Bank Supervision Report

2012

Bank Supervision Department

Nepal Rastra Bank

Baluwatar, Kathmandu, Nepal

April 2013

NEPAL RASTRA BANK
BANK SUPERVISION REPORT-2012

The Bank Supervision Report 2012 is the annual report of Bank Supervision Department of Nepal Rastra Bank (NRB). It reviews policy and operational issues affecting the banking sector and its regulators/supervisors and aims at disseminating information on supervision of commercial banks and other issues affecting the financial sector.

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Executive Director's Pen

Dear valued stakeholders,

I am highly delighted to present the Annual Bank Supervision Report for the F.Y. 2011/12. Beside providing information on supervisory functions, it attempts to briefly present various general aspects of the Nepalese banking industry. Further, it attempts to cover the trends observed in the Nepalese banking industry and challenges faced by Nepal Rastra Bank (NRB) in the course of regulation and supervision.

The very recent trend of consolidation seen in banking industry had caused a decrease in the total number of Banks and Financial Institutions (BFIs). By the end of mid-July 2012, seventeen BFIs have decided for merger and a few are in the pipeline, some more have got letter of intent and some others are in process of getting letter of intent. With the growth in the number of BFIs, financial market was growing more rapidly which fostered competition together with complexity in the market. With the revolutionary developments in the field of information and communication technology risk and complexity in the banking industry has also increased by a greater degree. Of course, growth of BFIs has supported financial deepening, product and service diversification and innovation in banking facilities. However, the increased risk of instability has also called for advanced level of supervisory resources. Besides, growing competition and slower economic activities have impeded the expansion of financial services. These complexities have made the industry realize that it needs consolidation. The increasing number of mergers is the evidence of the same.

The overall performance of the banking industry during the F.Y. 2011/12 has remained satisfactory. Total assets of the bank has increased by 23.04 percent, in comparison to the growth of 10.17 percent in the last year. The capital adequacy position of the commercial banks as a whole improved significantly. All the banks, except two public sector banks namely Nepal Bank Limited (NBL) and Rastriya Banijya Bank Limited (RBBL) have met minimum regulatory capital. Similarly, the assets quality of the banking industry also remained well, below the red line (5 percent) in the review year.

With the increasing sophistication in the products and instruments, requirements of advanced risk management practices have also been equally realised. NRB has already introduced Risk Management Guidelines to commercial banks and instructed them to develop and implement risk management practices in their business effectively. NRB is aiming to move toward Risk-Based Supervision, in near future, from the present practice of compliance-based supervision. Intensive workout, with the technical assistance of IMF, is currently going on in this regard.

Nepal Rastra Bank Act 2002 mandates NRB to act as the supervisor of the banks and financial institutions (BFIs). Hence, it is our obligation to maintain financial stability in the country irrespective of all the hardships and bottlenecks. With the changing financial environment, NRB is also gradually adopting international best practices with needed customisation to address the local need. Risk Management Guidelines, Stress Testing Guidelines, Internal Capital Adequacy Assessment Process (ICAAP) Guidelines, Information Technology Guidelines and other circulars issued are some examples of our initiatives to maintain the safety and soundness of financial system. Equally, NRB has been continuously encouraging banks to adopt self-regulation, good corporate governance and prudent practices. Side by side, to be prepared for the worst scenario, NRB is in a position to apply operating manuals for Problem Bank Resolution Framework with the technical assistance of the World Bank.

Though NRB has been making untiring endeavours to increase the robustness of financial system, we observe that a few new problems are always creeping into the system. Multiple banking issues, ambiguity in defining big borrowers, ever increasing shadow banking, lack of financial literacy, lack of rating agencies, lack of integrity and good corporate governance are a few examples of such problems which we should address effectively in the coming days.

Finally, I would like to thank the staff of Bank Supervision Department for working diligently to accomplish supervisory responsibility effectively. Similarly, I also appreciate the co-operation of commercial banks, public and other stakeholders in achieving the supervisory objectives of the central bank and. Last but not the least, I would like to thank my friends of Policy Planning Unit for their endeavour in preparing this report for publication.

Lok Bahadur Khadka
Executive Director

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Acronyms

ADBL	Agriculture Development Bank Limited
ALCO	Asset Liability Committee
AMC	Asset Management Company
AML	Anti Money Laundering
AML/CFT	Anti Money Laundering/Combating the Financing of Terrorism
BAFIA	Bank and Financial Institutions Act, 2006
BCBS	Basel Committee on Banking Supervision
BFIs	Banks and Financial Institutions
BSD	Bank Supervision Department
CAELS	Capital Adequacy, Asset Quality, Earning, Liquidity, Sensitivity to Market Risk
CAMELS	Capital Adequacy, Asset Quality, Management competence, Earning, Liquidity, Sensitivity to Market Risk
CEO	Chief Executive Officer
CIB	Credit Information Bureau
CPG	Credit Policy Guidelines
CRA	Credit rating agency
CRR	Cash reserve ratio
DFID	Department for International Development
DRT	Debt Recovery Tribunal
DSL	Deprived sector lending
EWS	Early Warning Signals
EWS	Early Warning Signals
HLCC	High level Co-ordination Committee
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and communication technology
IMF	International Monetary Fund
IRB	Internal Rating Based
IT	Information Technology
KYC	Know Your Customer
LFAR	Long Form Audit Report
MIS	Management Information System
MoF	Ministry of Finance
NBA	Non-Banking Assets
NBL	Nepal Bank Limited
NGOs	Non- Government Organization
NPA	Non Performing Assets
NPL	Non- performing Loan
NRB	Nepal Rastra Bank
PBR	Problem Bank Resolution
PBRF	Problem Bank Resolution Framework
PCA	Prompt Corrective Action
RBBL	Rastriya Banijya Bank Limited
RBS	Risk Based Supervision
RMG	Risk Management Guidelines

RWE	Risk-weighted exposures
SEBON	Securities Exchange Board of Nepal
SIFI	Systemically Important Financial Institution
SLF	Standing Liquidity Facility
SLR	Statutory liquidity ratio
SOL	Single Obligor Limit
SREP	Supervisory Review and Evaluation Process
WB	World Bank

CHAPTER ONE
Nepalese Banking Industry

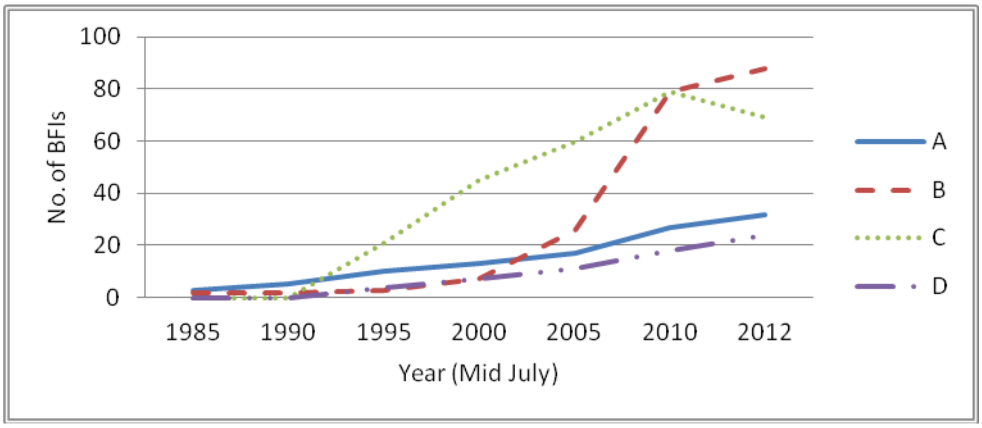
1.1 Introduction

Preamble of Nepal Rastra Bank Act, 2002 states that it is expedient to establish Nepal Rastra Bank (NRB) *"... to appropriately regulate, inspect and supervise in order to maintain the stability and healthy development of banking and financial system; and for the enhancement of public credibility towards the entire banking and financial system of the country"*. Likewise, section (4) subsection (b), (d) and (e) of the Act states the objectives of NRB as promoting stability and liquidity required in banking and financial sector; regulating, inspecting, supervising and monitoring the banking and financial system; promoting entire banking and financial system and enhancing public credibility. To achieve such objectives, NRB has always endeavoured to adopt international best practices with proper customisation to address increased risks in the financial system.

It took almost five decades, since the establishment of first commercial bank – Nepal Bank Limited in 1937, for Nepalese Financial System to be liberalized. Since then, Nepalese financial system has seen a tremendous growth in terms of number of institutions as well as in terms of the products and services. Industry's growth coupled with the rapid development in information and communication technology not only increased the banking products to the consumers but also fostered the competition and increased the complexities, risks and challenges in the banking industry.

Banking Industry, normally, occupies a bigger chunk in the financial system. Same is the case in Nepal. With the liberalized policies taken since 1980s, banking industry has been growing in a rapid pace. Chart 1.1 below shows how the number of Bank and Financial Institutions (BFIs), of class 'A', 'B', 'C', and 'D', increased in Nepalese banking industry in the last two and half decades.

Chart 1.1 Growth of BFIs



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

Nepalese Banking Industry saw the highest growth in the decade of 2000-2010. On the one hand, it increased people awareness and banking habit as well as made them more demanding and choosy on the other hand it increased the complexities and risks of failure, too. Gradually, industry realized the need for consolidation. The result of this has started to be seen in the increasing number of mergers in the Industry. Table 1.1 shows the number of mergers occurred as at mid-July 2012.

Table 1.1: Merger

S.No.	Merged BFIS		Institutions' name and class after merger	Date of operation after merger
1	Himchuli Bikash Bank (Class "B")	Birgunj Finance Limited (Class "C")	H & B Development Bank Limited (National Level Class "B")	2011/06/15
2	Business Development Bank (Class "B")	Universal Finance Limited (Class "C")	Business Universal Development Bank Limited (Class "B")	2012/04/03
3	Kasthamandap Development Bank (Class "B")	Shikhar Finance Limited (Class "C")	Kasthamandap Development Bank Limited (National Level Class "B")	2012/04/13
4	Machhapuchhre Bank Limited (Class "A")	Standard Finance Limited (Class "C")	Machhapuchhre Bank Limited (National Level Class "A")	2012/07/09
5	Global Bank Limited (Class "A")	IME Finance Limited (Class "C") Lord Buddha Finance Limited (Class "C")	Global IME Bank Limited (National Level Class "A")	2012/07/09
6	Infrastructure Development Bank (Class "B")	Swastik Merchant Finance Limited (Class "C")	Infrastructure Development Bank Limited (National Level Class "B")	2012/07/10
7	Annapurna Bikash Bank (Class "B")	Suryadarshan Finance Limited (Class "C")	Supreme Development Bank Limited (National Level Class "B")	2012/07/13
8	Pashupati Development Bank (Class "B")	Uddham Bikash Bank (Class "B")	Axis Development Bank (National Level Class "B")	2012/07/13

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

Up to mid-July 2012, seventeen BFIs have decided for the mergers and few are in pipelines, some have got letter of intent and some are in process of getting letter of intent. This depicts that consolidation has gradually taken place in the Nepalese Banking Industry. Number of financial institutions in Nepalese Banking System, in the previous five years, is shown in Table 1.2.

Table 1.2: Number of BFIs

Type of BFIs	Class	Mid-July				
		2008	2009	2010	2011	2012
Commercial Banks	A	25	26	27	31	32
Development	B	58	63	79	87	88
Finance Companies	C	78	77	79	79	69
Micro-finance Development Banks	D	12	15	18	21	24
Saving & Credit Co-operatives (Limited Banking Activities)	Non-classified	16	16	15	16	16
NGOs (Financial Intermediaries)	Non-classified	46	45	45	38	36
Total		**235**	**242**	**263**	**272**	**265**

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

Up to mid-July 2012, altogether 265 banks and non- bank financial institutions licensed by NRB are in operation. Of the total BFIs, “A” class (commercial banks) are 32, “B” class BFIs (development banks) are 88, “C” class BFIs (finance companies) are 69, “D” class BFIs (micro-credit development banks) are 24, saving and credit co-operatives are 16 and NGOs are 36 in numbers.

1.2 Nepal Rastra Bank as a regulator and supervisor

Nepal Rastra Bank Act, 2002 has placed NRB as an autonomous institution empowered to regulate and supervise banks and financial institutions. As a regulator, it has been continuously issuing various policies, guidelines and directives, to the licensed institutions, in line with international best practices and norms.

As a supervisor, NRB supervises the activities of the BFIs based on the existing legal framework and guiding policies. To discharge the responsibilities of supervisor, NRB has set four separate departments to look after the supervision of each class of BFIs i.e. 'A', 'B', 'C' and 'D' class institutions - Bank Supervision Department, Development Bank Supervision Department, Finance Company Supervision Department and Micro Finance Promotion and Supervision Department. These supervision departments basically monitor BFIs’ compliance with rules, regulations and directives.

1.3 The Commercial Banking

Nepal Bank Limited (NBL), the first commercial bank of the country, was established in 1937 with an objective of attracting people to formal banking system from the costly services of pre-dominant moneylenders. The second commercial bank, a fully government-owned, the Rastriya Banijya Bank Limited (RBBL) was established on 23 January 1966. In the early 1970s, NRB encouraged both NBL and RBBL to expand their branches to various parts of the country. For this purpose, NRB itself had conducted feasibility study and adopted the policy to subsidize the losses incurred by the branches established under the "Banking Development Program". In 1975, NRB had achieved its target of having at least one branch of commercial bank in each district head quarter.

After the introduction of economic and financial liberalisation, the trend of establishing banks in joint venture and private sector has started. As a result, as at mid-July 2012, the numbers of commercial banks in Nepal were thirty-two. Though, the adoption of the economic liberalization in the country brought a tremendous growth in the number of private sector banks, the public sector banks, which are three in number, have still occupied substantial share in the total assets of the industry. The share of private banks on total deposits, loans, and total assets has been increasing gradually. To win the confidence of depositors along with the adoption of latest technology and products and to survive efficiently in the tough competitive environment are some of the major challenges of commercial banks at present. Table 1.3 presents the list of commercial banks.

Table 1.3: List of Commercial Banks in Nepal (mid-July, 2012)

S.N.	Name	Operation Date (A.D.)	Head Office
1	Nepal Bank Limited (NBL)	1937/11/15	Kathmandu
2	Rastriya Banijya Bank Limited (RBBL)	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	Machhapuchchhre 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 (ADBL)	2006/03/16	Kathmandu
19	Global Bank Limited (GBL)	2007/01/02	Birgunj
20	Citizens Bank International Limited (CBIL)	2007/06/-21	Kathmandu
21	Prime Commercial Bank Limited (PCBL)	2007/09/24	Kathmandu
22	Sunrise Bank Limited (SRBL)	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
26	Kist Bank Limited (KiBL)	2009/05/07	Kathmandu
27	Janata Bank Nepal Limited (JBNL)	2010/04/05	Kathmandu
28	Mega Bank Nepal Limited (MBNL)	2010/07/23	Kathmandu
29	Commerz & Trust Bank Nepal Limited (CTBNL)	2010/09/20	Kathmandu
30	Civil Bank Limited (CBL)	2010/11/26	Kathmandu
31	Century Commercial Bank Limited (CCBL)	2011/03/10	Kathmandu
32	Sanima Bank Limited (SBL)	2012/02/15	Kathmandu

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

1.4 Ownership and Control

On the basis of ownership, the commercial banks in Nepal can be categorized into two groups as public and private banks. As of mid-July 2012 there are 3 public banks and 29 private sector banks. Rastriya Banijya Bank Limited is the largest bank in terms of deposit mobilization in government ownership. The Government of Nepal owns 40.49 percent share in Nepal Bank Limited, another public bank. Likewise, Government of Nepal now owns 53.5 percent shares of Agriculture Development Bank Limited (ADBL) that was initially established as a development bank with 100 percent government ownership and was upgraded to commercial bank in 2006. The financial health of public banks was very poor and thus a reform program was initiated in two banks (except ADBL) under the Financial Sector Reform Project with the technical assistance of the World Bank and DFID.

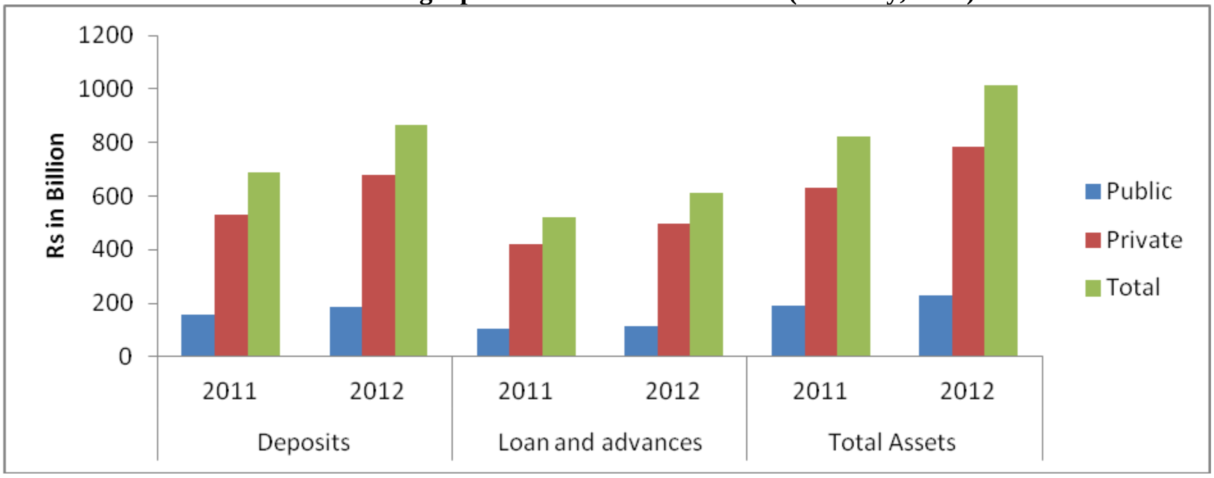
Private Banks in Nepal can be further re-grouped into local private banks and foreign joint-venture banks. Banks with the local private investment are local private banks while banks in joint investment of foreign financial institutions and local private investors are the joint-venture banks. As at mid-July 2012, there were seven private joint venture banks, and 22 locally owned banks.

1.5 Scope of Operations: Public vs. Private

Size of the banking industry has been growing gradually with the increment in the number of banks. Total deposits of the commercial banks increased by 26.24 percent to Rs. 867.98 billion in mid-July 2012 compared to the growth of 9 percent in the previous year. Similarly, loan and advances of the commercial banks increased by 17.11 percent to Rs. 612.32 billion in mid-July 2012, compared to the growth of 11.93 percent last year. Likewise, total assets of the commercial banks increased by 23.04 percent to Rs. 1013 billion in mid-July 2012, compared to the growth of 10.17 percent in the previous year. Detailed figures are shown in Table: 1 in Appendix 4.

The growth rates of all variables mentioned above were higher in private banks relative to the public sector banks in the review year. The chart below shows deposits, loan and advances and total assets of the public and private sector banks.

Chart 2: Banking Operations: Public vs. Private (mid-July, 2012)



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

1.6 Access to Banking Services and Branch Network

NRB has always aimed to promote the access of general public to the banking services. Liberalised policies have encouraged the increment in the number of BFIs which is reflected by the increasing number of bank branches. However, larger chunk of banking services are still concentrated in urban areas. The total number of bank branches increased to 1425 in mid-July 2012 from 1245 in mid-July 2011. Three public sector banks had total of 488 branches. The remaining 937 branches belonged to other 29 private sector banks.

Table 1.4: Branches of Commercial Banks (Mid-July 2012)

Name of Banks	2010	2011	2012
Nepal Bank Limited (NBL)	110	111	112
Rastriya Banijya Bank Limited (RBBL)	128	128	142
NABIL Bank Limited (NABIL)	37	46	49
Nepal Investment Bank Limited (NIBL)	40	41	41
Standard Chartered Bank Nepal Ltd. (SCBN)	16	16	16
Himalayan Bank Limited (HBL)	30	35	39
Nepal SBI Bank Limited (NSBI)	44	46	59
Nepal Bangladesh Bank Limited (NBBL)	19	19	19
Everest Bank Limited (EBL)	37	43	45
Bank of Kathmandu Limited (BOK)	37	39	45
Nepal Credit and Commerce Bank Ltd. (NCCBL)	17	17	22
Lumbini Bank Limited (LBL)	13	15	37
Nepal Industrial & Commercial Bank Ltd. (NIC)	26	34	16
Machhapuchchhre Bank Limited (MBL)	41	41	54
Kumari Bank Limited (KBL)	27	29	28
Laxmi Bank Limited (LXBL)	22	27	29
Siddhartha Bank Limited (SBL)	30	40	41
Agriculture Development Bank (ADBL)	97*	234*	234*
Global Bank Limited (GBL)	28	28	57
Citizens Bank International Limited (CBIL)	18	30	33
Prime Commercial Bank Limited (PCBL)	17	24	32
Sunrise Bank Limited (SRBL)	41	47	29
Bank of Asia Nepal Limited (BOA)	27	29	49
DCBL Bank Limited (DCBL)	12	21	21
NMB Bank Limited (NMB)	15	18	21
Kist Bank Limited (KiBL)	51	51	52
Janata Bank Nepal Limited (JBNL)	3	13	23
Mega Bank Nepal Limited (MBNL)		14	23
Commerz & Trust Bank Nepal Limited (CTBNL)		7	14
Civil Bank Limited (CBL)		1	13
Century Commercial Bank Limited (CCBL)		1	8
Sanima Bank Limited (SBL)			22
Total	**980**	**1245**	**1425**

** Also includes branches with development banking functions.*

(Source: Bank and Financial Institutions Department, NRB)

The ADBL has the largest number of branches (234) followed by RBBL (142) and NBL (112). Commercial banking operations still seems to be concentrated in capital city. The districts with highest number of bank branches are Kathmandu, Lalitpur and Rupandehi with 335, 77 and 67 branches respectively.

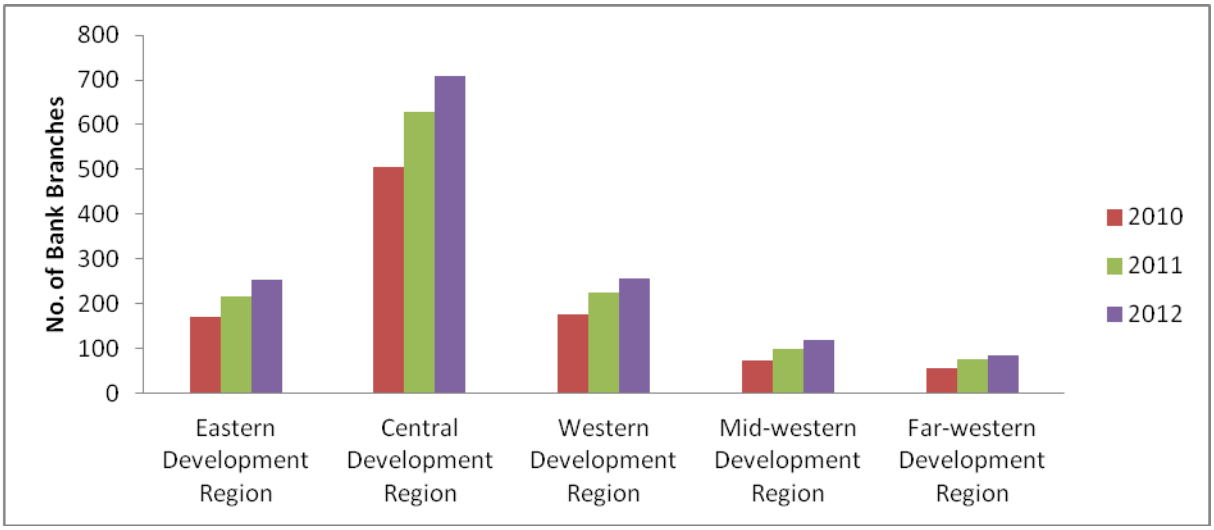
Table 1.5: Region-wise distribution of Branches (mid-July 2012)

S. N.	Development Region	2010	2011	2012
1	Eastern Development Region	170	216	255
2	Central Development Region	505	629	709
3	Western Development Region	177	225	256
4	Mid-western Development Region	72	100	120
5	Far-western Development Region	56	75	85
	Total	**980**	**1245**	**1425**

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

Most of the bank branches are located in the Central Development Region (709) followed by the Western and Eastern Development Regions with 256 and 255 branches respectively. The Far Western Development Region has the lowest number of bank branches i.e. 85.

Chart 1.3: Number of Bank Branches (Region-wise mid-July 2012)



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

1.7 Asset Share of Banks and Financial Institutions

The respective shares of banks and financial institutions (licensed by Nepal Rastra Bank) in the total assets of banking industry as of mid-July for three consecutive years are depicted in the table below.

Table 1.6: Asset share of Banks and Financial Institutions (mid-July 2012)

Bank and Financial Institutions	% Share 2010	% Share 2011	% Share 2012
Commercial Banks	76.7	75.3	77.3
Development Banks	10.6	12.0	12.4
Finance Companies	10.9	10.9	8.2
Micro Finance Development Banks	1.8	1.8	2.2
Other	0.0	0.0	0.0
Total	**100**	**100**	**100**

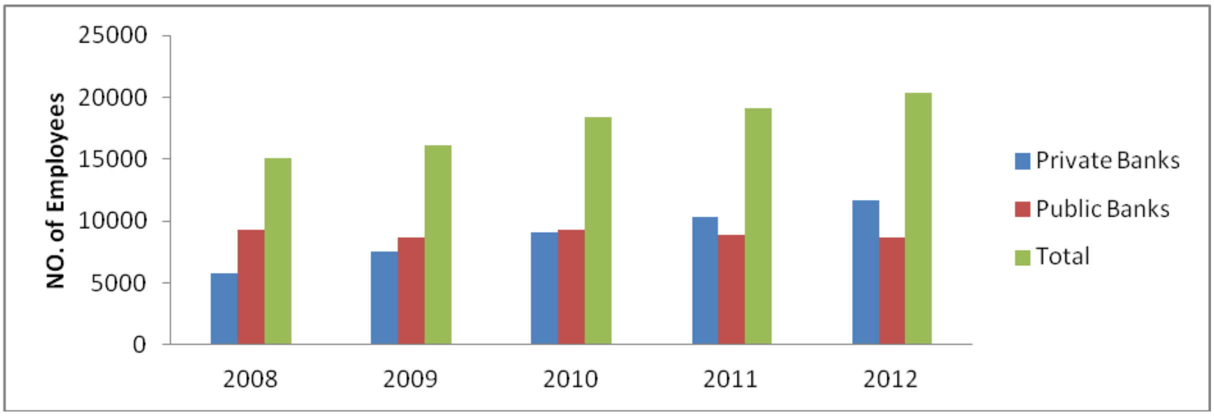
(Source: Bank and Financial Institutions Regulation Department, NRB)

The total assets of the banks and financial institutions licensed by NRB increased to Rs. 1381 billion in mid-July 2012 compared to Rs. 1166 billion in mid-July 2011. Table 1.6 shows that commercial banks constituted a dominant share of 77.3 percent in total assets of the BFIs. It was 75.3 percent in the previous year. The share of finance companies has decreased to 8.2 percent in 2012 which was 10.9 percent in 2011. The share of development banks in total assets remained almost same to previous year i.e. 12.4 percent which was 12 percent in 2011.

1.8 Employment in the Banking Industry

Commercial banking industry has provided employment to 20,336 persons as of mid-July 2012. Three public sector banks have 42.63 percent of total employment of commercial banks. Their large number of branches and low use of information and communication technology (ICT) are the reasons behind this. Employment number in private banks increased to 11,666 in mid-July 2012 from 10,321 in 2011.

Chart 1.4: Employment in Private and Public Sector Banks (mid-July, 2012)



1.9 Review of the Banking Legislation

NRB is the apex body to regulate and supervise banks and financial institutions in Nepal. To achieve the objective of stability and soundness of the banking system in the country, NRB has been continuously issuing various regulations and prudential directives to regulate the functions of licensed BFIs. Likewise, NRB has been conducting onsite inspections and offsite supervisions both on a regular and need basis to assess their compliance with the existing laws, regulations and prudential norms.

The key documents that guide the NRB's regulatory decisions are Nepal Rastra Bank Act, 2002, Bank and Financial Institutions Act, 2006, Company Act, 2006, Supervision By-laws, 2002, Unified Directives to licensed institutions, New Capital Adequacy Framework, 2007 (Updated), Monetary Policy, Anti Money Laundering Act 2064, Banking Service Fee Guidelines, Risk Management Guidelines, Stress Testing Guidelines, Internal Capital Adequacy Assessment Process - ICAAP Guidelines, Information Technology Guidelines and other circulars issued for the BFIs.

CHAPTER TWO

Bank Supervision

2.1 Banks and Supervision

NRB has a mandate of promoting safe, sound and stable banking and financial system through regulation and supervision of BFIs. Section 84 of the Nepal Rastra Bank Act, 2002 entrusts it with the power to inspect and supervise the banks and financial institutions. NRB has authority to formulate and implement inspection and supervision bylaws confirming to international standards as a basis for inspecting and supervising BFIs. Supervision function provides essential information of the banking system to the monetary policy formulation and decision-making processes, and also for taking timely measures to maintain financial stability.

Banks play crucial role of mobilising resources in the economy from areas with surplus to those with deficits. For this process, banks collect deposits from the general public too. Since banks want to earn from their functions, it is obvious that they take risks. If banks are set free, it seems certain that they will accumulate more than the acceptable or manageable level of risk, which, in the scenario of bust, they will not be able to absorb. A bank failure will have lots of negative consequences in the economy. Supervision, thus, is necessary to protect the interest of depositors and other stakeholders, to build up their confidence in the financial system, and to develop an efficient and competitive banking system. To achieve these objectives NRB has been discharging its responsibilities as an independent and autonomous supervisory authority.

2.2 Bank Supervision Department (BSD)

NRB has set up four separate dedicated departments to fulfil the functions on the basis of the class of the BFIs. Among them, BSD is for the supervision of 'A' Class institutions. BSD's supervisory function can be broadly classified as on-site inspection, off-site supervision, monitoring and enforcement, and continuous study and research to adopt international best practices in the field of bank supervision.

2.3 Supervision Methodology

BSD has adopted international best practices for supervising commercial banks in combination with the prevailing Nepalese laws. It has been following a compliance-based approach for supervision while also gradually moving towards risk-focused supervision. The Strategic Plan of NRB clearly specifies the time-bound action plan for implementing risk-focused supervisory mechanism.

Supervisory reviews include thorough and regular on-site inspections. These examinations focus on six major components of bank safety and soundness that are collectively known as CAMELS (Capital Adequacy, Asset Quality, Management competence, Earning, Liquidity, Sensitivity to Market Risk). Banks are assigned grades ranging from 1 (best) to 5 (worst) on each component. Supervisors use these six scores to award a composite CAMELS rating, also expressed in a scale of 1 to 5. The scores and ratings are kept confidential and used only for supervisory purposes.

The management of banks cannot be assessed only in terms of the returns submitted by the bank. Thus, off-site supervision has a separate rating of CAELS excluding "M" representing management which can be assessed only from the on-site supervision. The off-site supervision unit ranks the banks regularly based on these components.

2.4 Organization of BSD

To effectively carry out its responsibilities entrusted to it, BSD has organised four units. Besides these, there are different committees, working groups and a High level Co-ordination Committee (HLCC) for sharing information among other regulatory authorities of Nepal. Committees are formed as and when needed for certain assigned tasks, and are generally of temporary nature. Units in BSD are:

- Report Enforcement Unit
- Off-site Supervision Unit;
- Policy Planning and Analysis Unit; and
- Problem Bank Resolution and Internal Administration Unit

2.4.1 Report Enforcement Unit

Onsite/ Monitoring and Report Enforcement Unit is responsible to carry out onsite inspection and enforcement functions. There are nine such units, each of them comprising dedicated desks to monitor each of the 'A' class commercial banks. On-site inspections are conducted in accordance with the approved annual plan of the department. BSD is conducting corporate level onsite inspections of each commercial bank at least once a year. More than two-thirds of the department's human resources are deployed in these activities.

BSD has an Onsite Inspection Manual for inspection purpose. The objectives of on-site inspection are:

- To determine the financial position of the banks and the quality of their portfolios and operations to ensure that they are not operating against the interests of depositors and customers.

- To ascertain whether banks are complying with applicable laws, regulations and policies issued by the NRB.
- To assess and appraise the competence and capability of the bank's management and staff.
- To evaluate and verify bank's records, systems, and internal controls.
- To test the accuracy, validity and regularity of data submitted by banks to NRB, and
- To assess and analyse the risk management processes, procedures and systems adopted by banks.

