in the common jurisdiction of all regulators. At present, the committee includes representatives from Securities Board, Company Registrar, Ministry of Finance, Insurance Board and Nepal Rastra Bank. The committee, if deemed necessary, invites members from Nepal Stock Exchange and other departments of NRB.

During review year, the committee meeting was held for four times. Major discussions held at that period related to the issues of Initial Public Offering (IPO) of Banks and financial institutions, sale of promoters share, possibility of share issuance at premium and merger and acquisition etc. The meetings are felt to be very much instrumental in clarifying the cross-jurisdictional issues and biases and leading the financial system in profound stability.

#### 4.6 Special Monitoring of some commercial banks

Nepal Rastra Bank placed three private sector commercial banks in the close monitoring during the review period. Nepal Bangladesh Bank, Nepal Credit and Commerce Bank and Lumbini Bank were paid close attention during the whole year. Since these banks were having some major problems in corporate governance and connected lending, it was deemed necessary to monitor their operation especially on credit aspect. During this year their practice and functioning is improved and the previously formed **Loan Monitoring Committee** was dissolved.

## CHAPTER 5

# Performance of the Banking Sector in 2007/08

### 5.1 Assets of the banking industry

The total assets of the banking industry were increased by 7.67 percent in the year 2006/07 followed by 27.86 percentages increase in the year 2007/08. Similarly, the total assets of public sector banks was increased by 2.07 percentage and the private sector banks by 40.96 percentages. The growth rate in assets of private sector banks was the record break of last five years and the public sector banks has also given green signal to its last year's negative growth of 5.27%.

**Table 12: Total Assets of the Banking Industry**

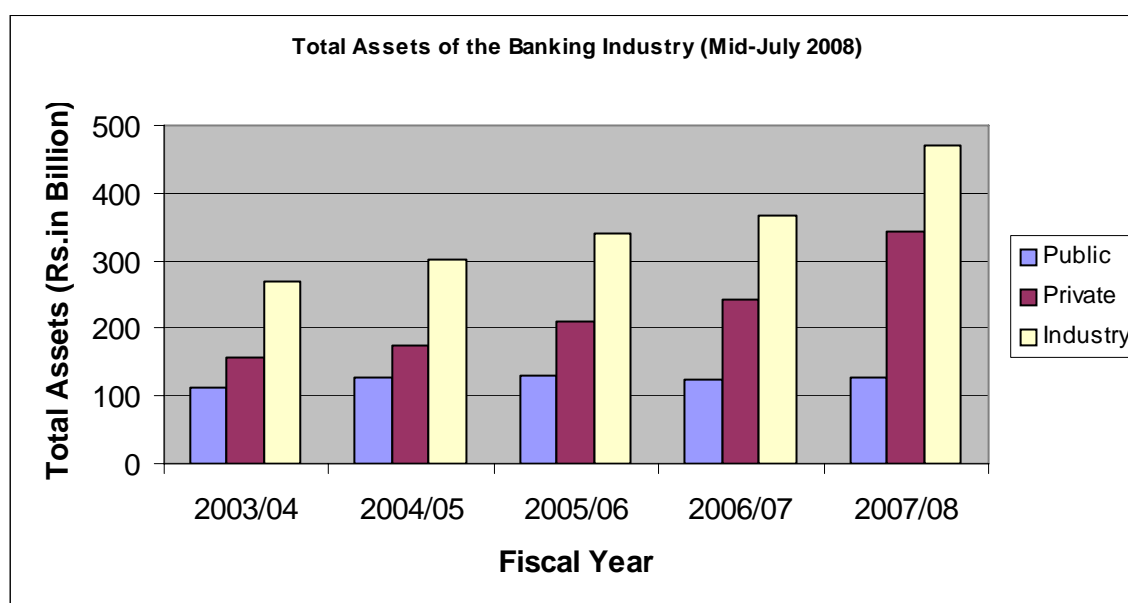
(Rs. in billion)

Banks	2003/04	% Change	2004/05	% Change	2005/06	% Change	2006/07	% Change	2007/08
Public	112.55	12.03%	126.09	3.63%	130.67	-5.27%	123.79	2.07%	126.35
Private	155.39	12.80%	175.28	20.24%	210.76	15.69%	243.82	40.96%	343.68
Industry	267.94	12.48%	301.37	13.29%	341.43	7.67%	367.61	27.86%	470.03

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

The 27.86 percentage growth in the total assets was mainly due to a substantial increase in the loan portfolio of the banks. The loan and advances alone was increased by Rs.73.96 billion during the year 2007/08, which was increased by Rs. 26.18 billion in the previous year 2006/07. The loan portfolio of public sector banks was increased by Rs.8.4 billion where as the loan portfolio of private sector bank was increased by Rs.65.5 billion.

**Figure 6: Total Assets of the Banking Industry (Mid July 2008)**



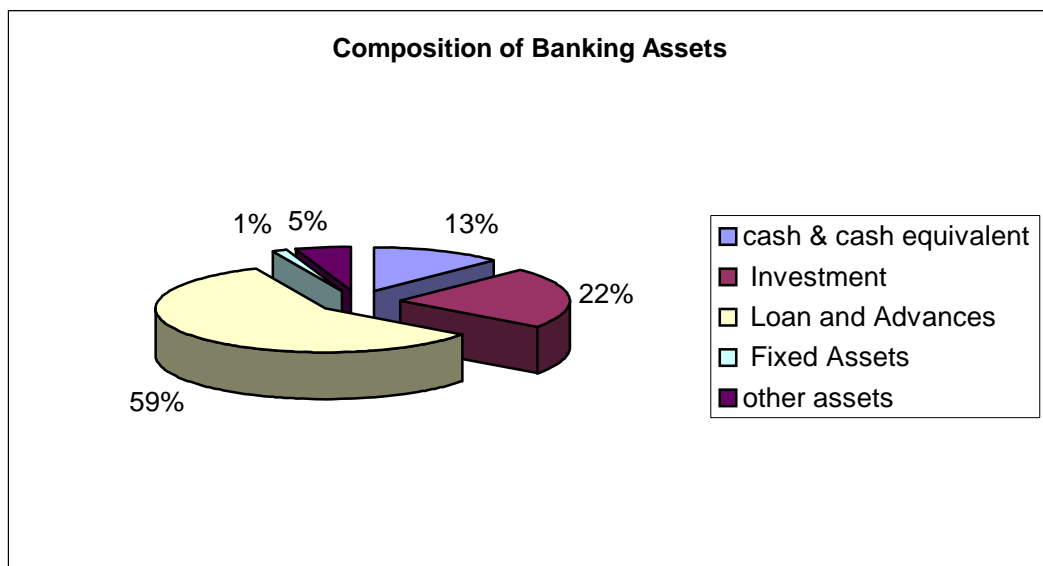
*Source: Annual Reports of 25 Commercial Banks '2007/08'*



## 5.2 Composition of Assets

The assets of the banking industry comprises of various assets, but is dominated by loans, which accounts for almost 59 percentage of the total assets. Thereafter, it is followed by investment (22%) and cash and bank balance (13%). Fixed assets and other assets have relatively low proportions, which comprise only 1 percentage and 5percentage of total assets respectively.

**Figure7: Composition of Assets (Mid July 2008)**



*Source: Annual Reports of 25 Commercial Banks '2007/08'*

## 5.3.Composition of Liabilities

The bank's liability consists of various forms of liability, primarily of share capital and reserves, deposits and borrowings. The deposits remained the main source of funding for the banking sector. As evident from the following table, the huge volumes (Rs.31.03 billion) of negative reserves of the public banks have negated the reserves of the entire banking industry.

There has been a substantial enhancement in the liabilities of the banking sector. The banks have been able to mobilize an additional deposit of Rs.94.2 billion during the year, on which the private banks contribution remained commendable. The private banks increased their deposits by Rs.74.76 billion whereas the public banks increased by only Rs.19.48 billion. The reasons behind this remarkable achievement of the private sector banks are increased number of private sector banks, giving roof to increased competition and improved service quality, and the increased confidence towards private sector banks. The use of other sources of funds in banking industry is very limited as financial market is confined to very limited instruments.

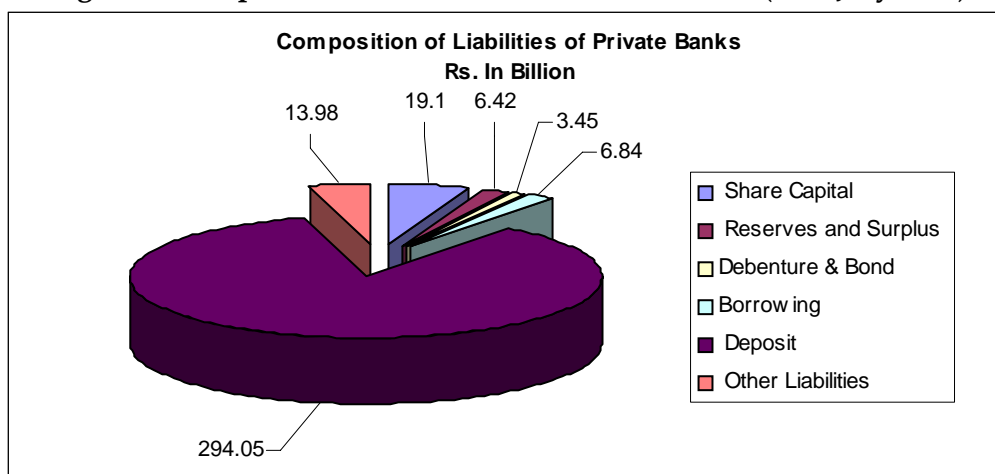
**Table 13: Composition of Liabilities (Mid July 2008)**

(Rs. in billion)

Capital and Liabilities	Public	Private	Industry
Share Capital	9.08	19.10	28.18
Reserves and Surplus	-31.03	6.42	-24.61
Debenture & Bond	0	3.45	3.45
Borrowing	4.41	6.84	11.25
Deposit	124.71	294.05	418.76
Other Liabilities	19.18	13.98	33.16
<b>Total Liabilities</b>	<b>126.35</b>	<b>343.84</b>	<b>470.19</b>

Source: Annual Reports of 25 Commercial Banks '2007/08'

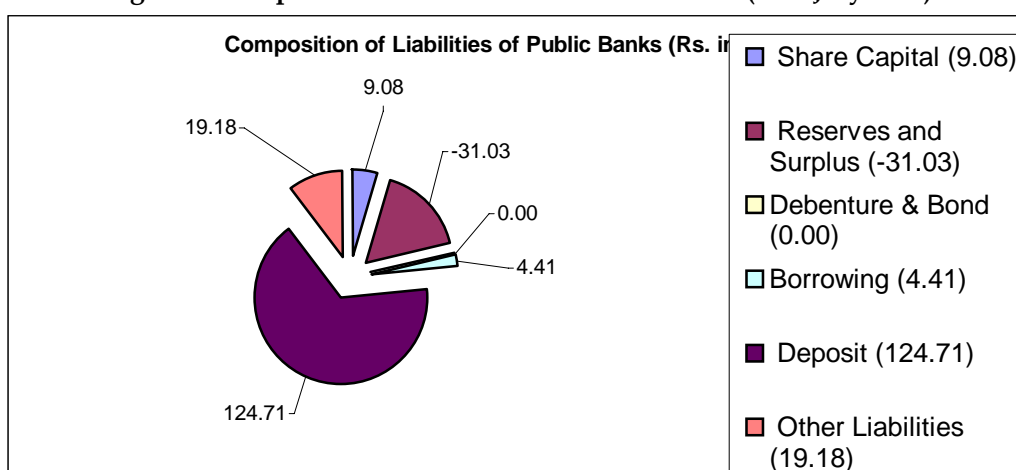
**Figure 8: Composition of Liabilities of Private Banks (Mid July 2008)**



Source: Annual Reports of 25 Commercial Banks '2007/08'

The analysis of the composition of liabilities of the private banks indicates a heavy concentration of Rs.294.05 billion (85.52%) on deposits, while the capital, borrowings and others account for Rs.19.10 billion (5.55%), Rs.6.84 billion (1.99%), and Rs.13.98 billion (4.07%) respectively.

**Figure 9: Composition of Liabilities of Public Banks (Mid July 2008)**



Source: Annual Reports of 25 Commercial Banks '2007/08'

The composition of liabilities of the public banks indicates a concentration of Rs.124.71 billion (98.70%) on deposits, while the capital, borrowings and others account for Rs.9.08 billion (7.19%), Rs.4.41 billion (3.49%), and Rs.19.18 billion (15.18%) respectively.

respectively. The reserve in public sector banks was hugely negative by Rs.31.03 billion which reduces the total size of the public sector assets significantly.

## 5.4 Capital

The consolidated capital of the Nepalese banking industry has shown positive trend during the review period. The capital has improved by Rs.15.36 billion (62.16%) from negative capital of Rs.10.05 billion to positive capital of Rs.5.32 billion in 2007/08. In the same year, the growth in capital of private sector banks was 79.06 %, whereas, it was 16.90% in case of public sector banks. However, due to the large volume of negative net worth of the public banks, the capital base of the industry was not up to satisfaction.

**Table 14: Trend of Capital Fund of the Banking Industry**

(Rs.in billion)									
Banks	2003/04	Change%	2004/05	Change%	2005/06	Change%	2006/07	Change%	2007/08
<b>Private</b>	10.46	32.70%	13.88	-2.36%	13.55	25.23%	14.25	79.06	25.51
<b>Public</b>	-30.72	9.51%	-27.8	9.65%	-25.12	-18.67%	-24.30	16.90	-20.20
<b>Industries</b>	-20.26	31.29%	-13.92	16.92%	-11.56	-70.06%	-10.05	62.16	5.32

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

The public banks due to their inherent problems and private banks due to big chunk of NPA have suffered from massive losses in the past, which still has heavy impact on the capital adequacy. Although, the public banks have started to improve their financial condition, it is a far cry from an acceptable standard. The public banks, due to their size, have a relatively significant degree of sensitivity to the entire industry's performance and their improvement has been echoed in the improvement of the entire industry's capital.

The review of the individual banks capital adequacy, as on Mid July 2007, reflects that most of the banks have complied with the statutory capital adequacy ratio of 11 percent. The banks with non-compliance are Rastriya Banijya Bank (-37.19%), Nepal Bank Ltd. (-35.46%), Nepal Bangladesh Bank Ltd. (-18.17%), Nepal Credit & Commerce Bank Ltd. (+2.35%), and Lumbini Bank Ltd. (+6.00%). The two banks with highest capital back-up were DCBL (33.96%) and NMB (29.92%) which are recently upgraded as commercial banks.. The capital adequacy of private sector banks has improved primarily because of the newly opened banks which minimum paid up capital requirement is Rs. 2 billion.

**Table 15 Capital Adequacies % of Commercial Banks (Mid July 2008)**

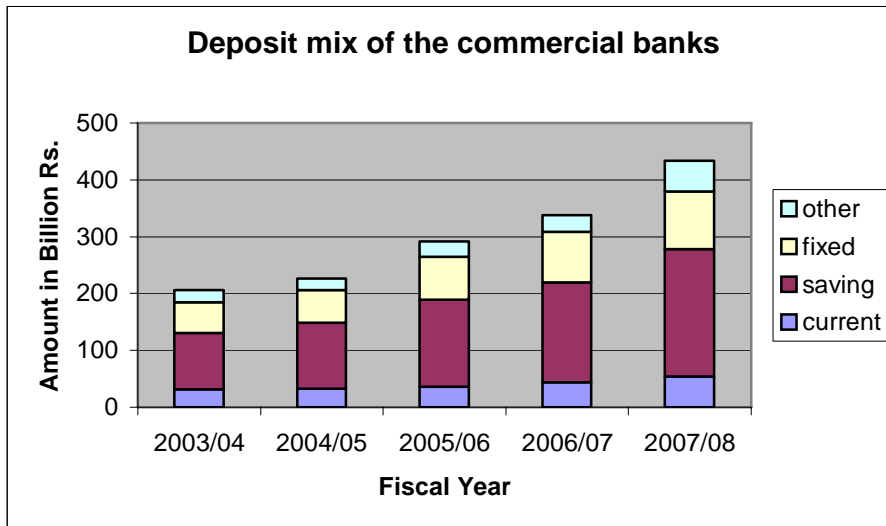
Capital	NBL	RBB	Nabil	NIB	SCBNL	HBL	NSBI	NBB	EBL
Core capital	-33.05	-38.17	8.75	7.71	12.15	9.64	9.97	-18.17	9.04
Total Capital Fund	-33.05	-38.17	11.1	11.28	14.00	12.70	12.32	-18.17	11.44
Capital	BOK	NCC	LBL	NIC	MBL	KBL	Laxmi	Siddartha	ADBN
Core capital	9.57	9.61	4.73	10.5	10.97	10.40	10.10	10.19	6.09
Total Capital Fund	11.94	11.09	6.00	13.11	12.29	14.41	11.17	11.14	11.41
Capital	Global	CTZN	Prime	BOA	Sunrise	DCBL	NMB		
Core capital	10.95	11.18	12.31	21.24	13.92	29.04	32.66		
Total Capital Fund	11.8	12.08	13.18	22.08	14.78	29.92	33.96		

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

## 5.5 Deposit

The total deposit of the banking sector was Rs.432.77 billion as on Mid July 2008. The deposits have increased by 26.84 percent in 2007/08 as compared to 30.05 percent in 2006/07. From the past many years, the saving deposits holds major proportion in total deposit structure of the industry.

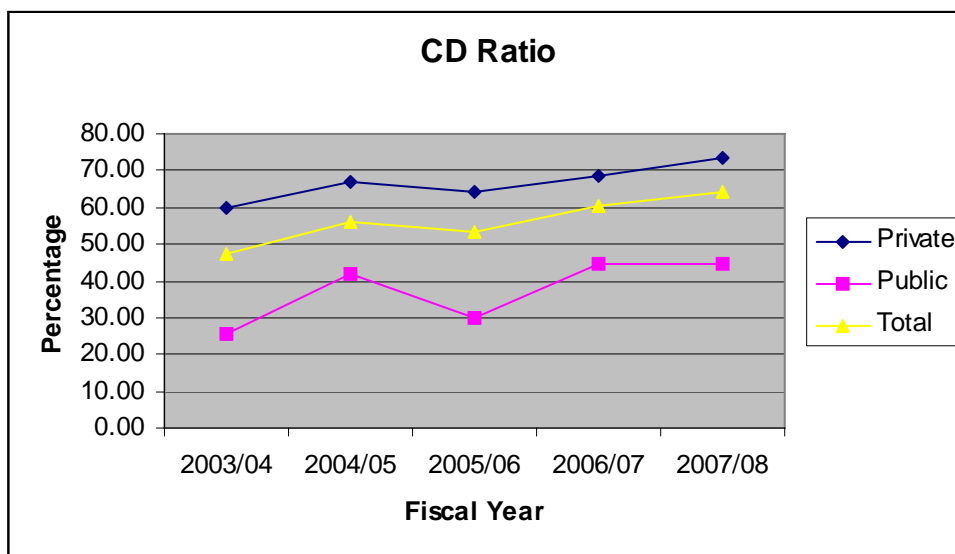
**Figure 10 Deposits Mix of the Banking Industry on Mid July 2008**



*Source: Annual Reports of 25 Commercial Banks '2007/08'*

The deposit of the banking industry has been dominated by the savings deposits and term deposits. The savings deposit accounts for Rs. 224 billion (51.61%) of total deposits followed by term deposits, which contributes Rs.101 billion (23.27%). In the total deposits, private banks have contributed Rs.294.05 billion (67.94%), while public banks have contributed Rs.138.72 billion (32.06%).

**Figure 11 Trend of Credit to Deposit Ratio (Mid July 2008)**



*Source: Annual Reports of 25 Commercial Banks '2007/08'*

Though the trend of credit to deposit ratio for last 5 years has been increasing, an exception was happened during year 2005/06. After that the CD ratio has continued to

grow which indicates a growing need of fund in the economy. The growing consumption of the fund and growing number of financial institutions in the country necessitate prudent risk management mechanism.

## 5.6 Loans and Advances

The total loans and advances dispersed by the banking industry on Mid July 2008 rose by 36.14 percentage as compared to previous year and reached to Rs.274.16 billion. The loans and advances of the public banks have increased by 14.31% and private banks by 43.46%. The credit flow of the private commercial banks is growing in increasing trend. Though the credit growth of public sector banks are not consistent still their credit is also increasing..