Further, BSD also carries out on-site assessment of corporate governance, internal control system, assessment of technological risks, reliability of information provided, potentiality of business continuity etc. of the banks. The on-site inspections carried out by the BSD are of different nature as follows:

a) *Initial examination*, which is generally conducted within six months of commencement of operation by a new bank.
b) *Corporate-level inspection*, Routine full-fledged, which is the regular examination, generally carried out once in a year.
c) *Targeted Inspection*, which addresses specific issues or areas of operation of a bank, and
d) *Special inspection*, which is carried out as and when needed.

The on-site inspection unit conducts periodic assessment, special inspections and its findings complement the off-site supervision, particularly in the verification of information provided in the returns submitted to the Off-Site Supervision Unit.

2.4.2 Off-site Supervision Unit

Off-site supervision unit carries out off-site surveillance of all commercial banks. The core objective of this function is to conduct periodic financial reviews of banks in order to identify potential problems and to assess compliance with prevailing laws including their own statutes. It also provides feedback and flag areas that need to be focused during on-site inspections. There are two units of such kind each dedicated to Compliance and Financials.

BSD has an Off-site Supervision Manual that spells out the objectives, procedures and documents needed. Key objectives of the off-site supervision unit of the BSD are:

- To obtain regular information on the financial condition and health of commercial banks.
- To identify potential problems of commercial banks.
- To support to enhance the quality of on-site inspection.
- To ascertain the compliance status of applicable laws, regulations and directives issued to the commercial banks, and
- To serve as an Early Warning System.

Off-Site Supervision Unit is responsible for supervising bank operations on the basis of submitted data and reports. It reviews and analyses the financial performance of banks, statutory returns and other relevant information. It also monitors trends and developments of financial indicators of the banking sector as a whole and generates industry reports on a quarterly basis.

The unit reviews the financial returns submitted by the banks for checking compliance in terms of cash reserve ratio (CRR), statutory liquidity ratio (SLR) and deprived sector lending (DSL) and recommends monetary penalties in case of non-compliance. Further, it also collects and compiles information required for liquidity monitoring of the commercial banks on a daily basis. The unit prepares reports to detect emerging problems and early warning signals, too.

The returns are used to evaluate the exposure to risks and the effect this could have on profits. The returns are basis for computing financial soundness indicators and to analyse capital adequacy, assets quality, earnings, liquidity and sensitivity to market risk, all factors of CAELS. Daily liquidity monitoring, forward-looking assessments (Liquidity Coverage Ratiio - LCR) and sensitivity analysis including stress testing of commercial banks are recent additions to the regular offsite supervisory functions.

2.4.3 Policy, Planning and Analysis Unit

Policy Planning and Analysis Unit is responsible to carry out continuous study on emerging issues and new developments in international practices in bank supervision arena. Growing complexities in financial world is increasing challenges to the regulatory and supervisory bodies to monitor the ever growing risks in financial system and to ensure the stability of the system. Continuous monitoring, follow up and evaluation of previous policies as well as exploring the newer developments in the international practices have become a regular phenomenon to cope with the dynamic financial world. The adoption of international best practices with regard to regulation and supervision can assist in addressing challenges needed for building a safe, sound and stable financial system. The Policy, Planning and Analysis Unit of BSD reviews policy and undertake studies for improving supervisory tools and techniques. In this context, it is also necessary to develop and maintain relations with international supervisory agencies and this can help share knowledge and adopt new techniques. The Policy, Planning and Analysis Unit carry out the aforesaid functions and report new developments on a periodic basis.

Further, the Unit also reviews and formulates the Annual Work-plans of BSD in line with NRB's strategic plan. It is also responsible for coordinating interaction programs, seminars and workshops on the related issues involving external stakeholders too.

2.4.4 Problem Bank Resolution and Internal Administration Unit

This unit carries out two major functions. One is about bank resolution and other is about administration. Problem bank resolution unit is a recent addition in the BSD. It is set with the purpose of designing the framework of resolving the problematic BFIs and to implement the step by step resolution process in case of necessity. This unit identifies additional procedures and best practices regarding problematic bank resolutions and prepares itself to act when needed. Besides, it is also working on designing prompt corrective actions for liquidity shortfall and excessive Non Performing Assets.

The Internal Administration Unit performs the administrative functions of BSD. Its tasks include logistic management, organising staff meetings, managing internal placements, issuing travel orders, and keeping leave records and also serving as the back office. This Unit looks after procurements such as supply of office logistics and stationery in coordination with the General Services Department of NRB.

CHAPTER THREE
Current Issues in Bank Supervision

3.1 Background

The NRB's activities in banking supervision have often been determined by exogenous elements mainly the changes in the structure and scope, activities and risks of the financial sector, as well as international changes in regulatory or supervisory standards. Series of financial distresses in the different jurisdictions have underscored the importance of establishing better risk management regimes in the banking industry. The existing risk management culture based on normal business conditions and historical trends is not enough to cope with the type of disorders that have been witnessed in the global financial systems. This has necessitated appropriate responses by regulatory and supervisory agencies.

The supervisory approaches within NRB are changing along with the advances in technology and supervisory practices around the globe. So far, NRB has been following compliance-based supervision where supervisors review the credit files and returns produced by banks to assess compliance with existing laws and guidelines. It focuses more on detecting deviations from legal provisions rather than the overall financial soundness and risk management by banks. The existing approach provides a snapshot of an institution's financial condition at a point of time and the supervision is periodic.

Supervisory authorities all over the world are gradually moving towards risk-based supervision that is likely to contribute positively in the supervisory function. Though scrutiny of systems and procedures at the bank under supervision is integral to on-site inspection, there is scope for focusing more on the risk profile of the bank. Globally, the move of supervisory bodies is towards more risk focused, responsive and tailored approaches.

NRB has developed and issued Risk Management Guidelines based on the Basel Core Principles to set the minimum standard for risk management in commercial banks. It has developed an overall framework and onsite manual for moving towards risk-based supervision (RBS).

3.2 Risk Based Supervision

Risk Based Supervision (RBS) is a proactive and efficient supervisory process, which enables the supervisor to prioritize and focus efforts and resources on areas of significant risks and/or banks that have high-risk profiles. It entails a shift from a rigid rules/compliance-based supervisory approach to a more risk sensitive one, which seeks to encourage a bank to develop, and continuously update its internal risk management system to ensure that it is commensurate with the scope and complexity of its operations. The main objectives of RBS are to:

- Identify banks in which risks are higher
- Identify the areas which are exposed to higher risk, and
- Allocate scarce supervisory resources to identified risky areas.

Adoption of RBS saves supervisory resources and helps to promote a safe and sound financial system. It saves resources because it focuses supervisory efforts on areas of higher risk. By getting institutions to manage risks as opposed to correcting symptoms of problems, as in case of traditional supervision, supervisors focus their actions on identifying and preventing the causes of problems requiring improvements in management practices and systems. RBS is not transaction based instead it is a system-based inspection. In this approach, the regulator and supervisor enter into the depth and details of the system and procedures for managing and controlling risks.

The current supervisory process adopted by the BSD at NRB is applied to all commercial banks uniformly. It is largely on-site inspection driven and supplemented by off-site monitoring and follow-up. The process is based on CAMELS and CAELS approaches where capital adequacy, asset quality, management aspects, earnings, liquidity and sensitivity to market risk, etc. are reviewed keeping in mind the legal requirements. On-site inspection is conducted, to a large extent, in reference to the audited balance sheet date and any particular cut-off date of the fiscal year. Off-site surveillance plays a supplementary role. In several external jurisdictions, the supervisory process extensively leverages on the work done by others such as the internal and external auditors. Nepal has no laws requiring external auditors to report adverse findings to the supervisor on issues attracting supervisory attention. However, the auditor has to submit a special purpose report called the Long Form Audit Report (LFAR) to the supervisor.

3.3 Basel Core Principles (BCP)

The Basel Committee formulates supervisory standard / guidelines and also issues statements with broad application on international best practices with regard to regulation and supervision. This is intended to enable central banks to take required measures for applying the standards within a legal and regulatory framework appropriate to the country's financial system. Since the introduction of the Core Principles for Effective Banking Supervision in September 1997 by the Basel Committee on Banking Supervision (BCBS), these principles have emerged as the global standards for the quality of supervisory systems. The Basel Committee recognizes that effective banking supervision requires a set of principles to be followed. It is a brief document and covers a variety of topics in connection with regulation and supervision.

Although supervisory practices and processes are always evolving and improving with time, it is always good to continuously subject supervisory arrangements to scrutiny against internationally accepted benchmarks and to consider improvements. For complying with the BCP effectively, there is need for a strong public infrastructure, including:

- Financial transparency and effective corporate governance in banks and financial institutions,
- Balanced and stable fiscal policy,
- Effective supervision of the financial sector by all concerned 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,
- Institutions such as Assets Management Companies, Credit Rating Agencies, Deposit Insurance and
- Laws on controlling financial crime and conflict of interest.

The BSD at NRB is closely monitoring the application of BCP in its supervisory policies and practices. The priority has been placed on addressing the BCP while developing policy documents suited to the Nepalese financial system and context. During onsite inspection, supervisors also pay attention to superb policies and best practices of commercial banks in connection with their banking business.

3.4 Capital Adequacy Framework and its Implication in Nepal

NRB has implemented New Capital Adequacy Framework in commercial banks to align with international best practices and also to ensure that capital at banks is more risk sensitive and resilient to shocks. The structure and composition of the Nepalese financial market doesn’t permit advanced approaches like the Internal Rating Based (IRB) or the Standardized Approach. Considering the market, NRB has adopted the Simplified Standardized Approach for credit risk, Basic Indicator Approach for operational risk, and the Net Open Position Approach for assessing market risk. This framework provides guidelines for implementing the New Capital Adequacy Framework in Nepal. In line with International Convergence of Capital Measurements and Capital Standards, this framework builds three mutually reinforcing pillars – minimum capital requirements, supervisory review process, and market discipline.

The first pillar requires minimum capital requirements for credit, operational and market risks. Conceptually, the first pillar is similar to the existing capital framework, in that, it provides a measure of capital relative to risk and also calculates operational and market risks to the total risk weighted exposure to credit risk.

The second pillar – supervisory review process - requires banks to assess capital and allows supervisors to evaluate a bank's assessment, and determine whether the assessment was reasonable. It is not enough for a bank or its supervisors to rely on the calculation of minimum capital under the first pillar. Supervisors need to provide an extra oversight to verify that the bank understands its risk profile, and the bank has adequate capital all the time including the stress time.

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 financial reporting by banks can allow market participants to better reward well-managed banks and penalize those that are poorly managed.

3.4.1 Internal Capital Adequacy Assessment Process (ICAAP)

Pillar 2 (Supervisory Review) of Capital Adequacy Framework comprises of Internal Capital Adequacy Assessment Process (ICAAP) followed by Supervisory Review and Evaluation Process (SREP). ICAAP is understood as bank's internal assessment of capital that it considers adequate to cover all material risks to which it is exposed. The objective of ICAAP is to ensure that a bank understands its risk profile and has system in place to assess, quantify and monitor risk. One of the objectives is to determine the economic capital required to cover all risks exposed to. While regulatory capital is the capital that the regulator requires a bank to maintain, economic capital is capital that a bank needs to maintain and is, in general, estimated using internal risk models. In order to define the amount of risk as the possible loss in asset value over time or equivalently, the erosion in the value of a bank's equity (till the asset value falls below debt after which the debt holders start getting affected), then the amount of capital a bank needs to hold exactly equals the amount of risk. Therefore, the term economic capital is frequently used as a proxy for risk. The scope and coverage of ICAAP is much beyond Pillar 1 in the sense that it not only covers the Pillar 1 risks (credit risk, market risk & operational risk) but also encompasses all material risks. Though Pillar 1 is more costly and time-consuming to implement, Pillar 2 has more depth, and far reaching consequences for banks.

The Supervisory Review and Evaluation Process (Pillar 2) requires the supervisory authorities to review the process by which a bank assesses its capital adequacy (regulatory as well as economic), risk positions resulting capital levels and quality of capital held by a bank. SREP should review whether the proper implementation of ICAAP is done. Nepal Rastra Bank has recently issued ICAAP guidelines requiring banks to submit their ICAAP policy.

3.4.2 Prompt Corrective Action

New BCP No. 16 (Capital Adequacy) focuses on capital requirement and enforcing Prompt Corrective Action (PCA). It states, "Supervisors must set prudent and appropriate minimum capital adequacy requirement 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 also emphasizes that supervisors should 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 for absorbing losses. The supervisor should be equipped with the power to impose a specific capital charge and/or limits on all material risk exposures.

Similarly, New BCP No. 11 (Corrective and sanctioning powers of supervisors) states that 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 of the supervisor to take prompt remedial action and to impose penalties.

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

In the PCA, immediate actions need to be taken to those banks whose capital adequacy ratio falls short of the stipulated limit. Actions include restrictions on branch expansion and dividend payments, loan disbursement and deposit mobilization, and increases in salary and allowances depending on the level of shortfall in the regulatory capital adequacy ratio.

NRB has already developed a PCA that is triggered by capital shortfalls. NRB has also realized the need to incorporate additional provisions for triggering actions based on liquidity and Non Performing Assets (NPA) in the PCA bylaws.

3.5 Bank Exit Mechanism

One of the most challenging aspects of a bank supervisor's job is knowing how to read and react, in a balanced and effective way, to symptoms of problems that may not yet be obvious to bank management and directors. The point where supervisor identifies potential problems and recognizes the possible effect on a bank’s condition is critical. NRB has been putting its efforts in developing and implementing supervision policies and procedures that support prompt detection and mitigation of problems before they affect a bank’s viability. NRB has, continuously, directed its efforts and made progress in implementing prudential regulations including new capital adequacy norms, strengthening supervisory capacity, making provisions for liquidity support to banks, and introducing PCA), Early Warning Signals (EWS), and Stress Testing of banks. The Nepalese financial system is exposed to both external risks, from the global financial crisis, as well as those arising from internal macroeconomic vulnerabilities. Under such a scenario banks regulators and supervisors need to be well prepared for handling crisis that could result from the vulnerabilities of financial system before they trigger systemic crises. Developing supervisory capacity for crisis management, defining step-by-step process and mechanisms for problem bank resolution, and developing bank exit systems are some immediate issues that need to be addressed. Formulation of Problem Bank Resolution Manual and Toolkit with the technical assistance from the World Bank has given us clear impetus in this regard.

3.6 Macro-prudential Supervision

One important lesson learnt from global financial crisis is that regulation and supervision of banks in isolation is not sufficient for maintaining financial stability. A macro-prudential perspective evaluates and monitors the financial system as a whole. Globally, efforts are already underway to initiate combined approaches to micro and macro prudential perspectives to create a stronger supervisory framework. Adopting macro-prudential supervision is an issue that needs to be addressed for the stability of the Nepalese financial system.

3.7 Financial Safety Net and Deposit Guarantee

Developing a financial safety net for banks has been an important issue for sustainable development of financial systems. NRB has the objective of promoting stability and credibility of the banking system among the general public. Strengthening regulatory and supervisory functions is important and developing a strong safety net is essential for attaining the objective. Deposit guarantee schemes for natural persons' deposits of up to Rs. 200,000 have been introduced in Nepal. There is a policy to increase the limit of guarantee up to Rs 500,000. From F.Y. 2069/70 BFIs are supposed to enter into an agreement to raise the limit to Rs 300,000. However, the limit of the guarantee amount is not enough to safeguard large number of depositors and the modality of the payment of guaranteed amount is still ambiguous. Besides, the establishment of Asset Management Company (AMC), strengthening the capacity of Debt Recovery Tribunal and establishment of Credit Raging Agencies are also equally important to maintain and promote a safe and sound financial system.

3.8 Forward Looking and Stress Testing

The impact on capital needs to be detected through stress testing. This will be included in risk profile of a bank and would also need banks to maintain a shock-absorbing fund in the form of regulatory capital. A stress test is a general term covering the techniques and methodologies that banks can employ to measure their vulnerability or exposure to the impacts of exceptional, rare but potential events. These events could be interest rate changes, exchange rate fluctuations, changes in credit rating, and those that influence liquidity etc. There are various methods for measuring the impact of the factors discussed above in the supervisory review process:

- Simple sensitivity tests determine short-term sensitivity to a single risk factor, and
- Scenario analyses involve risk parameters (with low but positive probability) that change along a pre-defined scenario, and the examination of the impact of these parameters.

Nepal Rastra bank has issued guidelines for commercial banks to conduct stress test. As the first step in stress testing, the guidelines cover simple sensitivity tests in different areas of risk management. There are simple shocks, which provide minimum standards for stress testing in Nepalese banking. At minimum, all the commercial banks are required to conduct stress test at corporate level on quarterly basis. Banks are encouraged to introduce more complex and advanced techniques of stress testing to improve their own internal risk management practices. Based on the nature, size and complexities of the business activities, the techniques for stress testing may vary.

Any of the methodologies assess the impact of a severe stress event on the variables like earnings, liquidity and capital. The guidelines prescribe some shocks associated with the credit risk, market risk and liquidity risk. Banks are required to conduct stress test on a quarterly basis on some basic assumptions and the result should be reported to Bank Supervision Department.

CHAPTER FOUR

Supervisory Activities

4.1 Annual Action Plan of Bank Supervision Department

The BSD prepares Annual Action plans for each year. Such plans need to be reviewed regularly to ensure that implementation is in line with the plan. The BSD reviews the plans at a regular interval. The annual action plan for the fiscal year 2011/12 and its implementation status is presented in Table 4.1.

Table 4.1: Annual Action Plan of BSD, 2011/12

S. N.	Work Plans	Implementation Status
1	On-site Inspection	Yes
1.1	Corporate level on-site inspection of all commercial banks.	Yes
1.2	Preparation of Inspection Reports	Yes
1.3	Special inspection of banks and branches as required	Yes
2	Off-site Supervision	Yes
2.1	Preparation of quarterly consolidated off-site supervision report incorporating financial analysis, and compliance to prevailing directives and regulations, within the specified time.	Yes
2.2	Preparation of consolidated annual off-site supervision report of all commercial banks.	Yes
2.3	AGM clearance to commercial bank	Yes
2.4	Cash Reserve Ratio and Deprived Sector Lending monitoring	Yes
2.5	Capital adequacy ratios monitoring	Yes
2.6	Daily liquidity monitoring	Yes
3	Enforcement	
3.1	Enforcing directions given by NRB during on-site examinations or off-site supervision	Yes
3.2	Monitoring implementation status of directions given by NRB 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
4	Policy, planning	
4.1	Publication of annual report of Bank Supervision Department.	Yes
4.2	Coordination of various interaction programs, seminars, workshops, and trainings.	Yes
4.3	Preparation of Annual Bank Supervision Action Plan for 2011/12	Yes
4.4	Preparation of ICAAP Guidelines	Yes
4.5	Implementation of Liquidity Monitoring Framework and Stress Testing Guidelines	Yes

The BSD performed all the planned activities in the Annual Supervision Action Plan for F.Y. 2011/12.

4.2 Corporate On-site Inspection Programs

The corporate on-site examinations of 32 banks were carried out during 2011/12. The schedule of the quarterly on-site examinations in F.Y. 2011/12 was as follows:

Table 4.2: Corporate On-site Examinations in 2011/12

S. No.	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1	Prime Commercial Bank Ltd.	Nepal SBI Bank Ltd.	Bank of Kathmandu Ltd.	Nepal Bank Ltd.
2	Sunrise Bank Ltd.	Nepal Bangladesh Bank Ltd.	Lumbini Bank Ltd.	Rastriya Banijya Bank Limited.
3	Global Bank Ltd.	NIC Bank Ltd.	Siddhartha Bank Ltd.	Agriculture Development Bank Ltd.
4	Kist Bank Ltd.	NCC Bank Ltd.	Citizens Bank International Ltd.	Everest Bank Ltd.
5	Nepal Investment Bank Ltd.	NMB Bank Ltd.	Bank of Asia Nepal Ltd.	Laxmi Bank Ltd.
6	Nabil Bank Ltd.	Janata Bank Ltd.	Grand Bank Nepal Ltd.	Standard Chartered Bank Nepal Ltd.
7	Machhapuchchhre Bank Ltd.	Civil Bank Ltd.	Mega Bank Ltd.	Sanima Bank Ltd.
8	Himalayan Bank Ltd.	Century Commercial Bank Ltd.	Commerz & Trust Bank Ltd.	
9	Kumari Bank Ltd.			
Total	**9**	**8**	**8**	**7**

Several discrepancies were found in the course of inspections in terms of compliance with NRB directives, BAFIA-2006 and other prevailing laws and regulations. Similarly, there were shortcomings in corporate governance and risk management practices. BSD had issued both specific and general directions/instructions to banks for resolving the shortcomings observed during inspections. The overall observation is that banks have poor corporate governance and therefore there is a need for frequent on-site visits. The major shortcomings as well as non-compliance observed at the banks during on-site examinations in F.Y. 2011/12 were as follows:

Area of Inspections	Major areas where deviation and non-compliances were observed
Capital Adequacy	➢ Heavy accumulated loss and capital below prescribed limit in public banks ➢ Improper calculation of risk weighted exposure ➢ Weak overall risk management practices ➢ Disclosure policy not formulated ➢ Credit risk mitigation criteria not fulfilled ➢ Loan provided exceeding the Single Obligor Limit (SOL) ➢ Weak infrastructure to implement Capital Adequacy Framework ➢ Supervisors were not satisfied with operational risk management, Asset Liability Management, and overall risk

	management practices of the banks. ➢ ICAAP not formulated and lack of proper capital plan
Asset Quality	➢ Lack of sound credit risk management practice (e.g., credit department lacking separate line of reporting for marketing and control) & poor credit documentation issues (e.g. credit information report, tax clearance, audited financial statements of the borrower, stock inspection report, valuation report, inadequate insurance of collateral and assets, etc.) ➢ Non-compliance to the terms and conditions mentioned in the offer-letter. ➢ Irregular and inadequate credit monitoring. ➢ Inadequate loan loss provisioning. ➢ Inadequate borrowers' information. ➢ Borrowers separated only the basis of legal separation for SOL purpose and credit concentration issues ➢ Issues on assessment of borrower's future cash flows for loan repayment ➢ Improper valuation of fixed assets ➢ Overdrawn overdraft limit ➢ Creation of new loan limit to repay existing loans ➢ Irregular consortium meetings ➢ Non-compliance of Company Act provision ➢ Issues on Loan Restructuring ➢ Non-compliance of NRB Directives on Blacklisting ➢ Discretionary power to CEO to override the provisions of Credit Policy Guidelines (CPG) ➢ Loan approved before getting credit information ➢ Lack of proper monitoring of deprived sector loan ➢ Board and management inactive in recovering problem loans ➢ Know Your Customer (KYC) directives not followed ➢ Short-term loan extended again and again ➢ Non-compliance of loan classification and provisioning directives ➢ Purpose of personal large loan not identified ➢ Loan disbursed before approval ➢ Credit concentration in real estate sector ➢ Issues in multiple banking (*Paripassu* not done) ➢ Loan provided to promoter group ➢ Recovery process not initiated upon maturity of the loan ➢ Poor internal control ➢ Grading of borrowers not assigned as envisaged by Risk Management Guidelines ➢ Provision of credit purchase not complied ➢ Loan provided against unified directives to cooperatives not licensed by NRB ➢ Insufficient collateral backup

Management	➢ Lack of Compliance to Personnel Policy Guidelines of the bank (Issues of job description, authority delegation, transfer and promotion) ➢ Disclosure policy not formulated ➢ Strategic and business plan not formulated ➢ Issues of high staff turnover and lack of proper staff retention policy. ➢ Independence and importance of Audit Committee undermined ➢ Lack of Board oversight on ICAAP and overall risk management ➢ Inadequate MIS, IT, Disaster Recovery, information security policy, weak data access control ➢ Lack of backup link in disaster recovery site ➢ Weak outsourcing risk management ➢ Lack of comprehensive risk management guidelines ➢ Lack of succession/retention plan ➢ Unprofessional decisions of the Board of Directors ➢ Weak Board oversight on loans ➢ BAFIA not fully complied ➢ Operational lapses and less effort made to reducing lapses ➢ Mechanism not prepared to monitor single obligor limit and related parties ➢ Board of directors unaware of bank activities ➢ Non-compliance to Anti Money Laundering directives ➢ Bank not serious to comply with NRB directives ➢ Less effective internal audit and compliance department ➢ Regular loan limit provided to own staff ➢ No procedure developed conducting Board meetings ➢ Business and strategic plan not formulated ➢ Framework and strategy for managing various risks not formulated or implemented ➢ Crossholding not divested ➢ AML/CFT norms not complied ➢ Involvement of audit committee member to other business related committee ➢ Non compliance of direction given by the previous onsite inspection ➢ Loan approved/renewed to black listed firm ➢ No independent credit risk management unit established ➢ Risk management committee formed against the spirit of NRB directives ➢ No serious efforts done to recovery from written off loan and black listing process not initiated ➢ Discriminating decision made for waiving interest, penal interest and other fees ➢ Purchased cheque not presented within stipulated time ➢ Board of Directors remain absent at all meetings

Earning	➢ Improper classification and provisioning ➢ Issues of income recognition ➢ Non compliance of Service, fees related guidelines ➢ Unplanned and irrational expenses ➢ Lack of proper liquidity management plan resulting loosing earning opportunity ➢ Account overdrawn
Liquidity	➢ No discussion of agendas and very low frequency of Asset Liability Committee (ALCO) meeting ➢ Weaknesses in monitoring of liquidity profile and gap analysis ➢ Low net liquid assets to total deposit ratio ➢ Heavy gap in short term asset and liabilities and no revival plan ➢ Liability concentration in few clients ➢ No clarification made for mismatches of very short term buckets ➢ Rollover of interbank investment again and again ➢ Less effective ALM committee
Sensitivity To Market	➢ Poor analysis of rate sensitive assets and liabilities ➢ ALCO lacking regular meeting ➢ Investment Policy not formulated/implemented ➢ Net Open Position not in regulatory prescribed limit

The comments/issues on inspection reports, to a great extent, have been repeated for the 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 banks were complying with instructions given by the supervisor and appropriate corrections took place on time. At the same time some banks seemed more or less unable to address major issues in the inspection reports which need more supervisory attention.

Special On-site Inspection

During 2011/12, BSD conducted 36 special on-site examinations in 19 banks, and maximum of eight special inspections at Nepal Bangladesh Bank Limited. The inspection was initiated on the basis of information provided by the off-site unit and was instrumental in resolving the main issues.

Table 4.3: Special On-site Inspection in 2011/12

S.N.	Banks	No of Inspection
1	Nepal Bank Ltd.	1
2	Rastriya Banijya Bank Ltd.	1
3	Nabil Bank Ltd.	2
4	Nepal Investment Bank Ltd.	1
5	Himalayan Bank Ltd.	2
6	Nepal Bangladesh Bank Ltd.	8
7	Everest Bank Ltd.	3
8	Bank of Kathmandu Ltd.	1
9	Nepal Credit & Commerce Bank Ltd.	2
10	Nepal Industrial and Commercial Bank Ltd.	2
11	Machhapuchchhre Bank Ltd.	2
12	Laxmi Bank Ltd.	1
13	Siddhartha Bank Ltd.	1
14	Agriculture Development Bank Nepal Ltd.	2
15	Prime Commercial Bank Ltd.	1
16	NMB Bank Ltd.	1
17	Kist Bank Ltd.	3
18	Janata Bank Ltd.	1
19	Civil Bank Ltd.	1
Total Number of Inspections		36

4.3 Off-site Supervision

4.3.1 Cash Reserve Ratio (CRR) and Daily Liquidity Monitoring

Commercial banks are the backbone of the payment system and are the main conduits of monetary policy. As an indirect monetary instrument, NRB uses CRR to control money supply in the economy, which was 5.5 percent of total local currency deposit liabilities in the review period. Banks that fail to maintain such reserves face monetary penalties based on the bank rate. The penalty rate escalates for repeated violations. In 2011/12, Himalayan Bank Limited was penalized once in the fourth quarter (Rs. 95103) for non-compliance to CRR. The offsite unit collects data from all commercial banks to monitor and review weekly average CRR positions. It aims to identify the balance of (excess or shortfall) reserves maintained in central bank.

4.3.2 Directed Lending

Nepalese commercial banks are required to disburse at least three percent of their total loan portfolio in the deprived sector as directed lending. Failure to meet this obligation results in the financial penalty, computed on the basis of the highest published lending rate of the defaulting bank. During 2011/12, Civil Bank Limited was penalized (Rs. 13621.17) for not complying with the norms of directed lending.

4.3.3 Statutory Liquidity Ratio (SLR)

Banks are required to maintain SLR of 15 percent of their total domestic deposit liabilities. Failing to meet such obligation results in monetary penalties- computed on the basis of bank rate (6.5 percent). During the fiscal year 2011/12, all the banks complied with the Statutory Liquidity Ratio norm.

4.3.4 Capital Adequacy Ratio

The New Capital Adequacy Framework requires the banks to maintain minimum capital requirements. As per the framework, commercial banks need to maintain at least 6 percent Tier I capital and 10 percent Total Capital (Tier I & Tier II). The minimum capital adequacy requirements are based on risk-weighted exposures (RWE) of the banks. The capital adequacy ratios of banks are monitored each month. Table 4.4 shows the capital position of the banks in mid-July 2012.

Table 4.4 Capital Adequacy Ratio of Commercial Banks

S.N.	Bank	Rs. (in million)			Percent	
		Tier 1	Tier 1 & Tier 2	Total RWE	Tier I	Total Capital
1	Nepal Bank Ltd.	(3,008)	(3,008)	55,122	*	
2	Rastriya Banijya Bank Ltd.	(4,738)	(4,738)	50,659		
3	Nabil Bank Ltd.	6,050	6,921	54,447	11.11	12.71
4	Nepal Investment Bank Ltd.	6,302	7,397	62,572	10.07	11.82
5	Standard Chartered Bank Nepal Ltd.	4,486	5,019	30,837	14.55	16.28
6	Himalayan Bank Ltd.	5,008	5,701	47,905	10.45	11.90
7	Nepal Bangladesh Bank Ltd.	3,285	3,999	35,170	9.34	11.37
8	Nepal SBI Bank Ltd.	2,108	2,323	19,581	10.77	11.86
9	Everest Bank Ltd.	4,011	4,643	41,910	9.57	11.08
10	Bank of Kathmandu Ltd.	2,982	3,241	25,761	11.58	12.58
11	NCC Bank Ltd.	1,790	1,923	16,287	10.99	11.81
12	NIC Bank Ltd.	2,352	2,643	20,568	11.44	12.85
13	Lumbini Bank Ltd.	2,003	2,112	8,968	22.33	23.55
14	Machhapuchhre Bank Ltd.	2,625	2,789	19,098	13.74	14.60
15	Kumari Bank Ltd.	2,481	2,760	20,794	11.93	13.27
16	Laxmi Bank Ltd.	2,319	2,650	22,441	10.33	11.81
17	Siddharth Bank Ltd.	2,275	3,022	26,355	8.63	11.47
18	Agriculture Dev. Bank Ltd.	12,897	16,324	89,468	14.42	18.25
19	Global IME Bank Ltd.	2,726	3,386	27,148	10.04	12.47
20	Citizens Bank Int'l Ltd.	2,423	2,571	16,543	14.65	15.54
21	Prime Commercial Bank Ltd.	2,827	3,019	20,327	13.91	14.85
22	Bank of Asia Nepal Ltd.	2,363	2,494	14,838	15.93	16.81
23	Sunrise Bank Ltd.	2,262	2,409	18,888	11.98	12.75
24	NMB Bank Ltd.	2,298	2,413	13,131	17.50	18.38
25	Grand Bank Nepal Ltd.	2,158	2,289	15,619	13.82	14.65
26	Kist Bank Ltd	2,215	2,360	18,841	11.76	12.53
27	Janata Bank Nepal Ltd	2,136	2,211	9,063	23.57	24.39
28	Mega Bank Ltd.	1,782	1,862	9,744	18.29	19.11
29	Commerz & Trust Bank Nepal Ltd.	1,439	1,495	7,186	20.03	20.80
30	Civil Bank Ltd.	1,228	1,306	9,202	13.34	14.19
31	Century Commercial Bank Ltd.	1,158	1,200	5,204	22.25	23.06
32	Sanima Bank Ltd.	2,228	2,334	10,700	20.82	21.81
Total		84,471	97,069	844,374	10.00	11.5

* *Banks having negative capital position and undergoing restructuring.*

4.3.5 Annual Clearance for Publication of Financial Statements

Banks are required to obtain clearance from NRB prior to publishing their annual accounts. In this process, an off-site surveillance of each bank is conducted based on various documents like the final audited accounts submitted by the banks, preliminary audit report, management reply, long form audit report, auditors' final report and the preceding on-site examination report. The bank's financial position, compliance to prevailing laws and issues raised by external auditors are analyzed to determine if supervisory intervention is required.

4.4 Enforcement Activities

The Enforcement Unit is responsible for ensuring that banks adhere to NRB directives with respect to the on-site examinations and off-site supervision. Continuous follow up was done and efforts were made to ensure that the banks had complied with the requirements. This Unit prepares quarterly enforcement reports.

4.5 Policy and Planning Activities

During the review period, the Policy Planning and Analysis Unit formulated an action plan for the next year. The Unit conducted a periodic review of the Annual Supervision Action Plan of 2011/12, and the report was executed in accordance with Inspection and Supervision By-laws. The Unit also functions as secretariat for the High Level Co-ordination Committee.

4.5.1 Liquidity Monitoring Framework and Stress Testing Guidelines

As necessitated by contingency planning, Risk Management Process, and Basel core principles, the NRB has prepared and issued a Liquidity Monitoring Framework to monitor the liquidity position of commercial banks. The Framework requires banks to submit their short-term liquidity position (liquid asset to short term liabilities position), deposit and credit concentration, interbank transaction, borrowing from NRB (SLF, Repo, refinance), and liquidity profile (short- and long-term asset liability position) within a given timeframe. This Framework helps in monitoring the liquidity positions and devise suitable actions. Likewise, the stress testing guidelines aim to assist banks to foresee their future position in the event of unanticipated risks. The guidelines require commercial banks to carry out stress tests, periodic review of the result of stress testing in their boards and submit them to NRB each quarter.

4.5.2 Trainings, Seminars, and Interaction Programs

A half-day workshop for coordinator of Audit Committee of commercial banks was organized to familiarize them with NRB regulations, good corporate governance practices and supervisory expectation.

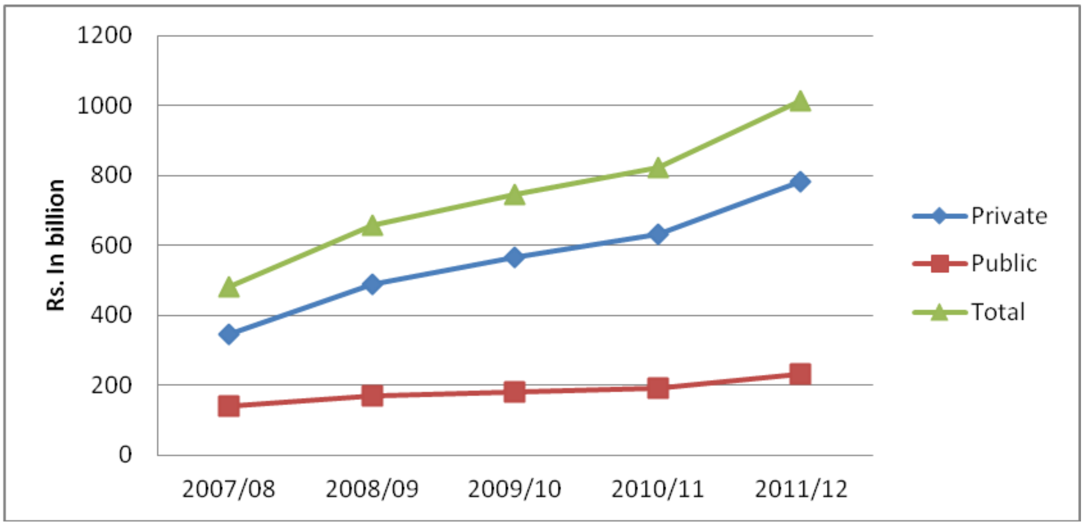
CHAPTER FIVE

Performance of the Commercial Banks

5.1 Assets of the commercial banks

The total assets of the commercial banks have increased by 23.04 percent to Rs.1013 billion in the fiscal year 2011/12 compared to a growth of 10.17 percent in F.Y 2010/11. The total assets increased by 19.43 percent in public banks and by 24.15 percent in the private banks, in the review fiscal year. The growth rate of the total assets of private banks was higher than that of public banks with an increasing trend over the past five years.

Chart 5.1: Total Assets of the Commercial Banks

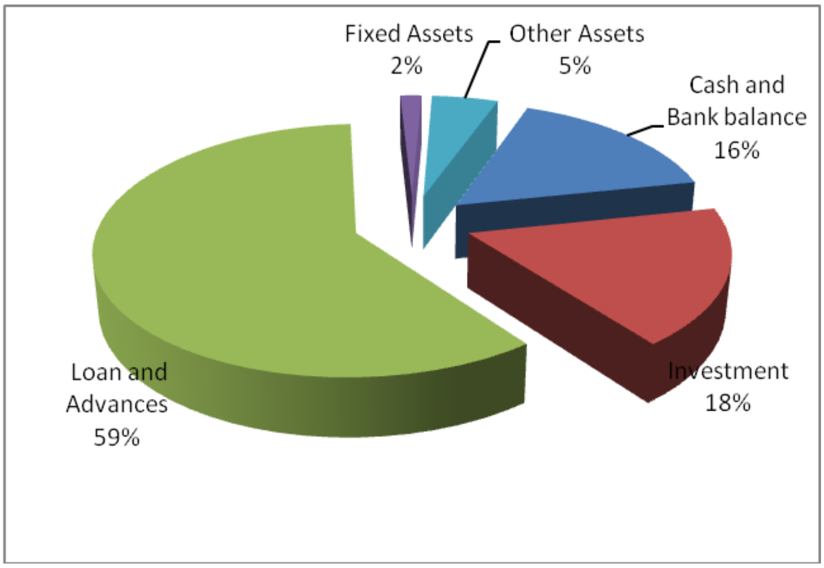


The total assets of the commercial banks have increased due to increase in cash/ bank balance and loan portfolio. The cash/bank balance and loan portfolio have increased by Rs.73.47 billion and Rs.91.52 billion respectively in 2011/12. In the previous year cash/bank balance had decreased by Rs.3.79 billion and loan portfolio had increased by Rs.63.71 billion. The loan portfolio of public banks increased by Rs.9.47 billion, while that of private banks increased by Rs.82.04 billion in 2011/12. Detailed figures are shown in Table: 1 in Appendix 4.

5.2 Composition of Assets

Commercial banks have a variety of assets with loan and advances accounting to about three fifth of the total assets followed by investments, cash and bank balance. In mid-July 2012, the proportions of loan and advances, investment and cash and bank balance are 59 percent, 18 percent and 16 percent respectively.

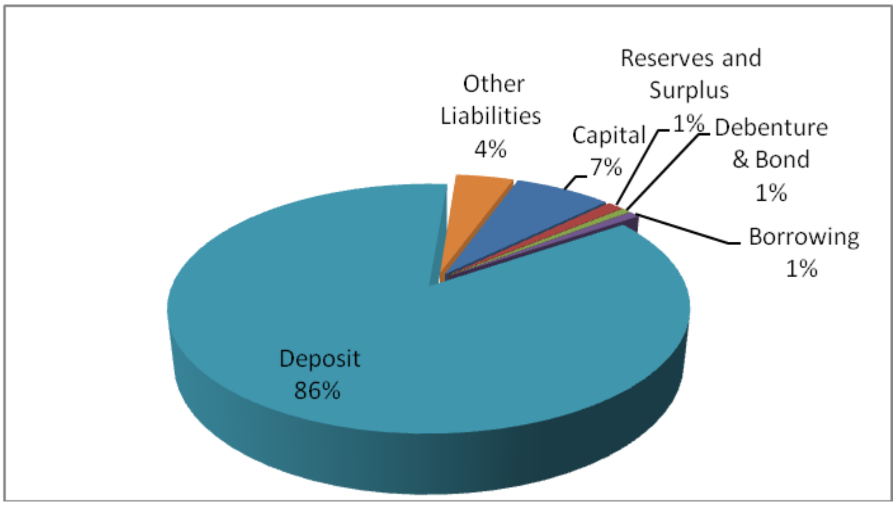
Chart 5.2: Composition of Assets of Commercial Banks



5.3 Composition of Liabilities

The liability and the capital side of balance sheet consisted of various sources of funds like share capital, reserves, deposits and borrowings. The largest source of fund of the commercial banks in mid-July 2012 was deposit (86 percent), which totalled to Rs. 868 billion, of which private banks hold Rs. 680.83 billion (78.45 percent). The second largest source was share capital (7 percent) equal to Rs.73.17 billion.

Chart 5.3: Composition of Liabilities of Commercial Banks

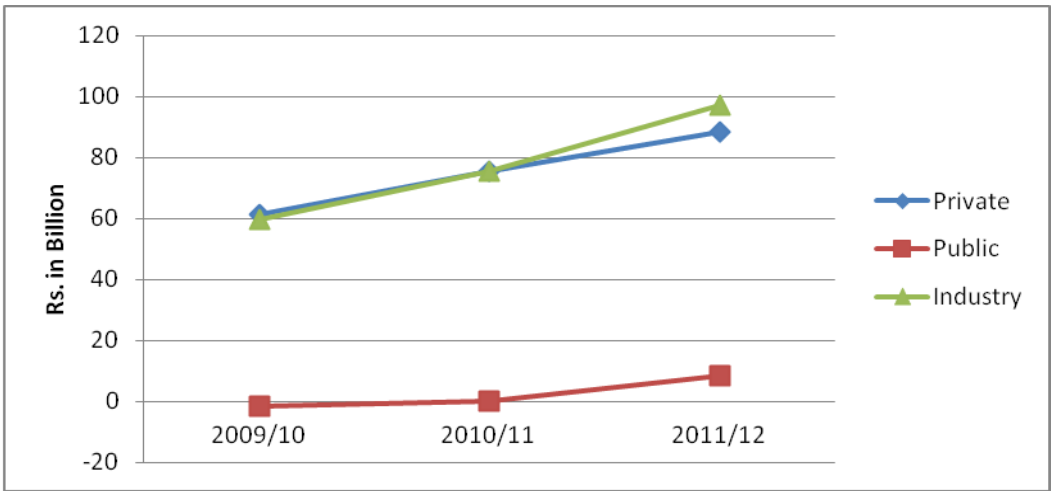


5.4 Capital

The consolidated capital fund of the Commercial Banks showed a positive growth during the review year. Capital fund increased by Rs. 21.53 billion (28.50 percent) in F.Y. 2010/11 to Rs.97.07 billion in F.Y. 2011/12. During the reviewed year, capital of private banks grew by 16.97 percent to Rs.

88.49 billion. Wherever capital fund of public banks improved from negative Rs. 0.11 billion to positive Rs. 8.58 billion due mainly to injection of new capital by the government at the end of the fiscal year. Detailed figures are shown in Table: 2 in Appendix 4. The chart 5.4 shows the movements in capital funds of the commercial banks over three years.

Chart 5.4 Capital Funds of the Commercial Banks

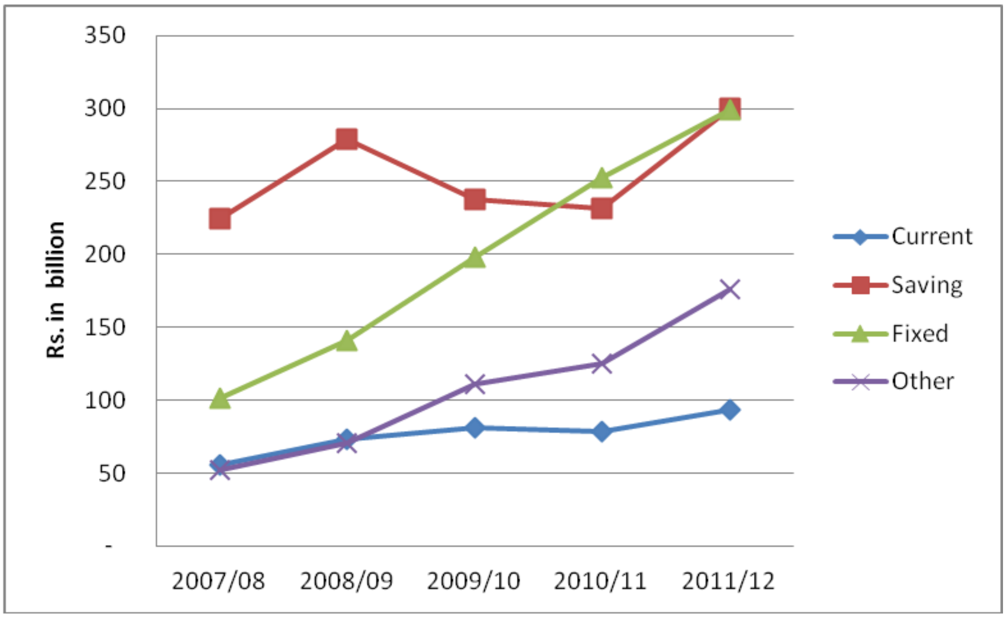


The review of capital adequacy of individual banks (Table 4.4), as at mid-July 2012, reflects that all of the banks had complied with the statutory capital adequacy ratio of 10 percent except Nepal Bank Limited (negative of Rs 3 billion) and Rastriya Banijya Bank Limited (negative of Rs.4.74 billion).

5.5 Deposit

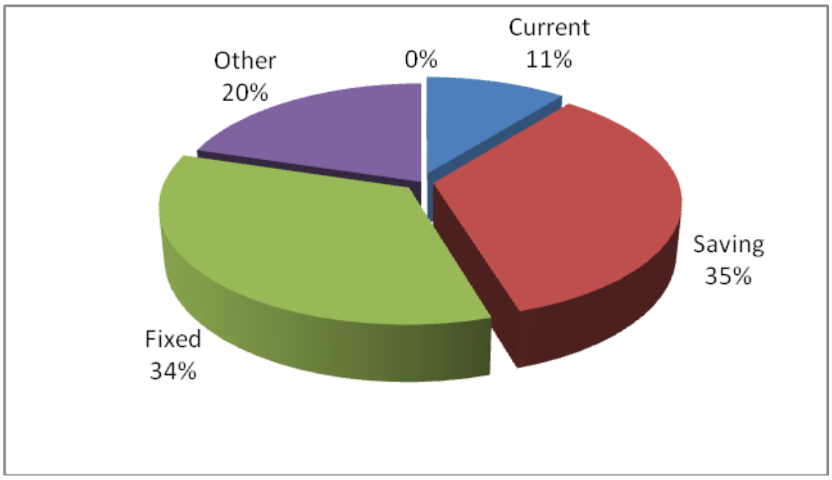
Total deposits of the commercial banks increased by 26.23 percent to Rs. 868 billion in mid-July 2012 compared to a growth of 9.55 percent in mid-July 2011.

Chart 5.5: Deposit Mix of the Commercial Banks



Saving and fixed deposits dominated the deposit of the commercial banks. In mid-July 2012, saving and fixed deposits of the commercial banks accounted for 34.42 percent and 34.54 percent respectively to the total deposits followed by current deposit and other deposit 10.75 percent and 20.29 percent respectively. Detailed figures are shown in Table: 3 in Appendix 4. The chart 5.6 shows the deposit mix of the commercial banks as on mid- July 2012.

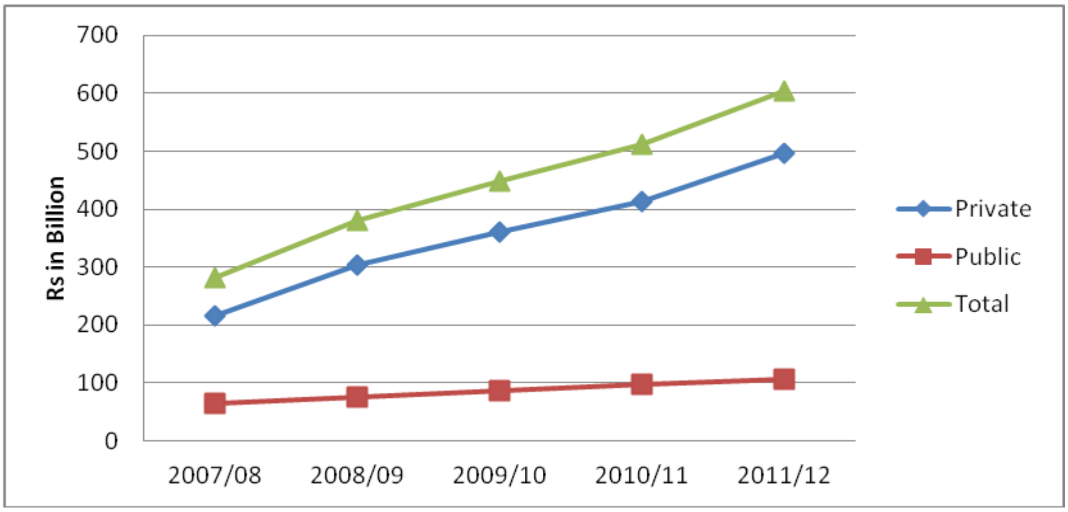
Chart 5.6: Deposit Mix of the Commercial Banks



5.6 Loan and Advances

Loan and advances of the commercial banks increased by 17.89 percent to Rs.603.06 billion in the fiscal year 2011/12 compared to a growth of 14.23 percent last year. Loan and advances of public banks increased by 11.04 percent to Rs.115.49 billion, and that of private banks rose by 17.01 percent to Rs.496.11 billion during the year. Detailed figures are shown in Table: 4 in Appendix 4. Following chart 5.7 shows the growth of loan and advances of the commercial banks in last five years.

Chart 5.7 Loan and Advances of the Commercial Banks



5.6.1 Loan and Advances to Different Economic Sectors

Total loan and advances disbursed in various sectors of economy were compiled on the basis of returns submitted by the commercial banks. Manufacturing sector was the dominant sector of borrowing with 23.09 percent share followed by wholesale and retails 18.10 percent, others 11.20 percent and construction 9.8 percent. Sector-wise classification of the total loan and advances of the commercial banks are shown in Table 5.1.

Table 5.1 Sector-wise loan and advances of the Commercial Banks

S.No.	Sector	Percent of Total Loan (mid-July)			
		2009	**2010**	**2011**	**2012**
1	Agriculture Forest	3.40	3.05	2.68	3.75
2	Fishery	0.00	0.00	0.02	0.28
3	Mining	1.79	0.43	0.42	0.38
4	Manufacturing	20.93	20.14	21.2	23.09
5	Construction	10.71	10.56	9.29	9.80
6	Electricity, Gas and Water	1.65	1.59	1.32	1.92
7	Metal Products, Machineries, Electronics and Installation	1.88	1.32	1.68	1.48
8	Transport, Warehousing and Communication	4.55	5.28	5.11	6.16
9	Wholesalers and Retailers	17.48	18.67	18.51	18.10
10	Finance, Insurance and Real Estate	9.82	11.51	14.01	8.95
11	Hotel and Restaurant	4,72	2.84	2.13	2.66
12	Other Services	1.76	3.96	4.52	4.40
13	Consumable Loans	3.53	5.76	5.91	6.00
14	Local Government	0.05	0.22	0.23	1.83
15	Others	17.72	14.66	12.99	11.20
	Total Loan	**100**	**100**	**100**	**100**

5.6.2 Security wise Loan and Advances

Loan and advances disbursed by the commercial banks are backed by the various security. At mid-July 2012, 84.50 percent of the total loan and advances were secured by the fixed property as collateral. Similarly, gold and silver and others secured 3.41 percent and 5.79 percent of the total loan and advances. The table 5.2 below shows the security wise loan and advances position of the commercial banks as at mid-July 2012.

Table 5.2: Security used to Secure Loan and Advances

S.No	Security	Percent of Total loan (mid-July)			
		2009	**2010**	**2011**	**2012**
1	Gold and Silver	1.61	2.26	2.96	3.41
2	Government Bonds	0.74	0.62	0.53	0.38
3	Non Government Securities	1.37	1.43	1.07	0.81
4	Fixed Deposit	1.33	1.5	1.59	1.16
5	Property as Collateral	85.9	85.66	84.92	84.50
6	Security of Bills	1.8	0.98	1.26	1.58
7	Guarantee	1.87	1.84	1.79	2.31
8	Credit/Debit Card	0.08	0.08	0.07	0.06
9	Others	5.31	5.62	5.82	5.79

5.6.3 Types of Loan and Advances

NRB has classified the loan and advances of the commercial banks on the basis of loan products, also. Major part of the loan and advances, i.e 24.96 percent of the total loan is under the category of demand and other working capital products. Similarly, 17.26 percent and 14.01 percent of loans were extended to overdraft and term loan products respectively. The real estate loan ratio (excluding loan worth of Rs. 10 million to residential home) had witnessed declining trend and stood at 11.2 percent as compared to previous years. The table 5.3 presents the composition of loan and advances products of the commercial banks during last four years.

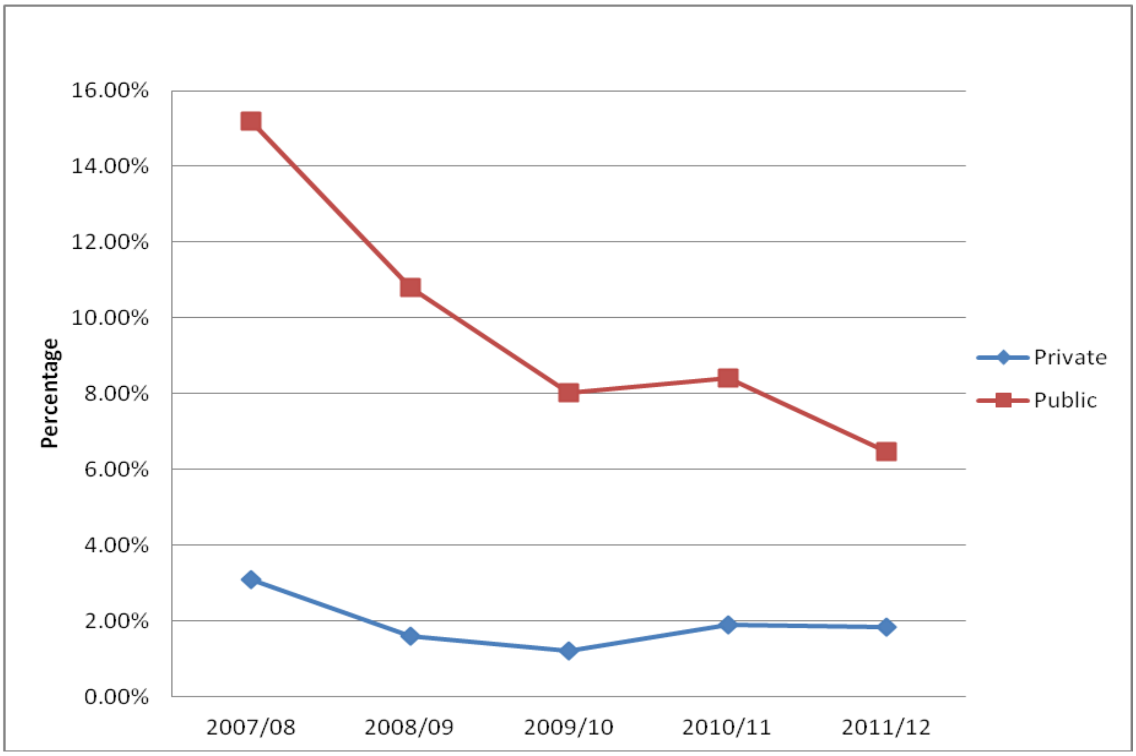
Table 5.3: Types of Loan and Advances

S.No	Loan Products	Percent of Total loan (mid-July)			
		2009	2010	2011	2012
1	Term Loan	15.00	14.16	14.33	14.01
2	Overdraft	18.10	16.27	17.31	17.26
3	Trust Receipt Loan/Import Loan	7.58	4.85	5.52	5.68
4	Demand and Other Working Capital Loan	21.64	22.36	23.39	24.96
5	Personal Residential Home Loan	7.23	7.50	5.48	5.73
6	Real Estate Loan	11.8	13.2	13.11	11.19
7	Margin Loan	2.24	2.07	1.35	1.01
8	Hire Purchase Loan	6.23	7.11	6.54	5.14
9	Deprived Sector Loan	2.96	3.65	3.44	3.79
10	Bills Purchased	0.76	0.45	0.91	1.57
11	Other Product	6.47	8.38	8.63	9.68

5.7 Non Performing Loans

The total volume of NPL of the commercial banks declined by Rs.0.54 billion in F.Y. 2011/12 to Rs. 16.60 billion, which is 2.71 percent of total outstanding loan and advances as at mid-July 2012. The NPL of private banks amounted to Rs. 9.12 billion whereas that of public banks was Rs. 7.48 billion in 2011/12. The NPL ratio of public banks was 6.47 percent in mid-July 2012 while that of private banks was 1.84 percent. Public sector banks accounted accounted 45.03 percent in total NPL of commercial banks while rest went to private sector as of mid-July 2012. Detailed figures are shown in Table: 5 in Appendix 4.

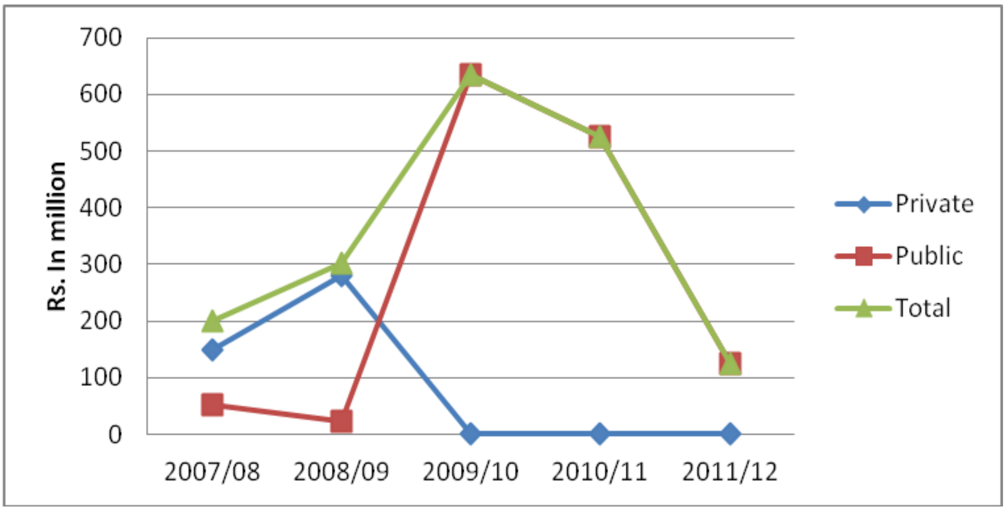
Chart 5.8: NPL Ratio of the Commercial Bank



5.8 Non-Banking Assets (NBA)

The total amount of NBA decreased by 76.05 percent to Rs. 126 million till end of F.Y 2011/12. The decrease of NBA in Rastriya Banijya Bank Limited and Nepal Bank Limited contributed to the decline in NBA of the commercial banks during the review period. The level and structure of NBA during the last five years is presented in the chart 5.9.

Chart 5.9: Non-banking assets of the Commercial Banks

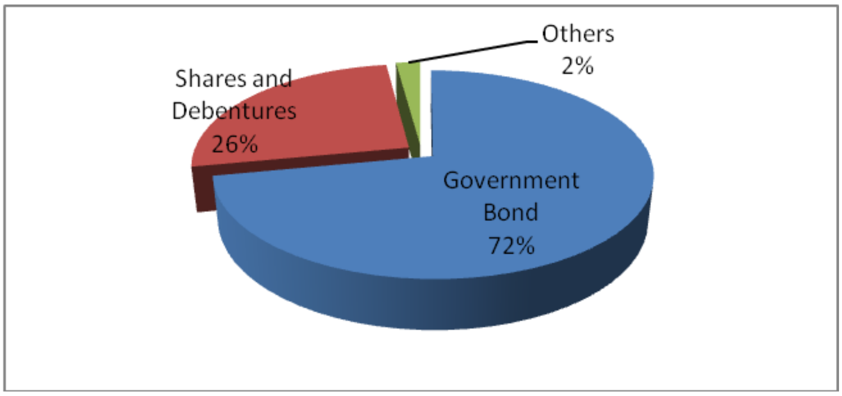


5.9 Investment

Commercial banks predominantly invested in government securities like treasury bills and government bonds. This was due to investment in government securities also provides avenues to the liquidity to banks. The other areas of investment include inter-bank placement and investment in shares and debentures.

The total investment of commercial banks increased by 21.52 percent to Rs.180.88 billion in the fiscal year 2011/12 compared to a growth of 9.28 percent in 2010/11.The comparatively higher growth in investment could be explained by the robust growth in deposit and subdued growth in loans and advances. Also NRB's directives which included increased SLR ratio to 15 percent also encouraged banks to park their short terms fund in government securities. The composition of investment of commercial banks shows a high concentration in government bonds, which comprised 72 percent of the total investment while shares and debentures and other investment accounted for 26 percent and 2 percent, respectively. Banks are not allowed to invest in shares and debentures of Banks and the Financial Institutions licensed by the NRB. This has continuously diverted investment in ‘other’ areas. The chart 5.10 shows the investment portfolio of the commercial banks in mid-July 2012.

Chart 5.10: Investment Portfolio of the commercial Banks

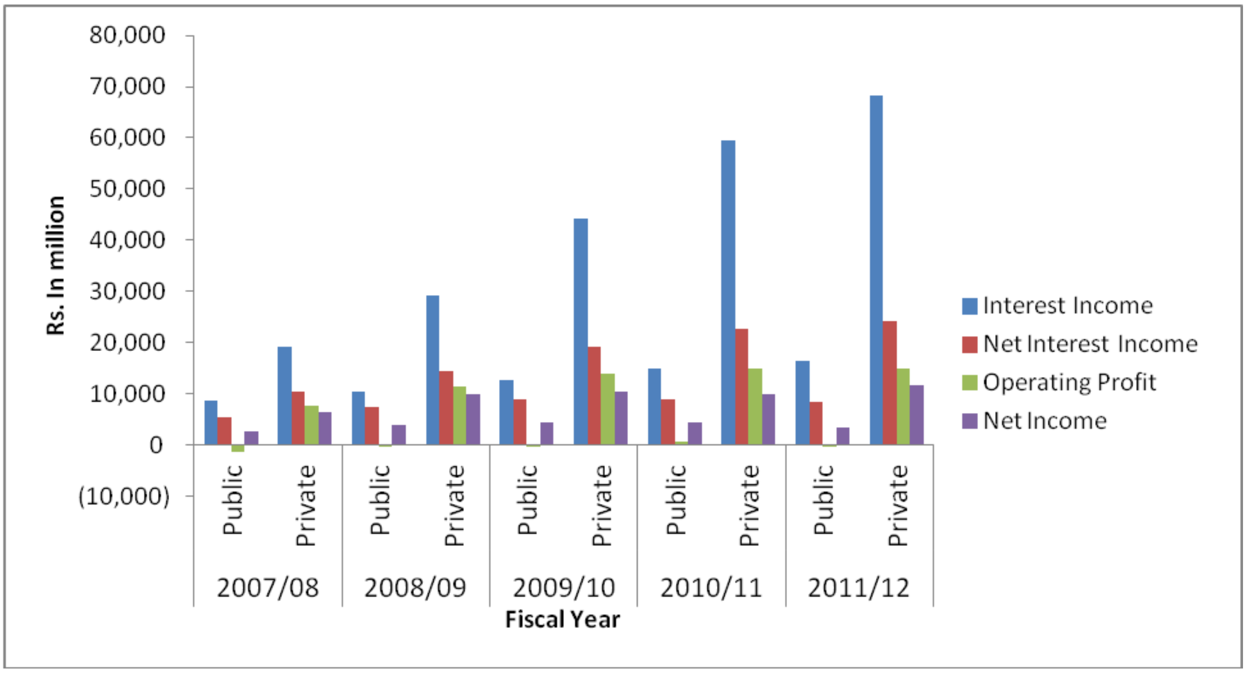


The composition of investment of public banks indicated high concentration in government bonds that was 86.36 percent of total investment. Similarly, the investments in shares and debentures and in other investments were 6.15 percent and 7.49 percent respectively, in the fiscal year 2011/12. The proportion of investment in government bond of private banks was 67.13 percent of the total investment; shares and debentures comprised 32.53 percent while other investments stood at 0.34 percent in 2011/12.