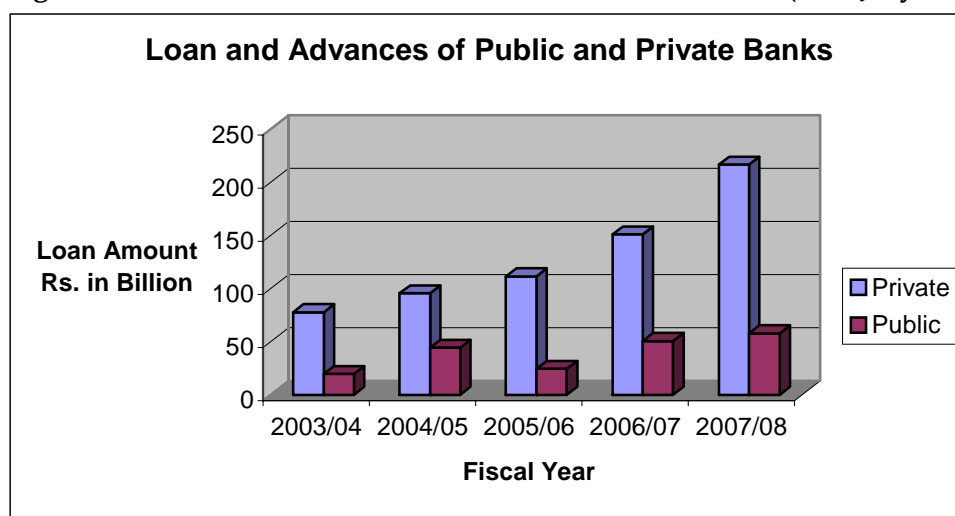
**Table16: Loans and Advances of the Banks**

(Rs .in billion)

Banks	2003/04	Change %	2004/05	Change %	2005/06	Change %	2006/07	Change %	2007/08
Private	77.79	22.97	95.66	16.52	111.46	35.29	150.79	43.46	216.33
Public	19.71	124.71	44.29	-44.86	24.42	107.17	50.59	14.31	57.83
Industry	97.50	43.54	139.95	-2.91	135.88	48.20	201.38	36.14	274.16

Source: Annual Reports of 25 Commercial Banks '2007/08'

**Figure 12 Loan and Advances of Public and Private Banks (Mid July 2008)**

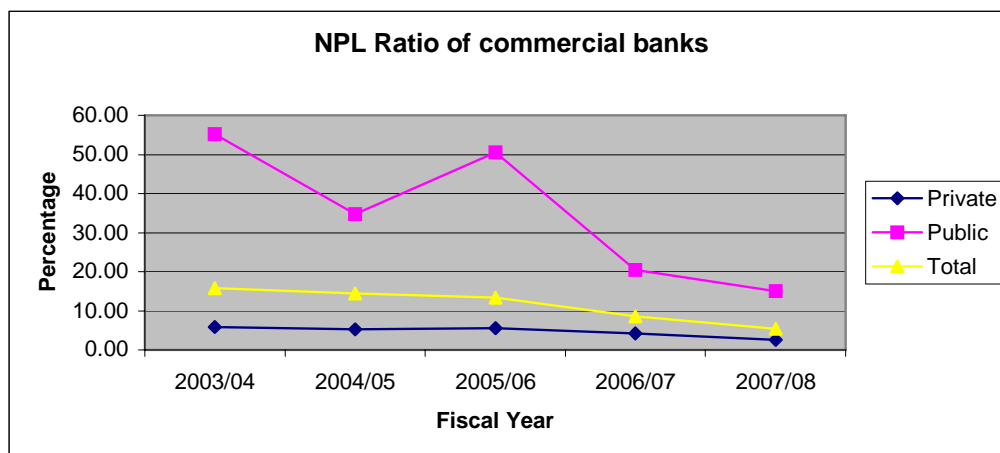


Source: Annual Reports of 25 Commercial Banks '2007/08'

The Nepalese Banking system is riddled with a significant amount of Non Performing assets (NPA). The total volume of NPA as on Mid July 2008 was Rs.20.47 billion, which was Rs.25.56 billion in the previous year. The NPL ratio of public sector banks has come down to 15.01 percent from 55.13 percent of year 2003/04. Similarly, the NPL ratio of private sector banks combined has also come down to 2.55 percent from 5.82 percent of year 2003/04. It is clearly evident from the following picture that the volume of Non Performing assets is on the decline while the total loans (shown in above table) are continuously increasing, thus resulting in a favorable proportion of Non Performing

assets. The NPA ratio of public banks, however, is still a long way from being at a satisfactory level.

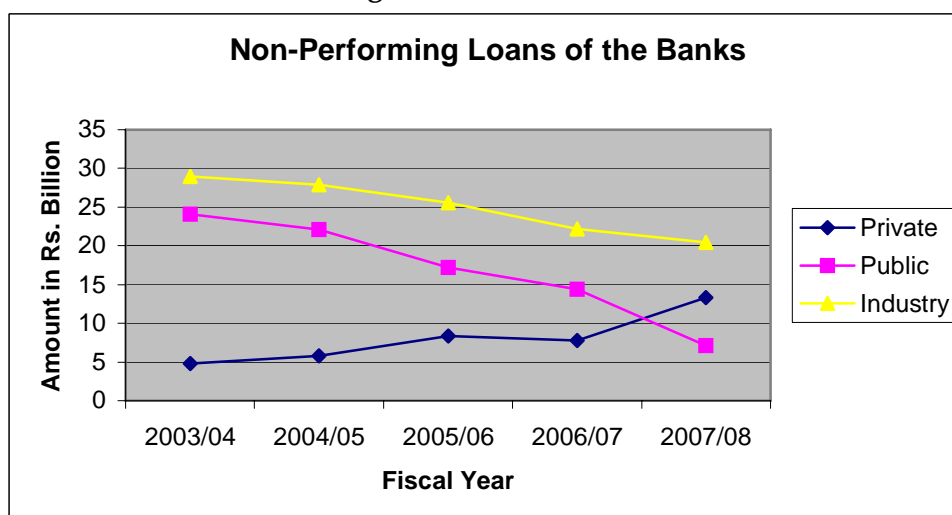
**Figure 13: Trends of NPL Ratio of CBs**



Source: Annual Reports of 25 Commercial Banks '2007/08'

With regard to quality of the loan portfolio of the individual banks, Nepal Bangladesh Bank (NPL-31.73%) followed by Rastriya Banijya Bank (21.43%), Nepal Credit & Commerce Bank (16.42%), Lumbini Bank Ltd. (14.92%), Nepal Bank Ltd. (12.38%), and Agriculture Development Bank (11.69%) hold double digit NPL. The volume of Non Performing assets, which was largely on account of the portfolio of the public banks last year, has switched to private banks in year 2007/08.

**Figure 14: NPL of CBs**



Source: Annual Reports of 25 Commercial Banks '2007/08'

**Table 17: Non-Performing Loans of the Banks**

Banks	(Rs. in billion)				
	2003/04	2004/05	2005/06	2006/07	2007/08
Private	4.82	5.82	8.38	7.81	13.33
Public	24.11	22.06	17.20	14.37	7.14
Industry	28.93	27.88	25.58	22.18	20.47

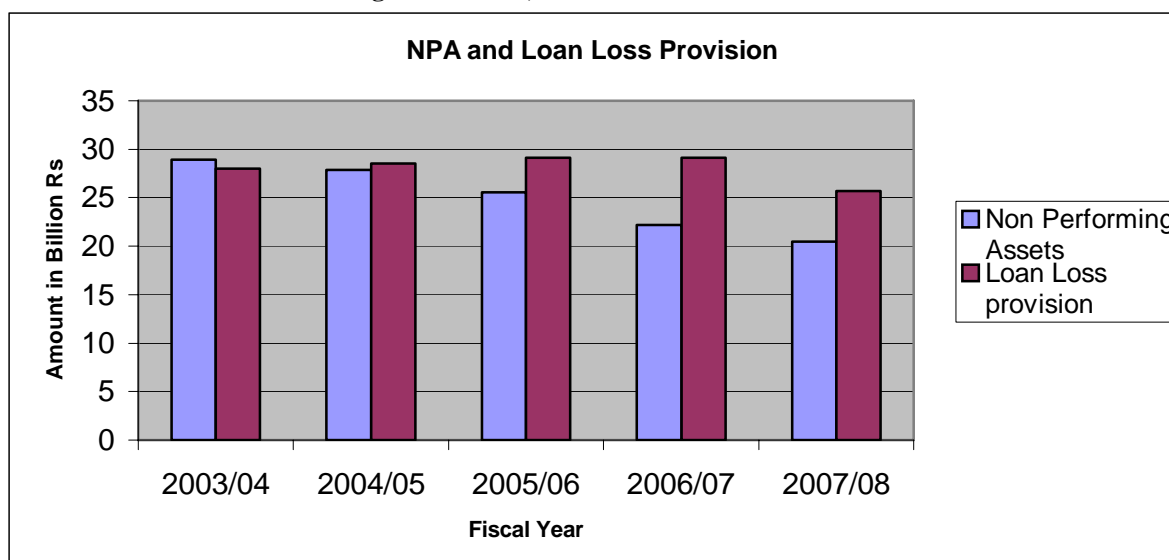
Source: Annual Reports of 25 Commercial Banks '2007/08'

Nepal Rastra Bank has prescribed a provision on all loan accounts of the banks, which escalates as the quality of the loan deteriorates. The banks are required to create loan loss provisions on the gross value of outstanding loans, rather than on the net loans, and they are not allowed the relaxation in terms of the value of the collaterals.

The banks, thus, have to create provisions in accordance to the quality of their loan portfolios. So, the public banks with large volumes of Non Performing assets have large provisions in their balance sheets while the provisions of the private banks (except NBBL, NCCL, and LBL) are relatively lower.

After the reform program was initiated in the public banks, the volume of NPA, both gross as well as net has come down, significantly. The loan loss provision being higher than non-performing assets indicates that the proportion of good loan is getting higher in the total credit portfolio and non-performing loans are getting lower.

**Figure 15: NPA, Total Loan Loss Provision**

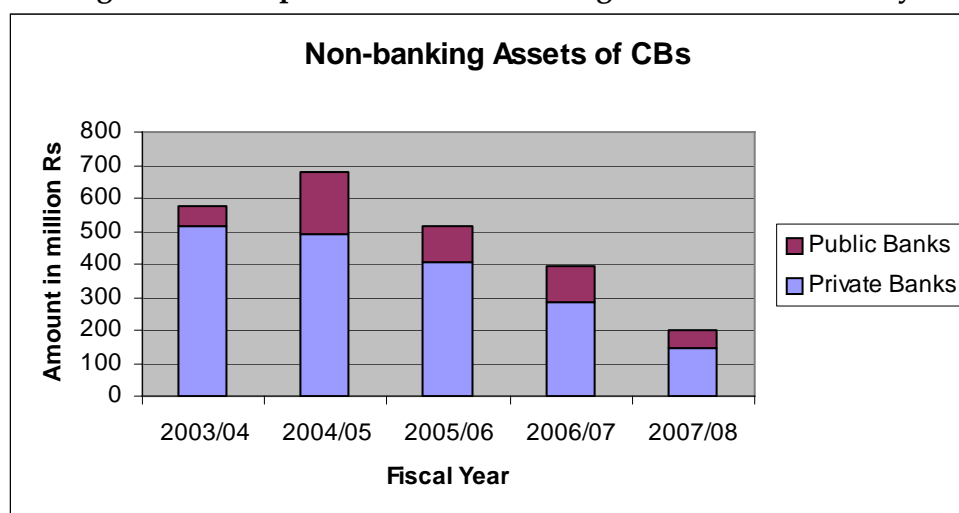


*Source: Annual Reports of 25 Commercial Banks '2007/08'*

## 5.7 Non Banking Assets

The assets that are taken over by the bank towards the recovery in respect of the default by the borrower are classified as Non Banking Assets. The total amount of such assets on Mid July 2008 was Rs. 0.2 billion, which was 0.4 billion last year. The large chunk of these assets relate to the private banks, which is also a reflection of better recovery procedures in these banks in relation to the public banks.

**Figure 16: Composition of Non Banking Assets of the Industry**

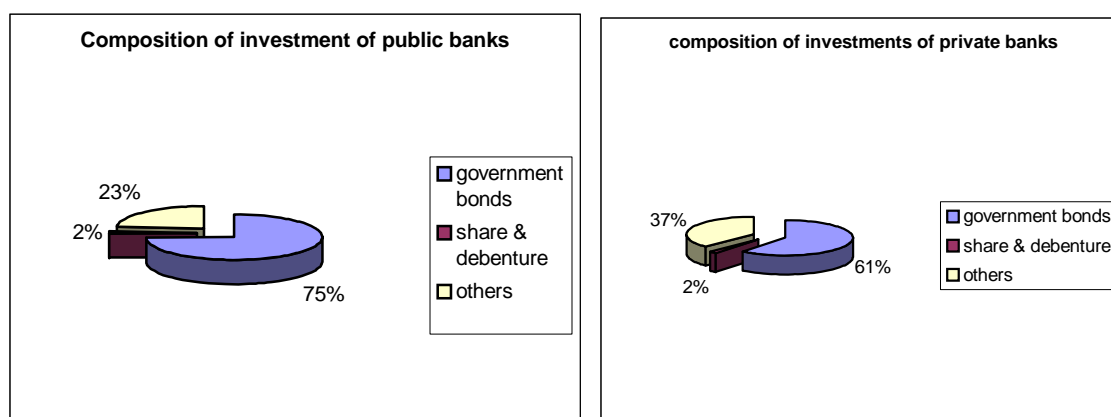


Source: Annual Reports of 25 Commercial Banks '2007/08'

## 5.8 Investment

The investment activities of the Nepalese banks can be very limitedly classified, as there have been limited financial instruments. The banks have been predominantly investing in the government securities like the treasury bills and government bonds. This investment in government securities is for the liquidity benefit it offers. The other areas of investment include inter-bank placement and investment in shares and debentures.

**Figure 17: Composition of Investment (Mid July 2008)**



Source: Annual Reports of 25 Commercial Banks '2007/08'

The total investment has increased by 8.99 percent on Mid July 2008 in the banking industry as compared to previous year. The total volume of the investment as on Mid July 2008 was Rs.104.84 billion. The analysis of the composition of the investment of the public banks indicates a heavy concentration of 75 percent in the form of Government Bonds while the private sector banks shows only 61 percent in such bonds. Similarly, investment on shares & debentures is 2 percent in both and on other instruments is 23 percent and 37 percent respectively and public and private banks. Banks are not



allowed to invest in the shares and debentures of the Banks and the Financial Institutions but still their investment exists in this regard.

## 5.9 Earnings

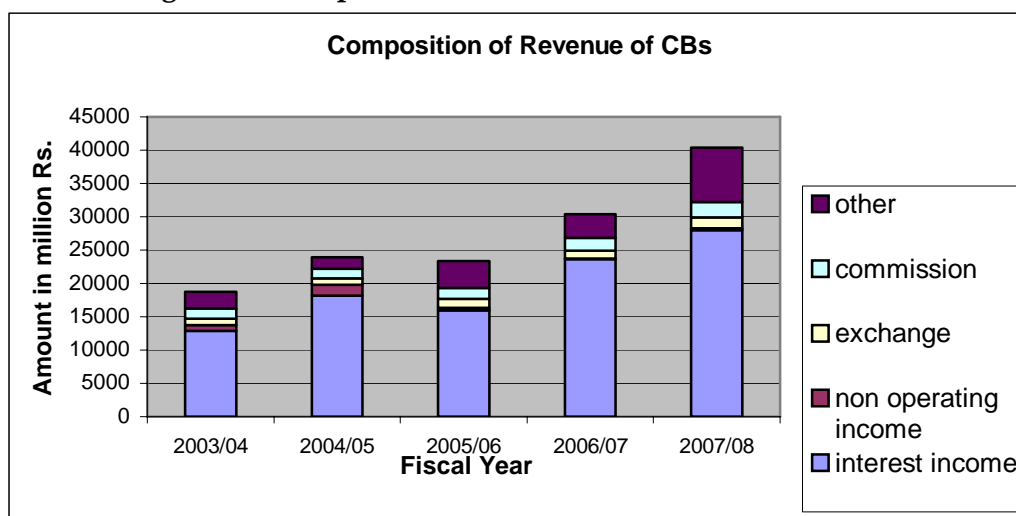
Net profit of the banking industry in the year 2007/08 was Rs.9.07 billion, which was Rs.5.72 billion in the previous year. This represents an increase of Rs.3.35 billion during the year. The trend of non-operating income is also increasing

All banks, except Sunrise Bank Limited managed to earn profits during the year. Rastriya Banijya Bank has lead the whole banking industry in terms of highest profit during the year, which was Rs.1.77 billion. Another public sector bank, Nepal Bank Limited, which was one of the two best profit making banks in the previous year has not been able to maintain its last year's position and had only Rs.0.24 billion of profit.

Till 2002/03, the Nepalese banking industry was unprofitable because of the performance of two public banks. However, their performance after the reform process has provided favorable results in terms of their profitability and the profitability of the industry, as a whole. The banks have managed to achieve profitability through higher interest income and minimization of costs. Their performance has increased the interest spread of the entire banking industry.

The revenue of the banks is dominated by the interest income, which contributes close to three quarters of the total revenue of the banks. During 2007/08, the total interest income of the banks was Rs.28.02 billion out of total revenue of Rs.40.38 billion, which amounts to 69.39 percent. Besides, the interest income, other major source of income is commission and discount, exchange income and other income. The trend that has been noticed is that the proportion of interest income on total revenue is decreasing as banks are focusing much on near bank activities compare to previous years.

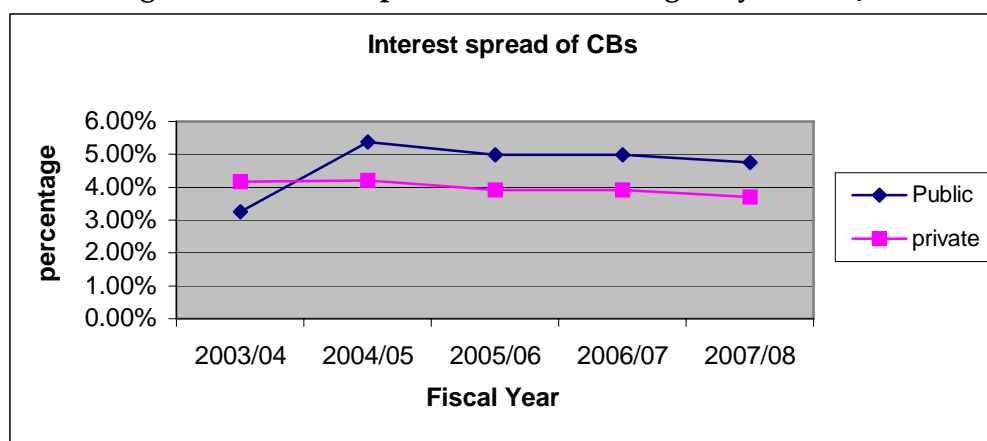
**Figure 18: Composition of Revenue of Commercial Banks**



Source: Annual Reports of 25 Commercial Banks '2007/08'

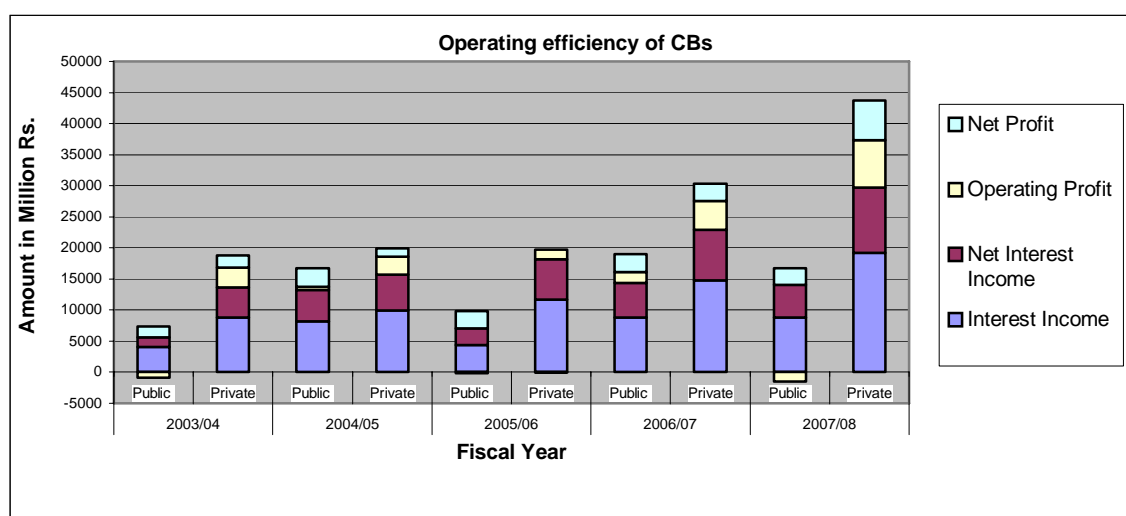
The backbone of profitability is the net interest income of the banks, computed as the surplus of interest income over the interest expenses. All of the banks, during 2007/08, have been able to attain positive net interest income. The banks except ADBN and Sunrise Bank Limited have positive operating profits. The ADBN has substantial amount of staff expenses (Rs.1.85 billion) and loan loss provisions (Rs.2.68 billion), leading the bank to huge operating loss. Sunrise Bank Limited, a newly established bank has negligible operating loss. The weighted average spread of the public sector banks had come down to 4.75 percent from 4.99 percent. Similarly, the spread in private sector banks had been 3.70 percent from 3.91 percent. The narrowing interest spread of both public and private sector banks signifies that the banks are becoming more and more efficient in terms of providing services to the public. The declining spread means either the higher interest on deposit or lower interest on lending. In both of the cases, the banks have to be competitive enough to maintain or enhance profitability.