5.10 Earnings

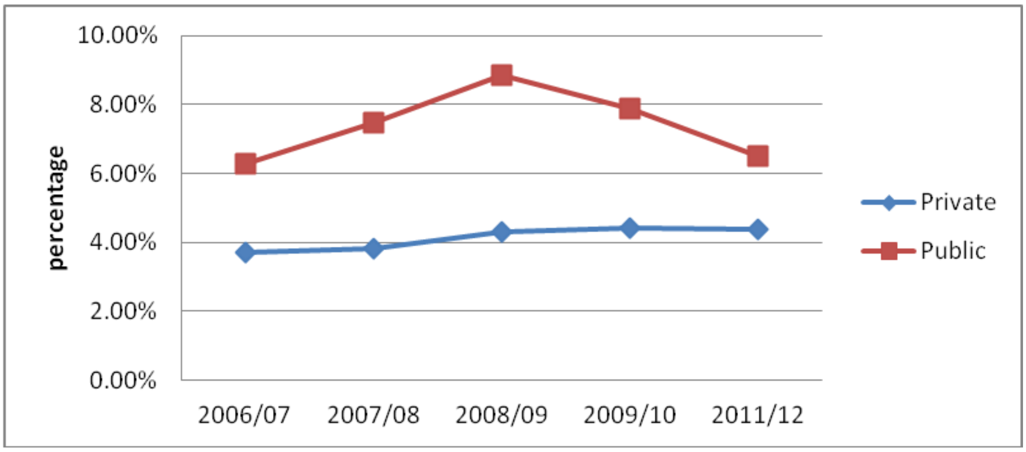
The total income of commercial banks increased by 15.04 percent to Rs. 95.51 billion in 2011/12 compared to a growth of 28.62 percent in 2010/11. Interest income, the significant proportion of income, contributed 88.71 percent of the total income. The residual portion was income from commission, other incomes, exchange income and non-operating income. All banks earned profit during the review year. The net profit of commercial banks increased by 5.27 percent to Rs. 15.23 billion in 2011/12 compared to a decrease in profit by 2 percent in 2010/11. Detailed figures are shown in Table: 9 in Appendix 4. Out of the total net profit, 77 percent was reported by the private banks and remaining 23 percent by the public banks. Earnings of the commercial banks over five years are shown in the chart 5.11

Chart 5.11: Operating Efficiency of the Commercial Banks



The main factor contributing to profitability is the net interest income. In 2011/12 all banks had had positive net interest income. The weighted average interest spread of public sector banks declined to 6.52 percent from 7.89 percent in 2011/12. The weighted average interest spread of private sector banks also declined to 4.38 percent from 4.43 percent in the same period.

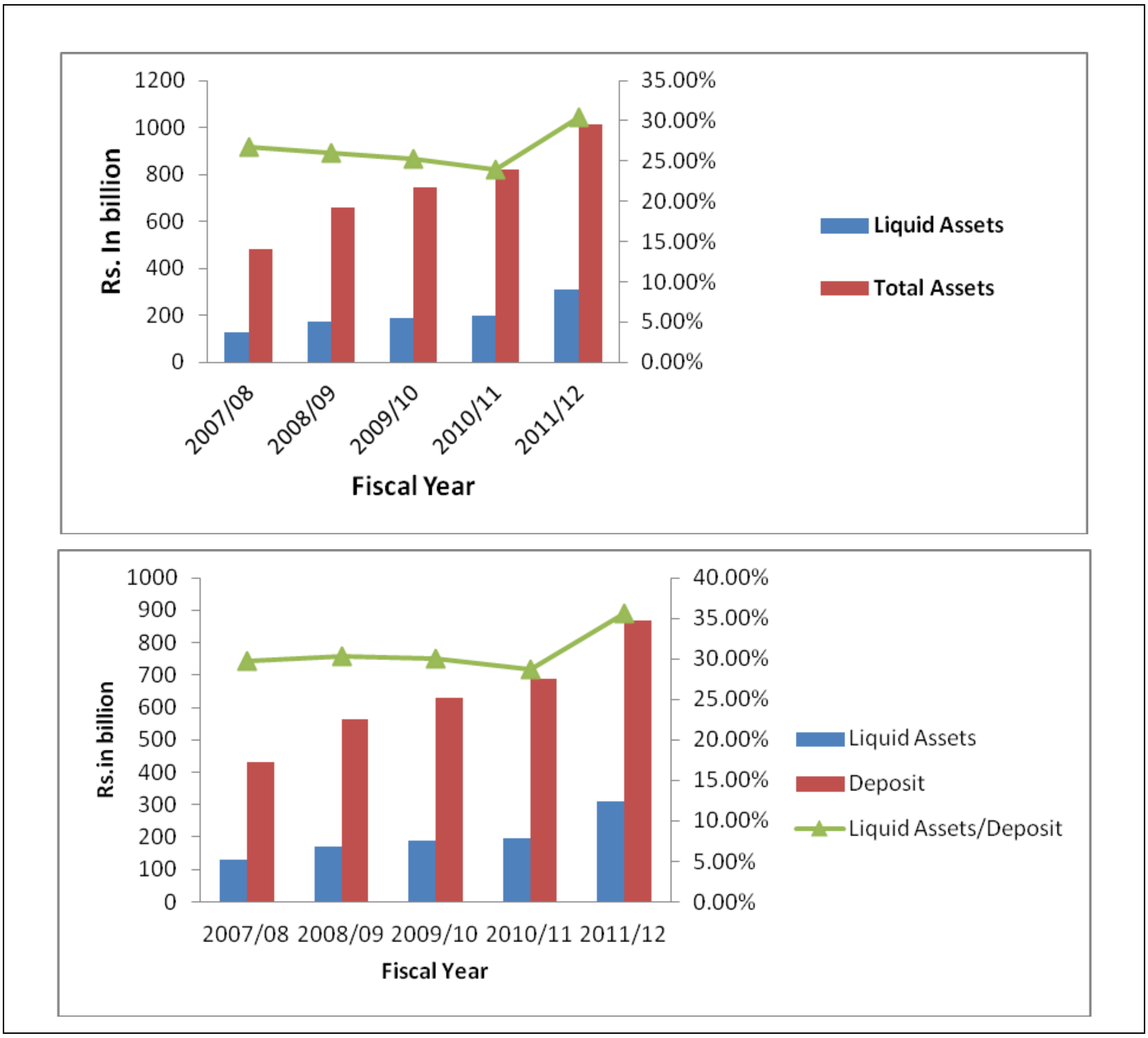
Chart 5.12: Interest Spread of the Commercial Banks



5.11 Liquidity

Banks need to honour the demand for payment of depositors and also fulfil other commitments. For this, banks have to maintain a certain level of liquid assets, the size and volume of which is determined by the size of operations and past trends. The liquid assets of commercial banks (including investment in government securities) grew by 56.86 percent to Rs. 309 billion in 2011/12 compared to a low growth of 4.23 percent in 2010/11. The proportion of liquid assets to total deposits, in mid-July 2012 was 35.61 percent, which was 28.65 percent in 2010/11. The proportion of liquid assets to total assets, in mid-July 2012 was 30.51 percent, which was 23.93 percent in 2010/11. Detailed figures are shown in Table: 10 and Table 11 in Appendix 4.The chart 5.13 below shows the liquidity position of the commercial banks to its total assets and total deposits.

Chart 5.13: Liquidity Position of the Commercial Banks



The above chart shows the deteriorating liquidity of the commercial Banks till 2010/11 but improved in 2011/12. Total assets of the commercial banks had increased by 10.17 percent in 2010/11, which later on increased by 23.04 percent in 2011/12. The upward curves of liquid assets to total assets and the liquid assets to total deposit show the better status of liquidity position of the commercial banks in the review year.

CHAPTER SIX

Challenges in Banking Supervision in Nepal

6.1 Background

Nepalese banking industry has grown rapidly in the past three decades in terms of number of institutions, products, the use of technology and its gradual integration with the global market. Developing a secure, healthy and efficient payment mechanism, ensuring stability in the system, promoting healthy competition, carrying out effective supervision and raising public confidence in the banking system are the major challenges of the Nepal Rastra Bank. NRB has been fulfilling its responsibilities as a regulator and supervisor as well as playing catalytic role in the development and promotion of the industry. It has been updating Nepalese banking sector with the recent developments in the global financial system and has issued and implemented various policies to keep up with the rest of the world.

The rapid increase in number of institutions along with transaction volume has increased complexities in the banking sector. The banks and financial institutions tend to concentrate operations in urban and semi-urban areas rather than establishing their presence in rural areas where access of financial services has been poor. The uneven geographical distribution of banks in urban areas is one factor that has increased competition. Banking is also becoming more sophisticated with the rapid change in modern technology.

Domestically, Nepal faces the challenge of addressing issues related to the rapid growth of the banking sector. In this age of complex interconnectedness, there is therefore, a need to be cautious to prevent the transmission of vulnerabilities that were observed during the recent global financial crisis.

The overall risk exposure of commercial banks is increasing by the day. Some banks faced recurring liquidity stress but the situation seemed to be improved. Asset qualities of some banks have been degrading due to their exposure in real estate and shares/margin type lending. In addition to the several challenges, an immediate challenge is overseeing the successful transition from a situation with "large number of small banks” to one with “small number of large banks”.

This section outlines some of the trends observed in the Nepalese banking industry and the challenges posed to the NRB as the regulator and supervisor.

6.2 Supervisory Issues

6.2.1 Strengthening Supervisory Capacity

Supervisory capacity is a key to strengthening safety and soundness of the banking system that are vital for enhancing the public confidence in the banking system. The rapid growth in the number of banks, nature of transactions, products and technological advancements have led to introduction of new financial services. Supervisory capacity needs to be strengthened to match the requirements of the fast-changing business environment. There is need to increase numbers and enhance the capacity of supervisory personnel, and to equip them with necessary resources and tools for effective regulation and supervision. The supervisors need to have knowledge and skills on banking, in general as well as specific technical skills as per the need, and the necessary resources to carry out their functions. Knowledge and skill about 'system audit' has become a key skill must be possessed by the supervisors, these days, as most transactions are now performed electronically. NRB has been offering opportunities to the supervisors for enhancing skills through trainings and seminars both domestically and abroad. Capacity building is a continuous process and therefore needs to be adequately resourced for enabling supervisors to remain fully capable of responding to the fast changing business environment.

6.2.2 Enforcing Capital Adequacy to Ensure a Level Playing Field

Two state owned banks – NBL and RBBL – are having a huge amount of accumulated loss. They are facing significant loss of capital, weak asset quality, low profitability, over-staffing and low efficiency in overall management. Since 2002, reform measures have been continuing to improve their condition and some improvements have been observed. Recently government has injected capital in these banks. However, the capital of these banks remains far below the minimum requirement set by the NRB. Improving the capital position of the public banks remains a major challenge for the central bank – even after the enforcement of the Prompt Corrective Actions Bylaws, 2007. All banks other than two state-owned banks have maintained capital at a level above the minimum regulatory requirement. However, state-owned banks have not complied with the minimum capital adequacy norms making it difficult for the NRB to create a level playing field for all commercial banks.

6.2.3 Ensuring Effective Coordination between Supervisors and other Regulators

Ensuring effective coordination between banking supervisors and other regulators of the financial sector is another challenge. The Nepalese banking industry has grown and overall financial markets have become closely integrated and therefore problems at individual banks are likely to have systemic effects. Therefore, it is important to have effective coordination between supervisors and regulators of the financial system; such as the Ministry of Finance (Government), Securities Board of Nepal (SEBON) and the Insurance Board (Beema Samiti) etc.

6.2.4 Implementation of Basel Core Principles and Adoption of International Best Practices

Modern Banking has become a complex network of global financial relationships. Nepalese banking system is also integrating into global financial system and this makes it necessary for banks to adopt established global principles and best practices. Nepal is in the process of implementing the Basel Core Principles, which have been adopted and adjusted in national legislation, prudential regulations, directives and guidelines. Some principles still remain to be adopted. Nepal has implemented the new capital adequacy framework based on the Simplified Standardized Approach of Basel II. Offsite supervision is yet to develop Financial Soundness Indicators (FSIs) with Early Warning Signals (EWS) as a tool to monitor performance and risks of banks. Similarly proper framework for problem bank resolution has to be designed to address the likely problem in financial sector in systematic manner.

6.2.5 Moving toward Risk Based Supervision (RBS)

NRB has already designed and implemented Risk Management Guidelines incorporating broader guidelines and setting minimum standard for risk management based on the principles of Basel Committee on Banking Supervision (BCBS). However, Nepal still faces challenges in moving toward the Risk Based Supervision (RBS) approach. Developing Early Warning Signals, having integrated online data reporting system, developing forward-looking approaches are some issues that are to be addressed while moving toward RBS. Likewise, acquiring new knowledge, skills and the resources needed for adapting continuous changes in supervisory approaches has also posed challenges to regulating and supervising body.

6.2.6 Ensuring Effective Implementation of Best Practices of Anti-Money Laundering

There are global concerns about the misuse of banking services for terrorist financing, drug trafficking and money laundering. NRB has taken some measures to prevent the use of banking institutions for illegal activities but the legal provisions and regulatory framework remain to be upgraded and executed. Some regulatory provisions such as Know Your Customer, Customer Due Diligence, Threshold Transaction Report and Suspicious Transaction Report are under implementation. Nepal still faces challenges in implementing international best practices in AML and CFT but is fully committed towards the implementation.

6.2.7 Supervision of Systemically Important Financial Institutions (SIFIs)

Some Nepalese banks have already grown rapidly to play an important role in the financial system. Some of the banks are growing aggressively in terms of their transaction volume and asset portfolios. Such banks have large transactions with wide networks and financial interconnectedness. But the supervisory approach is the same for all commercial banks. It is necessary to become selective and introduce prudential requirements on banks in commensurate with their importance in the system. In this respect, there is a need for special regulatory and supervisory arrangements to reduce the inherent risks associated with SIFIs. But it has been a challenge to introduce regulations, develop infrastructure and supervise and monitor the SIFIs that are considered to be “too big to fail”.

6.2.8 Contingency Planning and Supervisory Strategies

The Nepalese banking sector is growing rapidly and its integration with the global financial system has also exposed it to external risks that could destabilize the financial system and may trigger a systemic crisis. It is necessary to strengthen supervisory capacity with the adequate supervisory approaches, tools and techniques for effectively managing the risks. It is necessary to have a crisis management framework (contingency plan) for dealing with ‘problem banks’ systematically. Bank supervisors also need to be equipped with strategies and frameworks for managing crisis situations with clear implementation plans for different management options. Introducing a new "Problem Bank Resolution Framework (PBRF) itself is a challenging task.

6.2.9 Strengthening Management Information System (MIS)

The supervisory strength depends on the timely collection, analysis and interpretation of financial data. A strong MIS is required for tracking and identifying problems on time to develop Early Warning Signals (EWS) and to take Prompt Corrective Actions (PCA). Supervisors need to develop a mechanism to monitor data related to capital and liquidity of financial institutions regularly and that is facilitated by strong MIS and monitoring systems. Acquiring timely and reliable data from bank remains a challenge.

6.3 Issues Regarding Banking Sector

6.3.1 Enhancing Good Corporate Governance

Banks have a large number of stakeholders; shareholders, depositors, creditors, board members, employees and the community or the general public. Therefore fairness, accountability and transparency are expected from banking businesses. Balancing the expectations of all stakeholders is a challenging job for the management of the banks. The commercial banks also need to put in place a comprehensive risk management framework to identify, measure, monitor and mitigate risks. The board of directors and senior management is expected to keep a close watch and provide guidelines for risk management. The boards need a range of skills and understanding of ways to deal with banking issues and also have the capacity to oversee the performance of management. Boards need to have appropriate level of commitment to fulfil their responsibilities. To ensure sound practice of corporate governance, both the board of directors and senior managers need to have adequate knowledge, competency and experience of the banking sector.

NRB issues prudential regulations on corporate governance requiring banks to maintain minimum standards of operation. In addition to compliance with regulations, they are expected to demonstrate robust corporate governance based on NRB guidelines and international best practices. Over half of all directors at banks are involved in various business activities with little or no banking knowledge and experience. Others have banking background or experience in government service. The dominance of directors with business interests often results in conflict of interest particularly because business sector is the main user of funds and therefore there is a need for sound corporate governance.

6.3.2 Institutional Set Up and Arrangements

Bank supervision can be stronger when there is a support and coordination among supporting institutions in the financial system. Credit Information Bureau (CIB) and Debt Recovery Tribunal (DRT) are two such institutions. Similarly, the Credit Rating Agency (CRA) and Assets Management Company (AMC) can also help in validating the findings of supervision and enhance market monitoring. Establishment and strengthening such institutions helps in enhancing the level of supervisory capacity. Absence of these institutions has added challenges to the banking supervision.

6.3.3 Lack of Competent Human Resources

The rapid growth of banks has increased demands for competent human resources. However, the supply of skilled human resources seems to be inadequate and this has led to high mobility of few experienced staff from one bank to other. There is a need to develop human resources capable of meeting the growing demand in the financial sector while there are very few institutional mechanisms for providing the capacity-building service. This has restrained the overall competency of the banking industry. Low levels of understanding, weak analytical and communicating skills as well as lack of competencies to be proactive and innovative are being the barriers not only for the development of industry but also for the supervision functions.

6.3.4 Increasing Operational Risks in Banking

Rapid growth of banking system has increased the level of operation risk in Nepalese banking. Branch expansion without addressing people, process and system issues is one of the main reasons for increased operation risk. Similarly lack of corporate governance, unhealthy competition, performance pressure, lack of qualified employees and lack of proper security measures in adopted technology are the other reasons for banking sector's increased exposure in operational risks. Growing operational risks in the industry have become a great challenge.

6.3.5 Controlling Ever-greening of Loans

The growing number of banks and financial institutions has resulted in pressures for competing in unhealthy ways. As other sectors of the economy have not been performing well, the number of good borrowers is limited. The overall macro-economic indicators are not very conducive to support the rapid growth of the banking sector. But statements suggest that Non Performing Assets (NPAs) are also declining, indicating that some banks could be ‘ever-greening’ loans to bring NPAs at minimum levels. They have used high volumes of revolving loans, overdrafts and working capital loans to ever-green loans and understate the level of NPAs. It is a challenge to control the practice of loan ever greening, and to address the issue of understatement of NPAs and overstatement of capital.

6.3.6 Promoting Self-regulation in Banking

Banks and financial institutions are required to take risks for getting the anticipated rewards. The risk taking behaviour should be supported by adequate risk management practices. Banks have large numbers of stakeholders and their interests need to be protected and that could include avoiding excessive risk-taking. Risk management is a main responsibility of the board of directors. Banks need to have adequate board and senior management oversight, clear policies and procedures, limits, and adequate internal control and risk management practices. Banks with sound practices in risk management can promote self-regulation. The NRB believes that banks should initiate processes to adopt the international best practices in corporate governance, risk management, and adopting self-regulatory controls that go beyond the minimum standard set by the central bank. Banks and financial institutions in Nepal still depend on the NRB for implementing international best practices in the area of governance and self regulations too. Thus, promoting self-regulation in the industry is also a great challenge in banking supervision.

6.4 External factors

6.4.1 Challenging Macroeconomic Environment

Nepalese economy is passing through the stage of a low growth, high inflation, high consumption and low savings. The investment environment has not been conducive. Low business confidence and poor investment environment have not assisted towards improving the situation. Many sectors of the economy have reported slow growth indicating that there is low investment in the core productive sectors such as agriculture and industry. There is thus the challenge of channelizing resources towards the productive sectors to restore overall economic health and also the sustainability of the banking sector.

6.4.2 Changing Global Environment

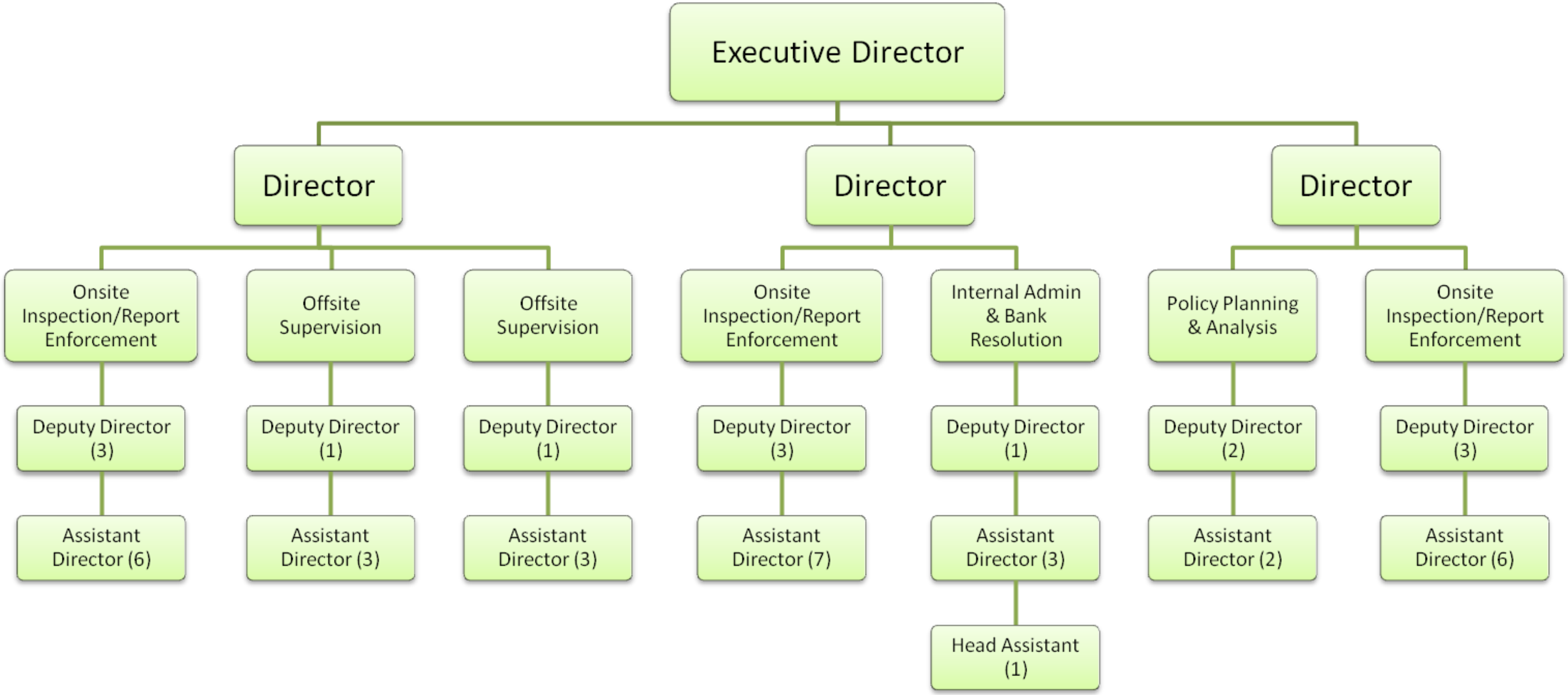
Banking practices, financial relationships, customer tastes and preferences, and product structures are changing rapidly. There is increased economic connectivity with the rest of the world, made possible by technology and the movement of people across national borders. While the growing financial interconnectedness has connected Nepal with the rest of the world, it has also exposed the banks and financial institutions to more external shocks. The supervisory approaches need to be consolidated and expand across borders for effectiveness and this would need investments in enhancing the capacity of staff for enforcing prudential norms and for effective supervision and monitoring. High investment in human resources remains a challenge for the NRB while pressures emanating from the fast-changing global financial systems and practices remain relentless.

Appendix 1: Training and capacity building events for BSD staff

S. No.	Program	Organizer	Participants	Duration	Country
1	Financial Stability through Early Intervention and Crisis Preparedness	The Toronto Centre	1	5 days	Canada
2	SEACEN Deutsche Bundesbank Course on Bank Stress Testing	The SEACEN Centre	1	5 days	Taiwan
3	Bank Analysis and Supervision School	ADB	2	5 days	Philippines
4	CAFRAL-Toronto Centre Joint Program on Crisis Preparedness	RBI	1	5 days	India
5	Consolidated Supervision	The SEACEN Centre	1	5 days	Thailand
6	Seminar on Banking Supervision under the Framework of Basel II and Basel III- Basic	Deutsche Bundesbank	1	5 days	Germany
7	Financial Soundness Indicators (FSI)	IMF-ITP	1	11 days	India
8	Risk Management for Securities Regulators	ADB	1	5 days	Sri Lanka
9	Assessing Liquidity Risk of a Bank	The SEACEN Centre	2	5 days	Malaysia
10	Macroprudential Policies-Financial System Risk Assessment and Systemically Important Financial Institutions	The SEACEN Centre	1	5 days	Malaysia
11	FSI-SEANZA Regional Seminar on Basel III and Liquidity Risk	FSI-SEANZA	1	4 days	Philippines
12	IDEAS-CBS International Workshop on New Directions in Financial Regulation	Central Bank of Sri Lanka	2	5 days	Sri Lanka
13	Seminar on Banking Supervision under Basel II Advanced	Deutsche Bundesbank	1	5 days	Germany
14	Workshop on AML/CFT: Establishing a Sound and Effective AML/CFT Risk Based Supervisory Framework	IMF-STI	1	5 days	Singapore
15	Regional Seminar on Liquidity Risk Management	ADB & China Banking Regulatory Commission	1	5 days	China
16	Operationalising Tools for Macro-Financial Surveillance: Country Experiences	RBI	1	2	India
17	Banking Supervision and Financial Stability: Credit Risk	The SEACEN Centre	1	10	Singapore
18	Management, Finance and Auditing for Banking Professionals	AIT	1	5	Thailand
19	Advanced Credit Risk Measurement and Management	The SEACEN Centre	1	5	Malaysia
20	14 th MAS Banking Supervisors Training Programme	MAS	1	5	Singapore
21	Risk Focused Supervision: Financial	ADB	1	5	Philippines

	Supervisory Service Scholarship				
22	Monetary and Macroprudential Policies in the Aftermath of the Crisis	Bank of Korea	1	2	Korea
23	The Impact of Global Financial Reforms and Challenges for Asian Emerging Markets, and 13th SEACEN Conference of Directors of Supervision and 24th Meeting of SEACEN Directors of Supervision	The SEACEN	1	5	Sri Lanka
24	FSA Annual International Seminar on Regulatory Reform in the UK and Globally	FSA	1	3	England
25	15th MAS Banking Supervisors Training Program	MAS	1	4	Singapore
26	SEANZA-FSI Regional Seminar on Risk Management and Risk Focused Supervision	SEANZA-FSI	1	4	Sri Lanka
27	FSI-EMEAP Regional Seminar on Liquidity Risk	FSI/BIS	1	4	Philippines
28	International Program on Central Banking	RBI	1	3	India
29	Regional Seminar on Internal Capital Adequacy Assessment Process	ADB	3	6	Malaysia
30	Regional Seminar on Consolidated Supervision	ADB	1	5	Indonesia
31	APEC FRTI Seminar on Forensic Accounting	ADB	2	5	Indonesia
32	FSI-EMEAP Regional Seminar on Basel III Application	FSI/BIS	1	4	Indonesia
33	Regional Seminar on Investigation and Enforcement	ADB	1	5	India
	Total		**38**		

Appendix 2: Organization Chart of Bank Supervision Department



Note: Numbers in parentheses represent number of staff

Appendix 3: Useful websites for supervisors

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

Appendix 4: Tables

Table: 1 Banking operations: Public vs. Private (mid-July, 2012)

	Rs (in billion)		% change	
	2011	2012	2011	2012
Deposits				
Public	155	187	8.32	20.58
Private	532	681	9.18	27.88
Total	688	868	8.99	26.24
Loan and advances				
Public	104	115	3.75	11.00
Private	419	497	14.17	18.63
Total	523	612	11.93	17.11
Total Assets				
Public	193	231	6.52	19.69
Private	630	782	11.32	24.13
Total	823	1013	10.17	23.04

Table: 2 Capital Fund of the Commercial Bank

	Rs in billion			% change	
	2009/10	2010/11	2011/12	2010/11	2011/12
Private	61.31	75.65	88.49	23.39	16.97
Public	-1.74	-0.11	8.58		
Industry	59.57	75.54	97.07	26.81	28.50

Table: 3 Deposit Mix of the Commercial Banks

	Rs in billion					% change			
Year	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2009/10	2010/11	2011/12
Current	56	73	81	79	93	30.36	10.71	-2.61	18.51
Saving	224	279	238	232	300	24.59	-14.80	-2.63	29.48
Fixed	101	141	198	252	299	39.82	39.96	27.70	18.37
Other	52	71	111	125	176	36.20	57.33	12.15	40.93
Total	433	564	628	688	868	30.28	11.26	9.55	26.24

Table: 4 Loans and Advances of the Commercial Banks

	Rs in billion					% Change			
Year	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2009/10	2010/11	2011/12
Private	216.3	303.8	360.1	413.5	495.5	40.44	18.54	14.82	19.84
Public	65.0	76.4	87.7	98.0	107.5	17.47	14.75	11.81	9.67
Total	281.4	380.2	447.8	511.5	603.1	35.13	17.78	14.23	17.89

Table: 5 Non Performing Loan

	Rs in billion					% change			
Banks/ Year	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Private	7.2	5.0	4.4	8.1	9.1	-31.30	-11.69	84.25	13.07
Public	12.1	9.6	8.0	9.1	7.5	-20.59	-16.60	12.81	-17.57
Industry	19.4	14.6	12.4	17.1	16.6	-24.59	-14.93	38.00	-3.14

Table: 6 Non- Banking Assets

	Rs in million					% Change			
Year	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Private	148	280	0	0	0	88.94			
Public	51	23	634	526	126	-54.68		-17.07%	-76.02%
Total	200	303	634	526	126	51.92	109.22%	-17.07%	-76.02%

Table: 7 Investment Portfolios of the Commercial Banks

Banks/Investment	**Government Bond**	**Shares and Debentures**	**Others**	**Total Investment**
Private	90.8	44.0	0.5	135.2
Public	39.4	2.8	3.4	45.7
Total	130.2	46.8	3.9	180.9

Table: 8 Interest Spread of Commercial Banks

Year	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2011/12**
Private	3.70%	3.81%	4.29%	4.43%	4.38%
Public	6.29%	7.46%	8.85%	7.89%	6.52%
Industry	4.41%	4.67%	5.27%	5.21%	4.85%

Table: 9 Operating Efficiency of the Commercial Banks

	2007/08		**2008/09**		**2009/10**		**2010/11**		**2011/12**	
	Public	**Private**	**Public**	**Private**	**Public**	**Private**	**Public**	**Private**	**Public**	**Private**
Interest Income	8765	19252	10365	29239	12538	44139	14864	59516	16417	68314
Net Interest Income	5325	10410	7349	14442	8878	19204	8866	22727	8323	24209
Operating Profit	-1487	7688	-340	11484	-439	13835	535	14829	-24	14870
Net Income	2677	6397	3876	9837	4332	10370	4508	9967	3484	11755

Table: 10 Liquid Assets to Total Deposit

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Liquid Assets	129.0	171.0	189.0	197.0	309.0
Deposit	432.8	564.1	630.8	687.6	867.9
Liquid Assets/Deposit	29.81%	30.31%	29.96%	28.65%	35.61%

Table: 11 Liquid Assets to Total assets

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Liquid Assets	129.0	171.0	189.0	197.0	309.0
Total Assets	482.9	657.7	747.1	823.1	1012.8
Liquid assets/ Total Assets	26.71%	26.00%	25.30%	23.93%	30.51%

Appendix 5: Excerpts of Audited Financial Statements of Commercial Banks

1. Nepal Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12p
Capital	380,383	380,383	380,400	380,383	1,772,828
Reserves and Surplus	(6,388,684)	(5,234,694)	(5,232,200)	(4,604,661)	(4,680,604)
Debenture & Bond	0	0	0		0
Borrowing	1,820,089	1,970,675	2,125,100	1,842,410	2153794
Deposit	41,829,391	45,194,232	42,129,900	46,804,206	56052372
Bills Payable	52,342	12,016	47,100		74767
Proposed & Payable dividend	2,067	2,065	2,000		0
Tax Liabilities	0	0	130,600		0
Other Liabilities	4,357,856	5,234,433	3,490,800	8,178,866	3242363
Total Liabilities	**42,053,444**	**47,559,110**	**43,073,700**	**52,601,204**	**58,615,520**
Cash Balance	1,181,792	1,515,655	1,573,700	10,837,966	14063693
Balance with NRB	4,430,641	6,619,700	7,350,200	0	0
Balance with Banks	1,004,559	1,036,435	1,044,700	0	0
Money At call	0	400,000	0	400,000	0
Investment	16,570,755	13,397,559	5,815,800	7,577,702	8391726
Loan and Advances	13,251,963	17,614,899	23,546,800	26,709,883	27670840
Fixed Assets	207,528	249,393	327,900	308,188	351064
Non- Banking Assets	0	0	435,300	381,065	0
Other Assets	5,406,206	6,725,469	2,979,300	6,386,400	8138197
Total Assets	**42,053,444**	**47,559,110**	**43,073,700**	**52,601,204**	**58,615,520**
Interest Income	2,094,906	2,690,058	2,865,100	3,735,206	4051152
Interest Expenses	772,657	791,710	764,400	1,457,253	2197137
Net Interest Income	**1,322,249**	**1,898,348**	**2,100,700**	**2,277,953**	**1,854,015**
Commission and discount	229,724	273,106	220,700	241,673	252631
Other Operating Income	157,432	156,757	0	140,239	179461
Exchange Income	119,407	89,209	23,600	13,595	59636
Total Operating Income	**1,828,812**	**2,417,420**	**2,345,000**	**2,673,460**	**2,345,743**
Employees Expenses	1,346,824	1,640,565	2,566,100	2,055,393	1903066
Other Operating Expenses	259,786	297,015	255,100	361,139	401045
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**222,202**	**479,840**	**(476,200)**	**256,928**	**41,632**
Provisions for possible losses	258,572	334,315	55,600	36,369	252058
Operating Profit	**(36,370)**	**145,525**	**(531,800)**	**220,559**	**(210,426)**
Non-Operating Income/ Expenses	67,942	57,526	0	35,735	49026
Return From Loan Loss Provision	134,362	676,372	748,700	54,056	331551
Profit From Ordinary activities	**165,934**	**879,423**	**216,900**	**310,350**	**170,151**
Extra ordinary Income /Expenses	179,996	165,144	213,900	198,578	3686
Net Profit including all activities	**345,930**	**1,044,567**	**430,800**	**508,928**	**173,837**
Provision For Staff Bonus	31,448	94,960	0	46,266	15,803
Provision For Income Tax	75,268	55,353	2,200	79,225	(18,328)
-This Year	0				991
-Up to Last Year	0				0
Defrred Tax					-19319
Net Profit / Loss	**239,214**	**894,254**	**428,600**	**383,437**	**176,362**
Financial Indicators					
Core Capital to Risk Weighted Assets	-33.05%	-13.94%	-11.74%	-9.66%	-5.82%
Capital Fund to Risk Weighted Assets	-35.46%	-13.94%	-11.74%	-9.66%	-5.82%
Non Performing Loan to Total Loan	12.38%	4.94%	4.98%	5.28%	5.58%
Weighted Average Interest Spread	4.82%	6.45%	6.14%	7.75%	7.05%
Net Interest Income (Rs. in thousands)	1,322,249	1,898,348	2,100,700	2,277,953	1,854,015
Return on Assets	0.57%	1.88%	1.00%	0.74%	0.30%
Credit to Deposit	37.69%	43.28%	59.52%	57.07%	52.98%
Liquid Assets to Total Assets	42.94%	42.41%	32.92%	31.98%	34.31%
Liquid Assets to Total Deposit	43.17%	44.63%	33.66%	35.94%	35.88%

2. Rastriya Banijya Bank

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12p
Capital	1,172,300	1,172,300	1,172,300	1172300	5,497,610
Reserves and Surplus	(16,632,278)	(13,133,193)	(9,789,377)	(9,377,570)	(8,294,990)
Debenture & Bond	0	0	0	0	0
Borrowing	2,517,009	3,873,598	4,039,791	4812803	2,923,130
Deposit	64,340,951	68,160,927	68,623,160	73924079	87,775,030
Bills Payable	68,180	68,605	31,360		
Proposed & Payable dividend	55,090	62,960	86,687		
Tax Liabilities	0		29,186	0	0
Other Liabilities	1,783,670	8,509,150	19,904,757	10691581	12,659,240
Total Liabilities	**53,304,922**	**68,714,347**	**84,097,864**	**81,223,193**	**100,560,020**
Cash Balance	8,640,723	2,014,077	1,674,650	6907305	19,262,920
Balance with NRB		8,412,752	8,264,580	0	0
Balance with Banks		1,344,468	1,648,219	0	0
Money At call	550,000	0	0	83250	512300
Investment	14,443,378	15,416,020	12,989,463	15333163	26501130
Loan and Advances	21,202,987	26,187,931	30,254,069	36866104	40448870
Fixed Assets	465,553	452,209	890,805	946815	1060410
Non- Banking Assets	51,453	23,317	199,077	145013	126,130
Other Assets	7,950,828	14,863,573	28,177,001	20941543	12648260
Total Assets	**53,304,922**	**68,714,347**	**84,097,864**	**81223193**	**100560020**
Interest Income	2,708,764	3,444,188	4,207,610	5027872	5399990
Interest Expenses	1,025,586	1,067,779	1,386,980	2424251	3045590
Net Interest Income	**1,683,178**	**2,376,409**	**2,820,630**	2603621	2354400
Commission and discount	430,618	577,560	608,261	435001	427240
Other Operating Income	157,070	195,561	177,270	188903	210710
Exchange Income	0	32,098	53,215	(28,028)	100820
Total Operating Income	**2,270,866**	**3,181,628**	**3,659,376**	3199497	3093170
Employees Expenses	875,656	1,389,012	1,629,244	1432706	1439590
Other Operating Expenses	329,090	393,316	417,546	510873	599080
Exchange Loss	30,484	0	13,067		0
Operating Profit Before Provision	**1,035,636**	**1,399,300**	**1,599,519**	1255918	1054500
Provisions for possible losses	425,542	481,042	286,546	419482	639250
Operating Profit	**610,094**	**918,258**	**1,312,973**	836436	415250
Non-Operating Income/ Expenses	13,872	60,887	97,738	96200	75880
Return From Loan Loss Provision	1,134,290	1,331,959	1,201,493	760297	994870
Profit From Ordinary activities	**1,758,256**	**2,311,104**	**2,612,204**	1692933	1486000
Extra ordinary Income /Expenses	152,018	138,356	(2,219)	207062	210450
Net Profit including all activities	**1,910,274**	**2,449,460**	**2,609,985**	1899995	1696450
Provision For Staff Bonus	141,502	181,441	193,332	140740	125660
Provision For Income Tax	0	344,337	405,966		124580
-This Year	0	0			0
-Up to Last Year	0	0			0
Deferred Tax					0
Net Profit / Loss	**1,768,772**	**1,923,682**	**2,010,687**	**1759255**	**1446210**
Financial Indicators					
Core Capital to Risk Weighted Assets	-38.17%	-38.37%	-24.08%	-22.52%	-9.35%
Capital Fund to Risk Weighted Assets	-37.19%	-38.37%	-24.08%	-22.52%	-9.35%
Non Performing Loan to Total Loan	21.43%	15.64%	9.78%	10.92%	7.27%
Weighted Average Interest Spread	4.91%	5.57%	6.19%		
Net Interest Income (Rs. Thousand)	1,683,178	2,376,409	2,820,630	2,603,621	2,354,400
Return on Assets	2.99%	2.84%	2.39%	2.66%	
Credit to Deposit	47.26%	46.37%	51.90%	49.87%	48.71%
Liquid Assets to Total Assets	36.71%	31.73%	34.74%	15.32%	42.60%
Liquid Assets to Total Deposit	30.41%	31.13%	42.57%	16.84%	48.80%

3. Agricultural Development Bank

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12p
Capital	10,777,500	10,777,500	9,437,500	9,474,300	9,474,300
Reserves and Surplus	(5,442,189)	(452,327)	1,430,001	3,715,179	4849278
Debenture & Bond	0		2,300,000	2,300,000	2300000
Borrowing	257,373	198,250	259,562	243,701	927172
Deposit	32,553,827	35,159,610	32,472,569	34,394,627	43238985
Bills Payable	0		0	0	0
Proposed & Payable dividend	0	276,000	276,000	276,000	0
Tax Liabilities	365,242	597,719	941,920	1,340,904	2118959
Other Liabilities	5,174,996	5,261,987	6,902,674	7,496,652	8486106
Total Liabilities	**43,686,749**	**51,818,739**	**54,020,226**	**59,241,363**	**71,394,800**
Cash Balance	905,235	1,413,971	1,366,731	4,808,954	6285176
Balance With NRB	1,806,731	2,717,813	1,759,468	0	0
Bank Balance With Banks	912,032	1,075,869	1,035,206	0	0
Money At call	49,995	2,244,198	1,611,342	27,289	0
Investment	4,757,097	4,896,062	4,540,084	7,267,285	10809005
Loan and Advances	30,589,428	32,603,096	33,876,957	34,459,919	39393095
Fixed Assets	781,149	803,333	968,745	1,022,894	1442486
Non- Banking Assets	0		0	0	0
Other Assets	3,885,082	6,064,398	8,861,693	11,655,022	13465038
Total Assets	**43,686,749**	**51,818,739**	**54,020,226**	**59,241,363**	**71,394,800**
Interest Income	3,961,131	4,231,143	5,464,857	6,101,187	6965836
Interest Expenses	1,641,207	1,157,071	1,507,997	2,116,489	2850802
Net Interest Income	**2,319,924**	**3,074,072**	**3,956,860**	**3,984,698**	**4,115,034**
Commission and discount	71,139	90,045	101,727	261,741	120544
Other Operating Income	350,676	382,246	318,804	322,224	457779
Exchange Income	11,955	22,096	0	0	26273
Total Operating Income	**2,753,694**	**3,568,459**	**4,377,391**	**4,568,663**	**4,719,630**
Employees Expenses	1,849,133	2,486,716	2,679,861	2,209,114	2389399
Other Operating Expenses	288,020	300,691	330,022	376,623	491375
Exchange Loss	0	0	5,576	1,268	0
Operating Profit Before Provision	**616,541**	**781,052**	**1,361,932**	**1,981,658**	**1,838,856**
Provisions for possible losses	2,677,476	2,184,688	2,582,234	2,504,031	2067858
Operating Profit	**(2,060,935)**	**(1,403,636)**	**(1,220,302)**	**(522,373)**	**(229,002)**
Non-Operating Income/ Expenses	18,336	634,989	19,474	105,562	80300
Return From Loan Loss Provision	4,064,478	1,381,932	2,469,671	2,182,828	2175984
Profit From Ordinary activities	**2,021,879**	**613,284**	**1,268,843**	**1,766,017**	**2,027,282**
Extra ordinary Income /Expenses	(1,212,162)	1,106,749	667,292	367,166	629152
Net Profit including all activities	**809,717**	**1,720,033**	**1,936,135**	**2,133,183**	**2,656,434**
Provision For Staff Bonus	59,979	127,410	143,417	158,013	196,773
Provision For Income Tax	80,499	535,023	(99,667)	(390,312)	598,630
-This Year	0			398,984	
-Up to Last Year	0				
Deferred Tax				789,296	
Net Profit / Loss	**669,239**	**1,057,600**	**1,892,385**	**2,365,482**	**1,861,031**
Financial Indicators					
Core Capital to Risk Weighted Assets	6.09%	11.04%	14.66%	16.32%	14.25%
Capital Fund to Risk Weighted Assets	11.41%	15.69%	19.19%	20.45%	18.25%
Non Performing Loan to Total Loan	11.69%	9.71%	8.36%	8.99%	6.35%
Weighted Average Interest Spread	4.52%	5.87%	6.09%	6.35%	
Net Interest Income (Rs. in Thousand)	2,319,924	3,074,072	3,956,860	3,984,698	4,115,034
Return on Assets	0.00%	2.04%	3.50%	3.99%	
Credit to Deposit	112.44%	108.93%	121.90%	117.38%	80.76%
Liquid Assets to Total Assets	8.41%	21.08%	17.03%	18.20%	23.25%
Liquid Assets to Total Deposit	11.29%	31.07%	28.33%	31.34%	38.39%

4. Nabil Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	689,216	965,747	2,028,773	2029769	2435723
Reserves and Surplus	1,747,983	2,164,494	1,805,452	2536747	3015162
Debenture & Bond	240,000	300,000	300,000	300000	300000
Borrowing	1,360,000	1,681,305	74,900	1650599	311080
Deposit	31,915,047	37,348,256	46,340,701	49696113	55023695
Bills Payable	238,422	463,139	425,444	415768	179142
Proposed & Payable dividend	437,373	361,325	434,737	608931	811908
Tax Liabilities	38,777	80,232	24,904	44104	51107
Other Liabilities	465,941	502,900	644,814	859405	1072481
Total Liabilities	**37,132,759**	**43,867,398**	**52,079,725**	**58,141,436**	**63200298**
Cash Balance	511,426	674,395	635,987	744592	1050658
Balance With NRB	1,829,471	2,648,596	549,454	1473987	3681980
Bank Balance with Banks	330,244	49,521	214,656	217971	-456817
Money At call	1,952,361	552,888	3,118,144	2452512	826436
Investment	9,939,771	10,826,379	13,600,917	13081205	14055850
Loan and Advances	21,365,053	27,589,933	32,268,873	38034097	41605683
Fixed Assets	598,039	660,989	781,480	935088	887543
Non- Banking Assets	**0**	**0**		0	0
Other Assets	606,394	864,696	910,214	1201984	**1548965**
Total Assets	**37,132,759**	**43,867,398**	**52,079,725**	**58,141,436**	**63,200,298**
Interest Income	1,978,696	2,798,486	4,047,725	5,258,269	6133739
Interest Expenses	758,436	1,153,280	1,960,108	2,946,691	3155490
Net Interest Income	**1,220,260**	**1,645,206**	**2,087,617**	**2,311,578**	**2,978,249**
Commission and discount	156,234	179,693	215,482	290,855	364075
Other Operating Income	97,444	144,164	169,548	183,445	201085
Exchange Income	196,487	251,920	291,441	276,103	447070
Total Operating Income	**1,670,425**	**2,220,983**	**2,764,088**	**3,061,981**	**3,990,479**
Employees Expenses	262,907	339,898	367,162	455,616	500713
Other Operating Expenses	220,750	265,158	334,669	403,992	428597
Exchange Loss	0			0	0
Operating Profit Before Provision	**1,186,768**	**1,615,927**	**2,062,257**	**2,202,373**	**3,061,169**
Provisions for possible losses	64,055	45,722	355,829	109,470	413949
Operating Profit	**1,122,713**	**1,570,205**	**1,706,428**	**2,092,903**	**2,647,220**
Non-Operating Income/ Expenses	24,084	2,190	6,455	6,981	13840
Return From Loan Loss Provision	11,101	10,618	39,791	7,101	0
Profit From Ordinary activities	**1,157,898**	**1,583,013**	**1,752,674**	**2,106,985**	**2,661,060**
Extra ordinary Income /Expenses	39,991	43,522	34,322	3,148	-3037
Net Profit indulging all activities	**1,197,889**	**1,626,534**	**1,786,996**	**2,110,133**	**2,658,023**
Provision For Staff Bonus	108,899	147,867	162,518	192,008	241639
Provision For Income Tax	342,522	447,615	485,907	573,946	720109
-This Year					728302
-Up to Last Year					0
Deferred Tax					-8193
Net Profit / Loss	**746,468**	**1,031,053**	**1,138,571**	**1,344,179**	**1,696,275**
Financial Indicators					
Core Capital to Risk Weighted Assets	8.75%	8.74%	8.77%	8.83%	9.30%
Capital Fund to Risk Weighted Assets	11.10%	10.70%	10.50%	10.58%	11.01%
Non Performing Loan to Total Loan	0.74%	0.80%	1.47%	1.77%	2.33%
Weighted Average Interest Spread	3.94%	4.16%	4.40%	4.37%	4.95%
Net Interest Income (Rs. thousand)	1,220,260	1,645,206	2,087,617	2,311,578	2,978,249
Return on Assets	2.32%	2.55%	2.37%	2.43%	2.80%
Credit to Deposit	68.18%	73.87%	69.37%	78.29%	77.91%
Liquid Assets to Total Assets	25.07%	17.40%	23.92%	23.45%	20.73%
Liquid Assets to Total Deposit	29.17%	20.43%	26.89%	27.44%	23.81%

5. Nepal Investment Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,203,915	2,407,069	2,409,098	3011372	3766155
Reserves and Surplus	1,482,871	1,500,771	2,176,295	2148388	2283786
Debenture & Bond	1,050,000	1,050,000	1,050,000	1050000	1050000
Borrowing	0	38,800	37,315	280764	567579
Deposit	34,451,726	46,698,100	50,094,725	50138122	57010604
Bills Payable	78,839	82,338	38,144	8250	2977
Proposed & Payable dividend	93,468	485,454	602,274	602274	150646
Tax Liabilities	24,083	38,297	37,195	0	0
Other Liabilities	488,404	709,975	860,367	1117657	924484
Total Liabilities	**38,873,306**	**53,010,803**	**57,305,413**	**58356828**	**65756231**
Cash Balance	1,464,483	1,833,462	1,525,442	1718666	1963969
Balance With NRB	1,820,006	4,411,133	3,237,217	4009460	8502694
Bank Balance with Banks	470,453	1,673,408	2,053,231	2412245	1337088
Money At call	0		0	150000	205363
Investment	6,874,024	7,399,812	8,635,530	7423107	10438487
Loan and Advances	26,996,652	36,241,207	40,318,308	41095515	41636999
Fixed Assets	970,092	1,060,752	1,136,247	1108448	1056439
Non- Banking Assets	750	375	0		0
Other Assets	276,846	390,653	399,438	439388	615193
Total Assets	**38,873,306**	**53,010,803**	**57,305,413**	**58356828**	**65756232**
Interest Income	2,194,275	3,267,941	4,653,521	5803440	5982641
Interest Expenses	992,158	1,686,973	2,553,847	3620337	3814411
Net Interest Income	**1,202,117**	**1,580,968**	**2,099,674**	**2183103**	**2168230**
Commission and discount	215,292	262,792	242,886	269429	319667
Other Operating Income	66,377	87,575	168,312	152985	157780
Exchange Income	165,839	185,327	224,056	228076	264166
Total Operating Income	**1,649,625**	**2,116,662**	**2,734,928**	**2833594**	**2909843**
Employees Expenses	187,150	225,721	279,851	326543	340160
Other Operating Expenses	313,154	413,884	433,596	456057	468863
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**1,149,321**	**1,477,056**	**2,021,481**	**2050994**	**2100820**
Provisions for possible losses	135,989	166,201	93,056	267331.5	743724
Operating Profit	**1,013,332**	**1,310,855**	**1,928,425**	**1783662**	**1357096**
Non-Operating Income/ Expenses	7,048	2,953	10,606	8396	14161
Return From Loan Loss Provision	101,577	114,653	50,000	106634	267685
Profit From Ordinary activities	**1,121,957**	**1,428,461**	**1,989,031**	**1898693**	**1638942**
Extra ordinary Income /Expenses	0	0	0	-52861	-1726
Net Profit including all activities	**1,121,957**	**1,428,461**	**1,989,031**	**1845832**	**1637216**
Provision For Staff Bonus	101,996	129,860	180,821	167803	148837
Provision For Income Tax	323,229	397,982	542,261	501388	449102
-This Year				500360	448070
-Up to Last Year					12675
Deferred Tax				1028	-11643
Net Profit / Loss	**696,732**	**900,619**	**1,265,949**	1176641	1039277
Financial Indicators					
Core Capital to Risk Weighted Assets	7.71%	8.56%	8.50%	8.77%	9.34%
Capital Fund to Risk Weighted Assets	11.28%	11.24%	10.55%	10.91%	11.10%
Non Performing Loan to Total Loan	1.12%	0.58%	0.62%	0.94%	3.32%
Weighted Average Interest Spread	4.00%	3.94%	4.36%	4.06%	4.50%
Net Interest Income (Rs. in Thousand)	1,202,117	1,580,968	2,099,674	2,183,103	2,168,230
Return on Assets	1.77%	1.68%	2.19%	2.02%	1.60%
Credit to Deposit Ratio	79.91%	78.86%	81.74%	83.54%	75.30%
Liquid Assets to Total Assets	17.78%	19.71%	19.23%	21.57%	27.65%
Liquid Assets to Total Deposit	20.06%	22.38%	21.99%	25.10%	31.89%

6. Standard Chartered Bank Nepal Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	620,784	931,966	1,608,256	1,610,168	1851693
Reserves and Surplus	1,871,764	2,120,503	1,761,453	2,067,609	2270476
Debenture & Bond	0		0		0
Borrowing	0	300,000	0	350,000	0
Deposit	29,743,999	35,871,721	35,182,721	37,999,242	35965631
Bills Payable	87,397	72,942	89,220	65,966	86378
Proposed & Payable dividend	506,367	476,296	769,166	805,084	724576
Tax Liabilities	2,051	4,263	0		0
Other Liabilities	503,426	809,777	802,503	912,450	778298
Total Liabilities	**33,335,788**	**40,587,468**	**40,213,319**	**43,810,519**	**41,677,052**
Cash Balance	414,876	463,346	509,031	610,691	509678
Balance With NRB	1,266,273	1,851,133	819,509	1,638,277	4833920
Bank Balance with Banks	369,094	822,685	600,766	726,828	1022635
Money At call	2,197,538	2,055,549	1,669,460	4,280,888	2126035
Investment	13,902,819	20,236,121	19,847,511	17,258,682	12938216
Loan and advances	13,718,597	13,679,757	15,956,955	18,427,270	19575968
Fixed Assets	117,272	137,293	118,540	106,071	89633
Non- Banking Assets	**0**	**0**	**0**		0
Other Assets	1,349,319	1,341,585	691,547	761,812	580967
Total Assets	**33,335,788**	**40,587,468**	**40,213,319**	**43,810,519**	**41,677,052**
Interest Income	1,591,195	1,887,221	2,042,109	2,718,699	2870971
Interest Expenses	471,730	543,787	575,740	1,003,100	1007198
Net Interest Income	**1,119,465**	**1,343,435**	**1,466,369**	**1,715,599**	**1,863,773**
Commission and discount	276,432	235,469	338,298	321,771	267766
Other Operating Income	32,594	33,191	34,479	36,753	38354
Exchange Income	345,653	480,031	458,564	387,134	468557
Total Operating Income	**1,774,144**	**2,092,126**	**2,297,710**	**2,461,257**	**2,638,450**
Employees Expenses	225,256	253,056	312,964	365,986	386823
Other Operating Expenses	230,571	276,327	295,305	305,215	349225
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**1,318,317**	**1,562,743**	**1,689,441**	**1,790,056**	**1,902,402**
Provisions for possible losses	69,885	56,635	76,974	82,739	208251
Operating Profit	**1,248,432**	**1,506,109**	**1,612,467**	**1,707,317**	**1,694,151**
Non-Operating Income/ Expenses	1,682	22,098	36,268	6,445	568
Return From Loan Loss Provision	90,635	101,075	58,293	67,159	190917
Profit From Ordinary activities	**1,340,749**	**1,629,282**	**1,707,028**	**1,780,921**	**1,885,636**
Extra ordinary Income /Expenses	(28,039)	(15,356)	(17,024)	(22,764)	-42576
Net Profit including all activities	**1,312,710**	**1,613,926**	**1,690,004**	**1,758,157**	**1,843,060**
Provision For Staff Bonus	119,337	146,721	153,637	159,832	167551
Provision For Income Tax	374,452	442,091	450,496	479,153	506541
-This Year				485,713	510927
-Up to Last Year					3609
Deferred Tax				(6,560)	-7995
Net Profit / Loss	**818,921**	**1,025,115**	**1,085,871**	**1,119,172**	**1,168,968**
Financial Indicators					
Core Capital to Risk Weighted Assets	12.15%	13.05%	12.61%	12.10%	12.02%
Capital Fund to Risk Weighted Assets	0.14%	14.70%	14.60%	14.22%	13.93%
Non Performing Loan to Total Loan	0.92%	0.66%	0.61%	0.62%	0.78%
Weighted Average Interest Spread	4.01%	3.98%	3.44%	3.28%	3.92%
Net Interest Income (Rs. in Thousand)	1,119,465	1,343,435	1,466,369	1,715,599	1,863,773
Return on Assets	2.46%	2.53%	2.70%	2.55%	2.80%
Credit to Deposit	46.95%	38.70%	45.98%	49.11%	55.13%
Liquid Assets to Total Assets	40.25%	37.43%	30.16%	39.29%	39.24%
Liquid Assets to Total Deposit	35.91%	42.35%	34.48%	45.30%	45.47%

7. Himalayan Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,013,512	1,216,215	2,000,000	2,400,000	2760000
Reserves and Surplus	1,499,479	1,903,666	1,439,205	1,595,478	1872010
Debenture & Bond	860,000	500,000	500,000	500,000	500000
Borrowing	83,178		0	10,000	0
Deposit	31,842,789	34,681,345	37,611,202	40,920,627	47730994
Bills Payable	102,670	113,509	216,159	31,655	19003
Proposed & Payable dividend	263,076	162,097	189,473	336,842	322106
Tax Liabilities	19,131	10,163	0	0	0
Other Liabilities	491,696	733,327	761,085	941,601	1160314
Total Liabilities	**36,175,531**	**39,320,322**	**42,717,124**	**46,736,203**	**54,364,427**
Cash Balance	278,183	473,760	514,223	632,046	951333
Balance With NRB	935,842	2,328,406	2,604,791	1,390,626	3979164
Bank Balance with Banks	234,118	246,361	747,476	941,979	1431799
Money At call	518,529	1,170,794	308,840	734,000	264600
Investment	13,340,177	8,710,691	8,444,910	8,769,938	10031580
Loan and Advances	19,497,520	24,793,155	27,980,629	31,566,977	34965434
Fixed Assets	726,068	952,196	1,061,871	1,187,493	1305364
Non- Banking Assets	10,307	22,695	0	0	0
Other Assets	634,787	622,265	1,054,384	1,513,144	1435153
Total Assets	**36,175,531**	**39,320,322**	**42,717,124**	**46,736,203**	**54,364,427**
Interest Income	1,963,647	2,342,198	3,148,605	4,326,140	4724887
Interest Expenses	823,745	934,778	1,553,530	2,414,807	2816441
Net Interest Income	**1,139,902**	**1,407,420**	**1,595,075**	**1,911,333**	**1,908,446**
Commission and discount	202,888	284,302	270,258	350,365	510840
Other Operating Income	62,104	46,343	112,346	129,517	182028
Exchange Income	192,601	249,983	180,278	195,528	309898
Total Operating Income	**1,597,495**	**1,988,048**	**2,157,957**	**2,586,743**	**2,911,212**
Employees Expenses	307,528	360,981	414,984	517,591	634229
Other Operating Expenses	329,006	398,317	471,102	582,210	714436
Exchange Loss	0	0	0	0	0
Operating Profit Before Provision	**960,961**	**1,228,751**	**1,271,871**	**1,486,942**	**1,562,547**
Provisions for possible losses	58,431	68,806	692,640	471,729	505491
Operating Profit	**902,530**	**1,159,945**	**579,231**	**1,015,213**	**1,057,056**
Non-Operating Income/ Expenses	9,700	3,810	12,382	15,856	8006
Return From Loan Loss Provision	184,107	19,485	265,542	228,146	859976
Profit From Ordinary activities	**1,096,337**	**1,183,240**	**857,155**	**1,259,215**	**1,925,038**
Extra ordinary Income /Expenses	(52,614)	(9,973)	(25,855)	102,292	-397038
Net Profit including all activities	**1,043,723**	**1,173,267**	**831,300**	**1,361,507**	**1,528,000**
Provision For Staff Bonus	94,884	106,661	75,573	123,773	138909
Provision For Income Tax	312,970	313,771	246,929	344,619	430453
-This Year		0			450548
-Up to Last Year		0			378
Deferred Tax					-20473
Net Profit / Loss	**635,869**	**752,835**	**508,798**	**893,115**	**958,638**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.64%	8.81%	8.68%	8.88%	9.60%
Capital Fund to Risk Weighted Assets	13.00%	11.02%	10.72%	10.68%	11.02%
Non Performing Loan to Total Loan	2.36%	2.16%	3.52%	4.22%	2.09%
Weighted Average Interest Spread	3.66%	3.66%	4.21%	3.96%	4.25%
Net Interest Income (Rs. in Thousand)	1,139,902	1,407,420	1,595,075	1,911,333	1,908,446
Return on Assets	1.76%	1.91%	1.19%	1.91%	1.76%
Credit to Deposit	61.23%	71.49%	74.39%	80.57%	75.36%
Liquid Assets to Total Assets	26.09%	21.44%	20.23%	21.62%	29.04%
Liquid Assets to Total Deposit	29.64%	24.31%	22.97%	24.70%	33.08%

8. Nepal Bangladesh Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	744,126	1,860,315	1,860,315	2,009,396	2009396
Reserves and Surplus	(2,935,574)	(748,073)	273,257	241,779	944571
Debenture & Bond	0		0	0	0
Borrowing	30,000		0	0	0
Deposit	10,883,652	9,997,697	10,052,182	11,511,677	16952703
Bills Payable	30,012	12,629	15,401	14,125	27930
Proposed & Payable dividend	1,301	1,398	0	0	0
Tax Liabilities	0	6,729	0	0	0
Other Liabilities	637,509	833,857	329,886	227,783	235156
Total Liabilities	**9,391,026**	**11,964,552**	**12,531,041**	**14,004,760**	**20169756**
Cash Balance	612,025	459,402	422,008	533,056	569916
Balance With NRB	1,005,830	1,869,815	1,423,257	1,563,169	4093782
Bank Balance with Banks	304,993	242,200	213,033	368,700	346494
Money At call	1,000	1,000	0	0	0
Investment	1,389,901	2,222,432	2,112,751	2,378,269	3868950
Loan and Advances	5,457,809	6,704,943	7,809,544	8,452,739	10330076
Fixed Assets	147,747	139,198	155,327	307,504	227990
Non- Banking Assets	37,087	0	0	0	0
Other Assets	434,634	325,562	395,121	401,323	732548
Total Assets	**9,391,026**	**11,964,552**	**12,531,041**	**14,004,760**	**20169756**
Interest Income	828,276	1,337,112	1,167,627	1,436,676	1529045
Interest Expenses	397,997	409,776	476,787	745,222	1037815
Net Interest Income	**430,279**	**927,336**	**690,840**	**691,454**	**491230**
Commission and discount	105,300	122,393	145,796	159,036	198340
Other Operating Income	190,767	125,074	50,496	52,865	53563
Exchange Income	90,111	80,549	49,840	59,726	63717
Total Operating Income	**816,457**	**1,255,353**	**936,972**	**963,081**	**806850**
Employees Expenses	140,837	138,424	146,641	181,098	201430
Other Operating Expenses	121,863	123,306	128,766	140,402	165457
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**553,757**	**993,623**	**661,565**	**641,581**	**439963**
Provisions for possible losses	379,304	283,319	148,389	217,768	70965
Operating Profit	**174,453**	**710,303**	**513,176**	**423,813**	**368,998**
Non-Operating Income/ Expenses	18,239	22,934	18,384	24,444	74580
Return From Loan Loss Provision	1,343,374	1,905,860	1,318,048	323,614	1364306
Profit From Ordinary activities	**1,536,066**	**2,639,097**	**1,849,608**	**771,871**	**1,807,884**
Extra ordinary Income /Expenses	(697,887)	(14,990)	(523,481)	(714,889)	(775,179)
Net Profit including all activities	**838,179**	**2,624,108**	**1,326,127**	**56,982**	**1,032,705**
Provision For Staff Bonus	76,198	238,555	120,557	5,180	93882
Provision For Income Tax	165,494	227,446	184,190	189,959	129,355
-This Year	0			198,200	150350
-Up to Last Year	0			(896)	-1524
Deferred Tax				(7,345)	-19471
Net Profit / Loss	**596,487**	**2,158,106**	**1,021,380**	**(138,157)**	**809,468**
Financial Indicators					
Core Capital to Risk Weighted Assets	-18.17%	4.42%	11.74%	9.35%	10.76%
Capital Fund to Risk Weighted Assets	-18.17%	5.55%	12.81%	10.19%	11.86%
Non Performing Loan to Total Loan	31.73%	19.80%	6.47%	17.99%	4.29%
Weighted Average Interest Spread	3.95%	3.92%	5.56%	5.08%	5.08%
Net Interest Income (Rs. in Thousand)	430,279	927,336	690,840	691,454	491,230
Return on Assets	6.35%	18.04%	8.15%	0.00%	4.01%
Credit to Deposit	87.01%	91.33%	78.26%	88.93%	58.19%
Liquid Assets to Total Assets	33.50%	35.84%	31.42%	32.69%	43.31%
Liquid Assets to Total Deposit	28.90%	42.89%	39.17%	39.77%	51.53%