**Figure 19: Interest Spread of Banks during the year 2007/08**



Source: Annual Reports of 25 Commercial Banks '2007/08'

**Figure 19: Operating Efficiency of Banks during the year 2007/08**



Source: Annual Reports of 25 Commercial Banks '2007/08'

## 5.10 Liquidity

The banks capacity to honor the demand for payment by its depositors and other commitments on stipulated time is known as liquidity of the bank. In order to be prompt in such payments, banks maintain certain volume of liquid assets based on the size and volume of their business operation and the probability of withdrawals. The banking industry's liquid assets (including the investment in government security) have registered a growth of 19.44 percent in 2007/08 compare to its 16.13% growth of previous year. The growth in the deposit liabilities of the industry during the same period has been 89.32 percent compare to 15.41 percent of the previous year. The proportion of liquid assets to total deposits, as on Mid July 2008, was 20.22 percent, which was 32.05 percent in year 2006/07 and 36.23 percent in the year 2003/04. The decreasing trend of the ratio in the past five years shows the weakening liquidity of the banking industry.

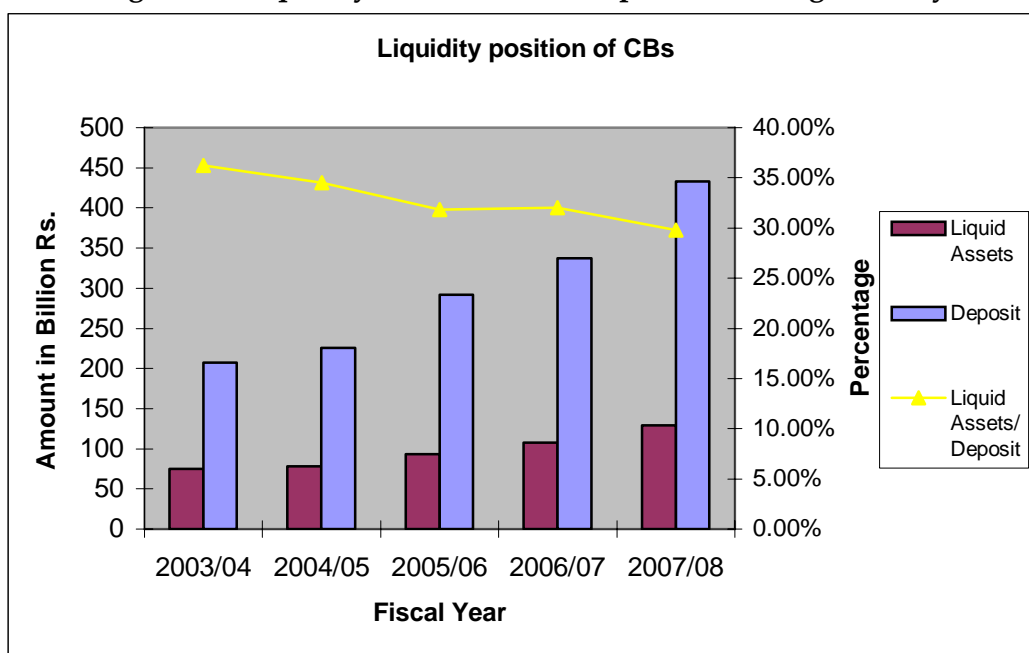
**Table 18: Movement in the Liquid Assets of the Banks**

(Rs. In billion)					
Components	2003/04	2004/05	2005/06	2006/07	2007/08
Liquid Assets	75	78	93	108	129
Deposit	207	226	292	337	433
Liquid Assets/Deposit	36.23%	34.51%	31.85%	32.05%	29.79%

Source: Annual Reports of 25 Commercial Banks '2007/08'

The picture below also shows the deteriorating liquidity of the banking industry. The red bar lines are almost constant but the total deposit has drastically increased in the year 2007/08. Similarly, the downward liquid assets to deposit curve also shows the degrading liquidity.

**Figure-20: Liquidity Position of the Nepalese Banking Industry**



Source: Annual Reports of 25 Commercial Banks '2007/08'

## CHAPTER 6

# Emerging Challenges in Banking Supervision

### 6.1 The role of bank supervisors becomes increasingly challenging

In the last two decades, we have witnessed dramatic changes both in banking practice and in banking regulation and supervision. There have been more banking crises in the last two decades than ever before and their consequences have been more far-reaching than ever before; banking has become the key generator of development but at the same time the key generator of crises.

The subprime mortgage crisis has appeared as a financial turmoil triggered by a dramatic rise in mortgage delinquencies and foreclosures in the United States, with major adverse consequences for banks and financial markets around the globe. The crisis became apparent in 2007 and has exposed pervasive weaknesses in financial industry regulation and the global financial system. Due to the current financial crisis, banks and financial institutions suddenly lost a large part of their value thereby experiencing banking Panics, stock market crashes, bursting of financial bubbles, currency crisis and sovereign defaults and consequently creating many challenges to the supervisors and regulators around the globe.

Banks have always held the dominant position in the Nepalese financial system. They provide the backbone of the payment systems and are the main conduit of monetary policy. The huge leverage with which they operate and the nature of their balance sheet, comprising short term liabilities and relatively longer term assets, expose them to a variety of risks, including credit, liquidity, interest rate and currency risks. They are also subject to operational risks like fraud and abuse. Above all, because banks operate on trust, a slip in confidence could generate huge contagion effect and trigger runs and failures with disruptive consequences for the whole economy.

Our success in dealing with the current crisis will be measured largely by the restoration of public trust and confidence in financial markets and the financial system. Going forward, regulators will strive to find the right balance between regulation and market innovation. This section outlines some of the current trends that have created challenges for NRB as a regulator and supervisor.

### 6.2 Implementation of Basel II

One of the key challenges for supervisors is to find ways to manage risks adequately. NRB has to ensure the prudential soundness of financial institutions and the stability of the system at large but has to avoid discouraging innovation and limiting the growth potential of the institutions concerned. This requires well-calibrated rules, active supervision and judgment.

The challenge of ensuring compliance with the international supervisory norms and standards is intense. In line with the international developments, Nepal Rastra Bank

has issued a new Capital Framework 2007 in line with Basel II. All commercial banks have been directed to review their risks, reclassify their assets portfolio and strengthen their internal control system, it is also important that Nepal Rastra Bank makes sure that the financial system at large operates stably with adequate provisions and allowances for future risks, ensuring less disruption in the system in case of disaster and financial stress. Meanwhile, NRB has to insure that the provisions of international standards including financial reporting standards are being followed, except in areas where local rules and regulation prevail. Besides, it is also essential that the disclosure requirements of the banks are adequate and in compliance with international financial reporting standards.

### **6.3 Compliance of Basel Core Principles**

Nepal Rastra Bank, as a supervisor of banks and financial institutions in Nepal, has conducted a self assessment of Basel core principles for effective supervision. Still, there are some conditions where NRB has to make effort to be fully complied with. For complying fully with Basel Core Principles, the assessment report has given some preconditions, including a sound legal system with strong enforcement of laws and rules associated thereto, bankruptcy, collateral and loan recovery, financial transparency, effective corporate governance in Nepalese banking industries, establishment of institutions such as Assets Management Companies, Credit Rating Agencies, Banks for Infrastructure Development, Deposit Insurance Fund and a setting a climate for foreign Bank Branches.

Although supervisory practices and processes are always evolving and improving over time, it is helpful to subject supervisory arrangements to scrutiny against internationally accepted benchmarks, and to consider where improvements can be made.

### **6.4 Proliferation and Expansion of banking services**

In recent years, banking products have multiplied and banking operations have become much more complex; combinations of banking, capital market operations and insurance under common ownership have become more and more frequent; new technologies have changed banking methods globally.

With the number of market players in the rise, the competition has been obviously growing in the banking industry. Banks are gradually expanding their service products and starting to realize that, in today's competitive banking environment, exemplary customer service is one of the distinguishing characteristics that banks can exploit to establish a competitive edge. To remain competitive and profitable, they should continually search for new services that will attract more customers and help them retain existing ones. Banks are therefore, looking to develop innovative products and services in the area of capital markets, insurance, derivative market, e-banking and

liquidity management to maintain superior customer service levels while at the same time remaining profitable.

Nepalese banks will have more complicated edge after foreign banks are allowed to open branches in Nepal. With the entry of foreign banks, the gradual development of derivative markets and access of Nepalese commercial banks in the global market may require more attention of supervisors. While carrying two different objectives of control and growth, NRB as a monetary authority and supervisor has to address the banks and financial institutions to conduct their business within manageable level of their risk appetite.

## **6.5 Public Banks and Dual Banking System**

One of the challenges faced by supervisors in the emerging economy like ours is the Government's ownership and control over banks. The government owned banks have been performing dual banking services: commercial and development. Wide spread of their branches have helped to promote banking to the remote villages of this country, which has helped a lot to provide financial access to the poor. Since the deposit of these banks only is nearly one third of the deposit of the whole banking industry, these banks are too big to fail. Lack of adequate internal control, traditional way of management, government intervention in the management, poor MIS etc are some other challenges to these banks. These banks are run with heavy accumulated loss and negative reserves.

## **6.6 Registration of Charges and Multi-banking**

In the case of working capital commercial loans, borrowers provide hypothecation of movable properties like stocks and receivables as collateral/security for the facilities. The volume of loans extended against the security of hypothecated loan is growing at a rapid pace. Lack of debt register for movable properties in Nepal is another challenge for supervisor. Earlier, the banks used to demand high quality of collaterals from the borrowers. Now, as the competition is rising, the borrowers are more assertive and the nature of security provided by them is movable. The borrowers availing such kind of facility tend to provide a written document stating that the goods are hypothecated to so and so bank. However, there is no concrete evidence that they are indeed hypothecated to the said bank, as, in Nepal, there was no legal provision regarding the registration of charges. Secured Transaction Act was enacted but not enforced yet. In the present context, the borrower is also likely to obtain finance from two or more than two banks, against the same security.

## **6.7 Lack of Rating Agency**

Credit Rating Agencies compile information and issue public credit ratings for a large number of companies. Credit ratings are used by investors, issuers, banks, broker-dealers, and governments. For investors, credit rating agencies increase the range of investment alternatives and provide independent, easy-to-use measurements of relative credit risk; this generally increases the efficiency of the market, lowering costs for both

borrowers and lenders. This in turn increases the total supply of risk capital in the economy, leading to stronger growth. It also opens the capital markets to categories of borrower who might otherwise be shut out. altogether: small governments, startup companies, hospitals, and universities. Regulators use credit ratings as well, or permit ratings to be used for regulatory purposes. However, the lack of credit rating agency in Nepal has minimise the sharing of credit information and rating of the borrower and issue which is useful to the supervisor.

## **6.8 Enhancing Supervisory Capacity**

As risk-based and proactive supervision is a necessary requirement for the effective implementation of the new capital accord, additional resources need to be devoted to attain a significant upgrading of expertise and skills among staff of supervisory authorities. The banking industry is continuously evolving and number of financial institutions is increasing. In order to deliver an effective supervision in such a scenario, it is vital that supervisors are competent and adept in their work. The dynamic state of banking epitomizes the importance of the competency and skills of the supervisor. Realizing this, Bank Supervision Department has been providing various prospects for honing the skills of the supervisors through participations in trainings, seminars both at national and international level. The capacity building is a continuous exercise and efforts should be made to ensure that supervisors are not just adept to meet the challenge of today, but for tomorrow as well. Nepal Rastra Bank has a challenge to improve the capacity of supervisors to identify risks while curbing excessive leverage and level of risk taking.

## **6.9 Enhancing Coordination among various economic sectors**

The goal of NRB as a financial regulator is to ensure that financial institutions operate in a safe and sound manner as they conduct their business. Regulators and supervisors, like NRB, need a macro-prudential approach focusing on whole system risks, rather than only on risks at the individual institution level. This will require regulators of all sectors in economy to work in partnership, both at national and international level, to analyze trends in credit growth in whole system and the inter-linkages between the different parts in banks and financial institutions. NRB has been co-coordinating a High Level Co-ordination Committee that comprises regulators from various banking and near banking institutions like NRB, securities board, insurance board, company registrar, and ministry of Finance. During the review period, the committee has met and discussed on various issues relating to capital markets including promoters share. However, the time has arrived for the regulators of all sectors to meet more frequently asuming higher responsibility and with a broadened scope of such committee.

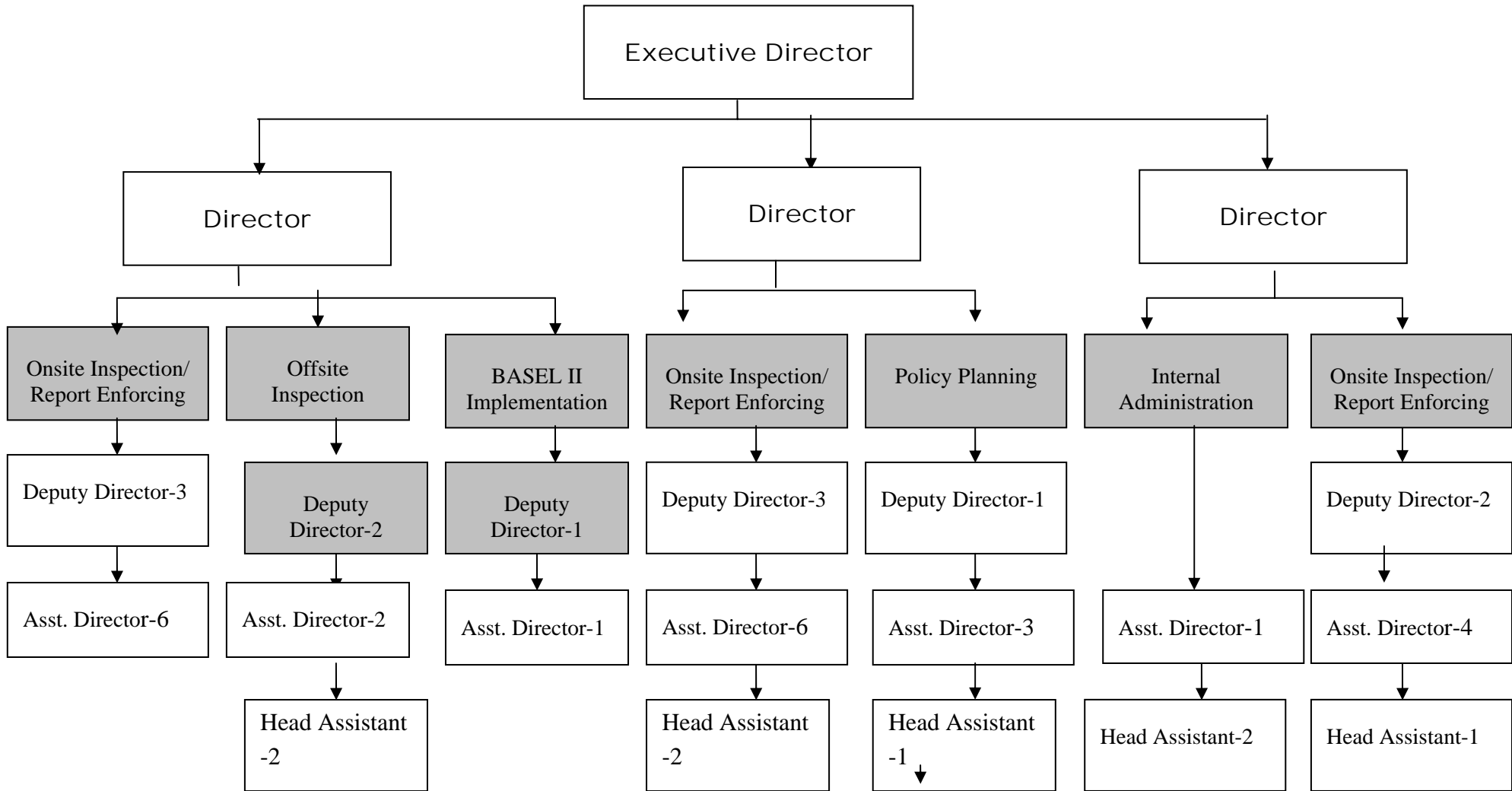
**Appendix: 1**  
**Trainings and Seminars for Bank Supervisors in 2007/08**

<b>S. No.</b>	<b>Program</b>	<b>Organizer</b>	<b>Participants</b>	<b>Duration</b>	<b>Country</b>
1	2nd SEACEN Research Workshop	SEACEN	1	6 Days	Malaysia
2	Regional Seminar on Bank Analysis and Examination School	ADB	1	13 Days	Indonesia
3	Macro-economic Diagnosis	IMF-STI	1	10 Days	Singapore
4	Women Empowerment	APRACA	1	5 Days	Philippines
5	16th SEACEN Regional Seminar for Bank Supervisors and Regulators	SEACEN	1	8 Days	Brunei
6	Financial Soundness Indicators	IMF-STI	1	16 Days	Singapore
7	AG Implementation Issue	APG-World Bank	1	8 Days	Malaysia
8	International Seminar on Core Principles for Effective Banking Supervision	RBI	1	8 Days	India
9	Central Bank Regulation and Supervision	AIT Extension	2	8 Days	Thailand
10	Internal Audit	AIT Extension	1	8 Days	Thailand
11	General Banking	AIT Extension	2	8 Days	Thailand
12	Financial Management	AIT Extension	1	8 Days	Thailand
13	Bank Regulation and Supervision	AIT Extension	1	8 Days	Thailand
	<b>Total</b>		<b>15</b>		

*Source: Bank Supervision Department, Nepal Rastra Bank*



**Appendix: 2**  
**Organization Chart of Bank Supervision Department**



**Appendix: 3**  
**Useful Web links for Supervisors**

Name of Agency	Web address
Australian Prudential Regulatory Authority	<a href="http://www.apra.gov.au">www.apra.gov.au</a>
Asian Development Bank	<a href="http://www.adb.org">www.adb.org</a>
Association for financial professionals	<a href="http://www.afponline.org">www.afponline.org</a>
American Bankers Association	<a href="http://www.aba.com">www.aba.com</a>
Association of German Banks	<a href="http://www.german-banks.com">www.german-banks.com</a>
Asian Clearing Union	<a href="http://www.asianclearingunion.org">www.asianclearingunion.org</a>
Bank Administration Institute (BAI)	<a href="http://www.bai.org">www.bai.org</a>
Banking Federation of the European Union	<a href="http://www.fbe.be">www.fbe.be</a>
Bank for International Settlement	<a href="http://www.bis.org">www.bis.org</a>
Bank Negara Malaysia	<a href="http://www.bnm.gov.my">www.bnm.gov.my</a>
Conference of State Bank Supervisors, USA	<a href="http://www.csbsdal.org">www.csbsdal.org</a>
Canada Deposit Insurance Corporation	<a href="http://www.cdic.ca">www.cdic.ca</a>
China Banking Regulatory Commission	<a href="http://www.cbrc.gov.cn">www.cbrc.gov.cn</a>
European Committee for Banking Standards (ECBS)	<a href="http://www.ecbs.org">www.ecbs.org</a>
European Bank for Reconstruction and Development	<a href="http://www.ebrd.org">www.ebrd.org</a>
Financial Services Authority UK	<a href="http://www.fsa.gov.uk">www.fsa.gov.uk</a>
Federal Reserve Board USA	<a href="http://www.federalreserve.gov">www.federalreserve.gov</a>
Federal Reserve Bank Boston	<a href="http://www.bos.frb.org">www.bos.frb.org</a>
Federal Reserve Bank St. Louis	<a href="http://www.stls.frb.org">www.stls.frb.org</a>
Federal Reserve Bank Kansas City	<a href="http://www.kc.frb.org">www.kc.frb.org</a>
Federal Reserve Bank Philadelphia	<a href="http://www.phil.frb.org">www.phil.frb.org</a>
Federal Reserve Bank Minneapolis	<a href="http://woodrow.mpls.frb.fed.us">woodrow.mpls.frb.fed.us</a>
Federal Reserve Bank San Francisco	<a href="http://www.frbsf.org">www.frbsf.org</a>
Federal Reserve Bank Richmond	<a href="http://www.richmondfed.org">www.richmondfed.org</a>
Federal Reserve Bank Atlanta	<a href="http://www.frbatlanta.org">www.frbatlanta.org</a>
Federal Reserve Bank New York	<a href="http://www.newyorkfed.org">www.newyorkfed.org</a>
Federal Reserve Bank Dallas	<a href="http://www.dallasfed.org">www.dallasfed.org</a>
Federal Reserve Bank Cleveland	<a href="http://www.clevelandfed.org">www.clevelandfed.org</a>
Federal Deposit Insurance Corporation, USA	<a href="http://www.fdic.gov">www.fdic.gov</a>
Federal Financial Institutions Examination Council, USA	<a href="http://www.ffiec.gov">www.ffiec.gov</a>
Financial Services Agency, Japan	<a href="http://www.fsa.go.jp">www.fsa.go.jp</a>
International Accounting Standard Board	<a href="http://www.iasb.org">www.iasb.org</a>
International Monetary Fund (IMF)	<a href="http://www.imf.org">www.imf.org</a>
Korea Financial Supervisory Commission	<a href="http://www.fsc.go.kr">www.fsc.go.kr</a>
Monetary Authority of Singapore	<a href="http://www.mas.gov.sg">www.mas.gov.sg</a>
Office of the superintendent of financial institutions, Canada	<a href="http://www.osfi-bsif.gc.ca">www.osfi-bsif.gc.ca</a>
Office of the Comptroller of the Currency, USA	<a href="http://www.occ.treas.gov">www.occ.treas.gov</a>
Reserve Bank of India	<a href="http://www.rbi.org.in">www.rbi.org.in</a>
SEACEN Center, Malaysia	<a href="http://www.seacen.org">www.seacen.org</a>
The Risk Management Association, USA	<a href="http://www.rmahq.org">www.rmahq.org</a>
World Bank Group	<a href="http://www.worldbank.org">www.worldbank.org</a>