9. Nepal SBI Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	874,528	874,528	1,861,324	2,102,966	2355739
Reserves and Surplus	540,117	838,079	589,230	776,327	841720
Debenture & Bond	200,000	200,000	200,000	200,000	600000
Borrowing	1,627,480	727,466	0	0	0
Deposit	13,715,395	27,957,221	34,896,424	42,415,443	53337264
Bills Payable	75,115	62,947	72,368	80,685	78616
Proposed & Payable dividend	12,229	24,905	83,080	93,465	104699
Tax Liabilities	0		0	0	3469
Other Liabilities	142,582	231,536	345,253	419,347	738200
Total Liabilities	**17,187,446**	**30,916,682**	**38,047,679**	**46,088,233**	**58,059,707**
Cash Balance	308,102	652,027	815,680	1,007,688	1186755
Balance With NRB	403,810	444,139	1,842,802	2,330,927	3269610
Bank Balance with Banks	631,049	807,740	782,780	1,539,210	1052018
Money At call	304,013		0	0	178250
Investment	3,088,887	13,286,182	16,305,633	18,911,021	24463452
Loan and Advances	12,113,698	15,131,748	17,480,548	21,365,771	26142094
Fixed Assets	120,222	253,581	418,244	417,003	715921
Non- Banking Assets	**0**		**0**	**0**	0
Other Assets	217,665	341,265	401,992	516,613	1051609
Total Assets	**17,187,446**	**30,916,682**	**38,047,679**	**46,088,233**	**58,059,709**
Interest Income	970,513	1,460,446	2,269,704	3,104,232	3769483
Interest Expenses	454,918	824,700	1,443,693	2,096,038	2770799
Net Interest Income	**515,595**	**635,745**	**826,011**	**1,008,194**	**998,684**
Commission and discount	50,918	78,837	131,692	247,165	255352
Other Operating Income	19,557	52,790	78,796	95,172	141762
Exchange Income	51,989	61,294	70,328	70,532	101138
Total Operating Income	**638,059**	**828,666**	**1,106,827**	**1,421,063**	**1,496,936**
Employees Expenses	74,890	121,989	130,336	255,430	289153
Other Operating Expenses	152,380	223,966	343,850	445,072	456126
Exchange Loss	0	0	0	0	0
Operating Profit Before Provision	**410,789**	**482,712**	**632,641**	**720,561**	**751,657**
Provisions for possible losses	57,464	40,345	62,350	46,308	78012
Operating Profit	**353,325**	**442,366**	**570,291**	**674,253**	**673,645**
Non-Operating Income/ Expenses	(271)	2,516	2,552	3,113	2183
Return From Loan Loss Provision	29,782	198,673	56,621	179,122	91695
Profit From Ordinary activities	**382,836**	**643,556**	**629,464**	**856,488**	**767,523**
Extra ordinary Income /Expenses	0	(156,221)	(37,266)	(137,673)	-12204
Net Profit including all activities	**382,836**	**487,335**	**592,198**	**718,815**	**755,319**
Provision For Staff Bonus	34,803	44,303	53,836	65,346	68665
Provision For Income Tax	100,263	126,658	146,620	188,904	206549
-This Year	0	0			229052
-Up to Last Year	0	0			730
Deferred Tax					-23233
Net Profit / Loss	**247,770**	**316,373**	**391,742**	**464,565**	480,105
Financial Indicators					
Core Capital to Risk Weighted Assets	9.97%	10.03%	10.89%	10.32%	9.16%
Capital Fund to Risk Weighted Assets	12.32%	11.92%	12.25%	11.52%	11.21%
Non Performing Loan to Total Loan	3.83%	2.02%	1.48%	1.10%	0.54%
Weighted Average Interest Spread	3.11%	2.84%	2.76%	2.86%	2.70%
Net Interest Income (Rs. in Thousand)	515,595	635,745	826,011	1,008,194	998,684
Return on Assets	1.4%	1.1%	1.0%	1.0%	0.8%
Credit to Deposit	88.32%	55.84%	51.48%	51.20%	49.62%
Liquid Assets to Total Assets	27.24%	16.85%	20.38%	22.68%	17.65%
Liquid Assets to Total Deposit	34.14%	18.64%	22.22%	24.64%	19.21%

Total No. of Staffs	249	323	465	505	538

10. Everest Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	831,400	1,030,467	1,279,607	1,391,570	1761126
Reserves and Surplus	1,089,837	1,173,157	1,479,530	1,721,976	2416176
Debenture & Bond	300,000	300,000	300,000	300,000	0
Borrowing	0	312,000	404,600	482,000	0
Deposit	23,976,298	33,322,946	36,932,310	41,127,914	50006100
Bills Payable	49,430	148,656	145,514	49,716	692399
Proposed & Payable dividend	140,790	230,525	276,253	576,898	30647
Tax Liabilities	41,143	20,522	(1,136)	26,900	9297
Other Liabilities	720,444	378,576	566,082	559,238	897383
Total Liabilities	**27,149,342**	**36,916,849**	**41,382,760**	**46,236,212**	**55813128**
Cash Balance	822,990	944,696	1,091,500	1,048,999	1700992
Balance With NRB	1,080,915	4,787,164	5,625,114	4,706,320	8159753
Bank Balance with Banks	764,068	432,512	1,102,200	367,544	502561
Money At call	346,000		0	0	0
Investment	5,059,557	5,948,480	5,008,308	7,743,928	7863627
Loan and Advances	18,339,085	23,884,674	27,556,356	31,057,691	35910974
Fixed Assets	360,512	427,157	463,094	460,259	547926
Non- Banking Assets	0		0	0	0
Other Assets	376,215	492,166	536,188	851,471	1127295
Total Assets	**27,149,342**	**36,916,849**	**41,382,760**	**46,236,212**	**55813128**
Interest Income	1,548,657	2,186,815	3,102,451	4,331,026	4959998
Interest Expenses	632,609	1,012,874	1,572,790	2,535,876	2873335
Net Interest Income	**916,048**	**1,173,941**	**1,529,661**	**1,795,150**	**2086663**
Commission and discount	150,264	202,094	208,123	203,468	233570
Other Operating Income	79,134	106,404	142,311	148,062	179822
Exchange Income	64,452	62,527	47,880	46,259	109679
Total Operating Income	**1,209,898**	**1,544,966**	**1,927,975**	**2,192,939**	**2609734**
Employees Expenses	157,957	186,920	226,364	293,130	352050
Other Operating Expenses	233,767	292,011	352,511	383,112	467293
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**818,174**	**1,066,035**	**1,349,100**	**1,516,697**	**1790391**
Provisions for possible losses	99,340	93,085	77,010	98,299	252054
Operating Profit	**718,834**	**972,950**	**1,272,090**	**1,418,398**	1538337
Non-Operating Income/ Expenses	4,519	5,005	12,338	1,433	25156
Return From Loan Loss Provision	20,201	8,044	83,553	56,337	150349
Profit From Ordinary activities	**743,554**	**986,000**	**1,367,981**	**1,476,168**	1713842
Extra ordinary Income /Expenses	(18,999)	(5,549)	(61,192)	(12,051)	0
Net Profit including all activities	**724,555**	**980,451**	**1,306,789**	**1,464,117**	1713842
Provision For Staff Bonus	65,869	89,132	118,799	133,101	155804
Provision For Income Tax	207,468	252,586	356,225	596,310	
-This Year	0				478356
-Up to Last Year	0				0
Deferred Tax	0				-10881
Net Profit / Loss	**451,218**	**638,733**	**831,765**	**734,706**	**1558038**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.04%	8.52%	8.39%	8.46%	9.61%
Capital Fund to Risk Weighted Assets	11.44%	10.55%	10.77%	10.43%	11.02%
Non Performing Loan to Total Loan	0.68%	0.48%	0.16%	0.34%	0.84%
Weighted Average Interest Spread	4.30%	4.40%	4.78%	4.60%	5%
Net Interest Income (Rs. in Thousand)	916,048	1,173,941	1,529,661	1,795,150	2086663
Return on Assets	1.70%	1.73%	2.09%	2.10%	2.11%
Credit to Deposit	79.00%	73.43%	74.61%	76.98%	73.22
Liquid Assets to Total Assets	28.82%	30.64%	29.42%	28.70%	29.44%
Liquid Assets to Total Deposit	32.64%	33.94%	32.96%	32.26%	32.86%

11. Bank of Kathmandu Limited

(Rs. '000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	603,141	844,398	1,359,480	1,604,187	1684396
Reserves and Surplus	738,933	897,192	714,049	831,001	1016441
Debenture & Bond	200,000	200,000	200,000	200,000	200000
Borrowing	100,000	100,000	300,000	464,900	182900
Deposit	15,833,738	18,083,980	20,315,834	21,018,417	24991449
Bills Payable	51,576	51,125	35,702	19,051	28144
Proposed & Payable dividend	32,804	77,333	177,324	227,713	342013
Tax Liabilities	0			0	0
Other Liabilities	161,733	241,977	293,802	392,481	436653
Total Liabilities	**17,721,925**	**20,496,005**	**23,396,191**	**24,757,750**	**28,881,996**
Cash Balance	536,747	565,066	455,181	542,371	750870
Balance With NRB	606,049	1,324,108	687,582	641,694	1970840
Bank Balance with Banks	297,671	292,938	655,604	494,866	660999
Money At call	72,680	243,352	931,988	479,920	518623
Investment	3,204,068	2,783,599	3,269,205	4,286,599	5246683
Loan and Advances	12,462,637	14,647,297	16,664,931	17,468,194	18813937
Fixed Assets	387,274	417,041	491,295	501,995	545617
Non- Banking Assets	453			0	0
Other Assets	154,346	222,606	240,405	342,111	374427
Total Assets	**17,721,925**	**20,496,005**	**23,396,191**	**24,757,750**	**28,881,996**
Interest Income	1,034,158	1,347,755	1,870,847	2,386,780	2620894
Interest Expenses	417,543	563,113	902,927	1,218,790	1484538
Net Interest Income	**616,615**	**784,642**	**967,920**	**1,167,990**	**1,136,356**
Commission and discount	129,415	150,919	160,065	173,508	193413
Other Operating Income	23,168	43,222	73,925	79,726	67803
Exchange Income	93,764	136,036	140,785	117,098	137740
Total Operating Income	**862,962**	**1,114,820**	**1,342,695**	**1,538,322**	**1,535,312**
Employees Expenses	90,602	146,495	168,513	196,170	248506
Other Operating Expenses	170,481	233,668	294,457	285,992	308128
Exchange Loss	0	0		0	0
Operating Profit Before Provision	**601,879**	**734,658**	**879,725**	**1,056,160**	**978,678**
Provisions for possible losses	38,438	33,745	119,401	152,748	95537
Operating Profit	**563,441**	**700,912**	**760,324**	**903,412**	**883,141**
Non-Operating Income/ Expenses	810	(2,027)	2,918	5,464	3301
Return From Loan Loss Provision	61,833	21,577	41,818	43,359	77685
Profit From Ordinary activities	**626,084**	**720,462**	**805,060**	**952,235**	**964,127**
Extra ordinary Income /Expenses	(45,396)	6,934		(675)	0
Net Profit including all activities	**580,688**	**727,396**	**805,060**	**951,560**	**964,127**
Provision For Staff Bonus	52,790	66,127	73,187	86,505	87648
Provision For Income Tax	166,402	199,535	222,610	259,903	268817
-This Year	0				266022
-Up to Last Year	0	0			840
Deferred Tax					1955
Net Profit / Loss	**361,496**	**461,735**	**509,263**	**605,152**	**607,662**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.57%	9.81%	9.41%	10.37%	10.11%
Capital Fund to Risk Weighted Assets	11.94%	11.68%	10.85%	11.62%	11.07%
Non Performing Loan to Total Loan	1.86%	1.27%	1.51%	1.82%	2.30%
Weighted Average Interest Spread	4.35%	4.72%	5.16%	5.45%	4.67%
Net Interest Income (Rs. in Thousand)	616,615	784,642	967,920	1,167,990	1,136,356
Return on Assets	2.04%	2.25%	2.18%	2.44%	2.10%
Credit to Deposit	80.51%	82.65%	83.90%	85.43%	77.30%
Liquid Assets to Total Assets	20.46%	20.35%	24.30%	24.89%	30.95%
Liquid Assets to Total Deposit	22.90%	23.06%	27.98%	29.31%	35.77%

12. Nepal Credit and Commerce Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,399,558	1,399,558	1,399,671	1,400,000	1470000
Reserves and Surplus	(714,475)	(300,637)	123,036	344,241	452582
Debenture & Bond	0		0		0
Borrowing	0		206,900	374,800	0
Deposit	7,320,236	9,127,749	10,824,692	10,951,432	16485357
Bills Payable	110,171	15,375	30,652	8,558	14103
Proposed & Payable dividend	0		0		3684
Tax Liabilities	2,643		0	21,138	0
Other Liabilities	123,201	348,803	176,121	164,686	168967
Total Liabilities	**8,241,334**	**10,590,847**	**12,761,072**	**13,264,855**	**18,594,693**
Cash Balance	592,632	342,794	517,662	420,536	647208
Balance With NRB	762,438	781,447	1,483,099	1,071,726	1339822
Bank Balance with Banks	122,763	62,764	195,585	243,605	295202
Money At call	154,406	186,402	99,951	80,295	107756
Investment	1,900,758	1,583,103	1,947,614	2,061,348	3080778
Loan and Advances	4,417,857	6,858,194	7,994,718	8,835,194	12443109
Fixed Assets	114,064	216,858	284,166	310,144	343224
Non- Banking Assets	59,963	235,574	0		0
Other Assets	116,453	323,712	238,277	242,007	337594
Total Assets	**8,241,334**	**10,590,847**	**12,761,072**	**13,264,855**	**18,594,693**
Interest Income	576,609	758,363	1,042,243	1,342,865	1519163
Interest Expenses	278,724	352,060	580,165	873,283	1050295
Net Interest Income	**297,885**	**406,303**	**462,078**	**469,582**	**468,868**
Commission and discount	34,235	55,454	52,666	49,223	55621
Other Operating Income	75,763	76,173	59,021	49,484	67232
Exchange Income	18,467	20,314	18,767	10,343	17552
Total Operating Income	**426,350**	**558,243**	**592,532**	**578,632**	**609,273**
Employees Expenses	76,072	93,390	105,112	108,314	146304
Other Operating Expenses	95,931	96,089	111,353	122,297	156697
Exchange Loss	0		0		0
Operating Profit Before Provision	**254,347**	**368,764**	**376,067**	**348,021**	**306,272**
Provisions for possible losses	163,874	74,557	121,088	67,031	178910
Operating Profit	**90,473**	**294,207**	**254,979**	**280,990**	**127,362**
Non-Operating Income/ Expenses	29,562	6,295	65,199	10,683	-13103
Return From Loan Loss Provision	733,488	300,767	240,083	69,959	171320
Profit From Ordinary activities	**853,523**	**601,269**	**560,261**	**361,632**	**285,579**
Extra ordinary Income /Expenses	(222,019)	(36,202)	12,022	(11,680)	-22558
Net Profit including all activities	**631,504**	**565,067**	**572,283**	**349,952**	**263,021**
Provision For Staff Bonus	57,409	51,370	52,026	31,814	23911
Provision For Income Tax	75,340	98,236	96,484	97,256	61489
-This Year	0			98,492	67512
-Up to Last Year	0				0
Deferred Tax				(1,236)	-6023
Net Profit / Loss	**498,755**	**415,461**	**423,773**	**220,882**	**177,621**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.61%	9.81%	12.69%	12.89%	10.93%
Capital Fund to Risk Weighted Assets	11.09%	11.07%	13.94%	13.48%	11.77%
Non Performing Loan to Total Loan	16.42%	8.60%	2.88%	3.82%	2.73%
Weighted Average Interest Spread	4.45%	4.29%	3.60%	3.00%	2.79%
Net Interest Income (Rs. in Thousand)	297,885	406,303	462,078	469,582	468,868
Return on Assets	5.48%	3.76%	3.21%	1.61%	0.90%
Credit to Deposit	72.14%	78.62%	77.49%	84.28%	78.25%
Liquid Assets to Total Assets	40.87%	26.45%	31.79%	28.06%	28.63%
Liquid Assets to Total Deposit	46.01%	30.69%	37.48%	33.99%	32.30%

13. Lumbini Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	995,710	1,096,079	1,294,548	1,430,000	1601600
Reserves and Surplus	(702,016)	(143,027)	161,039	419,169	432001
Debenture & Bond	0		0	0	0
Borrowing	0	19,538	14,972	0	0
Deposit	5,703,734	6,444,904	5,767,973	6,772,996	7668599
Bills Payable	29,075	17,916	10,303	6,229	3631
Proposed & Payable dividend	0			6,842	9032
Tax Liabilities	0			0	0
Other Liabilities	124,975	112,461	161,590	193,821	189032
Total Liabilities	**6,151,478**	**7,547,870**	**7,410,425**	**8,829,057**	**9,903,895**
Cash Balance	146,316	168,146	198,537	293,318	269881
Balance With NRB	411,341	749,886	561,335	720,933	1788306
Bank Balance with Banks	84,945	76,828	70,640	85,829	152426
Money At call	67,714	441,801	147,709	0	0
Investment	817,471	803,625	1,078,895	1,332,994	538558
Loan and Advances	4,489,494	4,983,388	5,107,264	6,111,977	6890212
Fixed Assets	41,288	46,167	66,622	100,647	113443
Non- Banking Assets	35,762	16,046	0	0	0
Other Assets	57,147	261,983	179,423	183,359	151069
Total Assets	**6,151,478**	**7,547,870**	**7,410,425**	**8,829,057**	**9,903,895**
Interest Income	535,801	580,438	713,357	942,742	1039199
Interest Expenses	260,390	264,426	336,201	519,079	626732
Net Interest Income	**275,411**	**316,012**	**377,156**	**423,663**	**412,467**
Commission and discount	22,253	23,490	18,634	16,193	16468
Other Operating Income	39,185	104,228	36,070	16,449	22599
Exchange Income	14,245	25,705	16,454	11,232	14015
Total Operating Income	**351,094**	**469,434**	**448,314**	**467,537**	**465,549**
Employees Expenses	59,172	77,349	67,357	81,531	82585
Other Operating Expenses	71,613	78,453	78,913	115,965	110666
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**220,309**	**313,632**	**302,044**	**270,041**	**272,298**
Provisions for possible losses	164,628	66,182	66,230	44,237	48092
Operating Profit	**55,681**	**247,449**	**235,814**	**225,804**	**224,206**
Non-Operating Income/ Expenses	(931)	(2,566)	1,644	1,622	2125
Return From Loan Loss Provision	359,927	284,930	344,749	382,976	62178
Profit From Ordinary activities	**414,677**	**529,813**	**582,207**	**610,402**	**288,509**
Extra ordinary Income /Expenses	5,359	(17,615)	(72,234)	(96,024)	17891
Net Profit including all activities	**420,036**	**512,199**	**509,973**	**514,378**	**306,400**
Provision For Staff Bonus	38,185	46,564	46,361	46,761	27855
Provision For Income Tax	54,202	133,429	159,547	77,924	85082
-This Year	0			51,408	63018
-Up to Last Year					202
Deferred Tax	0			26,516	21862
Net Profit / Loss	**327,649**	**332,206**	**304,065**	**389,693**	**193463**
Financial Indicators					
Core Capital to Risk Weighted Assets	4.73%	16.87%	22.35%	22.65%	22.13%
Capital Fund to Risk Weighted Assets	0.06%	17.78%	24.62%	24.22%	23.35%
Non Performing Loan to Total Loan	14.92%	9.06%	4.53%	0.96%	0.47%
Weighted Average Interest Spread	4.24%	4.24%	4.13%	3.14%	4.22%
Net Interest Income (Rs. in Thousand)	275,411	316,012	377,156	423,663	412,467
Return on Assets	5.36%	4.40%	4.10%	4.41%	1.95%
Credit to Deposit	94.10%	88.15%	95.23%	91.73%	91.01%
Liquid Assets to Total Assets	23.44%	28.56%	25.87%	26.64%	26.81%
Liquid Assets to Total Deposit	25.28%	33.45%	33.24%	34.72%	34.63%

14. Nepal Industrial and Commercial Bank Limited (Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	943,877	1,140,480	1,311,552	1,311,552	1311552
Reserves and Surplus	359,550	519,774	453,400	686,793	750685
Debenture & Bond	200,000	200,000	200,000	200,000	200000
Borrowing	335,000	660,405	1,723,250	773,300	132376
Deposit	13,084,689	15,579,931	15,968,918	18,394,436	22111851
Bills Payable	32,564	265,107	17,542	17,536	39263
Proposed & Payable dividend	12,475	11,000	345,145	262,310	327888
Tax Liabilities	13,927	10,893	32,571	4,827	0
Other Liabilities	256,654	363,044	256,952	439,622	705913
Total Liabilities	**15,238,736**	**18,750,633**	**20,309,330**	**22,090,376**	**25,579,528**
Cash Balance	235,246	337,349	530,610	405,796	609257
Balance With NRB	634,115	970,981	589,322	817,946	1659192
Bank Balance with Banks	322,988	152,820	966,197	453,314	486940
Money At call	160,000		100,000	0	0
Investment	2,311,469	3,026,022	4,946,778	4,868,915	3992730
Loan and Advances	11,264,678	13,679,394	12,732,014	14,933,940	17,242,307
Fixed Assets	194,500	259,325	297,192	354,782	405611
Non- Banking Assets	674	703		0	0
Other Assets	115,066	324,038	147,217	255,683	1183491
Total Assets	**15,238,736**	**18,750,633**	**20,309,330**	**22,090,376**	**25,579,528**
Interest Income	931,400	1,283,521	1,777,165	2,321,406	2431538
Interest Expenses	505,996	767,197	1,031,474	1,446,635	1621809
Net Interest Income	**425,404**	**516,324**	**745,691**	**874,771**	**809,729**
Commission and discount	43,373	61,895	76,064	99,646	84009
Other Operating Income	37,905	44,028	49,345	81,233	70455
Exchange Income	39,658	97,673	90,909	68,028	91506
Total Operating Income	**546,340**	**719,921**	**962,009**	**1,123,678**	**1,055,699**
Employees Expenses	72,073	84,545	118,858	139,901	179788
Other Operating Expenses	81,203	109,784	137,749	187,989	211293
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**393,064**	**525,592**	**705,402**	**795,788**	**664,618**
Provisions for possible losses	25,414	39,509	17,741	34,901	49309
Operating Profit	**367,650**	**486,082**	**687,661**	**760,887**	**615,309**
Non-Operating Income/ Expenses	10,649	2,489	11,458	16,910	2070
Return From Loan Loss Provision	18,450	3,913	56,204	740	0
Profit From Ordinary activities	**396,749**	**492,485**	**755,323**	**778,537**	**617,379**
Extra ordinary Income /Expenses	(6,037)	7,617	(46,204)	11	0
Net Profit including all activities	**390,712**	**500,102**	**709,119**	**778,548**	**617,379**
Provision For Staff Bonus	35,519	45,464	64,465		56125
Provision For Income Tax	112,135	137,204	194,811	70,777	169473
-This Year	0			212,068	175629
-Up to Last Year	0				-6748
Deferred Tax					592
Net Profit / Loss	**243,058**	**317,434**	**449,843**	**707,771**	**391,781**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.50%	10.48%	11.25%	11.34%	9.91%
Capital Fund to Risk Weighted Assets	13.11%	12.42%	12.92%	12.89%	11.01%
Non Performing Loan to Total Loan	0.86%	0.23%	0.72%	0.60%	0.73%
Weighted Average Interest Spread	3.44%	3.50%	3.75%	3.75%	3.33%
Net Interest Income (Rs. in Thousand)	425,404	516,324	745,691	874,771	809,729
Return on Assets	1.81%	1.88%	2.30%	2.34%	1.64%
Credit to Deposit	87.62%	89.32%	80.97%	82.45%	79.25%
Liquid Assets to Total Assets	19.02%	19.50%	19.59%	14.16%	24.93%
Liquid Assets to Total Deposit	22.15%	23.47%	24.92%	17.00%	28.84%

15. Machapuchhre Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	901,339	1,479,270	1,627,196	1,627,197	2478794
Reserves and Surplus	262,008	220,928	146,314	146,426	169282
Debenture & Bond	0		0		0
Borrowing	88,508		150,000	1,251,242	0
Deposit	11,102,242	15,596,791	18,535,917	16,411,426	21546397
Bills Payable	10,311	24,445	15,402	0	31299
Proposed & Payable dividend	8,649	112	0	0	0
Tax Liabilities	3,037	11,765	0		0
Other Liabilities	122,454	157,472	203,961	789,488	131482
Total Liabilities	**12,498,548**	**17,490,782**	**20,678,790**	**20,225,779**	**24357254**
Cash Balance	560,317	743,199	1,049,327	2,207,561	1305790
Balance With NRB	893,295	1,755,982	1,094,664	0	3081827
Bank Balance with Banks	134,951	267,468	315,726	0	1049619
Money At call	70,000		661,564	307,891	0
Investment	1,443,551	1,246,159	2,096,792	1,409,556	1705425
Loan and Advances	8,642,323	12,516,012	14,289,793	14,731,040	15602701
Fixed Assets	535,886	664,158	732,291	725,485	865179
Non- Banking Assets	0	4,500	0		0
Other Assets	218,225	293,304	438,633	844,246	746713
Total Assets	**12,498,548**	**17,490,782**	**20,678,790**	**20,225,779**	**24357254**
Interest Income	796,597	1,041,473	1,688,617	2,080,305	1926128
Interest Expenses	407,919	580,036	1,144,808	1,544,728	1500772
Net Interest Income	**388,678**	**461,437**	**543,809**	**535,577**	**425356**
Commission and discount	35,616	38,017	49,904	44,183	45047
Other Operating Income	30,072	57,136	60,634	72,406	68019
Exchange Income	45,699	59,818	42,695	38,433	51643
Total Operating Income	**500,065**	**616,408**	**697,042**	**690,599**	**590,065**
Employees Expenses	71,421	90,996	152,113	164,250	164951
Other Operating Expenses	124,408	182,841	223,469	274,325	309131
Exchange Loss	0	0	0		0
Operating Profit Before Provision	**304,236**	**342,571**	**321,460**	**252,024**	**115983**
Provisions for possible losses	264,487	258,939	335,041	337,850	7471
Operating Profit	**39,749**	**83,632**	**(13,581)**	**(85,826)**	**108512**
Non-Operating Income/ Expenses	(48)	24	0	98,774	205052
Return From Loan Loss Provision	135,405	110,738	117,796	685,546	63372
Profit From Ordinary activities	**175,106**	**194,395**	**104,215**	**698,494**	376936
Extra ordinary Income /Expenses	38	(500)	9,970	(685,546)	-367412
Net Profit including all activities	**175,144**	**193,895**	**114,185**	**12,948**	**9524**
Provision For Staff Bonus	15,922	17,627	10,380	1,177	0
Provision For Income Tax	74,206	53,017	30,492	3,531	-28688
-This Year	0				61270
-Up to Last Year	0				0
Deferred Tax					-89958
Net Profit / Loss	**85,016**	**123,251**	**73,313**	**8,240**	**38212**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.97%	10.96%	9.94%	10.86%	14.11%
Capital Fund to Risk Weighted Assets	12.29%	11.84%	11.24%	10.00%	15.04%
Non Performing Loan to Total Loan	1.04%	2.33%	2.32%	4.46%	2.84%
Weighted Average Interest Spread	3.96%	3.60%	3.40%	2.27%	5.01%
Net Interest Income (Rs. in Thousand)	388,678	461,437	543,809	535,577	425,356
Return on Assets	0.68%	0.70%	0.35%	0.03%	0.16%
Credit to Deposit	81.00%	83.00%	80.78%	92.35%	74.62%
Liquid Assets to Total Assets	19.89%	18.55%	24.27%	18.56%	28.27%
Liquid Assets to Total Deposit	22.39%	20.80%	27.07%	22.87%	31.96%

16. Kumari Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,070,000	1,304,936	1,306,016	1,603,800	1603800
Reserves and Surplus	294,885	320,017	479,743	610,037	773275
Debenture & Bond	400,000	400,000	400,000	400,000	400000
Borrowing	100,000	293,420	429,739	660,925	5403
Deposit	12,774,281	15,710,925	17,432,253	16,986,279	21985198
Bills Payable	65,297	70,087	42,313	8,118	20698
Proposed & Payable dividend	0	6,584	156,816	6,582	112266
Tax Liabilities	(9,650)	235	0		0
Other Liabilities	331,786	432,361	275,594	216,044	230760
Total Liabilities	**15,026,599**	**18,538,565**	**20,522,474**	**20,491,785**	**25131400**
Cash Balance	565,641	549,109	574,066	524,781	584140
Balance With NRB	244,576	1,120,761	1,663,998	526,949	2862924
Bank Balance with Banks	123,624	106,430	485,765	116,794	275563
Money At call	55,360	30,000	120,000	451,520	321243
Investment	2,138,797	1,510,828	2,296,873	3,533,623	2940556
Loan and Advances	11,335,088	14,593,347	14,765,912	14,626,074	17614349
Fixed Assets	222,001	247,833	285,638	306,277	277269
Non- Banking Assets	3,141	**0**	**0**		0
Other Assets	338,371	380,258	330,222	405,767	255356
Total Assets	**15,026,599**	**18,538,565**	**20,522,474**	**20,491,785**	**25,131,400**
Interest Income	957,246	1,374,722	1,871,066	2,251,791	2441580
Interest Expenses	498,734	816,203	1,188,918	1,566,551	1622492
Net Interest Income	**458,512**	**558,520**	**682,148**	**685,240**	**819,088**
Commission and discount	48,494	79,104	100,337	99,707	110865
Other Operating Income	17,805	19,747	41,614	53,636	48812
Exchange Income	41,807	59,002	37,925	36,719	44206
Total Operating Income	**566,618**	**716,372**	**862,024**	**875,302**	**1,022,971**
Employees Expenses	89,570	115,985	143,278	168,352	194295
Other Operating Expenses	148,143	186,502	217,606	212,938	212543
Exchange Loss	0		0		0
Operating Profit Before Provision	**328,905**	**413,885**	**501,140**	**494,012**	**616,133**
Provisions for possible losses	64,024	57,403	13,078	113,780	187045
Operating Profit	**264,881**	**356,482**	**488,062**	**380,232**	**429,088**
Non-Operating Income/ Expenses	15,588	1,112	699	632	3477
Return From Loan Loss Provision	7,241	47,021	14,824	13,788	133
Profit From Ordinary activities	**287,710**	**404,615**	**503,585**	**394,652**	**432,698**
Extra ordinary Income /Expenses	(4,531)	(876)	(352)	(342)	-
Net Profit including all activities	**283,179**	**403,739**	**503,233**	**394,310**	**432,698**
Provision For Staff Bonus	25,743	36,704	45,748	35,846	39,336
Provision For Income Tax	82,506	105,593	140,943	107,226	117,859
-This Year	0			100,032	116808
-Up to Last Year				3,023	0
Deferred Tax	0			4,171	1051
Net Profit / Loss	**174,930**	**261,443**	**316,542**	**251,238**	**275,503**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.40%	9.09%	10.29%	12.35%	11.30%
Capital Fund to Risk Weighted Assets	14.41%	11.56%	12.34%	13.76%	12.20%
Non Performing Loan to Total Loan	1.32%	0.44%	0.50%	1.12%	2.21%
Weighted Average Interest Spread	4.30%	4.17%	3.28%	3.92%	4.27%
Net Interest Income (Rs. in Thousand)	458,512	558,520	682,148	685,240	819,088
Return on Assets	1.16%	1.41%	1.59%	1.23%	1.10%
Credit to Deposit	92.00%	94.17%	79.45%	87.87%	82.33%
Liquid Assets to Total Assets	16.36%	10.75%	22.29%	21.60%	26.34%
Liquid Assets to Total Deposit	19.24%	12.68%	26.24%	26.06%	30.10%

17. Luxmi Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	913,196	1,174,952	1,613,520	1,694,197	1694081
Reserves and Surplus	243,179	168,267	298,810	419,180	606178
Debenture & Bond	0	350,000	350,000	350,000	350000
Borrowing	450,000	450,000	100,000		27980
Deposit	10,917,232	16,051,303	18,082,958	18,299,627	22831843
Bills Payable	5,851	16,158	5,263	302,100	1765
Proposed & Payable dividend	9,759	4,172	209,757	174,099	169408
Tax Liabilities	0	5,001	2,802	4,678	0
Other Liabilities	155,804	166,559	289,139	316,010	347273
Total Liabilities	**12,695,021**	**18,386,413**	**20,952,249**	**21,559,891**	**26,028,528**
Cash Balance	267,932	211,721	244,205	356,669	407789
Balance With NRB	720,394	1,243,649	1,219,716	1,866,491	3845300
Bank Balance with Banks	249,834	377,407	376,782	551,432	195585
Money at call	251,738	405,700	904,377	50,000	659488
Investment	1,241,042	2,483,150	3,186,906	3,041,422	3758106
Loan and Advances	9,680,949	13,315,604	14,560,110	15,199,848	16476630
Fixed Assets	204,397	247,734	282,349	352,338	308172
Non- Banking Assets	0		0		0
Other Assets	78,735	101,447	177,804	141,691	377458
Total Assets	**12,695,021**	**18,386,413**	**20,952,249**	**21,559,891**	**26,028,528**
Interest Income	711,006	1,098,985	1,787,692	2,233,333	2289359
Interest Expenses	421,872	712,348	1,135,609	1,503,851	1645718
Net Interest Income	**289,134**	**386,637**	**652,083**	**729,482**	**643,641**
Commission and discount	20,943	29,635	46,867	67,796	149818
Other Operating Income	25,482	70,917	60,031	69,514	56391
Exchange Income	46,637	51,005	47,563	63,128	107951
Total Operating Income	**382,196**	**538,194**	**806,544**	**929,920**	**957,801**
Employees Expenses	63,995	86,407	122,405	157,662	178285
Other Operating Expenses	83,849	112,973	142,169	169,294	194842
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**234,352**	**338,814**	**541,970**	**602,964**	**584,674**
Provisions for possible losses	36,407	41,360	28,766	13,635	30808
Operating Profit	**197,945**	**297,454**	**513,204**	**589,329**	**553,866**
Non-Operating Income/ Expenses	(7,995)	(7,595)	1,325	874	5834
Return From Loan Loss Provision	11,809	7,105	3,644	798	0
Profit From Ordinary activities	**201,759**	**296,964**	**518,173**	**591,001**	**559,700**
Extra ordinary Income /Expenses	(7,637)	(4,413)	(4,366)	2,348	0
Net Profit including all activities	**194,122**	**292,551**	**513,807**	**593,349**	**559,700**
Provision For Staff Bonus	17,647	26,596	46,710	53,941	50882
Provision For Income Tax	56,444	76,956	140,060	164,263	152427
-This Year	0			161,482	154626
-Up to Last Year	0				0
Deferred Tax				2,781	-2199
Net Profit / Loss	**120,031**	**188,999**	**327,037**	**375,145**	**356,391**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.10%	8.47%	11.17%	9.79%	9.52%
Capital Fund to Risk Weighted Assets	11.17%	11.48%	13.71%	11.63%	11.02%
Non Performing Loan to Total Loan	0.13%	0.08%	0.12%	0.90%	0.62%
Weighted Average Interest Spread	3.40%	3.71%	3.55%	4.02%	3.91%
Net Interest Income (Rs. in Thousand)	289,134	386,637	652,083	729,482	643,641
Return on Assets	1.13%	1.22%	1.66%	1.70%	1.50%
Credit to Deposit	89.72%	83.88%	81.49%	84.10%	73.13%
Liquid Assets to Total Assets	17.13%	16.98%	20.12%	22.24%	27.33%
Liquid Assets to Total Deposit	19.92%	19.45%	23.31%	26.20%	31.16%

18. Siddhartha Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	828,000	952,200	1,310,436	1,618,264	1619244
Reserves and Surplus	240,346	326,545	293,106	370,141	564028
Debenture & Bond	0	227,770	227,770	227,770	627770
Borrowing	205,133	327,600	345,000	45,000	45000
Deposit	10,191,441	15,854,798	20,197,029	21,575,654	25948506
Bills Payable	15,884	17,877	35,704	2,686	7721
Proposed & Payable dividend	6,537	7,517	131,457	200,939	136357
Tax Liabilities	11,155	4,846	7,439	15,659	27470
Other Liabilities	169,860	162,597	254,488	349,759	603102
Total Liabilities	**11,668,356**	**17,881,750**	**22,802,429**	**24,405,872**	**29,579,198**
Cash Balance	149,007	270,946	326,868	491,249	813180
Balance With NRB	270,219	984,981	1,027,465	1,222,412	2925084
Bank Balance With Banks	18,199	291,757	1,052,277	192,024	553626
Money At call	584,736	484,840	699,042	882,781	647479
Investment	1,150,096	2,176,428	2,452,475	2,537,909	3393868
Loan and Advances	9,335,598	13,328,622	16,653,852	18,384,033	20217585
Fixed Assets	72,398	172,158	360,426	368,174	358713
Non- Banking Assets	0		0	0	0
Other Assets	88,103	172,019	230,024	327,290	669663
Total Assets	**11,668,356**	**17,881,750**	**22,802,429**	**24,405,872**	**29,579,198**
Interest Income	729,872	1,265,582	2,018,291	2,690,294	2906265
Interest Expenses	408,189	813,619	1,406,489	1,925,243	2048914
Net Interest Income	**321,683**	**451,963**	**611,802**	**765,051**	**857,351**
Commission and discount	21,454	32,548	42,758	68,049	108180
Other Operating Income	31,294	46,354	50,694	62,252	94507
Exchange Income	27,487	38,682	12,168	38,690	115627
Total Operating Income	**401,918**	**569,547**	**717,422**	**934,042**	**1,175,665**
Employees Expenses	48,247	79,385	103,680	155,803	173884
Other Operating Expenses	71,480	114,817	175,735	265,477	336340
Exchange Loss	0	0	0	0	0
Operating Profit Before Provision	**282,191**	**375,346**	**438,007**	**512,762**	**665,441**
Provisions for possible losses	48,048	39,842	65,322	42,628	155526
Operating Profit	**234,143**	**335,503**	**372,685**	**470,133**	**509,915**
Non-Operating Income/ Expenses	506		10,858	1,433	913
Return From Loan Loss Provision	4,031	8,857	0	20,871	8100
Profit From Ordinary activities	**238,680**	**344,361**	**383,543**	**492,438**	**518,928**
Extra ordinary Income /Expenses	0	(8,857)	0	0	0
Net Profit including all activities	**238,680**	**335,503**	**383,543**	**492,438**	**518,928**
Provision For Staff Bonus	21,698	30,500	34,868	44,767	47175
Provision For Income Tax	73,808	87,087	107,828	136,255	141297
-This Year	0			136,140	146623
-Up to Last Year				2,040	845
Deferred Tax	0	0		1924.703	6171
Net Profit / Loss	**143,174**	**217,916**	**240,847**	**311,415**	**330,456**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.19%	8.26%	8.00%	9.05%	8.18%
Capital Fund to Risk Weighted Assets	11.14%	10.39%	10.04%	10.78%	11.03%
Non Performing Loan to Total Loan	0.69%	0.45%	0.53%	0.79%	1.52%
Weighted Average Interest Spread	3.71%	3.45%	3.94%	3.94%	3.82%
Net Interest Income (Rs. in Thousand)	321,683	451,963	611,802	765,051	857,351
Return on Assets	1.23%	1.22%	1.06%	1.28%	1.12%
Credit to Deposit	93.03%	85.18%	83.65%	86.43%	79.42%
Liquid Assets to Total Assets	16.05%	20.84%	19.77%	18.78%	25.74%
Liquid Assets to Total Deposit	18.37%	23.50%	22.32%	21.25%	29.34%

19. Global IME Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	700,000	1,000,000	1,473,350	1,600,000	2250357
Reserves and Surplus	22,622	48,927	47,672	108,027	286343
Debenture & Bond	0		0	0	400000
Borrowing	100,000	499,460	339,160	401,789	87321
Deposit	7,319,702	10,932,984	15,031,548	15,066,490	26913765
Bills Payable	30,637	76,459	66,632	60,460	17728
Proposed & Payable dividend	0		74,258	80,263	218481
Tax Liabilities	282		0	0	0
Other Liabilities	92,473	68,643	168,795	205,679	490118
Total Liabilities	**8,265,716**	**12,626,473**	**17,201,415**	**17,522,708**	**30664113**
Cash Balance	576,459	326,273	543,541	522,684	624420
Balance With NRB	604,812	914,399	945,041	808,765	2249529
Bank Balance With Banks	86,712	141,470	945,756	422,997	2095395
Money At call	457,760	36,643	0	0	0
Investment	1,187,415	1,620,121	2,270,487	2,920,247	4247060
Loan and Advances	5,084,730	9,063,092	11,960,452	12,372,424	20296500
Fixed Assets	105,386	224,351	284,400	231,579	660515
Non- Banking Assets	0		0	0	0
Other Assets	162,442	300,124	251,738	244,012	490694
Total Assets	**8,265,716**	**12,626,473**	**17,201,415**	**17,522,708**	**30664113**
Interest Income	357,911	683,933	1,464,978	1,963,603	2226134
Interest Expenses	218,947	459,784	962,010	1,288,051	1586556
Net Interest Income	**138,964**	**224,150**	**502,968**	**675,552**	**639578**
Commission and discount	18,991	46,019	54,618	67,518	105040
Other Operating Income	9,670	33,841	75,488	84,979	120544
Exchange Income	26,541	30,210	35,362	30,937	50541
Total Operating Income	**194,166**	**334,220**	**668,436**	**858,986**	915703
Employees Expenses	41,962	66,322	100,256	155,004	158188
Other Operating Expenses	60,107	132,894	209,346	237,364	304110
Exchange Loss	0		0	0	0
Operating Profit Before Provision	**92,097**	**135,004**	**358,834**	**466,618**	**453405**
Provisions for possible losses	16,917	70,218	195,065	252,931	132796
Operating Profit	**75,180**	**64,785**	**163,769**	**213,687**	320609
Non-Operating Income/ Expenses	0	0	440	(132)	187
Return From Loan Loss Provision	0	0	0	166,245	217993
Profit From Ordinary activities	**75,180**	**64,785**	**164,209**	**379,800**	**538789**
Extra ordinary Income /Expenses	0	0	0	(93,481)	-119535
Net Profit including all activities	**75,180**	**64,785**	**164,209**	**286,319**	**419254**
Provision For Staff Bonus	6,834	5,890	14,928	26,029	38114
Provision For Income Tax	7,112	3,291	76,278	35,312	115,823
-This Year	0	0			126,734
-Up to Last Year	0	0			0
Deferred Tax					(10,911)
Net Profit / Loss	**61,234**	**55,605**	**73,003**	**224,978**	**265,317**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.95%	9.42%	10.50%	10.14%	9.21%
Capital Fund to Risk Weighted Assets	11.80%	10.31%	11.39%	11.09%	11.66%
Non Performing Loan to Total Loan	0	0.09%	0.85%	2.52%	1.64%
Weighted Average Interest Spread	3.05%	3.05%	3.05%	3.27%	3.88%
Net Interest Income (Rs. in Thousand)	138,964	224,150	502,968	675,552	639578
Return on Assets	0.75%	0.21%	0.42%	1.28%	0.87%
Credit to Deposit	70.22%	83.78%	83.48%	84.82%	77.15%
Liquid Assets to Total Assets	29.61%	21.90%	25.50%	21.77%	28.67%
Liquid Assets to Total Deposit	33.43%	25.30%	29.18%	25.31%	32.66%

20. Citizen Bank International Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	560,000	1,000,000	1,206,950	2,040,000	2101840
Reserves and Surplus	39,421	34,073	101,319	132,119	179916
Debenture & Bond	0			0	0
Borrowing	476,074	250,000	651,151	805,000	88250
Deposit	6,139,579	11,524,426	14,214,482	13,478,333	17354534
Bills Payable	4,209	4,166	2,430	3,782	1434
Proposed & Payable dividend	0	100,000	126,316	170,526	176997
Tax Liabilities	0			0	6523
Other Liabilities	50,017	53,409	214,237	185,277	159015
Total Liabilities	**7,269,300**	**12,966,074**	**16,516,885**	**16,815,037**	20068509
Cash Balance	316,759	366,875	626,708	831,453	692282
Balance With NRB	299,590	1,134,215	1,596,432	492,519	2635233
Bank Balance with Banks	116,134	154,264	222,478	181,563	442358
Money At call	442,682	900,400	234,981	226,837	21100
Investment	1,174,029	2,027,338	2,680,168	2,401,437	1529903
Loan and Advances	4,750,342	8,128,114	10,785,658	12,271,826	14129603
Fixed Assets	126,104	121,659	163,856	192,066	324345
Non- Banking Assets	0	0		0	0
Other Assets	43,660	133,211	206,604	217,336	293683
Total Assets	**7,269,300**	**12,966,074**	**16,516,885**	**16,815,037**	20068507
Interest Income	396,842	758,256	1,398,830	1,795,232	1980319
Interest Expenses	252,028	508,802	950,898	1,236,322	1405859
Net Interest Income	**144,814**	**249,454**	**447,932**	**558,910**	**574,460**
Commission and discount	9,028	12,295	25,135	32,533	40360
Other Operating Income	24,537	45,805	67,846	65,121	71927
Exchange Income	8,900	8,825	15,275	13,282	23092
Total Operating Income	**187,279**	**316,379**	**556,188**	**669,846**	**709,839**
Employees Expenses	29,049	40,219	63,465	81,689	108813
Other Operating Expenses	51,719	91,673	131,632	179,151	212723
Exchange Loss	0			0	0
Operating Profit Before Provision	**106,511**	**184,487**	**361,091**	**409,006**	**388,303**
Provisions for possible losses	27,466	34,119	57,124	103,368	122822
Operating Profit	**79,045**	**150,368**	**303,967**	**305,638**	**265,481**
Non-Operating Income/ Expenses	244	273	1,173	6,730	10470
Return From Loan Loss Provision	0	0		0	79437
Profit From Ordinary activities	**79,289**	**150,641**	**305,140**	**312,368**	**355,388**
Extra ordinary Income /Expenses	0	0	0	0	0
Net Profit including all activities	**79,289**	**150,641**	**305,140**	**312,368**	**355,388**
Provision For Staff Bonus	7,208	13,695	27,740	28,397	32308
Provision For Income Tax	17,240	41,137	83,839	85,617	98285
-This Year	0	0			100834
-Up to Last Year	0	0			403
Deferred Tax					-2952
Net Profit / Loss	**54,841**	**95,810**	**193,561**	**198,354**	**224,795**
Financial Indicators					
Core Capital to Risk Weighted Assets	11.18%	10.79%	10.51%	14.69%	13.50%
Capital Fund to Risk Weighted Assets	12.08%	11.65%	11.40%	15.53%	14.47%
Non Performing Loan to Total Loan	0	0.00%	0.31%	1.17%	2.01%
Weighted Average Interest Spread	4.46%	4.91%	3.73%	3.27%	3.87%
Net Interest Income (Rs. in thousand)	144,814	249,454	447,932	558,910	574,460
Return on Assets	0.75%	0.74%	1.17%	1.18%	1.22%
Credit to Deposit	78.15%	71.24%	76.86%	92.85%	83.06%
Liquid Assets to Total Assets	18.61%	22.31%	24.44%	16.93%	25.48%
Liquid Assets to Total Deposit	22.03%	25.10%	28.40%	21.12%	29.47%

21. Grand Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,107,456	1,655,289	1,920,911	2,000,000	2,000,000
Reserves and Surplus	115,505	214,205	112,058	117,884	160,656
Debenture & Bond	0		0		0
Borrowing	350,995	290,000	0	1,070,000	0
Deposit	2,913,337	6,613,359	8,065,183	9,322,535	15,023,186
Bills Payable	241,028	22,500	2,650	875	575
Proposed & Payable dividend	1,499	5,601	9,191	4,162	140,000
Tax Liabilities	0		0		0
Other Liabilities	40,404	57,685	69,405	60,217	87,512
Total Liabilities	**4,770,224**	**8,858,639**	**10,179,398**	**12,575,673**	**17,411,929**
Cash Balance	33,272	87,949	135,515	516,203	430,011
Balance With NRB	153,024	551,213	274,339	514,100	2,419,084
Bank Balance with Banks	39,501	76,597	206,630	305,866	428,941
Money At call	663,063	1,021,576	935,615	0	0
Investment	68,571	497,813	882,973	1,960,260	2,469,698
Loan and Advances	3,608,620	6,353,976	7,401,715	8,797,730	11,201,752
Fixed Assets	172,440	220,448	248,677	322,025	341,037
Non- Banking Assets	**0**		**0**	**0**	0
Other Assets	31,733	49,067	93,934	159,489	121,406
Total Assets	**4,770,224**	**8,858,639**	**10,179,398**	**12,575,673**	**17,411,929**
Interest Income	308,678	587,877	930,032	1,316,982	1,522,334
Interest Expenses	151,131	347,983	598,033	949,934	1,122,809
Net Interest Income	**157,547**	**239,894**	**331,999**	**367,048**	**399,525**
Commission and discount	5,136	9,811	16,069	14,654	23,122
Other Operating Income	12,576	30,852	29,023	31,214	48,267
Exchange Income	5,157	14,913	10,441	8,553	12,460
Total Operating Income	**180,416**	**295,470**	**387,532**	**421,469**	**483,374**
Employees Expenses	43,699	52,752	65,649	87,616	109,447
Other Operating Expenses	27,904	39,466	50,592	90,024	107,737
Exchange Loss	0		0		0
Operating Profit Before Provision	**108,813**	**203,252**	**271,291**	**243,829**	**266,190**
Provisions for possible losses	30,803	38,208	21,982	101,773	59,143
Operating Profit	**78,010**	**165,045**	**249,309**	**142,056**	**207,047**
Non-Operating Income/ Expenses	783		683	0	443
Return From Loan Loss Provision	4,379		0	0	79,920
Profit From Ordinary activities	**83,172**	**165,045**	**249,992**	**142,056**	**287,410**
Extra ordinary Income /Expenses	3,250		2,219	0	0
Net Profit including all activities	**86,422**	**165,045**	**252,211**	**142,056**	**287,410**
Provision For Staff Bonus	7,857	15,004	22,928	12,914	26,128
Provision For Income Tax*	23,608	46,985	70,909	40,064	78,510
-This Year				35,376	80,214
-Up to Last Year				1,242	209
Deferred Tax				3,446	-1913
Net Profit / Loss	**54,957**	**103,056**	**158,374**	**89,078**	**182,772**
Financial Indicators					
Core Capital to Risk Weighted Assets	29.04%	20.27%	22.87%	20.20%	15.99%
Capital Fund to Risk Weighted Assets	29.92%	20.99%	23.73%	21.07%	16.84%
Non Performing Loan to Total Loan	2.28%	1.59%	1.44%	1.95%	1.28%
Weighted Average Interest Spread	2.51%	2.41%	3.15%	3.40%	3.56%
Net Interest Income (Rs. in Thousand)	157,547	239,894	331,999	367,048	399,525
Return on Assets	1.12%	1.15%	1.53%	0.69%	1.04%
Credit to Deposit	123.87%	98.00%	93.56%	81.72%	67.76%
Liquid Assets to Total Assets	18.51%	24.61%	23.46%	23.46%	32.47%
Liquid Assets to Total Deposit	31.14%	32.97%	29.61%	31.65%	37.64%

22. NMB Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	1,000,000	1,424,641	1,651,650	2,000,000	2,000,000
Reserves and Surplus	213,481	167,412	159,879	211,462	263,686
Debenture & Bond	0	0	0		0
Borrowing	278,112	313,961	380,255	497,200	0
Deposit	1,661,605	6,877,907	10,110,690	12,866,222	15,982,555
Bills Payable	24,103	5,447	9,531	2,838	4,506
Proposed & Payable dividend	8,507	7,588	150,150	180,000	0
Tax Liabilities	0	0			0
Other Liabilities	5,742,084	7,059,708	764,423	190,470	244,083
Total Liabilities	**8,927,892**	**15,856,664**	**13,226,578**	**15,948,192**	**18,494,830**
Cash Balance	17,915	201,847	239,918	264,688	323,939
Balance With NRB	506,384	717,404	522,558	876,757	2,992,466
Bank Balance with Banks	4,926,120	6,561,098	967,358	352,443	250,578
Money At call	93,404	875,527	582,309	259,166	20,912
Investment	1,242,902	1,857,563	2,715,957	2,614,946	2,440,442
Loan and Advances	1,939,967	5,194,211	7,808,119	11,208,574	12,070,839
Fixed Assets	132,720	223,814	255,294	276,549	279,479
Non- Banking Assets	**0**	**0**			0
Other Assets	68,480	225,200	135,065	95,069	116,175
Total Assets	**8,927,892**	**15,856,664**	**13,226,578**	**15,948,192**	**18,494,830**
Interest Income	251,409	402,583	866,182	1,492,385	1,705,833
Interest Expenses	139,095	254,261	559,544	1,053,451	1,256,257
Net Interest Income	**112,314**	**148,322**	**306,638**	**438,934**	**449,576**
Commission and discount	27,614	27,262	49,953	27,982	38,505
Other Operating Income	40,724	42,914	66,524	59,472	53,700
Exchange Income	0	9,343	23,006	47,191	49,773
Total Operating Income	**180,652**	**227,841**	**446,121**	**573,579**	**591,554**
Employees Expenses	20,123	40,274	55,958	75,614	92,443
Other Operating Expenses	32,222	76,983	108,343	136,395	159,630
Exchange Loss	97		0	0	0
Operating Profit Before Provision	**128,210**	**110,585**	**281,820**	**361,570**	**339,481**
Provisions for possible losses	32,387	42,195	40,253	36,531	278,300
Operating Profit	**95,823**	**68,390**	**241,567**	**325,038**	**61,181**
Non-Operating Income/ Expenses	600	1,712	1,983	3,903	8,303
Return From Loan Loss Provision	22,462	27,563	4,006	25,610	15,150
Profit From Ordinary activities	**118,885**	**97,666**	**247,556**	**354,551**	**84,634**
Extra ordinary Income /Expenses	0	0	1,005	14,385	2,126
Net Profit including all activities	**118,885**	**97,666**	**248,561**	**368,936**	**86,760**
Provision For Staff Bonus	10,808	8,879	22,596	33,539	7,887
Provision For Income Tax	35,255	25,834	69,892	113,891	26,648
-This Year	0			103,396	24,873
-Up to Last Year	0		(3,797)	10,495	0
Deferred Tax					1,775
Net Profit / Loss	**72,822**	**62,953**	**156,073**	**221,506**	**52,225**
Financial Indicators					
Core Capital to Risk Weighted Assets	32.66%	18.42%	17.53%	15.51%	13.95%
Capital Fund to Risk Weighted Assets	33.96%	19.03%	18.37%	16.39%	14.84%
Non Performing Loan to Total Loan	1.52%	0.51%	0.70%	0.27%	2.45%
Weighted Average Interest Spread	2.41%	3.58%	3.19%	3.18%	4%
Net Interest Income (Rs. in thousand)	112,314	148,322	306,638	438,934	449,576
Return on Assets	0.82%	0.40%	1.21%	1.39%	0.28%
Credit to Deposit	120.96%	76.78%	78.44%	88.16%	78.01%
Liquid Assets to Total Assets	70.78%	59.85%	29.51%	22.83%	31.07%
Liquid Assets to Total Deposit	380.31%	137.97%	38.60%	28.30%	35.9535%

23. Prime Commercial Bank Limited (Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	700,000	963,755	1,373,755	2,245,746	2335576
Reserves and Surplus	28,007	65,449	164,645	241,112	250527
Debenture & Bond	0		0	0	0
Borrowing	265,502	539,364	448,800	213,120	22050
Deposit	5,275,649	11,779,989	17,883,518	18,938,903	23,990,953
Bills Payable	753	9,809	29,425	17,159	72,361
Proposed & Payable dividend	0	5,263	115,789	283,673	170,204
Tax Liabilities	0		4,889	14,603	-
Other Liabilities	118,586	93,259	198,008	131,786	316,305.0
Total Liabilities	**6,388,497**	**13,456,887**	**20,218,829**	**22,086,102**	**27,157,976**
Cash Balance	92,185	279,676	761,017	905,065	1,277,679
Balance With NRB	178,191	950,917	2,035,518	1,735,542	3,909,187
Bank Balance with Banks	27,891	148,733	711,944	285,218	406,083
Money At call	450,000		453,826	604,869	144144
Investment	378,563	2,097,042	2,038,603	1,366,046	2020930
Loan and Advances	5,104,412	9,732,585	13,946,600	16,894,719	18,902,472
Fixed Assets	40,333	108,064	162,574	180,786	189647
Non- Banking Assets	0		0	0	0
Other Assets	116,922	139,870	108,747	113,857	307834
Total Assets	**6,388,497**	**13,456,887**	**20,218,829**	**22,086,102**	**27,157,976**
Interest Income	224,530	822,685	1,749,859	2,477,093	2773635
Interest Expenses	121,365	564,655	1,193,075	1,780,463	2057205
Net Interest Income	**103,165**	**258,030**	**556,784**	**696,630**	**716430**
Commission and discount	5,209	21,516	25,662	46,341	54490
Other Operating Income	35,908	81,760	129,949	105,375	121275
Exchange Income	3,403	10,961	21,772	15,471	15116
Total Operating Income	**147,685**	**372,267**	**734,167**	**863,817**	**907311**
Employees Expenses	21,954	34,320	57,518	81,013	91423
Other Operating Expenses	29,197	68,315	109,996	152,028	188286
Exchange Loss	0	0	0	0	0
Operating Profit Before Provision	**96,534**	**269,633**	**566,653**	**630,776**	**627,602**
Provisions for possible losses	51,559	46,749	57,541	61,414	218382
Operating Profit	**44,975**	**222,883**	**509,112**	**569,362**	**409,220**
Non-Operating Income/ Expenses	0	0	4,986	0	0
Return From Loan Loss Provision	0	0	21	0	15830
Profit From Ordinary activities	**44,975**	**222,883**	**514,119**	**569,362**	**425,050**
Extra ordinary Income /Expenses	0	0	0	0	0
Net Profit including all activities	**44,975**	**222,883**	**514,119**	**569,362**	**425,050**
Provision For Staff Bonus	4,089	20,265	46,738	51,760	38641
Provision For Income Tax	12,879	59,936	142,396	157,462	116961
-This Year	0			0	130988
-Up to Last Year	0	0	0	0	-1052
Deferred Tax					-12975
Net Profit / Loss	**28,007**	**142,682**	**324,985**	**360,140**	**269,448**
Financial Indicators					
Core Capital to Risk Weighted Assets	12.31%	9.47%	9.78%	13.66%	12.65%
Capital Fund to Risk Weighted Assets	13.18%	10.38%	10.67%	14.60%	13.59%
Non Performing Loan to Total Loan	-	0.00%	0.00%	0.57%	0.76%
Weighted Average Interest Spread	3.55%	3.57%	2.54%	3.80%	3.55%
Net Interest Income (Rs. in Thousand)	103,165	258,030	556,784	696,630	716430
Return on Assets	0.44%	1.06%	1.61%	1.63%	0.99%
Credit to Deposit	96.75%	82.62%	78.86%	90.35%	80.41%
Liquid Assets to Total Assets	14.70%	15.59%	25.68%	20.83%	28.51%
Liquid Assets to Total Deposit	17.80%	17.81%	29.03%	24.29%	32.27%

24. Bank of Asia Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	700,000	1,000,000	1,500,000	2,000,000	2,000,000
Reserves and Surplus	4,462	15,955	84,990	154,441	177,011
Debenture & Bond	0			0	0
Borrowing	500,000	1,409,657	876,440	990,000	0
Deposit	3,054,837	8,875,563	12,480,761	13,677,365	15,351,206
Bills Payable	3,380	153,198	21,401	4,112	26,699
Proposed & Payable dividend	0	50,000	157,895	147,368	150,000
Tax Liabilities	852		2,048	0	0
Other Liabilities	29,503	139,135	420,037	726,283	166,104
Total Liabilities	**4,293,034**	**11,643,508**	**15,543,572**	**17,699,569**	**17,871,020**
Cash Balance	73,150	236,519	268,765	320,772	416862
Balance With NRB	254,304	496,654	480,866	929,808	2312034
Bank Balance with Banks	67,775	382,726	181,684	645,395	387023
Money At call	369,776	915,050	749,332	492,750	202866
Investment	703,081	1,727,036	2,415,874	2,648,191	1898319
Loan and Advances	2,727,703	7,635,757	11,107,422	11,639,021	12165922
Fixed Assets	61,058	167,870	242,789	206,230	157435
Non- Banking Assets	**0**			**0**	0
Other Assets	36,187	81,897	96,840	817,402	330559
Total Assets	**4,293,034**	**11,643,508**	**15,543,572**	**17,699,569**	**17,871,020**
Interest Income	190,517	584,258	1,370,272	1,859,543	1942675
Interest Expenses	127,236	378,200	870,269	1,239,699	1312120
Net Interest Income	**63,281**	**206,057**	**500,003**	**619,844**	**630,555**
Commission and discount	1,725	7,819	17,648	16,787	21757
Other Operating Income	11,127	61,301	80,674	62,625	69439
Exchange Income	2,663	10,904	27,164	30,854	8306
Total Operating Income	**78,796**	**286,081**	**625,489**	**730,110**	**730,057**
Employees Expenses	18,800	53,665	101,919	122,803	147767
Other Operating Expenses	25,279	87,832	151,764	166,733	185293
Exchange Loss	0			0	0
Operating Profit Before Provision	**34,717**	**144,585**	**371,806**	**440,574**	**396,997**
Provisions for possible losses	27,553	49,785	45,190	111,616	145813
Operating Profit	**7,164**	**94,800**	**326,616**	**328,958**	**251,184**
Non-Operating Income/ Expenses	0	1,833		1,126	19523
Return From Loan Loss Provision	0	0		0	0
Profit From Ordinary activities	**7,164**	**96,633**	**326,616**	**330,084**	**270,707**
Extra ordinary Income /Expenses	0	0	0	0	0
Net Profit including all activities	**7,164**	**96,633**	**326,616**	**330,084**	**270,707**
Provision For Staff Bonus	651	8,785	29,692	30,008	24609
Provision For Income Tax	2,051	26,354	89,021	90,195	73528
-This Year		26,690			79540
-Up to Last Year		(335)			0
Deferred Tax					-6012
Net Profit / Loss	**4,462**	**61,494**	**207,903**	**209,881**	**172,570**
Financial Indicators					
Core Capital to Risk Weighted Assets	21.24%	11.06%	12.66%	15.20%	14.17%
Capital Fund to Risk Weighted Assets	22.08%	11.91%	13.06%	16.11%	15.02%
Non Performing Loan to Total Loan	0	0.01%	0.27%	1.40%	3.94%
Weighted Average Interest Spread	2.85%	4.10%	3.68%	2.52%	3.18%
Net Interest Income (Rs. in Thousand)	63,281	206,057	500,003	619,844	630,555
Return on Assets	0.21%	0.77%	1.53%	1.26%	0.97%
Credit to Deposit	90.19%	86.90%	89.00%	85.10%	79.25%
Liquid Assets to Total Assets	20.51%	19.31%	19.25%	25.56%	28.92%
Liquid Assets to Total Deposit	28.82%	25.34%	23.98%	33.07%	33.67%