**Appendix 4**  
**Excerpts of Audited Financial Statements of Commercial Banks**

**1. Nepal Bank Limited**

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	380,383	380,383	380,383	380,383	380,383
Reserves and Surplus	-9,394,908	-7,805,928	-6,681,838	-6,627,898	-6,388,684
Debenture & Bond	0	0	0	0	0
Borrowing	0	1,247,065	1,717,442	1,604,868	182,0089
Deposit	35,735,045	35,934,163	35,829,765	39,014,204	41,829,391
Bills Payable	31,427	417,788	100,984	60,726	52,342
Proposed & Payable dividend	1,124	1,121	1,115	2,083	2,067
Tax Liabilities	0	0	0	0	0
Other Liabilities	17,408,810	16,870,562	4,571,054	4,824,427	4,357,856
<b>Total Liabilities</b>	<b>44,161,881</b>	<b>47,045,154</b>	<b>35,918,905</b>	<b>39,258,793</b>	<b>42,053,444</b>
Cash Balance	1,010,231	1,069,614	1,110,953	1,086,067	1,181,792
Balance with NRB	4,232,386	4,508,554	5,353,964	5,224,859	44,306,41
Balance with Banks	618,452	581,170	709,140	806,367	1,004,559
Money At call	751,995	550,000	0	200,000	0
Investment	11,004,820	14,199,216	14,490,247	16,072,180	16,570,755
Loan and Advances	8,881,824	8,218,909	9,756,163	11,058,478	13,251,963
Fixed Assets	195,047	187,085	191,706	205,768	207,528
Non- Banking Assets	5,690	1,948	7,982	0.00	0
Other Assets	17,461,436	17,728,658	4,298,750	4,605,074	5,406,206
<b>Total Assets</b>	<b>44,161,881</b>	<b>47,045,154</b>	<b>35,918,905</b>	<b>39,258,793</b>	<b>42,053,444</b>
Interest Income	1,825,041	1,987,119	2,049,030	1,848,612	2,094,906
Interest Expenses	1,025,533	748,953	774,325	772,644	772,657
<b>Net Interest Income</b>	<b>799,508</b>	<b>1,238,166</b>	<b>1,274,705</b>	<b>1,075,968</b>	<b>1,322,249</b>
Commission and discount	231,916	188,421	177,784	181,019	229,724
Other Operating Income	101,590	134,725	140,843	287,648	157,432
Exchange Income	71,815	1,369	121,337	0	119,407
<b>Total Operating Income</b>	<b>1,204,829</b>	<b>1,562,681</b>	<b>1,714,669</b>	<b>1,544,635</b>	<b>1,828,812</b>
Employees Expenses	1,848,846	1,064,352	1,067,634	1,125,224	1,346,824
Other Operating Expenses	299,060	206,419	428,651	258,554	259,786
Exchange Loss	0	0	0	46,279	0
<b>Operating Profit Before</b>	<b>-943,077</b>	<b>291,910</b>	<b>218,384</b>	<b>114,578</b>	<b>222,202</b>
Provisions for possible losses	18,522	180,541	607,483	80,376	258,572
<b>Operating Profit</b>	<b>-961,599</b>	<b>111,369</b>	<b>-389,099</b>	<b>34,202</b>	<b>-36,370</b>
Non-Operating Income/ Expenses	645,528	1,451,459	22,905	50,389	67,942
Return From Loan Loss Provision	1,105,394	408,199	1,813,642	0	134,362
<b>Profit From Ordinary activities</b>	<b>789,323</b>	<b>1,971,027</b>	<b>1,447,448</b>	<b>84,591</b>	<b>165,934</b>
Extra ordinary Income /Expenses	0	-240,897	-119,457	165,057	179,996
<b>Net Profit including all activities</b>	<b>789,323</b>	<b>1,730,130</b>	<b>1,327,991</b>	<b>249,648</b>	<b>345,930</b>
Provision For Staff Bonus	78,932	0	120,726	22,695	31,448
Provision For Income Tax	0	0	0	0	75,268
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>710,391</b>	<b>1,730,130</b>	<b>1,207,265</b>	<b>226,953</b>	<b>239,214</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	-31.71	-25.06	-40.44	-37.97	-33.05
Capital Fund to Risk Weighted	-36.2	-29.53	-43.09	-38.83	-35.46
Non-Performing Loan to Total	52.07	49.64	18.18	13.49	12.38
Weighted Average Interest	3.16	4.4	3.16	4.51	4.82
Net Interest Income (Rs. in	799,508	1,238,166	1,274,705	1,075,968	1,322,249
Return on Assets	0.18	3.68	3.36	0.58	0.57
Credit to Deposit	50.2	46.94	34.72	35.26	37.69
Liquid Assets to Total Assets	38.96	38.23	65.69	47.56	42.94
Liquid Assets to Total Deposit	48.15	50.06	65.86	47.86	43.17

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 2. Rastriya Banijya Bank

(Rs. in '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	1,172,300	1,172,300	1,172,300	1172300	1172300
Reserves and Surplus	-22,610,203	(21,371,738)	-19890877	-18391801	-16632278
Debenture & Bond	0	0	0	0	0
Borrowing	79,966	4,217,813	4357727	2219603	2517009
Deposit	40,866,767	43,016,063	46195482	50464128	64340951
Bills Payable	24,486	39,718	40721	63707	68180
Proposed & Payable dividend	23,610	31,480	39350	47220	55090
Tax Liabilities	0	0	0	0	0
Other Liabilities	25,499,394	8,083,312	7964916	10564489	1783670
<b>Total Liabilities</b>	<b>45,056,320</b>	<b>35,188,948</b>	<b>39,879,619</b>	<b>46,139,646</b>	<b>53,304,922</b>
Cash Balance	1,007,240	1,621,786	1202152	1897762	8640723
Balance with NRB	5,599,263	3,325,243	3867105	3708616	
Balance with Banks	412,587	606,165	159565	197157	
Money At call	100,000	0	0	20000	550000
Investment	3,117,026	8,415,882	11555358	12650196	14443378
Loan and Advances	10,831,084	13,430,932	14633545	17328731	21202987
Fixed Assets	391,803	393,082	420849	439505	465553
Non- Banking Assets	50,549	186,939	97945	110137	51453
Other Assets	23,546,768	7,208,919	7943100	9787542	7950828
<b>Total Assets</b>	<b>45,056,320</b>	<b>35,188,948</b>	<b>39,879,619</b>	<b>46,139,646</b>	<b>53,304,922</b>
Interest Income	2,235,881	2,328,821	2282825	2356940	2708764
Interest Expenses	1,494,845	1,004,722	850136	942751	1025586
<b>Net Interest Income</b>	<b>741036</b>	<b>1324099</b>	<b>1432689</b>	<b>1414189</b>	<b>1683178</b>
Commission and discount	309,803	287,753	289578	343561	430618
Other Operating Income	146,384	115,669	109675	123249	157070
Exchange Income	15,740	13,612	73950	0	0
<b>Total Operating Income</b>	<b>1212963</b>	<b>1741133</b>	<b>1905892</b>	<b>1880999</b>	<b>2270866</b>
Employees Expenses	905,805	739,455	745187	789042	875656
Other Operating Expenses	230,229	234,349	288625	357753	329090
Exchange Loss	0	0	0	12933	30484
<b>Operating Profit Before Provision</b>	<b>76929</b>	<b>767329</b>	<b>872080</b>	<b>721271</b>	<b>1035636</b>
Provisions for possible losses	10,706	137,415	662879	386922	425542
<b>Operating Profit</b>	<b>66223</b>	<b>629914</b>	<b>209201</b>	<b>334349</b>	<b>610094</b>
Non-Operating Income/ Expenses	147,086	44,266	27233	31334	13872
Return From Loan Loss Provision	910,000	719,841	1515763	1224604	1134290
<b>Profit From Ordinary activities</b>	<b>1123309</b>	<b>1394021</b>	<b>1752197</b>	<b>1590287</b>	<b>1758256</b>
Extra ordinary Income /Expenses	0	(71,127)	-33390	155976	152018
<b>Net Profit including all activities</b>	<b>1123309</b>	<b>1322894</b>	<b>1718807</b>	<b>1746263</b>	<b>1910274</b>
Provision For Staff Bonus	83,208		127319	129353	141502
Provision For Income Tax	0	0	0	0	0
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>1040101</b>	<b>1322894</b>	<b>1591488</b>	<b>1616910</b>	<b>1768772</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	-43.13%	-34.12%	-56.25%	-44.40%	-38.17
Capital Fund to Risk Weighted	-41.98%	-33.76%	-55.54%	-43.53%	-37.19
Non-Performing Loan to Total Loan	57.64	50.7	37.09	28.63	21.43
Weighted Average Interest Spread	3.39	4.91	5.81	4.55	4.91
Net Interest Income (Rs. Thousand)	741036	1324099	1432689	1414189	1683178
Return on Assets	1.75	1.87	3.37	3.14	2.99
Credit to Deposit	61.43%	62.77%	50.32	49.10	47.26
Liquid Assets to Total Assets	22.28%	16.92%	35.33%	34.35	36.71
Liquid Assets to Total Deposit	24.56%	13.84%	30.53%	31.40	30.41

Source: Annual Reports of 25 Commercial Banks '2007/08'

### 3. Nabil Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	491,654	491,654	491,654	491,654	689216
Reserves and Surplus	990,028	1,165,984	1,383,340	1,565,395	1747983
Debenture & Bond	0	0	0	0	240000
Borrowing	229,660	17,062	173,202	882,573	1360000
Deposit	14,119,033	14,586,609	19,347,399	23,342,285	31915047
Bills Payable	173,499	119,753	112,607	83,515	238422
Proposed & Payable dividend	536,450	361,221	435,084	509,418	437373
Tax Liabilities	0	15,345	34,605	0	38777
Other Liabilities	205,162	428,702	352,080	378,553	465941
<b>Total Liabilities</b>	<b>16745486</b>	<b>17186330</b>	<b>22329971</b>	<b>27253393</b>	<b>37132759</b>
Cash Balance	286,886	146,353	237,819	270,407	511426
Balance With NRB	606,695	389,705	318,359	1,113,415	1829471
Bank Balance with Banks	76,905	23,323	74,061	16,003	330244
Money At call	918,733	868,428	1,734,902	563,533	1952361
Investment	5,835,948	4,267,233	6,178,533	8,945,311	9939771
Loan and Advances	8,189,993	10,586,170	12,922,543	15,545,779	21365053
Fixed Assets	338,126	361,235	319,086	286,895	598039
Non- Banking Assets	0	0	0	0	0
Other Assets	492,200	543,883	544,668	512,050	606394
<b>Total Assets</b>	<b>16745486</b>	<b>17186330</b>	<b>22329971</b>	<b>27253393</b>	<b>37132759</b>
Interest Income	1,001,617	1,068,747	1,309,999	1,587,759	1978696
Interest Expenses	282,948	243,544	357,161	555,710	758436
<b>Net Interest Income</b>	<b>718669</b>	<b>825203</b>	<b>952838</b>	<b>1032049</b>	<b>1220260</b>
Commission and discount	135,958	128,883	138,294	150,608	156234
Other Operating Income	38,755	55,934	82,898	87,574	97444
Exchange Income	157,324	184,879	185,484	209,926	196487
<b>Total Operating Income</b>	<b>1050706</b>	<b>1194899</b>	<b>1359514</b>	<b>1480157</b>	<b>1670425</b>
Employees Expenses	180,840	199,516	219,781	240,161	262907
Other Operating Expenses	150,759	190,299	182,696	188,183	220750
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>719107</b>	<b>805084</b>	<b>957037</b>	<b>1051813</b>	<b>1186768</b>
Provisions for possible losses	1,052	243,357	3,770	14,206	64055
<b>Operating Profit</b>	<b>718055</b>	<b>561727</b>	<b>953267</b>	<b>1037607</b>	<b>1122713</b>
Non-Operating Income/ Expenses	92,781	72,241	735	5,281	24084
Return From Loan Loss Provision	0	0	7,729	10,926	11101
<b>Profit From Ordinary activities</b>	<b>810836</b>	<b>633968</b>	<b>961731</b>	<b>1053814</b>	<b>1157898</b>
Extra ordinary Income /Expenses	(81,821)	(31,133)	26,074	40,736	39991
<b>Net Profit including all activities</b>	<b>729015</b>	<b>602835</b>	<b>987805</b>	<b>1094550</b>	<b>1197889</b>
Provision For Staff Bonus	71,941	84,198	89,800	99,504	108899
Provision For Income Tax	201,763	0	262,741	<b>321,087</b>	342522
-This Year	0	0			
-Up to Last Year	0	0			
<b>Net Profit / Loss</b>	<b>455311</b>	<b>518637</b>	<b>635264</b>	<b>673959</b>	<b>746468</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	12.12	11.35	10.78	10.4	8.75
Capital Fund to Risk Weighted Assets	13.56	12.44	12.31	12.04	11.1
Non-Performing Loan to Total Loan	3.35	1.32	1.38	1.12	0.74
Weighted Average Interest Spread	4.46	5.01	4.9	4.15	3.94
Net Interest Income (Rs. thousand)	<b>718669</b>	<b>825203</b>	<b>952838</b>	<b>1032049</b>	<b>1220260</b>
Return on Assets	2.73	3.06	6.23	2.72	2.32
Credit to Deposit	60.55	75.05	68.63	68.13	68.18
Liquid Assets to Total Assets	33.21%	22.35%	20.90%	24.85%	25.07
Liquid Assets to Total Deposit	39.39%	26.34%	24.12%	29.01%	29.17

Source: Annual Reports of 25 Commercial Banks '2007/08'

#### 4. Nepal Investment Bank Limited

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	295,293	587,738	590,586	801,353	1203915
Reserves and Surplus	433,755	592,435	824,854	1076771	1482871
Debenture & Bond	0	0	550,000	800000	1050000
Borrowing	361,500	350,000	0	0	0
Deposit	11,524,679	14,254,574	18,927,306	24488856	34451726
Bills Payable	57,836	15,008	18,820	32401	78839
Proposed & Payable dividend	44,294	79,353	121,627	43650	93468
Tax Liabilities	0	0	9,319	295	24083
Other Liabilities	538,139	394,956	287,626	347519	488404
<b>Total Liabilities</b>	<b>13255496</b>	<b>16274064</b>	<b>21330138</b>	<b>27590845</b>	<b>38873306</b>
Cash Balance	315,383	374,266	562,560	763984	1464483
Balance With NRB	545,620	780,244	1,526,067	1381352	1820006
Bank Balance with Banks	365,920	185,971	247,894	296178	470453
Money At call	310,000	140,000	70,000	362970	0
Investment	3,862,483	3,934,189	5,602,869	6505680	6874024
Loan and Advances	7,130,125	10,126,056	12,776,208	17286428	26996652
Fixed Assets	249,788	320,592	343,450	759456	970092
Non- Banking Assets	24,650	1,537	0	1,125	750
Other Assets	451,527	411,209	201,090	233672	276846
<b>Total Assets</b>	<b>13255496</b>	<b>16274064</b>	<b>21330138</b>	<b>27590845</b>	<b>38873306</b>
Interest Income	731,403	886,800	1,172,742	1584987	2194275
Interest Expenses	326,202	354,549	490,947	685530	992158
<b>Net Interest Income</b>	<b>405201</b>	<b>532251</b>	<b>681795</b>	<b>899457</b>	<b>1202117</b>
Commission and discount	55,747	93,551	115,942	163899	215292
Other Operating Income	16,842	56,567	35,902	47319	66377
Exchange Income	87,980	102,518	125,748	135355	165839
<b>Total Operating Income</b>	<b>565770</b>	<b>784887</b>	<b>959387</b>	<b>1246030</b>	<b>1649625</b>
Employees Expenses	89,749	97,004	111,054	145,371	187150
Other Operating Expenses	149,479	182,915	200,215	243,430	313154
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>326542</b>	<b>504968</b>	<b>648118</b>	<b>857229</b>	<b>1149321</b>
Provisions for possible losses	91,092	140,409	103,808	129,719	135989
<b>Operating Profit</b>	<b>235450</b>	<b>364559</b>	<b>544310</b>	<b>727510</b>	<b>1013332</b>
Non-Operating Income/ Expenses	1,768	6,192	391	1,426	7048
Return From Loan Loss Provision	19,974	0	10,704	66,777	101577
<b>Profit From Ordinary activities</b>	<b>257192</b>	<b>370751</b>	<b>555405</b>	<b>795713</b>	<b>1121957</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>257192</b>	<b>370751</b>	<b>555405</b>	<b>795713</b>	<b>1121957</b>
Provision For Staff Bonus	25,719	37,075	50,491	72,337	101996
Provision For Income Tax	78,802	101,529	154,378	221,977	323229
-This Year	0	0	0	0	
-Up to Last Year	0	0	0	0	
<b>Net Profit / Loss</b>	<b>152671</b>	<b>232147</b>	<b>350536</b>	<b>501399</b>	<b>696732</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	7.22%	8.52%	7.97%	7.90%	7.71
Capital Fund to Risk Weighted Assets	11.18%	11.58%	11.97%	12.17%	11.28
Non-Performing Loan to Total Loan	2.47	2.69	0.0207	0.0237	1.12
Weighted Average Interest Spread	5.98%	4.30%	3.90%	3.99%	4.00%
Net Interest Income (Rs. in Thousand)	405201	532251	681795	899457	1202117
Return on Assets	1.13%	1.42%	1.61%	1.79%	1.77%
Credit to Deposit Ratio	63.68%	73.33%	69.63%	72.56%	79.91
Liquid Assets to Total Assets	26.69%	21.07%	23.11%	21.97%	17.78
Liquid Assets to Total Deposit	30.70%	24.06%	26.04%	24.70%	20.06

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 5. Standard Chartered Bank Nepal Limited

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	374,640	374,640	374,640	413,255	620784
Reserves and Surplus	1,121,099	1,207,775	1,379,498	1,703,098	1871764
Debenture & Bond	0	0	0	0	0
Borrowing	78,283	55,926	0	400,000	0
Deposit	21,161,442	19,335,095	23,061,032	24,647,021	29743999
Bills Payable	59,024	56,298	55,751	36,168	87397
Proposed & Payable dividend	412,104	461,338	499,980	341,744	506367
Tax Liabilities	0	0		5,599	2051
Other Liabilities	435,467	680,168	405,431	1,049,804	503426
<b>Total Liabilities</b>	<b>23642059</b>	<b>22171240</b>	<b>25776332</b>	<b>28596689</b>	<b>33335788</b>
Cash Balance	187,705	195,459	279,511	378,423	414876
Balance With NRB	1,534,170	692,191	749,741	1,613,758	1266273
Bank Balance with Banks	301,289	223,467	246,989	28,841	369094
Money At call	2,218,599	2,259,691	1,977,271	1,761,151	2197538
Investment	11,360,328	9,702,553	12,847,536	13,553,233	13902819
Loan and advances	6,693,862	8,420,869	8,935,418	10,502,637	13718597
Fixed Assets	136,234	71,413	101,302	125,591	117272
Non- Banking Assets	0	0	0	0	0
Other Assets	1,209,872	605,597	638,564	633,055	1349319
<b>Total Assets</b>	<b>23642059</b>	<b>22171240</b>	<b>25776332</b>	<b>28596689</b>	<b>33335788</b>
Interest Income	1,042,175	1,058,677	1,189,602	1,411,982	1591195
Interest Expenses	275,809	254,126	303,198	413,055	471730
<b>Net Interest Income</b>	<b>766366</b>	<b>804551</b>	<b>886404</b>	<b>998927</b>	<b>1119465</b>
Commission and discount	198,947	184,830	222,929	221,207	276432
Other Operating Income	26,531	29,293	25,442	28,785	32594
Exchange Income	273,050	266,865	283,472	309,086	345653
<b>Total Operating Income</b>	<b>1264894</b>	<b>1285539</b>	<b>1418247</b>	<b>1558005</b>	<b>1774144</b>
Employees Expenses	134,685	148,586	168,231	199,778	225256
Other Operating Expenses	279,693	256,649	221,087	228,451	230571
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>850516</b>	<b>880304</b>	<b>1028929</b>	<b>1129776</b>	<b>1318317</b>
Provisions for possible losses	23,516	30,082	47,730	36,809	69885
<b>Operating Profit</b>	<b>827000</b>	<b>850222</b>	<b>981199</b>	<b>1092967</b>	<b>1248432</b>
Non-Operating Income/ Expenses	(10,756)	2,957	1,433	9,492	1682
Return From Loan Loss Provision	43,304	33,652	53,090	20,160	90635
<b>Profit From Ordinary activities</b>	<b>859548</b>	<b>886831</b>	<b>1035722</b>	<b>1122619</b>	<b>1340749</b>
Extra ordinary Income /Expenses	0	0	(2,411)	(4,915)	-28039
<b>Net Profit including all activities</b>	<b>859548</b>	<b>886831</b>	<b>1033311</b>	<b>1117704</b>	<b>1312710</b>
Provision For Staff Bonus	85,955	88,683	93,937	101,609	119337
Provision For Income Tax	235,793	258,944	280,619	324,427	374452
-This Year	0	0			
-Up to Last Year	0	0			
<b>Net Profit / Loss</b>	<b>537800</b>	<b>539204</b>	<b>658755</b>	<b>691668</b>	<b>818921</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	13.76%	13.99%	12.99%	13.77%	12.15%
Capital Fund to Risk Weighted Assets	15.57%	16.06%	14.93%	15.71%	14.00%
Non-Performing Loan to Total Loan	3.77%	2.69%	2.13%	1.83%	0.92%
Weighted Average Interest Spread	3.76%	3.70%	4.10%	3.95%	4.01%
Net Interest Income (Rs. in Thousand)	766366	804551	886404	998927	1119465
Return on Assets	2.27%	2.46%	2.56%	2.42%	2.46%
Credit to Deposit	31.63%	43.49%	39.92%	43.78%	46.95%
Liquid Assets to Total Assets	51.56%	47.69%	46.16%	42.65%	40.25%
Liquid Assets to Total Deposit	57.60%	54.69%	51.60%	36.76%	35.91%