25. Sunrise Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	700,000	1,337,500	1,510,350	2,015,000	2015000
Reserves and Surplus	(27,209)	57,570	135,014	131,061	136202
Debenture & Bond	0		0		0
Borrowing	487,873	365,614	150,000		0
Deposit	4,226,272	12,012,618	14,767,030	13,391,714	18758999
Bills Payable	9,124	20,921	8,736	2,700	9481
Proposed & Payable dividend	0		125,000	80,600	106053
Tax Liabilities	0		3,632	0	0
Other Liabilities	47,108	2,963,028	219,175	229,383	253273
Total Liabilities	**5,443,168**	**16,757,251**	**16,918,937**	**15,850,458**	**21279008**
Cash Balance	34,933	316,399	395,427	587,478	668363
Balance With NRB	244,532	3,950,334	974,460	890,020	3222751
Bank Balance with Banks	70,539	475,397	114,096	426,945	517176
Money At call	15,570	674,150	126,090	323,897	100626
Investment	895,009	1,910,210	2,465,338	1,103,343	1808961
Loan and Advances	3,995,604	8,953,332	12,045,228	11,910,059	14306651
Fixed Assets	106,149	272,931	365,088	371,731	348597
Non- Banking Assets	0		0		0
Other Assets	80,832	204,499	433,210	236,985	305883
Total Assets	**5,443,168**	**16,757,251**	**16,918,937**	**15,850,458**	**21279008**
Interest Income	174,204	774,066	1,546,891	1,918,745	2001360
Interest Expenses	101,339	510,001	962,288	1,221,699	1410696
Net Interest Income	**72,865**	**264,065**	**584,603**	**697,046**	**590664**
Commission and discount	20,468	58,628	81,651	50,759	70445
Other Operating Income	709	3,214	8,854	45,995	69535
Exchange Income	10,909	35,583	42,783	34,035	38864
Total Operating Income	**104,951**	**361,490**	**717,891**	**827,836**	**769508**
Employees Expenses	31,130	75,474	124,094	140,682	194,357
Other Operating Expenses	51,847	121,822	199,803	240,267	280,048
Exchange Loss	0		0		0
Operating Profit Before Provision	**21,974**	**164,194**	**393,994**	**446,887**	**295103**
Provisions for possible losses	62,100	57,497	83,093	372,358	289935
Operating Profit	**(40,126)**	**106,697**	**310,901**	**74,529**	**5168**
Non-Operating Income/ Expenses	0	4,211	74	11,494	106
Return From Loan Loss Provision	0	21,523	1,181	233	298799
Profit From Ordinary activities	**(40,126)**	**132,432**	**312,156**	**86,256**	**304073**
Extra ordinary Income /Expenses	0	0	0	0	-130666
Net Profit including all activities	**(40,126)**	**132,432**	**312,156**	**86,256**	**173407**
Provision For Staff Bonus	0	12,039	28,377	7,841	15764
Provision For Income Tax	(12,917)	35,613	79,428	34,175	46450
-This Year	0	0		30,777	47605
-Up to Last Year				1,969	801
Deferred tax	0	0		1,429	-1956
Net Profit / Loss	**(27,209)**	**84,779**	**204,351**	**44,239**	**111,193**
Financial Indicators					
Core Capital to Risk Weighted Assets	13.92%	11.88%	10.47%	12.55%	11.01%
Capital Fund to Risk Weighted Assets	14.78%	12.66%	11.37%	13.28%	11.78%
Non Performing Loan to Total Loan	0	7%	1.04%	3.51%	3.52%
Weighted Average Interest Spread	2.88%	3.65%	4.92%	3.83%	3.54%
Net Interest Income (Rs. in thousand)	72,865	264,065	584,603	697,046	590664
Return on Assets	-0.50%	0.51%	1.00%	0.28%	0.52%
Credit to Deposit	94.54%	74.53%	81.57%	92.87%	79.01%
Liquid Assets to Total Assets	12.67%	37.93%	18.55%	18.71%	27.73%
Liquid Assets to Total Deposit	15.42%	52.91%	21.26%	22.15%	31.46%

26. Kist Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital		2,000,000	2,000,000	2,000,000	2000000
Reserves and Surplus		45,119	89,257	143,334	243566
Debenture & Bond					0
Borrowing		130,000	600,000	910,043	8397
Deposit		8,684,078	15,962,631	15,808,486	20173994
Bills Payable		16,011	9,030	1,343	3526
Proposed & Payable dividend		77,118	100,000		0
Tax Liabilities		3,357	7,674		9881
Other Liabilities		195,856	178,626	152,047	193529
Total Liabilities	**0**	**11,151,537**	**18,947,218**	**19,015,253**	22,632,893
Cash Balance		383,620	563,286	762,965	695914
Balance With NRB		638,941	1,027,274	1,152,429	2071787
Bank Balance with Banks		205,598	84,769	72,957	178447
Money At call		1,184,504	1,366,279	413,058	129065
Investment		1,085,100	2,057,666	1,874,110	3116571
Loan and Advances		6,803,439	12,345,845	13,042,567	14645317
Fixed Assets		714,439	1,149,484	1,225,108	1215091
Non- Banking Assets					0
Other Assets		135,895	352,615	472,059	580700
Total Assets	**0**	**11,151,537**	**18,947,218**	**19,015,253**	22632892
Interest Income		594,757	1,517,073	1,994,330	2175412
Interest Expenses		338,979	967,324	1,302,975	1587914
Net Interest Income	**0**	**255,778**	**549,749**	**691,355**	587498
Commission and discount		4,326	16,766	68,038	42565
Other Operating Income		63,617	86,607	80,706	80081
Exchange Income		44	2,789	7,669	15343
Total Operating Income	**0**	**323,766**	**655,911**	**847,768**	725487
Employees Expenses		42,550	142,974	193,639	234648
Other Operating Expenses		97,769	236,496	291,212	304748
Exchange Loss			0	0	0
Operating Profit Before Provision	**0**	**183,447**	**276,441**	**362,917**	186091
Provisions for possible losses		46,584	58,890	273,205	71641
Operating Profit	**0**	**136,863**	**217,551**	**89,712**	114450
Non-Operating Income/ Expenses		505	2,405	3,596	-4048
Return From Loan Loss Provision			0		86283
Profit From Ordinary activities	**0**	**137,368**	**219,956**	**93,308**	**196685**
Extra ordinary Income /Expenses	0	0	0	0	-42516
Net Profit including all activities	**0**	**137,368**	**219,956**	**93,308**	**154169**
Provision For Staff Bonus		12,488	19,996	8,483	14015
Provision For Income Tax		35,217	55,822	30,748	39,922
-This Year				34,182	62,287
-Up to Last Year				(265)	0
Deferred Tax				(3,169)	-22365
Net Profit / Loss	**0**	**89,663**	**144,138**	**54,077**	**100,232**
Financial Indicators					
Core Capital to Risk Weighted Assets	0.00%	20.27%	13.14%	12.70%	11.70%
Capital Fund to Risk Weighted Assets	0.00%	20.96%	13.95%	13.49%	12.47%
Non Performing Loan to Total Loan	0.00%	0.22%	0.19%	2.54%	3.94%
Weighted Average Interest Spread	0.00%	4.62%	3.69%	4.19%	3.45%
Net Interest Income (Rs. in thousand)	0.00	255,778	549,749	691,355	587498
Return on Assets	0.00%	0.80%	0.76%	0.28%	0.44%
Credit to Deposit	0.00%	79.31%	78.22%	85.00%	74.19
Liquid Assets to Total Assets	0.00%	25.89%	24.74%	22.07%	27.01%
Liquid Assets to Total Deposit	0.00%	33.25%	29.37%	26.55%	30.30%

27. Janata Bank Nepal Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital			1,400,000	1,400,000	2000000
Reserves and Surplus			46,166	76,875	60552
Debenture & Bond			0	0	0
Borrowing			0	91,054	173310
Deposit			855,362	3,501,603	7722767
Bills Payable			10,099	2,388	11996
Proposed & Payable dividend			0	0	73684
Tax Liabilities			1,995	2,084	0
Other Liabilities			24,247	36,322	141161
Total Liabilities	**0**	**0**	**2,337,869**	**5,110,326**	**10,183,470**
Cash Balance			15,246	131,094	380886
Balance With NRB			31,418	133,536	603149
Bank Balance with Banks			1,226,227	78,399	136674
Money At call			150,176	410,000	0
Investment			75,000	542,029	1291179
Loan and Advances			602,247	3,541,267	7386676
Fixed Assets			90,688	123,609	187809
Non- Banking Assets			0	0	0
Other Assets			146,867	150,392	197097
Total Assets	**0**	**0**	**2,337,869**	**5,110,326**	**10,183,470**
Interest Income			47,042	393,213	809393
Interest Expenses			4,590	196,818	545702
Net Interest Income	**0**	**0**	**42,452**	**196,395**	**263,691**
Commission and discount			490	7,367	33805
Other Operating Income			5,208	23,546	28777
Exchange Income			59	3,573	14103
Total Operating Income	**0**	**0**	**48,209**	**230,881**	**340,376**
Employees Expenses			10,417	53,677	80667
Other Operating Expenses			16,420	87,785	135759
Exchange Loss			0	0	0
Operating Profit Before Provision	**0**	**0**	**21,372**	**89,419**	**123,950**
Provisions for possible losses			6,083	36,960	31570
Operating Profit	**0**	**0**	**15,289**	**52,459**	**92,380**
Non-Operating Income/ Expenses			0	67	566
Return From Loan Loss Provision			0	0	0
Profit From Ordinary activities	**0**	**0**	**15,289**	**52,526**	**92,946**
Extra ordinary Income /Expenses	0	0	0	0	0
Net Profit including all activities	**0**	**0**	**15,289**	**52,526**	**92,946**
Provision For Staff Bonus			1,390	4,775	8,450
Provision For Income Tax			4,268	17,043	27134
-This Year					27295
-Up to Last Year					0
Deferred Tax					-161
Net Profit / Loss	**0**	**0**	**9,631**	**30,708**	**57,362**
Financial Indicators					
Core Capital to Risk Weighted Assets	0.00%	0.00%	69.29%	34.84%	22.58%
Capital Fund to Risk Weighted Assets	0.00%	0.00%	0.00%	35.69%	23.40%
Non Performing Loan to Total Loan	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted Average Interest Spread	0.00%	0.00%	3.24%	2.48%	2.36%
Net Interest Income (Rs. in thousand)	0.00	0.00	42,452	196,395	263,691
Return on Assets	0.00%	0.00%	0.41%	0.60%	0.56%
Credit to Deposit	0.00%	0.00%	70.00%	101.00%	96.00%
Liquid Assets to Total Assets	0.00%	0.00%	64.08%	23.95%	23.53%
Liquid Assets to Total Deposit	0.00%	0.00%	175.14%	34.96%	31.03%

28. Mega Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital			1,631,000	1,631,000	1631000
Reserves and Surplus			56,475	80,798	153767
Debenture & Bond			0		0
Borrowing			0	114,752	303421
Deposit				5,373,493	9192557
Bills Payable				2,171	18822
Proposed & Payable dividend					0
Tax Liabilities			12,052	180	0
Other Liabilities			40,084	39,335	100212
Total Liabilities			**1,739,611**	**7,241,729**	**11,399,779**
Cash Balance				159,914	249745
Balance With NRB			1,575,063	271,482	1196501
Bank Balance with Banks				58,550	154160
Money At call				599,000	132300
Investment				990,169	1297041
Loan and Advances				4,768,297	7933536
Fixed Assets			74,620	255,553	289753
Non- Banking Assets				0	0
Other Assets			89,928	138,763	146743
Total Assets			**1,739,611**	**7,241,729**	**11,399,779**
Interest Income			47,042	544,215	1140324
Interest Expenses			4,590	300,760	749740
Net Interest Income			**42,452**	**243,455**	**390,584**
Commission and discount			490	6,609	17808
Other Operating Income			5,208	27,380	34372
Exchange Income			59	7,457	27649
Total Operating Income			**48,209**	**284,902**	**470,413**
Employees Expenses			10,417	81,386	113064
Other Operating Expenses			16,420	117,128	178669
Exchange Loss			0		0
Operating Profit Before Provision			**21,372**	**86,387**	**178,680**
Provisions for possible losses			6,083	48,165	66122
Operating Profit			**15,289**	**38,222**	**112,558**
Non-Operating Income/ Expenses			0	0	704
Return From Loan Loss Provision			0	0	0
Profit From Ordinary activities			**15,289**	**38,222**	**113,262**
Extra ordinary Income /Expenses			0	0	0
Net Profit including all activities			**15,289**	**38,222**	**113,262**
Provision For Staff Bonus			1,390	3,475	10296
Provision For Income Tax			4,268	10,424	31098
-This Year				9,172	33962
-Up to Last Year					270
Deferred tax				1,253	-3134
Net Profit / Loss			**9,631**	**24,323**	**71,868**
Financial Indicators					
Core Capital to Risk Weighted Assets			69.29%	18.83%	18.24%
Capital Fund to Risk Weighted Assets			0.00%	19.36%	19.09%
Non Performing Loan to Total Loan			0.00%		0.49%
Weighted Average Interest Spread			3.24%	2.84%	3.31%
Net Interest Income (Rs. in thousand)			42,452	243,455	390,584
Return on Assets			0.41%	0.51%	0.66%
Credit to Deposit			70.00%	89.63%	87.55%
Liquid Assets to Total Assets			64.08%	22.74%	22.86%
Liquid Assets to Total Deposit			175.14%	30.65%	28.34%

29. Civil Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital				1,200,000	1200000
Reserves and Surplus				4,600	31835
Debenture & Bond				0	0
Borrowing				220,754	460629
Deposit				2,952,327	8807545
Bills Payable				1,154	1841
Proposed & Payable dividend				0	0
Tax Liabilities				0	0
Other Liabilities				31,838	199445
Total Liabilities				**4,410,673**	**10,701,295**
Cash Balance				50,098	207489
Balance With NRB				227,958	828368
Bank Balance with Banks				249,266	288852
Money At call				283,917	0
Investment				258,842	1328482
Loan and Advances				3,123,607	7751524
Fixed Assets				181,033	221586
Non- Banking Assets					0
Other Assets				35,952	74994
Total Assets				**4,410,673**	**10,701,295**
Interest Income				195,968	761973
Interest Expenses				97,225	562866
Net Interest Income				**98,743**	**199,107**
Commission and discount				8,798	32092
Other Operating Income				12,803	38198
Exchange Income				4,092	27222
Total Operating Income				**124,436**	**296,619**
Employees Expenses				42,642	87449
Other Operating Expenses				48,413	119627
Exchange Loss					0
Operating Profit Before Provision				**33,381**	**89,543**
Provisions for possible losses				31,551	46747
Operating Profit				**1,830**	**42,796**
Non-Operating Income/ Expenses				0	0
Return From Loan Loss Provision				0	0
Profit From Ordinary activities				**1,830**	**42,796**
Extra ordinary Income /Expenses				0	0
Net Profit including all activities				**1,830**	**42,796**
Provision For Staff Bonus				166	3891
Provision For Income Tax				499	11672
-This Year				(1,472)	7737
-Up to Last Year					0
Deferred tax				1,971	3935
Net Profit / Loss				**1,165**	**27,233**
Financial Indicators					
Core Capital to Risk Weighted Assets				20.77%	13.34%
Capital Fund to Risk Weighted Assets				21.32%	14.19%
Non Performing Loan to Total Loan				0.00%	0
Weighted Average Interest Spread				2.50%	2.79%
Net Interest Income (Rs. in thousand)				98,743	199,107
Return on Assets				0.03%	0.25%
Credit to Deposit				106.87%	88.90%
Liquid Assets to Total Assets				23.86%	23.31%
Liquid Assets to Total Deposit				35.64%	28.32%

30. Century Commercial Bank Ltd.

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital				1,080,000	1,080,000
Reserves and Surplus				43,104	75,695
Debenture & Bond					0
Borrowing				58,361	0
Deposit				1,358,878	4,456,701
Bills Payable					8,608
Proposed & Payable dividend					0
Tax Liabilities				19,874	0
Other Liabilities				60,087	33,248
Total Liabilities				**2,620,304**	**5,654,252**
Cash Balance				78,170	119,892
Balance With NRB				0	363,903
Bank Balance with Banks				0	30,458
Money At call				579,000	39,002
Investment				612,040	595,477
Loan and Advances				1,175,447	4,159,725
Fixed Assets				94,097	179,411
Non- Banking Assets					0
Other Assets				81,550	166,384
Total Assets				**2,620,304**	**5,654,252**
Interest Income				65,675	375,736
Interest Expenses				23,214	259,423
Net Interest Income				**42,461**	**116,313**
Commission and discount				537	7,584
Other Operating Income				9,993	26,496
Exchange Income				141	3,499
Total Operating Income				**53,132**	**153,892**
Employees Expenses				11,591	39,954
Other Operating Expenses				18,891	81,605
Exchange Loss					0
Operating Profit Before Provision				**22,650**	**32,333**
Provisions for possible losses				11,873	30,588
Operating Profit				**10,777**	**1,745**
Non-Operating Income/ Expenses				24,044	1,413
Return From Loan Loss Provision					0
Profit From Ordinary activities				**34,821**	**3,158**
Extra ordinary Income /Expenses				0	0
Net Profit including all activities				**34,821**	**3,158**
Provision For Staff Bonus				3,165	287
Provision For Income Tax				9,496	1,949
-This Year					0
-Up to Last Year					0
Deferred Tax					1,949
Net Profit / Loss				**22,160**	**922**
Financial Indicators					
Core Capital to Risk Weighted Assets				42.08%	22.43%
Capital Fund to Risk Weighted Assets				41.64%	23.26%
Non Performing Loan to Total Loan				0.00%	0.00%
Weighted Average Interest Spread				3.12%	3.29%
Net Interest Income (Rs. in thousand)				42,461	116,313
Return on Assets				1.09%	0.02%
Credit to Deposit				87.37%	94.29%
Liquid Assets to Total Assets				48.44%	19.56%
Liquid Assets to Total Deposit				93.40%	24.82%

31. Commerz and Trust Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital				1,400,000	1,400,000
Reserves and Surplus				23,333	38,519
Debenture & Bond					0
Borrowing				190,307	43,975
Deposit				2,487,864	6,332,049
Bills Payable					0
Proposed & Payable dividend					0
Tax Liabilities				4,188	0
Other Liabilities				57,646	40,763
Total Liabilities				**4,163,338**	**7,855,306**
Cash Balance				61,492	142,535
Balance With NRB				93,642	1,070,889
Bank Balance with Banks				80,850	109,192
Money At call				558,268	65,765
Investment				700,857	664,769
Loan and Advances				2,466,373	5,592,654
Fixed Assets				120,012	122,188
Non- Banking Assets					0
Other Assets				81,844	87,314
Total Assets				**4,163,338**	**7,855,306**
Interest Income				270,699	581837
Interest Expenses				138,311	417453
Net Interest Income				**132,388**	164384
Commission and discount				4,524	19861
Other Operating Income				12,325	28060
Exchange Income				1,835	5027
Total Operating Income				**151,072**	**217,332**
Employees Expenses				34,025	60341
Other Operating Expenses				53,014	103206
Exchange Loss					0
Operating Profit Before Provision				**64,033**	**53,785**
Provisions for possible losses				27,613	45809
Operating Profit				**36,420**	**7,976**
Non-Operating Income/ Expenses				0	0
Return From Loan Loss Provision				0	16930
Profit From Ordinary activities				**36,420**	**24,906**
Extra ordinary Income /Expenses				0	0
Net Profit including all activities				**36,420**	24906
Provision For Staff Bonus				3,311	2264
Provision For Income Tax				10,341	7456
-This Year				12,688	7846
-Up to Last Year					0
Deferred Tax				(2,347)	-390
Net Profit / Loss				**22,768**	**15,186**
Financial Indicators					
Core Capital to Risk Weighted Assets				26.80%	19.80%
Capital Fund to Risk Weighted Assets				27.28%	20.58%
Non Performing Loan to Total Loan				0.00%	0.00%
Weighted Average Interest Spread				3.00%	3.73%
Net Interest Income (Rs. in thousand)				132,388	164384
Return on Assets				0.55%	0.19%
Credit to Deposit				100.14%	89.22%
Liquid Assets to Total Assets				35.62%	25.94%
Liquid Assets to Total Deposit				59.60%	32.19%

32. Sanima Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital					2016000
Reserves and Surplus					113580
Debenture & Bond					0
Borrowing					88250
Deposit					11178734
Bills Payable					0
Proposed & Payable dividend					110880
Tax Liabilities					0
Other Liabilities					215021
Total Liabilities					13722465
Cash Balance					256198
Balance With NRB					1005249
Bank Balance with Banks					111615
Money At call					0
Investment					2105770
Loan and Advances					9531505
Fixed Assets					479044
Non- Banking Assets					0
Other Assets					233084
Total Assets					**13722465**
Interest Income					1172200
Interest Expenses					753617
Net Interest Income					**418583**
Commission and discount					11251
Other Operating Income					44619
Exchange Income					0
Total Operating Income					**474453**
Employees Expenses					79987
Other Operating Expenses					151864
Exchange Loss					175
Operating Profit Before Provision					**242427**
Provisions for possible losses					52493
Operating Profit					**189934**
Non-Operating Income/ Expenses					678
Return From Loan Loss Provision					0
Profit From Ordinary activities					**190612**
Extra ordinary Income /Expenses					0
Net Profit including all activities					**190612**
Provision For Staff Bonus					17328
Provision For Income Tax					51515
-This Year					51892
-Up to Last Year					109
Deferred Tax					-486
Net Profit / Loss					121769
Financial Indicators					
Core Capital to Risk Weighted Assets					19.86%
Capital Fund to Risk Weighted Assets					20.79%
Non Performing Loan to Total Loan					0.48%
Weighted Average Interest Spread					3.38%
Net Interest Income (Rs. in thousand)					418583
Return on Assets					0.89%
Credit to Deposit					86.25%
Liquid Assets to Total Assets					24.63%
Liquid Assets to Total Deposit					30.24%

Consolidated Financials of the Public Banks (2011/12) (Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12p
Capital	12,330,183	12,330,183	10,990,200	11,026,983	16,744,738
Reserves and Surplus	(28,463,151)	(18,820,214)	(13,591,576)	(10,267,052)	(8,126,316)
Debenture & Bond	0	0	2,300,000	2,300,000	2,300,000
Borrowing	4,594,471	6,042,523	6,424,453	6,898,914	6,004,096
Deposit	138,724,169	148,514,769	143,225,629	155,122,912	187,066,387
Bills Payable	120,522	80,621	78,460	0	74,767
Proposed & Payable dividend	57,157	341,025	364,687	276,000	0
Tax Liabilities	365,242	597,719	1,101,706	1,340,904	2,118,959
Other Liabilities	11,316,522	19,005,570	30,298,231	26,367,099	24,387,709
Total Liabilities	**139,045,115**	**168,092,196**	**181,191,790**	**193,065,760**	**230,570,340**
Cash Balance	10,727,750	4,943,703	4,615,081	22,554,225	39,611,789
Balance With NRB	6,237,372	17,750,265	17,374,248	0	0
Bank Balance with Banks	1,916,591	3,456,772	3,728,125	0	0
Money At call	599,995	2,644,198	1,611,342	510,539	512,300
Investment	35,771,230	33,709,641	23,345,347	30,178,150	45,701,861
Loan and Advances	65,044,378	76,405,926	87,677,826	98,035,906	107,512,805
Fixed Assets	1,454,230	1,504,935	2,187,450	2,277,897	2,853,960
Non- Banking Assets	51,453	23,317	634,377	526,078	126,130
Other Assets	17,242,116	27,653,440	40,017,994	38,982,965	34,251,495
Total Assets	**139,045,115**	**168,092,196**	**181,191,790**	**193,065,760**	**230,570,340**
Interest Income	8,764,801	10,365,389	12,537,567	14,864,265	16,416,978
Interest Expenses	3,439,450	3,016,560	3,659,377	5,997,993	8,093,529
Net Interest Income	**5,325,351**	**7,348,829**	**8,878,190**	**8,866,272**	**8,323,449**
Commission and discount	731,481	940,711	930,688	938,415	800,415
Other Operating Income	665,178	734,564	496,074	651,366	847,950
Exchange Income	131,362	143,403	76,815	(14,433)	186,729
Total Operating Income	**6,853,372**	**9,167,507**	**10,381,767**	**10,441,620**	**10,158,543**
Employees Expenses	4,071,613	5,516,293	6,875,205	5,697,213	5,732,055
Other Operating Expenses	876,896	991,022	1,002,668	1,248,635	1,491,500
Exchange Loss	30,484	0	18,643	1,268	0
Operating Profit Before Provision	**1,874,379**	**2,660,192**	**2,485,251**	**3,494,504**	**2,934,988**
Provisions for possible losses	3,361,590	3,000,045	2,924,380	2,959,882	2,959,166
Operating Profit	**(1,487,211)**	**(339,853)**	**(439,129)**	**534,622**	**(24,178)**
Non-Operating Income/ Expenses	100,150	753,402	117,212	237,497	205,206
Return From Loan Loss Provision	5,333,130	3,390,263	4,419,864	2,997,181	3,502,405
Profit From Ordinary activities	**3,946,069**	**3,803,811**	**4,097,947**	**3,769,300**	**3,683,433**
Extra ordinary Income /Expenses	(880,148)	1,410,249	878,973	772,806	843,288
Net Profit including all activities	**3,065,921**	**5,214,060**	**4,976,920**	**4,542,106**	**4,526,721**
Provision For Staff Bonus	232,929	403,811	336,749	345,019	338,236
Provision For Income Tax	155,767	934,713	308,499	(311,087)	704,882
-This Year	0	0	0	398,984	991
-Up to Last Year	0	0	0	0	0
Deferred Tax	0	0	0	789,296	(19,319)
Net Profit / Loss	**2,677,225**	**3,875,536**	**4,331,672**	**4,508,174**	**3,483,603**

Consolidated Financials of the Private Banks (2011/12) (Rs. 000)

Capital and Liabilities	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital	19,099,758	29,059,364	39,937,758	49,456,184	56,433,072
Reserves and Surplus	6,415,176	11,610,367	13,191,394	16,383,442	20,580,228
Debenture & Bond	3,450,000	3,727,770	3,727,770	3,727,770	4,627,770
Borrowing	6,837,855	8,708,588	7,232,482	11,905,910	2,547,921
Deposit	294,047,480	415,628,591	487,607,044	532,443,618	680,835,736
Bills Payable	1,295,848	1,742,759	1,355,065	1,129,425	1,410,646
Proposed & Payable dividend	1,534,834	2,094,286	4,234,081	4,848,572	4,391,529
Tax Liabilities	147,431	196,302	136,065	158,235	107,747
Other Liabilities	11,016,644	16,815,945	8,518,674	10,005,762	11,259,287
Total Liabilities	**343,845,026**	**489,583,974**	**565,940,333**	**630,058,917**	**782,193,936**
Cash Balance	8,610,596	10,888,577	12,959,750	16,730,095	19,807,631
Balance With NRB	15,125,411	36,626,258	33,892,294	32,107,475	82,874,328
Bank Balance with Banks	9,793,666	14,048,720	14,493,660	11,872,790	14,442,690
Money At call	9,228,330	11,180,177	13,359,683	14,620,570	6,711,053
Investment	73,451,958	97,065,232	112,833,164	118,631,033	135,131,468
Loan and Advances	216,328,416	303,811,779	360,143,093	413,502,271	495,542,734
Fixed Assets	5,555,950	7,956,018	9,972,252	11,322,086	13,043,981
Non- Banking Assets	148,137	279,893	0	0	0
Other Assets	5,602,562	7,727,321	8,286,437	11,272,598	14,640,051
Total Assets	**343,845,026**	**489,583,974**	**565,940,333**	**630,058,917**	**782,193,936**
Interest Income	19,252,039	29,239,474	44,139,221	59,515,681	68,314,055
Interest Expenses	8,842,101	14,797,835	24,935,707	36,789,153	44,104,976
Net Interest Income	**10,409,938**	**14,441,639**	**19,203,514**	**22,726,529**	**24,209,079**
Commission and discount	1,601,282	2,024,320	2,388,312	2,812,842	3,431,716
Other Operating Income	963,902	1,420,649	1,743,003	1,905,033	2,285,502
Exchange Income	1,492,469	1,980,648	1,908,363	1,852,120	2,635,460
Total Operating Income	**14,467,591**	**19,867,256**	**25,243,192**	**29,296,523**	**32,561,757**
Employees Expenses	2,134,394	2,807,115	3,592,285	4,728,758	5,671,704
Other Operating Expenses	2,726,874	3,824,846	4,972,062	6,168,742	7,402,942
Exchange Loss	97	0	0	0	175
Operating Profit Before Provision	**9,606,226**	**13,235,294**	**16,678,845**	**18,399,023**	**19,486,936**
Provisions for possible losses	1,918,573	1,751,006	2,844,219	3,569,812	4,617,305
Operating Profit	**7,687,653**	**11,484,288**	**13,834,626**	**14,829,209**	**14,869,631**
Non-Operating Income/ Expenses	114,769	67,774	204,830	253,888	386,508
Return From Loan Loss Provision	3,139,802	3,192,402	2,696,174	2,378,238	4,118,058
Profit From Ordinary activities	**10,942,224**	**14,744,465**	**16,735,630**	**17,461,336**	**19,374,197**
Extra ordinary Income /Expenses	(1,034,521)	(212,479)	(728,436)	(1,705,802)	(1,894,430)
Net Profit including all activities	**9,907,703**	**14,531,985**	**16,007,194**	**15,755,534**	**17,479,767**
Provision For Staff Bonus	904,346	1,321,092	1,455,261	1,361,717	1,588,201
Provision For Income Tax	2,606,669	3,373,574	4,181,524	4,426,682	4,136,816
-This Year	0	26,690	0	2,168,013	4,828,920
-Up to Last Year	0	(335)	(3,797)	17,609	11,747
Deferred Tax	0	0	0	23,862	(224,034)
Net Profit / Loss	**6,396,688**	**9,837,319**	**10,370,409**	**9,967,135**	**11,754,750**

Consolidated Financials of the Commercial Banks (2011/12) (Rs. 000)

Capital and Liabilities	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
Capital	31429941	41389547	50927958	60483167	73177810
Reserves and Surplus	(22047975)	(7209847)	(400182)	6116390	12453912
Debenture & Bond	3450000	3727770	6027770	6027770	6927770
Borrowing	11432326	14751112	13656935	18804824	8552017
Deposit	432771649	564143360	630832673	687566530	867902123
Bills Payable	1416370	1823380	1433525	1129425	1485413
Proposed & Payable dividend	1591991	2435311	4598768	5124572	4391529
Tax Liabilities	512673	794021	1237771	1499139	2226706
Other Liabilities	22333166	35821515	38816905	36372861	35646996
Total Liabilities	**482890141**	**657676170**	**747132123**	**823124677**	**1012764276**
Cash Balance	19338346	15832280	17574831	39284320	59419420
Balance With NRB	21362783	54376523	51266542	32107475	82874328
Bank Balance with Banks	11710257	17505491	18221785	11872790	14442690
Money At call	9828325	13824374	14971025	15131109	7223353
Investment	109223188	130774873	136178511	148809183	180833329
Loan and Advances	281372794	380217705	447820919	511538177	603055539
Fixed Assets	7010180	9460952	12159702	13599983	15897941
Non- Banking Assets	199590	303210	634377	526078	126130
Other Assets	22844678	35380761	48304431	50255563	48891546
Total Assets	482890141	657676170	747132123	823124677	1012764276
Interest Income	28016840	39604863	56676788	74379946	84731033
Interest Expenses	12281551	17814395	28595084	42787146	52198505
Net Interest Income	**15735289**	**21790469**	**28081704**	**31592801**	**32532528**
Commission and discount	2332763	2965031	3319000	3751257	4232131
Other Operating Income	1629080	2155213	2239077	2556399	3133452
Exchange Income	1623831	2124051	1985178	1837687	2822189
Total Operating Income	**21320963**	**29034763**	**35624959**	**39738143**	**42720300**
Employees Expenses	6206007	8323409	10467490	10425971	11403759
Other Operating Expenses	3603770	4815868	5974730	7417377	8894442
Exchange Loss	30581	0	18643	1268	175
Operating Profit Before Provision	**11480605**	**15895486**	**19164096**	**21893527**	**22421924**
Provisions for possible losses	5280163	4751051	5768599	6529694	7576471
Operating Profit	**6200442**	**11144435**	**13395497**	**15363832**	**14845453**
Non-Operating Income/ Expenses	214919	821176	322042	491385	591714
Return From Loan Loss Provision	8472932	6582665	7116038	5375419	7620463
Profit From Ordinary activities	**14888293**	**18548276**	**20833577**	**21230637**	**23057630**
Extra ordinary Income /Expenses	(1914669)	1197770	150537	(932996)	(1051142)
Net Profit including all activities	**12973624**	**19746046**	**20984114**	**20297641**	**22006488**
Provision For Staff Bonus	1137275	1724903	1792010	1706736	1926437
Provision For Income Tax	2762436	4308287	4490023	4115595	4841698
-This Year	0	26690	0	2566997	4829911
-Up to Last Year	0	(335)	(3797)	17609	11747
Deferred Tax	0	0	0	813158	(243353)
Net Profit / Loss	**9073913**	**13712856**	**14702081**	**14475310**	**15238353**

P indicates Provisional
Source: Annual Reports of all Commercial Banks