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 6. Himalayan Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	536,250	643,500	772,200	810810	1013512
Reserves and Surplus	782,271	915,190	993,975	1335690	1499479
Debenture & Bond	0	0	360,000	360000	860000
Borrowing	659,006	506,048	144,625	235968	83178
Deposit	22,010,333	24,814,012	26,490,851	30048418	31842789
Bills Payable	64,382	68,399	73,578	91303	102670
Proposed & Payable dividend	0	80,120	238,409	130940	263076
Tax Liabilities	0	3,251	0	11913	19131
Other Liabilities	709,783	832,364	386,751	494099	491696
<b>Total Liabilities</b>	<b>24762025</b>	<b>27862884</b>	<b>29460389</b>	<b>33519141</b>	<b>36175531</b>
Cash Balance	274,235	286,530	305,428	177242	278183
Balance With NRB	1,625,983	1,604,149	1,096,253	1272543	935842
Bank Balance with Banks	100,966	123,792	315,671	307556	234118
Money At call	368,900	441,081	1,005,280	1710024	518529
Investment	9,292,103	11,692,341	10,889,031	11822985	13340177
Loan and Advances	11,951,869	12,442,710	14,642,559	16997997	19497520
Fixed Assets	299,643	295,822	540,824	574060	726068
Non- Banking Assets	<b>36,265</b>	<b>31,930</b>	<b>21,733</b>	12766	<b>10307</b>
Other Assets	812,061	944,529	643,610	643968	634787
<b>Total Assets</b>	<b>24762025</b>	<b>27862884</b>	<b>29460389</b>	<b>33519141</b>	<b>36175531</b>
Interest Income	1,245,895	1,446,468	1,626,474	1,775,582	1963647
Interest Expenses	491,543	561,964	648,842	767,411	823745
<b>Net Interest Income</b>	<b>754352</b>	<b>884504</b>	<b>977632</b>	<b>1008171</b>	<b>1139902</b>
Commission and discount	123,929	132,816	165,448	193,224	202888
Other Operating Income	34,076	41,300	52,324	40,329	62104
Exchange Income	112,420	137,301	198,130	151,637	192601
<b>Total Operating Income</b>	<b>1024777</b>	<b>1195921</b>	<b>1393534</b>	<b>1393361</b>	<b>1597495</b>
Employees Expenses	152,509	178,589	234,589	272,225	307528
Other Operating Expenses	211,047	277,375	329,699	341,561	329006
Exchange Loss	0	0		0	0
<b>Operating Profit Before Provision</b>	<b>661221</b>	<b>739957</b>	<b>829246</b>	<b>779575</b>	<b>960961</b>
Provisions for possible losses	197,214	55,709	145,154	90,689	58431
<b>Operating Profit</b>	<b>464007</b>	<b>684248</b>	<b>684092</b>	<b>688886</b>	<b>902530</b>
Non-Operating Income/ Expenses	3,299	2,795	1,887	3,493	9700
Return From Loan Loss Provision	0	0	56,562	412,654	184107
<b>Profit From Ordinary activities</b>	<b>467306</b>	<b>687043</b>	<b>742541</b>	<b>1105033</b>	<b>1096337</b>
Extra ordinary Income /Expenses	0	(88,253)	(2,902)	(315,890)	-52614
<b>Net Profit including all activities</b>	<b>467306</b>	<b>598790</b>	<b>739639</b>	<b>789143</b>	<b>1043723</b>
Provision For Staff Bonus	46,730	59,879	67,240	71,740	94884
Provision For Income Tax	157,522	213,692	214,941	225,580	312970
-This Year	0	0			
-Up to Last Year	0	0		0	
<b>Net Profit / Loss</b>	<b>263054</b>	<b>325219</b>	<b>457458</b>	<b>491823</b>	<b>635869</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	7.69%	8.33%	8.65%	9.61%	9.64
Capital Fund to Risk Weighted	10.65%	11.01%	11.26%	11.13%	12.70
Non-Performing Loan to Total Loan	8.88%	7.44%	6.60%	3.61%	2.36
Weighted Average Interest Spread	3.25%	3.19%	3.80%	3.57%	3.66
Net Interest Income (Rs. in	754352	884504	977632	1008171	1139902
Return on Assets	1.06%	1.11%	1.55%	1.47%	1.76
Credit to Deposit	54.30%	50.07%	55.27%	56.57%	61.23
Liquid Assets to Total Assets	23.43%	28.44%	26.70%	29.60	26.09
Liquid Assets to Total Deposit	26.36%	3195.00%	29.70%	33.02	29.64

Source: Annual Reports of 25 Commercial Banks '2007/08'



## 7. Nepal Bangladesh Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	359,925	719,852	719,852	719,852	744126
Reserves and Surplus	296,653	(485,276)	(2,282,436)	-3344015	-2935574
Debenture & Bond	0	0	0	0	0
Borrowing	67,225	0	71,000	230000	30000
Deposit	12,807,376	12,125,578	13,015,136	9461535	10883652
Bills Payable	150,924	41,662	44,109	39410	30012
Proposed & Payable dividend	0	1,502	1,352	1299	1301
Tax Liabilities	0	0		30332	0
Other Liabilities	575,870	873,832	140,268	116135	637509
<b>Total Liabilities</b>	<b>14257973</b>	<b>13277150</b>	<b>11709281</b>	<b>7254548</b>	<b>9391026</b>
Cash Balance	352,153	300,849	354,456	391,686	612025
Balance With NRB	829,861	794,166	1,157,838	614432	1005830
Bank Balance with Banks	254,459	306,752	182,391	157935	304993
Money At call	0	0	30,029	50000	1000
Investment	2,699,166	2,411,720	2,661,833	1034560	1389901
Loan and Advances	8,648,744	7,787,690	6,460,246	4409013	5457809
Fixed Assets	191,178	189,307	172,325	140807	147747
Non- Banking Assets	<b>270,340</b>	<b>270,340</b>	<b>205,466</b>	111925	<b>37087</b>
Other Assets	1,012,072	1,216,326	484,697	344190	434634
<b>Total Assets</b>	<b>14257973</b>	<b>13277150</b>	<b>11709281</b>	<b>7,254,548</b>	<b>9,391,026</b>
Interest Income	1,095,501	876,508	758,132	982,197	828276
Interest Expenses	625,362	547,943	518,094	432,219	397997
<b>Net Interest Income</b>	<b>470139</b>	<b>328565</b>	<b>240038</b>	<b>549978</b>	<b>430279</b>
Commission and discount	105,058	92,998	85,298	85,219	105300
Other Operating Income	63,152	73,997	47,846	117,653	190767
Exchange Income	56,160	39,671	63,957	40,962	90111
<b>Total Operating Income</b>	<b>694509</b>	<b>535231</b>	<b>437139</b>	<b>793812</b>	<b>816457</b>
Employees Expenses	76,624	95,884	140,662	112,547	140837
Other Operating Expenses	113,762	161,344	119,905	114,326	121863
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>504123</b>	<b>278003</b>	<b>176572</b>	<b>566939</b>	<b>553757</b>
Provisions for possible losses	400,733	905,153	1,882,278	1,502,798	379304
<b>Operating Profit</b>	<b>103390</b>	<b>-627150</b>	<b>-1705706</b>	<b>-935859</b>	<b>174453</b>
Non-Operating Income/ Expenses	7,324	(22,393)	(11,105)	24,200	18239
Return From Loan Loss Provision	0	0	271,575	34,277	1343374
<b>Profit From Ordinary activities</b>	<b>110714</b>	<b>-649543</b>	<b>-1445236</b>	<b>-877382</b>	<b>1536066</b>
Extra ordinary Income /Expenses	0	0	(271,575)	0	-697887
<b>Net Profit including all activities</b>	<b>110714</b>	<b>-649543</b>	<b>-1716811</b>	<b>-877382</b>	<b>838179</b>
Provision For Staff Bonus	11,071	0		0	76198
Provision For Income Tax	97,000	100,000	80,348	184,198	165494
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>2643</b>	<b>-749543</b>	<b>-1797159</b>	<b>-1061580</b>	<b>596487</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	5.17	1.51%	-13.48	-23.55%	-18.17
Capital Fund to Risk Weighted Assets	6.72	3.35	-13.48	-23.55%	-18.17
Non-Performing Loan to Total Loan	10.81%	19.04%	27.12	39.76%	31.73
Weighted Average Interest Spread	4.47%	2.84%	2.10%	4.90%	3.95
Net Interest Income (Rs. in Thousand)	470139	328565	240038	549978	430279
Return on Assets	0.02%	-5.65%	-15.35	-14.63%	6.35
Credit to Deposit	75.31%	79.39%	75.27%	96.91%	87.01
Liquid Assets to Total Assets	28.16%	27.22%	36.30%	28.13	33.50
Liquid Assets to Total Deposit	31.35%	29.81%	32.65%	21.57	28.90

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 8. Nepal SBI Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	426,876	431,866	640,236	647,798	874,528
Reserves and Surplus	199,761	257,147	342,137	515,492	540,117
Debenture & Bond	0	0	200,000	200,000	200,000
Borrowing	117,178	469,629	612,428	815,365	1,627,480
Deposit	7,198,327	8,654,774	11,002,041	11,445,286	13,715,395
Bills Payable	0	31,123	46,239	48,856	75,115
Proposed & Payable dividend	0	3,878	35,470	9,1024	12,229
Tax Liabilities	0	0	0	0	0
Other Liabilities	498,264	496,956	157,288	1,37,379	1,42,582
<b>Total Liabilities</b>	<b>8440406</b>	<b>10345373</b>	<b>13035839</b>	<b>13901200</b>	<b>17187446</b>
Cash Balance	161,222	143,750	244,188	287,530	308,102
Balance With NRB	580,453	390,026	626,123	556,678	403,810
Bank Balance with Banks	122,752	189,969	247,847	278,481	631,049
Money At call	0	123,112	363,200	350,000	304,013
Investment	1,907,521	2,607,680	3,610,775	2,659,453	3,088,887
Loan and Advances	5,143,662	6,213,879	7,626,736	9,460,451	12,113,698
Fixed Assets	62,350	66,452	66,712	97,219	1,20,222
Non- Banking Assets	<b>14,820</b>	<b>7,255</b>	<b>24,556</b>	3,847	<b>0</b>
Other Assets	447,626	603,250	225,702	207,541	217,665
<b>Total Assets</b>	<b>8440406</b>	<b>10345373</b>	<b>13035839</b>	<b>13901200</b>	<b>17187446</b>
Interest Income	493,598	578,372	708,719	831,117	970,513
Interest Expenses	255,919	258,430	334,770	412,262	454,918
<b>Net Interest Income</b>	<b>237679</b>	<b>319942</b>	<b>373949</b>	<b>418855</b>	<b>515595</b>
Commission and discount	30,667	42,568	40,754	52,591	50,918
Other Operating Income	8,220	11,275	7,136	12,601	19,557
Exchange Income	30,616	32,357	43,060	49,464	51,989
<b>Total Operating Income</b>	<b>307182</b>	<b>406142</b>	<b>464899</b>	<b>533511</b>	<b>638059</b>
Employees Expenses	32,510	37,582	50,539	53,232	74,890
Other Operating Expenses	82,180	90,629	99,214	120,112	152,380
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>192492</b>	<b>277931</b>	<b>315146</b>	<b>360167</b>	<b>410789</b>
Provisions for possible losses	118,725	193,243	146,657	59,377	57,464
<b>Operating Profit</b>	<b>73767</b>	<b>84688</b>	<b>168489</b>	<b>300790</b>	<b>353325</b>
Non-Operating Income/ Expenses	(570)	1,443	(2,926)	(257)	-271
Return From Loan Loss Provision	48,505	52,973	54,178	78,515	29,782
<b>Profit From Ordinary activities</b>	<b>121702</b>	<b>139104</b>	<b>219741</b>	<b>379048</b>	<b>382836</b>
Extra ordinary Income /Expenses	0		0	0	0
<b>Net Profit including all activities</b>	<b>121702</b>	<b>139104</b>	<b>219741</b>	<b>379048</b>	<b>382836</b>
Provision For Staff Bonus	12,170	13,910	19,976	34,459	34,803
Provision For Income Tax	48,680	67,807	82,762	89,681	100,263
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>60852</b>	<b>57387</b>	<b>117003</b>	<b>254908</b>	<b>247770</b>
Financial Indicators					
Core Capital to Risk Weighted Assets	9.47%	8.68%	10.53%	10.53%	9.97
Capital Fund to Risk Weighted Assets	10.95%	9.47%	13.57%	13.29%	12.32
Non-Performing Loan to Total Loan	6.25%	6.54%	6.13%	4.56%	3.83
Weighted Average Interest Spread	3.55%	3.68%	3.33%	3.01%	3.11
Net Interest Income (Rs. in Thousand)	237679	319942	373949	418855	515595
Return on Assets	0.72	0.55	0.9	1.83	1.44
Credit to Deposit	76.85%	77.87%	69.32	82.66%	88.32
Liquid Assets to Total Assets	32.63%	33.20%	38.92%	27.47	27.24
Liquid Assets to Total Deposit	38.26%	39.69%	46.11%	33.36	34.14

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 9. Everest Bank Limited

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	455,000	455,000	518,000	518,000	831400
Reserves and Surplus	225,319	314,617	444,808	683,515	1089837
Debenture & Bond	0	0	300,000	300,000	300000
Borrowing	0	300,000		0	0
Deposit	8,063,902	10,097,691	13,802,445	18,186,254	23976298
Bills Payable	22,027	17,778	15,806	26,776	49430
Proposed & Payable dividend	0	23,527	114,667	68,146	140790
Tax Liabilities	11,249	3,312		15,278	41143
Other Liabilities	831,074	580,201	763,559	1,634,605	720444
<b>Total Liabilities</b>	<b>9608571</b>	<b>11792126</b>	<b>15959285</b>	<b>21432574</b>	<b>27149342</b>
Cash Balance	128,757	192,590	259,347	534,997	822990
Balance With NRB	442,243	779,669	1,139,515	1,178,198	1080915
Bank Balance with Banks	60,804	77,730	154,105	678,225	764068
Money At call	187,445	570,000	66,960	0	346000
Investment	2,535,658	2,128,932	4,200,515	4,984,315	5059557
Loan and Advances	5,884,124	7,618,670	9,801,308	13,664,082	18339085
Fixed Assets	118,374	134,068	152,090	170,097	360512
Non- Banking Assets	21,015	24,571	7,437	0	0
Other Assets	230,151	265,896	178,008	222,660	376215
<b>Total Assets</b>	<b>9608571</b>	<b>11792126</b>	<b>15959285</b>	<b>21432574</b>	<b>27149342</b>
Interest Income	657,249	719,298	903,411	1,144,408	1548657
Interest Expenses	316,366	299,566	401,397	517,166	632609
<b>Net Interest Income</b>	<b>340883</b>	<b>419732</b>	<b>502014</b>	<b>627242</b>	<b>916048</b>
Commission and discount	74,331	78,130	96,839	117,718	150264
Other Operating Income	23,818	31,479	48,902	67,967	79134
Exchange Income	27,794	27,078	14,398	28,405	64452
<b>Total Operating Income</b>	<b>466826</b>	<b>556419</b>	<b>662153</b>	<b>841332</b>	<b>1209898</b>
Employees Expenses	48,530	60,597	70,925	86,118	157957
Other Operating Expenses	101,571	129,067	143,562	177,546	233767
Exchange Loss	0	0		0	0
<b>Operating Profit Before Provision</b>	<b>316725</b>	<b>366755</b>	<b>447666</b>	<b>577668</b>	<b>818174</b>
Provisions for possible losses	84,017	88,927	70,466	89,696	99340
<b>Operating Profit</b>	<b>232708</b>	<b>277828</b>	<b>377200</b>	<b>487972</b>	<b>718834</b>
Non-Operating Income/ Expenses	1,867	2,974	2,959	1,315	4519
Return From Loan Loss Provision	0	0		11,687	20201
<b>Profit From Ordinary activities</b>	<b>234575</b>	<b>280802</b>	<b>380159</b>	<b>500974</b>	<b>743554</b>
Extra ordinary Income /Expenses	0	0		(795)	-18999
<b>Net Profit including all activities</b>	<b>234575</b>	<b>280802</b>	<b>380159</b>	<b>500179</b>	<b>724555</b>
Provision For Staff Bonus	23,457	28,080	34,560	45,471	65869
Provision For Income Tax	67,551	81,914	108,309	158,299	207468
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>143567</b>	<b>170808</b>	<b>237290</b>	<b>296409</b>	<b>451218</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	9.58%	8.87%	8.21%	7.80%	9.04
Capital Fund to Risk Weighted Assets	11.07%	13.54%	12.32%	11.20%	11.44
Non-Performing Loan to Total Loan	1.72%	1.63%	1.27%	0.80%	0.68
Weighted Average Interest Spread	3.98%	4.10%	3.99%	3.90%	4.30
Net Interest Income (Rs. in Thousand)	340883	419732	502014	627242	916048
Return on Assets	1.49%	1.41%	1.49%	1.40%	1.70
Credit to Deposit	75.59%	78.24%	73.40%	77.40	78.60
Liquid Assets to Total Assets	34.20%	30.81%	32.39%	47.11	28.82
Liquid Assets to Total Deposit	40.75%	36.84%	37.45%	55.51	32.64

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 10. Bank of Kathmandu Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	463,581	463,581	463,581	603,141	603,141
Reserves and Surplus	187,164	257,157	376,153	390,133	738,933
Debenture & Bond	0	0	200,000	200,000	200,000
Borrowing	912,150	6,000	553,180	730,000	100,000
Deposit	7,741,644	8,942,748	10,485,359	12,388,928	15,833,738
Bills Payable	38,709	19,874	11,622	25,777	51,576
Proposed & Payable dividend	46,358	81,477	98,712	135,575	32,804
Tax Liabilities	0	0	0	0	0
Other Liabilities	106,737	86,293	89,722	107,841	161,733
<b>Total Liabilities</b>	<b>9496343</b>	<b>9857130</b>	<b>12278329</b>	<b>14581395</b>	<b>17721925</b>
Cash Balance	139,220	161,470	184,020	219,043	536,747
Balance With NRB	449,864	417,867	349,296	883,496	606,049
Bank Balance with Banks	193,798	161,184	195,382	213,365	297,671
Money At call	272,321	328,874	594,047	259,278	72,680
Investment	2,477,409	2,598,253	3,374,712	2,992,434	3,204,068
Loan and Advances	5,646,698	5,912,579	7,259,083	9,399,328	12,462,637
Fixed Assets	83,625	95,231	110,745	320,846	387,274
Non- Banking Assets	25,483	24,088	7,356	3626	453
Other Assets	207,925	157,584	203,688	289,979	154,346
<b>Total Assets</b>	<b>9496343</b>	<b>9857130</b>	<b>12278329</b>	<b>14581395</b>	<b>17721925</b>
Interest Income	567,096	607,096	718,121	819,004	1,034,158
Interest Expenses	286,297	241,639	308,156	339,181	417,543
<b>Net Interest Income</b>	<b>280799</b>	<b>365457</b>	<b>409965</b>	<b>479823</b>	<b>616615</b>
Commission and discount	77,708	70,324	70,776	97,431	129,415
Other Operating Income	1,966	6,495	16,968	19,003	23,168
Exchange Income	64,046	72,115	78,955	80,826	93,764
<b>Total Operating Income</b>	<b>424519</b>	<b>514391</b>	<b>576664</b>	<b>677083</b>	<b>862962</b>
Employees Expenses	47,726	53,822	59,120	69,740	90,602
Other Operating Expenses	85,829	99,190	117,591	138,430	170,481
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>290964</b>	<b>361379</b>	<b>399953</b>	<b>468913</b>	<b>601879</b>
Provisions for possible losses	101,263	133,917	78,381	81,895	38,438
<b>Operating Profit</b>	<b>189701</b>	<b>227462</b>	<b>321572</b>	<b>387018</b>	<b>563441</b>
Non-Operating Income/ Expenses	15,460	(469)	1,090	(2,780)	810
Return From Loan Loss Provision	0	209,129	103,871	37,104	61,833
<b>Profit From Ordinary activities</b>	<b>205161</b>	<b>436122</b>	<b>426533</b>	<b>421342</b>	<b>626084</b>
Extra ordinary Income /Expenses	0	(209,129)	(95,205)	411	-45,396
<b>Net Profit including all activities</b>	<b>205161</b>	<b>226993</b>	<b>331328</b>	<b>421753</b>	<b>580688</b>
Provision For Staff Bonus	20,516	22,700	30,121	38,341	52,790
Provision For Income Tax	57,172	64,763	98,768	121,025	166,402
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>127473</b>	<b>139530</b>	<b>202439</b>	<b>262387</b>	<b>361496</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	10.14%	10.02%	10.71%	9.43%	9.57
Capital Fund to Risk Weighted Assets	11.16%	11.02%	14.52%	12.62%	11.94
Non-Performing Loan to Total Loan	6.66%	4.99%	2.72%	2.51%	1.86
Weighted Average Interest Spread	3.41%	3.95%	3.64%	4.04%	4.35
Net Interest Income (Rs. in Thousand)	280799	365457	409965	479823	616615
Return on Assets	1.34%	1.42%	1.65%	1.80%	2.04
Credit to Deposit	77.61%	68.87	71.42%	78.25%	80.51
Liquid Assets to Total Assets	36.09%	32.63%	32.42%	26.8	20.46
Liquid Assets to Total Deposit	44.27%	35.96%	37.97%	31.54	22.90

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 11. Nepal Credit and Commerce Bank Limited

(Rs. In '000)

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	595,000	693,554	698,415	699,117	1399558
Reserves and Surplus	(407,767)	(437,707)	(1,007,452)	(1209453)	-714475
Debenture & Bond	0	0	0	0	0
Borrowing	13,500	0	13,600	0	0
Deposit	5,987,701	6,630,943	6,619,581	6500343	7320236
Bills Payable	16,568	5,893	63,605	14509	110171
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	2643
Other Liabilities	455,786	592,603	39,951	32160	123201
<b>Total Liabilities</b>	<b>6660788</b>	<b>7485286</b>	<b>6427700</b>	<b>6,036,676</b>	<b>8241334</b>
Cash Balance	209,687	151,354	230,561	265782	592632
Balance With NRB	550,556	441,010	478,205	255573	762438
Bank Balance with Banks	210,142	70,338	75,190	236808	122763
Money At call	54,448	47,944	21,100	75665	154406
Investment	573,984	400,337	591,644	1236621	1900758
Loan and Advances	4,271,634	5,419,735	4,643,262	3707642	4417857
Fixed Assets	122,025	124,027	111,837	104233	114064
Non- Banking Assets	<b>87,073</b>	<b>57,484</b>	<b>72,617</b>	46556	<b>59963</b>
Other Assets	581,239	773,057	203,284	107796	116453
<b>Total Assets</b>	<b>6660788</b>	<b>7485286</b>	<b>6427700</b>	<b>6036676</b>	<b>8241334</b>
Interest Income	486,826	541,855	562,780	474,408	576609
Interest Expenses	314,272	315,800	315,991	283,006	278724
<b>Net Interest Income</b>	<b>172554</b>	<b>226055</b>	<b>246789</b>	<b>191402</b>	<b>297885</b>
Commission and discount	33,679	37,866	37,470	31,773	34235
Other Operating Income	24,088	26,134	20,098	36,257	75763
Exchange Income	1,233	10,552	13,773	5,940	18467
<b>Total Operating Income</b>	<b>231554</b>	<b>300607</b>	<b>318130</b>	<b>265372</b>	<b>426350</b>
Employees Expenses	33,470	39,222	48,178	56,156	76072
Other Operating Expenses	67,525	76,595	69,829	89,623	95931
Exchange Loss	0	6,663		0	0
<b>Operating Profit Before Provision</b>	<b>130559</b>	<b>178127</b>	<b>200123</b>	<b>119593</b>	<b>254347</b>
Provisions for possible losses	124,591	165,580	782,710	206,867	163874
<b>Operating Profit</b>	<b>5968</b>	<b>12547</b>	<b>-582587</b>	<b>-87274</b>	<b>90473</b>
Non-Operating Income/ Expenses	750	(1,819)	4,686	2,913	29562
Return From Loan Loss Provision	0	0	95,783	50,901	733488
<b>Profit From Ordinary activities</b>	<b>6718</b>	<b>10728</b>	<b>-482118</b>	<b>-33460</b>	<b>853523</b>
Extra ordinary Income /Expenses	0	0	(72,144)	(42,420)	-222019
<b>Net Profit including all activities</b>	<b>6718</b>	<b>10728</b>	<b>-554262</b>	<b>-75880</b>	<b>631504</b>
Provision For Staff Bonus	672	0	0	0	57409
Provision For Income Tax	2,637	15,885	15,483	<b>40,049</b>	75340
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>3409</b>	<b>-5157</b>	<b>-569745</b>	<b>-115929</b>	<b>498755</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	3.32	3.48	-5.05%	-9.14	9.61
Capital Fund to Risk Weighted Assets	3.99	4.2	-3.46	-9.14	11.09
Non-Performing Loan to Total Loan	12.7	8.6	21.9	31.4	16.42
Weighted Average Interest Spread	4.37%	4.29%	4.25%	3.4	4.45
Net Interest Income (Rs. in Thousand)	172554	226055	246789	191402	297885
Return on Assets	0.05%	-0.06	-7.72%	-1.56	5.48
Credit to Deposit	78.78%	90.66%	89.12%	78.8	72.14
Liquid Assets to Total Assets	23.07%	13.83%	20.64%	33.00%	40.87
Liquid Assets to Total Deposit	25.67%	15.61%	20.04%	30.65%	46.01

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 12. Lumbini Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	350,000	500,000	500,000	600,000	995710
Reserves and Surplus	(53,512)	(254,991)	(1,222,070)	(1,029,665)	(702016)
Debenture & Bond	0	0	0	0	0
Borrowing	164,719	0	0	23,514	0
Deposit	3,777,605	4,031,221	4,786,440	6,024,598	5703734
Bills Payable	4,574	60,517	104,585	14,260	29075
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	7,496	0	0	0
Other Liabilities	120,818	150,658	90,388	72,318	124975
<b>Total Liabilities</b>	<b>4364204</b>	<b>4494901</b>	<b>4259343</b>	<b>5705025</b>	<b>6151478</b>
Cash Balance	114,709	103,231	133,384	138,478	146316
Balance With NRB	324,765	267,601	178,329	280,521	411341
Bank Balance with Banks	91,658	48,181	90,421	81,808	84945
Money At call	30,000	0	50,000	295,605	67714
Investment	558,187	535,184	673,720	864,337	817471
Loan and Advances	2,980,398	3,167,724	2,983,895	3,840,687	4489494
Fixed Assets	40,079	48,345	41,996	42,701	41288
Non- Banking Assets	25,727	64,939	49,402	73,752	35762
Other Assets	198,681	259,696	58,196	87,136	57147
<b>Total Assets</b>	<b>4364204</b>	<b>4494901</b>	<b>4259343</b>	<b>5705025</b>	<b>6151478</b>
Interest Income	361,240	384,598	343,821	458,649	535801
Interest Expenses	197,322	193,475	215,553	264,765	260390
<b>Net Interest Income</b>	<b>163918</b>	<b>191123</b>	<b>128268</b>	<b>193884</b>	<b>275411</b>
Commission and discount	14,382	13,935	16,582	24025	22253
Other Operating Income	7,058	14,349	14,578	49649	39185
Exchange Income	18,503	12,294	20,866	13,737	14245
<b>Total Operating Income</b>	<b>203861</b>	<b>231701</b>	<b>180294</b>	<b>281295</b>	<b>351094</b>
Employees Expenses	36,396	37,084	48,581	59,937	59172
Other Operating Expenses	48,022	50,384	70,392	68,683	71613
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>119443</b>	<b>144233</b>	<b>61321</b>	<b>152675</b>	<b>220309</b>
Provisions for possible losses	73,375	303,412	855,593	217,859	164628
<b>Operating Profit</b>	<b>46068</b>	<b>-159179</b>	<b>-794272</b>	<b>-65184</b>	<b>55681</b>
Non-Operating Income/ Expenses	(1,175)	(2,289)	(1,058)	1233	-931
Return From Loan Loss Provision	0	0	9,412	414,559	359927
<b>Profit From Ordinary activities</b>	<b>44893</b>	<b>-161468</b>	<b>-785918</b>	<b>350608</b>	<b>414677</b>
Extra ordinary Income /Expenses	0	(109)	(9,413)	(109,243)	5359
<b>Net Profit including all activities</b>	<b>44893</b>	<b>-161577</b>	<b>-795331</b>	<b>241365</b>	<b>420036</b>
Provision For Staff Bonus	4,489	0	0	21,942	38185
Provision For Income Tax	21,764	35,196	10,731	27,018	54202
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>18640</b>	<b>-196773</b>	<b>-806062</b>	<b>192405</b>	<b>327649</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	7.54%	5.68%	-15.11%	-7.80%	4.73
Capital Fund to Risk Weighted Assets	8.71%	6.93%	-15.11%	-7.80%	6.00
Non-Performing Loan to Total Loan	7.36%	15.23%	30.99%	20.37%	14.92
Weighted Average Interest Spread	4.74%	4.39%	2.54%	3.30%	4.24
Net Interest Income (Rs. in Thousand)	163918	191123	128268	193884	275411
Return on Assets	0.43%	-4.38%	-18.92%	3.37%	5.36
Credit to Deposit	85.31%	91.41%	90.29%	82.07%	94.10
Liquid Assets to Total Assets	22.78%	18.55%	36.78%	27.91	23.44
Liquid Assets to Total Deposit	26.32%	20.68%	32.73%	26.43	25.28

Source: Annual Reports of 25 Commercial Banks '2007/08'

### 13. Nepal Industrial and Commercial Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	499,960	500,000	600,000	660,000	943877
Reserves and Surplus	120,438	184,194	166,462	258496	359550
Debenture & Bond	0	0	200,000	200,000	200000
Borrowing	60,018	450,371	457,705	352,129	335000
Deposit	5,146,483	6,241,378	8,765,950	10,068,231	13084689
Bills Payable	32,921	28,329	91,508	31,691	32564
Proposed & Payable dividend	4,429	54,011	10,954	11,380	12475
Tax Liabilities	0	2,040	4,631	405	13927
Other Liabilities	65,818	47,744	86,390	97,008	256654
<b>Total Liabilities</b>	<b>5930067</b>	<b>7508067</b>	<b>10383600</b>	<b>11679340</b>	<b>15238736</b>
Cash Balance	79,042	69,778	139,186	181,607	235246
Balance With NRB	205,387	837,301	455,769	262,735	634115
Bank Balance with Banks	34,876	98,470	154,184	155,416	322988
Money At call	129,663	89,881	353,515	163,009	160000
Investment	1,760,724	1,572,902	2,479,912	1,599,481	2311469
Loan and Advances	3,561,139	4,711,712	6,655,964	8,941,398	11264678
Fixed Assets	43,285	59,496	39,864	153679	194500
Non- Banking Assets	12,868	3,465	2,645	1,164	674
Other Assets	103,083	65,062	102,561	220851	115066
<b>Total Assets</b>	<b>5930067</b>	<b>7508067</b>	<b>10383600</b>	<b>11679340</b>	<b>15238736</b>
Interest Income	363,037	457,610	579,979	725,819	931400
Interest Expenses	183,582	225,992	340,222	421,375	505996
<b>Net Interest Income</b>	<b>179455</b>	<b>231618</b>	<b>239757</b>	<b>304444</b>	<b>425404</b>
Commission and discount	27,236	27,102	29,447	36,017	43373
Other Operating Income	5,561	9,180	20,242	26,174	37905
Exchange Income	20,832	24,606	25,388	44,277	39658
<b>Total Operating Income</b>	<b>233084</b>	<b>292506</b>	<b>314834</b>	<b>410912</b>	<b>546340</b>
Employees Expenses	35,226	39,003	45,494	54,920	72073
Other Operating Expenses	47,445	51,629	57,356	64,631	81203
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>150413</b>	<b>201874</b>	<b>211984</b>	<b>291361</b>	<b>393064</b>
Provisions for possible losses	42,904	19,952	60,913	37,771	25414
<b>Operating Profit</b>	<b>107509</b>	<b>181922</b>	<b>151071</b>	<b>253590</b>	<b>367650</b>
Non-Operating Income/ Expenses	40	285	59	409	10649
Return From Loan Loss Provision	0	5,086	10,359	94,457	18450
<b>Profit From Ordinary activities</b>	<b>107549</b>	<b>187293</b>	<b>161489</b>	<b>348456</b>	<b>396749</b>
Extra ordinary Income /Expenses	0	(4,262)	(10,359)	(94,457)	-6037
<b>Net Profit including all activities</b>	<b>107549</b>	<b>183031</b>	<b>151130</b>	<b>253999</b>	<b>390712</b>
Provision For Staff Bonus	10,755	18,303	13,739	23,091	35519
Provision For Income Tax	28,535	50,971	40,804	72,433	112135
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>68259</b>	<b>113757</b>	<b>96587</b>	<b>158475</b>	<b>243058</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	12.92%	12.36%	9.94%	9.21%	10.5
Capital Fund to Risk Weighted Assets	13.75%	13.29%	13.54%	12.20%	13.11
Non-Performing Loan to Total Loan	3.92%	3.78%	2.60%	1.11	0.86
Weighted Average Interest Spread	3.06%	3.33%	2.74%	2.87%	3.44
Net Interest Income (Rs. in Thousand)	179455	231618	239757	304444	425404
Return on Assets	1.37	1.69	1.08%	1.36%	1.6
Credit to Deposit	72.73%	78.66%	78.74%	90.67%	87.62
Liquid Assets to Total Assets	28.40%	30.50%	27.54%	15.98%	19.02
Liquid Assets to Total Deposit	32.73%	36.69%	32.62%	18.54	22.15

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 14. Machhapuchchhre Bank Limited

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	550,000	550,000	715,000	821,651	901339
Reserves and Surplus	4,222	87,739	216,091	185641	262008
Debenture & Bond	0	0	0	0	0
Borrowing	102,167	154,217	131,675	228,504	88508
Deposit	2,754,632	5,586,803	7,893,298	9,475,452	11102242
Bills Payable	5,136	9,327	11,365	21,482	10311
Proposed & Payable dividend	0	0	5,645	0	8649
Tax Liabilities	0	874	10,462	7,372	3037
Other Liabilities	32,477	67,500	86,294	70,228	122454
<b>Total Liabilities</b>	<b>3448634</b>	<b>6456460</b>	<b>9069830</b>	<b>10810330</b>	<b>12498548</b>
Cash Balance	65,256	121,550	280,421	385,941	560317
Balance With NRB	136,657	463,233	489,091	785,689	893295
Bank Balance with Banks	208,831	146,350	44,412	112,451	134951
Money At call	150,000	15,000	718,475	694,000	70000
Investment	274,407	468,612	1,190,830	1,278,469	1443551
Loan and Advances	2,493,108	5,061,433	6,068,427	7,129,891	8642323
Fixed Assets	62,413	86,212	104,943	262246	535886
Non- Banking Assets	0	4,354	12,532	3,392	0
Other Assets	57,962	89,716	160,699	158,251	218225
<b>Total Assets</b>	<b>3448634</b>	<b>6456460</b>	<b>9069830</b>	<b>10810330</b>	<b>12498548</b>
Interest Income	215,207	381,931	563,362	694,482	796597
Interest Expenses	113,579	187,028	288,662	397,722	407919
<b>Net Interest Income</b>	<b>101628</b>	<b>194903</b>	<b>274700</b>	<b>296760</b>	<b>388678</b>
Commission and discount	14,840	21,391	33,401	34,305	35616
Other Operating Income	1,001	13,206	13,691	49,039	30072
Exchange Income	12,621	11,359	35,152	29,036	45699
<b>Total Operating Income</b>	<b>130090</b>	<b>240859</b>	<b>356944</b>	<b>409140</b>	<b>500065</b>
Employees Expenses	19,872	29,582	43,410	54,360	71421
Other Operating Expenses	42,358	59,973	85,924	101467	124408
Exchange Loss	0	0	0	1,893	0
<b>Operating Profit Before Provision</b>	<b>67860</b>	<b>151304</b>	<b>227610</b>	<b>251420</b>	<b>304236</b>
Provisions for possible losses	15,980	22,907	34,703	157,606	264487
<b>Operating Profit</b>	<b>51880</b>	<b>128397</b>	<b>192907</b>	<b>93814</b>	<b>39749</b>
Non-Operating Income/ Expenses	(2)	287	(9)	462	-48
Return From Loan Loss Provision	0	345	20,149	48,185	135405
<b>Profit From Ordinary activities</b>	<b>51878</b>	<b>129029</b>	<b>213047</b>	<b>142461</b>	<b>175106</b>
Extra ordinary Income /Expenses	0	(346)	(1,530)	(14,319)	38
<b>Net Profit including all activities</b>	<b>51878</b>	<b>128683</b>	<b>211517</b>	<b>128142</b>	<b>175144</b>
Provision For Staff Bonus	5,188	12,868	19,229	11,403	15922
Provision For Income Tax		30,945	58,294	39,940	74206
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>46690</b>	<b>84870</b>	<b>133994</b>	<b>76799</b>	<b>85016</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	17.01%	10.52%	11.95%	10.68%	10.97
Capital Fund to Risk Weighted Assets	17.82%	11.36%	12.79%	11.97%	12.29
Non-Performing Loan to Total Loan	0.98%	0.39%	0.28%	1.16%	1.04
Weighted Average Interest Spread	3.78%	3.97%	3.40%	3.38%	3.96
Net Interest Income (Rs. in Thousand)	101628	194903	274700	296760	388678
Return on Assets	1.35%	1.31%	1.48%	0.69%	1.00
Credit to Deposit	92.24%	91.83%	77.87%	77.25%	81.00
Liquid Assets to Total Assets	18.33%	13.53%	26.87%	27.10	19.89
Liquid Assets to Total Deposit	22.95%	15.63%	30.87%	30.92	22.39

Source: Annual Reports of 25 Commercial Banks '2007/08'



## 15. Kumari Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	500,000	500,000	625,000	750,000	1070000
Reserves and Surplus	33,403	145,442	238,851	275,630	294885
Debenture & Bond	0	0	0	0	400000
Borrowing	0	401,761	251,400	212,970	100000
Deposit	4,807,936	6,268,954	7,768,957	10,557,416	12774281
Bills Payable	14,637	7,339	11,919	16,554	65297
Proposed & Payable dividend	26,316	0	6,579	0	0
Tax Liabilities	0	0	296	11,007	-9650
Other Liabilities	111,883	114,386	107,274	94,734	331786
<b>Total Liabilities</b>	<b>5494175</b>	<b>7437882</b>	<b>9010276</b>	<b>11918311</b>	<b>15026599</b>
Cash Balance	68,472	111,249	135,795	190,748	565641
Balance With NRB	524,635	219,830	210,553	384,845	244576
Bank Balance with Banks	92,371	112,292	43,282	96,520	123624
Money At call	0	90,000	145,000	372,215	55360
Investment	983,504	1,190,271	1,394,948	1,678,418	2138797
Loan and Advances	3,649,008	5,590,926	6,891,855	8,929,013	11335088
Fixed Assets	57,152	82,984	91,933	189,324	222001
Non- Banking Assets	0	0	3,592	2,395	3141
Other Assets	119,033	40,330	93,318	74,833	338371
<b>Total Assets</b>	<b>5494175</b>	<b>7437882</b>	<b>9010276</b>	<b>11918311</b>	<b>15026599</b>
Interest Income	310,216	499,918	605,527	791,284	957246
Interest Expenses	163,903	240,130	337,056	397,053	498734
<b>Net Interest Income</b>	<b>146313</b>	<b>259788</b>	<b>268471</b>	<b>394231</b>	<b>458512</b>
Commission and discount	16,446	23,083	26,281	40,764	48494
Other Operating Income	1,773	2,609	10,003	15,281	17805
Exchange Income	14,414	14,989	26,374	20,294	41807
<b>Total Operating Income</b>	<b>178946</b>	<b>300469</b>	<b>331129</b>	<b>470570</b>	<b>566618</b>
Employees Expenses	28,576	42,395	59,820	74,244	89570
Other Operating Expenses	56,441	71,812	88,683	104,079	148143
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>93929</b>	<b>186262</b>	<b>182626</b>	<b>292247</b>	<b>328905</b>
Provisions for possible losses	17,126	41,111	25,871	24,950	64024
<b>Operating Profit</b>	<b>76803</b>	<b>145151</b>	<b>156755</b>	<b>267297</b>	<b>264881</b>
Non-Operating Income/ Expenses		5	(39)	670	15588
Return From Loan Loss Provision	0	0	5,117	6,264	7241
<b>Profit From Ordinary activities</b>	<b>76803</b>	<b>145156</b>	<b>161833</b>	<b>274231</b>	<b>287710</b>
Extra ordinary Income /Expenses	0	0	0	(817)	-4531
<b>Net Profit including all activities</b>	<b>76803</b>	<b>145156</b>	<b>161833</b>	<b>273414</b>	<b>283179</b>
Provision For Staff Bonus	7,680	14,515	14,712	24,856	25743
Provision For Income Tax	20,437	42,760	43,454	78,296	82506
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>48686</b>	<b>87881</b>	<b>103667</b>	<b>170262</b>	<b>174930</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	12.50	10.20%	11.28	10.26%	10.40
Capital Fund to Risk Weighted Assets	13.41	11.21	12.36	11.22%	14.41
Non-Performing Loan to Total Loan	0.76	0.95%	0.92	0.73%	1.32
Weighted Average Interest Spread	3.82%	3.85%	4.58%	4.67%	4.30
Net Interest Income (Rs. in Thousand)	146313	259788	268471	394231	458512
Return on Assets	0.89	1.18%	1.15%	1.43%	1.16
Credit to Deposit	76.91%	90.62%	90.20%	85.84%	90.20
Liquid Assets to Total Assets	23.43%	22.23%	18.30%	19.65	16.36
Liquid Assets to Total Deposit	26.77%	26.37%	21.22%	22.19	19.24

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 16. Laxmi Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	549,789	609,839	609,917	729,697	913196
Reserves and Surplus	7,266	33,731	69116	134,696	243179
Debenture & Bond	0	0	0	0	0
Borrowing	317,005	18,691	29,760	0	450000
Deposit	1,684,159	3,051,759	4,444,351	7,611,653	10917232
Bills Payable	283	31,443	4,749	3,091	5851
Proposed & Payable dividend	0	309	149	127	9759
Tax Liabilities	0	1,450	0	0	0
Other Liabilities	26,988	62554	47,148	103,424	155804
<b>Total Liabilities</b>	<b>2585490</b>	<b>3809776</b>	<b>5205190</b>	<b>8582688</b>	<b>12695021</b>
Cash Balance	549,789	109852	66602	119,437	267932
Balance With NRB	7,266	254904	132381	323,698	720394
Bank Balance with Banks	0	104788	26140	26,587	249834
Money at call	317,005	57505	70000	13,028	251738
Investment	1,684,159	410940	499311	1,437,171	1241042
Loan and Advances	283	2657958	4202362	6,437,449	9680949
Fixed Assets	0	124384	125170	140,022	204397
Non- Banking Assets	0	0	662	784	0
Other Assets	26,988	89445	82562	84,512	78735
<b>Total Assets</b>	<b>2585490</b>	<b>3809776</b>	<b>5205190</b>	<b>8582688</b>	<b>12695021</b>
Interest Income	124,046	214,132	319,253	470,495	711006
Interest Expenses	63,177	118,439	190,590	280,278	421872
<b>Net Interest Income</b>	<b>60869</b>	<b>95693</b>	<b>128663</b>	<b>190217</b>	<b>289134</b>
Commission and discount	11,299	11,254	15,039	15,156	20943
Other Operating Income	1,026	4,427	9,789	15,710	25482
Exchange Income	6,076	5,770	9,426	20,904	46637
<b>Total Operating Income</b>	<b>79270</b>	<b>117144</b>	<b>162917</b>	<b>241987</b>	<b>382196</b>
Employees Expenses	19,198	29,934	37,641	48,785	63995
Other Operating Expenses	35,730	37,122	50,123	63,547	83849
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>24342</b>	<b>50088</b>	<b>75153</b>	<b>129655</b>	<b>234352</b>
Provisions for possible losses	9,750	18,226	15,626	22,756	36407
<b>Operating Profit</b>	<b>14592</b>	<b>31862</b>	<b>59527</b>	<b>106899</b>	<b>197945</b>
Non-Operating Income/ Expenses	(55)	(9,089)	(8,971)	(8,365)	-7995
Return From Loan Loss Provision	0	16,772	5,866	10,969	11809
<b>Profit From Ordinary activities</b>	<b>14537</b>	<b>39545</b>	<b>56422</b>	<b>109503</b>	<b>201759</b>
Extra ordinary Income /Expenses	0	912	(724)	(4,309)	-7637
<b>Net Profit including all activities</b>	<b>14537</b>	<b>40457</b>	<b>55698</b>	<b>105194</b>	<b>194122</b>
Provision For Staff Bonus	1,454	3,678	5,064	9,563	17647
Provision For Income Tax	2,634	10,315	15,250	30,052	56444
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>10449</b>	<b>26464</b>	<b>35384</b>	<b>65579</b>	<b>120031</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	28.26	19.45	13.71%	11.33%	10.10
Capital Fund to Risk Weighted Assets	29.19	20.88	14.96%	12.43%	11.17
Non-Performing Loan to Total Loan	0	1.63%	0.78%	0.35%	0.13
Weighted Average Interest Spread	4.30%	4.19%	3.24%	3.20%	3.40
Net Interest Income (Rs. in Thousand)	60869	95693	128663	190217	289134
Return on Assets	0.40%	0.83%	0.79%	0.95%	1.13
Credit to Deposit	103.96%	89.33%	96.30%	85.78%	89.72
Liquid Assets to Total Assets	29.53%	23.86%	13.82%	17.02%	17.13
Liquid Assets to Total Deposit	45.33%	30.41%	16.18%	19.19%	19.92

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 17. Siddhartha Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	350,000	350,000	500,000	600,000	828000
Reserves and Surplus	16,198	37,889	103,141	193,710	240346
Debenture & Bond	0	0	0	0	0
Borrowing	220,000	190,000	181,150	430,000	205133
Deposit	1,291,314	2,461,922	3,918,076	6,625,078	10191441
Bills Payable	962	429	0	0	15884
Proposed & Payable dividend	0	0	0	4,737	6537
Tax Liabilities	2,018	17,083	1,113	5,203	11155
Other Liabilities	31,547	41,673	53,455	95,936	169860
<b>Total Liabilities</b>	<b>1912039</b>	<b>3098996</b>	<b>4756935</b>	<b>7954664</b>	<b>11668356</b>
Cash Balance	18,214	33,459	64,977	130,442	149007
Balance With NRB	35,412	45,637	48,831	380,564	270219
Bank Balance With Banks	18,220	51,633	2,138	6,220	18199
Money At call	174,830	22,471	100,000	229,446	584736
Investment	42,050	286,623	650,979	865,189	1150096
Loan and Advances	1,543,768	2,570,776	3,789,123	6,222,587	9335598
Fixed Assets	28,409	30,217	39,692	46,667	72398
Non- Banking Assets	0	720	480	10,173	0
Other Assets	51,136	57,460	60,715	63,376	88103
<b>Total Assets</b>	<b>1912039</b>	<b>3098996</b>	<b>4756935</b>	<b>7954664</b>	<b>11668356</b>
Interest Income	113,630	198,184	305,561	481,524	729872
Interest Expenses	45,506	91,981	153,709	271,711	408189
<b>Net Interest Income</b>	<b>68124</b>	<b>106203</b>	<b>151852</b>	<b>209813</b>	<b>321683</b>
Commission and discount	7,034	7,553	13,775	20,178	21454
Other Operating Income	6,866	7,982	9,701	18,659	31294
Exchange Income	2,229	7,171	12,051	14,245	27487
<b>Total Operating Income</b>	<b>84253</b>	<b>128909</b>	<b>187379</b>	<b>262895</b>	<b>401918</b>
Employees Expenses	16,458	20,310	26,087	33,620	48247
Other Operating Expenses	21,668	30,898	44,125	55,721	71480
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before</b>	<b>46127</b>	<b>77701</b>	<b>117167</b>	<b>173554</b>	<b>282191</b>
Provisions for possible losses	17,769	0	16,473	20,544	48048
<b>Operating Profit</b>	<b>28358</b>	<b>77701</b>	<b>100694</b>	<b>153010</b>	<b>234143</b>
Non-Operating Income/ Expenses	0	0	3	35	506
Return From Loan Loss Provision	0	19,370	0	0	4031
<b>Profit From Ordinary activities</b>	<b>28358</b>	<b>97071</b>	<b>100697</b>	<b>153045</b>	<b>238680</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>28358</b>	<b>97071</b>	<b>100697</b>	<b>153045</b>	<b>238680</b>
Provision For Staff Bonus	2,836	9,707	9,154	13,913	21698
Provision For Income Tax	8,039	17,083	26,290	43,826	73808
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>17483</b>	<b>70281</b>	<b>65253</b>	<b>95306</b>	<b>143174</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	16.04	12.77	13.29%	10.78%	10.19
Capital Fund to Risk Weighted	16.76	13.65	14.16%	11.84%	11.14
Non-Performing Loan to Total Loan	4.85	2.58	0.87%	0.34%	0.69
Weighted Average Interest Spread	5.53%	4.46%	4.07%	3.57%	3.71
Net Interest Income (Rs. in	68124	106203	151852	209813	321683
Return on Assets	0.91%	2.27%	1.37%	1.20%	1.23
Credit to Deposit	114.95	104.42	98.75%	95.39%	93.03
Liquid Assets to Total Assets	15.10%	13.87%	12.91%	17.25	16.05
Liquid Assets to Total Deposit	22.36%	17.46%	15.68%	20.72	18.37

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 18. Agriculture Development Bank Nepal

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	1,677,615	6,478,000	7,528,000	10777500
Reserves and Surplus	0	(7,666,883)	(7,313,358)	-6,254,909	-5442189
Debenture & Bond	0	0	0	0	0
Borrowing	0	3,589,299	513,532	373,947	257373
Deposit	0	27,223,046	29,631,817	32,416,358	32553827
Bills Payable	0	0	0	0	0
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	235,147	748,270	284,744	365242
Other Liabilities	0	6,164,751	5,239,362	3,812,071	5174996
<b>Total Liabilities</b>	<b>0</b>	<b>31222975</b>	<b>35297623</b>	<b>38160211</b>	<b>43686749</b>
Cash Balance	0	680,844	746,812	749,552	905235
Balance With NRB	0	1,730,302	3,018,299	2,001,144	1806731
Bank Balance With Banks	0	623,892	1,006,589	938,625	912032
Money At call	0	0	0	161,599	49995
Investment	0	1,355,833	1,511,330	3,177,461	4757097
Loan and Advances	0	22,638,255	24,900,914	27,252,333	30589428
Fixed Assets	0	816,192	882,083	788,868	781149
Non- Banking Assets	0	0	0	0	0
Other Assets	0	3,377,657	3,231,596	3,090,629	3885082
<b>Total Assets</b>	<b>0</b>	<b>31222975</b>	<b>35297623</b>	<b>38,160,211</b>	<b>43686749</b>
Interest Income	0	3,915,225	4,095,069	4,623,096	3961131
Interest Expenses	0	1,487,499	1,501,368	1,605,867	1641207
<b>Net Interest Income</b>	<b>0</b>	<b>2427726</b>	<b>2593701</b>	<b>3,017,229</b>	<b>2319924</b>
Commission and discount	0	42,646	42,262	49,818	71139
Other Operating Income	0	286,315	164,861	232,033	350676
Exchange Income	0	0	2,834	0	11955
<b>Total Operating Income</b>	<b>0</b>	<b>2756687</b>	<b>2803658</b>	<b>3299080</b>	<b>2753694</b>
Employees Expenses	0	963,176	1,775,337	1,306,805	1849133
Other Operating Expenses	0	447,881	254,889	277,546	288020
Exchange Loss	0	11,937	0	14,061	0
<b>Operating Profit Before</b>	<b>0</b>	<b>1333693</b>	<b>773432</b>	<b>1700668</b>	<b>616541</b>
Provisions for possible losses	0	1,505,105	149,285	337,783	2677476
<b>Operating Profit</b>	<b>0</b>	<b>-171412</b>	<b>624147</b>	<b>1362885</b>	<b>-2060935</b>
Non-Operating Income/ Expenses	0	92,780	117,765	7,419	18336
Return From Loan Loss Provision	0	0	549,333	1,803,214	4064478
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>-78632</b>	<b>1291245</b>	<b>3173518</b>	<b>2021879</b>
Extra ordinary Income /Expenses	0	0	(355,266)	-1,883,003	-1212162
<b>Net Profit including all activities</b>	<b>0</b>	<b>-78632</b>	<b>935979</b>	<b>1290515</b>	<b>809717</b>
Provision For Staff Bonus	0	0	69,332	95,594	59979
Provision For Income Tax	0	0	148,270	136,473	80499
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>-78632</b>	<b>718377</b>	<b>1,058,448</b>	<b>669239</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	0.00%	-15.50	-2.08%	2.68%	6.09
Capital Fund to Risk Weighted	0.00%	-15.50	-2.07%	4.84%	11.41
Non-Performing Loan to Total	0.00%	19.81%	20.59%	17.96%	11.69
Weighted Average Interest Spread	0.00%	6.73	5.85	5.88	4.52
Net Interest Income (Rs. in	0.00%	2427726	2593701		2319924
Return on Assets	0.00	0.00	0.00	0.00	1.53
Credit to Deposit	0.00%	115.01%	112.42%	106.24%	112.44
Liquid Assets to Total Assets	0.00%	11.00%	14.72%	14.70	8.41
Liquid Assets to Total Deposit	0.00%	12.62%	17.53%	17.31	11.29

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 19. Global Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	0	0	510,000	700,000
Reserves and Surplus	0	0	0	-38,612	22,622
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	30,000	100,000
Deposit	0	0	0	3,023,616	7,319,702
Bills Payable	0	0	0	2,534	30,637
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	282
Other Liabilities	0	0	0	9,178	92,473
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,536,716</b>	<b>8,265,716</b>
Cash Balance	0	0	0	66,728	576,459
Balance With NRB	0	0	0	304,184	604,812
Bank Balance With Banks	0	0	0	102,128	86,712
Money At call	0	0	0	0	457760
Investment	0	0	0	389,480	1,187,415
Loan and Advances	0	0	0	2,564,140	5,084,730
Fixed Assets	0	0	0	52,509	105,386
Non- Banking Assets	0	0	0	0	0
Other Assets	0	0	0	57,547	162,442
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,536,716</b>	<b>8,265,716</b>
Interest Income	0	0	0	65,103	357,911
Interest Expenses	0	0	0	40,325	218,947
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24778</b>	<b>138964</b>
Commission and discount	0	0	0	3,969	18,991
Other Operating Income	0	0	0	2,086	9,670
Exchange Income	0	0	0	6,479	26,541
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37312</b>	<b>194166</b>
Employees Expenses	0	0	0	12,706	41,962
Other Operating Expenses	0	0	0	24,794	60,107
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-188</b>	<b>92097</b>
Provisions for possible losses	0	0	0	38,425	16,917
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-38613</b>	<b>75180</b>
Non-Operating Income/ Expenses	0	0	0	0	0
Return From Loan Loss Provision	0	0	0	0	0
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-38613</b>	<b>75180</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-38613</b>	<b>75180</b>
Provision For Staff Bonus	0	0	0	0	6834
Provision For Income Tax	0	0	0	0	7112
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-38613</b>	<b>61234</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	0.00%	0.00%	0.00%	14.00%	10.95
Capital Fund to Risk Weighted Assets	0.00%	0.00%	0.00%	16.00%	11.8
Non-Performing Loan to Total Loan	0.00%	0.00%	0.00%	0.00%	0
Weighted Average Interest Spread	0.00%	0.00%	0.00%	3.25%	3.05
Net Interest Income (Rs. in Thousand)	0	0	0	24778	138964
Return on Assets	0.00%	0.00%	0.00%	-1.15%	0.75
Credit to Deposit	0.00%	0.00%	0.00%	86.00%	70.22
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	16.90%	29.61
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	19.77%	33.43

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 20. Citizens Bank International Limited

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	0	0	0	560,000	560000
Reserves and Surplus	0	0	0	-15,420	39421
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	1,372,569	476074
Deposit	0	0	0	1,553,170	6139579
Bills Payable	0	0	0	1,297	4209
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	15,680	50017
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,487,296</b>	<b>7,269,300</b>
Cash Balance	0	0	0	46,111	316759
Balance With NRB	0	0	0	76,725	299590
Bank Balance with Banks	0	0	0	23,985	116134
Money At call	0	0	0	0	442682
Investment	0	0	0	1,221,389	1174029
Loan and Advances	0	0	0	2,026,210	4750342
Fixed Assets	0	0	0	73,809	126104
Non- Banking Assets	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Assets	0	0	0	19,067	43660
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,487,296</b>	<b>7,269,300</b>
Interest Income	0	0	0	26,955	396842
Interest Expenses	0	0	0	14,830	252028
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,125</b>	<b>144,814</b>
Commission and discount	0	0	0	664	9028
Other Operating Income	0	0	0	6,782	24537
Exchange Income	0	0	0	582	8900
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,153</b>	<b>187,279</b>
Employees Expenses	0	0	0	6,030	29049
Other Operating Expenses	0	0	0	9,026	51719
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,097</b>	<b>106,511</b>
Provisions for possible losses	0	0	0	20,517	27466
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15,420</b>	<b>79,045</b>
Non-Operating Income/ Expenses	0	0	0	0	244
Return From Loan Loss Provision	0	0	0	0	0
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15,420</b>	<b>79,289</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15,420</b>	<b>79,289</b>
Provision For Staff Bonus	0	0	0	0	7208
Provision For Income Tax	0	0	0	0	17240
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15,420</b>	<b>54,841</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	0.00%	0.00%	0.00%	21.07%	11.18
Capital Fund to Risk Weighted	0.00%	0.00%	0.00%	21.86%	12.08
Non-Performing Loan to Total	0.00%	0.00%	0.00%	0.00%	0
Weighted Average Interest Spread	0.00%	0.00%	0.00%	3.24%	4.46
Net Interest Income (Rs. in	0	0	0	12,125	144814
Return on Assets	0.00%	0.00%	0.00%	-0.44	0.75
Credit to Deposit	0.00%	0.00%	0.00%	130.46	78.15
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	4.21%	18.61
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	9.45%	22.03

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 21. Prime Bank Limited

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	0	0	0	0	700,000
Reserves and Surplus	0	0	0	0	28,007
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	0	265,502
Deposit	0	0	0	0	5,275,649
Bills Payable	0	0	0	0	753
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	0	118,586
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,388,497</b>
Cash Balance	0	0	0	0	92,185
Balance With NRB	0	0	0	0	178,191
Bank Balance with Banks	0	0	0	0	27,891
Money At call	0	0	0	0	450,000
Investment	0	0	0	0	378,563
Loan and Advances	0	0	0	0	5,104,412
Fixed Assets	0	0	0	0	40,333
Non- Banking Assets	0	0	0	0	0
Other Assets	0	0	0	0	116,922
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,388,497</b>
Interest Income	0	0	0	0	224,530
Interest Expenses	0	0	0	0	121,365
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103,165</b>
Commission and discount	0	0	0	0	5,209
Other Operating Income	0	0	0	0	35,908
Exchange Income	0	0	0	0	3,403
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>147,685</b>
Employees Expenses	0	0	0	0	21,954
Other Operating Expenses	0	0	0	0	29,197
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96,534</b>
Provisions for possible losses	0	0	0	0	51,559
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,975</b>
Non-Operating Income/ Expenses	0	0	0	0	0
Return From Loan Loss Provision	0	0	0	0	0
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,975</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,975</b>
Provision For Staff Bonus	0	0	0	0	4,089
Provision For Income Tax	0	0	0	0	12,879
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,007</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted					12.31
Capital Fund to Risk Weighted					13.18
Non-Performing Loan to Total					-
Weighted Average Interest Spread					3.55
Net Interest Income (Rs. in					103,165
Return on Assets					0.44
Credit to Deposit					96.75
Liquid Assets to Total Assets					14.70
Liquid Assets to Total Deposit					17.80

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 22. Bank of Asia Nepal Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	0	0	0	700000
Reserves and Surplus	0	0	0	0	4462
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	0	500000
Deposit	0	0	0	0	3054837
Bills Payable	0	0	0	0	3380
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	852
Other Liabilities	0	0	0	0	29503
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,293,034</b>
Cash Balance	0	0	0	0	73150
Balance With NRB	0	0	0	0	254304
Bank Balance with Banks	0	0	0	0	67775
Money At call	0	0	0	0	369776
Investment	0	0	0	0	703081
Loan and Advances	0	0	0	0	2727703
Fixed Assets	0	0	0	0	61058
Non- Banking Assets	0	0	0	0	0
Other Assets	0	0	0	0	36187
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,293,034</b>
Interest Income	0	0	0	0	190517
Interest Expenses	0	0	0	0	127236
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,281</b>
Commission and discount	0	0	0	0	1725
Other Operating Income	0	0	0	0	11127
Exchange Income	0	0	0	0	2663
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,796</b>
Employees Expenses	0	0	0	0	18800
Other Operating Expenses	0	0	0	0	25279
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,717</b>
Provisions for possible losses	0	0	0	0	27553
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,164</b>
Non-Operating Income/ Expenses	0	0	0	0	0
Return From Loan Loss Provision	0	0	0	0	0
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,164</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,164</b>
Provision For Staff Bonus	0	0	0	0	651
Provision For Income Tax	0	0	0	0	2051
-This Year	0	0	0	0	
-Up to Last Year	0	0	0	0	
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,462</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted	0.00%	0.00%	0.00%	0.00%	21.24
Capital Fund to Risk Weighted	0.00%	0.00%	0.00%	0.00%	22.08
Non-Performing Loan to Total	0.00%	0.00%	0.00%	0.00%	0
Weighted Average Interest Spread	0.00%	0.00%	0.00%	0.00%	2.85
Net Interest Income (Rs. in	0.00%	0.00%	0.00%	0.00%	63281
Return on Assets	0.00%	0.00%	0.00%	0.00%	0.21
Credit to Deposit	0.00%	0.00%	0.00%	0.00%	90.19
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	0.00%	20.51
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	0.00%	28.82

Source: Annual Reports of 25 Commercial Banks '2007/08'



## 23. Sunrise Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	0	0	0	700000
Reserves and Surplus	0	0	0	0	-27209
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	0	487873
Deposit	0	0	0	0	4226272
Bills Payable	0	0	0	0	9124
Proposed & Payable dividend	0	0	0	0	0
Tax Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	0	47108
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,443,168</b>
Cash Balance	0	0	0	0	34933
Balance With NRB	0	0	0	0	244532
Bank Balance with Banks	0	0	0	0	70539
Money At call	0	0	0	0	15570
Investment	0	0	0	0	895009
Loan and Advances	0	0	0	0	3995604
Fixed Assets	0	0	0	0	106149
Non- Banking Assets	0	0	0	0	0
Other Assets	0	0	0	0	80832
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,443,168</b>
Interest Income	0	0	0	0	174204
Interest Expenses	0	0	0	0	101339
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72,865</b>
Commission and discount	0	0	0	0	20468
Other Operating Income	0	0	0	0	709
Exchange Income	0	0	0	0	10909
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104,951</b>
Employees Expenses	0	0	0	0	31130
Other Operating Expenses	0	0	0	0	51847
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,974</b>
Provisions for possible losses	0	0	0	0	62100
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-40,126</b>
Non-Operating Income/ Expenses	0	0	0	0	0
Return From Loan Loss Provision	0	0	0	0	0
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-40,126</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-40,126</b>
Provision For Staff Bonus	0	0	0	0	0
Provision For Income Tax	0	0	0	0	-12917
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-27,209</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	0.00%	0.00%	0.00%	0.00%	13.92
Capital Fund to Risk Weighted	0.00%	0.00%	0.00%	0.00%	14.78
Non-Performing Loan to Total Loan	0.00%	0.00%	0.00%	0.00%	0
Weighted Average Interest Spread	0.00%	0.00%	0.00%	0.00%	2.88
Net Interest Income (Rs. in thousand)	0.00%	0.00%	0.00%	0.00%	72865
Return on Assets	0.00%	0.00%	0.00%	0.00%	-0.50
Credit to Deposit	0.00%	0.00%	0.00%	0.00%	94.54
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	0.00%	12.67
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	0.00%	15.42

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 24. DCBL Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	0	0	268800	1107456
Reserves and Surplus	0	0	0	78696	115505
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	50000	350995
Deposit	0	0	0	2539702	2913337
Bills Payable	0	0	0	813	241028
Proposed & Payable dividend	0	0	0	4451	1499
Tax Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	26803	40404
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,969,265</b>	<b>4,770,224</b>
Cash Balance	0	0	0	15831	33272
Balance With NRB	0	0	0	129546	153024
Bank Balance with Banks	0	0	0	8233	39501
Money At call	0	0	0	268440	663063
Investment	0	0	0	42615	68571
Loan and Advances	0	0	0	2329207	3608620
Fixed Assets	0	0	0	137524	172440
Non- Banking Assets	0	0	0	13136	0
Other Assets	0	0	0	24733	31733
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,969,265</b>	<b>4,770,224</b>
Interest Income	0	0	0	255936	308678
Interest Expenses	0	0	0	131248	151131
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>124,688</b>	<b>157,547</b>
Commission and discount	0	0	0	3833	5136
Other Operating Income	0	0	0	7007	12576
Exchange Income	0	0	0	375	5157
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>135,903</b>	<b>180,416</b>
Employees Expenses	0	0	0	29430	43699
Other Operating Expenses	0	0	0	23109	27904
Exchange Loss	0	0	0	0	0
<b>Operating Profit Before Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,364</b>	<b>108,813</b>
Provisions for possible losses	0	0	0	9532	30803
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73,832</b>	<b>78,010</b>
Non-Operating Income/ Expenses	0	0	0	71	783
Return From Loan Loss Provision	0	0	0	268	4379
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,171</b>	<b>83,172</b>
Extra ordinary Income /Expenses	0	0	0	0	3250
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,171</b>	<b>86,422</b>
Provision For Staff Bonus	0	0	0	6742	7857
Provision For Income Tax*	0	0	0	22325	23608
-This Year	0	0	0	0	
-Up to Last Year	0	0	0	0	
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,104</b>	<b>54,957</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	0.00%	0.00%	0.00%	12.71%	29.04
Capital Fund to Risk Weighted	0.00%	0.00%	0.00%	13.57%	29.92
Non-Performing Loan to Total Loan	0.00%	0.00%	0.00%	2.67%	2.28
Weighted Average Interest Spread	0.00%	0.00%	0.00%	4.88%	2.51
Net Interest Income (Rs. in	0.00%	0.00%	0.00%	124688	157547
Return on Assets	0.00%	0.00%	0.00%	1.52	1.15
Credit to Deposit	0.00%	0.00%	0.00%	91.71	123.87
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	15.15%	18.51%
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	17.71%	31.14%

Source: Annual Reports of 25 Commercial Banks '2007/08'

## 25. NMB Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capital	0	0	0	199541	1000000
Reserves and Surplus	0	0	0	84933	213481
Debenture & Bond	0	0	0	0	0
Borrowing	0	0	0	937254	278112
Deposit	0	0	0	1296389	1661605
Bills Payable	0	0	0	811	24103
Proposed & Payable dividend	0	0	0	63664	8507
Tax Liabilities	0	0	0	970	0
Other Liabilities	0	0	0	1837375	5742084
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,420,937</b>	<b>8,927,892</b>
Cash Balance	0	0	0	3078	17915
Balance With NRB	0	0	0	12787	506384
Bank Balance with Banks	0	0	0	18402	4926120
Money At call	0	0	0	1975298	93404
Investment	0	0	0	854678	1242902
Loan and Advances	0	0	0	1395885	1939967
Fixed Assets	0	0	0	80177	132720
Non- Banking Assets	0	0	0	259	0
Other Assets	0	0	0	80373	68480
<b>Total Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,420,937</b>	<b>8,927,892</b>
Interest Income	0	0	0	237933	251409
Interest Expenses	0	0	0	140253	139095
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,680</b>	<b>112,314</b>
Commission and discount	0	0	0	20024	27614
Other Operating Income	0	0	0	51006	40724
Exchange Income	0	0	0	0	0
<b>Total Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>168,710</b>	<b>180,652</b>
Employees Expenses	0	0	0	14212	20123
Other Operating Expenses	0	0	0	13970	32222
Exchange Loss	0	0	0	0	97
<b>Operating Profit Before Provision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140,528</b>	<b>128,210</b>
Provisions for possible losses	0	0	0	19512	32387
<b>Operating Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121,016</b>	<b>95,823</b>
Non-Operating Income/ Expenses	0	0	0	0	600
Return From Loan Loss Provision	0	0	0	186	22462
<b>Profit From Ordinary activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121,202</b>	<b>118,885</b>
Extra ordinary Income /Expenses	0	0	0	0	0
<b>Net Profit including all activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121,202</b>	<b>118,885</b>
Provision For Staff Bonus	0	0	0	11018	10808
Provision For Income Tax	0	0	0	35046	35255
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,138</b>	<b>72,822</b>
<b>Financial Indicators</b>					
Core Capital to Risk Weighted Assets	0.00%	0.00%	0.00%	11.76%	32.66
Capital Fund to Risk Weighted	0.00%	0.00%	0.00%	13.31%	33.96
Non-Performing Loan to Total Loan	0.00%	0.00%	0.00%	1.73%	1.52
Weighted Average Interest Spread	0.00%	0.00%	0.00%	3.58%	2.41
Net Interest Income (Rs. in thousand)	0.00%	0.00%	0.00%	97680	112314
Return on Assets	0.00%	0.00%	0.00%	1.70	0.82
Credit to Deposit	0.00%	0.00%	0.00%	112.02%	120.96
Liquid Assets to Total Assets	0.00%	0.00%	0.00%	56.25%	70.78%
Liquid Assets to Total Deposit	0.00%	0.00%	0.00%	191.82%	380.31%

Source: Annual Reports of 25 Commercial Banks '2007/08'

## Consolidated Financials of the Public Banks (2007/08)

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	1,552,683	3,230,298	1,552,683	9,080,683	12,330,183
Reserves and Surplus	-32,005,111	-36,844,549	-26,572,715	-31,274,608	-28,463,151
Debenture & Bond	0	0	0	0	0
Borrowing	79,966	9,054,177	6,075,169	4,198,418	4,594,471
Deposit	76,601,812	106,173,272	82,025,247	121,894,690	138,724,169
Bills Payable	55,913	457,506	141,705	124,433	120,522
Proposed & Payable dividend	24,734	32,601	40,465	49,303	57,157
Tax Liabilities	0	235,147	0	284,744	365,242
Other Liabilities	42,908,204	31,118,625	12,535,970	19,200,987	11,316,522
<b>Total Liabilities</b>	<b>89,218,201</b>	<b>113,457,077</b>	<b>75,798,524</b>	<b>123,558,650</b>	<b>139,045,115</b>
Cash Balance	2,017,471	3,372,244	2,313,105	3,733,381	10,727,750
Balance With NRB	9,831,649	9,564,099	9,221,069	10,934,619	6,237,372
Bank Balance with Banks	1,031,039	1,811,227	868,705	1,942,149	1,916,591
Money At call	851,995	550,000	0	381,599	599,995
Investment	14,121,846	23,970,931	26,045,605	31,899,837	35,771,230
Loan and Advances	19,712,908	44,288,096	24,389,708	55,639,542	65,044,378
Fixed Assets	586,850	1,396,359	612,555	1,434,141	1,454,230
Non- Banking Assets	56,239	188,887	105,927	110,137	51,453
Other Assets	41,008,204	28,315,234	12,241,850	17,483,245	17,242,116
<b>Total Assets</b>	<b>89,218,201</b>	<b>113,457,077</b>	<b>75,798,524</b>	<b>123,558,650</b>	<b>139,045,115</b>
Interest Income	4,060,922	8,231,165	4,331,855	8,828,648	8,764,801
Interest Expenses	2,520,378	3,241,174	1,624,461	3,321,262	3,439,450
<b>Net Interest Income</b>	<b>1,540,544</b>	<b>4,989,991</b>	<b>2,707,394</b>	<b>5,507,386</b>	<b>5,325,351</b>
Commission and discount	541,719	518,820	467,362	574,398	731,481
Other Operating Income	247,974	536,709	250,518	642,930	665,178
Exchange Income	87,555	14,981	195,287	0	131,362
<b>Total Operating Income</b>	<b>2,417,792</b>	<b>6,060,501</b>	<b>3,620,561</b>	<b>6,724,714</b>	<b>6,853,372</b>
Employees Expenses	2,754,651	2,766,983	1,812,821	3,221,071	4,071,613
Other Operating Expenses	529,289	888,649	717,276	893,853	876,896
Exchange Loss	0	11,937	0	73,273	30,484
<b>Operating Profit Before Provision</b>	<b>-866,148</b>	<b>2,392,932</b>	<b>1,090,464</b>	<b>2,536,517</b>	<b>1,874,379</b>
Provisions for possible losses	29,228	1,823,061	1,270,362	805,081	3,361,590
<b>Operating Profit</b>	<b>-895,376</b>	<b>569,871</b>	<b>-179,898</b>	<b>1,731,436</b>	<b>-1,487,211</b>
Non-Operating Income/ Expenses	792,614	1,588,505	50,138	89,142	100,150
Return From Loan Loss Provision	2,015,394	1,128,040	3,329,405	3,027,818	5,333,130
<b>Profit From Ordinary activities</b>	<b>1,912,632</b>	<b>3,286,416</b>	<b>3,199,645</b>	<b>4,848,396</b>	<b>3,946,069</b>
Extra ordinary Income /Expenses	0	-312,024	-152,847	-1,561,970	-880,148
<b>Net Profit including all activities</b>	<b>1,912,632</b>	<b>2,974,392</b>	<b>3,046,798</b>	<b>3,286,426</b>	<b>3,065,921</b>
Provision For Staff Bonus	162,140	0	248,045	247,642	232,929
Provision For Income Tax	0	0	0	136,473	155,767
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>1,750,492</b>	<b>2,974,392</b>	<b>2,798,753</b>	<b>2,902,311</b>	<b>2,677,225</b>

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

## Consolidated Financials of the Private Banks (2007/08)

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	6,797,968	7,871,224	8,819,081	11,404,669	19,099,758
Reserves and Surplus	3,956,298	4,021,326	2,026,468	2,844,731	6,415,176
Debenture & Bond	0	0	1,810,000	2,060,000	3,450,000
Borrowing	3,302,411	2,919,705	2,619,725	6,930,846	6,837,855
Deposit	130,076,566	147,084,061	180,328,222	219,284,231	294,047,480
Bills Payable	641,482	513,172	666,263	491,248	1,295,848
Proposed & Payable dividend	1,069,951	1,146,736	1,568,628	1,406,155	1,534,834
Tax Liabilities	13,267	50,851	60,426	88,374	147,431
Other Liabilities	4,745,813	5,450,590	3,093,625	6,720,779	11,016,644
<b>Total Liabilities</b>	<b>150,603,756</b>	<b>169,057,665</b>	<b>200,992,438</b>	<b>251,231,033</b>	<b>343,845,026</b>
Cash Balance	2,950,730	2,501,740	3,478,255	4,567,495	8,610,596
Balance With NRB	8,399,567	8,377,533	8,956,351	11,810,739	15,125,411
Bank Balance with Banks	2,132,991	1,924,240	2,100,107	2,845,142	9,793,666
Money At call	5,131,944	5,053,987	7,299,779	9,143,662	9,228,330
Investment	45,847,631	44,207,770	56,847,148	63,965,819	73,451,958
Loan and Advances	77,788,415	98,288,887	115,658,989	150,789,824	216,328,416
Fixed Assets	1,832,681	2,089,785	2,361,969	3,757,862	5,555,950
Non- Banking Assets	518,241	490,683	408,478	284,900	148,137
Other Assets	6,001,556	6,123,040	3,881,362	4,065,590	5,602,562
<b>Total Assets</b>	<b>150,603,756</b>	<b>169,057,665</b>	<b>200,992,438</b>	<b>251,231,033</b>	<b>343,845,026</b>
Interest Income	8,808,736	9,920,194	11,667,483	14,819,624	19,252,039
Interest Expenses	3,941,787	4,134,606	5,204,348	6,765,100	8,842,101
<b>Net Interest Income</b>	<b>4,866,949</b>	<b>5,785,588</b>	<b>6,463,135</b>	<b>8,054,524</b>	<b>10,409,938</b>
Commission and discount	927,261	966,284	1,108,275	1,312,605	1,601,282
Other Operating Income	260,733	384,227	415,520	698,881	963,902
Exchange Income	885,298	949,525	1,136,234	1,161,530	1,492,469
<b>Total Operating Income</b>	<b>6,940,241</b>	<b>8,085,624</b>	<b>9,123,164</b>	<b>11,227,540</b>	<b>14,467,591</b>
Employees Expenses	952,369	1,109,110	1,364,112	1,623,572	2,134,394
Other Operating Expenses	1,493,509	1,765,881	1,880,401	2,170,689	2,726,874
Exchange Loss	0	6,663	0	1,893	97
<b>Operating Profit Before</b>	<b>4,494,363</b>	<b>5,203,970</b>	<b>5,878,651</b>	<b>7,431,386</b>	<b>9,606,226</b>
Provisions for possible losses	1,319,107	2,361,985	4,270,133	2,781,528	1,918,573
<b>Operating Profit</b>	<b>3,175,256</b>	<b>2,841,985</b>	<b>1,608,518</b>	<b>4,649,858</b>	<b>7,687,653</b>
Non-Operating Income/ Expenses	110,731	53,120	-10,865	39,598	114,769
Return From Loan Loss Provision	111,783	337,327	704,395	1,297,889	3,139,802
<b>Profit From Ordinary activities</b>	<b>3,397,770</b>	<b>3,232,432</b>	<b>2,302,048</b>	<b>5,987,345</b>	<b>10,942,224</b>
Extra ordinary Income /Expenses	-81,821	-332,320	-440,189	-546,018	-1,034,521
<b>Net Profit including all activities</b>	<b>3,315,949</b>	<b>2,900,112</b>	<b>1,861,859</b>	<b>5,441,327</b>	<b>9,907,703</b>
Provision For Staff Bonus	330,633	393,596	448,023	585,989	904,346
Provision For Income Tax	1,028,329	1,091,804	1,493,172	2,035,259	2,606,669
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>1,956,987</b>	<b>1,414,712</b>	<b>-79,336</b>	<b>2,820,079</b>	<b>6,396,688</b>

*Source: Annual Reports of 25 Commercial Banks '2007/08'*

## Consolidated Financials of the Banking Industry (2007/08)

(Rs. In '000')

<b>Capital and Liabilities</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
Capital	8,350,651	11,101,522	10,371,764	20,485,352	31,429,941
Reserves and Surplus	-28,048,813	-32,823,223	-24,546,247	-28,429,877	-22,047,975
Debenture & Bond	0	0	1,810,000	2,060,000	3,450,000
Borrowing	3,382,377	11,973,882	8,694,894	11,129,264	11,432,326
Deposit	206,678,378	253,257,333	262,353,469	341,178,921	432,771,649
Bills Payable	697,395	970,678	807,968	615,681	1,416,370
Proposed & Payable dividend	1,094,685	1,179,337	1,609,093	1,455,458	1,591,991
Tax Liabilities	13,267	285,998	60,426	373,118	512,673
Other Liabilities	47,654,017	36,569,215	15,629,595	25,921,766	22,333,166
<b>Total Liabilities</b>	<b>239,821,957</b>	<b>282,514,742</b>	<b>276,790,962</b>	<b>374,789,683</b>	<b>482,890,141</b>
Cash Balance	4,968,201	5,873,984	5,791,360	8,300,876	19,338,346
Balance With NRB	18,231,216	17,941,632	18,177,420	22,745,358	21,362,783
Bank Balance with Banks	3,164,030	3,735,467	2,968,812	4,787,291	11,710,257
Money At call	5,983,939	5,603,987	7,299,779	9,525,261	9,828,325
Investment	59,969,477	68,178,701	82,892,753	95,865,656	109,223,188
Loan and Advances	97,501,323	142,576,983	140,048,697	206,429,366	281,372,794
Fixed Assets	2,419,531	3,486,144	2,974,524	5,192,003	7,010,180
Non- Banking Assets	574,480	679,570	514,405	395,037	199,590
Other Assets	47,009,760	34,438,274	16,123,212	21,548,835	22,844,678
<b>Total Assets</b>	<b>239,821,957</b>	<b>282,514,742</b>	<b>276,790,962</b>	<b>374,789,683</b>	<b>482,890,141</b>
Interest Income	12,869,658	18,151,359	15,999,338	23,648,272	28,016,840
Interest Expenses	6,462,165	7,375,780	6,828,809	10,086,362	12,281,551
<b>Net Interest Income</b>	<b>6,407,493</b>	<b>10,775,579</b>	<b>9,170,529</b>	<b>13,561,910</b>	<b>15,735,289</b>
Commission and discount	1,468,980	1,485,104	1,575,637	1,887,003	2,332,763
Other Operating Income	508,707	920,936	666,038	1,341,811	1,629,080
Exchange Income	972,853	964,506	1,331,521	1,161,530	1,623,831
<b>Total Operating Income</b>	<b>9,358,033</b>	<b>14,146,125</b>	<b>12,743,725</b>	<b>17,952,254</b>	<b>21,320,963</b>
Employees Expenses	3,707,020	3,876,093	3,176,933	4,844,643	6,206,007
Other Operating Expenses	2,022,798	2,654,530	2,597,677	3,064,542	3,603,770
Exchange Loss	0	18,600	0	75,166	30,581
<b>Operating Profit Before</b>	<b>3,628,215</b>	<b>7,596,902</b>	<b>6,969,115</b>	<b>9,967,903</b>	<b>11,480,605</b>
Provisions for possible losses	1,348,335	4,185,046	5,540,495	3,586,609	5,280,163
<b>Operating Profit</b>	<b>2,279,880</b>	<b>3,411,856</b>	<b>1,428,620</b>	<b>6,381,294</b>	<b>6,200,442</b>
Non-Operating Income/ Expenses	903,345	1,641,625	39,273	128,740	214,919
Return From Loan Loss Provision	2,127,177	1,465,367	4,033,800	4,325,707	8,472,932
<b>Profit From Ordinary activities</b>	<b>5,310,402</b>	<b>6,518,848</b>	<b>5,501,693</b>	<b>10,835,741</b>	<b>14,888,293</b>
Extra ordinary Income /Expenses	-81,821	-644,344	-593,036	-2,107,988	-1,914,669
<b>Net Profit including all activities</b>	<b>5,228,581</b>	<b>5,874,504</b>	<b>4,908,657</b>	<b>8,727,753</b>	<b>12,973,624</b>
Provision For Staff Bonus	492,773	393,596	696,068	833,631	1,137,275
Provision For Income Tax	1,028,329	1,091,804	1,493,172	2,171,732	2,762,436
-This Year	0	0	0	0	0
-Up to Last Year	0	0	0	0	0
<b>Net Profit / Loss</b>	<b>3,707,479</b>	<b>4,389,104</b>	<b>2,719,417</b>	<b>5,722,390</b>	<b>9,073,913</b>

*Source: Annual Reports of 25 Commercial Banks '2007/08'*